

EXECUTIVE SUMMARY

Background

This Report on the finances of the Government of Bihar intends to objectively assess the financial performance of the State during 2012-13 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 Responsibility and Budget Management (Amendment) Act, 2010, the Thirteenth Finance Commission (ThFC) Report and the Budget Estimates of 2012-13 have been attempted.

The Report

Based on the audited accounts of the Government of Bihar for the year ended March 2013, this Report provides an analytical review of the Annual Accounts of the Government. The Report is structured in three Chapters.

Chapter-I is based on the audit of the Finance Accounts and makes an assessment of the Bihar Government's fiscal position as on 31 March 2013. 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-II 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.-12 Finance Department" and "Grant No.-43 Science and Technology Department". It seeks to ascertain whether the expenditure actually incurred under the various grants is within the authorization given under the Appropriation Act.

Chapter-III 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

Chapter I

Revenue receipts: Revenue receipts during the year increased by 16.07 per cent (₹ 8246.49 crore). The increase was mainly due to increase in own tax revenue by 28.87 per cent (₹ 3640.98 crore) and State's share of Union taxes and duties by 14.19 per cent (₹ 3965.16 crore).

Tax revenues: State's own tax revenue (₹ 16253.08 crore) exceeded the Budget estimate (₹ 15695.30 crore) and ThFC assessment (₹ 10537.39 crore) by 3.55 per cent (₹ 557.78 crore) and 54.24 per cent (₹ 5715.69 crore) respectively.

Non- tax revenue: Non-tax revenue (₹ 1135.27 crore) increased by 27.58 per cent (₹ 245.41 crore) over the previous year. The Non- tax revenue was 63.87 per cent (₹ 2007.19 crore) below the Budget estimate (₹ 3142.46 crore) and 40.48 per cent (₹ 772 crore) of the assessment made by ThFC (₹ 1907.27 crore).

Revenue expenditure: Revenue expenditure (₹ 54466.15 crore) during the year increased by 17.13 *per cent* (₹ 7966.66 crore). The increase was mainly due to increase in expenditure on General Services by 5.16 *per cent* (₹ 915.39 crore), Social Services by 23.38 *per cent* (₹ 4378.59 crore) and Economic Services by 26.62 *per cent* (₹ 2672.14 crore). However, Revenue expenditure during the year was 10.65 *per cent* (₹ 6493.12 crore) below the budget estimate (₹ 60959.27 crore).

Non-Plan and Plan expenditure: During the year the Non-Plan expenditure (revenue and capital) increased by 10.61 *per cent* (₹ 3614.59 crore) and the Plan expenditure (revenue and capital) increased by 23.87 *per cent* (₹ 5084.58 crore).

Funds transferred directly from Government of India to the State Implementing Agencies: The Government of India directly transferred ₹ 8314.38 crore in 2012-13 to the State implementing agencies. These funds are not routed through the State budget/State Treasury System and hence do not find mention in the Finance Accounts of the State.

Financial Assistance by State Government to local bodies: The financial assistance during 2012-13 increased to ₹ 17454 crore from ₹ 14444 crore in 2011-12. The increase of ₹ 3010 crore (21 *per cent*) over the previous year was primarily due to increase in assistance to Educational Institutions (₹ 2750 crore), Municipal Corporation and Municipalities (₹ 317 crore) and Development agencies (₹ 49 crore). The assistance to other institutions however, decreased by ₹ 142 crore.

Incomplete projects: Altogether, 298 schemes/projects (estimated cost ₹ 3829.75 crore) were due for completion up to March 2013, but remained incomplete resulting in blocking of ₹ 1487.57 crore.

Loans and advances by the State Government: The quantum of loans advanced increased from ₹ 1906.08 crore in 2011-12 to ₹ 2085.95 crore in 2012-13.

Cash Balances: Cash balances increased from ₹ 1509.45 crore during 2011-12 to ₹ 3715.58 crore in 2012-13. Further, the State Government's investments in GoI securities also increased from ₹ 429.81 crore to ₹ 2069.72 crore as on 31 March 2013.

Fiscal Liabilities: Fiscal liabilities of the State increased from ₹ 54976.75 crore in 2008-09 to ₹ 76503 crore in 2012-13.

Chapter II

Financial Accountability and Budget Management: ₹ 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.

Expenditure amounting to ₹ 53332.91 crore (exceeding ₹ 10 crore in each case) under 78 Major heads was not reconciled during 2012-13.

Review of "Grant No.-12 Finance Department" revealed that out of total surrender of ₹ 212.58 crore, a sum of ₹ 207.06 crore (98 *per cent*) was surrendered (17 cases) on the last day of the financial year 2012-13.

Chapter III

Financial Reporting:

Against the Grants-in-aid paid upto 2012-13, 1522 UCs aggregating to ₹ 34686.57 crore were outstanding for submission as on 31 March 2013.

Temporary advances and imprest of ₹ 159.91 crore drawn up to 31 March 2013 by the DDOs of eight concerned departments were pending for adjustment upto 31 March 2013.