

EXECUTIVE SUMMARY

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Background

This Report on the finances of the Government of Bihar intends to objectively assess the financial performance of the State during 2013-14 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 2013-14 have been attempted.

The Report

Based on the audited accounts of the Government of Bihar for the year ended March 2014, 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 2014. 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. 02- "Animal and Fisheries Resource Department" and Grant No. 18- "Food and Consumer Protection 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 Finances of the State Government

Fiscal situation

- The growth of GSDP during 2013-14 was 15.84 *per cent* against the India's Gross Domestic Product (GDP) of 11.54 *per cent*.

(Paragraph 1)

- The State had a Revenue Surplus of ₹ 6441.42 crore during 2013-14. During the current year, Fiscal Deficit was increased by ₹ 1806.00 crore. It was 1.88 *per cent* of GSDP, well within the ceiling (three *per cent*) recommended by the ThFC. Further, Fiscal Deficit to GSDP ratio decreased from 2.2 *per cent* in 2012-13 to 2.4 *per cent* in 2013-14.

(Paragraph 1.1.2 and 1.11.1)

Transfer of funds to State Implementing Agencies

- During 2013-14, GoI directly transferred ₹ 9464.50 crore to the State implementing agencies which was more than the previous year by 14 *per cent*. The major recipients were District Rural Development Agencies (DRDA) (₹ 4606.37 crore i.e. 49 *per cent*), Bihar Shiksha Pariyojana Parishad (₹ 2610.13 crore i.e. 28 *per cent*) and Pradhan Mantri Gram Sadak Yojna (₹ 725.72 crore i.e. eight *per cent*).

(Paragraph 1.2.2)

Resource mobilisation

- While the Revenue Receipts (₹ 68918.65 crore) of the State grew at 15.70 *per cent* during 2013-14 over the previous year, these were less than the Budget Estimate by ₹ 11147.82 crore.

(Paragraph 1.1.1 and 1.1.3)

Quality of expenditure

- Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was less than average of General Category States during 2013-14.

(Paragraph 1.7.1)

- Capital Expenditure (CE) increased to ₹ 14001 crore in 2013-14 from ₹ 9585 crore in 2012-13, while, the percentage of Capital Expenditure on the selected Economic Services to total expenditure increased from 40.49 *per cent* in 2012-13 to 48.29 *per cent* in 2013-14. However, decrease was observed mainly under Health and Family Welfare in Social Services and Irrigation and Flood Control and Transport in Economic Services.

(Paragraph 1.1.1 and 1.7.2)

- Every year, huge amount of loans was given by the Government to different institutions/organisations of the State but its recovery was negligible leading to a huge balance of repayments in arrears of ₹ 21379.36 crore at the end of March 2014.

(Paragraph 1.8.3)

Fiscal Liabilities

- Fiscal liabilities of the State increased from ₹ 58689.91 crore in 2009-10 to ₹ 86939.10 crore in 2013-14. During the year, the revenue surplus increased by ₹ 1341 crore whereas fiscal deficit increased from ₹ 6545 crore in 2012-13 to ₹ 8351 crore in 2013-14. The ratio of fiscal deficit to GSDP (0.024) was, however, well within three *per cent* as laid down in its FRBM Act and projections recommended by the ThFC for the year 2013-14. The State Government had not yet established a Guarantee Redemption fund.

(Paragraph 1.9.2, 1.9.4 and 1.11.1)

Chapter: II Financial management and budgetary control

Large Savings due to improper Budget estimation

- There were large savings of ₹ 31479.52 crore (27.82 per cent) against total budget provision of ₹ 113152.92 crore during 2013-14 indicating improper budget provision estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for the last five years were also noticed in 10 departments performing Social and Economic Services.

(Paragraph 2.2 and 2.3.2)

Advances from Contingency Fund

- Advances amounting ₹ 689.79 crore were withdrawn on 51 occasions from Contingency Fund during 2013-14 to meet expenditure which was not of unforeseen nature.

(Paragraph 2.6)

Excess over provisions requiring regularisation

- Excess expenditure of ₹ 1366.95 crore was incurred over provisions during 1977-78 to 2010-11, which requires regularisation under Article 205 of the Constitution of India.

(Paragraph 2.3.3)

Non-reconciliation of Departmental figures

- The Controlling Officers did not reconcile ₹ 59020.53 crore (exceeding ₹ 10 crore in each case) under 71 Major Heads, with the books of the Accountant General (A&E), Bihar during 2013-14.

(Paragraph 2.5)

Deficiencies in Budgetary controls in Animal and Fisheries Resource and Food and Consumer Protection Departments

- The Animal and Fisheries Resource and Food and Consumer Protection Departments were not following the provisions of the Budget Manual resulting in lack of budgetary control in the Department.

(Paragraph 2.9 and 2.10)

Chapter: III Financial Reporting

Unadjusted Abstract Contingent bills

- Significant amount of ₹ 3801.30 crore drawn on Abstract Contingent (AC) bills remained outstanding as of March 2014 due to non-submission of Detailed Contingent (DC) bills.

(Paragraph 3.1)

Delay in furnishing Utilisation Certificates

- Utilisation certificates (UCs) of ₹ 59113.55 crore against the GIA bills drawn by different departments were outstanding as of 31 March 2014. Non-receipt of UCs against the GIA bills for huge amounts indicates failure of the departmental officers to comply with the rules and procedures to ensure timely utilisation of the grants for the intended purpose.

(Paragraph 3.2)

Delay in submission of Accounts/Audit Reports of authorities or bodies for certification

- There was delay of nine months to over three years in submission of Accounts/Audit Reports by all the four authorities or bodies for certification.

(Paragraph 3.3)

Non-adjustment of Temporary advances and Imprest

- Temporary advances and Imprest of ₹ 221.30 crore drawn upto 31 March 2014 by eight Departments remained to be adjusted.

(Paragraph 3.5)