

Executive Summary

Background

This Report on the finances of the Government of Bihar intends to objectively assess the financial performance of the State during 2011-12 and to provide the State Legislature with proper inputs based on audit analysis of financial data. In order to put this analysis in a proper perspective, a broad comparison of targets envisaged by the Bihar Fiscal Responsibilities and Budget Management (Amendment) Act, 2010, the Thirteenth Finance Commission (ThFC) Report and the Budget Estimates of 2011-12 has been attempted.

The Report

Based on the audited accounts of the Government of Bihar for the year ended March 2012, this Report provides an analytical review of the Annual Accounts of the Government. The Report is structured in three Chapters.

Chapter-1 is based on the audit of the Finance Accounts and makes an assessment of the Bihar Government's fiscal position as on 31 March 2012. It analyses the significant changes in major fiscal aggregates as compared to the previous year. It also provides an insight into trends in expenditure on interest payments, salaries and wages, pensions, subsidies and repayment of debt and borrowing patterns besides giving a brief account of Central funds transferred directly to State implementing agencies through the off-budget route.

Chapter-2 is based on the audit of Appropriation Accounts and gives grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. It also contains detailed review of two grants namely Grant No. 3 "Building Construction Department" and Grant No. 16 "Panchayati Raj Department". It seeks to ascertain whether the expenditure actually incurred under the various grants is within the authorization given under the Appropriation Act.

Chapter-3 is an inventory of the Bihar Government's compliance with various reporting requirements and financial rules. The report also compiles the data collected from various Government departments/organisations in support of the findings.

Audit findings and recommendations

Chapter 1

Revenue receipts: Revenue receipts during the year increased by 15.24 *per cent* (₹ 6787.85 crore). The increase was mainly due to increase in own tax revenue by 27.78 *per cent* (₹ 2742.25 crore) and State's share of Union taxes and duties by 16.50 *per cent* (₹ 3956.85 crore).

Tax revenues: State's own tax revenue exceeded the Budget estimate (₹ 12582.90 crore) and ThFC assessment (₹ 9302.67 crore) by 0.23 *per cent* (₹ 29.20 crore) and 35.58 *per cent* (₹ 3309.43 crore) respectively.

Non-tax revenue: Non-tax revenue, however, declined by 9.71 *per cent* during the year primarily due to recovery of Debt waiver of ₹ 384.93 crore and non-payment of pension liabilities of the pre-reorganisation period by the Government of Jharkhand (₹ 7808.45 crore).

Revenue expenditure: Revenue expenditure during the year increased by 21.68 per cent (₹ 8283.57 crore). However, Revenue expenditure during the year was 6.88 per cent (₹ 3434.07 crore) less than the budget estimates (₹ 49933.56 crore).

Non-Plan and Plan expenditure: The Non-Plan expenditure (revenue and capital) increased by 24.45 per cent (₹ 6690.15 crore) and the Plan expenditure increased by 6.23 per cent (₹ 1249.49 crore) over the previous year.

Funds transferred directly from Government of India to the State Implementing Agencies: The Government of India directly transferred ₹ 8958 crore in 2011-12 to the State implementing agencies. These funds are not routed through the State budget/State treasury system and therefore the annual finance accounts do not capture the flow of these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/ parameters derived from them do not take these funds into account.

Financial Assistance by State Government to local bodies: The financial assistance during 2011-12 increased to ₹ 14444 crore from ₹ 4622 crore in 2010-11. The increase of ₹ 9822 crore (213 per cent) over the previous year was mainly due to increase in assistance to educational institutions (₹ 3641 crore), ZPs and PRIs (₹ 1019 crore), Development agencies (₹ 2636 crore) and other institutions (₹ 2688 crore).

Developmental expenditure: Development expenditure comprising revenue expenditure, Capital expenditure and loans and advances on socio-economic services increased from ₹ 20452 crore in 2007-08 to ₹ 38900 crore in 2011-12.

Incomplete projects: Altogether, 380 schemes/projects (estimated cost ₹ 3395.35 crore) were due for completion up to March 2012, but remained incomplete resulting in blocking of ₹ 1579.46 crore.

Government Investment: The average return on Government investments was 0.26 per cent in last five years while the Government paid average interest rate of 6.96 per cent on its borrowings during 2007-12. There was meagre return of ₹ 1.40 crore against the investment of ₹ 920.82 crore during 2011-12.

In eight government companies/corporations, there was loss of ₹ 1366.56 crore against the investment of ₹ 967.74 crore in equities (₹ 153.82 crore) and loans (₹ 813.92 crore). Similarly in 15 government companies/corporations with the investment of ₹ 243.79 crore, there was loss of ₹ 215.19 crore.

As per ThFC recommendations, all states were required to draw up a road map for winding up of non-working PSUs by March 2011. However, no detailed plans in this regard were communicated by the departments concerned.

Loans and advances by the State Government: Out of ₹ 1906.08 crore advanced during the year, ₹ 935.54 crore was for power projects. Further, of the total outstanding loans of ₹ 18525.76 crore, ₹ 14730.25 crore were of the power sector.

Cash Balances: Cash balances decreased from ₹ 2735.44 crore to ₹ 1509.45 crore during the year. Test check of records of Co-operative department headquarters, five District Planning Offices, Principal, Srikrishna Medical College, Muzaffarpur and 12 Corporations, Councils, Undertakings and Societies revealed that Government funds to the tune of ₹ 2413.57 crore were lying in 66 Commercial Bank accounts, Fixed Deposit etc. of these institutions/organizations as indicated in foot note no. 5 of Statement 1 of Finance Accounts.

Fiscal Liabilities: Fiscal liabilities of the State increased by ₹ 50989.18 crore in 2007-08 to ₹ 67811.84 crore in 2011-12.

Chapter 2

Advance drawal of funds: 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.

Financial Accountability and Budget Management: Slow progress in implementing various social and development programmes in the State left overall savings of ₹ 15595.72 crore. There were instances of unnecessary or excessive re-appropriations of funds. Rush of expenditure at the end of the financial year was another chronic feature noticed. In many cases, the anticipated savings were either not surrendered or were belatedly surrendered, leaving no scope for utilizing these funds for other developmental purposes.

Expenditure of ₹ 49618.13 crore was not reconciled. Further, out of total receipt of ₹ 51320.17 crore, ₹ 13074 crore (25.48 *per cent*) was not reconciled. The department should submit realistic budget estimates, keeping in view the trends in expenditure and the actual requirement of funds. The controlling officers should closely monitor the expenditure against the allocations to avoid excess expenditure over the grants.

Government sanctioned 191 withdrawals from Contingency Fund amounting to ₹ 1242.99 crore in 2011-12. Of this, 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.

Further, review of Grant No. 3 “Building Construction Department” revealed that the department was ill equipped to absorb, spend or utilize the fund as evident from the fact of huge savings of 63 *per cent* of the provisions (₹ 434.25 crore) made to it by other service departments. This includes hundred *per cent* non-utilisation of ₹ 118.30 crore in respect of seven service departments. Similarly, there were cases of hundred *per cent* savings of ₹ 250 crore in case of Grant No. 16 “Panchayati Raj Department”.

Chapter 3

Financial Reporting: The existing system of drawal and submission of AC/DC bills and GIA bills was reviewed with a view to see the compliance with various reporting requirements and financial rules.

Abstract Contingent (AC) bills of high magnitude (valuing more than ₹ one lakh in each case) constituted 99.76 *per cent* of total AC bills drawn during 2009-12.

As on 31 August 2012, 66847 DC bills for an amount of ₹ 18797.90 crore were pending for submission to the AG (A&E).

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.