

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 This chapter is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of audit of budgetary process and budget assumptions are being included in this chapter.

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 grants, supplementary grants, savings, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services *vis-à-vis* those authorized by the Bihar Appropriation Act, 2012 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 Bihar Appropriation Act, 2012 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, 1963 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. 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 are discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarized position of expenditure during 2012-13 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 (+)
Voted	I Revenue	55712.70	7660.09	63372.79	50690.64	(-)12682.15
	II Capital	13412.37	4979.05	18391.42	9630.98	(-)8760.44
	III Loans and Advances	1260.71	1881.34	3142.05	2085.95	(-)1056.10
Total Voted		70385.78	14520.48	84906.26	62407.57	(-)22498.69
Charged	IV Revenue	5615.34	8.84	5624.18	4991.62	(-)632.56
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	3054.48	28.60	3083.08	3069.96	(-)13.12
	Total Charged	8669.82	37.44	8707.26	8061.58	(-)645.68
Appropriation to Contingency Fund (if any)						
Grand Total		79055.60	14557.92	93613.52	70469.15	(-)23144.37

Note: The expenditure includes recoveries/refund of revenue expenditure amounting to ₹ 1216.12 crore and recoveries of capital expenditure amounting to ₹ 46.46 crore, adjusted as reduction of expenditure.

(Source: *Appropriation Accounts, Government of Bihar for the year 2012-13*)

Supplementary provisions of ₹ 14557.92 crore obtained during the year constituted 18.41 per cent of the original provisions. There was an overall savings of ₹ 23144.37 crore, which was a result of the total savings of ₹ 23144.61 crore, being offset by excess expenditure of ₹ 0.24 crore. The savings of ₹ 13314.71 crore was occurred in 46 grants and seven appropriations under the Revenue Section and ₹ 8773.56 crore in 31 grants (₹ 8760.44 crore) and one appropriation (₹ 13.12 crore) under the Capital Section and ₹ 1056.10 crore in eight grants under the Loan Section.

As against the original provisions of ₹ 79055.60 crore, expenditure of ₹ 70469.15 crore was incurred. The overall savings of ₹ 23144.37 crore, constituting 62.90 per cent of the Supplementary provisions of ₹ 14557.92 crore, clearly indicate inaccurate estimation of funds and lack of control mechanism over the Budget estimation. Cases of supplementary provisions that proved unnecessary are discussed in paragraph 2.3.4. The savings/excesses were intimated (June 2013) by the 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 (September 2013).

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 during 2012-13, savings in 31 cases exceeded ₹ 10 crore in each case and also by more than 20 per cent of the total provision (*Appendix 2.1*). There were 13 cases of savings, each exceeding ₹ 500 crore and above under 12 grants/appropriations, which aggregated to ₹ 13835.42 crore (24.03 per cent) during 2012-13. Large unspent provisions were in areas of Education Department (₹ 2783.86 crore), Pension (₹ 1666.56 crore), Energy Department (₹ 1596.16 crore), Planning and Development Department (₹ 1159.00 crore) and Road Construction Department (₹ 1045.20 crore) as indicated in **Table 2.2**.

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

(₹ in crore)							
Sl. No.	No. and Name of the Grant	Original	Supplement-ary	Total	Expendi-ture	Savings	Surrenders out of savings
Revenue-Voted							
1	1-Agriculture Department	1530.21	1357.85	2888.06	2070.77	817.28	769.38
2	15-Pension	10034.72	0.06	10034.78	8368.22	1666.56	0.14
3	16-Panchayati Raj Department	2906.41	370.34	3276.75	2591.06	685.69	559.36
4	20-Health Department	2553.09	6.13	2559.22	1989.44	569.78	479.49
5	21-Education Department	14814.12	1948.56	16762.68	13978.82	2783.86	1826.79
6	35-Planning and Development Department	817.04	2.34	819.38	151.13	668.25	664.47
7	51-Social Welfare Department	3353.31	465.56	3818.87	2926.83	892.04	815.19
	Total	36008.90	4150.84	40159.74	32076.27	8083.46	5114.82
Capital-Voted							
8	3-Building Construction Department	669.44	372.03	1041.47	319.40	722.07	688.81
9	10-Energy Department	2056.20	797.94	2854.14	1257.98	1596.16	1595.69
10	35-Planning and Development Department	1219.98	325.05	1545.03	386.03	1159.00	1142.20
11	41-Road Construction Department	3810.63	525.68	4336.31	3291.11	1045.20	1032.65
12	49-Water Resources Department	2150.47	298.32	2448.79	1776.06	672.73	672.53
	Total	9906.72	2319.02	12225.74	7030.58	5195.16	5131.88
Revenue- Charged							
13	13-Interest Payments	5186.00	3.65	5189.65	4632.85	556.80	1.74
	Total	5186.00	3.65	5189.65	4632.85	556.80	1.74
	Grand Total	51101.62	6473.51	57575.13	43739.70	13835.42	10248.44

(Source: *Appropriation Accounts, Government of Bihar for the year 2012-13*)

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

i. Grant Number “21-Education Department” (Revenue-Voted)

Against the original provision of ₹ 14814.12 crore, the expenditure was only ₹ 13978.82 crore, resulting in savings of ₹ 835.30 crore. Thus, further provision of funds (₹ 1948.56 crore) through supplementary grants proved unnecessary as the whole amount remained unutilized during the year and out of supplementary

provision of ₹ 1948.56 crore, ₹ 1826.79 crore have been surrendered. Reasons for final savings have not been intimated (August 2013).

ii. Grant Number “15-Pension”(Revenue-Voted)

Savings (₹ 1666.56 crore) under the grant occurred mainly in 2071-Pensions and Other Retirement Benefits, 01-Civil, 101-Superannuation and Retirement Allowances, 0001-Payment to pre-15/11/2000 pensioners (₹ 3684.03 crore), 104-Gratuities, 0002-Payment to employees retired from successor State of Bihar (₹ 430.68 crore), 105-Family pensions, 0001-Family pension to pre 15/11/ 2000 pensioners (₹ 60.41 crore) and 117-Government contribution for defined contribution pension scheme, 0001-Contribution of State Government for defined contribution pension scheme (₹ 156.87 crore) etc. Reasons for final savings have not been intimated (August 2013).

iii. Grant Number “10-Energy Department” (Capital-Voted)

Against the original provision of ₹ 2056.20 crore, the expenditure was only ₹ 1257.98 crore, resulting in savings of ₹ 798.22 crore. Thus, further provision of funds (₹ 797.94 crore) through supplementary grants proved unnecessary as the whole amount remained unutilized during the year. Reasons for final savings have not been intimated (August 2013).

iv. Grant Number “35-Planning and Development Department”(Capital-Voted)

Savings of ₹ 1159 crore occurred against the total provision of ₹ 1545.03 crore (including supplementary grant of ₹ 325.05 crore). Augmentation of funds (₹ 195.05 crore) through supplementary grant and (₹ 122.95 crore) by re-appropriation under head “4070-Capital Outlay on Other Administrative Services, 051-Construction, 0107-Chief Minister Area Development Programmes” were proved unnecessary. Reasons for final savings have not been intimated (August 2013).

v. Grant Number “41- Road Construction Department” (Capital-Voted)

Supplementary provision of ₹ 525.68 crore proved unnecessary as the total expenditure of ₹ 3291.11 crore was less than the original provision (₹ 3810.63 crore). Savings (₹ 1045.20 crore) was mainly under the head 5054-Capital Outlay on Roads and Bridges, 02-Strategic and Border Roads, 337-Road works, 0101-India Nepal Border Road (₹ 23.27 crore), 03-State Highways, 789-Special Component Plan for Scheduled Castes, 0101-Major Roads (₹ 23.36 crore). Reasons for final savings have not been intimated (August 2013).

2.3.2 Persistent Savings

In 10 grants/appropriations, there were persistent savings of more than ₹ 20 crore in each case and ranged between 11 to 76 *per cent* of the total grants during the last five years as indicated in *Appendix 2.2*.

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. However, excess expenditure amounting to ₹ 1366.94 crore for the previous years (1977 to 2011) was yet to be regularized as shown in *Appendix 2.3*. Non-regularisation of the excess expenditure, for considerable period is breach of Constitutional provision.

2.3.4 Appropriateness of 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 ₹ 11912.58 crore obtained in 48 cases (39 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 of Detailed Appropriation Accounts and Grants Audit Register revealed that under 21 grants/appropriations involving 67 sub-heads, additional funds of ₹ 355.37 crore provided through re-appropriation proved unnecessary as the final savings were ₹ 114.46 crore, as detailed in **Appendix 2.5**.

Further, in 16 cases ₹ 129.52 crore was injudiciously withdrawn through re-appropriations, when there was excess expenditure of ₹ 37.10 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
1	12	7610-00-204-0001-Advances to officers for purchase of computers	2.00	(-)0.50	0.18	1.36	0.04
2	20	2210-01-001-0001-Superintendence	19.87	(-)3.65	5.75	10.46	0.01
3		2210-01-110-0004-Nalanda Medical College Hospital	52.72	(-)3.60	12.02	39.70	2.60
4		2210-01-110-0009-Bhagalpur Medical College Hospital, Bhagalpur	33.13	(-)3.57	5.30	27.03	2.77
5	21	2202-02-109-0107-Rashtriya Madhyamic Siksha Abhiyan	205.50	(-)49.76	36.19	134.19	14.64
6		2202-80-001-0001-Headquarter Establishment	4.61	(-)0.51	1.32	3.40	0.62
7		2202-80-001-0102-State Education Research and Training Institute	40.00	(-)3.29	31.75	4.98	0.02
8	22	2055-00-109-0001-District Executive Force	1774.64	(-)5.00	113.36	1656.38	0.10
9	23	2852-80-001-0002-Direction	15.48	(-)0.10	1.60	13.82	0.04
10	26	2230-01-103-0001-Education Health and Recreation	2.07	(-)0.04	0.26	1.78	0.01
11	35	2052-00-090-0010-Planning and Development Department	7.80	(-)0.11	3.04	4.87	0.22
12	36	4215-01-102-0120-Wells Accelerated Rural Water Supply Scheme	57.80	(-)14.00	6.68	37.25	0.13

Sl. No.	Grant No.	Head of Accounts and Description	Total Provision	Re-appropriation	Total Surrender	Expenditure	Final Excess
13	38	2030-03-001-0002-District Charges	40.25	(-)0.27	6.71	36.26	2.99
14	42	2216-03-796-0102-Indira Awas Yojna	175.89	(-)43.97	62.75	81.94	12.77
15	43	2203-00-103-0001-Certification Course	1.03	(-)0.14	0.17	0.73	0.01
16	49	2711-01-001-0003-Regional Establishment	118.85	(-)1.00	9.61	108.37	0.13
Total			2551.64	(-)129.51	296.69	2162.52	37.10

(Source: Grants Register & Detailed Appropriation Accounts, Government of Bihar for the year 2012-13)

Under the Head 7610-“Loans to Government Servants etc., 204-House Building Advances, 0001-Advances to officers for purchase of Computer of Grant No.12” ₹ 0.50 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 0.04 crore occurred.

Similarly, “under the head 2210-Medical and Public Health, 110-Hospital and Dispensaries, 0004-Nalanda Medical College Hospital of Grant No 20” ₹ 3.60 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 2.60 crore was incurred.

In view of the above it was observed that instead of providing additional funds to meet the requirement, withdrawal of funds reflected poor financial management.

Further, in 65 cases, the un-utilised provision was not properly assessed as, even after the withdrawal of ₹ 902.68 crore through re-appropriation proved insufficient since there remained savings of ₹ 4202.53 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, 1963, 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.

Out of the total provision of ₹ 9633.07 crore in 119 cases, ₹ 7306.58 crore (75.84 per cent) were surrendered as indicated in *Appendix 2.7*. The surrender under each unit ranged between 50.92 and 99.99 per cent (₹ five crore and more than 50 per cent of the total provision in each case).

Further, there was hundred per cent surrender of funds (₹ 2851 crore) in 259 schemes under 35 grants/appropriations (*Appendix 2.8*) depriving the beneficiaries of the benefits and services which could have been derived from these schemes.

2.3.7 Surrender in excess of actual savings

In five 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 ₹ 710.54 crore, the amount surrendered was ₹ 736.35 crore, resulting in excess surrender of ₹ 25.81 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	2	3	4	5	6
Revenue-Voted					
1	2-Animal and Fisheries Resource Department	962.46	426.49	428.88	2.39
2	38-Registration, Excise and Prohibition Department	116.25	27.81	32.64	4.83
3	43-Science and Technology Department	67.36	3.84	7.70	3.86
Total		1146.07	458.14	469.22	11.08
Capital- Voted					
4	20-Health Department	721.90	159.01	163.75	4.74
5	43-Science and Technology Department	173.97	93.39	103.38	9.99
Total		895.87	252.40	267.13	14.73
Grand Total		2041.94	710.54	736.35	25.81

(Source: Appropriation Accounts, Government of Bihar for the year 2012-13)

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

2.3.8 Anticipated savings not surrendered/ belated surrendered

As per Rule 112 of Bihar Budget Manual, 1963, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2012-13, in 15 cases, savings of ₹ 6211.74 crore (62.38 per cent) out of ₹ 9956.90 crore were not surrendered as detailed in **Appendix 2.9**.

Besides, in 73 cases, where there was surrender of funds in excess of ₹ 10 crore and 10 per cent of the total provisions in each case, ₹ 10389.85 crore was surrendered on the last working day of the financial year 2013 (**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, 1963, 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.

Expenditure exceeding 50 per cent of total expenditure, incurred during March 2013, under 21 Major heads were listed in **Appendix 2.11**. In these cases, ₹ 4421.04 crore (59.77 per cent of total expenditure under the 21 major heads amounting to ₹ 7396.10 crore was spent in March 2013. Thus, a substantial amount incurred by the department at the fag end of the year indicates deficient financial management, lack of effective control, over expenditure by the controlling officers and a tendency to utilize the budget only at the fag end of the financial year.

2.4 Misclassification of expenditure especially from the Grants-in-aid

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 Financial Statements of the Grantor irrespective of the purpose, for which the funds were disbursed as Grants-in-Aid except in cases specially authorized 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.

During test check of the Accounts of the Government of Bihar for the financial year 2012-13, it was observed that Grants-in-Aid of ₹ four crore which was required to be classified as revenue expenditure as per IGAS-2 norms was treated as Capital Expenditure. Of this ₹ two crore pertained to BIT Meshra, Patna and ₹ two crore to Bihar Urban Development Authority.

2.5 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 78 Major heads, heads of departments did not reconcile expenditure amounting to ₹ 53332.91 crore (exceeding ₹ 10 crore in each case) during 2012-13 as shown in **Appendix 2.12**. Out of which ₹ 38276.08 crore (71.76 per cent) relates to eight Major heads as shown in **Table 2.5**.

Table 2.5: Non reconciliation of expenditure during 2012-13

(₹ in crore)			
Sl. No.	Major Heads	Booked Expenditure	Amount not reconciled
1	2049-Interest Payments	4428.31	4428.31
2	2055-Police	3187.86	2023.62
3	2071-Pension and Other Retirement Benefits	8363.53	8102.14
4	2202-General Education	13956.71	13529.57
5	2235-Social Security and Welfare	2004.59	1884.48
6	2515-Other Rural Development Programme	3034.23	2985.61
7	2801-Power	3193.38	2031.25
8	5054-Capital Outlay on Roads and Bridges	3291.10	3291.10
Total		41459.71	38276.08

(Source: Information furnished by office of the Accountant General (A&E))

In view of the above, it is apparent that had the Government taken the issue of non-reconciliation of expenditure with eight departments, 71.76 per cent of expenditure could have been reconciled.

2.6 Advances from Contingency Fund

The Contingency Fund of the State was established under the Bihar Contingency Fund Act, 1950 (amended in 2012), 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 2012 was ₹ 350 crore. The Cabinet raised (August 2012) the corpus of the Contingency Fund by ₹ 2250 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 2012-13, 134 withdrawals amounting to ₹ 2536.92 crore was made from contingency fund, of which 57 withdrawals amounting to ₹ 2470.56 crore (97.38 per cent of the total withdrawals from Contingency Fund) (*Appendix 2.13*) were for routine expenditure such as loans for food storage & warehousing, loans for power project, payment to purchase of diesel for watering kharif crop, 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.

2.7 System and controls in place in the Finance Department

The Finance department acts as a nodal department of the State Government. Among the various functions, some of the important ones are summarized as: preparation of the annual financial statement including supplementary statement of the expenditure on the basis of material supplied by the various administrative departments, re-appropriation, surrender of savings, management of the Calamity Relief Fund and State Contingency Fund. The major irregularities noticed during the course of test audit are summarized below:

2.7.1 Over estimation of Provision

The Bihar Budget Manual (Rule 57) requires that the tendency to over estimate should be overcome. Ordinarily provision for a scheme which has not been elaborated and sanctioned should not be made. Over estimating is a fault. The officer responsible for preparing estimate should be sure that there is no provision for a greater sum than that which can be spent.

Scrutiny of the report of the surrenders of savings during 2012-13 revealed that budget provision was provided in respect of 25 heads under six departments¹ amounting to ₹ 179.58 crore without sanction of plan. Further, in respect of two heads under General Administration department an amount of ₹ one crore was allotted for the post lying vacant during 2012-13 as detailed in *Appendix 2.14*. This showed that the system and controls placed in Finance Department were not effective in monitoring the actual requirement of fund. In reply, the Joint Secretary-cum-Budget Officer stated (October 2013) that fund was provided on the basis of requirement of plan outlay of Planning and Development Department.

The reply is not acceptable as the fund was to be provided on the basis of actual requirement of fund to be expended during the year.

¹ Animal and Fisheries Resources, Home, Planning and Development, PHE, Disaster Management and Social Welfare.

2.7.2 Unrealistic forecasting of resources

Rule 54 of the BBM stipulates that in the case of fluctuating revenue, the estimate should be based upon a comparison of the last three years receipts. In both instances the probable effect of any factors known to be likely to be operative should be allowed for. They should be neither inflated nor under-pitched, but should be accurate as far as possible. In this connection trend of revenue projection for last five years 2008-09 to 2012-13 are appended below:

Table 2.6: Variation between Estimate and Actuals in Revenue Resources for the period 2008-09 to 2012-13

(₹ in crore)						
Sl. No.	Year	Head	Estimate	Actuals	Differences (Column 5-4)	Percentage of variations
1	2	3	4	5	6	7
1	2008-09	Tax Revenue	5259	6173	914	17.38
		Non-Tax Revenue	422	1153	731	173.22
2	2009-10	Tax Revenue	7336	8090	754	10.28
		Non-Tax Revenue	541	1670	1129	20.69
3	2010-11	Tax Revenue	10644	9870	(-)774	7.27
		Non-Tax Revenue	1207	986	(-)221	18.31
4	2011-12	Tax Revenue	12583	12612	29	0.23
		Non-Tax Revenue	2986	890	(-)2096	70.19
5	2012-13	Tax Revenue	15695	16253	558	3.56
		Non-Tax Revenue	3142	1135	(-)2007	63.88

(Source: State Budget of the respective year)

It was noticed that estimate for the period 2012-13 for non-tax revenue projection was ₹ 3142 crore while actual realisation was ₹ 1135 crore resulting in downward variation of ₹ 2007 crore i.e. nearly 64 per cent below the original forecast. Similarly, tax revenue for the year 2012-13 was projected at ₹ 15695 crore while actual realisation was ₹ 16253 crore resulting in upward variation of ₹ 558 crore above the projection.

It could be seen from the above table that revenue projection of tax and non-tax revenue were made in such a way that the actual achievements were understated/over stated during the last five years. This shows that the projections were made in an unrealistic manner. Had the same assessment been done in a realistic manner, there would have been greater impact on plan size/ceiling. In other words, plan size could have been larger and resources thereof could have been better utilized towards developmental work as the needs of the State.

The Joint Secretary-cum-Budget Officer stated (October 2013) that the estimate of resources was based on the information of the departments. In case of non-availability of information from the departments, estimate was made by increase in actual receipt of the previous year.

The reply is not acceptable as the parameter set in the BBM for estimation of resources was not followed.

2.7.3 Deficient control within the department

The Bihar Contingency Fund (Amendment) Act, 2012 provides that if it requires to increase the permanent corpus of Contingency Fund beyond ₹ 350 crore, the same may be enhanced temporarily by the Cabinet up to the maximum of three per cent of the expenditure budget of that year up, for the period ending on 30 March of that financial year.

In pursuance of this Act, the Cabinet sanctioned the temporary corpus of Bihar Contingency Fund amounting to ₹ 2250 crore up to 30 March 2013 which was within the prescribed limit of three *per cent* (₹ 2360.60 crore) of expenditure budget (₹ 78686.82 crore).

But, in contravention of the Cabinet decision, the Finance department enhanced the corpus of contingency fund by ₹ 2250 crore in addition to ₹ 350 crore, aggregating to ₹ 2600 crore, which was in violation of the limit fixed by the Government.

While accepting the audit observations, the Secretary (Expenditure) assured (September 2013) that the temporary corpus would be raised in accordance with the Act.

Review of Selected Grants

A review of the budgetary procedures and control over expenditure was conducted (August 2013) in respect of “Grant No.-12 Finance Department” and “Grant No.-43 Science and Technology Department” on the basis of savings, excesses and magnitude of the grants and supplementary demands made during the year 2012-13. The results of review are detailed below:

2.8 Review of “Grant No.-12 Finance Department”

The Finance department acts as a nodal department of the State Government. Among the various functions, some of the important ones are summarized as: preparation of the annual financial statement including supplementary statement of the expenditure on the basis of material supplied by the various administrative departments, re-appropriation, surrender of savings, management of the Calamity Relief Fund and State Contingency Fund.

A review of the budgetary procedures and control over expenditure was conducted (August 2013) in respect of ‘Grant No.-12 Finance Department’ on the basis of savings, excesses and magnitude of the grants and supplementary demands made during the year 2012-13.

Table 2.7: Position of Summarised appropriation

(₹ in crore)						
Budget estimate	Original provision	Supplementary provision	Total Provision	Expenditure	Savings	Savings in percentage
Revenue voted	375.38	25.18	400.56	220.30	180.26	45
Revenue charged	298.00	0.00	298.00	254.95	43.05	14
Total	673.38	25.18	698.56	475.25	223.31	32

(Source: Detailed Appropriation Accounts for 2012-13)

The results of review are discussed below:

2.8.1 Substantial Savings

Against the total provision of ₹ 400.56 crore under Revenue voted head, an expenditure of ₹ 220.30 crore was incurred (55 *per cent*) and against the total provision of ₹ 298 crore under Revenue charged head ₹ 254.95 crore was spent (86 *per cent*). The overall expenditure of ₹ 475.25 crore was only 68 *per cent* of the total provision of ₹ 698.56 crore during 2012-13, resulting in substantial savings of ₹ 223.31 crore (32 *per cent*) as detailed in the **Table 2.7**.

The Joint Secretary-cum-Budget Officer stated (October 2013) that the fund was not expended due to various reasons.

The reply is not acceptable as this was indicative of unrealistic budget estimate.

2.8.2 Unnecessary supplementary provision

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.

Scrutiny of records revealed that provision of an amount of ₹ 16.32 crore was made under the Major heads 2052, 2054, 2204 and 2070 through first, second and third supplementary provision, whereas, only ₹ 89.73 crore was expended against total original provision of ₹ 145.09 crore, as shown in **Table 2.8**.

Table 2.8 : Unnecessary supplementary provision

(₹ in crore)							
Head of account	Original provision	First Supplementary	Second Supplementary	Third Supplementary	Total supplementary provision (3+4+5)	Total provision (2+6)	Expenditure
1	2	3	4	5	6	7	8
2052	58.49	0.12	0.38	0.14	0.64	59.13	45.10
2054	83.40	15.17	--	--	15.17	98.57	43.60
2204	0.10	0.15	--	--	0.15	0.25	0.10
2070	3.10	--	0.36	--	0.36	3.46	0.93
Total	145.09	15.44	0.74	0.14	16.32	161.41	89.73

(Source; Detailed Appropriation Accounts for 2012-13, S P Acts & Departmental figures)

Supplementary provisions aggregating ₹ 16.32 crore obtained in four heads during the year proved unnecessary as the expenditure did not come up to the level of the original provisions. Scrutiny of records revealed that the fund was augmented through supplementary provisions on the basis of expectation of expenditure.

The Joint Secretary-cum-Budget Officer stated (October 2013) that the fund was not expended due to various reasons or procedural delays.

The reply is not acceptable as there was no need of supplementary provision to meet the expenditure. The provisioning of excess supplementary grants led to blocking of resources for the other needy departments.

2.8.3 Unnecessary re-appropriation

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 head “7610-00-202-0001”, additional funds of ₹ 1.50 crore provided through re-appropriation proved unnecessary as the final savings were ₹1.35 crore, as detailed in the **Table 2.9**.

Table 2.9: Unnecessary re-appropriation of funds

(₹ in crore)

Head of account	Total Provision	Re-appropriation (+)	Date of re-appropriation	Total available fund	Total expenditure	Surrender	Final Saving(-)/excess (+)
7610-Lonas to Government Servants etc.-00-202-Advance for purchase of motor conveyance-0001-Advance to Government servants for purchase of motor conveyance	4.00	0.5	11 December 12	5.5	3.67	0.48	(-)1.35
		0.3	11 December 12				
		0.5	14 February 13				
		0.2	14 February 13				

(Source; Detailed Appropriation Accounts for 2012-13 & Departmental figures)

Thus, the first, second, third and fourth re-appropriation made on 11 December 2012 and 14 February 2013 was proved unnecessary. Scrutiny of records revealed that the fund was augmented through re-appropriation for purchase of motor conveyance.

The Joint Secretary-cum-Budget Officer stated (October 2013) that fund was surrendered due to non-availability of proposal on time.

2.8.4 Surrender of fund on the last day of the financial year

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.

Out of total surrender of ₹ 212.58 crore as given in *Appendix 2.15*, a sum of ₹ 207.06 crore (98 per cent) was surrendered (17 cases) on the last day of the financial year 2012-13.

In reply, the Joint Secretary-cum-Budget Officer assured (October 2013) that action would be taken to surrender the fund by 15 March in future.

As per procedure, 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 inadequate budgetary and financial control in the department.

2.8.5 Non-reconciliation of departmental expenditure figures

Rules 475 (viii) of the Bihar Financial Rules states that head of departments will be responsible for the reconciliation of the figures given in their respective accounts 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, under the provisions of rule 134 of the Bihar Budget Manual, departments have to ensure that the figures of Provision, Supplementary Provisions, Re-appropriation, Expenditure, Surrender and savings are reconciled with the "Detailed Appropriation Accounts" prepared by the office of the Accountant General (A&E), Bihar immediately after close of the financial year. To facilitate this process in a time schedule, the last date of reconciliation of figures relating to 2012-13 was fixed at 14 June 2013 by the Accountant General (A&E), Bihar. However, proper reconciliation was not carried out by the department, resulting in

the differences in figures of expenditure under nine major heads amounting to ₹ 23.74 crore (*Appendix 2.16*).

The Joint Secretary-cum-Budget Officer stated (October 2013) that accounts wing has been directed to take action regarding reconciliation of monthly accounts.

2.9 Review of “Grant No.-43 Science and Technology Department”

The Science and Technology Department, Government of Bihar was to provide quality technical education and promote scientific awareness among the masses. There were three Major Heads 2203, 3451 and 4202 operate under this Grant.

The results of review are discussed below:

2.9.1 Substantial Savings

Against the total provision of ₹ 241.33 crore (Original: ₹ 112.28 crore; Supplementary; ₹ 129.05 crore), an expenditure of ₹ 144.10 crore was incurred resulting in savings of ₹ 97.23 crore (40.29 per cent) during 2012-13 as detailed in **Table 2.10** below:

Table 2.10: Details of Budget provision, expenditure, saving etc.

(₹ in crore)						
Budget Estimate	Original	Suppl- mentary	Total Provision	Expenditure	Savings	Savings as percentage of Total provision
Revenue voted	63.31	4.05	67.36	63.52	3.84	5.70
Capital voted	48.97	125.00	173.97	80.58	93.39	53.68
Total	112.28	129.05	241.33	144.10	97.23	40.29

(Source: Detailed Appropriation Accounts, Government of Bihar for the year 2012-13)

Scrutiny of original and supplementary provision and expenditure incurred revealed that against the total provision of ₹ 67.36 crore under Revenue voted head, expenditure of ₹ 63.52 crore was incurred resulting in saving of ₹ 3.84 crore (5.70 per cent) and against the total provision of ₹ 173.97 crore under Capital voted head ₹ 80.58 crore was spent resulting into saving of ₹ 93.39 crore (53.68 per cent).

The Director stated (October 2013) that the institution/headquarter had not utilized fund due to non availability of land.

2.9.2 Non-utilisation of fund leading to hundred per cent surrender

Scrutiny of records relating to original grant, supplementary and surrender during 2012-13 revealed that entire provision of ₹ 24.95 crore of one Sub head under one Major head remained unutilized and was completely surrendered as detailed in **Table 2.11**.

Table 2.11: Details of hundred per cent unutilised amounts

(₹ in crore)					
Sl. No.	Head of accounts	Original	Supple- mentary	Total provision	Surrender
1	4202-Capital Outlay on Education, Sports, Art and Culture-02-Technical Education - 789-Special Component Plan for Scheduled Castes-0101-Polytechnic/Engineering/ Technical College	24.95	0	24.95	24.95
Total		24.95	0	24.95	24.95

(Source: Detailed Appropriation Accounts, Government of Bihar for the year 2012-13)

Further scrutiny revealed that fund was not utilised due to non availability of plan for special components for Scheduled castes.

The Director stated (October 2013) that fund was not utilised due to non availability of plan for Scheduled castes students of the institutions. The reply is not acceptable as the department failed to achieve the intended objectives and beneficiaries have been deprived of the benefits.

2.9.3 Belated surrender resulting in non-utilisation of funds

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 expenses under some other unit or units which are definitely foreseen at that time. No savings should be held in reserve for possible future excesses.

Scrutiny of surrender records for the period 2012-13 revealed that out of overall surrender of ₹111.07 crore (46.02 per cent of total provision of ₹ 241.33 crore) surrender of ₹ 87.13 crore (78.45 per cent) relating to 15 cases was made on the last day of the financial year 2012-13 (31 March 2013) as detailed in **Appendix 2.17**.

The Director assured (October 2013) that action would be taken to surrender the anticipated saving on time. The reply is not acceptable as the available fund could not be utilized by the other needy department.

2.9.4 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.

Scrutiny of records relating to three Major Head of accounts involving four sub-heads, additional funds of ₹ 1.12 crore provided through re-appropriation proved unnecessary as the original provision of ₹ 29.89 crore was enough to meet the expenditure of ₹ 27.08 crore as detailed in **Table 2.12**.

Table 2.12: Unnecessary re-appropriation of funds

(₹ in crore)					
Head of accounts	Total provision	Re-appropriation (+)	Date of re-appropriation	Total available fund	Total Expenditure
2203-Technical Education-00-001-Direction and Administration-0001-Directorate of Technical Education	2.79	0.04	12 December 12	2.83	2.42
2203-Technical Education-00-112-Engineering/ Technical Colleges and Institutes-0001-Degree and Post-graduate Course	19.64	0.53	05 March 13	20.18	18.63
		0.01	12 December 12		
3451-Secretariat-Economic Services-00-090-Secretariat-0003-Science and Technology Department	0.95	0.03	05 March 13	0.99	0.73
		0.01	12 December 12		
4202-Capital Outlay on Education, Sports, Art and Culture-02-Technical Education-104-Polytechnics-0102-Polytechnic/ Engineering/Technical Universities	6.51	0.50	21 September 12	7.01	5.30
Total	29.89	1.12		31.01	27.08

(Source: Science and Technology Department, Government of Bihar for the year 2012-13)

The Director assured (October 2013) that re-appropriated fund would be fully used in future.

2.10 Conclusion

During 2012-13, an expenditure of ₹ 70469.15 crore was incurred against total 51 grants and appropriation of ₹ 93613.52 crore, resulting in net savings of ₹ 23144.37 crore. Inaccurate estimation of budget requirements resulted in persistent savings of 11 *per cent* to 76 *per cent* in 11 cases (10 grants/ appropriations) during 2008-13. In 119 cases under 30 grants funds amounting to ₹ 7306.58 crore were surrendered. Again there were cases of non-utilisation of the provisions and hundred *per cent* surrender in 259 schemes under 35 grants/appropriations during the year.

Savings of ₹ 10389.85 crore were surrendered on the last day of the financial year. Out of the total expenditure of ₹ 70469.15 crore, ₹ 53332.90 crore (exceeding ₹ 10 crore in each case) (75.68 *per cent*) was not reconciled.

2.11 Recommendations

The Government should:

- Strengthen budgetary control mechanism in all the 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;
- Regularise excess expenditure over provision pertaining to 1977 to 2011 on priority.