



CHAPTER I
INTRODUCTION

CHAPTER-I INTRODUCTION

1.1 Budget profile

There are 44 departments and 27 autonomous bodies in the State. The position of budget estimates and actuals thereagainst by the State Government during 2009-14 is given in **Table 1.1**.

Table-1.1: Budget and expenditure of the State Government during 2009-14

(₹ in crore)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General services	12952.59	12202.35	15448.33	15286.97	18505.11	17729.72	22192.64	18645.11	25469.15	22018.47
Social services	15571.36	13186.41	17816.09	15089.42	20862.15	18728.78	25632.67	23107.37	32004.63	26394.85
Economic services	7186.96	7087.95	7409.82	7836.28	10562.18	10037.82	13129.83	12709.96	15779.73	14060.06
Grants-in-aid and contributions	4.12	107.46	4.12	3.25	4.12	3.17	4.12	3.71	4.12	3.85
Total (1)	35715.03	32584.17	40678.36	38215.92	49933.56	46499.49	60959.26	54466.15	73257.63	62477.23
Capital expenditure										
Capital Outlay	11731.31	7332.09	13080.19	9195.94	15392.31	8852.01	17727.56	9584.52	18830.30	14001.00
Loans and advances disbursed	430.16	896.78	730.67	1102.63	1036.60	1906.08	1260.71	2085.95	1394.38	807.38
Repayment of Public Debt	1884.11	1982.99	1915.56	2190.03	2907.89	2922.46	3054.48	3069.96	3238.73	3119.56
Contingency Fund	0	0	0	1150.00	0	800.00	0	2250.00	0	1450.43
Public Accounts disbursements	3837.32	15447.74	5068.21	16749.02	5819.74	21393.22	7108.79	24798.82	7019.00	29452.57
Closing Cash balance	0	2291.13	0	2735.44	0	1509.45	0	3715.58	0	6156.39
Total (1)	35715.03	32584.17	40678.36	38215.92	49933.56	46499.49	60959.26	54466.15	73257.63	62477.23
Total (2)	17882.90	27950.73	20794.63	33123.06	25156.54	37383.22	29151.54	45504.83	30482.41	54987.33
Grand Total (1+2)	53597.93	60534.90	61472.99	71338.98	75090.10	83882.71	90110.80	99970.98	103740.04	117464.56

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget.)

1.2 Application of resources of the State Government

As against the total outlay of the budget of ₹ 113152.92 crore, total expenditure (voted and charged) was ₹ 81673.40 crore during 2013-14. The total expenditure (comprising revenue expenditure, capital expenditure and loans and advances) of the state increased from ₹ 40813 crore to ₹ 77285 crore during 2009-14. The revenue expenditure of the State Government increased by 92 per cent from ₹ 32584 crore in 2009-10 to ₹ 62477 crore in 2013-14. Non-plan revenue expenditure increased by 80 per cent from ₹ 24145 crore to ₹ 43381 crore and capital expenditure increased by 91 per cent from ₹ 7332 crore to ₹ 14001 crore during the period 2009-14.

The revenue expenditure constituted 79 to 82 per cent of the total expenditure during the years 2009-14 and capital expenditure constituted 14 to 19 per cent of the total expenditure. During this period, total expenditure increased at an

annual average rate of 17.87 per cent, whereas revenue receipts grew at an annual average growth rate of 18.80 per cent during 2009-14.

1.3 Persistent savings

In 11 cases there were persistent savings of more than ₹ 20 crore in each case and ranged between 11 to 76 per cent of the total grants during the last five years as per details given in Table 1.2

Table-1.2: List of grants with persistent savings during 2009-14

(₹ in crore)

Sl. No.	No. and Name of the grant	Amount and percentage of savings									
		2009-10		2010-11		2011-12		2012-13		2013-14	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Revenue-Voted											
1	2-Animal and Fisheries Resources Department	62.53	18.99	165.72	40.67	210.59	43.22	426.49	44.31	607.69	62.55
2	12-Finance Department	39.09	10.91	55.64	13.46	122.72	43.27	223.31	31.97	106.32	27.48
3	20-Health Department	278.83	16.79	479.42	23.92	528.85	21.52	569.78	22.26	623.24	22.30
4	27-Law Department	31.32	10.72	130.41	26.37	148.50	26.19	151.31	26.11	141.61	22.78
5	40-Revenue and Land Reforms Department	120.13	17.17	128.43	23.06	148.70	24.05	72.52	14.96	132.67	21.20
6	41-Road Construction Department	274.30	38.78	198.29	33.58	120.06	18.44	109.32	16.45	413.22	32.96
7	50-Minor Water Resource Department	93.81	28.18	108.29	15.78	291.77	50.39	92.81	25.99	668.14	66.10
Total		900.01		1266.20		1571.19		1645.54		2692.89	
Capital-Voted											
8	3-Building Construction Department	26.79	29.86	66.52	36.16	292.26	57.49	722.07	69.33	659.52	40.88
9	36-Public Health Engineering Department	462.89	50.68	268.62	29.99	137.81	31.09	265.47	50.66	97.55	13.62
10	49-Water Resources Department	1415.28	52.57	1722.91	56.81	625.86	26.65	672.73	27.47	1853.56	53.61
11	50-Minor Water Resource Department	95.11	57.02	181.26	75.96	110.50	42.42	127.24	43.26	108.10	35.51
Total		2000.07		2239.31		1166.43		1787.51		2718.73	
Grand Total		2900.08		3505.51		2737.62		3433.05		5411.62	

(Source: Appropriation Accounts of the respective years)

1.4 Funds transferred directly to the State implementing agencies

During 2013-14, the GoI directly transferred ₹ 9464.50 crore to various State implementing agencies. Since these funds are not routed through the State Budget/State Treasuries, these are not reflected in the accounts of the Government.

1.5 Grants-in-aid from Government of India

The Grants-in-aid from GoI increased from ₹ 7564.16 crore in 2009-10 to ₹ 12584.03 crore in 2013-14 as shown in **Table 1.3**.

Table-1.3: Grants-in-aid from GoI

(₹ in crore)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	2256.20	1924.78	2562.62	2412.58	3288.13
Grants for State Plan Schemes	3720.97	5456.95	5065.39	5051.97	6238.39
Grants for Central Plan Scheme	137.71	175.70	95.78	35.69	136.65
Grants for Centrally Sponsored Schemes	1449.28	2141.13	2159.19	2777.68	2920.96
Total	7564.16	9698.56	9882.98	10277.92	12584.03
Percentage of increase over previous year	(-) 5.00	28.22	1.90	4.00	22.44
Revenue Receipts	35527	44532	51320	59567	68919
Total grants as a percentage of Revenue Receipts	21.29	21.78	19.26	17.25	18.26

(Source: Finance Accounts of the State for the respective years)

1.6 Planning and conduct of audit

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/ projects, etc., criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Bihar under Article 151 of the Constitution of India.

During 2013-14, Compliance Audit of 828 Drawing and Disbursing Officers (DDOs) of the State and 17 autonomous bodies were conducted by the office of the Accountant General (Audit), Bihar. Besides, seven Performance Audits reviews including two long paragraphs were also conducted.

1.7 Lack of responsiveness of Government to Inspection Reports

The Accountant General (Audit), Bihar conducts periodical inspection of Government Departments by test check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities, etc., detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with copies to next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the AG (Audit) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the departments by the office of the AG (Audit), Bihar through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test audit, 31185 audit observations contained in 5376 IRs outstanding as on 31 March 2014¹ are given in **Table-1.4**.

Table-1.4: Outstanding Inspection Reports / Paragraphs

(₹ in crore)

Sr. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1	General Sector	661	3392	6485.47
2	Social Sector	2947	18145	97586.20
3	Economic Sector (Non PSUs)	1768	9648	47428.69
Total		5376	31185	151500.36

(Source: Information compiled by different sectors of this office)

During 2013-14, three meetings of the Audit Committee were held in which only three paragraphs were settled.

A detailed review of the IRs issued to 2893 DDOs upto September 2013 pertaining to 39 Departments showed that 31185 paragraphs having financial implications of about ₹ 151500.36 crore relating to 5376 IRs remained outstanding at the end of 31 March 2014. The year-wise position of these outstanding 5376 IRs and 31185 paragraphs is detailed in *Appendix 1.1* and types of irregularities in *Appendix 1.2*.

The departmental officers failed to take action on observations contained in outstanding IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to the audit observations.

1.8 Government response to significant audit observations (draft paragraphs/reviews)

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/ schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audit reports/ draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's

¹ Including IRs and paragraphs issued upto 30 September 2013 and outstanding as on 31 March 2014.

Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India to be placed before the State Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on five Performance Audits, two long paragraphs and 14 draft paragraphs were forwarded to the concerned Administrative Secretaries. Government's/ department's replies have been received for all the draft reports on Performance Audits, long paragraphs and seven draft paragraphs.

1.9 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within two months of the presentation of the ARs to the State Legislature.

The position regarding receipt of Action taken Notes (ATNs) on the paragraphs included in the ARs upto the period ended 31 March 2013, as on 30 September 2014 is given in **Table-1.5**.

Table-1.5: Position regarding receipt of ATNs on the paragraphs included in the ARs

Audit Reports	Year	ATNs pending as of 30 September 2014 (No. of Paragraphs)	Date of presentation in the State Legislature	Due date for receipt of ATNs
General, Social and Economic Sectors	2010-11	Nil	3/4/2012	3/6/2012
	2011-12	2 and MGNREGS ²	1/8/2013	1/10/2013
	2012-13	12	15/7/2014	15/9/2014
State Finances	2010-11	28	3/4/2012	3/6/2012
	2011-12	28	2/4/2013	2/6/2013
	2012-13	34	21/2/2014	21/4/2014

(Source: Information compiled by Public Accounts Committee section of this office)

² Mahatma Gandhi National Rural Employment Guarantee Scheme

1.10 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government were referred to various departmental DDOs for confirmation and further necessary action under intimation to audit.

Recoveries of altogether ₹ 80.17 crore were pointed out (2013-14) in 124 cases. However, total recoveries effected during 2013-14 was ₹ 0.01 crore in four cases as details given in **Table-1.6**.

Table-1.6: Recoveries pointed out by Audit and accepted / recovered by the Departments

(₹ in lakh)

Name of Sector	Recoveries pointed out in Audit and accepted by the Departments during 2013-14		Recoveries effected during 2013-14		Department	Particulars of recoveries noticed
	Number of cases	Amount involved	Number of cases	Amount involved		
General Sector	-	-	1	0.88	Home	Misappropriation of cash
			1	0.28	Law	Double payment of TA bill
			1	0.02	Finance	Excess payment for uniform
Social Sector	27	169.36	-	-	-	-
Economic Sector	97	7848.00	1	0.08	Road Construction	Non remittance of revenue

(Source: Information compiled by different sectors of this office)

1.11 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several Autonomous Bodies (AB) have been setup by the State government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc. The audit of accounts of four autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India out of which three have not been renewed. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix 1.3**.

Separate Audit Report (SAR) of one AB for the year 2012-13 has not been issued due to delay in receipt of accounts. Rest of the SARs are not issued due to non-renewal of entrustment of audit (**Appendix 1.3**). Those SARs (for the earlier years) which are issued need to be tabled before the State legislature at the earliest.