

# **CHAPTER-I**

# **INTRODUCTION**



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### 1.1 Budget profile

There are 44 departments and 28 autonomous bodies in the State. The position of budget estimates and actual thereagainst by the State Government during 2010-15 is given in **Table no. 1.1** below:

**Table no.1.1 Budget and expenditure of the State Government during 2010-15**  
(₹ in crore)

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15	
	Budget Estimates	Actuals	Budget Estimates	Actuals						
<b>Revenue expenditure</b>										
General services	15448.33	15286.97	18505.11	17729.72	22192.64	18645.11	25469.15	22018.47	28155.44	26408.18
Social services	17816.09	15089.42	20862.15	18728.78	25632.67	23107.37	32004.63	26394.85	43617.60	31712.71
Economic services	7409.82	7836.28	10562.18	10037.82	13129.83	12709.96	15779.73	14060.06	19988.27	14445.05
Grants-in-aid and contributions	4.12	3.25	4.12	3.17	4.12	3.71	4.12	3.85	4.12	4.04
<b>Total (1)</b>	<b>40678.36</b>	<b>38215.92</b>	<b>49933.56</b>	<b>46499.49</b>	<b>60959.26</b>	<b>54466.15</b>	<b>73257.63</b>	<b>62477.23</b>	<b>91765.43</b>	<b>72569.98</b>
<b>Capital expenditure</b>										
<b>Capital Outlay</b>	13080.19	9195.94	15392.31	8852.01	17727.56	9584.52	18830.30	14001.00	25120.74	18150.41
Loans and advances disbursed	730.67	1102.63	1036.60	1906.08	1260.71	2085.95	1394.38	807.38	406.49	368.71
Repayment of Public Debt	1915.56	2190.03	2907.89	2922.46	3054.48	3069.96	3238.73	3119.56	3562.90	3608.95
Contingency Fund	0	1150.00	0	800.00	0	2250.00	0	1450.43		1650.00
Public Accounts disbursements	5068.21	16749.02	5819.74	21393.22	7108.79	24798.82	7019.00	29452.57	12143.96	39200.48
Closing Cash balance	0	2735.44	0	1509.45	0	3715.58	0	6156.39		6337.11
<b>Total (1)</b>	<b>40678.36</b>	<b>38215.92</b>	<b>49933.56</b>	<b>46499.49</b>	<b>60959.26</b>	<b>54466.15</b>	<b>73257.63</b>	<b>62477.23</b>	<b>91765.43</b>	<b>72569.98</b>
<b>Total (2)</b>	<b>20794.63</b>	<b>33123.06</b>	<b>25156.54</b>	<b>37383.22</b>	<b>29151.54</b>	<b>45504.83</b>	<b>30482.41</b>	<b>54987.33</b>	<b>41234.09</b>	<b>69315.66</b>
<b>Grand Total (1+2)</b>	<b>61472.99</b>	<b>71338.98</b>	<b>75090.10</b>	<b>83882.71</b>	<b>90110.80</b>	<b>99970.98</b>	<b>103740.04</b>	<b>117464.56</b>	<b>132999.52</b>	<b>141885.64</b>

(Source: Finance Accounts and Abstract of State Budget)

### 1.2 Application of resources of the State Government

As against the total outlay of the budget of ₹140022.59 crore, total expenditure was ₹96096.79 crore during 2014-15. The total expenditure comprising revenue expenditure, capital expenditure and loans and advances of the state increased from ₹48515 crore to ₹91089 crore during 2010-15, the revenue expenditure of the State Government increased by 90 per cent from ₹38216 crore in 2010-11 to ₹72570 crore in 2014-15. Non-plan revenue expenditure increased by 72 per cent from ₹27316 crore to ₹47059 crore and capital expenditure increased by 97 per cent from ₹9196 crore to ₹18150 crore during the period 2010-15.

The revenue expenditure constituted 79 to 82 per cent of the total expenditure during the years 2010-15 and capital expenditure to 14 to 20 per cent. During

this period, total expenditure increased at an annual average rate of 17.06 per cent, whereas revenue receipts grew at an annual average growth rate of 17.42 per cent during 2010-15.

### 1.3 Persistent savings

In 11 cases 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 per details given in **Table no. 1.2**.

**Table no.1.2 List of grants with persistent savings during 2010-15**

(₹ in crore)

Sl. No.	No. and Name of the grant	Amount and percentage of savings									
		2010-11		2011-12		2012-13		2013-14		2014-15	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>Revenue-Voted</b>											
1	2-Animal and Fisheries Resources Department	165.72	40.67	210.59	43.22	426.49	44.31	607.69	62.55	211.59	32.11
2	12-Finance Department	55.64	13.46	122.72	43.27	223.31	31.97	106.32	27.48	124.99	45.19
3	20-Health Department	479.42	23.92	528.85	21.52	569.78	22.26	623.24	22.30	914.11	21.60
4	27-Law Department	130.41	26.37	148.50	26.19	151.31	26.11	141.61	22.78	179.09	26.60
5	40-Revenue and Land Reforms Department	128.43	23.06	148.70	24.05	72.52	14.96	132.67	21.20	224.14	31.73
6	41-Road Construction Department	198.29	33.58	120.06	18.44	109.32	16.45	413.22	32.96	359.65	28.57
7	50-Minor Water Resource Department	108.29	15.78	291.77	50.39	92.81	25.99	668.14	66.10	375.41	57.59
<b>Total</b>		<b>1266.20</b>		<b>1571.19</b>		<b>1645.54</b>		<b>2692.89</b>		<b>2388.98</b>	
<b>Capital-Voted</b>											
8	3-Building Construction Department	66.52	36.16	292.26	57.49	722.07	69.33	659.52	40.88	1719.79	60.50
9	36-Public Health Engineering Department	268.62	29.99	137.81	31.09	265.47	50.66	97.55	13.62	601.57	40.46
10	49-Water Resources Department	1722.91	56.81	625.86	26.65	672.73	27.47	1853.56	53.61	1262.62	50.27
11	50-Minor Water Resource Department	181.26	75.96	110.50	42.42	127.24	43.26	108.10	35.51	181.00	50.03
<b>Total</b>		<b>2239.31</b>		<b>1166.43</b>		<b>1787.51</b>		<b>2718.73</b>		<b>3764.98</b>	
<b>Grand Total</b>		<b>3505.51</b>		<b>2737.62</b>		<b>3433.05</b>		<b>5411.62</b>		<b>6153.96</b>	

(Source: Appropriation Accounts of the respective years)

#### 1.4 Funds transferred directly to the State implementing agencies

During 2014-15, GoI directly transferred ₹651.74 crore to various State implementing agencies. Since these funds are not routed through the State Budget/State Treasuries, these are not reflected in the accounts of the Government.

#### 1.5 Grants-in-aid from Government of India

The Grants-in-aid from GoI increased from ₹9699 crore in 2010-11 to ₹19146 crore in 2014-15 as shown in **Table no. 1.3**.

**Table no. 1.3: Grants-in-aid from GoI**

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	1924.78	2562.62	2412.58	3288.13	3271.21
Grants for State Plan Schemes	5456.95	5065.39	5051.97	6238.39	14935.68
Grants for Central Plan Scheme	175.70	95.78	35.69	136.65	117.49
Grants for Centrally Sponsored Schemes	2141.13	2159.19	2777.68	2920.96	821.88
<b>Total</b>	<b>9698.56</b>	<b>9882.98</b>	<b>10277.92</b>	<b>12584.03</b>	<b>19146.26</b>
Percentage of increase over previous year	28.22	1.90	4.00	22.44	52.15
Revenue Receipts	44532	51320	59567	68919	78417
Total grants as a percentage of Revenue Receipts	21.78	19.26	17.25	18.26	24.42

(Source: Finance Accounts of the State for the respective years)

#### 1.6 Planning and conduct of audit

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/projects, etc., criticality/complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Bihar under Article 151 of the Constitution of India.

During 2014-15, Compliance Audit of 941 Drawing and Disbursing Officers (DDOs) of the State and 11 autonomous bodies were conducted by the office of the Accountant General (Audit), Bihar. Besides, five Performance Audit reviews including one Thematic Audit and one Follow-up Audit were also conducted.

#### 1.7 Lack of responsiveness of Government to Inspection Reports

The Accountant General (Audit), Bihar conducts periodical inspection of Government Departments by test check of transactions and verify the

maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities, etc., detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with copies to next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the AG (Audit) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the departments by the office of the AG (Audit), Bihar through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test audit, 32089 audit observations contained in 5441 IRs outstanding as on 31 March 2015<sup>1</sup> are given in **Table no.1.4**.

**Table no.1.4: Outstanding Inspection Reports / Paragraphs**

(₹ in crore)

Sr. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1	General Sector	653	3526	7723.68
2	Social Sector	3149	19268	81608.57
3	Economic Sector (Non PSUs)	1639	9295	58018.97
<b>Total</b>		<b>5441</b>	<b>32089</b>	<b>147351.22</b>

(Source: Information compiled by different sectors of this office)

During 2014-15, three meetings of the Audit Committee were held in which only three paragraphs were settled.

A detailed review of the IRs issued to 3167 DDOs upto September 2014 pertaining to 38 Departments showed that 32089 paragraphs having financial implications of about ₹ 147351.22 relating to 5441 IRs remained outstanding at the end of 31 March 2015. The year-wise position of these outstanding 5441 IRs and 32089 paragraphs is detailed in **Appendix 1.1** and types of irregularities in **Appendix 1.2**.

The departmental officers failed to take action on observations contained in outstanding IRs within the prescribed timeframe resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to the audit observations.

**1.8 Government response to significant audit observations (draft paragraphs/reviews)**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/schemes and to offer suitable

<sup>1</sup> Including IRs and paragraphs issued upto 30 September 2014 and outstanding as on 31 March 2015.

recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provisions of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audit reports/draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India to be placed before the State Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Principal Secretaries/Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on five Performance Audit reviews (including one Thematic Audit Para and one Para on Follow-up Audit) and 12 draft paragraphs were forwarded to the concerned Administrative Secretaries. Replies of the Government/department have been received for all the Performance Audit reviews including Thematic Audit, Follow-up Audit paras and four draft paragraphs.

### 1.9 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suomotu* action on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within two months of the presentation of the ARs to the State Legislature.

The position regarding receipt of Action taken Notes (ATNs) on the paragraphs included in the ARs upto the period ended 31 March 2015, as on 30 September 2015 is given in **Table no. 1.5**.

**Table no. 1.5: Position regarding receipt of ATNs on the paragraphs included in the ARs**

Audit Reports	Year	ATNs pending as of 30 September 2015 (No. of Paragraphs)	Date of presentation in the State Legislature	Due date for receipt of ATNs
General, Social and Economic Sectors	2011-12	1	1/8/2013	1/10/2013
	2012-13	8	15/7/2014	15/9/2014
	2013-14	15	7/4/2015	7/6/2015
State Finances	2011-12	28	2/4/2013	2/6/2013
	2012-13	34	21/2/2014	21/4/2014
	2013-14	32	7/4/2015	7/6/2015

(Source: Information compiled by Public Accounts Committee section of this office)

### 1.10 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government were referred to various departmental DDOs for confirmation and further necessary action under intimation to audit.

Recoveries of altogether ₹ 1511.24 lakh were pointed out (2014-15) in 25 cases. However, total recoveries effected during 2014-15 was ₹ 119.99 lakh in three cases as detailed in **Table no. 1.6**.

**Table no. 1.6: Recoveries pointed out by Audit and accepted / recovered by the Departments**

(₹ in lakh)

Name of Sector	Recoveries pointed out in Audit and accepted by the Departments during 2014-15		Recoveries effected during 2014-15		Department	Particulars of recoveries noticed
	Number of cases	Amount involved	Number of cases	Amount involved		
General Sector	Nil	Nil	Nil	Nil		
Social Sector	14	352.39	1	40.00	Education	Non-refund of un-utilised food grains
			1	0.02	Health	Excess payment of pay and allowances
Economic Sector	11	1158.85	1	79.97	WRD	Excess payment to contractor

(Source: Information compiled by different sectors of this office)

### 1.11 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several Autonomous Bodies (AB) have been setup by the State government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc. The audit of accounts of four autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India out of which three have not been renewed. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix 1.3**.

As the entrustment of audit of three ABs was not renewed and annual accounts of one AB for the year 2014-15 was not received, the four ABs were not audited during 2014-15 and Separate Audit Reports were not issued (**Appendix 1.3**).