

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities including planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year as well as the previous years.

3.1 Amendment in the provisions of Bihar Treasury Code relating to Abstract Contingent Charges

The Bihar Treasury Code (BTC), 1937 was amended in October 2006¹ incorporating extension on time for submission of detailed contingent (DC) bills to six months in place of earlier provision of one month. Further, it was replaced with new BTC with effect from October 2011.

3.1.1 Bihar Treasury Code, 2011

In BTC 2011 (Rule 194) the drawal of funds for Centrally Sponsored Schemes and Capital Projects was brought within the ambit of drawals on AC bills which was beyond the basic definition of the Contingent Charges as given in the Rule 168² of the BTC 2011. Further, under the Rule 194 Works Departments were permitted to submit DC bills for project works within one year of drawal of amount as against the six month time period prescribed for submission of DC bills in respect of other Abstract Contingent (AC) bills. This was contrary to the provisions of Rules 176 and 177 of BTC 2011 which prescribe that no money should be withdrawn from the Treasury unless it is required for immediate payment and unspent amounts should be refunded to the treasury at the earliest possible opportunity and in any case before the end of the financial year in which the amount is drawn. It was observed that time period of six months/one year allowed for submission for DC bills was not in conformity with Central Treasury Code (Receipts and Payments Rules, 1983) wherein the time limit of one month has been prescribed.

Thus, such provisions in BTC 2011 allowed drawal of Government funds through AC bill mode for purposes other than 'contingent expenditure' and ultimately leading to parking of funds and refunds.

Finance Department in its reply stated (November 2012) that contingent charges have been defined in Rule 168 of the BTC, 2011 and the Plan Schemes have been kept out of the purview of the definition of contingent charges.

¹ The amendment in BTC was done through an executive order of the Finance Department dated 13 October 2006.

² The term 'contingent charges' means and includes all incidental and other expenses which are incurred for the management of an office as an office or for the technical working of a department other than those which under prescribed rules of classification of expenditure fall under some other head of expenditure e.g. 'works', 'stock', 'tools and plant' etc.

Provision for drawal of funds on AC bills for Construction works, Central Plan Scheme and Centrally Sponsored Schemes have been made in Rule 194 of the BTC, 2011. Hence, it would not be appropriate to associate the provisions of Rule 194 with Rule 168. It was also stated that in view of the recommendation of the Audit, reducing the time period for submission of DC bills for contingent expenses and schemes other than construction works from the existing six month to 2-3 months will be considered.

Audit is of the view that Rule 194 is within the broad heading ‘Contingent Charges’ and hence it cannot be seen in isolation. Plan schemes cannot be covered under the definition of contingent charges (Rule 168 of BTC 2011).

Further, the Department stated (November 2012) that the provisions of Rule 176 and 177 of BTC being the general guidelines for drawal of money from Consolidated Fund, should not be compared with the rules applicable under special circumstances. However, the fact remains that Appropriation Act and BTC, 2011 under Rule 177 allow for drawal of money for expenditure within the financial year and anything against this basic principle would be irregular.

3.2 Review of withdrawals of funds on AC/ GIA bills and submission of DC bills/ UCs

3.2.1 Introduction

The drawal of contingent charges on items of expenditure for which final classification and supporting vouchers is not available at the time of drawal are made on ‘Abstract Contingent’ (AC) Bills initially as advance and its subsequent adjustments are ensured through submission of Detailed Contingent (DC) bills within a stipulated period³ of drawal of AC bill. The withdrawal of funds on AC bills on large scale and non-adjustment/ settlement of substantial number of AC bills by way of submission of DC bills by the State Government over the years has been the prime consideration for taking up this review. The findings of this study substantiate the need to improve financial management in the State.

3.2.2 Audit Objectives

The audit aimed to ascertain whether:

- withdrawal of funds on AC bills and Grants- in- Aid (GIA) bills was in conformity with the rules/codal provisions;
- the settlement of AC bills by way of DC bills and of GIA bills by utilisation certificates (UCs) was as per the rules and reflected the actual status of the expenditure incurred;
- the funds were drawn for immediate requirement to be incurred within the same financial year or the funds were parked outside the government account beyond the financial year in which the funds were drawn;
- the unspent amount was refunded to the government account at the earliest opportunity within the same financial year.

³ Initially it was one month (Rule 319 of BTC 1937) as in Central Treasury Code (Receipts and Payments Rule, 1983) but was changed in October 2006 to six months. Further, under the Rule 194 of BTC 2011 Works departments were permitted to submit DC bills for project works within one year of drawal of amount.

3.2.3 Audit Criteria

Audit examination was based on the provisions of the following manuals as audit criteria:

- The Appropriation Act(s) of the relevant years as well as the related budgetary documents of the State Government;
- The Bihar Treasury Code 1937 as amended from time to time, the latest being Bihar Treasury Code 2011, the Bihar Financial Rules, the Bihar Budget Manual and Bihar Public Works Account Code;
- The State Government Regulations, Orders and Instructions issued from time to time; and
- The Voucher Level Computerised (VLC) database as maintained in the office of the Accountant General (Accounts & Entitlement) (AG) (A& E), Bihar.

3.2.4 Scope of audit and methodology

The audit of withdrawal of funds on AC/ GIA bills and submission of DC bills/ UCs was conducted during June to August 2012 to cover the withdrawals/ accounts/transactions of the government pertaining to AC/GIA bills for the period from 2009-10 to 2011-12. Based on analysis of AC/GIA bills data obtained from VLC database⁴ of the Office of the AG (A&E), Bihar, Patna, eight⁵ departments, wherein substantial amounts had been withdrawn on AC/GIA bills for implementation of schemes and other activities were earmarked for further examination of records. As the number of bills drawn ran into thousands⁶, database analysis and risk-based examination of bills/vouchers drawn along with relevant records were done. For this, audit enquiries regarding non-submission of substantial numbers of pending DC bills/ UCs were issued to the concerned Drawing and Disbursing Officers (DDOs) having drawn bills amounting to ₹ one crore and above in each case. The responses received to our initial queries have also been taken into account while framing our audit observations.

The audit observations were forwarded to the Finance Department, Government of Bihar in October, 2012. In response (November 2012), the department has sent comments in some cases and stated that since the matter involves other Administrative departments also, their response would be sent later on. The replies received so far (December 2012) have been suitably incorporated in the respective Paragraphs.

⁴ The VLC database comprises of the transaction details of the State Government based on the initial accounts and vouchers/challans in support of expenditure/receipt made out of/made into Consolidated Fund of the State during a financial year. AC bills drawn during the financial year are also captured into the VLC database accordingly. Analysis of VLC database is an effective tool to arrive at a comprehensive picture regarding the magnitude and quantum of drawal of funds on AC bills and purpose thereof.

⁵ (i) Building Construction, (ii) Education, (iii) Health and Family Welfare, (iv) Home (Police), (v) Planning and Development, (vi) Rural Works, (vii) Scheduled Castes and Scheduled Tribes Welfare and (viii) Urban Development and Housing.

⁶ Altogether 33751 AC and 34375 GIA bills were drawn by various departments during 2009-10 to 2011-12.

3.2.5 Constraints to audit

Under BTC 1937, for drawal of funds on AC bills form TC-38 was prescribed and for GIA drawals form TC-60 was prescribed. However it was observed in audit that for GIA drawal form TC 38 was also used by the DDOs. Further there were instances of misclassification by treasuries and DDOs of funds drawn under various heads. These became a limitation to audit as distinctive line between contingent charges which can be drawn on AC bills and Grants-in-aid was not adhered to.

3.2.6 Issues relating to withdrawal on AC bills

3.2.6.1 AC bills of high magnitude

An analysis of the AC bill drawals in VLC database as well as test check of records in the Administrative departments revealed that the magnitude of the amounts drawn on AC bills during 2009-12 were abnormally high as illustrated in the **table 3.1** given below:

Table 3.1: AC bills of high magnitude

(₹ in crore)

Category	2009-10		2010-11		2011-12	
	Amount	Number	Amount	Number	Amount	Number
Total bills drawn during FY						
upto ₹ one lakh	14.56	4135	12.25	3475	11.50	3227
₹ one lakh one and upto ₹ One crore	1440.48	8138	1581.04	7902	507.46	4862
₹ one crore one and upto ₹ 10 crore	1066.94	376	2453.49	951	1339.81	460
₹ 10 crore one and upto ₹ 100 crore	1252.38	55	1913.85	82	1899.46	74
₹ 100 crore one and above	268.84	2	1059.85	5	1216.21	7
Total	4043.20	12706	7020.48⁷	12415	4974.44	8630

(Source: VLC Database maintained in the AG (A&E), Bihar office)

AC bills valuing more than ₹ one lakh and above (upto hundreds of crore) in each case constituted 99.76 per cent of the total funds drawn on AC bills during 2009-12. The large number of contingent bills of abnormally high magnitude indicated that recourse to AC bill mode drawals was taken in a routine manner for meeting regular expenditure of the Government. Test check of records in the Administrative departments revealed that most of the drawals were made on lump-sum basis for implementation of schemes both under Plan as well as Non-Plan and Revenue as well as Capital heads.

On this being pointed out (October 2012), the Finance Department stated (November, 2012) that drawal of funds for plan/construction works through corporations and societies by administrative departments and for state-wide implementation of schemes by DDO at headquarter level resulted in drawal of AC bills of high magnitude. It was further stated that it is not possible to submit DC bills in such cases as form TC -39 (as per BTC 1937) is not for submission of DC bills for this kind of advance drawal.

The acknowledgement by the Government of its inability to submit DC bills for capital and revenue expenditure on schemes by way of AC drawals as form TC-39 was not made for DC bill of this type of expenditure confirmed the audit contention that these lump sum drawals did not qualify for drawal on AC bills.

⁷ ₹ 7015.37 Crore as per the Finance Accounts of Government of Bihar for the year 2010-11 which included ₹ 4033.72 Crore drawn on account of Grants-in-aid.

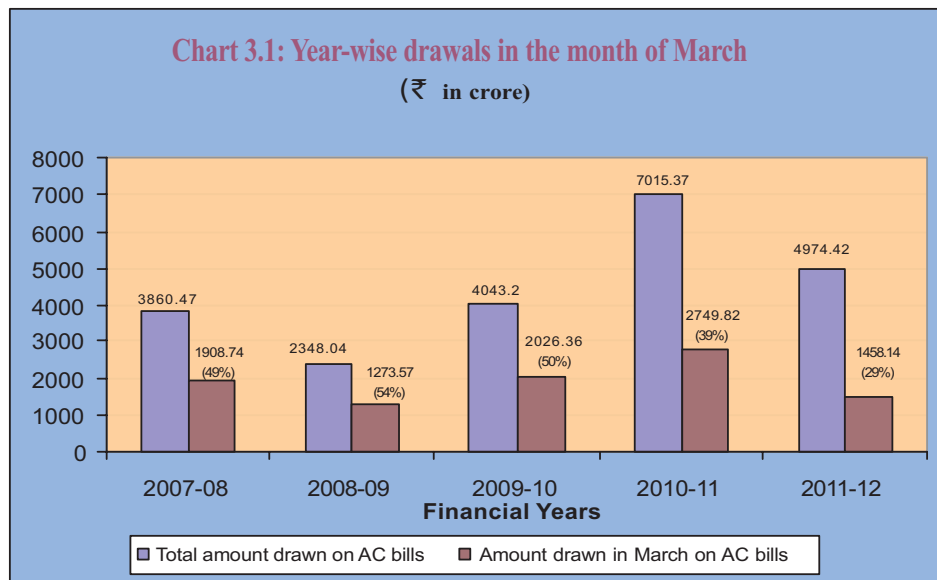
As per Rule 320 of the BTC 1937, which was in vogue upto September 2011, funds drawn on AC bills were to be adjusted only by submitting DC bill in form TC-39. With the implementation of new BTC 2011 it is necessary for the departments to submit DC bills for this kind of drawal.

Further AC bill mode drawal in routine manner for regular expenditure under various schemes itself was violation of the core principles of drawal as contingent expenditure. As regards centralised drawals at headquarters the department should have facilitated drawal at district authority level with the aid of Central Treasury Management Information System. This could also have minimised transit delays by reducing the time of retention of funds by DDOs/intermediary agencies and facilitated prompt availability of funds by online transfer where it was required to be spent finally as detailed in para 3.2.6.5.

3.2.6.2 Drawal of AC bills in the Month of March

The State Government's Standing Order (No. 2561 of 1998) prescribes that the Government expenditure should be spread evenly during the financial year barring some special circumstances where the occasions may arise for an uneven ratio of expenditure. Thus rush of expenditure in order to avoid lapse of appropriations in the closing months is contrary to the Rules.

The chart below depicts the trend of drawals in the month of March *vis-à-vis* total drawals from Consolidated Fund during 2007-08 to 2011-12:



(Source: VLC Database & Report on State Finances of respective years)

The chart above depicts that during 2007-12, the amount of drawal during the month of March ranged between 29 per cent and 54 per cent of the funds drawn on AC bills during a year though in percentage terms there had been steady decline in the drawal of funds through AC bills in the month of March during the last three years. Substantial drawals in the month of March coupled with high magnitude of amount in each case as pointed out earlier were indicative of the fact that likelihood of actual expenditure of such drawals within the concerned financial years were remote and withdrawals were made merely to avoid lapse of appropriations.

On this being pointed out (October 2012), the Finance Department stated (November, 2012) that drawal of funds in the month of March is to ensure regular flow of funds for construction purposes which peaks during January to June. The reply validates the audit observation that the funds drawn in March are not actually spent within the financial year. Further, instead of drawing funds in March to meet the expenditure in the ensuing financial year, appropriation for the purpose should be sought in the Budget Estimates of the next financial year itself.

The department further stated that in case of Centrally Sponsored Schemes the receipt of Central share in month of March is the compelling factor for release of matching State Share during March only. Audit is of the view that it would be more appropriate to take up the issue with the Government of India rather than flouting the Codal provisions.

The fact remains that drawal of funds in the month of March without actual expenditure is indicative of fiscal indiscipline.

3.2.6.3 Drawal of funds on AC bills for Plan Expenditure/Capital Expenditure

Plan expenditure is intended to meet the distinct objectives of a Programme/ Scheme/ project of a Central/State Plan. As such these are planned well in advance and earmarked for meeting specific purposes as envisaged in the concerned project/scheme details. Thus, there should be no occasion to draw money through AC bills route to make payments on the items of Plan expenditure under such projects/scheme. However, Rule 194 of BTC 2011 allows drawal of Plan expenditure through AC bills.

The table below depicts the AC bills drawn for Plan expenditure of the State Government *vis-à-vis* the total AC drawals during 2009-10 to 2011-12:

Table 3.2: AC bills drawn for Plan expenditure during 2009 - 12

(₹ in crore)

Year	Total AC drawals	AC drawals for Plan Expenditure			
		CPS	CSS	SP	Total (as percentage of total AC drawals)
2009-10	4043.20	7.11	709.79	2293.66	3010.56 (74)
2010-11	7015.37	60.16	1289.57	4286.19	5635.92 (80)
2011-12	4974.44	46.55	424.84	3214.77	3686.16 (74)
Total	16033.01	113.82	2424.20	9794.62	12332.64 (77)

(CPS: Central Plan Scheme, CSS: Centrally Sponsored Scheme and SP: State Plan Scheme)
(Source: VLC database)

Out of total amount of ₹ 16033.01 crore drawn on AC bills during 2009-12, Plan head drawals (including capital nature of expenditure) accounted for ₹ 12332.64 crore (77 per cent). Of this, State Plan head drawals accounted for ₹ 9794.62 crore (79 per cent of the Plan head drawals). Withdrawals of fund under Plan heads through AC bill mode was indicative of the fact that object level planning was absent, items of expenditure were not known while drawing the amount and thus moneys were simply drawn for future use awaiting finalization of implementation modalities and to avoid lapse of appropriations. As a result, the Government funds so drawn on the pretext of immediate requirement were allowed to be parked outside Consolidated Fund at the end of each financial year and kept either in Personal Deposit accounts, remittance heads or in bank accounts. Some illustrative cases are given in the Para No 3.2.6.4 to 3.2.6.6.

Finance Department while acknowledging (November, 2012) that considerable number of pending AC bills pertained to Plan Head stated that Bihar Treasury Code 1937 being very old was not in tune with the changing scenario of public finances and provided for petty expenses under contingencies. Over the years with the implementation of various schemes by the government there has been unprecedented increase in the expenditure under Plan head. The reply is not satisfactory as expenditure under Plan head by no means is incidental in nature and ought to be met from regular bills rather than AC bills.

3.2.6.4 Drawal of funds on AC bills and retained with executing agencies

The results of test check of AC bills of ₹ 214.72 crore (*Appendix 3.1*) drawn for construction purposes during the period 2008-12 are illustrated below:

- AC bills of ₹ 171.64 crore were drawn for Upgradation of Primary Health Centres (PHCs) into Community Health Centres, Construction of Additional PHCs and Sub Divisional Hospitals during 2009-11 and was provided to Bihar Medical Services and Infrastructure Corporation Limited (BMSIC). No expenditure was incurred and entire fund remained unutilised (August 2012) (Refer Sl. No. 1-3 of *Appendix 3.1*).
- During 2008-12, the Under Secretary, Backward Classes and Extremely Backward Classes Welfare Department directly provided ₹ 29.51 crore to Bihar Rajya Pul Nirman Nigam Limited (BRPNNL) for construction of Jan Naik Karpoori Thakur backward class hostels. Further, during 2010-11 ₹ 10.74 crore were transferred to the Bihar State Backward Classes Finance & Development Corporation (BSBCFDC) for its transmission to BRPNNL for the same purpose. The amount of ₹ 16.01 crore (54 per cent of funds provided) with BRPNNL and ₹ 10.74 crore (100 per cent of funds provided) with BSBCFDC remained unutilised (August 2012) (Refer Sl. No. 4-5 of *Appendix 3.1*).
- An amount of ₹ 2.12 crore was withdrawn (2010-11) by Animal and Fisheries Resources Department for construction of hatcheries at Mithapur, Patna and transferred to Central Institute of Fisheries Education (CIFE), Mumbai in March 2011 for providing consultancy including hatchery design. However, the funds remained unutilized as the work was not initiated due to non-signing of MoU. (Refer Sl. No. 6 of *Appendix 3.1*).
- Environment and Forest Department while according sanction (March 2011) for drawal of funds of ₹ 70.50 lakh drawn on AC bill no. 154/ 2010-11 for purchase of vehicles directed to deposit the funds in the accounts of the Bihar State Forest Development Agency (BSFDA) in case there was difficulty to execute the scheme within this financial year. (Refer Sl. No. 7 of *Appendix 3.1*).

The department in its reply stated (September 2012) that since the sanction for drawal of funds was accorded at the end of March, hence the instructions to deposit the funds in BSFDA was issued. The reply confirms the audit contention that funds were drawn without immediate requirement.

The replies of the other departments were awaited (November 2012).

3.2.6.5 Money drawn on AC bills and retained with Drawing and Disbursing Officers

As per Article 202 of the Constitution, State Government may spend money within the authorized appropriation during the same financial year. Further, Note below Rule 300 of BTC 1937 and Rule 177 of BTC 2011 provides that the unspent balance of the amount should be refunded to the treasury at the earliest possible opportunity within the financial year in which the amount is drawn. In course of test-check the following instances of drawal of funds for construction purpose and its irregular retention with DDOs were noticed:

Table 3.3: Drawal of funds for construction purposes

(₹ in crore)

Sl. No.	Purpose	AC bill No.	Amount	Month of drawal	Name of DDO	Month of transfer	To whom transferred	Remarks
1	Construction of AWC	125/09-10	99.96	03/2010	Accounts Officer, ICDS	09/2010	BCD	Amount was transferred to Patliputra BC Division, Patna in October 2010. Patliputra BC Division obtained Bank draft of ₹ 96.88 crore for 38 BC Divisions (January 2011) but transferred to Divisions up to July 2011 and ₹ 3.08 crore is with the Division
2	Construction of building for AHD	160/10-11	18.13	03/2011	EE, Drawing Dn2, Patna	06/2011 to 02/2012	Concerned EEs	Drawing Dn 2, Patna Kept ₹ 9.78 crore with him.
3	Construction of e-Kisan Bhawan	256/10-11	2.86	03/2011	DAO, Madhepura	04/2012	DE, Zila Parishad, Madhepura	DAO retained ₹ 1.52 crore till July 2012
4		58/10-11	0.80	NA	DAO, Buxar	NA	Concerned BDO & EE	DAO retained 22 lakh as on July 2012
5		77/10-11	1.63		DAO, Buxar			
		Total	123.38					

Notes: 1. EE denotes Executive Engineer, 2. DAO denotes District Agriculture officer, 3. BDO denotes Block Development Officers, 4. BCD denotes Building Construction Department, 5. BCD denotes Building Construction Division, 6. AHD denotes Animal and Fisheries Resources Department, 7. AWC denotes Anganwadi Centres, 8. DE denotes District Engineer

The above illustrations further indicated that government funds (₹ 123.38 crore) irregularly drawn for construction purposes on AC bills on the pretext of immediate payment were either irregularly retained by the DDOs themselves or transferred to the executing divisions/agencies with delay ranging from two months to one year after the end of the financial year. Further Rule 177 of BTC 2011 requires that a certificate shall be furnished by the DDOs to the effect that funds drawn on the contingent bills shall be spent within the same financial year. However, the funds were carried forward to the next financial year without any authority to incur expenditure in subsequent financial year.

3.2.6.6 Funds drawn on AC bills lying unspent in Remittances Head

The Finance department vide letter no 7036 dated September 2006 had specifically prohibited drawal of funds on AC bills wherein it has to be transferred to the Works Department for construction purposes. However, in five cases there was drawal of ₹ 7.28 crore on AC bills for construction purposes between 2008-09 and 2010-11 which was subsequently transferred to Building Construction Department through Major Head '8782 - Cash Remittances' for execution of works. However the entire amount remained unutilized as of July 2012 (details given in *Appendix 3.2*).

3.2.7 Submission of detailed contingent bills

Rule 177 of BTC 2011 provides that a certificate shall be furnished by the DDO to the effect that money withdrawn on the contingent bill shall be spent within the same financial year and that the unspent amount shall be remitted to the Treasury before 31 March of the year. Further, as per Rule 194 of the BTC 2011 countersigned DC bills shall be submitted within six months⁸ following that in which the abstract bill was drawn and no abstract bill shall be cashed after the end of this period of six months unless detailed bill has been submitted.

As on 31 August 2012, 66847 DC bills for an amount of ₹ 18797.90 crore were pending for submission to the AG (A&E) as detailed in the **Table 3.4** below:

Table 3.4: Position of Outstanding DC bills

(₹ in crore)

Year	AC bills Drawn		DC bills Received		Outstanding DC bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2008-09	58423	14272.48	16867	6953.09	41556	7319.39
2009-10	12706	4043.20	2984	1150.20	9722	2893.00
2010-11	12413	7015.37 ⁹	4645	3153.95	7768	3861.42
2011-12	8626	4974.42	825	250.33	7801	4724.09
Total	92168	30305.47	25321	11507.57	66847	18797.90

(Source: State Finance Accounts of Bihar Government for the year 2011 -12)

The Finance Department in its reply stated (November, 2012) that as against the pending AC bills of ₹ 26260.09 crore (since 2002-03 and till 30 September 2012), DC bills of ₹ 16196.38 crore have been submitted to AG of which DC bills for ₹ 12719.27 crore have been adjusted. Further stringent action has been taken by the government in this regard by stalling salary payment to DDOs concerned till the adjustment of pending DC bills.

⁸ Until October 2006, the period of submission of DC bills in the BTC was one month only, Central treasury code (Central Receipts and Payments Rules 1983) provides a period of one month only for submission of DC bills.

⁹ As per Note No. 4 to Finance Accounts for the year 2010-11, ₹ 4033.72 crore out of ₹ 7015.37 crore was drawn on accounts of Grants-in-aid.

The fact, however, remains that only 48 *per cent* of the pending AC bills have been adjusted so far (30 September 2012).

3.2.7.1 Results of test check of detailed contingent bills

Test check revealed following irregularities in contravention of the rule relating to submission of DC bills (*Appendix 3.3*).

- In Road Construction Department, it was observed that the Under Secretary (Accounts) had withdrawn ₹ 1541 crore on 12 AC bills between 2006-07 and 2011-12 and made advance payments to BRPNNL for construction of road bridges under ‘Mukhyamantri Setu Nirman Yojana’:

It was observed that DC bill of ₹ 833.26 crore against six AC bills of ₹ 1005 crore for the period from 2006-07 to 2009-10 was submitted only in July 2010 after delay of upto 33 months. Subsequently, DC bills of ₹ 537.15 crore were submitted during September 2010 to September 2011 and DC bills of ₹ 170.59 crore were yet to be submitted by the Department as of March 2012. (Refer Sl. No.1 to 12 of *Appendix 3.3*).

- Similarly, in Human Resources Development Department, funds of ₹ 2692.05 crore were drawn on AC bills under Mid-Day Meal Scheme during the period 2004-05 to 2010-11. Against this DC bills for ₹ 1919.39 crore (including refund of ₹ 462.78 crore) were submitted up to April 2012. Thus remaining DC bills for ₹ 772.66 crore were pending for submission by the Department as of April 2012. (Refer Sl. No.13-64 of *Appendix 3.3*).
- In Home (Police) Department, AC bills of ₹ 700.10 crore were drawn by IG provisions during 2009-12. However, amount of ₹ 695.11 crore (99.29 *per cent*) remained unadjusted as on date (August 2012) (Refer Sl. No.65 of *Appendix 3.3*).
- Three AC bills amounting to ₹ 169.29¹⁰ crore were drawn (31 March 2009) by Civil Surgeon, Patna for upgradation of PHC into Community Health Centre, construction of Health Sub Centre (HSC) and sub divisional hospitals. The aforesaid AC bills had been adjusted by way of DC bills. However, as per the records, made available by State Health Society (SHS), it was noticed that the funds remained unspent and were lying with the SHS (₹ 118.00 crore and ₹ 30.91 crore) and BMSIC (₹ 20.38 crore). Hence, submission of false DC bills based on the documents for transfer of money and without the expenditure finally incurred was irregular (Refer Sl. No.66 to 68 of *Appendix 3.3*). The reply of Government was not received in remaining cases as of November 2012.

Thus, in 68 test check cases involving total AC bills of ₹ 5102.44 crore drawn during 2004-05 to 2011-12, DC bills for ₹ 1638.36 crore were outstanding for the period ranging from one to seven years.

3.2.8 Refund of amount drawn on AC bills without utilisation

As per Rule 177 of BTC 2011 any unspent balance of the advance drawn should be deposited into government treasury before the end of the financial year. However, in test check it was observed that in nine cases as detailed in *Appendix 3.4* against an amount of ₹ 3055.04 crore drawn on AC bills during the

¹⁰ ₹ 118.00 crore, ₹ 30.91 crore and ₹ 20.38 crore.

period from 2003-04 to 2011-12, an amount of ₹ 631.77 crore was refunded after retention of idle funds for the period ranging from two months to eight years including refund of entire drawn amount of ₹ 51.11 crore in four cases.

3.2.9. Funds drawn on AC bills and parked outside Government Accounts

It was observed that considerable portion of the funds drawn on AC bills was lying either with the DDOs or with the executing agencies even after the lapse of financial year in which the funds were drawn and had been parked in various Personal Deposit accounts and bank accounts. The overall picture of the funds drawn on AC bill and parked outside Government accounts as witnessed in the test checked departments/offices reflected that as on 31 March 2012, out of funds amounting to ₹ 576.83 crore drawn, ₹ 271.38 crore (three PSUs- ₹ 215.71 crore, 11 District Offices- ₹ 55.67 crore) was parked in various bank accounts as indicated in *Appendix 3.5*.

While no reply was received in above cases, in one case relating to Chief Minister Merit Scholarship Scheme wherein ₹ 17.32 crore was parked in bank accounts, the department replied (August 2012) that it had decided to carry forward the unspent amount of ₹ 17.32 crore to the next financial year 2012-13 to meet anticipated expenses on payment of scholarship in wake of insufficient budgetary provision during 2012-13 under the scheme. The reply was not acceptable as the Rule 177 of BTC 2011 allows the executive to spend within the authorized appropriation during the same financial year. As regards requirement of additional funds over and above the budgetary provision, Rule 117 of Bihar Budget Manual provides for seeking supplementary grant.

3.2.10 Issues relating to Grants-in-aid (GIA)

3.2.10.1 Introduction

The term Grants-in-aid includes grants to local bodies, religious, charitable or educational institutions stipends, scholarship contributions to public exhibitions, etc. The Rule 341 (2) of BFR states that only so much of the grant should be paid during the financial year as is likely to be expended during that year, the authority signing or countersigning a bill for GIA under Rule 431 of BTC 1937 and Rule 270 of BTC 2011 should see that money is not drawn in advance of requirement. There should be no occasion for rush for payment of these grants in the month of March. Further, Finance Department's executive order no. 573 dated 16 January 1975 prescribed time limit of one year from the date of sanction for giving utilization certificate. This time limit was, however, revised to 18 months vide executive order no. 9736 dated 19 October 2011.

Following illustrative cases would reveal the status of drawal and utilisation of funds as GIA in succeeding paragraphs.

3.2.10.2 Drawal of Grants-in-aid under object heads other than GIA object head (3101)

The Appropriation act passed by the legislature confers authorisation on the executive to draw/spend the funds in the manner and for the purpose as provided for under different objects heads¹¹. GIA was to be drawn under object head 3101 upto 2011-12 in accordance with the provisions of the budget. However it was seen that GIA drawal of ₹ 14443.68 crore included an amount of ₹ 8005.62 crore (55.42 per cent) drawn under 14 object heads¹² other than GIA object head as indicated in note 7 to State Finance Accounts for the year 2011-12. The drawal of GIA under other object head which were not meant for drawal of GIA was incorrect.

The Finance Department in its reply (November 2012) admitted that it was unintentional error. The fact remains that such irregularities indicate inadequate budgetary management of the government.

3.2.10.3 Drawal of funds on GIA bills and retained with executing agencies

It was observed that 15 GIA bills of ₹ 165.30 crore (*Appendix 3.6*) were drawn for construction of sub divisional hospitals, upgradation of PHCs into CHCs, etc. during 2009 -12 and was provided to Bihar Medical Services Infrastructure Corporation. It was seen that funds provided were lying unutilised (August 2012). Test check also revealed that ₹ 324.21 crore was drawn by Urban Development and Housing Department and Education Department during 2009-11 (*Appendix-3.7*) but expenditure of ₹ 13 crore was incurred up to March 2012.

Education department in this case (Sl 2 of *Appendix-3.7*) stated (July 2012) that this being a Centrally Sponsored Scheme, release of State share (₹ 39.64 crore) was an inherent condition for obtaining Govt. of India share (₹ 118.91 crore). It further intimated that design was prepared and approved by Bihar Madhyamik Shiksha Parishad in March 2012 and detailed estimate was at the sanction stage and soil testing was going on (July 2012) which indicated at the fact that funds were drawn without advance planning during 2009-10. Reply of remaining departments is awaited as per details given in the *Appendix 3.6* and *Appendix 3.7*.

3.2.10.4 Rendering of Utilisation Certificates

Against the Grants-in-aid of ₹ 15333.60 crore drawn during 2009-10 and 2010-11, utilization certificates for ₹ 7837.69 crore were outstanding for submission as on 31 March 2012 as disclosed in statement no. 4 (B) of the State Finance Accounts for the year 2011-12.

Finance Department in its reply stated (November, 2012) that necessary instructions regarding submission of UCs have already been issued (June 2012) to all the departments by the Chief Secretary.

¹¹ The object head of expenditure within the minor head/sub head defines the ultimate nature and purpose of expenditure.

¹² Other object heads on which GIA was drawn were 1301, 2002, 2101, 2103, 2701, 2702, 2801, 3103, 3401, 4201, 5001, 5002, 5003, 5301.

3.2.10.5 Incorrect Utilisation Certificates

UCs furnished by the Grantee are testimony of the GIA being utilized for the intended purposes and give the actual status of utilization of funds.

An examination of UCs of Bihar State Police Building Construction Corporation Ltd (BSPBCCL) relating to financial year 2009-12 revealed that the funds of ₹ 302.86 crore were utilised as contingent liabilities¹³. However, the accounts of the corporation indicated that there was no expenditure of the corporation under the head contingent liabilities during the same period.

Hence, UCs did not reflect the actual expenditure. Therefore, acceptance of such UCs as a mark of satisfactory expenditure was not proper and release of subsequent GIA based on such wrong and fictitious declaration was irregular.

The Managing Director, BSPBCCL in its reply stated (September 2012) that the cases where agreement for the entire work had been entered into with the contractors and the funds will be required for discharging the future liability on that account had been treated as contingent liability. Hence, it was clear that the UCs were furnished for the unspent amount which was likely to be expended in the future years¹⁴. On this being pointed out (September 2012), the department while accepting the audit contention directed (October 2012) the Corporation to submit UCs reflecting actual expenditure only. Information on rectificatory steps taken by the Corporation was yet to be intimated (November 2012).

3.2.10.6 Utilisation of GIA: Bihar Kosi Flood Recovery Project (BKFRP)

Bihar Aapda Punarawas Evam Punarnirman Society (BAPEPS) was constituted (7 July 2010) to support the disaster recovery as well as future oriented risk reduction efforts of Government of Bihar. Society had to undertake the flood recovery project of Kosi disaster 2008 in three districts¹⁵. The Society received GIA worth ₹ 575.19 crore from Planning and Development Department (PDD) during 2010-12. The grant was to be utilized by March 2012. However it was observed that out of the total funds received of ₹ 575.19 crore, ₹ 467.81 crore remained unutilized as of March 2012.

JEEViKA was the implementing agency for the Livelihood Restoration and Enhancement component of BKFRP which aimed to build social and financial capital (through enhanced incomes and reduced debt level) and expand livelihood opportunities of affected population. JEEViKA received ₹ 65 crore (₹ 15 crore from BAPEPS and ₹ 50 crore as GIA from PDD) during 2010-12. Against this JEEViKA could only utilize ₹ 11.30 crore till March 2012 and the balance of ₹ 53.86 crore was lying in bank accounts (March 2012).

¹³ A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events; or a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) a reliable estimate of the amount of the obligation cannot be made.”

¹⁴ In the accounts of Bihar Police Building Construction Corporation Ltd, most of the Projects (even dating back to 1990s) are being shown as work-in-progress.

¹⁵ Saharsa, Supaul, Madhepura.

The Department stated (December 2012) that the report regarding UCs had been sought from BAPEPS. The reply indicated that despite having selected the grantees, the Department was not aware of the status of utilization of funds by BAPEPS and was releasing subsequent GIAs.

Further, PDD issued instructions (December 2012) to BAPEPS to ensure prompt utilization of funds or refund the unspent balance at the earliest. Hence, there was slackness in the implementation of BKFRP which being a disaster rehabilitation scheme should have been taken up on a war-footing.

3.2.10.7 Classification of Grants-in-Aid as Capital Expenditure

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 the 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, be debited to a Capital Head of Accounts in the Financial Statements of the Government (in present case Government of Bihar).

Test check of the Accounts of the Government of Bihar for the financial year 2011-12 revealed that Grants-in-Aid of ₹ 460.61 crore was treated as Capital Expenditure¹⁶.

3.3 Delays in submission of Accounts/Audit Reports of certain authorities or bodies for certification

Section 20 (i) of the Comptroller and Auditor General’s (Duties, Power and Conditions of Service) Act, 1971, provides for the audit of accounts of any body or authority, if entrusted to the Comptroller and Auditor General by any law or if requested to do so by the Governor of a State having a Legislative Assembly. Such audit could be undertaken on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of the bodies and authorities.

The audit of accounts of the Bihar State Legal Services Authority was entrusted to the Comptroller and Auditor General permanently. Further, the audit of accounts of the Bihar State Khadi and Village Industries Board (BSKVIB), the Bihar State Housing Board (BSHB) and the Rajendra Agricultural University (RAU), Pusa, Samastipur were entrusted to the Comptroller and Auditor General for the period 2003-04 to 2009-10, 2004-05 onwards and 2010-11, respectively. The position of submission of accounts by these bodies, issuance of Separate Audit Reports (SARs) by the Comptroller and Auditor General and their placement in the State Legislature are indicated in *Appendix 3.8*.

¹⁶ Source: Note no.8 to State Finance Accounts, for the year 2011-12.

3.4 Misappropriations, Defalcations, Fraudulent/Excess Payments

Rules 31 and 32 of the Bihar Financial Rules provide that any loss or suspicion thereof, of public money held by or on behalf of the Government caused by defalcation or otherwise should be immediately reported by the officer concerned to his immediate superior official and the Finance Department as well as to the Principal Accountant General even when such loss has been made good by the party responsible. Subsequent to investigation, a complete report should be submitted regarding the nature, extent and reasons leading to such loss and the prospects of affecting its recovery. The officers receiving these reports must forward it forthwith to the Government along with a detailed report, after completing such departmental investigations as may be necessary or expedient, on the causes or circumstances which led to the misappropriation, loss or defalcation and mentioning the disciplinary action proposed against the responsible person. No such report was, however, made available to the Principal Accountant General by the heads of the offices.

During 2011-12, in a test check 17 cases of defalcation, misappropriation, loss, fraudulent/ excess payment and theft involving ₹ 3.58 crore were noticed which were pending with the concerned departments. The age-wise/category-wise break-up of the pending cases is detailed in *Appendices 3.9 and 3.10* and summarised in **Table 3.5**.

No case of written off loss was intimated by the Government.

Table 3.5: Nature of the pending cases

Nature/Characteristics of the Cases	Number of Cases	(₹ in crore)
		Amount involved
Misappropriation	03	0.32
Theft	01	0.31
Defalcation	07	1.22
Fraudulent Payment	02	0.23
Excess Payment	04	1.50
Total pending cases	17	3.58

(Source: Audit findings)

Out of 17 cases, seven cases (41.18 *per cent*) related to defalcation which indicates that appropriate steps for the safety of Government property as prescribed in the rules, had not been taken by the concerned departments. The indifferent approach of the departments in finalization of these cases had not only caused losses to the State exchequer but also failure to take timely action against the guilty person.

3.5 Operations of omnibus Minor Head-800

Booking of receipts or expenditure under the Minor Head ‘800 – Other Receipts’ and ‘800 – Other Expenditure’ is considered opaque classification of receipts and expenditure as these heads do not disclose the schemes, programmes etc, to which the amount relate. The head accommodates expenditure which cannot be classified under the available programme minor heads.

During 2011-12, expenditure aggregating ₹ 2409.13 crore under 45 Revenue and Capital Major Heads of accounts (representing functions of the Government) on expenditure side was classified under the Minor Head ‘800–Other Expenditure’ constituting about 5.99 *per cent* of the total expenditure under the respective Major Heads. Eleven Major Heads having substantial expenditure of ₹ 1623.57 crore (₹ 10 crore and above) classified as ‘Other Expenditure’ are detailed in *Appendix 3.11*.

Similarly, revenue receipts aggregating ₹ 330.05 crore under 43 Revenue Major Heads of accounts on receipts side (excluding Grants–in-aid) was classified under the Minor Head ‘800- Other Receipts’ in the accounts constituting 2.45 *per cent* of the total receipt (Revenue) under the respective Major Heads. Five Major Heads having substantial receipt of ₹ 178.51 crore (₹ 10 crore and above) classified as ‘Other Receipts’ are detailed in *Appendix 3.12*.

Classification of large amounts under the omnibus Minor Head ‘800-Other Expenditure/Receipts’ by 61 treasuries affected transparency in financial reporting.

3.6 Conclusion

The Review of drawal of funds on AC/GIA bills and submission of DC bills/ UCs revealed that there is need for strengthening internal controls and effective monitoring in this area. The funds were drawn on AC/GIA bills without adequate planning and immediate requirement and also to avoid lapse of budget grants, thereby resulting in unnecessary retention/parking of funds.

Delay in submission of DC bills and UCs was noticed. Non-submission of the DC bills within the stipulated time frame and drawal of funds for plan schemes/capital expenditure on AC bills at the fag end of the financial year were indicative of inadequate financial management.

Further, the amendments in BTC regarding AC/DC bills were not in conformity with the Receipts and Payments Rules, 1983 of the Central Government and needed a review for improvement.

3.7 Recommendations

- The Government should strengthen its internal control mechanism in respect of drawal of funds on AC/GIA bills so as to ensure timely utilization of funds drawn on these bills.
- The tendency of heavy drawal of funds on AC/GIA bills without immediate requirement and parking the funds in bank accounts and Personal Deposit accounts should be avoided.
- The Government should ensure transparency in financial reporting by classifying the amounts received or expended under various schemes in the accounts distinctly, instead of clubbing the same under the Minor head ‘800-Other Expenditure’ and ‘800-Other Receipts’.
- Misclassification of vouchers should be avoided by treasuries and supervisory role of treasuries should be strengthened.
- Controlling Officers and DDOs should be more vigilant and careful in compliance of rules and procedures in drawal and utilization of funds.

Patna
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