

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 2015-16 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 Fourteenth Finance Commission (FFC) Report and the Budget Estimates of 2015-16 have been attempted.

The Report

Based on the audited accounts of the Government of Bihar for the year ended March 2016, 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 2016. 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. 1 "Agriculture Department" and Grant No. 39 "Disaster Management Department". It seeks to ascertain whether the expenditure actually incurred under the various grants is within the authorisation 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

- During 2015-16, the State had a Revenue Surplus of ₹ 12,507.16 crore which was more than the previous year by ₹ 6,660 crore and more than the Budget Estimate by ₹ 526 crore mainly due to decrease in Revenue expenditure.

(Paragraph 1.1.2)

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- Fiscal Deficit of the State increased from ₹ 11,179 crore to ₹ 12,061 crore in 2015-16 mainly due to increase in Market borrowings, loans from GoI, etc. However, it was less than the Budget Estimate (₹ 13,584 crore) by ₹ 1523 crore. This was 2.92 *per cent* of GSDP, well within the ceiling of three *per cent* laid down in FRBM Act and the limit of 3.5 *per cent* recommended by the Fourteenth Finance Commission (FFC).

(Paragraph 1.1.2 and 1.11.1)

Resource mobilisation

- Revenue Receipts (₹ 96,123 crore) of the State grew at 22.58 *per cent* (₹ 17,706 crore) during 2015-16 over the previous year, mainly due to increase in State's share of Union taxes and duties (₹ 11,959.61 crore) and own tax revenue (₹ 4,698.95 crore).

(Paragraph 1.1.1 and 1.1.3)

- Revenue Buoyancy with reference to GSDP increased from 0.77 (2014-15) to 2.13 (2015-16) due to increase in Revenue Receipts by 22.58 *per cent*.

(Paragraph 1.3)

Transfer of funds to State Implementing Agencies

- During 2015-16, GoI directly transferred ₹ 792.71 crore to the State implementing agencies which was higher than the previous year by 21.63 *per cent*.

(Paragraph 1.2.2)

Quality of expenditure

- Capital Expenditure increased to ₹ 23,966 crore in 2015-16 from ₹ 18,150 crore in 2014-15 mainly due to increase in Rural Development Programme from ₹ 4,647.84 crore in 2014-15 to ₹ 8,012.63 crore in 2015-16. The percentage of Capital Expenditure on the selected Economic Services to total expenditure decreased from 51.99 *per cent* in 2014-15 to 43.13 *per cent* in 2015-16. However, the percentage of Capital Expenditure on Social Services to total expenditure increased from 5.96 *per cent* in 2014-15 to 8.70 *per cent* in 2015-16.

(Paragraph 1.1.1 and 1.7.2)

- The recovery of loans given by the Government to different institutions/organisations of the State was negligible leading to huge balance in repayments (₹ 20,857.73 crore) at the end of March 2016. Repayment of loans reduced substantially from ₹ 1,493.06 crore in 2014-15 to ₹ 18.50 crore in 2015-16.

(Paragraph 1.8.3)

Fiscal Liabilities

- Fiscal liabilities of the State increased from ₹ 99,056 crore in 2014-15 to ₹ 1,16,578 crore in 2015-16 mainly due to increase in Internal Debt.

(Paragraph 1.9.2)

Chapter II: Financial Management and Budgetary Control

Large Savings due to improper Budget estimation

- There were large savings of ₹ 35,013.80 crore (23.61 *per cent*) against total budget provision of ₹ 1,48,312.57 crore during 2015-16 which indicate improper budget estimation. Persistent savings of ₹ 50 crore and above were also noticed in 10 departments during last five years.

(Paragraph 2.2 and 2.3.4)

Surrender of funds

- Out of the total savings of ₹ 35,013.80 crore, only ₹ 24,455.96 crore (69.85 *per cent*) was surrendered. Amount surrendered on last day of financial year (31 March 2016) was (₹ 15,913.45 crore) which was 65.07 *per cent* of total amount surrendered. It was also noticed that there were hundred *per cent* surrender of funds in 182 schemes under 38 grants/appropriations (total ₹ 5,133.94 crore).

(Paragraph 2.2 and 2.3.7)

Excess over provisions during previous years requiring regularisation

- Excess expenditure of ₹ 119.01 crore was incurred over provisions during the year which requires regularisation under Article 205 of the Constitution of India. Besides, ₹ 1,065.07 crore pertaining to previous years were yet to be regularised.

(Paragraph 2.3.1 and 2.3.2)

Reconciliation of Departmental figures

- The Controlling Officers did not reconcile ₹ 66,962.68 crore (exceeding ₹ 10 crore in each case) under 76 Major Heads, with the books of the AG (A&E), Bihar during 2015-16. Only 3,317 (16 *per cent*) Drawing and Disbursing Officers (DDOs) out of 21,116 DDOs have reconciled their accounts upto March 2016.

(Paragraph 2.5 and 3.7)

Advances from Contingency Fund

- During 2015-16, 139 withdrawals amounting to ₹ 6,117.60 crore were made from Contingency Fund. Out of this, 80 withdrawals amounting to ₹ 2,927.07 crore (47.85 *per cent*) were made for meeting routine expenditure. This include expenditure of ₹ 897.07 crore (16 withdrawals) incurred by Education Department towards salary of contract teachers etc., ₹ 640.00 crore (3 withdrawals) incurred by Welfare of SCs, STs Department for meeting state share towards pre-matric scholarship etc. and ₹ 600.88 crore (8 withdrawals) incurred by Social Welfare Department for meeting establishment expenditure.

(Paragraph 2.6)

Deficiencies in Agriculture and Disaster Management Departments

- In spite of substantial savings (54.25 *per cent* in Agriculture Department and 85.91 *per cent* in Disaster Management Department) in original provision, augmentation of funds through supplementary provision and re-appropriation were made by the Departments. However, savings were not timely surrendered by the Departments.

(Paragraph 2.8 and 2.9)

Chapter III: Financial Reporting

Delay in furnishing Utilisation Certificates

- Utilisation certificates (UCs) of ₹ 29,399.87 crore were outstanding as on March 2016 against the Grant-in-aid (GIA) bills drawn by different departments. Out of this, UCs of three Departments *viz.* Education Department (416 UCs for ₹ 9,282.33 crore), Panchayati Raj Department (232 UCs for ₹ 7,414.19 crore) and Urban Development Department (555 UCs for ₹ 4,074.32 crore) are mainly pending for submission.

(Paragraph 3.1)

Unadjusted Abstract Contingent bills

- Significant amount of ₹ 12,074.32 crore drawn on Abstract Contingent (AC) bills remained outstanding as of March 2016 due to delay in submission of Detailed Contingent (DC) bills. This include 14,147 bills amounting to ₹ 2190.02 crore outstanding for more than three years.

(Paragraph 3.2)

Unadjusted Temporary advances and Imprest

- Temporary advances and Imprest of ₹ 191.23 crore drawn upto March 2016 by eight Departments/Organisation remained to be adjusted.

(Paragraph 3.6)

Transfer of Funds to Personal Deposit (PD) Accounts

- An amount of ₹ 4,126.37 crore was lying unspent in Personal Deposit Accounts of different State Government offices up to March 2016. The DDOs of PD Accounts did not refund the unspent balances to the Consolidated Fund.

(Paragraph 3.9)