Chapter III:
Financial Reporting Practices

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This chapter provides broad based perspective of quality of the State Government Accounts rendered by various authorities of the State Government and status of compliance with prescribed financial rules, procedures and directives.

Compliance with financial rules, procedures and directives as well as the completeness, timeliness and quality of reporting on the status of such compliance enhances relevance and reliability of the information presented in the financial reports.

Issues related to completeness of accounts

3.1 Off -Budget Borrowings through State owned PSUs/Authorities

Article 293(3) of the Constitution of India mandates consent of Government of India (GoI) for a State Government's borrowing if it has any outstanding loans or guarantees from GoI. Further, the XVth Finance Commission recommended that the Normal Net Borrowing Ceiling (NBC) to the State Governments for 2023-24 to 2025-26 may be fixed at three *per cent* of GSDP.

Bypassing the above stipulated net borrowing ceiling by routing loans outside budget through various State Government Public Sector Undertaking (SPSUs)/ Corporations/other Bodies despite the State being responsible for repayment of such loans poses significant risk to fiscal health and transparency in the Government finances. Borrowing ceilings for a financial year of the State Governments are being now reduced by GoI to the extent of Off-Budget Borrowings (OBB).

The Bihar Fiscal Responsibility and Budget Management (BFRBM) Act, 2006, outlined that the State Government shall take suitable measures to ensure greater transparency in its fiscal operations in public interest by disclosing the actual liabilities arising out of Off-Budget Borrowings by PSUs, Special Purpose Vehicles (SPVs) and other equivalent instruments where liability for repayment is on the State Government. Further, the BFRBM Act 2006, also provided that the 'Medium Term Fiscal Policy (MTFP) Statement' laid before the Legislature along with Budget documents shall contain three-year rolling targets with respect to Revenue Deficit, Fiscal Deficit and total outstanding debt[1] of the State.

[1] *As defined in the BFRBM Act, 2006 total outstanding debt of the State includes Internal Debt, Loans and Advances from GoI, Small Savings, Provident Funds, etc., Reserve funds and Deposits.*

For the year 2024-25, debt stock was targeted as 35.67 *per cent* under the BFRBM Act. Besides, for the year 2024-25, GoI had fixed a borrowing ceiling of ₹ 29,759.91 crore (three *per cent* of GSDP) for the State.

The State Government did not provide details of Off-Budget Borrowings in its budget 2024-25. However, no Off-Budget Borrowings were availed by the State during the year 2024-25. As per information received from the Government, the outstanding Off-Budget Borrowings as on 31 March 2025 were ₹ 1,823 crore. Details of Off-Budget Borrowings are as detailed in **Table 3.1**.

Table 3.1: Details of Off-Budget Borrowings as on 31 March 2025 (as disclosed by the State Government)

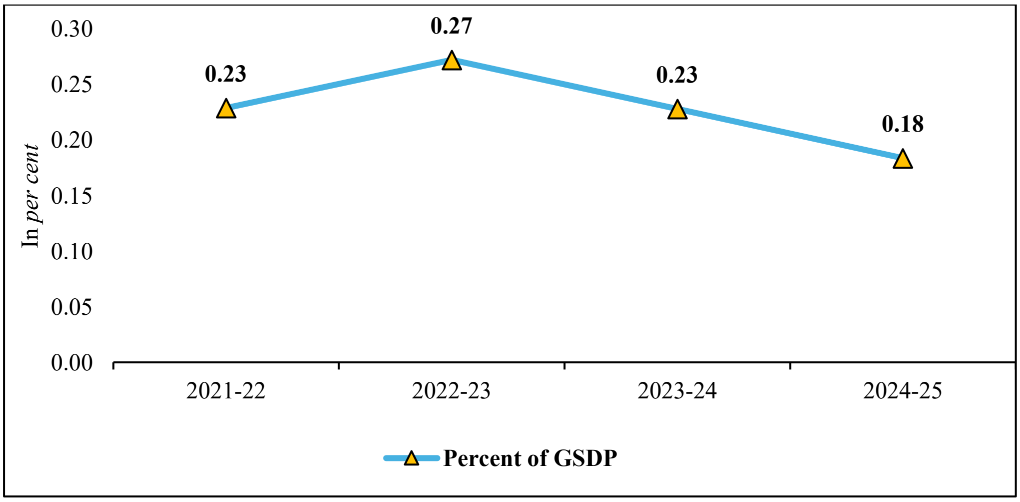
(₹ in crore)

Entities borrowed on behalf of Government	Loan Sanctioned	Loan disbursed	Purpose of loan	Outstanding loan as on 31 March 2025
Bihar State Road Development Corporation Ltd, Patna	2,000.00	1,260.25	Construction of J.P Ganga Path	1,135.49
Bihar Rural Road Development Agency under Rural Works Department	2,820.41	1,100.00	Implementation of Gram Tola Sampark Nischay Yojana	687.51
			Total	**1,823.00**

Source: Information provided by the Finance Department, GoB

Total outstanding Off-Budget Borrowings as a percentage of GSDP are depicted in **Chart 3.1**.

Chart 3.1: Outstanding Off-Budget Borrowings as a percentage of GSDP as on 31 March 2025



Source: Information provided by the Finance Department, GoB

These borrowings were being serviced from the budget of the State Government. During 2024-25, respective PSUs repaid Off-Budget Borrowings of ₹ 365.12 crore from the financial assistance received from the State Government as detailed in **Table 3.2**.

Table 3.2: Details of assistance for payment of interest and repayment of principal during 2024-25

(₹ in crore)

Sl. No.	Name of the Entities	Assistance for payment towards interest Amount	Assistance for re-payment towards principal amount
1	Housing & Urban Development Corporation Limited	118.25	85.35
2	Bihar Rural Roads Development Agency, Rural Works Department, GoB	69.86	91.66
	Total	**188.11**	**177.01**

Source: Information provided by the Finance Department, GoB

Non-disclosure of Off-Budget Borrowings in the budget documents renders the financial position of the State Government opaque. Although, the State did not take OBB during 2024-25, it extended assistance to its SPVs for payment of interest and repayment of principal of earlier OBB.

3.2 Undischarged liabilities of the Government

Undischarged liabilities, such as non-transfer of collected cess to designated bodies or short remittances to the National Pension System (NPS), *etc*., can have significant long-term fiscal and governance implications. These unpaid obligations accumulate over time, creating hidden liabilities that distort the true financial position of the State. Further, delays in cess transfer hinder the intended development or welfare outcomes, defeating the purpose for which such levies were imposed. Similarly, short transfers to NPS not only violate statutory commitments but also compromise the financial security of employees. Over the years, such practices may erode trust, trigger legal liabilities and increase future expenditure obligations, thereby, constraining fiscal space and weakening fiscal sustainability. Such cases are discussed in succeeding paragraphs.

3.2.1 Undischarged Interest liability

Reserve funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of State or from outside agencies. On the other hand, interest-bearing deposits in the Public Account of a State are funds held by the Government in trust, for which interest is paid, typically comprising specific Reserve Funds and certain personal/civil deposits. The Government has a liability to provide for and pay interest on amounts in the Interest-Bearing Deposits/Reserve Funds.

Audit observed that an interest of ₹ 394.11 crore was to be paid against the balance of ₹ 3,900.11 crore (as on 01 April 2024) pertaining to interest bearing deposits/ reserve funds. However, the State made payment of only ₹ 89.67 crore towards the interest occurred and remaining ₹ 304.44 crore was required to be paid as shown in **Table 3.3**.

Table 3.3: Details of interest liability not discharged in respect of Interest-Bearing Deposits/Reserve Funds

(₹ in crore)

Sl. No.	Name of the interest-bearing deposit	Opening Balance as on 1 April 2024	Basis for calculation of interest	Amount of interest not provisioned
1.	Defined Contribution Pension Scheme for Government employees *(Refer to Paragraph 3.2.2)*	50.80	Interest calculated at the rate of 7.1 *per cent*, as notified by the Department of Economic Affairs (DEA), MoF.	3.61
2.	State Compensatory Afforestation Fund	289.47	Interest calculated at the rate of 3.35 *per cent*, as notified by the Ministry of Environment, Forest & Climate Change, GoI.	13.21
3.	State Disaster Respond Fund	2,800.04	Interest calculated at the rate of 8.46 *per cent* charged on overdraft by RBI (Repo rate plus 2)	219.96
4.	State Disaster Mitigation Fund	759.80	Interest calculated at the rate of 8.46 *per cent* charged on overdraft by RBI (Repo rate plus 2)	67.66
	Total	**3,900.11**		**304.44**

Source: Finance Accounts 2024-25, GoB

Non-payment of interest liability of ₹ 304.44 crore resulted in understatement of Revenue Expenditure which understated the Revenue Deficit and Fiscal Deficit to that extent.

Non-crediting of interest to Pension Funds, Afforestation Funds and other Public Account funds violated the Constitutional provisions (Articles 266), and relevant statutory requirements. This omission also resulted in understatement of liabilities, inaccurate depiction of fund balances, and misrepresentation of the State's financial position. It also exposes the State Government to recovery obligations, and penalties under applicable laws, including those relating to non-credit or delayed credit of National Pension System (NPS) contributions (₹ 3.61 crore) as prescribed under National Pension System Rules, 2021.

3.2.2 Short contribution to National Pension System

The State Government implemented the Defined Contribution Pension Scheme (DCPS) under the National Pension System (NPS) for employees appointed on or after 1 September 2005, with a 10 *per cent* employee and 14 *per cent* employer contribution from April 2019. The entire amount had to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

Details of contribution and investment under DCPS during FY 2024-25 is mentioned in **Table 3.4**.

Table 3.4: Contribution and Investment under DCPS during FY 2024-25

(₹ in crore)

Financial Year	Opening Balance	Employees' share	Government's contribution	Total	Disburse-ment (Transfer-red to NSDL)	Short transfer (-) / Excess transfer (+)
2024-25	10.24	2,348.73	3,281.94	5,640.91	4,340.10	(-)1,300.81

As can be seen from the above, Opening Balance under DCPS was ₹ 10.24 crore, as on 1 April 2024. During 2024-25, total ₹ 5,636.95 crore (Employees' contribution: ₹ 2,348.73 crore, Government's contribution: ₹ 3,288.22 crore) was required to be contributed to the NPS. The Government's contribution to the NPS was, however, ₹ 3,281.94 crore (less by ₹ 6.28 crore).

The Government transferred ₹ 4,340.10 crore from the Public Account (Major Head 8342-117 Defined Contribution Pension Scheme) to NSDL/Trustee Bank, leaving a balance of ₹ 1,300.81 crore (₹ 5,640.91 crore {including OB of ₹ 10.24 crore} minus ₹ 4,340.10 crore), as on March 31, 2025. This amount was yet to be transferred to NSDL. Besides, a closing balance of ₹ 40.56 crore (Major Head 8011-106 Other Insurance and Pension Fund) including employer's and employees' pertaining to period prior to 2020-21, was also yet to be transferred to NSDL as of 31 March 2025.

The details of the receipts from employees' share, Government's contribution and investment in pension fund during 2013-14 to 2024-25 are given in ***Appendix 3.1***.

Non-transfer of total ₹ 1,341.37 crore resulted not only in overstatement of Cash Balance of the Government to that extent but also understatement of Revenue and Fiscal Deficit to that extent. Further, due to delays in contributions and fund transfers, the State Government incurred avoidable interest of ₹ 29.84 crore.

Despite adopting the DCPS under NPS, due to delays in fund transfer, the State incurred unavoidable interest which adversely affected the employees' returns and created a deferred liability on the State.

3.2.3 Non-transfer of Building and Other Construction Workers Welfare Cess

As per Section 3(1) of the Building and Other Construction Workers' Welfare Cess Act, 1996, and in line with the Government of Bihar rules/resolution, labour cess was to be collected at the rate of one *per cent* of the cost of construction incurred by employers/builders, excluding the cost of land and any compensation payable under the Workmen Compensation Act, 1923. All Departments, Boards, Autonomous Bodies, and Local Authorities were directed to collect this cess on all construction activities, including from individuals with approved residential building plans, and deposit the same with the States' Building and Other Construction Workers' Welfare Board. The collected cess was to be utilised for social security and welfare schemes for construction workers in the State.

The Departments booked the collection of the cess under Major Head 8443-Civil Deposit-108-Public Works Deposits, which contains many other receipts apart from the cess. Therefore, a separate Sub Head (8443-00-108-0004) was opened by the Government in June 2019 for booking of the cess collected by various departments. The Head of Account was, however, not functional as on 31 March 2025. Further, the Bihar Building and Other Construction Workers' Welfare Board was collecting Labour Cess through demand draft, cheque, NEFT/RTGS and online portal also.

Opening balance of the Labour Cess was ₹ 223.78 crore, as on 01 April 2024. During FY 2024-25, Labour Cess of ₹ 124.03 crore was collected under Major Head 8443-108 and cess of ₹ 136.69 crore was transferred to the Building and Other Construction Workers' Welfare Board. Thus, the un-transferred amount ₹ 211.12 crore not only overstated the Cash Balance but also led to the understatement of Revenue Deficit and Fiscal Deficit to that extent. Delays in transferring dedicated cesses to respective funds compromised the timely execution of welfare schemes.

Audit noted that instead of adopting a standardized mechanism for routing the cess through a designated government head of account before transferring it to the Welfare Board, some agencies directly remitted collections to the Board, while others deposited them through treasury operations. In absence of a harmonised accounting framework, the completeness, accuracy, and reconciliation of cess collections and transfers could not be assured and rendered the Finance Accounts deficient to that extent. Further, these procedural variations may also create difficulties in verification and tracking of arrears.

3.2.4 National Mineral Exploration Trust Fund

The National Mineral Exploration Trust (NMET) was established in August 2015 under Section 9C (1) of the Mines and Mineral (Development and Regulation) – MMDR Act, 1957. Section 9C (4) of the Act states that the holder of a mining lease or a mineral concession shall pay the Trust a sum equivalent to two *per cent* of the royalty paid in terms of the Second Schedule, in such a manner as may be prescribed by the Central Government.

As per the NMET Rules, 2015 the State is responsible for collecting and depositing the amount thus collected into the Public Account of the State under Major Head 8449 – 123 – NMET Deposits and transferring the funds monthly to the Consolidated Fund of India. The Ministry of Mines, GoI vide F.No. 8/1/2015-NMET dated 05 April 2018 notified the accounting procedure for the Fund, under the NMET Rules.

As on 1 April 2024 Opening Balance under NMET was ₹ 2.15 crore. In FY 2024-25, ₹ 4.16 crore was deposited under this head, but only ₹ 2.36 crore was transferred to NMET by the State Government. The closing balance under the Major Head 8449-123 (as on 31 March 2025) was ₹ 3.95 crore (Opening balance ₹ 2.15 crore + ₹ 4.16 crore receipt - ₹ 2.36 crore transferred). Non-transfer of ₹ 3.95 crore resulted in not only overstatement of Cash Balance but also understatement of Revenue Deficit and Fiscal Deficit to that extent.

The State Government therefore needs to institute a robust system to ensure strict compliance with the provisions of Section 9C of the MMDR Act, 1957, the NMET Rules, and the accounting procedure prescribed by the Ministry of Mines.

3.2.5 Pendency of refund cases

Promptness in disposal of refund cases is an important indicator of performance of the Department concerned. Out of seven[2] tax collection Departments, only

[2] *Commercial Taxes, Transport, Prohibition, Excise & Registration (Registration), Prohibition, Excise & Registration (Excise), Mines & Geology, Energy and Revenue and Land Reforms.*

two departments (Commercial Taxes and Prohibition Excise & Registration (Excise)) provided data on the pendency of refund cases.

The details of refund cases during the year 2024-25, as reported by the departments concerned are at **Table 3.5**.

Table 3.5: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	GST		Sales Tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	136	27.69	312	22.48	123	3.71
2.	Claims received during the year	985	153.95	195	59.11	4	0.22
3.	Refunds made during the year	257	43.61	58	11.09	5	1.16
4.	Refunds rejected during the year	734	105.48	319	28.68	0	0.00
5.	Balance outstanding at the end of the year	130	32.55	130	41.82	122	2.77

Source: Information provided by the concerned entity of GoB

In absence of complete data, Audit could not assess the actual position of pendency of refund cases of the State.

3.3 Funds outside Government Accounts

Article 266 (1) of the Constitution of India, provides that all revenues received by the Government of a State, all loans raised by that Government and all moneys received as repayment of loans, shall form one consolidated fund to be entitled "the Consolidated Fund of the State". Article 266 (2) 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 State Government imposed various Cess/Levies for meeting expenditure for specific purposes. Audit collected information/data regarding cesses being levied by the Departments concerned which are discussed below:

i Road Safety Cess

In Bihar, the Road Safety Cess (RSC) was levied and collected as per the provisions of Section 6 of the Bihar Motor Vehicles (MV) Taxation (Amendment) Act, 2016. To manage and administer the Road Safety Cess, the State Government notified (March 2017) the "Bihar Road Safety Fund (BRSF)".

The Transport Department, GoB, notified (03/2017), 0041-00-102-0002-'Receipts from levy of Road Safety Cess' as Head of Accounts (HoA) for the receipt of the Cess and 2041-00-101-0005- 'Contribution of receipts from Road Safety Cess' (RSC) as HoA for incurring expenditure under the designated Major Heads. Although, the State Government notified this, but it did not create a specific Fund for the RSC till 31 March 2025, and the Road Safety Cess collected was being kept in a bank account.

During the year 2024-25, the Government collected ₹ 207.82 crore as Road Safety Cess but transferred only ₹ 2.41 crore (2023-24: ₹ 23.77 crore) to the designated bank account maintained by the State Road Safety Council instead of Public Account which violates Article 266(2) of the Constitution. Short transfer of the Cess not only overstated the cash balance but also understated the Revenue and Fiscal Deficit to that extent.

ii Land Cess

In Bihar, four different Cesses are levied on Lagaan (Rent) for supporting rural development and local body functions. The Revenue and Land Reforms Department, GoB, levied and collected Health (50 *per cent*), Education (50 *per cent*), Road (25 *per cent*) and Agriculture (20 *per cent*) cesses on Lagaan (Rent) levied by it. During 2024-25, the Government collected Land Cess of ₹ 0.79 crore (2023-24: ₹ 1.49 crore) under Major Head 0029-00-103-0002.

As the Major Head 0029-00-103-0002 also included other receipts related to 'Rates and Cesses on Land', therefore the amounts collected as Land Cess were not earmarked or distinctly accounted for, and expenditure against the cess was often booked under general heads without clear linkage to specific developmental activities. Further, the State was yet to create a dedicated fund for collection, transfer and utilisation of the Cess.

The matter was raised with the Finance Department, GoB but the reply is still awaited (January 2026)

3.3.1 Maintenance of Bihar Electricity Regulatory Commission Funds in bank accounts instead of Public Account of the State

As per Article 266(2) of the Constitution of India 'all other public moneys received by or on behalf of the Government of State shall be credited to the Public Account of the State'.

The Bihar Electricity Regulatory Commission was constituted under the Electricity Act, 2003. Section 103 of the Act stipulates creation of a fund called the 'Bihar Electricity Regulatory Commission Fund, 2011 (BERCF)' wherein receipts[3] of the Commission were to be credited and expenses therefrom made. However, the Government of Bihar instead enacted the BERC (Fund) Rules,

[3] *(a) Any grants and loans made to the State Commission by the State Government; (b) all fees received by the State Commission under this Act; and (c) all sums received by the State Commission from any other sources, as may be decided by the State Government*

2011, in terms of which (Rule 7), the BERCF account was to be operated in a nationalised bank for accommodating such receipts and making expenses. This violated the constitutional mandate by allowing public money to be kept in a scheduled bank account, instead of Public Account of the State. As of March 2024, ₹ 44.08 crore remained in the bank account of BERCF, instead of the Public Account of the State. Resultantly, not only did the Constitutional mandate stand violated, but the Public Account balance was also understated by ₹ 44.08 crore, which could have helped to finance the Fiscal Deficit of the State.

Issues related to transparency

3.4 Delay in submission of Utilisation Certificates

Rule 341 (2) of the Bihar Financial Rules, 1950, prescribes that where Grants-in-aid (GIA) are sanctioned and cases in which conditions are attached to the utilisation of grants-in-aid in the form of specification of particular objects 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 bill was drawn should be primarily responsible for certifying to the Accountant General, the fulfilment of the conditions attached to the grants-in-aid. Further, Rule 271 (e) of the Bihar Treasury Code (BTC), 2011, stipulates that Utilisation Certificates (UCs) shall be submitted within 18 months from the date of release of GIA.

During the year 2024-25, 71,968 UCs amounting to ₹ 1,31,361.32 crore became due for submission. At the beginning of the year (April 2024), UCs amounting to ₹ 70,877.61 crore were outstanding and during the year, outstanding UCs amounting to ₹ 39,228.57 crore were cleared, leaving outstanding UCs of ₹ 92,132.75 crore (***Appendix 3.2***) as on 31 March 2025 as given in **Table 3.6**.

Table 3.6: Age-wise pendency of Utilisation Certificates

(₹ in crore)

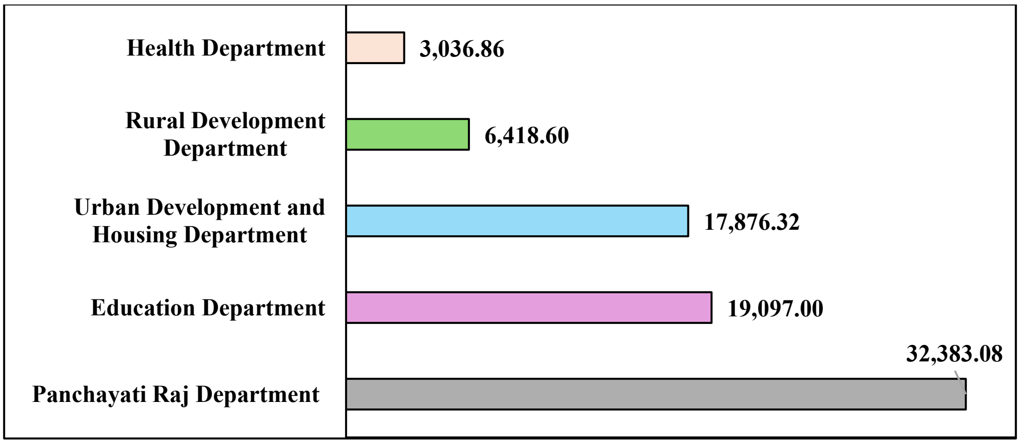
UC due year*	Number of pending UCs	Amount
Prior to 2019-20	3,505	21,515.36
2019-20	9,241	6,482.14
2020-21	15,544	7,443.46
2021-22	12,695	13,374.03
2022-23	15,538	23,046.38
2023-24 (sanctioned up to September 2023)	6,109	20,271.38
Total	**62,632**	**92,132.75**

Source: Finance Accounts 2024-25, GoB
****The year mentioned above relates to "Due year", i.e., after 18 months of actual drawal.***

Top five Departments with the maximum amount of outstanding UCs as on 31 March 2025 are shown in **Chart 3.2**.

Chart 3.2: Top five Departments with the maximum amount of Outstanding UCs as on 31 March 2025

(₹ in crore)



Source: Office of the Pr. Accountant General (A&E), Bihar

A substantial number of UCs involving grants released over multiple years remained outstanding as of the audit period, with sizeable amounts remaining unverified regarding actual utilisation. Further, continued release of grants to implementing agencies despite pendency of UCs indicates deficient systemic controls and ineffective review by the Administrative Departments and Finance Department.

Since non-submission of UCs is fraught with the risk of misutilisation, it is imperative that the State Government should monitor this aspect closely and hold the persons concerned accountable for submission of UCs in a timely manner.

The matter was raised with the Finance Department, GoB, but the reply is awaited (January 2026).

3.5 Abstract Contingent bills

When money is required in advance or when they are not able to calculate the exact amount required, Drawing and Disbursing Officers (DDOs) are permitted to draw money without supporting documents, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the service head. Expenditure through AC Bills should be done only for meeting contingent expenses and not for carrying out planned activities.

Rule 177 of BTC, 2011, provides that a certificate shall be furnished by the Drawing and Disbursing Officer (DDO) to the effect that money withdrawn on the contingent bill shall be spent within the same financial year and that unspent amount shall be remitted to the Treasury before 31 March of the year. Further, as per Rule 194 of the BTC, 2011, in no case should the submission of the detailed bill be delayed beyond the end of the sixth month following that in which the abstract contingent bill was drawn from the Treasury. Delayed submission or prolonged non-submission of Detailed Contingent (DC) bills may affect the completeness and correctness of accounts.

The details of AC bills, pending adjustment, as on 31 March 2025 is given in **Table 3.7**.

Table 3.7: Age-wise pending adjustment of AC bills

(₹ in crore)

Year	Opening Balance		Addition during the year		Adjustment made during the year		Closing Balance	
	No. of AC bills pending for adjustment	Amount	No. of AC bills drawn	Amount	No. of DC bills submitted	Amount	No. of AC bills pending for adjustment	Amount
Up to 2022-23	14,643	3,752.82	4,382	6,149.30	3,621	4,141.85	15,404	5,760.27
2023-24	15,404	5,760.27	5,088	4,718.24	2,919	1,088.23	17,573	9,390.28
2024-25*	17,573	9,390.28	2,038	1,016.94	124	45.48	19,487	10,361.74

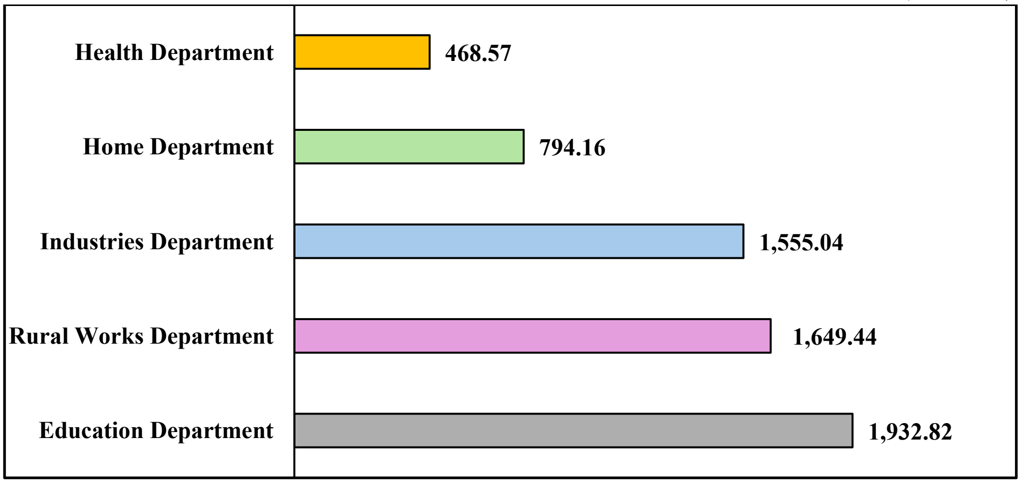
Source: Finance Accounts 2024-25, GoB

**** AC Bills drawn up to September 2024 have been taken into the account***

During 2024-25, total 2,038 AC bills amounting to ₹ 1,016.94 crore were drawn, of which 1,366 AC bills amounting to ₹ 679.36 crore (66.80 *per cent)* were drawn in March 2025. During 2024-25, 124 AC bills amounting to ₹ 45.48 crore were adjusted. Besides, 1,042 AC bills amounting to ₹ 737.24 crore were also adjusted partially during the year 2024-25 *i.e.*, up to 31 March 2025. Out of ₹ 10,361.74 crore, ₹ 5,513.69 crore pertained to Capital Expenditure under different Major Heads (4515, 4202, 4210, and 4851) which was planned activities ***(Appendix 3.3***). DC bills pending under five main Departments are shown in **Chart 3.3** below.

Chart 3.3: DC bills pending under five main Departments

(₹ in crore)



Source: Office of the Pr. Accountant General (A&E), Bihar

Expenditure against AC bills, at the end of the year and for the creation of capital assets, indicates poor public expenditure management. It also indicates that withdrawals were being made primarily to exhaust the budgetary provisions. Prolonged retention of unadjusted advances outside the Government account poses risk of misuse, misappropriation and loss to the State exchequer. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted as final.

The State Government should enforce strict compliance with the requirement of timely submission of DC bills.

3.5.1 Unadjusted Temporary advance/Imprest

As per Rule 177 of the BTC, 2011, no money shall be drawn from the treasury in anticipation of demands or to prevent lapse of budget grants. If under special circumstances, money is drawn in advance under the orders of a competent authority, the unspent balance of the amount thus drawn should be refunded to the treasury by short drawal in the next bill or with a challan at the earliest possible opportunity and in any case before the end of the financial year in which the amount is drawn.

As on 31 March 2025, there were unadjusted temporary advances of ₹ 184.52 crore and unadjusted imprest of ₹ 25.46 crore were lying with executing offices of various departments. Details of unadjusted temporary advances and unadjusted imprest amount are shown in **Table 3.8**.

Table 3.8: Unadjusted Temporary Advance/Imprest as on 31 March 2025

(₹ in crore)

Sl. No.	Department/ Organisation	Total amount of unadjusted Temporary advance and Imprest		
		Temporary advance	Imprest	Total
1	Building Construction	5.45	7.08	12.53
2	Irrigation	25.25	1.65	26.90
3	Public Health Engineering	8.15	0.48	8.63
4	Road Construction (National Highway)	0.78	0.09	0.87
5	Rural Works	5.96	10.31	16.27
6	Minor Irrigation	12.02	0.23	12.25
7	Local Area Engineering Organisation	59.48	5.33	64.81
8	Road Construction	67.43	0.29	67.72
	Total	**184.52**	**25.46**	**209.98**

Source: Office of the Pr. AG (A&E), Bihar

Holding significant amounts of unadjusted temporary advances and outstanding imprest balances over prolonged periods, indicates weak financial discipline and deficient internal control mechanisms.

3.6 Deposits under Public Accounts

Under the List of Major and Minor Heads of Accounts of Union and States, Personal Deposits (PD) are of the nature of deposits not bearing interest opened under 8443-Civil Deposits-106-Personal Deposits and 8448-Deposit of Local Funds also known as Personal Ledger (PL) Accounts.

Rule 339 of BTC, 2011, describes that no Personal Deposit/Ledger Accounts shall be opened in the Treasury without the written authorisation of the Finance Department under intimation to the Accountant General (A&E). Further, Rule 340 (b) stipulates that the PD /PL Accounts shall only be used for special cases where public interest requires speed of expenditure not possible through the normal treasury procedure or, where there are a large number of small beneficiaries dispersed in the interiors such that, direct disbursement through the treasury is not practicable.

3.6.1 Personal Deposit Accounts

Personal Deposit Account administrators are required to review all PD Accounts at the end of a financial year and transfer the amount lying unspent after five consecutive financial years (including the financial year in which the money was withdrawn) back to the Consolidated Fund of the State by reduction of expenditure to the service head.

As per the notification issued by the Finance Department, Government of Bihar, all PD/PL Accounts opened prior to 01 April 2019 were to be deemed to have been opened on 01 April 2019 under the Comprehensive Financial Management System (CFMS). Unutilised balances lying in such PD/PL Accounts would lapse at the end of five subsequent financial years and be transferred to the Consolidated Fund of State as reduction of expenditure under the concerned head of account (Rule 344 of BTC).

During the year 2024-25, an amount of ₹ 1,686.66 crore was transferred from the Consolidated Fund of the State to the PD Accounts under head 8443-106. This included transfer of ₹ 644.07 crore to PD accounts in March 2025. Details of PD accounts as on 31 March 2025 are given in **Table 3.9**.

Table 3.9: Status of PD Accounts during the year 2024-25

(₹ in crore)

Opening Balance (As on 01.04.2024)		Addition during the year 2024-25		Disbursement during the year 2024-25		Closing Balance (As on 31.03.2025)	
No. of Administrators	Amount	No. of Administrators	Amount	No. of Administrators	Amount	No. of Administrators	Amount
252	2,180.46	0	1,686.66	0	1,207.55	252	2,659.57

Source: Finance Accounts 2024-25, GoB

Audit observed that:

(i) During 2024-25, out of 252 Administrators of PD Accounts, only 16 Administrators reconciled and verified their balances with the treasury records, indicating weak internal controls and non-compliance with prescribed procedures.

(ii) Transfer of ₹ 644.07 crore to PD Accounts during March 2025, resulted in substantial year-end parking of funds and defeating the objective of realistic budgeting.

(iii) Non-compliance with Rule 344 of the BTC led to lapse of ₹ 141.13 crore, which consequently overstated Revenue Expenditure, in the year of withdrawal, to that extent.

(iv) 109 PD Accounts were inoperative, with unutilised balance of ₹ 13.85 crore lying idle, reflecting insufficient oversight and periodic review.

The Government therefore needed to take steps to ensure strict compliance with reconciliation requirements by all PD Account Administrators. Year-end parking of funds in PD Accounts should be discouraged, and releases should be aligned with actual expenditure needs. Immediate action should be taken to close inoperative PD Accounts and remit unspent balances to the Consolidated Fund of the State.

3.6.2 Deposit of Local Fund

Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) of Bihar maintain their funds under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds (Public Account of the State). These funds include all the moneys realised or realisable under the Bihar Panchayati Raj Act, 2006, and all moneys otherwise received by the Panchayati Raj Institutions (PRIs), such as from the Central and State Finance Commissions award and their own revenue, including their tax and non-tax receipts. Similarly, all the moneys realised or realisable by the Municipalities of the State under the Bihar Municipal Act, 2007, and all moneys otherwise received by the Municipalities are kept by them in the Municipal Fund under Major Head 8448-Deposits of Local Funds-102-Municipal Funds (Public Account of the State).

As per BTC, 2011, administrators of the Personal Ledger (PL) Accounts are required to reconcile and verify their balances with treasury figures and furnish verification certificates to the Accountant General (A&E), Bihar.

Deposits of Local Funds under Municipal Funds and Panchayat Bodies Funds are detailed in **Table 3.10**.

Table 3.10: Deposits of Local Funds

(₹ in crore)

Year				2020-21	2021-22	2022-23	2023-24	2024-25
Municipal Fund	**(8448-102)**	**Opening Balance**	**1**	**3,743.56**	**5,033.79**	**6,225.03**	**6,019.66**	**6,043.11**
		Receipt	2	3,913.13	4,066.75	2,600.45	4,545.47	3,687.44
		Expenditure	3	2,622.90	2,875.51	2,805.82	4,522.02	3,844.03
		Closing Balance	**4**	**5,033.79**	**6,225.03**	**6,019.66**	**6,043.11**	**5,886.52**
Panchayat Bodies Fund	**(8448-109)**	**Opening Balance**	**5**	**754.98**	**852.58**	**756.29**	**710.29**	**465.75**
		Receipt	6	556.49	228.82	143.34	20.43	22.04
		Expenditure	7	458.89	325.11	189.34	264.97	58.93
		Closing Balance	**8**	**852.58**	**756.29**	**710.29**	**465.75**	**428.86**

Source: Finance Accounts of the respective years, GoB

During 2024-25, out of 398 Administrators of PL Accounts, only 33 Administrators reconciled and verified their balances with treasury records. Non-reconciliation of balances not only affected the accuracy and reliability of financial reporting but also increases the risk of misstatement, misuse or diversion of funds retained outside the Consolidated Fund of State.

Over the years, the balance that has accumulated in the deposit account (MH-8448) stood at ₹ 31,830.36 crore by the end of FY 2024-25 depicted in **Table 3.11**.

Table 3.11: Trends of transfer of funds to Deposit of Local Funds

(₹ in crore)

Year	Revenue			Capital			Total (3+6)	Closing Balance of 8448
	Revenue Expenditure as per Finance Accounts	Amount transferred to MH 8448 but booked as expenditure	Percentage of Revenue Expenditure (Column 2)	Capital Expenditure as per Finance Accounts	Amount transferred to 8448 but booked as expenditure	Percentage of Capital Expenditure (Column 5)		
1	2	3	4	5	6	7	8	9
2020-21	1,39,493	11,876	8.51	18,209	9,167	50.34	21,043	28,573.60
2021-22	1,59,220	12,454	7.82	23,678	10,565	44.62	23,019	26,561.64
2022-23	1,83,976	8,781	4.77	31,520	9,965	31.61	18,746	26,927.43
2023-24	1,90,514	12,295	6.45	36,453	11,072	30.37	23,367	30,017.64
2024-25	2,19,015	7,380	3.37	38,527	13,920	36.13	21,300	31,830.36

Source: Finance Accounts of the respective years, GoB

Funds initially booked as Revenue and Capital Expenditure were subsequently transferred to Major Head 8448 – Deposits of Local Funds in the Public Account, where they remained parked without utilisation or partial utilisation. Such transfer and retention of funds outside the Consolidated Fund of State resulted in inflation/overstatement of actual expenditure reported in Finance Accounts of the respective years. Besides, parking of funds under PL Accounts circumvented legislative oversight and undermined the principles of transparency and accountability.

Reasons for transfer of funds and their parking under the Head 'Deposits of Local Funds' were awaited from the State Government.

3.7 Operation of Minor Head-800

Minor Head (MIH)-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 and the receipts and expenditure are non-recurring in nature. Regular operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque. Classification of large amounts under the omnibus Minor Head -800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

During the year 2024-25, ₹ 893.11 crore under 37 Major Heads (MH) of Account, constituting 0.41 *per cent* of the total Revenue Receipts (₹ 2,18,657.83 crore) was classified under MIH-800-Other Receipts in the accounts. Similarly, ₹ 502.51 crore under 22 Major Heads of account, constituting 0.20 *per cent* of the total Revenue and Capital expenditure (₹ 2,57,542.25 crore) was classified under the Minor Head-800-Other Expenditure in the accounts.

Audit noticed that expenditure booked under Minor Head '800' increased from ₹ 132.24 crore to ₹ 502.51 crore during 2020-21 to 2024-25, whereas, booking of receipts under MIH '800' decreased from ₹ 3,364.36 crore to ₹ 893.11 crore. Significant Receipts under Minor Head '800' are mentioned in **Tables 3.12**.

Table 3.12: Significant receipts booked under MIH-800 – "Other Receipts" during the financial year 2024-25 (50 *per cent* and above or substantial amount booked)

(₹ in crore)

Sl. No.	Major Head	Nomenclature	Total Receipt	Receipt under Minor Head 800	Percentage of receipts under Minor Head 800 to Total Receipts
1	0029	Land Revenue	571.00	92.43	16.19
2	0049	Interest Receipt	1,466.91	551.77	37.61
3	0055	Police	136.18	91.08	66.88
4	0070	Other Administrative Services	47.55	37.84	79.58
5	0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	15.38	13.38	87.00
6	0230	Labour and Employment	9.55	6.01	62.93
7	0401	Crop Husbandry	5.52	3.10	56.16

Source: Finance Accounts 2024-25, GoB

Significant Expenditure (50 *per cent* and above of the concerned MH) under Minor Head 800-Other Expenditure is mentioned in **Tables 3.13**.

Table 3.13: Significant expenditure booked under MIH 800- Other Expenditure during the financial year 2024-25 (50 *per cent* and above or substantial amount booked)

(₹ in crore)

Sl. No.	Major Head	Nomenclature	Total Expenditure	Expenditure under Minor Head 800	Percentage of expenditure under Minor Head 800 to Total Expenditure
1	2250	Other Social Service	45.33	41.50	91.55
2	2075	Miscellaneous General Services	442.09	442.09	100.00

Source: Finance Accounts of 2024-25, GoB

Frequent booking of transactions under Minor Head '800' – Miscellaneous conceals the actual nature of expenditure and receipts. This Head should be used only when no other specific classification exists. Departments must review such cases periodically, open appropriate minor heads for recurring items, and provide explanatory notes to ensure transparency and accuracy in government accounts.

Issues related to measurement

3.8 Outstanding balance under major Suspense and DDR Heads

Certain intermediary/adjusting Heads of Account known as 8658-Suspense Heads are operated in Government Accounts to reflect transactions of receipts and payments which cannot be booked to a final Head of Account due to proper information as to their nature or for other reasons.

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. Significant suspense items balance for the last three years have been shown in **Table 3.14**.

Table 3.14: Balances under Suspense and Remittance Heads

(₹ in crore)

Head of Account		2022-23		2023-24		2024-25	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658 Suspense Account							
101	Pay and Accounts Office-Suspense	276.05	280.40	312.87	363.52	40.15	37.18
	Net Debit (Dr.) / Credit (Cr.)	Dr. 360.73		Dr. 310.07		Dr. 313.04	
102	Suspense Account-(Civil)	-675.95	277.76	-8,508.25	451.83	-3,540.25	210.36
	Net Debit (Dr.) / Credit (Cr.)	Dr. 1,382.20		Dr. 4,872.12		Dr. 1,121.50	
107	Cash Settlement Suspense Account	0.00	0.00	0.00	0.00	0.00	0.00
	Net Debit (Dr.) / Credit (Cr.)	Cr. 32.29		Cr. 32.29		Cr. 32.29	
109	Reserve Bank Suspense-(Headquarters)	-4.56	-0.24	-252.66	1.42	-15.49	0.00
	Net Debit (Dr.) / Credit (Cr.)	Dr. 257.40		Dr. 3.33		Dr. – 12.16	
110	Reserve Bank Suspense-(Central Accounts Office)	3.26	-0.2	1.51	4.26	284.48	-0.31
	Net Debit (Dr.) / Credit (Cr.)	Dr. 358.26		Dr. 355.51		Dr. 640.30	
112	Tax Deducted at Source (TDS) Suspense	1,279.66	1,520.61	2,056.80	1,594.29	1,682.17	1,701.43
	Net Debit (Dr.) / Credit (Cr.)	Cr. 525.39		Cr. 62.88		Cr. 82.15	
123	AIS Officers' Group Insurance Scheme	0.32	0.06	0.21	0.06	0.40	0.07
	Net Debit (Dr.) / Credit (Cr.)	Cr. 5.34		Cr. 519.50		Cr. 4.86	

Head of Account		2022-23		2023-24		2024-25	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8782 Cash Remittance and adjustments between officers rendering account to the same Accounts Officer							
102	Public Works Remittances	0.00	0.00	2.38	0.00	0.11	0.00
	Net Debit (Dr.) / Credit (Cr.)	Dr. 919.11		Dr. 921.49		Dr. 921.60	
103	Forest Remittances	0.00	0.00	0.00	0.00	0.00	0.00
	Net Debit (Dr.) / Credit (Cr.)	Dr. 203.55		Dr. 203.55		Dr. 203.55	
8793 Inter-State Suspense Account							
		0.00	0.00	-0.01	0.00	0.01	0.00
	Net Debit (Dr.) / Credit (Cr.)	Dr. 2.06		Dr. 2.07		Dr. 2.06	

Source: Finance Accounts of respective years, GoB

Non-clearance of outstanding balances under these heads understates the total expenditure/receipts of the Government and affects the accuracy of receipt/expenditure figures and balances under different Heads of Accounts (which are carried forward from year to year) of the State Government.

3.9 Reconciliation of Departmental figures

As per Para 96 of the Bihar Budget Manual, 2016, the Controlling Officers are required to reconcile their monthly/quarterly figures with those recorded in the books of the Principal Accountant General (A&E). To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, State Financial Rules stipulate that Chief Controlling Officers (CCOs)/Controlling Officers (COs) are required to monthly reconcile the receipts and expenditure recorded in their books, with the figures of the office of the Pr. Accountant General (A&E).

The status of reconciliation of figures by the Controlling Officers is given in **Table 3.15 and Chart 3.4**.

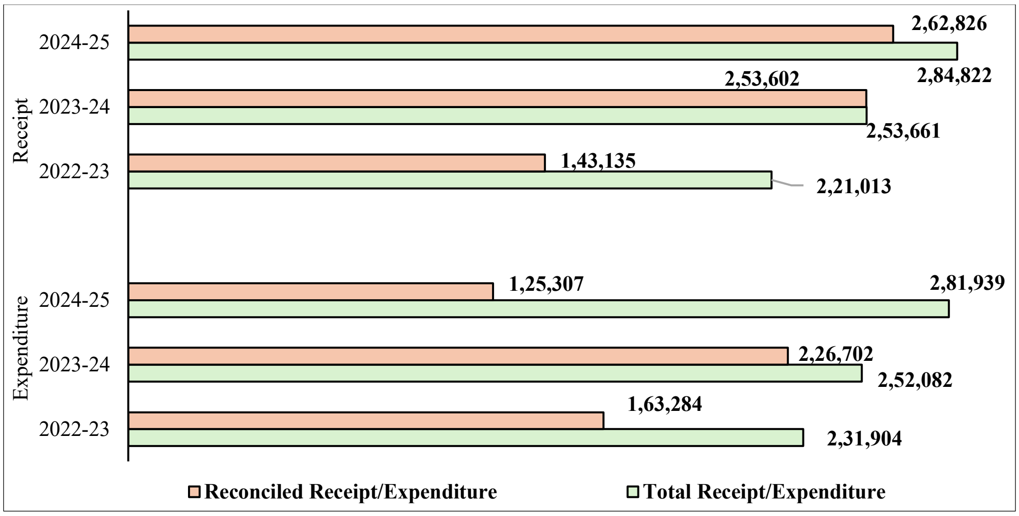
Table 3.15: Status of Reconciliation of Receipts and Expenditure by Controlling Officers

Year	Total No. of Controlling Officers	No. of Controlling Officers reconciled their receipts/ expenditure		
		Fully reconciled	Partially reconciled	Not reconciled
Receipts				
2022-23	01	00	01	00
2023-24	01	00	01	00
2024-25	01	00	01	00
Expenditure				
2022-23	51	00	20	31
2023-24	52	50	00	02
2024-25	52	00	40	12

Source: Information provided by office of the Pr. Accountant General (A&E), Bihar

Chart 3.4: Status of Reconciliation of Receipts and Expenditure during the year 2022-25

(₹ in crore)



Source: Information provided by office of the Pr. Accountant General (A&E), Bihar

In Bihar, an online reconciliation module has not been developed in Comprehensive Financial Management System (CFMS). Therefore, to reconcile the transactions accounted by the office of the Pr. AG (A&E) with the transactions accounted by the Grant Controlling authorities of the State Government, office of the Pr. AG (A&E) uploads the data (dump file) of the transactions included in the monthly accounts in the CFMS main server, using Secure File Transfer Protocol (SFTP)[4] utility. Here the transactional data of the Pr.AG is compared with CFMS data and department-wise reconciliation report is prepared (in CFMS). This Report is available to all Department Admin Users, as well as the Pr.AG (A&E) Admin User. The Departmental Admin User generates the reconciliation Report and forward it to Pr. AG (A&E).

The State Government may develop a module for reconciliation in respect of all receipts and expenditure.

3.10 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India (RBI).

As per the Finance Accounts of the Government of Bihar for the year 2024-25, the Cash Balance of the State Government as on 31 March 2025 was ₹ 966.80 crore (Debit), while the Reserve Bank of India reported cash balance of ₹ 18.95 crore (Credit). As such, there was a substantial difference of ₹ 947.85 crore which is

[4] *It is a Secure File Transfer Protocol that uses secure shell encryption to provide a high level of security for sending and receiving file transfers.*

under reconciliation between the Finance Department, GoB and RBI with due cognizance of the Principal Accountant General (A&E).

The difference of cash balance reported by the Principal Accountant General (A&E) and the RBI has increased over the previous year and is persistent in nature.

3.11 Adverse Balances under Public Accounts

Adverse balance is a situation, when a head of account closing to balances at the end of the financial year reflects minus balance, debit/(-) credit balance representing liability heads or heads where it should normally have credit balance, and credit/(-) debit balance representing Assets heads or heads where it should normally have debit balance.

The adverse balance in a head of account arises due to misclassification, disbursement in excess of availability of funds, or more disbursement than the contribution received, non-carrying forward of balances from one accounting unit to another, administrative reorganisation *etc*. Cumulative adverse balance appeared in 14 heads as on 31 March 2025. Details are given in **Table 3.16**.

Table 3.16: Details of Adverse Balances

(₹ in crore)

Sl. No.	Major Head	Major Head Description	No. of Items	Minus balance
1	6003	Internal Debt of the State Government	2	1.39
2	6215	Loans for Water Supply and Sanitation	1	0.08
3	6216	Loans for Housing	1	0.00*
4	6245	Loans for Relief on account of Natural Calamities	2	2.83
5	6401	Loans for Crop Husbandry	1	0.01
6	6425	Loans for Co-operation	2	39.01
7	6851	Loans for Village and Small Industries	2	1.39
8	6885	Other Loans to Industries and Minerals	2	0.03
9	7610	Loans to Government Servants, etc.	4	18.07
10	8009	State Provident Fund	1	577.13
11	8336	Civil Deposits (Bearing Interest)	1	0.55
12	8443	Civil Deposits (Not bearing Interest)	3	0.54
13	8448	Deposits of Local Funds	1	1.00
14	8550	Civil Advances	1	3.41

Source: Finance Accounts 2024-25, GoB

**₹ 0.13 lakh*

These adverse balances were under process of reconciliation between the office of the Pr. Accountant General (A&E), Bihar and the State Government.

The matter was raised before the Finance Department, GoB but the reply is awaited (January 2026).

Issues related to disclosure

3.12 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 (CAG), prescribe the form of accounts of the Union and of the States. On the advice of the CAG, the President of India has so far notified four Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by the State Government as well as deficiencies therein during 2024-25 is detailed in **Table 3.17**.

Table 3.17: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
1.	IGAS-1	Guarantees Given by the Government – Disclosure requirements	Partly complied as State Government did not provide details of 'class-wise' & 'sector-wise' guarantees given. Some information like "invoked during the year", interest, Guarantee, commission fee etc. were incomplete due to non-production of information by the State Government in Finance Accounts.	All Guarantors, Departments of State Government and guarantees made, amount of commission, fee received during the year could not be ascertained.
2.	IGAS-2	Accounting and Classification of Grants-in-aid	Partly complied as detailed information in respect of Grants-in-Aid given in kind has not been furnished by the State Government. Further, revenue expenditure of ₹ 33.11 crore was wrongly booked in the Capital Section instead of the Revenue Section (***Refer: Paragraph 2.5.5***).	Amount of GIA received under grants given in kind could not be ascertained. Misclassification led to understatement of Revenue Deficit and overstatement of Capital Expenditure to that extent.

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
3.	IGAS-3	Loans and Advances made by Government	Partly complied as disclosure regarding 'Repayment in arrears from other Loanee Entities', 'Cases of a Loan having been sanctioned as Loan in Perpetuity', 'Fresh loans and advances made during the year to the loanee entities from whom repayments of earlier loans are in arrears' is incomplete.	Statement 7 and 18 of the Finance Accounts remained incomplete to this extent.
4	IGAS-4	Prior period adjustments	Complied	-

Source: Finance Accounts 2024-25, GoB

There are deficiencies in disclosure of information relating to guarantees, grants-in-aid, investments, and loans and advances, contrary to the provisions of IGAS. Non-compliance adversely impacts the quality of financial reporting and compromises the ability of stakeholders to assess fiscal risk, asset management, and liability sustainability.

The State Government should ensure adherence to IGAS provisions and issue necessary instructions to all concerned departments. Capacity-building and periodic review mechanisms should be strengthened to monitor IGAS implementation and reporting.

3.13 Submission of accounts of Autonomous Bodies

As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any body, or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20 of the DPC Act).

Out of 40 Bodies/Authorities in the State, 29 Bodies/Authorities ***(Appendix-3.4)*** had not provided their financial statements for audit. Further, details of arrears of accounts of the remaining 11 ABs are shown in **Table 3.18**.

Table 3.18: Arrears of accounts of Autonomous Bodies as on 31 March 2025

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending
1.	Bihar Electricity Regulatory Commission	2024-25	01
2.	Bihar State Housing Board, Patna	2022-23 to 2024-25	03
3.	Real Estate Regulatory Authority, Bihar	2019-20 to 2024-25	06
4.	Bihar State Khadi and village industries Board	2010-11 to 2024-25	15
5.	Bihar State Bio-diversity Board Patna	2024-25	01
6.	Bihar Building and other Construction Workers’ Welfare Board	2022-23 to 2024-25	03
7.	Bihar State Commission for Protection of Child Rights	2024-25	01
8.	Bihar State Legal Services Authority	2024-25	01
9.	Bihar State Human Rights Commission	2024-25	01
10.	Bihar Agriculture University, Sabour	2022-23 to 2024-25	03
11.	Bihar Animal Sciences University, Patna	2020-21 to 2024-25	05
Total			**40**

Source: Information complied by office of the Pr. Accountant General (A&E), Bihar

Due to non-finalisation of accounts, stakeholders were deprived of a transparent assessment of the financial position and operational performance of these bodies. The delays in submission and finalisation of accounts increase the risk of financial irregularities remaining undetected and also result in non-compliance with the statutory provisions governing these entities. Audit has repeatedly pursued the matter of non-submission of accounts of the defaulting with the concerned authorities, but without any perceivable improvement.

3.14 Budgetary Support to SPSEs whose accounts are not finalised

Section 394 and 395 of the Companies Act, 2013, stipulate that Annual Report on the working and affairs of a government company is to be prepared within three months of its Annual General Meeting. The annual report should be laid before the State Legislature together with a copy of the Audit Report and CAG's comments, if any, on this audit report. Almost similar provisions exist in the respective acts regulating Statutory Corporations. The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

The State Government provided budgetary support (equity, loans, guarantee, capital grants, and others) of ₹ 29,215.17 crore up to 2024-25 to 17 functional State Public Sector Enterprises (SPSEs), two Working Statutory Corporations and 15 non-functional SPSEs. Out of these SPSEs, most of the SPSEs had not finalised their accounts up to 31 March 2025 (as on 30 September 2025). The arrear of accounts ranged between one to 48 years, in violation of provisions of the Companies Act/Acts of the respective Statutory Corporations/SPSEs (***Appendix 3.5***).

Due to non-finalisation of accounts, the CAG was unable to perform the function of supplementary audit of these companies, as stipulated in relevant Acts. In the absence of timely finalisation of accounts, results of the investment made by the Government in these companies remained outside the purview of the State Legislature and escaped scrutiny by Audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency could not be taken in time. The risk of fraud and misutilisation of public money also cannot be ruled out.

Other Issues

3.15 Misappropriation, Losses, Theft *etc.*

Rule 34 of the Bihar Financial Rules, 1950 stipulates that every Government employee would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or any loss arising from fraud or negligence on the part of any other Government employee to the extent that he contributed to the loss by his own action or negligence.

Further, Rule 31 of the Bihar Financial Rules, 2005, provides that loss of public money, Government revenue, stores, or other property, by defalcation or otherwise, should be immediately reported by the office, to the higher authority, Finance Department, as well as to the Accountant General (Audit), even when such loss has been made good by the party responsible for it. Such reports must be submitted as soon as suspicion arises that there has been a loss, and these must not be delayed while enquiries are made.

Out of 45 departments of the State Government, seven departments had furnished 'Nil' information, and one department (Home) had reported cases of misappropriation/losses/theft as detailed in **Table 3.19**.

Table 3.19: Details of pending cases of misappropriation, losses and theft

(₹ in crore)

Name of Department/ Corporation	Cases of misappropriation/ losses /theft		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Bihar Police Building Construction Corporation (Home Department)	02$	1.04	01*	0.98	-	-	01	0.06
Total	**02**	**1.04**	**01**	**0.98**	**-**	**-**	**01**	**0.06**

Source: Departmental data/information

**** Department had furnished only the detail as the related file in Accounts section till date.***

$ Department reported the information till 2023-24.

Out of the total 02 cases, in one case (₹ 0.06 crore), departmental action had been initiated but not finalised, while in one another case (₹ 0.98 crore) departmental and criminal proceedings were pending.

3.16 Follow up action on State Finances Audit Report

The Public Accounts Committee (PAC)/Finance Department require the line departments to provide a *suo motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The line departments are also required to provide Action Taken Notes (ATNs) to the Pr.AG (for vetting and onward transmission to the PAC) within three months of tabling the Reports.

Since 2021-22, the State PAC didn't hold any sittings to discuss SFARs. Out of total 421 paragraphs pertaining to previous years, the PAC has discussed three paras (pertaining to the State Finances Audit Report for the year 2008-09), while the remaining paras were pending for discussion (as on 31 March 2025).

The Finance Department has made available only part replies on the State Finances Audit Report for the year 2020-21, 2021-22 and 2022-23 for review.

3.17 Conclusions

- Delays in transfer of NPS funds to the NSDL/Trustee Banks led to unavoidable interest burden on the State Government and created a deferred liability. Non-transfer of ₹ 1,341.37 crore resulted in overstatement of Cash Balance of the Government and understatement of Revenue and Fiscal Deficit to that extent.

- Delays/non-transfer of collected cesses to the concerned fund of the State/ Board and non-creation of dedicated HoA, led to accumulation of unspent balances and defeated the objective of collection of the concerned cess to that extent.

- Non-submission of UCs not only violated prescribed financial rules but also impeded assurances regarding proper utilisation of funds for intended purposes and increased the risk of misappropriation, diversion and accumulation of unspent balances.

- Transfer of substantial amounts to the Personal Deposit during March 2025, resulted in substantial year-end parking of funds. Non-compliance with the Rules of the Bihar Treasury Code, led to lapse of funds in PD Accounts, which consequently increased reported revenue expenditure to that extent.

- Prolonged retention of unadjusted advances outside the Government Account poses risk of misuse, misappropriation and loss to the State exchequer.

- Budgetary support (equity, loans, guarantee, capital grants, and others) of ₹ 29,215.17 crore, had been provided to 34 functional/non-functional SPSEs, whose accounts were in arrears for the period ranging from one to 48 years.

3.18 Good Practices

- State Government has created the Guarantee Redemption Fund on 18 July 2025 and has invested ₹ 1,000 crore therein.

- Indian Government Accounting Standard – 4 "Prior Period Adjustments" has been complied with.

3.19 Recommendations

The State Government may:

- ensure timely transfer of NPS funds to the NSDL/Trustee banks to prevent future accumulation of liabilities.

- enforce a uniform accounting procedure for collection and transfer of cesses to ensure consistency, transparency and accountability.
- ensure timeliness in submission of Utilisation Certificates and undertake regular monitoring and reconciliation of outstanding UCs.
- enforce compliance with the requirements of timely submission of Detailed Contingent bills and prohibit further drawal of Abstract Contingent bills where earlier bills remain unadjusted.
- ensure reconciliation by PD/PL Account Administrators and fix accountability for non-compliance and discourage year-end parking of funds in PD Accounts.
- ensure adherence to the provisions of the Indian Government Accounting Standards provisions.

Patna
The 27 March 2026

(Dr. Sandip Roy)
Principal Accountant General (Audit-I),
Bihar

Countersigned

New Delhi
The 06 April 2026

(K. Sanjay Murthy)
Comptroller and Auditor General of India