

CHAPTER II
FINANCIAL MANAGEMENT AND
BUDGETARY CONTROL

2.1 Introduction

2.1.1 This chapter is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of audit of budgetary process and budget assumptions are being included in this chapter.

Appropriation Accounts are the accounts of expenditure, voted and charged, of the Government for each financial year, compared with the amounts of the voted grants and appropriations charged for different purposes, as specified in the schedules appended to the Appropriation Acts. These Accounts list the original grants, supplementary grants, savings, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services *vis-à-vis* those authorised by the Bihar Appropriation Act, 2014 in respect of both charged and voted items of the budget. Appropriation Accounts, thus, facilitates the management of finances and monitoring of budgetary provisions and are complementary to the Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under the various grants is within the authorisation given under the Bihar Appropriation Act, 2014 and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions.

2.1.3 As per the Bihar Budget Manual, 1963, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the Heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demands for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actual as possible. This onerous exercise requires lot of foresight, both in estimating revenue and anticipating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended. A saving in spending constitutes as much of a financial irregularity as an excess of expenditure. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees, etc.

Deficiencies in the management of budget and expenditure and violation of the Budget Manual noticed in audit are discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of expenditure during 2014-15 against 51 grants/appropriations is given in **Table 2.1**.

Table 2.1: Position of actual expenditure vis-a-vis original/supplementary provisions for the year 2014-15

(₹ in crore)									
	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Savings (-)/Excess (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered by 31 March Col.7/Col.6* 100
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Voted	I Revenue	84991.81	11399.14	96390.95	65985.04	(-)30405.91	18155.66	16459.00	59.71
	II Capital	21151.35	9970.97	31122.32	18915.10	(-)12207.22	8300.31	5833.68	68.00
	III Loans and Advances	406.49	329.67	736.16	368.71	(-)367.45	366.76	366.76	99.81
Total Voted		106549.65	21699.78	128249.43	85268.85	(-)42980.58	26822.73	22659.44	62.41
Charged	IV Revenue	7180.19	986.63	8166.82	7218.99	(-)947.83	511.29	81.29	53.94
	V Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	VI Public Debt-Repayment	3562.90	43.44	3606.34	3608.95	2.61	0.00	0.00	-
Total Charged		10743.09	1030.07	11773.16	10827.94	(-)945.22	511.29	81.29	54.09
Appropriation to Contingency Fund (if any)									
Grand Total		117292.74	22729.85	140022.59	96096.79	(-)43925.80	27334.02	22740.73	62.23

Note: The expenditure includes recoveries/refund of revenue expenditure amounting to ₹ 634.05 crore and recoveries of capital expenditure amounting to ₹ 764.70 crore, adjusted as reduction of expenditure.

(Source: Appropriation Accounts, Government of Bihar for the year 2014-15)

Supplementary provisions of ₹ 22729.85 crore obtained during the year constituted 19.38 per cent of the original provisions. Overall savings of ₹ 43925.80 crore was 31.37 per cent of the total provisions of ₹ 140022.59 crore. The savings of ₹ 31353.74 crore was occurred in 46 grants and eight appropriations under the Revenue section and ₹ 12207.22 crore in 31 grants under the Capital section and ₹ 367.45 crore in seven grants under the Loans and Advances section. The excess expenditure of ₹ 2.61 crore was occurred in one appropriation under Public Debt Repayment.

As against the original provisions of ₹ 117292.74 crore, expenditure of ₹ 96096.79 crore only was incurred. Despite the savings of ₹ 43925.80 crore, supplementary provisions of ₹ 22729.85 crore was made (which was 51.75 per cent of the savings) clearly indicate inaccurate estimation of funds and lack of control mechanism over the Budget estimation. Cases of supplementary provisions that proved unnecessary are discussed in **paragraph 2.3.5**. The percentage of total amount surrendered (₹ 27334.02 crore) was 62.23 per cent of total savings (₹ 43925.80 crore). Amount surrendered on 31 March 2015 (₹ 22740.73 crore) was 83.20 per cent of total surrendered amount of ₹ 27334.02 crore. Further, an amount of ₹ 16591.78 crore could not be surrendered (37.77 per cent of total savings). The savings/excesses were intimated (August 2015) by the Accountant General (A&E), Bihar to the Controlling officers but their explanations for excess/savings had not been received (August 2015).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

Rule 65 of the Bihar Budget Manual provides that the controlling officer should examine the budget estimates received from the disbursing officers to see that they are formally correct, that all details and explanations have been given and that the explanations are adequate. If inadequate, the provision should be altered. Further, under Rule 78 of the Bihar Budget Manual, copies of estimates received should be examined by the administrative department and the Finance Department and any point calling for examination should be dealt with at once. The administrative departments should not wait for the Finance Department to discover points requiring examination, but should proceed with the examination of the estimates immediately on their receipt.

The object of the examination by the administrative department is to detect excessive or inadequate provisions in the budget estimates and its revisions which they can do more easily than the Finance Department in view of their more intimate knowledge of the actual conditions. It is also necessary that there should be no delay in getting replies to the budget slips issued by the Finance Department. This can only be achieved, if the points referred to, by the Finance department have been previously considered by the administrative department concerned and enquiries had been made by them in advance. It is of utmost importance that a budget slip should ordinarily be answered within a week of its receipt and in no case should a slip remain unanswered for more than a fortnight.

The outcome of appropriation audit revealed that during 2014-15, savings in 35 grants exceeded ₹ 10 crore and also by more than 20 per cent of the total provisions (*Appendix 2.1*). There were 38 cases of savings in 28 grants/appropriations each exceeding ₹ 100 crore and above aggregated to ₹ 39632.66 crore (41.62 per cent) of total provisions (₹ 95222.79 crore) during 2014-15 as detailed in *Appendix 2.1(A)*.

Some cases of savings exceeding ₹ 100 crore are discussed below:

i. Grant Number 21-“Education Department” (Revenue-Voted)

Supplementary provision of ₹ 1166.45 crore remained unnecessary as the total expenditure of ₹ 16335.41 crore was less than the original provision ₹ 23703.68 crore. Saving of ₹ 8534.72 crore out of total provision (₹ 24870.13 crore) was mainly under the Head, 2202-General Education-01-Elementary Education-111-Sarva Shiksha Abhiyan-0201-Sarva Shiksha Abhiyan (SSA) (₹1959.93 crore); 101-Government Primary Schools-0001-Government Primary and Middle Schools (₹ 1905.27 crore); 111-Sarva Shiksha Abhiyan-0301-Sarva Shiksha Abhiyan (SSA) (₹ 456.69 crore); 789-Special Component Plan for Scheduled Castes-0103-Sarva Shiksha Abhiyan (₹ 343.05 crore) and in 14 other cases savings of ₹ 100 crore and above occurred in this grant.

Reasons of final savings have not been intimated (August 2015).

ii. Grant Number 51-“Social Welfare Department” (Revenue-Voted)

Against the total provision of ₹ 7417.86 crore, the expenditure was only ₹ 4902.49 crore, resulting in savings of ₹ 2515.37 crore (33.91 per cent).

The savings was mainly under the head, 2235-Social Security and Welfare-60-Other Social Security and Welfare Programmes-102-Pensions under Social Security Schemes-0105- Lakshmbai Social Security Pension Scheme (₹ 128.20 crore); 0104-Bihar State Handicapped Social Security Pension Scheme (₹ 103.45 crore).

Reasons of final savings have not been intimated (August 2015).

iii. Grant Number 16-“Panchayati Raj Department” (Revenue-Voted)

Against the original provision of ₹ 4225.32 crore, the expenditure was only ₹ 2374.77 crore, resulting in saving of ₹ 2334.24 crore (55.24 per cent). Thus further provision of fund (₹ 483.69 crore) through Supplementary Grants proved unnecessary as the whole amount remained unutilised during the year.

Reasons of final savings have not been intimated (August 2015).

iv. Grant Number 03-“Building Construction Department” (Capital-Voted)

Against the total provision of ₹ 2842.64 crore expenditure (₹ 1122.85 crore) under the grant was well within the original provision of ₹ 2192.32 crore. Thus, further provision of funds (₹ 650.32 crore) through supplementary grants proved unnecessary, since the expenditure did not even come up to the original provision. The Savings of this grant was ₹ 1719.79 crore (60.50 per cent) of the total provision.

Reasons of final savings have not been intimated (August 2015).

v. Grant Number 35-“Planning and Development Department” (Capital-Voted)

Supplementary provision of ₹ 900.44 crore remained unnecessary as the total expenditure of ₹ 1202.82 crore was less than the original provision (₹ 1655.68 crore). Saving of ₹ 1353.30 crore was mainly under the Head 4070-Capital Outlay on Other Administrative Services-00-051-Construction-0107-Chief Minister Area Development Scheme (₹ 820.71 crore); 789-Special Component Plan for Scheduled Castes-0103-Chief Minister Area Development Scheme (₹ 30.00 crore); 4515-Capital Outlay on other Rural Development Programmes-00-102-Community Development-0203-Additional Central Assistance (ACA) for Left Wing Extremism (LWE) Districts (₹ 24.19 crore).

Reasons of final savings have not been intimated (August 2015).

vi. Grant Number 45-“Sugar Industries Department” (Capital-Voted)

The expenditure incurred (₹ 0.63 crore) under this grant during the year was equal to the original provision of ₹ 0.63 crore. Thus, further augmentation of fund through supplementary grant (₹ 166.99 crore) proved unnecessary as the whole amount remained unutilised during the year.

Reasons of final savings have not been intimated (August 2015).

2.3.2 Persistent Savings

In 10 grants/appropriations (Departments), there were persistent savings of more than ₹ 20 crore in each case and ranged between 13 to 76 per cent of the total grants during the last five years as indicated in **Appendix 2.2**. Out of which persistent savings of ₹ 100 crore and above occurred mainly under, Animal and

Fisheries Resources, Health, Law, Road Construction (Revenue-voted) and Water Resources, Minor Water Resource Departments (Capital-Voted).

The persistent savings indicated that the budgetary control in the departments were not effective and previous years trends were not taken into account while allocating the funds for the year.

2.3.3 Excess over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. However, excess expenditure amounting to ₹ 1062.46 crore for the previous years¹ was yet to be regularised as shown in *Appendix 2.3*. Non-regularisation of the excess expenditure, for considerable period is breach of Constitutional provision.

2.3.4 Excess over provisions during 2014-15 requiring regularisation

Excess in one appropriation as detailed in **Table 2.2** amounting to ₹ 2.61 crore over authorisations from the consolidated fund of the State during 2014-15, required regularisation under Article 205 of the Constitution.

Table 2.2: Excess expenditure during the year 2014-15

(₹ in crore)				
Sl. No.	Number and name of appropriations	Total appropriations	Expenditure	Excess
Capital-Charged				
1	14-Repayment of Loans	3606.34	3608.95	2.61
Total		3606.34	3608.95	2.61

(Source: Appropriation Accounts, Government of Bihar for the year 2014-15)

2.3.5 Appropriateness of supplementary provisions

Rule 117 of the Bihar Budget Manual lays down the procedure for obtaining supplementary grants. As per this Rule, when the administrative department considers that a supplementary grant is necessary, whether to meet a new specific item of expenditure or to cover a probable excess in the voted grant due to unforeseen causes, it should first consult the Finance Department.

Supplementary provisions aggregating ₹ 11628.91 crore obtained in 51 cases (38 grants/appropriations), involving ₹ 10 lakh or more in each case during the year proved unnecessary as the expenditure did not exceed the original provisions as detailed in *Appendix 2.4*.

From the above facts, it was clear that the Controlling Officers failed to exercise their responsibilities envisaged under Rule 11 of the Bihar Financial Rules. Demands for supplementary provisions without assessing the actual requirements indicated lack of control on the part of the controlling authorities.

2.3.6 Excessive/unnecessary re-appropriation of funds

Rule 37 of the Bihar Budget Manual defines re-appropriation as the transfer of funds by a competent authority of a particular sum of money from one unit of appropriation to meet the specific expenditure under another.

¹ 1177-78 to 1978-79, 1981-82 to 1984-85, 1986-87 to 1999-00, 2003-04 to 2005-06 and 2010-11.

Test check of Detailed Appropriation Accounts and Grants Audit Register revealed that under 28 grants/appropriations involving 106 sub-heads, additional funds of ₹ 482.20 crore provided through re-appropriation proved unnecessary as the final savings were ₹ 1458.72 crore, as detailed in *Appendix 2.5*.

Further, in seven cases ₹ 11.45 crore was injudiciously withdrawn through re-appropriations, when there was excess expenditure of ₹ 6.57 crore as detailed in *Table 2.3*.

Table 2.3: 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	Final Excess
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	03	2059-80-053-0001- Maintenance and Repairs	219.50	0.85	15.61	204.58	1.54
2	16	2515-00-198-0010- Different items of Gram Kutchery	45.36	2.04	25.41	19.60	1.69
3	19	2406-02-110-0003- Sanctuary	4.87	0.93	0.06	3.95	0.07
4	33	2070-00-115-0003- Circuit House	10.38	1.37	4.15	4.88	0.02
5	35	3454-02-205-0101- Integrated Statistical Development Scheme	91.67	4.00	80.63	7.05	0.01
6	40	2029-00-104-0001- Expenditure on Revenue Administration	544.29	0.05	155.52	390.12	1.40
7	41	3054-03-052-0001- Machinery and Equipment	4.10	0.21	0.45	3.62	0.18
8		3054-03-103-0001- Works Charged Expenditure	8.00	2.00	4.97	2.69	1.66
Total			928.17	11.45	286.80	636.49	6.57

(Source: Grants Audit Register & Detailed Appropriation Accounts, Government of Bihar for the year 2014-15)

Under the Head “2059-Public works-80-General-053-Maintenance and Repairs-0001-Maintenance and Repairs of Grant No. 3”, ₹ 0.85 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 1.54 crore occurred.

Under the Head “2515-Other Rural Development Programmes-00-198-Assistance to Gram Panchayats-0010-Different items of Gram Kutchery of Grant No. 16”, ₹ 2.04 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 1.69 crore occurred.

Similarly under the Head “3054-Roads and Bridges-03-State Highways-103-Maintenance and Repairs-0001-Works charged Expenditure of Grant No. 41” ₹ 2.00 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 1.66 crore occurred.

Thus, instead of providing additional funds to meet the requirement, withdrawal of funds was made which reflected poor financial management.

Further, in 76 cases, the un-utilised provision was not properly assessed as, even after the withdrawal of ₹ 683.87 crore through re-appropriation proved insufficient since there remained savings of ₹ 4498.61 crore under the relevant detailed heads of these grants as shown in *Appendix 2.6*.

The above instances are indicative of the fact that the Controlling Officers failed to anticipate their actual requirements and did not have up-to-date information regarding expenditure and re-appropriation.

2.3.7 Substantial surrenders

As per Rule 112 of the Bihar Budget Manual, 1963, spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated, without waiting till the end of the year, unless they are required to meet excesses under some other unit or units which are definitely foreseen at that time. No savings should be held in reserve for possible future excesses.

Out of the total provision of ₹ 16534.26 crore in 154 cases, ₹ 12102.42 crore (73.20 per cent) were surrendered as indicated in **Appendix 2.7**. The surrender under each unit ranged between 50.32 and 99.95 per cent (₹ five crore and more than 50 per cent of the total provision in each case).

Further, there was hundred per cent surrender of funds of more than ₹ five lakhs (₹ 4347.77 crore) in 238 schemes under 38 grants/appropriations (**Appendix 2.8**) depriving the beneficiaries of the benefits and services which could have been derived from these schemes.

2.3.8 Surrender in excess of actual savings

In three cases, the amount injudiciously surrendered (₹ 50 lakhs or more in each case) were in excess of the actual savings, indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 976.67 crore, the amount surrendered was ₹ 1045.84 crore, resulting in excess surrender of ₹ 69.17 crore as given in **Table 2.4**.

Table 2.4: Surrenders in excess of actual savings (₹ 50 lakh or above)

(₹ in crore)					
Sl. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Saving	Amount surrendered	Amount surrendered in excess (5-4=6)
(1)	(2)	(3)	(4)	(5)	(6)
	Revenue-Voted				
1	41-Road Construction Department	1258.75	359.65	427.40	67.75
	Total	1258.75	359.65	427.40	67.75
	Capital-Voted				
2	36-Public Health Engineering Department	1486.83	601.57	602.40	0.83
3	43-Science & Technology Department	38.21	15.45	16.04	0.59
	Total	1525.04	617.02	618.44	1.42
	Grand Total	2783.79	976.67	1045.84	69.17

(Source: Appropriation Accounts, Government of Bihar for the year 2014-15)

Injudicious surrenders of non-existent surplus funds indicated lack of monitoring by the Controlling Officers of the departments.

2.3.9 Anticipated savings not surrendered/ belatedly surrendered

As per Rule 112 of Bihar Budget Manual, 1963, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2014-15, in 22 cases, savings of ₹ 11711.83 crore (94.85 per cent) out of ₹ 12348.28 crore were not surrendered as detailed in **Appendix 2.9**.

Besides, in 82 cases, where there was surrender of funds in excess of ₹ 10 crore and 10 *per cent* of the total provisions in each case, ₹ 21275.26 crore (31.92 *per cent* of the total provision) was surrendered on the last working day of the financial year 2014-15 as detailed in **Appendix 2.10**.

This shows that the Controlling Officers failed to discharge their basic responsibility of being accountable for budgetary control. These funds were neither utilised for the purposes for which they were allotted nor were these made available for utilisation of other needy Heads by re-appropriation.

2.3.10 Rush of Expenditure

As per Rule 113 of the Bihar Budget Manual, 1963, no money should be spent hastily or in an ill-considered manner merely because it is available or just to avoid the lapse of a grant. Rush of expenditure, particularly in closing month of the financial year is regarded as breach of financial regularity.

Expenditure exceeding 50 *per cent* of total expenditure, incurred during March 2015, under five Major heads were listed in **Appendix 2.11**. In these cases, ₹ 2164.29 crore (51.07 *per cent*) of total expenditure under the 5 major heads amounting to ₹ 4237.68 crore was spent in March 2015. Thus, the substantial amount of expenditure incurred by the Department at the fag end of the year indicates deficient financial management and lack of effective control over expenditure by the Controlling Officers and a tendency to utilise the budget only at the fag end of the financial year.

2.4 Misclassification of expenditure especially from the Grants-in-aid

As per Indian Government Accounting Standards (IGAS) 2- “Accounting and Classification of Grants-in-aid”, Grants-in-aid disbursed by a grantor to a grantee shall be classified and accounted as revenue expenditure in Financial Statements of the Grantor, irrespective of the purpose for which the funds were disbursed as Grants-in-aid, except in cases specially authorised by the President on the advice of the Comptroller and Auditor General of India. Such cases should be debited to a Capital head of Accounts in the Financial statements of the Government.

During test check of the Accounts of the Government of Bihar for the financial year 2014-15, it was observed that Grants-in-aid of ₹ 25 crore which was required to be classified as revenue expenditure as per IGAS-2 norms was treated as Capital Expenditure. Of this, ₹ one crore pertained to project of Jawaharlal Nehru National Urban Renewable Mission and ₹ 24 crore pertained to construction of old age homes.

2.5 Unreconciled Expenditure

Rule 475 (viii) of the Bihar Financial Rules states that heads of departments and the AG (A&E), Bihar will be jointly responsible for the reconciliation of the figures given in their respective accounts maintained by the heads of the departments with those that appear in the books of AG (A&E), unless in any case there are special rules or orders to the contrary. Further, as per rule 134 of the Bihar Budget Manual, the head of departments should insist on their staff to follow the procedure laid down for reconciliation of departmental accounts with the Accountant General’s books.

Although non-reconciliation of departmental figures had been pointed out regularly in Audit Reports, under 75 Major heads, heads of departments did not reconcile expenditure amounting to ₹ 68657.81 crore (exceeding ₹ 10 crore in each case) during 2014-15 as shown in **Appendix 2.12**. Out of this, ₹ 55992.16 crore (81.55 *per cent*) relates to 14 Major heads as shown in **Table 2.5**.

Table 2.5: Non reconciliation of expenditure during 2014-15

Sl. No.	Major Heads	(₹ in crore)	
		Booked Expenditure	Amount not reconciled
(1)	(2)	(3)	(4)
1	2049-Interest Payments	5048.38	5032.27
2	2055-Police	4619.72	1643.92
3	2071-Pensions and Other Retirement Benefits	11342.93	11340.93
4	2202-General Education	16114.52	11506.23
5	2210-Medical and Public Health	2915.37	2762.21
6	2216-Housing	1521.00	1436.51
7	2217-Urban Development	1415.85	1407.87
8	2225-Welfare of SC,ST and Other Backward Classes	2304.50	2010.37
9	2235-Social Security and Welfare	4165.70	3870.20
10	2236-Nutritions	1196.78	990.04
11	2515-Other Rural Development Programme	3152.06	3116.27
12	4515-Capital outlay on Other Rural Development Programme	4647.83	4561.82
13	4801-Capital outlay on Power Projects	4153.00	2136.77
14	5054-Capital outlay on Roads and Bridges	4176.75	4176.75
Total		66774.39	55992.16

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

In view of the above, it is apparent that had the Government taken the issue of non-reconciliation of expenditure with the above mentioned 14 departments, 81.55 *per cent* of total unreconciled expenditure could have been reconciled.

2.6 Advances from Contingency Fund

The Contingency Fund of the State was established under the Bihar Contingency Fund Act, 1950 (amended in 2012), in terms of the provisions of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest. The balance at the beginning of the year on 1 April 2014 was ₹ 350 crore. The Cabinet raised (February 2015) the corpus of the Contingency Fund by ₹ 1650 crore on temporary basis for the current financial year for energy and other sectors. However, the closing balance was ₹ 350 crore at the end of the financial year.

During 2014-15, 101 withdrawals amounting to ₹ 1875.84 crore was made from Contingency Fund, of which 67 withdrawals amounting to ₹ 1667.15 crore (88.87 *per cent*) (**Appendix 2.13**) were for routine expenditure such as payments of electric bill, Prime Minister rural road scheme, bonus to paddy farmers, food to BPL family, deposit for rural road, Anti Terrorist Squad (ATS) establishment (each case ₹ five crore and above), agriculture plantation, Family Court establishment, interest of National Cooperative Development Corporation (NCDC) etc. Since these items were foreseeable expenditure, the drawal of advances from the Contingency Fund of the State was irregular and incorrect.

Review of Selected Grants

A review of the budgetary procedures and control over expenditure was conducted (August and September 2015) in respect of Grant No.23- “Industries Department” and Grant No.42- “Rural Development Department” on the basis of savings, excesses and magnitude of the grants and supplementary demands made during the year 2014-15. The results of review are detailed below:

2.7 Review of Grant No. 23-“Industries Department”

The department is the Nodal Agency for the development of industries and industrial activities in the State. Directorate of Industries is entrusted to supervise and control the District level functionaries i.e. the District Industries Centers in implementation of the various schemes and programmes of the department.

A review of the budgetary procedures and control over expenditure was conducted (August and September 2015) in respect of Grant No.23- “Industries Department” on the basis of savings, excess and magnitude of the grants and supplementary demands made during the year 2014-15.

Table 2.6: Position of Summarised Appropriation for 2014-15

(₹ in crore)						
Budget Estimate	Original Provision	Supplementary Provision	Total Provision (2+3)	Total Expenditure	Savings	Savings in percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue Voted	807.83	624.59	1432.42	496.37	936.05	65.35
Capital Voted	13.50	0.00	13.50	0.01	13.49	99.93
Total	821.33	624.59	1445.92	496.38	949.54	65.67

(Source: Appropriation Accounts Government of Bihar for the year 2014-15)

The results of review are discussed below:

2.7.1 Substantial Savings

Against the total provision of ₹ 1432.42 crore under Revenue voted head, an expenditure of ₹ 496.37 crore was incurred (34.65 per cent) and against the total provision of ₹ 13.50 crore under Capital voted head, ₹ 0.01 crore was spent resulting in 99.93 per cent savings under Capital head meant for Assistance to States for Infrastructure Development of Exports, Land Acquisition for Industrial Development and Loan to Bihar State Financial Corporation. The overall expenditure of ₹ 496.38 crore was only 34.33 per cent of the total provision of ₹ 1445.92 crore during 2014-15, resulting in substantial savings of ₹ 949.54 crore (65.67 per cent) as detailed in **Table 2.6**.

The Deputy Director (DD), Industries Department attributed (October 2015) substantial savings to provision of fund in non plan establishment and deduction in revised outlay of plan head.

The reply was indicative of the fact that department lacked in proper estimation of provisions.

2.7.2 Unnecessary supplementary provision

Rule 117 of the Bihar Budget Manual lays down the procedure for obtaining supplementary grants. As per this rule, when the administrative department considers that a supplementary grant is necessary, whether to meet a new specific item of expenditure or to cover a probable excess in the voted grant due to unforeseen causes, it should first consult the Finance Department.

Scrutiny of records revealed that provision for an amount of ₹ 246.25 crore was made under the Major heads 2408, 2851 and 2852 through supplementary provision, whereas, only ₹ 39.86 crore was spent against total original provision of ₹ 316.76 crore, as shown in **Appendix 2.14**. Supplementary provision of ₹ 246.25 crore obtained in these three Major heads during the year proved unnecessary as the expenditure did not come up to the level of the original provision.

DD, Industries Department stated (October 2015) that the amount was surrendered and again provisioned in the same sub head as subsidies through first supplementary provision and figures of expenditure were revised on the basis of Comprehensive Treasury Management Information System (CTMIS).

However, the reply was silent about supplementary provision made despite availability of funds under original provision.

2.7.3 Unnecessary re-appropriation of funds

Rule 37 of the Bihar Budget Manual defines re-appropriation as the transfer of funds by a competent authority of a particular sum of money from one unit of appropriation to meet the specific expenditure under another.

Test check revealed that under detailed heads “2851-00-103-0001”, “2852-08-001-0001”, “2852-80-102-0160” and “4885-02-050-0101”, additional funds of ₹ 15.19 crore was provided through re-appropriation which proved unnecessary as expenditure was less than original provision as stated in the **Table 2.7**.

Table 2.7: Unnecessary re-appropriation of funds

(₹ in crore)

Sl. No.	Head of account	Original provision	Re-appropriation	Total (3+4)	Expenditure
(1)	(2)	(3)	(4)	(5)	(6)
1	2851-Village and Small Industries -00 -103-Handloom Industries -0001-Handloom Development Scheme	1.89	0.10	1.99	1.23
2	2852-Industries -08-Consumer Industries -001-Direction & Administration-0001-Food Processing Industries Directorate	0.55	0.08	0.63	0.54
3	2852-Industries- 80-General-102-Industrial Productivity-0160-Scheme for Pre- Production and Post Production Facilities	670.00	15.00	685.00	366.32
4	4885-Capital Outlay on Industries and Minerals-02- Development of Backward Areas-050-Land-0101-Land Acquisition for Industrial Development	0.20	0.01	0.21	0.01
	Total	672.64	15.19	687.83	368.10

(Source: Detailed Appropriation Accounts and Grants Audit Register, 2014-15)

DD, Industries Department stated (October 2015) that fund was not drawn due to sanction of re-appropriation on the last day of the financial year.

However, no reply was furnished for re-appropriation despite savings under the original provision.

2.7.4 Surrender of fund on the last day of the financial year

As per Rule 112 of the Bihar Budget Manual, spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated, without waiting till the end of the year, unless they are required to meet excesses under some other unit or units which are definitely foreseen at that time. No savings should be held in reserve for possible future excesses.

Out of total provision of ₹ 40.38 crore (in 10 cases), ₹ 22.82 crore (56.51 *per cent*) was surrendered on the last day of the financial year 2014-15, as detailed in ***Appendix 2.15***. Amount surrendered pertained to schemes for National Food Processing Mission, Tool Room Training Center, Assistance to States for Infrastructures Development of Exports, Land Acquisition for Industrial Development and Loan to Bihar State Financial Corporation etc.

DD, Industries Department accepted the audit observation.

2.7.5 Non-utilisation of fund leading to hundred per cent surrender

Scrutiny of records relating to original provision, supplementary provision and surrender during 2014-15 revealed that entire provision of ₹ 14.25 crore of six sub heads under four major heads remained unutilised and was completely surrendered as detailed in ***Appendix 2.16***.

DD, Industries Department accepted the audit observation.

2.7.6 Non-reconciliation of departmental expenditure figure

Rule 475 (viii) of the Bihar Financial Rules states that head of departments will be responsible for the reconciliation of the figures given in their respective accounts with those that appear in the books of AG (A&E), unless in any case there are special rules or orders to the contrary. Further, under the provisions of rule 134 of the Bihar Budget Manual, departments have to ensure that the figures of Original provision, Supplementary provisions, Re-appropriation, Expenditure, Surrender and Savings are reconciled with the "Detailed Appropriation Accounts" prepared by the office of the AG (A&E), Bihar immediately after close of the financial year. To facilitate this process in a time schedule, the last date of reconciliation of figures relating to 2014-15 was fixed as 25 June 2015 by the AG (A&E), Bihar.

However, proper reconciliation was not carried out by the Department, resulting in differences in figures of expenditure under three major heads amounting to ₹ 40.44 crore as detailed in ***Appendix 2.17***.

DD, Industries Department accepted the audit observation and stated (October 2015) that General Managers, District Industrial Centres were directed to reconcile the figures of expenditure.

2.8 Review of Grant No. 42 - “Rural Development Department”

The Department is responsible for matters relating to development work of the rural areas in the State of Bihar such as Technical education, Rural Housing, Self-Employment Scheme, Employment and Rural Livelihood. There were seven Major Heads (2203, 2216, 2501, 2505, 2515, 3451 and 4515) operating under this Grant in the financial year of 2014-15.

A review of the budgetary procedures and control over expenditure was conducted (August & September 2015) in respect of Grant No. 42- “Rural Development Department” on the basis of savings, excesses and magnitude of the grants and supplementary demands made during the year 2014-15.

Table 2.8: Position of Summarised Appropriation for 2014-15

(₹ in crore)						
Budget Estimate	Original provision	Supplementary provision	Total provision (2+3)	Expenditure	Savings	Savings as a percentage of total provision
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue Voted	6725.84	0	6725.84	3126.42	3599.42	53.51
Capital Voted	30.00	0.0001	30.00	9.49	20.51	68.36
Total	6755.84	0.0001	6755.84	3135.91	3619.93	53.58

(Source: Appropriation Accounts Government of Bihar for the year 2014-15)

The results of review are discussed below:

2.8.1. Substantial Savings

Against the total provision of ₹ 6755.84 crore (original ₹ 6755.84 crore and supplementary ₹ 0.0001 crore), an expenditure of ₹ 3135.91 crore was incurred resulting in savings of ₹ 3619.93 crore (53.58 per cent of total provision) during 2014-15 as detailed in **Table 2.8**.

Scrutiny of original and supplementary provision and expenditure revealed that against the total provision of ₹ 6725.84 crore under Revenue voted head, expenditure of ₹ 3126.42 crore was incurred resulting in savings of ₹ 3599.42 crore (53.51 per cent) and against the total provision of ₹ 30 crore under Capital voted head, expenditure of ₹ 9.49 crore was incurred resulting in savings of ₹ 20.51 crore (68.36 per cent), which was meant for Bihar Integrated Social Security Strengthening Project (EAP) and Block Minor Construction Work. It shows the improper estimation of provision by the department against the scheme.

The Rural Development Department had not furnished any reply despite several reminders.

2.8.2. Surrender of fund on the last day of the financial year

As per Rule 112 of the Bihar Budget Manual, spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated, without waiting till the end of the year, unless they are required to meet excesses under some other unit or units which are definitely foreseen at that time. No savings should be held in reserve for possible future excesses.

Out of total provision of ₹ 6030.46 crore as given in **Appendix 2.18**, a sum of ₹ 3140.77 crore (52.08 *per cent*) was surrendered (28 cases) on the last day of the financial year 2014-15. Out of these, 14 cases, amounting to ₹ 2750.80 crore (87.58 *per cent* of the total surrendered amount) relates to schemes for Rural Housing and Rural Employment (**Appendix 2.19**).

The Rural Development Department had not furnished any reply despite several reminders.

2.8.3. Non-utilisation of fund leading to hundred per cent surrender

Scrutiny of records relating to original provisions, supplementary provision and surrender amount of grant during 2014-15 revealed that entire provision of ₹ 126.97 crore of eight Sub-heads under four Major heads remained unutilised and was completely surrendered as detailed in **Appendix-2.20**.

Out of hundred *per cent* surrendered amount, four cases (Sl. No. 3 to 6) amounting to ₹ 116.97 crore (92.12 *per cent* of the total surrendered amount) relates to the scheme for special programme for Rural Development.

The Rural Development Department had not furnished any reply despite several reminders.

2.8.4. Non-reconciliation of departmental expenditure figures

Rule 475 (viii) of the Bihar Financial Rules states that head of the departments will be responsible for the reconciliation of the figures given in their respective accounts with those that appear in the books of AG (A&E), unless in any case there are special rules or orders to the contrary. Further, under the provisions of rule 134 of the Bihar Budget Manual, departments have to ensure that the figures of Original provision, Supplementary provision, Re-appropriation, Expenditure, Surrender and Savings are reconciled with the “Detailed Appropriation Accounts” prepared by the office of the AG (A&E), Bihar immediately after close of the financial year. To facilitate this process in a time schedule, the last date of reconciliation of figures relating to 2014-15 was fixed at 25 June 2015 by the office of the AG (A&E), Bihar. However, proper reconciliation was not carried out by the Department, resulting in the differences in figures of expenditure under six major heads amounting to ₹ 475.81 crore as detailed in **Appendix 2.21**.

The Rural Development Department had not furnished any reply despite several reminders.

2.9 Conclusion and Recommendations

Large Savings due to improper Budget estimation

- There were large savings of ₹ 43925.80 crore (31.37 per cent) against total budget provision of ₹ 140022.59 crore during 2014-15 indicating improper budget estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for the last five years were also noticed in 10 departments. Out of the total savings (₹ 43925.80 crore), ₹ 27334.02 crore (62.23 per cent) was only surrendered and amount of ₹ 22740.73 crore (83.20 per cent) was surrendered on 31 March 2015.

The budgetary control mechanism should be strengthened in the Government Departments to avoid huge savings, especially where savings occurred persistently and to avoid taking supplementary grants, which remain unutilised. Ensure timely surrender of funds so that it could be utilised in other Heads.

Excess over provisions during previous years requiring regularisation

- Excess expenditure of ₹ 1062.46 crore was incurred over provisions during previous years, which requires regularisation under Article 205 of the Constitution of India.

Non-reconciliation of Departmental figures

- The Controlling Officers did not reconcile ₹ 68657.81 crore (exceeding ₹ 10 crore in each case) under 75 Major Heads, with the books of the Accountant General (A&E), Bihar during 2014-15.

Controlling officers should reconcile the expenditure figures every month with those in the books of the Accountant General (A&E).

Advances from Contingency Fund

- During 2014-15, 101 withdrawals amounting to ₹ 1875.84 crore was made from Contingency Fund, of which 67 withdrawals amounting to ₹ 1667.15 crore (88.87 per cent) were for routine expenditure.

Advances from the Contingency Fund should be given only for meeting expenditure of unforeseen nature.

Deficiencies in Budgetary controls in Industries and Rural Development Departments

- The Industries and Rural Development Departments were not following the provisions of the Budget Manual resulting in lack of budgetary control.

The Industries and Rural Development Departments should adhere to the provisions of the Budget Manual by adopting budget monitoring system in the Department.