




## OVERVIEW


This Report includes two chapters containing observations of Finances and Appropriation Accounts of the Government of Bihar for the year 2003-04 and three other chapters comprising five performance reviews, 18 paragraphs and internal control mechanism in the Government Departments. A synopsis of the main audit observations contained in the Audit Report is presented in this overview.


### 1 Finances of the State Government


 Revenue receipts (Rs 12456 crore) during 2003-04 showed an increase of 14 *per cent* as against four *per cent* increase in revenue expenditure (Rs 12711 crore) over the previous year, leading to decrease in revenue deficit (Rs 255 crore) by 80 *per cent*. The revenue deficit along with steep increase in capital expenditure (Rs 1549 crore) led to a fiscal deficit of Rs 4363 crore which was seven *per cent* of the Gross State Domestic Product (GSDP).


 Twenty-six *per cent* of revenue receipts came from the State's own resources. The contribution of grants-in-aid from the Central Government increased to 16 *per cent* in 2003-04 over previous year. Contribution of Central Tax Transfers also increased from six *per cent* in 2002-03 to 16 *per cent* in 2003-04.


 Among the sources of tax revenue, Sales Tax (57 *per cent*), Stamps and Registration Fees (14 *per cent*), State Excise (eight *per cent*) and Taxes on vehicles (seven *per cent*) were the principal contributors. Of non-tax revenue sources, Non-ferrous/mining and metallurgical industries (23 *per cent*) and interest receipts (seven *per cent*) were principal contributors.

 Overall expenditure of the State increased from Rs 13972 crore in 2002-03 to Rs 16829 crore in 2003-04 at a growth rate of 20.45 *per cent*. Revenue expenditure (Rs 12711 crore) constituted 76 *per cent* of total expenditure.


 The fiscal liabilities (Rs 37453 crore) increased during 2003-04 with a growth rate of six *per cent* over previous year and stood at three times of the revenue receipts. These liabilities along with contingent liabilities in the form of guarantees, which accounted for another 63 *per cent* of GSDP, are a cause for concern.


 Interest payments increased by 11 *per cent* from Rs 3022 crore in 2002-03 to Rs 3343 crore in 2003-04 primarily due to continued reliance on borrowings for financing the deficit.


 The fiscal deficit which represents the total borrowings of the Government and its total resource gap, increased by 46 *per cent* from Rs 2988 crore in 2002-03 to Rs 4363 crore in 2003-04 due to increase in disbursement of loans and advances by 244 *per cent* from Rs 747 crore in 2002-03 to Rs 2569 crore in 2003-04. The ratio of revenue deficit to fiscal deficit was six *per cent* in 2003-04.


 Large fiscal deficits year after year together with low or no return on investment indicated continued fiscal imbalances. Increasing ratios of fiscal liabilities to GSDP indicated that the State is gradually getting into a debt trap. The ratio of State's total financial assets to liabilities has also deteriorated indicating that a greater part of liabilities are without an asset back up.


## 2 Allocative priorities and Appropriation

 During 2003-04 State Government incurred expenditure of Rs 22481.90 crore against the total budget provision of Rs 21993.75 crore. The overall excess of Rs 488.15 crore was the result of savings of Rs 3294.19 crore partly off set by excess of Rs 3782.34 crore.

 Excess expenditure of Rs 11249.96 crore for the years 1977-78 to 2003-04 had not been regularized as required under Article 205 of the Constitution of India. Expenditure of Rs 3966.13 crore was incurred in 24 cases in excess of Rs five crore or more and also by more than 50 *per cent* of the provision and expenditure of Rs 1249.22 crore was incurred in six cases without any budget provision.

 There was persistent savings exceeding two crore and also by more than 10 *per cent* of the total provision in 36 cases.

 The supplementary provision of Rs 635.19 crore obtained by the Government in 58 cases between August 2003 to March 2004 proved wholly unnecessary as the expenditure did not come up in these cases even to the level of the original provision.

 Anticipated savings in 27 cases of Grants/Appropriations in Revenue section and 10 cases in Capital section aggregating Rs 1560.79 crore (exceeding Rs one crore in each case) had not been surrendered while in eight cases surrender of Rs 26.13 crore were in excess and in five cases surrender of Rs 545.69 crore were unjustified. In 71 cases, Rs 2297.46 crore out of Rs 3294.19 crore were surrendered on the last day of March 2004.

### **3 Performance reviews**

#### ***Functioning of Rural Health Services***

*Rural health care units failed to provide basic minimum services and bring about improvement in referral linkages. The health care services in rural areas of the State were grossly inadequate. Shortage of medical officers and paramedical staff ranged upto 95 per cent. There were huge shortages of health care units compared to the GOI norms. Infrastructural facilities such as buildings, drinking water, electricity, labour room facilities, equipment and diagnostic facilities were lacking in most of the health units.*



**The number of rural health care units in the State was inadequate compared to the standards set as per the Minimum Needs Programme. The shortfall ranged between 29 and 88 per cent.**



**Infrastructural facilities such as availability/ functioning of X-ray units, essential equipment and diagnostic facilities were lacking in most of the sub-centres, PHCs/APHCs and referral hospitals.**



**In the test-checked districts, 49 per cent sub-centres and 41 per cent PHC/APHCs had no building. The buildings housing 45 per cent sub-centres and 36 per cent PHC/APHCs and 38 per cent referral hospitals were in dilapidated condition.**



**Immunisation programme suffered due to non-functional cold chain equipment. Physical performance in immunisation of children in the State was low at 20 per cent.**



**Health care units lacked medical and paramedical staff and technicians. Thirty nine APHCs had no doctor during 2002-04 and medicines were prescribed by para medical staff.**




**Out of the Central funds of Rs 10.11 crore released to 10 test-checked districts, Rs 8.68 crore were credited to civil deposit, Rs 0.50 crore were spent on purchases of medicine and Rs 0.93 crore were surrendered.**


*(Paragraph 3.1)*

#### ***Pradhan Mantri Gram Sadak Yojana (PMGSY)***


*In Bihar 17920 habitations having population of 500 and more were required to be provided with all weather road connectivity by constructing 9628 roads (33351 kilometres). But only a small number of habitations (10 per cent) was targeted for providing such connectivity in two phases (phase I and phase II) by constructing 969 roads (2400 kilometres) against which only 172 roads (466 kilometres) were constructed. Department had no statistics about the number of habitations benefitted by these roads. The scheme suffered due to*


*defective project reports, improper planning and absence of effective monitoring and evaluation.*


 **Out of Rs 149.90 crore sanctioned for Phase I of PMGSY and Rs 302.98 crore sanctioned for Phase II, only Rs 95.06 crore (63 per cent) and Rs 91.75 crore (61 per cent) respectively were spent as of May 2004.**


 **Out of 299 roads (860 Km) sanctioned for connecting 629 habitations under Phase I, only 280 roads were taken up of which 127 roads were completed and out of 670 (1540 km) roads sanctioned for connecting 1236 habitations in Phase II, only 45 roads were completed as of May 2004.**

 **The project reports deviated from the technical specifications prescribed in the Government of India (GOI) guidelines.**

 **Work was awarded to six contractors beyond their capacity resulting in work valued at Rs 32.87 crore remaining incomplete.**

 **Bank guarantee of Rs 21.20 crore was not obtained on 449 road works as a result contractors had no liability to maintain the road works.**


 **In nine packages of seven districts works worth Rs 4.26 crore were abandoned due to naxal problem, non availability of bitumen/land, delay in payment etc.**


 **Out of 226 roads inspected by National Quality Monitors only 10 per cent of roads were constructed as per norms.**

*(Paragraph 3.2)*


### ***Implementation of Child Labour (Prohibition and Regulation) Act, 1986***


*The Child Labour (Prohibition and Regulation) Act 1986 (Act) is a Central Act to be implemented by all the States. The Act along with the Rules framed thereunder seeks to prevent the employment of children below 14 years of age in hazardous occupations. The Act lays down a procedure to decide modification to the schedule of banned occupations and processes, regulates the conditions of work of children and imposes penalties. Follow up action taken on prosecution cases launched for violating provisions of the Child Labour Act was not effective. The Child Labour Rehabilitation-cum-Welfare Fund (CLRWF) could not be raised to provide employment to the affected families. Special schools for the education of child labour were not opened as per guidelines of Government of India (GOI).*

 **The State Government notified the Rules under the Child Labour Act only in February 1996 after eight years of the framing of Rules.**

 **Against child labour violation cases of 17632 only 1468 (eight per cent) were prosecuted during 1999-2004.**

 **Only three out of 38 districts were covered under NCLP.**


 **Special schools had withdrawn children mainly from home-based occupations instead of from hazardous occupations.**


 **Neither any employment was given to adult member of any affected family nor was any amount deposited by the State Government in the Welfare fund.**


*(Paragraph 3.3)*


### ***Indian System of Medicine and Homoeopathy***


*The Government established the department of Indian System of Medicine and Homoeopathy (ISM&H) for making available doctors practising these systems of medicine and providing medical and health care services to the masses at an affordable price. The Department failed to provide adequate educational and research facilities in Indian System of Medicine and Homoeopathy (ISM&H). Medical and health care services were also poor in the State.*


 **Ayurvedic, Unani and Homoeopathic Medical Colleges and hospitals did not fulfill the required standard prescribed by the Central Council of Indian Medicine and the Central Council of Homeopathy New Delhi in respect of deployment of teaching, non-teaching, medical and para medical staff.**

 **In the Government Homoeopathic Medical College and Hospital, Muzaffarpur considerable number of students dropped out every year.**

 **Functioning of the Ayurvedic College-cum-Hospital, Begusarai and the Government Tibbi College, Patna suffered due to lack of basic infrastructure facilities.**

 **No patient was admitted in paediatric emergency and research department of Government Ayurvedic College hospital, Patna during 1999-2003.**

 **Out of Rs 1.25 crore released by the GOI for strengthening of infrastructure in Ayurvedic & Unani Colleges / Pharmacies, expenditure of Rs 73.22 lakh incurred on the facilities was rendered unfruitful**

 **The ISM&H Department had not established any monitoring mechanism for evaluating the functioning of Ayurvedic, Homoeopathic and Unani colleges, hospitals and dispensaries.**

*(Paragraph 3.4)*

### ***Functioning of Industries Department***

*Financial management in the Industries Department was characterised by weakness in budgetary control procedures as indicated by huge savings, unnecessary drawal of funds without budget provisions etc. The implementation of the industrial development schemes was poorly managed as evident from the cases of unspent funds, misuse and diversion of funds, expenditure on incomplete and abandoned schemes and low employment generation. The department failed to provide essential infrastructural facilities for setting up new industries in the State. Initiatives of the department like mega growth centres and mini growth centres did not bear fruit. The Industrial Park at Hajipur remained a non-starter. The Industrial Area Development Authorities (IADAs) failed to develop industrial estates between 1999 and 2004, as planned out of 1236 entrepreneurs functioning in the allotted plots, 675 entrepreneurs closed their units during 1999-2004.*



**The budget of the department was not based on actual needs. The result was huge savings of Rs 200.02 crore during 1999-2004.**



**The Director of Industries and the Director of Technical Development irregularly drew Rs 3.11 crore (March 2001 and March 2003) from the treasury to avoid lapse of funds and the entire amount was retained in Civil Deposit since then. Besides, Rs 32.25 crore shown as expenditure under plan schemes were actually lying in the bank accounts of the IADAs and the Industrial Data Bank, Patna.**



**Director of Industries paid Rs one crore to Indian Craft Village Trust, Kolkata in March 1998 for construction of Bihar Pavilion in Kolkata. No construction was carried out by the Trust and the amount was being utilised by the Trust.**



**Out of 1236 entrepreneurs functioning on land developed by the IADAs, 675 entrepreneurs closed their units during 1999-2004 due to inadequate infrastructure.**



**Mega Growth Centres could not come up even after a lapse of 12 years due to non-acquisition of land. The Export Promotion Industrial Park at Hajipur also remained a non-starter.**



**Due to poor infrastructure support, the industrial development in the State was far behind the declared policy objectives of the Government. Only 20 per cent of the industrial units were functional in the State. Under the Small Scale Industries sector though the investments increased marginally from Rs 37.24 crore to Rs 46.38 crore during 1999-2003 the employment generation dropped from 15475 to 13622 during the same period.**

*(Paragraph 3.5)*

## 4 AUDIT OF TRANSACTIONS

### 4.1 *Fraudulent drawal/misappropriation/embezzlement/losses*



Misappropriation of Rs 2.54 lakh besides adjustment of advances without supporting vouchers for Rs 19.08 lakh due to inadequate supervisory control.

*(Paragraph 4.1.1)*



Payment of Rs 1.14 crore was made for two different works both involving filling up boxes with road materials, brickflat soling etc. when even earth work excavation for box cutting was only partly done.

*(Paragraph 4.1.2)*



Failure of BDO Chakia to comply with the codal provisions relating to maintenance of Cash Book resulted in misappropriation of Rs 45.99 lakh and non-accounting of Rs 1.02 crore.

*(Paragraph 4.1.3)*



Non maintenance of cash book and other account records led to misappropriation, short accounting and irregular booking of expenditure aggregating Rs 64.65 lakh.

*(Paragraph 4.1.4)*

### 4.2 *Infructuous/wasteful expenditure and overpayment*



Failure of BDO, Paraiya to ensure timely completion of pump houses led to infructuous expenditure of Rs 87.03 lakh.

*(Paragraph 4.2.1)*



The work was taken up without proper planning for ensuring availability of fund and resulted in infructuous expenditure of Rs 1.77 crore on incomplete works.

*(Paragraph 4.2.2)*

### 4.3 *Avoidable/excess/unfruitful expenditure*



Irregular continuation of 124 temporarily appointed staff over the years in the District Court Nawada resulted in unauthorised payment of Rs 4.05 crore.

(Paragraph 4.3.1)



Failure of BSSB to derecognise 86 ineligible Sanskrit Schools in time resulted in avoidable payment of salary of Rs 6.80 crore to their teaching and non-teaching staff.

(Paragraph 4.3.2)



The Collector, Patna unauthorisedly utilised revenue receipts/grants of Rs 1.34 crore for office expenses.

(Paragraph 4.3.6)



Non provision of essential items in the road crust resulted in sub-standard execution of road work of Rs 1.94 crore.

(Paragraph 4.3.7)



Due to faulty planning, expenditure of Rs 1.54 crore incurred on construction of road was unfruitful.

(Paragraph 4.3.8)

### 4.4 *Idle investment/idle establishment/blockage of funds*



Expenditure of Rs 2.61 crore was incurred on a non-functional Agricultural (Engineering) Workshop at Patna.

(Paragraph 4.4.1)


## 5 Internal control mechanism and internal audit system

*Internal control mechanism is an integral part of management process by which an organization governs its activities to effectively achieve its objectives. Adherence to a built in internal control, which includes statutes, codes and manuals minimise the risk of errors and irregularities. A check of the internal control mechanism in the Primary & Mass Education Department showed that the internal control system were not functioning effectively.*




Budget estimates for 2000-04 were prepared without taking into account the actual requirements.



 **There was lack of monitoring and internal coordination in the implementation of the total literacy campaign and the Sarva Siksha Abhiyan.**

 **Non-adherence to the prescribed controls led to misappropriation of Government money of Rs 2.62 lakh.**

 **The number of units audited by internal audit was 0.18 per cent of the total number of auditee units of the department during 1999-2004. There was poor follow up of inspection reports.**

*(Paragraph 5)*