

### 2.1 Introduction

**2.1.1** 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 budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act 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 authorization given under the Appropriation Act 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, 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 in the year and neither larger nor smaller. 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 have been discussed in the subsequent paragraphs.

## 2.2 Summary of Appropriation Accounts

The summarized position of expenditure during 2011-12 against 51 grants/appropriations is given in **Table 2.1**.

**Table 2.1: Expenditure vis-a-vis Original/Supplementary provisions**

(₹ in crore)						
	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Expenditure	Savings (-) Excess (+)
<b>Voted</b>	I Revenue	45194.13	8033.04	53227.17	42853.64	-10373.53
	II Capital	11447.81	2170.29	13618.10	8984.42	-4633.68
	III Loans and Advances	1036.61	991.39	2028.00	1907.47	-120.53
<b>Total Voted</b>		<b>57678.55</b>	<b>11194.72</b>	<b>68873.27</b>	<b>53745.53</b>	<b>-15127.74</b>
<b>Charged</b>	IV Revenue	5090.65	6.26	5096.91	4633.06	-463.85
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	2907.89	18.70	2926.59	2922.46	-4.13
<b>Total Charged</b>		<b>7998.54</b>	<b>24.96</b>	<b>8023.50</b>	<b>7555.52</b>	<b>-467.98</b>
<b>Appropriation to Contingency Fund (if any)</b>		0.00	0.00	0.00	0.00	0.00
<b>Grand Total</b>		<b>65677.09</b>	<b>11219.68</b>	<b>76896.77</b>	<b>61301.05</b>	<b>-15595.72</b>

**Note:** The expenditure includes recoveries/refund of revenue expenditure amounting to ₹ 987.21 crore and recoveries of capital expenditure amounting to ₹ 132.40 crore, adjusted as reduction of expenditure.

(Source: *Appropriation Accounts, Government of Bihar for the year 2011-12*)

The overall savings of ₹ 15595.72 crore was the result of savings of ₹ 10837.38 crore in 46 grants and eight appropriations under the Revenue Section and ₹ 4637.81 crore in 32 grants and one appropriation under the Capital Section and ₹ 120.53 crore in nine grants under the Loan Section.

Supplementary provisions of ₹ 11219.68 crore obtained during the year constituted 17.08 per cent of the original provision as against 22.93 per cent in the previous year.

The cases of savings/excesses were intimated (July 2012) by Accountant General (A&E), Bihar to the Controlling Officers, requesting them to reconcile the excess/savings but their explanations for excess/savings had not been received (October 2012).

## 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 in 29 grants, savings exceeded ₹ 10 crore in each case and also by more than 20 *per cent* of the total provision (*Appendix 2.1*). Against the total savings of ₹ 15595.72 crore, savings of ₹ 8907.78 crore (57.12 *per cent*) occurred in 10 grants having savings of ₹ 500 crore and above as indicated in **Table 2.2**. The major savings under the Revenue Voted section occurred in Education Department (₹ 2258.89 crore); Panchayati Raj Department (₹ 1120.56 crore) and Urban Development & Housing Department (₹ 713.46 crore). Under Capital Voted Section, the major savings occurred in Energy Department (₹ 871.99 crore), Finance Department (₹ 805.52 crore) and Planning and Development Department (₹ 771.67 crore). Reasons for final savings have not been intimated (December 2012).

**Table-2.2: List of Grants with savings of ₹ 500 crore and above**

(₹ in crore)							
Sl. No.	No. and Name of the Grant	Original	Supplemen- tary	Total	Expendit- ure	Savings	Surrenders out of savings
<b>Revenue-Voted</b>							
1	21-Education Department	10915.91	1976.52	12892.43	10633.54	2258.89	1695.87
2	16-Panchayati Raj Department	2982.88	316.90	3299.78	2179.22	1120.56	210.00
3	48-Urban Development and Housing Department	1283.78	91.05	1374.83	661.37	713.46	326.33
4	51-Social Welfare Department	2808.47	467.04	3275.51	2599.27	676.24	520.19
5	22-Home Department	3534.19	380.88	3915.07	3380.33	534.74	128.82
6	20-Health Department	2305.31	151.90	2457.21	1928.36	528.85	104.11
	<b>Total</b>	<b>23830.54</b>	<b>3384.29</b>	<b>27214.83</b>	<b>21382.09</b>	<b>5832.74</b>	<b>2985.32</b>
<b>Capital-Voted</b>							
7	10-Energy Department	1733.93	181.45	1915.38	1043.39	871.99	798.23
8	12-Finance Department	24.00	811.23	835.23	29.71	805.52	3.78
9	35-Planning and Development Department	767.24	213.12	980.36	208.69	771.67	711.67
10	49-Water Resources Department	2096.38	343.51	2439.89	1814.03	625.86	547.11
	<b>Total</b>	<b>4621.55</b>	<b>1549.31</b>	<b>6170.86</b>	<b>3095.82</b>	<b>3075.04</b>	<b>2060.79</b>
	<b>Grand Total</b>	<b>28452.09</b>	<b>4933.60</b>	<b>33385.69</b>	<b>24477.91</b>	<b>8907.78</b>	<b>5046.11</b>

(Source: Appropriation Accounts, Government of Bihar for the year 2011-12)

Some cases of savings exceeding ₹ 500 crore are discussed below:

**Revenue Voted:**

**i. Grant Number “21-Education Department”**

Against the Original provision of ₹ 10915.91 crore, the expenditure was only ₹ 10633.54 crore, resulting in savings of ₹ 282.37 crore. Further, augmentation of funds (₹ 1976.52 crore) through supplementary grants proved unnecessary as the whole amount remained unutilized during the year. Reasons for final savings have not been intimated (December 2012).

**ii. Grant Number “16-Panchayati Raj Department”**

Supplementary provisions of ₹ 316.90 crore proved unnecessary as the total expenditure of ₹ 2179.22 crore was less than the original budget (₹ 2982.88 crore). Savings (₹ 1120.56 crore) mainly occurred under the head 2515-Other Rural Development Programmes, 101-Panchayati Raj (State Plan), 0111-Backward Region Grant Fund Scheme (₹ 494.01 crore), 2515-Other Rural Development Programmes, 198-Assistance to Gram Panchayats, 0001-Assistance to Panchayati Raj Institutions (₹ 114.78 crore). Reasons for final savings have been analysed in paragraph 2.8.

**iii Grant Number “48- Urban Development and Housing Department”**

Supplementary provision of ₹ 91.05 crore proved unnecessary as the total expenditure of ₹ 661.37 crore was less than the original budget (₹ 1283.78 crore). Savings (₹ 713.46 crore) was mainly under the head 2217-Urban Development, 80-General, 800-Other Expenditure, 0116-Grants-in-aid to Urban Local Bodies for integrated urban development (₹ 260 crore). Reasons for final savings have not been intimated (December 2012).

**Capital Voted:**

**iv. Grant Number “10-Energy Department”**

The grant closed with savings of ₹ 871.99 crore against the total budget of ₹ 1915.38 crore. Supplementary provision (₹ 181.45 crore) proved unnecessary. Reasons for final savings have not been intimated (December 2012).

**v. Grant Number “12-Finance Department”**

Against the provisions of ₹ 835.23 crore, the expenditure was only ₹ 29.71 crore, resulting in savings of ₹ 805.52 crore. Further augmentation of funds (₹ 811.23 crore) through supplementary grants proved unnecessary as out of (₹ 811.23 crore), only ₹ 5.71 crore was utilized and the rest ₹ 805.52 crore remained unutilized. Savings of ₹ 3.78 crore were surrendered due to non-receipt of proposal in time. Reasons for final savings have not been intimated (December 2012).

**vi. Grant Number “35-Planning and Development Department”**

Supplementary provision proved unnecessary as the total expenditure of ₹ 208.69 crore was less than both original provision (₹ 767.24 crore) as well as supplementary provision (₹ 213.12 crore). Bihar Government account showed that savings (₹ 771.67 crore) were mainly under the head 4070-Capital outlay on Other Administrative Services, 0107-Chief Minister Area Development Programme (₹ 664.59 crore including surrender of ₹ 604.59 crore). The Principal Secretary, Planning and Development Department, Government of Bihar in his surrender letter (31 March 2012) attributed substantial savings to delayed issuance of Authority for cheque drawal and non-posting of Divisional Accountants by AG (A&E). On verification it was found that the request of department itself was received in the Office of the AG (A&E) in March 2012. Further, appointment/posting of 67 Divisional Accountants was not possible within a month. Hence, the department itself was responsible for the savings and needed to improve its functioning so as to avoid recurrence of such incidence in the future.

### 2.3.2 Persistent Savings

Test check revealed that during the last five years, in 11 cases, there were persistent savings of more than ₹ 20 crore in each case and ranged between 11 to 76 per cent of the total grants as indicated in *Appendix 2.2*. Reasons for final savings have not been intimated (December 2012).

### 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 regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, expenditure amounting to ₹ 2278.22 crore for the previous years (1977 to 2011) was still to be regularized as shown in *Appendix 2.3*.

### 2.3.4 Unnecessary 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 ₹ 5879.14 crore obtained in 51 cases (42 grants/appropriations), involving ₹ 10 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provisions as detailed in *Appendix 2.4*.

From the above facts, it is 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.

### 2.3.5 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.

Test check revealed that under 12 grants involving 30 sub-heads, additional funds of ₹ 25.92 crore provided through re-appropriation proved unnecessary as the final savings were ₹ 145.74 crore, as detailed in *Appendix 2.5*. Further, in two cases ₹ 290.87 crore was injudiciously withdrawn through re-appropriations, when there was excess expenditure of ₹ 205.63 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=7-(4+5+6)
1	3	2059-Public Works, 80-General, 053-Maintenance and Repairs, 0004-Electric Works	2.60	-0.30	-0.75	1.74	+0.19
2	41	5054-Capital outlay on Roads and Bridges, 03-State Highways, 337-Road Works, 0107-Rashtriya Sam Vikas Yojana	1176.61	-290.57	-278.48	813.00	+205.44
<b>Total</b>			<b>11179.21</b>	<b>-290.87</b>	<b>-279.23</b>	<b>814.74</b>	<b>+205.63</b>

(Source: Grants Register & Detailed Appropriation Accounts, Government of Bihar for the year 2011-12)

Under the Head 2059-“Public Works”, 80-“General”, 053-“Maintenance and Repairs”, 0004-“Electric Works of Grant No.03” ₹ 0.30 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 0.19 crore occurred.

Further, under the Head 5054-“Capital outlay on Roads and Bridges”, 03-“State Highways”, 337-“Road Works”, 0107-“Rashtriya Sam Vikas Yojana” under Grant No. 41, ₹ 290.57 crore was withdrawn through re-appropriation, whereas excess expenditure of ₹ 205.44 crore was incurred.

Thus instead of providing additional funds to meet additional requirements, withdrawal of funds was made from the deficient accounts.

Further, in 36 cases, withdrawals through re-appropriation of ₹ 85.54 crore proved insufficient since there remained savings of ₹ 582.49 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.

### **2.3.6 Substantial surrenders**

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.

In 22 grants involving 69 sub-heads, against the total provision of ₹ 5838.96 crore, funds amounting to ₹ 4251.53 crore (72.81 per cent) were surrendered as indicated in *Appendix 2.7*. The surrender under each unit ranged between 50.11 to 99.99 per cent (₹ five crore and more than 50 per cent of the total provision in each case). These funds were surrendered on account of either non-implementation or slow implementation of schemes/programmes.

Further, there was 100 per cent surrender of funds (₹ 1472.61 crore) in 192 schemes under 30 grants/appropriations (*Appendix 2.8*) due to non-implementation of schemes and the beneficiaries were deprived of the benefits and services which could have been derived from these schemes.

### **2.3.7 Surrender in excess of actual savings**

In four cases, the amount injudiciously surrendered (₹ one crore 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 ₹ 105.85 crore, the amount surrendered was ₹ 393.60 crore, resulting in excess surrender of ₹ 287.75 crore as given in **Table 2.4**.



Table 2.4: Surrenders in excess of actual savings (₹ one crore or more)

(₹ 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	Revenue – Voted 2	3	4	5	6
1	17-Commercial Tax	82.38	17.23	18.52	1.29
2	24-Information and Public Relation	65.03	8.23	19.42	11.19
3	38-Registration, Excise and Prohibition	124.21	39.67	40.79	1.12
<b>Total</b>		<b>271.62</b>	<b>65.13</b>	<b>78.73</b>	<b>13.60</b>
<b>Capital- Voted</b>					
4	41-Road Construction	4097.19	40.72	314.87	274.15
<b>Total</b>		<b>4097.19</b>	<b>40.72</b>	<b>314.87</b>	<b>274.15</b>
<b>Grand Total</b>		<b>4368.81</b>	<b>105.85</b>	<b>393.60</b>	<b>287.75</b>

(Source: Appropriation Accounts, Government of Bihar for the year 2011-12)

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

### 2.3.8 Anticipated savings not surrendered/ belatedly surrendered

Audit scrutiny revealed that in violation of Rule 112 of Bihar Budget Manual, savings of ₹ 5498.56 crore (49.64 per cent) out of ₹ 11076.29 crore under 26 grants/ appropriations (savings of ₹ one crore or more and above 10 per cent in each case), were not surrendered, details of which are given in *Appendix 2.9*.

Besides, in 43 cases, where there was surrender of funds in excess of ₹ 10 crore and 10 per cent of the total provisions in each case, ₹ 5612.01 crore was surrendered on the last two working days of March 2012 (*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 utilized for the purposes for which they were allotted nor were these made available for utilization of other needy by re-appropriation.

### 2.3.9 Rush of Expenditure

As per Rule 113 of the Bihar Budget Manual, 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. Further, the Finance Department had also issued (April 1998) standing orders elaborating the spread plan for uniform expenditure i.e. 33 per cent between first April to 31 July; 32 per cent between first August to 30 November and 35 per cent between first December to 31 March. Besides this it was directed that instructions for compliance of this standing order should invariably be incorporated in each allotment order for expenditure.

Contrary to this, in respect of 30 Major heads listed in *Appendix 2.11*, expenditure exceeding 50 per cent of the total expenditure for the year was incurred in the month of March 2012.

Appropriate action needs to be taken to streamline the procedure to avoid heavy expenditure in the closing month of the financial year.

## 2.4 Unreconciled Expenditure

Rules 475 (viii) of the Bihar Financial Rules states that heads of departments and the Accountant General (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 Accountant General (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 with those of the Accountant General (A&E) had been pointed out regularly in Audit Reports, under 73 Major heads, heads of departments did not reconcile expenditure amounting to ₹ 49618.13 crore (exceeding ₹ 10 crore in each case) during 2011-12 as shown in *Appendix 2.12*. Out of which ₹ 27776.10 crore (55.98 per cent) relates to 10 Major<sup>1</sup> heads. Further scrutiny revealed that in 20 Major heads no reconciliation was done of ₹ 14645.79 crore (29.48 per cent of total non-reconciliation) as detailed in **Table 2.5**.

*Table 2.5: Non reconciliation of expenditure during 2011-12*

(₹ in crore)

Sl. No.	Major Heads	Booked Expenditure	Amount not reconciled
1	2048-Appropriation for reduction or avoidance of debt	236.43	236.43
2	2071-Pensions and Other Retirement Benefits	7808.45	7808.45
3	2203-Technical Education	55.23	55.23
4	2217-Urban Development	572.33	572.33
5	2406-Forestry and wild life	115.90	115.90
6	2705-Command Area Development	89.86	89.86
7	4047-Capital outlay on Other Fiscal Services	36.85	36.85
8	4055-Capital outlay on Police	279.86	279.86
9	4059-Capital outlay on Public Works	193.14	193.14
10	4202- Capital outlay on Education, Sports, Art and Culture	56.40	56.40
11	4210-Capital outlay on Medical and Public Health	321.05	321.05
12	4215-Capital outlay on Water Supply and Sanitation	305.40	305.40
13	4216-Capital outlay on Housing	26.56	26.56
14	4235-Capital outlay on Social Security and Welfare	82.44	82.44
15	4250-Capital outlay on Other Social Services	11.80	11.80
16	4408-Capital outlay on Food Storage and Warehousing	100.00	100.00
17	4702-Capital outlay on Minor Irrigation	149.96	149.96
18	4801-Capital outlay on Power Projects	102.37	102.37
19	4859-Capital outlay on Telecommunication and Electronic Industries	45.34	45.34
20	5054-Capital outlay on Roads and Bridges	4056.42	4056.42
	<b>Total</b>	<b>14645.79</b>	<b>14645.79</b>

(Source: Detailed AA for the year 2011-12 and information of the O/o the AG (A&E))

<sup>1</sup> 2049-Interest Payments, 2055-Police, 2071-Pensions and Other Retirement Benefits, 2210-Medical and Public Health, 2235-Social Security and Welfare, 2515-Other Rural Development Programme, 2801-Power, 4515-Capital Outlay on other Rural Development Programme, 4711-Capital Outlay on Flood Control Projects and 5054-Capital Outlay on Roads and Bridges.



Further, out of total receipt of ₹ 51320.17 crore during 2011-12, reconciliation was not done for ₹ 13074 crore (25.48 per cent) exceeding ₹ 10 crore in each case. Further scrutiny revealed that in 14 Major Heads no reconciliation was done of ₹ 10719.53 crore (20.89 per cent of total receipts) as detailed in **Table 2.6**

**Table 2.6: Non reconciliation of receipts during 2011-12**

(₹ in crore)

Sl. No.	Major Heads	Booked Receipt	Amount not reconciled
1	0028	29.56	29.56
2	0039	1980.98	1980.98
3	0040	7476.36	7476.36
4	0041	569.13	569.13
5	0042	828.30	828.30
6	0043	54.69	54.69
7	0059	10.06	10.06
8	0070	11.49	11.49
9	0075	-383.78	-383.78
10	0210	23.91	23.91
11	0406	11.04	11.04
12	0515	29.85	29.85
13	0701	17.59	17.59
14	1054	60.35	60.35
	<b>Total 1</b>	<b>10719.53</b>	<b>10719.53</b>
15	0029	167.49	160.94
16	0030	1480.07	1255.28
17	0045	25.52	25.51
18	0049	573.70	573.68
19	0405	10.16	8.43
20	0853	443.10	330.63
	<b>Total 2</b>	<b>2700.04</b>	<b>2354.47</b>
	<b>Grand Total</b>	<b>13419.57</b>	<b>13074.00</b>

(Source: Information received from the Office of the AG (A&E))

## 2.5 Advance drawal of funds

As per Rule 176 of Bihar Treasury Code, 2011, all charges incurred must be drawn and paid at once and no money should be withdrawn from the Treasury unless it is required for immediate payment. Further Rule 177 provides that no money shall be drawn from the Treasury in anticipation of demands or to prevent lapse of budget grants. If under special circumstance, money is drawn in advance under the orders of a competent authority, the unspent balance of the amount so 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.

In the Accounts of Bihar Government for the year 2011-12, expenditure of ₹ 46499.49 crore and ₹ 8852.01 crore was shown as incurred on Revenue Accounts and Capital Accounts, respectively. However, test check of records of eight departments revealed that five Drawing and Disbursing Officers (DDOs)<sup>2</sup> drew ₹ 919.87 crore on 17 bills of Revenue head and nine DDOs<sup>3</sup> drew ₹ 547.72 crore on 26 bills of Capital head and either deposited directly in Commercial Bank Accounts (₹ 192.16 crore)/ Personal Deposit (PD) Accounts (₹ 179.24 crore) or transferred to Public Sector Undertakings (PSUs) where it was

<sup>2</sup> DIG (Provision) (₹ 3.09 crore on 02 bills), Under Secretary (US) Human Resource Development Department (HRDD) (₹ 334.50 crore on 08 bills), US Urban Development and Housing Department (UD&H) (₹ 64 crore on 01 bill), Joint Director (JD) Planning & Development Department (P&D) (₹ 327.82 crore on 01 bill) and US Cooperative Department (₹ 190.455 crore on 05 bills).

<sup>3</sup> DIG (Provision) (₹ 176.155 crore on 07 bills), US HRDD (₹ 13.43 crore on 05 bills), US Health (₹ 98.44 crore on 8 bills), Principal, VMC (₹ 50 crore on 01 bill), Principal, SKMC (₹ 1.70 crore on 01 bill), Supdt, SKMCH (₹ 4.00 crore on 01 bill), Supdt, PMCH (₹ 4.00 crore on 01 bill), US Food & Consumer Protection (₹ 100 crore on 01 bill), RWD, Patna (₹ 100 crore on 01 bill).

deposited in Commercial Bank Accounts/ Fixed Deposits (₹ 1096.19 crore). However, the whole amount was shown as expenditure in the accounts of Government of Bihar as detailed in **Appendix 2.13**. The irregular deposit of funds enabled the departments to avoid lapse of budget provision and to bypass budgetary compulsions to spend the amount before the close of the financial year. Moreover, as the funds drawn were not spent during the financial year, the expenditure shown in the Government accounts did not reflect the actual expenditure.

## 2.6 Advances from Contingency Fund

The Contingency Fund of the State was established under the Bihar Contingency Fund Act, 1950, 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 and emergent character, postponement of which, till its authorization 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 2011 was ₹ 350 crore. The State Legislature raised the corpus of the Contingency Fund from ₹ 350 crore to ₹1150 crore on temporary basis for the current financial year for relief and rehabilitation measures. However, the closing balance was ₹ 350 crore at the end of the financial year.

During 2011-12, 191 withdrawals amounting to ₹ 1242.99 crore (1.62 per cent of total budget provision) was made from contingency fund, of which 91 withdrawals amounting to ₹ 1225.53 crore (98.60 per cent of the total withdrawals from Contingency Fund) (**Appendix 2.14**) were for routine expenditure such as purchase of motor vehicles, office expenditure, pay and allowances 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 2012) in respect of 'Grant No. 3- Building Construction Department' and 'Grant No 16- Panchayati Raj Department' on the basis of savings, excesses and magnitude of the grants and supplementary demands made during the year 2011-12. The results of review are detailed below:

### 2.7 Review of Grant No.3 'Building Construction Department'

The Building Construction Department (BCD), Government of Bihar, undertakes public works of its own and those entrusted to it by other civil (service) department/ bodies/ authorities.

#### 2.7.1 Substantial Savings

Against total provision (TP) of ₹ 799.53 crore (Original: ₹ 635.07 crore; Supplementary: ₹ 164.46 crore), an expenditure of ₹ 436.85 crore was incurred resulting in savings of ₹ 362.68 crore (45.36 per cent) during 2011-12 as detailed in the **Table 2.7** below:

Table 2.7: Summarised Appropriation

Budget Estimate		Original	Supplementary	Total Provision	Expenditure	Savings	Surrender	Savings as percentage of Total provision
Department's own	Revenue	262.06	14.96	277.02	219.23	57.79	56.12	20.86
	Capital	83.26	5.00	88.26	57.44	30.82	30.05	34.92
	<b>Total (A)</b>	<b>345.32</b>	<b>19.96</b>	<b>365.28</b>	<b>276.67</b>	<b>88.61</b>	<b>86.17</b>	<b>24.26</b>
Relating to Other Service Departments	Revenue	14.11	0.00	14.11	1.47	12.64	12.84	89.58
	Capital	275.64	144.50	420.14	158.71	261.43	210.43	62.22
	<b>Total (B)</b>	<b>289.75</b>	<b>144.50</b>	<b>434.25</b>	<b>160.18</b>	<b>274.07</b>	<b>223.27</b>	<b>63.11</b>
<b>Total (A+B)</b>		<b>635.07</b>	<b>164.46</b>	<b>799.53</b>	<b>436.85</b>	<b>362.68</b>	<b>309.44</b>	<b>45.36</b>

(Source: Detailed Appropriation Accounts, Govt of Bihar for the year 2011-12)

Audit scrutiny of detailed Appropriation Accounts revealed that against the total provision of ₹434.25 crore for 17 other service departments<sup>4</sup> under this Grant, there were substantial savings of ₹ 274.07 crore (63 per cent) (Appendix 2.15). This included 100 per cent unutilised amount of ₹ 118.30 crore of seven departments (27.24 per cent of total provision for other service department), whose works were not taken up during the year by BCD as shown in the Table 2.8.

Table 2.8: Details of 100 per cent unutilised amounts relating to Other Service Departments

Sl. No.	Name of Department	Major Head	Original	Supplementary	Total	Expenditure	Savings	percentage of savings in respect of Total Provision
<b>Revenue Voted</b>								
1	Panchayati Raj	2059	2.00	0.00	2.00	0.00	2.00	100
2	Finance	2059	0.61	0.00	0.61	0.00	0.61	100
<b>Total (A)</b>			<b>2.61</b>	<b>0.00</b>	<b>2.61</b>	<b>0.00</b>	<b>2.61</b>	
<b>Capital Voted</b>								
3	SC & ST Welfare	4059	25.00	51.26	76.26	0.00	76.26	100
4	Labour	4059	23.38	0.00	23.38	0.00	23.38	100
5	Agriculture	4059	5.86	0.00	5.86	0.00	5.86	100
6	Panchayati Raj	4515	0.00	5.00	5.00	0.00	5.00	100
7	BC & EBC Welfare	4059	0.00	4.85	4.85	0.00	4.85	100
8	Information	4059	0.34	0.00	0.34	0.00	0.34	100
<b>Total (B)</b>			<b>54.58</b>	<b>61.11</b>	<b>115.69</b>	<b>0.00</b>	<b>115.69</b>	
<b>Total (A+B)</b>			<b>57.19</b>	<b>61.11</b>	<b>118.30</b>	<b>0.00</b>	<b>118.30</b>	

(Source: Detailed Appropriation Accounts, Govt of Bihar for the year 2011-12)

Further, there were substantial savings of ₹ 139.47 crore against the total provision of ₹ 210.08 crore in respect of eight other service departments, ranging from 46 to 97 per cent of the total provision as shown in Table 2.9:

4 Animal & Fisheries Resources (₹ 46.95 crore); Agriculture (₹ 8.11 crore); Education (₹ 1.50 crore); Law (₹ 69.60 crore); Finance (₹ 24.33 crore); Panchayati Raj (₹ 7.00 crore); Commercial Taxes (₹ 1.26 crore); Labour (₹ 23.38 crore); General Administration (₹ 40.14 crore); Cabinet Secretariat (₹ 1.05 crore); Art, Culture and Youth (₹ 65.96 crore); Information (₹ 0.34 crore); Science and Technology (₹ 54.33 crore); Registration, Excise and Prohibition (₹ 4.88 crore); Co-operative (₹ 4.30 crore); SC & ST Welfare (₹ 76.27 crore) and BC & EBC Welfare (₹ 4.85 crore).

Table 2.9: Substantial savings in other service departments

(₹ in crore)

Sl No.	Name of Department	Original Provision	Supplementary Provision	Total	Expenditure	Savings	Percentage
<b>Revenue Voted</b>							
1	Law	7.72	0.00	7.72	0.21	7.51	97
2	Agriculture	2.25	0.00	2.25	0.21	2.04	91
	<b>Total (A)</b>	<b>9.97</b>	<b>0.00</b>	<b>9.97</b>	<b>0.42</b>	<b>9.55</b>	
<b>Capital Voted</b>							
3	Animal & Fisheries Resources	46.92	0.00	46.92	10.76	36.16	77
4	Science & Technology	54.33	0.00	54.33	22.27	32.06	59
5	Art, Culture and Youth	14.00	51.96	65.96	35.35	30.61	46
6	Finance	9.39	14.33	23.72	0.94	22.78	96
7	Registration, Excise and Prohibition	3.88	1.00	4.88	0.29	4.59	94
8	Co-operative	0.00	4.30	4.30	0.58	3.72	87
	<b>Total (B)</b>	<b>128.52</b>	<b>71.59</b>	<b>200.11</b>	<b>70.19</b>	<b>129.92</b>	
	<b>Total (A+B)</b>	<b>138.49</b>	<b>71.59</b>	<b>210.08</b>	<b>70.61</b>	<b>139.47</b>	

(Source: Detailed Appropriation Accounts, Govt of Bihar for the year 2011-12)

On this being pointed out (August 2012), the Department attributed (November 2012) substantial savings to ban imposed on drawal in respect of maintenance and repairs by the Finance Department (March 2012) and to non-receipt of timely approvals for expenditure. The reply is not acceptable as Finance Department stopped drawal of funds for repair and maintenance works only on 01.03.2012 and Department had eleven months to spend but failed to do so. Further, the Department failed to get approval of expenditure from the other service departments on time.

Thus, the overall savings (45.36 per cent) and subsequent surrender (38.70 per cent) of funds were indicative of unrealistic budget estimates which were not based on actual capacity of the department to undertake the works. It also highlighted the weakness of the department's monitoring system as they did not surrender the fund in advance so as to enable other departments to utilise the same.

### 2.7.2 Belated Surrender resulting in non-utilisation of funds

Against the overall savings of ₹ 362.68 crore under the grant during the year 2011-12, an amount of ₹ 309.44 crore was surrendered. This included an amount of ₹ 289.73 crore (94 per cent) surrendered on the last day of the financial year (31.03.2012) (*Appendix-2.16*), whereas Rule 112 of the BBM (as mentioned in para 2.3.6) stipulates that anticipated savings should be surrendered without waiting till the end of the year.

On this being pointed out (August 2012), the Department attributed (November 2012) this to link failure in the treasury on 31 March 2012 and receipt of approval for expenditure from other service departments in the last week of March 2012. The reply is not acceptable as the proper estimation of surrender amount by the controlling officer was to be done between February 28 and March 15, during which surrenders were to be made as per Rule 135 of the Bihar Budget Manual. The belated surrender was indicative of the inadequate budgetary and financial control in the department. Further, the link failure happened on 31 March 2012 i.e. the last day of the financial year.

### 2.7.3 Unnecessary supplementary provision

Supplementary provisions are sought to meet the additional requirement of the funds for expenditure for which original provisions are insufficient. Scrutiny of records, however, revealed that significant part (59 per cent) of the total supplementary provision of ₹ 164.46 crore was avoidable as detailed in Table 2.10.

**Table 2.10: Unnecessary supplementary provision**

(₹ in crore)

Sl. No.	Name of Department	Original	Supplementary	Total	Expenditure	Savings	Unnecessary supplementary provision
<b>Relating to Other Service Department</b>							
<b>Capital Voted</b>							
1	Finance	9.39	14.33	23.72	0.94	22.78	14.33
2	Registration, Excise and Prohibition	3.88	1.00	4.88	0.29	4.59	1.00
3	SC & ST Welfare	25.00	51.26	76.26	0.00	76.26	51.26
4	Panchayati Raj	0.00	5.00	5.00	0.00	5.00	5.00
5	BC & MBC Welfare	0.00	4.85	4.85	0.00	4.85	4.85
	<b>Total 1</b>	<b>38.27</b>	<b>76.44</b>	<b>114.71</b>	<b>1.23</b>	<b>113.48</b>	<b>76.44</b>
6	Commercial Taxes	0.51	0.75	1.26	1.12	0.14	0.00
7	Cabinet Secretariat	0.00	1.05	1.05	0.90	0.15	0.00
8	Art, Culture and Youth	14.00	51.96	65.96	35.35	30.61	0.00
9	Law	51.89	10.00	61.89	58.93	2.96	0.00
10	Co-operative	0.00	4.30	4.30	0.58	3.72	0.00
	<b>Total 2</b>	<b>66.40</b>	<b>68.06</b>	<b>134.46</b>	<b>96.88</b>	<b>37.58</b>	<b>0.00</b>
	<b>Total (A)= Total 1+ Total 2</b>	<b>104.67</b>	<b>144.50</b>	<b>249.17</b>	<b>98.11</b>	<b>151.06</b>	<b>76.44</b>
<b>Department's own</b>							
11	Revenue	262.06	14.96	277.02	219.23	57.79	14.96
12	Capital	83.26	5.00	88.26	57.44	30.82	5.00
	<b>Total -(B)</b>	<b>345.32</b>	<b>19.96</b>	<b>365.28</b>	<b>276.67</b>	<b>88.61</b>	<b>19.96</b>
	<b>Total -(A+B)</b>	<b>449.99</b>	<b>164.46</b>	<b>614.45</b>	<b>374.78</b>	<b>239.37</b>	<b>96.40</b>

(Source: Detailed Appropriation Accounts, Govt of Bihar for the year 2011 -12)

It may be seen from Table 2.10 that Department's own works expenditure was ₹ 276.67 crore against the original provision for ₹ 345.32 crore. Thus, the supplementary provision for the Department's own works of ₹ 19.96 crore was excess and unnecessary. Similarly in the case of five other service departments<sup>5</sup>, against the total original provision for ₹ 38.27 crore, the expenditure was merely ₹ 1.23 crore. Thus the supplementary provision for these departments (₹ 76.44 crore) was not required. In totality the Supplementary provisions of ₹ 96.40 crore were imprudent, injudicious and unnecessary.

The Department attributed (November 2012) this to provisioning of supplementary grants by the service departments during the last week of the financial year. The reply is not acceptable as there was no need of supplementary provision to meet the expenditure. This indicated that while there was no system in place to review the expenditure or to gauge the actual requirement either with the service departments or even with the Finance department. The provisioning of excess supplementary grants led to blocking of resources for the other needy departments.

<sup>5</sup> Finance Department, Registration, Excise and Prohibition Department, SC & ST Welfare Department, Panchayati Raj Department, Backward Castes & Extremely Backward Castes Welfare Department.

#### 2.7.4 Rush of Expenditure

Uniform flow of expenditure during the financial year is a primary requirement of budgetary control. Rush of expenditure, particularly in closing month of the financial year is regarded as breach of financial regularity. Further, the Finance Department had also issued standing orders elaborating the spread plan for uniform expenditure. This standing order was also to be incorporated in each allotment order for expenditure.

During 2011-12, an expenditure of ₹ 436.85 crore was incurred under seven Major heads, of which ₹ 210.62 crore (48.21 per cent) was incurred during March 2012 in violation of Rule 113 of Bihar Budget Manual (*Appendix-2.17*).

#### 2.7.5 Non –reconciliation of departmental expenditure figures

Though required under provisions of Rule 475(viii) of Bihar Financial Rules and Rule 134 of Bihar Budget Manual, reconciliation of expenditure figures with those that appear in the books of AG (A&E) was not carried out by the department resulting in the differences in figures of expenditure in seven sub-heads under three major heads amounting to ₹ 76.86 crore (*Appendix-2.18*).

On being pointed out the Department stated (November 2012) that action is being taken in the light of directions given by the Audit.

#### 2.7.6 Acute shortage of man power

There are sanctioned posts of engineers in BCD but it had no cadre of engineers. The engineers are provided by Road Construction Department (RCD) on the request of BCD.

Against the total budget provision of ₹ 434.25 crore for other service departments only ₹ 160.18 crore (37 per cent of the total provision) was spent which reflected dismal performance of the executing department. The dismal spending capability could be attributed to deficient men-in-position vis-à-vis the sanctioned strength of the department's supervisory officers which affected its performance adversely as may be gauged from the **Table 2.11**.

*Table 2.11: Men-in-position*

Name of post	Sanctioned strength	Men-in-position	Vacancy	Percentage of vacancy
Assistant Engineer	272	168	104	38
Junior Engineer	422	180	242	57

(Source: Information furnished by BCD)

In reply, the Department stated (November 2012) that there is no cadre of engineering services in the BCD. The service of engineers was provided by the Road Construction Department (RCD) to BCD from time to time, keeping this in mind budget provision for salary head was provided. The reply is not acceptable as BCD should have adequate provision of supervisory man power to undertake the works and spend the fund. But there was nothing on record to show that BCD pursued the matter of manpower with RCD.



Concatenation of above facts, thus, revealed that the BCD was ill equipped to absorb, spend or utilise the funds as marked by substantial savings and heavy surrenders, unnecessary/excessive supplementary provision. Besides, the rush of expenditure in the month of March and non-reconciliation of expenditure with the books of accounts compiled by the Accountant General (A&E) manifested deficient budgetary and financial control within the department.

## 2.8 Review of Grant No.16 ‘Panchayati Raj Department’

The status of budget provisions, expenditure and savings in respect of Grant No. 16 is given in **Table 2.12** and **Appendix 2.19**.

**Table 2.12: Details of Budget provision, expenditure, savings etc.**

(₹ in crore)

1	Original	Supplement-ary	Re-appro-priation		Total Provision	Surrender	Net provision	Expenditure	Total savings	%age of savings
			4	5						
Revenue (voted)	2982.88	316.90	+2.74	-2.74	3299.78	210.00	3089.78	2179.21	910.57	29.47
Capital (voted)	250.00	0.00	0.00	0.00	250.00	0.00	250.00	0.00	250.00	100
<b>Total</b>	<b>3232.88</b>	<b>316.90</b>	<b>+2.74</b>	<b>-2.74</b>	<b>3549.78</b>	<b>210.00</b>	<b>3339.78</b>	<b>2179.21</b>	<b>1160.57</b>	<b>34.75</b>

(Source: Detailed Appropriation Accounts for the year 2011-12 and figures furnished by PRD)

### 2.8.1 Substantial savings

There was overall saving of ₹ 1160.57 crore (34.75 per cent) against the net budget provision of ₹ 3339.78 crore (**Table-2.12**). Savings occurred in revenue section mainly in seven sub-heads<sup>6</sup> (₹ 840.72 crore i.e 92.33 per cent of total savings of ₹ 910.57 crore) and in capital section savings of ₹ 250 crore occurred under two sub-heads<sup>7</sup> (i.e. 100 per cent of savings) as explained in **Appendix 2.20**. It was also observed that out of seven sub-heads in revenue section in two sub-heads<sup>8</sup> the entire provision of ₹ 83.89 crore remained unutilized.

On this being pointed out, the Department replied (November 2012) that savings occurred mainly due to non-receipt of second installment under Backward Region Grant Fund (BRGF) and performance grant fund under Thirteenth Finance Commission (ThFC) from the Central Government during the financial year 2011-12. The reply is not acceptable as savings in said schemes were only ₹ 681.29 crore (58.70 per cent of total savings of the PRD). Besides, the fact remains that such substantial savings were self-indicative of unrealistic assessment of budget estimates and laxity in budgetary control procedure.

### 2.8.2 Unnecessary supplementary provisions

Contrary to Rule 156 of Bihar Budget Manual (BBM), the PRD had obtained unnecessary supplementary provisions aggregating ₹ 56.73 crore under two sub-heads where the expenditure did not come up even to the level of the original provisions (₹ 1556.97 crore) (**Table 2.13**).

<sup>6</sup> 2015-00-109-0002; 2515-00-101-0110; 2515-00-101-0111; 2515-00-197-0001; 2515-00-198-0001; 2515-00-789-0102 and 2515-00-789-0107.

<sup>7</sup> 4515-00-101-0104 and 4515-00-789-0102.

<sup>8</sup> 2515-00-101-0110 and 2515-00-789-0107.

**Table: 2.13: Unnecessary Supplementary Provisions**

					(₹ in crore)		
Sl. No.	Head of accounts			Original provision	Supplementary Provision	Expenditure	
1	2515-00-198-0001	Assistance to Panchayati Raj Institution		660.40	48.93	594.55	
2	2515-00-101-0111	Backward Region Grant Fund Scheme		896.57 <sup>(9)</sup>	7.80	410.36	
	<b>Total</b>			<b>1556.97</b>	<b>56.73</b>	<b>1004.91</b>	

(Source: Detailed Appropriation Accounts, Govt of Bihar for the year 2011 -12)

In reply, the Department stated (November 2012) that supplementary provisions in the above two cases had been made in anticipation of receipt of fund under ThFC and BRGF from the Central Government but the same could not be received during 2011-12.

The reply is not acceptable as provisioning of funds under a sub-head should be need based and in accordance with the demand of expenditure on a scheme. The unnecessary supplementary provisions indicated absence of realistic assessment and also manifested the department's inability to utilize the funds besides dismal financial management by the controlling authorities.

### 2.8.3 Lapse of Appropriation due to non surrender of savings

The Department intimated to AG (A&E) (31 March 2012) about approval of Finance Department for surrender of ₹ 1119.85 crore under the Grant (Appendix 2.21). But Joint Secretary-cum-Budget Officer of the Finance Department stated (October 2012) that proposal for surrender was not accepted due to delayed submission. Thus, due to lackadaisical attitude of the Department, the entire savings of ₹ 1119.85 crore lapsed and could not be utilized by the other needy departments.

### 2.8.4 Rush of expenditure

During 2011-12 under major head 2515, against the total expenditure of ₹ 2110.76 crore, ₹ 1112.71 crore<sup>10</sup> (52.72 per cent) was expended during the last month of the financial year which included 100 per cent expenditure (₹ 660.42 crore) in respect of eight sub-heads in the month of the March itself (Appendix 2.22).

On this being pointed out, the Department stated (November 2012) that this was due to various procedural formalities and other constraints.

The reply of the Department was not cogent since the department was fully responsible for such procedural delays as attributed to. Secondly, this could not be treated as the justification of 100 per cent expenditure of ₹ 660.62 crore in respect of eight sub-heads in the month of March itself.

Thus while the rush of expenditure violated the directions as envisaged under Rule 113 of BBM, the economy in such expenditure could not be ascertained.

<sup>9</sup> ₹ 1106.57 crore (Original) - ₹ 210.00 crore (surrender) = ₹ 896.57 crore.

<sup>10</sup> Expenditure of ₹ 2110.76 crore – Expenditure of ₹ 998.05 crore incurred till February 2012 (As per Expenditure report of AG (A&E) for the month of February 2012).

### 2.8.5 Non-reconciliation of expenditure figures

Against the provisions of BFR and BBM (as mentioned in paragraph 2.4) requiring reconciliation of department's expenditure figures with the books of the accounts of the AG, reconciliation was not carried out resulting in differences in expenditure figures in 22 sub-heads out of 32 sub-heads (*Appendix 2.23*). Audit scrutiny further revealed the following discrepancies:

- Short expenditure of ₹ 43.95 crore in 15 sub-heads as well as excess expenditure of ₹ 213.55 crore in another seven sub-heads was shown in the detailed appropriation account over the figure of expenditure furnished by the Department (*Appendix 2.23*).
- Provision of funds through re-appropriation in nine sub-heads (₹ 2.74 crore) made by the Department from head 2015-00-109-0002 (Election of district Board/ Panchayat Samiti/ Gram Panchayat) was not exhibited in the detailed appropriation account (*Appendix 2.24*).
- Expenditure of ₹ 210.31 crore under major head 4515 (Capital outlay another rural development programme) was booked as expenditure in detailed appropriation accounts as shown in **Table 2.14** whereas funds under the object heads were not sanctioned/allotted by the department due to non-sanctioning of the scheme.

**Table 2.14: Expenditure booked in detailed appropriation account**

Head	₹ in crore)	
	Provision	Expenditure
4515-00-101-0104: Panchayat Government Building on the recommendation of Finance Commission.	175.00	140.38
4515-00-789-0102: Panchayat Government Building on the recommendation of Finance Commission.	75.00	69.93
<b>Total</b>	<b>250.00</b>	<b>210.31</b>

(Source: Detailed Appropriation Accounts, Govt of Bihar for the year 2011-12)

### 2.8.6 Non reflection of the actual expenditure in the Government Accounts

- In test check of the offices of the DDOs of six districts<sup>11</sup>, it was found that ₹ 248.33 crore was withdrawn during the month of March 2012 under 16 sub-heads by the respective DDOs (DDC-cum-CEO Zila Parishad/ DPRO) (*Appendix 2.25*). The fund was neither utilized at the district level nor sub-allotted by the Zila Parishads/ DPROs to Panchayat Samitis/ Gram Panchayats and the entire amount remained in the 29 Commercial bank/ Personal deposit accounts of 12 DDOs (*Appendix 2.26*).

Despite this, the above funds drawn by the respective DDO's were booked as expenditure in the government accounts<sup>12</sup>. Thus the expenditure reflected in the detailed appropriation accounts did not exhibit the actual expenditure.

<sup>11</sup> Patna, Darbhanga, Samastipur, Muzaffarpur, Madhubani and Vaishali.

<sup>12</sup> The expenditure was booked in the 16 heads viz. 2515001010111, 2515001960003, 2515001960106, 2515001960007, 2515001970001, 2515001970004, 2515001970103, 2515001980001, 2515001980009, 2515001980010, 2515001980105, 2515007890103, 2515007890104, 2515007890105, 2515007890106 and 2515001980106.

- Further, in test-check of four Zila Parishads<sup>13</sup>, it was observed that ₹ 136.32 crore was received/drawn by the Zila Parishads/Panchayat Samitis/Gram Panchayats during 2011-12 under ThFC. Besides this there was opening balance of ₹ 31.45 crore and interest of ₹ 0.36 crore was earned from saving bank account during the year. Thus the available fund was ₹ 168.14 crore, against which only ₹ 30.79 crore (22.59 per cent) could be utilized as of 31 March 2012 by these PRIs (*Appendix 2.27*). However, entire drawn amount during the year (₹ 136.32 crore) was booked as expenditure.
- Rule 121 of BBM further envisaged that as soon as possible after the close of the year, controlling officer should obtain statement of expenditure from the disbursing officers during the year under the various units of appropriation. However, it was seen that the figures of expenditure were being arrived at by the Department after deducting the amount of surrender (as reported by the regional offices) from the total amount of allotment during the year instead of obtaining the actual expenditure from disbursing officers. This method of arriving at the figures of expenditure is in violation of Rule 121 of BBM and results into non-reconciliation of Department's expenditure figures with those in the accounts of the AG. A test check of records of District Panchayati Raj Officer (DPRO), Muzaffarpur revealed that ₹ 2.42 crore in respect of three sub-heads<sup>14</sup> which was not drawn from the treasury was shown as expenditure in the statement furnished by the Department. This was substantiated by the fact that DPRO, Muzaffarpur surrendered the said amount on 4 April 2012.

Above test checked cases confirmed that the Department did not maintain even the figures of withdrawals from the government treasury by the regional offices. This indicated Department's lack of monitoring and control over actual expenditure.

Thus, there was urgent need of proper accounting system to gauge the flow of funds to the PRIs/DDO's and the actual expenditure incurred should only be booked as expenditure in the Government accounts.

## 2.9 Conclusion

During 2011-12 expenditure of ₹ 61301.05 crore was incurred against total grants and appropriation of ₹ 76896.77 crore, resulting in net savings of ₹ 15595.72 crore. Inaccurate estimation of budget requirements resulted in persistent savings of 11 per cent to 76 per cent in 11 cases during 2007-12. In 69 cases under 22 grants funds amounting to ₹ 4251.53 crore were surrendered. Again there were cases of unutilized provisions and 100 per cent surrender in 192 schemes under 30 grants/appropriations during the year.

Savings of ₹ 5612.01 crore was surrendered on the last two days of the financial year. In four cases ₹ 393.60 crore was surrendered against savings of ₹ 105.85 crore, resulting in excess surrender of ₹ 287.75 crore. Out of total expenditure of ₹ 61301.05 crore, ₹ 49618.13 crore (exceeding ₹ 10 crore in each case) (80.87 per cent) was not reconciled.

<sup>13</sup> Patna, Darbhanga, Samastipur, Muzaffarpur.

<sup>14</sup> 2515-00-198-0106 (Fixed Allowance for elected representatives of Gram Court) (₹1.91crore), 2515-00-789-0104 (Gram kachahari ke nirvachit pratinidhiyo ko niyatbhatta hetu) (₹ 0.02crore), 2515-00-101-0111 (Panchayat Government Building on the recommendation of Finance Commission) (₹ 0.49 crore).

Funds amounting to ₹ 919.87 crore and ₹ 547.72 crore drawn on Revenue and Capital expenditure heads respectively were parked in bank accounts/PD accounts of PSUs/Departments.

Government sanctioned 191 withdrawals from Contingency Fund amounting to ₹ 1242.99 crore in 2011-12. Of which, 91 withdrawals amounting to ₹ 1225.53 crore (98.60 *per cent*) were for routine expenditure such as purchase of motor vehicles, office expenditure, pay and allowances etc.

## 2.10 Recommendations

- Budgetary control mechanism should be strengthened in all the Government Departments. Realistic budget estimates should be prepared in order to avoid large savings/excesses and re-appropriation/surrender of funds at the end of the financial year.
- Responsibility may be fixed for non compliance of budgetary financial control to avoid deficiencies in financial management, especially where savings have been observed for the last five years regularly.
- Regular flow of expenditure should be maintained to avoid rush of expenditure at the fag end of the financial year.
- Excess expenditure over provision pertaining to 1977 to 2011 should be got regularised on priority.
- The Finance Department must ensure that government funds meant for service departments should be allowed to be disbursed to Works Departments only when there is actual requirement.
- Withdrawal from Contingency Fund should not be sanctioned for routine expenditures.