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**STATE FINANCES AUDIT REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR ENDED 31 MARCH 2019**

**GOVERNMENT OF BIHAR
REPORT NO. 3 OF THE YEAR 2020**



Press Brief

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C&AG's Audit Report on State Finances 2019

The Report of the Comptroller and Auditor General of India on State Finances, Government of Bihar for the year ended March 2019 prepared under Article 151 of the Constitution of India was presented to the Bihar Legislature on 23 March 2021.

This report comprises three chapters. The first two chapters contain audit observations on the Finance Accounts and Appropriation Accounts of the State Government for the year 2018-19 and the third chapter contains comments on the State Government's compliance with various financial rules, procedures and directives during the current year.

The major audit findings are:

Chapter I: Finances of the State Government

Revenue surplus

The State has achieved the target of fiscal deficit and revenue surplus but not the ratio of outstanding debt to GSDP as envisaged in XIV FC and Mid-term fiscal policy under BFRBM Act. Further, the State has achieved the target of ratio of outstanding debt to GSDP with respect to budget estimates of 2018-19 but not of revenue surplus and fiscal deficit.

(Paragraph 1.1.2)

Primary Deficit

The primary deficit of the state has decreased from ₹ 5,050 crore in 2014-15 to ₹ 3,736 crore in 2018-19. During 2018-19, the fiscal deficit and primary deficit decreased by three *per cent* and 29 *per cent* respectively with respect to 2017-18.

(Paragraph 1.2.2)

Fiscal Deficit

Fiscal Deficit of the State decreased from ₹ 14,305 crore in 2017-18 to ₹ 13,807 crore in 2018-19 which was higher than the BE (₹ 2,603 crore).

(Paragraph 1.2.2 and 1.2.4)

Resource mobilisation



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Revenue receipts in 2018-19 grew by ₹ 14,347 crore (12.22 *per cent*) over 2017-18, but were lower than the budget estimates by ₹ 26,257 crore (16.61 *per cent*).

Revenue expenditure in 2018-19 increased by ₹ 22,273 crore (21.70 *per cent*) over 2017-18, but was lower than the budget estimates by ₹ 11,843 crore (8.66 *per cent*).

Capital expenditure in 2018-19 decreased by ₹ 7,849 crore (27.15 *per cent*) over 2017-18 and was lower than the budget estimates by ₹ 11,359 crore (35.04 *per cent*).

(Paragraph 1.1.1 and 1.2.4)

Committed Expenditure

Committed expenditure of the Government under revenue head mainly consists of expenditure on salaries and wages (₹ 19,968.39 crore), pensions (₹ 16,027.75 crore), interest payments (₹ 10,071.14 crore) and subsidies (₹ 8,323.97 crore). Total committed expenditure (₹ 54,391.25 crore) constitutes a major component of revenue expenditure and consumed 70.15 *per cent* of the establishment and committed revenue expenditure (₹77,531.83 crore).

(Paragraph 1.4.3)

New Pension Scheme (NPS)

The State Government deposited ₹ 1,081.26 crore to NSDL/Trustee Bank and failed to deposit ₹ 60.04 crore collected on account of NPS during the year 2018-19. The total amount not deposited to NSDL/Trustee Bank as on 31 March 2019 was ₹188.32 crore.

(Paragraph 1.4.3.1)

Adequacy of public expenditure

The ratio of development expenditure, social sector expenditure, and education services expenditure to aggregate expenditure was higher than the average for the General Category States. However, the share of economic sector expenditure in aggregate expenditure dropped in 2018-19 over the five year period, while the share of health to aggregate expenditure was less than the average for General Category States.

(Paragraph 1.4.5.1)



Incomplete projects

Total 68 projects were due for completion during the period 2011-12 to 2018-19. Since the details of all 68 projects with an estimated cost of ₹ 790.99 crore were

not furnished by the Departments, their revised cost was not exhibited in the Finance Accounts and was thus not ascertainable.

(Paragraph 1.5.2)

Returns on investments

During the year 2018-19, the State Government incurred a notional loss of ₹ 1,739.28 crore on return on investment in various entities on account of difference between the Government's borrowing cost and the return on investment.

(Paragraph 1.5.3)

Loans and Advances by the State Government

The interest in arrears on loans and advances to various entities has increased over the years and was ₹ 9,038.12 crore as of 31 March 2019.

(Paragraph 1.5.4)

Sinking Fund

The State Government set up a Consolidated Sinking Fund in 2008-09 which was only for amortisation of market loans and from 2014-15, it was to be utilised for redemption of the outstanding liabilities of the Government. However, it has not been utilised since its inception. The closing balance of the fund as on 31 March 2019 was ₹ 4,895.12 crore.

(Paragraph 1.6.2.1)

State Disaster Response Fund (SDRF)

The opening balance of the fund as on 1 April 2018 was ₹ six thousand only. During the year, ₹ 1,430.66 crore (Centre: ₹ 1,362.79 crore and State: ₹ 67.87 crore) was received and an expenditure of ₹ 1,430.65 crore was incurred on natural calamities leaving a balance of ₹ 78,850.00 in the fund as on 31 March 2019.

(Paragraph 1.6.2.2)



Status of Guarantees

The State Government has not created a Guarantee Redemption Fund in terms of the recommendations of the 12th Finance Commission nor framed any rules for fixing a ceiling on guarantees.

(Paragraph 1.6.3)

Net availability of borrowed funds

97.19 per cent of the borrowed funds were used for discharging existing liabilities during 2018-19 and could not be used for capital formation/development activities of the State.

(Paragraph 1.7.2)

Chapter II: Financial management and budgetary control

Savings

Out of total grants/appropriations (₹ 2,09,489.83 crore) in 2018-19, ₹ 49,172.17 crore (24 per cent) was saved. Significant savings of ₹ 1,000 crore and above occurred in nine grants aggregating ₹ 36,304.81 crore (35.92 per cent of total provision of ₹ 1,01,070.11 crore) during 2018-19. Significant variations (20 per cent and above in each case) between the total grant/ appropriation and expenditure incurred leading to a savings of ₹ 42,302.53 crore under 29 grants/appropriations. In 27 cases involving 25 grants/appropriations, there were persistent total savings of ₹ 29,000.34 crore and above during each of five years. In 43 cases (37 grants/appropriations) supplementary provisions amounting to ₹ 18,273.32 crore (₹ 10 lakh or more in each case) proved unnecessary as expenditure (₹ 1,02,539.14 crore) was not even up to level of original provision (₹ 1,24,981.48 crore).

(Paragraph 2.2)

Surrender of funds

Out of total savings of ₹ 49,172.17 crore, 94.26 per cent was surrendered (₹ 46,349.77 crore) during the year resulting in non-surrender of saving aggregating ₹ 2,822.40 crore (5.74 per cent of total savings). Further, ₹ 27,527.23 crore (59.39 per cent of total surrenders) was surrendered on the last working day of March 2019, leaving no scope for utilisation of these funds. There was cent per cent surrender of funds (₹ 4,686.68 crore) in 232 detailed head of accounts under 38 grants/appropriations.

(Paragraph 2.2 and 2.3.5)

Rush of Expenditure

Out of total expenditure of ₹ 31,870.31 crore under 14 departments, amount of ₹ 17,951.71 crore (56.33 per cent) was incurred during the last quarter, whereas ₹ 12,151.88 crore was incurred in the month of March 2019.

(Paragraph 2.3.8)



Advances from Contingency Fund

In 2018-19, the State Government temporarily increased the corpus of the Contingency Fund from ₹ 350 crore to ₹ 7,079.61 crore. Compared to this, the Contingency Fund of India was ₹ 500 crore. During 2018-19, the State Government made 109 withdrawals amounting to ₹ 4,353.49 crore from the Contingency Fund, out of which 34 withdrawals amounting to ₹ 386.85 crore (8.89 per cent) were made for event of foreseeable nature.

(Paragraph 2.4)

Unreconciled receipts and expenditure

HoDs did not reconcile receipts of ₹ 22,447.47 crore (39 per cent) and expenditure of ₹ 1,27,896.89 crore (88 per cent) under 31 receipts and 80 expenditure major heads respectively with the books of the AG (A&E), Bihar during 2018-19.

(Paragraph 2.6)

Chapter III: Financial Reporting

Personal Deposit (PD) accounts

175 Personal Deposit Accounts had balances of ₹ 4,377.12 crore as of March 2019. Out of the 175 PD accounts, 95 PD accounts in 47 treasuries were remained inoperative for the last three financial years out of which 90 had zero balance and an amount of ₹ 27.73 crore was lying unspent in five PD accounts. Non-reconciliation of balances in PD accounts periodically and non-transferring the unspent balance lying in PD accounts to the Consolidated Fund before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

(Paragraph 3.1.1 & 3.1.2)

Building and Other Construction Workers (BOCW) Welfare Cess

Scrutiny of records of labour cess for the period 2018-19 revealed that out of total available fund of ₹ 1,706.68 crore, only ₹ 83.39 crore (4.89 per cent) was spent by the Board. Although 15 welfare schemes were being run by the Board, expenditure was incurred only on seven schemes benefitting 2,58,173 workers (18.60 per cent of total 13,87,686 registered workers in the State).

(Paragraph 3.2.1)

Finalisation of accounts of PSUs/Corporations

The accounts of 34 working PSUs/Corporations (136 accounts) and 39 non-working PSUs/Corporations (1,084 accounts) are in arrears from one to 16 years and one to 42 years respectively in violation of provisions of the Companies Act/Acts of respective statutory corporations. The State Government provided

budgetary support (equity, loans, capital grants and subsidies and accepted



liabilities) of ₹ 30,481.18 crore in 30 PSUs during the period for which their account were in arrears as on 31 March 2019.

(Paragraph 3.5.1, 3.5.2 & 3.5.3)

Non- submission of Utilisation Certificates

Utilisation certificates (UCs) of ₹ 55,405.09 crore (2,453 UCs) were outstanding as of 31 March 2019 from 33 departments. High pendency of UCs is fraught with risk of misappropriation of fund and fraud.

(Paragraph 3.6)

Outstanding Detailed Contingent bills

₹ 5,770.55 crore drawn on 15,495 Abstract Contingent (AC) bills remained outstanding as of March 2019 due to non-submission of Detailed Contingent (DC) bills. This includes 1,140 AC bills amounting to ₹ 296.97 crore (47.03 per cent of the total amount drawn against AC bills during the year) drawn in March 2019 alone. Advances drawn and not accounted for increased the possibility of wastage/misappropriation/ malfeasance etc.

(Paragraph 3.7)

Non-reconciliation of investments/loans and advances/guarantees

There was a difference in the figures of investment, loans and guarantees as per Finance Accounts and as provided by the PSUs. The difference in figures of investment, loans and guarantees during 2018-19 was ₹ 8,781.32 crore, ₹ 3,410.45 crore and ₹ 5,252.45 crore respectively.

(Paragraph 3.8)

Apportionment of balances on reorganisation of the State

The State Government is yet (since November 2000) to apportion ₹ 11,148.69 crore between the successor States of Bihar and Jharkhand.

(Paragraph 3.13)

Sd/-

Accountant General (Audit), Bihar, Patna



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