

EXECUTIVE SUMMARY

Fiscal situation of the State

Revenue receipts, revenue expenditure and capital expenditure have increased in 2018-19 as compared to 2014-15. There was decrease in capital expenditure as compared to 2017-18. After accounting for inflation (at constant price), the rate of growth increased in revenue expenditure and decrease in revenue receipts and capital expenditure in 2018-19 as compared to that of 2014-15. In comparison to 2017-18, there was increase in rate of growth in revenue receipt and revenue expenditure. The rate of growth of capital expenditure, in particular, was significantly lower than previous year.

(Paragraph 1.1.1)

The State has achieved the target of fiscal deficit and revenue surplus but not the ratio of outstanding debt to GSDP as envisaged in XIV FC and Mid-term fiscal policy under BFRBM Act. Further, the State has achieved the target of ratio of outstanding debt to GSDP with respect to budget estimates of 2018-19 but not of revenue surplus and fiscal deficit.

(Paragraph 1.1.2)

The primary deficit of the state has decreased from ₹ 5,050 crore in 2014-15 to ₹ 3,736 crore in 2018-19. During 2018-19, the fiscal deficit and primary deficit decreased by three *per cent* and 29 *per cent* respectively with respect to 2017-18.

(Paragraph 1.2.2)

Trends in Deficits

During the year, the revenue surplus decreased by ₹ 7,926 crore whereas fiscal deficit decreased by ₹ 498 crore. The ratio of fiscal deficit to GSDP was 2.48 *per cent* which is well within limit prescribed in BFRBM Act and FFC, by the State Government for the year 2018-19.

(Paragraph 1.1.2 & 1.2.3)

Resource Mobilisation

Revenue receipts in 2018-19 grew by ₹ 14,347 crore (12.22 *per cent*) over 2017-18, but were lower than the budget estimates by ₹ 26,257 crore (16.61 *per cent*).

Revenue expenditure in 2018-19 increased by ₹ 22,273 crore (21.70 *per cent*) over 2017-18, but was lower than the budget estimates by ₹ 11,843 crore (8.66 *per cent*).

Capital expenditure in 2018-19 decreased by ₹ 7,849 crore (27.15 *per cent*) over 2017-18 and was lower than the budget estimates by ₹ 11,359 crore (35.04 *per cent*).

Recommendation: *The Finance Department should rationalise the budget preparation exercise so that the gap between budget estimates and actuals is bridged.*

(Paragraphs 1.1.1 and 1.2.4)

Grants-in-aid from GoI

The decrease in grants-in-aid by ₹ 1,068.51 crore in 2018-19 over the previous year was mainly due to less receipts under Other Transfers/Grants to States/UTs with Legislature.

(Paragraph 1.3.2.4)

Committed expenditure

Committed expenditure of the Government under revenue head mainly consists of expenditure on salaries and wages (₹19,968.39 crore), pensions (₹16,027.75 crore), interest payments (₹10,071.14 crore) and subsidies (₹ 8,323.97 crore). Total committed expenditure (₹ 54,391.25 crore) constitutes a major component of revenue expenditure and consumed 70.15 per cent of the establishment and committed revenue expenditure (₹77,531.83 crore).

(Paragraph 1.4.3)

New Pension Scheme (NPS)

During the year 2018-19, ₹1,141.28 crore was credited to MH 8342 and ₹ 0.02 crore under MH 8011. This included ₹ 6.52 crore as interest credited by Government on the available balances not transferred to NSDL/Trustee Bank against the due amount of ₹10.26 crore. The State Government deposited only ₹ 1,081.26 crore to NSDL/Trustee Bank and failed to deposit ₹ 60.04 crore to NSDL/Trustee Bank collected on account of NPS during the year 2018-19. The total amount not deposited to NSDL/Trustee Bank as on 31 March 2019 was ₹188.32 crore (₹ 41.11 crore under Head 8011 and ₹147.21 crore under Head 8342).

Recommendation: *The State Government should ensure that employees' deductions are fully deducted, fully matched by Government contributions, and fully transferred to NSDL in a timely manner.*

(Paragraph 1.4.3.1)

Adequacy of public expenditure

The ratio of development expenditure, social sector expenditure, and education services expenditure to aggregate expenditure was higher than the average for the General Category States. However, the share of economic sector expenditure in aggregate expenditure dropped in 2018-19 over the five year period, while the share of health to aggregate expenditure was less than the average for General Category States.

(Paragraph 1.4.5.1)

Incomplete projects

Total 68 projects were due for completion during the period 2011-12 to 2018-19. Since the details of all 68 projects with an estimated cost of ₹ 790.99 crore were not furnished by the Departments, their revised cost was not exhibited in the Finance Accounts and was thus not ascertainable.

Recommendation: *The Finance Department and the concerned departments may evolve a mechanism to ensure timely completion of projects to minimize cost overrun. The*

revised estimates of all the incomplete projects should be prepared and approved on priority so as to have a realistic assessment of the funds required to complete these projects.

(Paragraph 1.5.2)

Returns on investments and loans

During the year 2018-19, the State Government incurred a notional loss of ₹ 1,739.28 crore on return on investment in various entities on account of difference between the Government's borrowing cost and the return on investment.

Recommendation: *The Finance Department and the concerned administrative departments should review investment in entities and ensure that no investment is made to those entities whose accounts are in arrears.*

(Paragraph 1.5.3)

Loans and Advances by the State Government

The interest in arrears on loans and advances to various entities has increased over the years and was ₹ 9,038.12 crore as of 31 March 2019.

Recommendation: *The Finance Department and the concerned administrative departments should consider initiating action to restructure loans and advances made to entities that have not repaid the principal or paid interest for the past several years.*

(Paragraph 1.5.4)

Transactions under Reserve Funds

As per the Finance Accounts, the State Government has six Reserve Funds. There were no transactions under three Reserve Funds viz., Famine Relief Fund, Development and Welfare Funds and General and other reserve funds for the past 18 to 19 years.

Recommendation: *The Finance Department and the concerned administrative departments should close all Reserve Funds which have had no transactions for the past several years.*

(Paragraph 1.6.2)

Sinking Fund

The State Government set up a Consolidated Sinking Fund in 2008-09 which was only for amortisation of market loans and from 2014-15, it was to be utilised for redemption of the outstanding liabilities of the Government. However, it has not been utilised since its inception. The closing balance of the fund as on 31 March 2019 was ₹ 4,895.12 crore.

(Paragraph 1.6.2.1)

State Disaster Response Fund (SDRF)

The opening balance of the fund as on 1 April 2018 was ₹ six thousand only. During the year, ₹ 1,430.66 crore (Centre: ₹ 1,362.79 crore and State: ₹ 67.87 crore) was received

and an expenditure of ₹ 1,430.65 crore was incurred on natural calamities leaving a balance of ₹ 78,850.00 in the fund as on 31 March 2019.

(Paragraph 1.6.2.2)

Status of Guarantees

The State Government has not created a Guarantee Redemption Fund in terms of the recommendations of the 12th Finance Commission nor framed any rules for fixing a ceiling on guarantees.

(Paragraph 1.6.3)

Net availability of borrowed funds

97.19 *per cent* of the borrowed funds were used for discharging existing liabilities during 2018-19 and could not be used for capital formation/development activities of the State.

(Paragraph 1.7.2)

Ujjwal Discom Assurance Yojana (UDAY)

Pursuant to the revival package for DISCOMs, the State Government took over the debt (₹ 2,331.78 crore) of the DISCOMs by issuing non-SLR Bonds. The State Government has paid an interest of ₹ 191.36 crore in 2018-19 on the bonds issued under UDAY scheme.

(Paragraph 1.7.4)

Savings

Out of total grants/appropriations (₹ 2,09,489.83 crore) in 2018-19, ₹ 49,172.17 crore (24 *per cent*) was saved. Significant savings of ₹ 1,000 crore and above occurred in nine grants aggregating ₹ 36,304.81 crore (35.92 *per cent* of total provision of ₹ 1,01,070.11 crore) during 2018-19. Significant variations (20 *per cent* and above in each case) between the total grant/ appropriation and expenditure incurred leading to a savings of ₹ 42,302.53 crore under 29 grants/appropriations. In 27 cases involving 25 grants/appropriations, there were persistent total savings of ₹ 29,000.34 crore and above during each of five years. In 43 cases (37 grants/appropriations) supplementary provisions amounting to ₹ 18,273.32 crore (₹ 10 lakh or more in each case) proved unnecessary as expenditure (₹ 1,02,539.14 crore) was not even up to level of original provision (₹ 1,24,981.48 crore).

Recommendation: *The Finance Department should monitor the trend of expenditure by Departmental Controlling Officers so that unnecessary provisions are not made. The Department should review the reasons for persistent savings and take necessary steps to avoid such situations to ensure optimum utilisation of amounts allocated.*

(Paragraph 2.2, 2.3.1, 2.3.2 and 2.3.3)

Surrender of funds

Out of total savings of ₹ 49,172.17 crore, 94.26 *per cent* was surrendered (₹ 46,349.77 crore) during the year resulting in non-surrender of saving aggregating ₹ 2,822.40 crore

(5.74 per cent of total savings). Further, ₹ 27,527.23 crore (59.39 per cent of total surrenders) was surrendered on the last working day of March 2019, leaving no scope for utilisation of these funds. There was cent per cent surrender of funds (₹ 4,686.68 crore) in 232 detailed head of accounts under 38 grants/appropriations.

Recommendation: *The Finance Department should ensure that funds are not retained unnecessarily and are surrendered at the earliest, without resorting to last minute surrenders and lapsing of allocations.*

(Paragraph 2.2, and 2.3.5)

Advances from Contingency Fund

In 2018-19, the State Government temporarily increased the corpus of the Contingency Fund from ₹ 350 crore to ₹ 7,079.61 crore. Compared to this, the Contingency Fund of India is ₹ 500 crore. During 2018-19, the State Government made 109 withdrawals amounting to ₹ 4,353.49 crore from the Contingency Fund, out of which 34 withdrawals amounting to ₹ 386.85 crore (8.89 per cent) were made for event of foreseeable nature.

Recommendation: *The Finance Department should review the practice of such large annual increase in the Contingency Fund corpus and should ensure that advances from the Contingency Fund are utilised only for intended purposes as contemplated under the Constitution and the Bihar Contingency Fund Act.*

(Paragraph 2.4)

Unreconciled receipts and expenditure

HoDs did not reconcile receipts of ₹ 22,447.47 crore (39 per cent) and expenditure of ₹ 1,27,896.89 crore (88 per cent) under 31 receipts and 80 expenditure major heads respectively with the books of the AG (A&E), Bihar during 2018-19.

Recommendation: *The Finance Department should develop a mechanism for making it mandatory for the Controlling Officers to reconcile their receipts and expenditure with the books of the AG (A&E) on a monthly basis.*

(Paragraph 2.6)

Personal Deposit (PD) accounts

175 Personal Deposit Accounts had balances of ₹ 4,377.12 crore as of March 2019. Out of the 175 PD accounts, 95 PD accounts in 47 treasuries were remained inoperative for the last three financial years out of which 90 had zero balance and an amount of ₹ 27.73 crore was lying unspent in five PD accounts. Non-reconciliation of balances in PD accounts periodically and non-transferring the unspent balance lying in PD accounts to the Consolidated Fund before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

(Paragraph 3.1.1 and 3.1.2)

Building and Other Construction Workers (BOCW) Welfare cess

The accounts of the BOCW Welfare Board have been finalised only up to 2015-16. Altogether 15 welfare schemes were being run by the board, expenditure was incurred

only on seven schemes benefitting 2,58,173 workers (18.60 per cent of 13,87,686 registered workers in the State).

Recommendation: *The Bihar BOCW Welfare Board should ensure timely preparation of accounts and maintain relevant records to fulfil its mandate of improving the working conditions of building and other construction workers and providing adequate financial assistance under applicable scheme to them.*

(Paragraph 3.2.1)

Opaqueness in Accounts

Revenue of ₹ 1,460.41 crore and expenditure of ₹ 120.65 crore were classified under the omnibus minor head “800-Other Receipts/Expenditure” respectively which reflected lack of transparency in financial reporting.

Recommendation: *The Finance Department may, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under Minor head 800 and ensure that in future such receipts and expenditure are booked under the appropriate head of account.*

(Paragraph 3.3)

Finalisation of accounts of PSUs/Corporations

The accounts of 34 working PSUs/Corporations (136 accounts) and 39 non-working PSUs/ Corporations (1,084 accounts) are in arrears from one to 16 years and one to 42 years respectively in violation of provisions of the Companies Act/Acts of respective statutory corporations. The State Government provided budgetary support (equity, loans, capital grants and subsidies and accepted liabilities) of ₹ 30,481.18 crore in 30 PSUs during the period for which their account were in arrears as on 31 March 2019.

Recommendation: *The Finance Department should review the cases of all PSUs that have arrears of accounts, ensure that the accounts are made current within a reasonable period, and stop financial support in all cases where accounts continue to be in arrears.*

(Paragraph 3.5.1, 3.5.2 and 3.5.3)

Non-submission of Utilisation Certificates

Utilisation certificates (UCs) of ₹ 55,405.09 crore (2,453 UCs) were outstanding as of 31 March 2019 from 33 departments. High pendency of UCs is fraught with risk of misappropriation of fund and fraud.

Recommendation: *The Finance Department should ensure that administrative departments collect pending utilisation certificates within the prescribed time frame and till such time, administrative departments should not release no further grants to defaulting grantees.*

(Paragraph 3.6)

Outstanding Abstract Contingent bills

₹ 5,770.55 crore drawn on 15,495 Abstract Contingent (AC) bills remained outstanding as of March 2019 due to non-submission of Detailed Contingent (DC) bills. This includes 1,140 AC bills amounting to ₹ 296.97 crore (47.03 per cent of the total amount drawn

against AC bills during the year) drawn in March 2019 alone. Advances drawn and not accounted for increased the possibility of wastage/misappropriation/ malfeasance etc.

Recommendations: *The Finance Department should ensure that all controlling officers adjust AC bills pending beyond the prescribed period in a time-bound manner, and also ensure that AC bills are not drawn merely to avoid lapse of budget. Disciplinary action may be initiated against officers/officials who draw funds on AC bills to avoid lapse of budget.*

(Paragraph 3.7)

Non-reconciliation of investments/loans/guarantees

There was a difference in the figures of investment, loans and guarantees as per Finance Accounts and as provided by the PSUs. The difference in figures of investment, loans and guarantees during 2018-19 was ₹ 8,781.32 crore, ₹ 3,410.45 crore and ₹ 5,252.45 crore respectively.

Recommendation: *The Finance Department and the concerned administrative departments should work closely with the Accountant General (A&E) to reconcile the differences in records and accounts relating to State Government investments, loans and guarantees extended to different State Government PSUs.*

(Paragraph 3.8)

Impact of incorrect accounting on Revenue surplus and Fiscal deficit

Incorrect accounting of expenditure and revenue resulted in overstatement of revenue surplus and understatement of fiscal deficit to the tune of ₹ 600.75 crore each in 2018-19.

(Paragraph 3.11)

Unadjusted temporary advances and imprest

Temporary advances and imprest amounting to ₹ 209.98 crore drawn by eight departments/organisations are pending adjustment as of March 2019 which was liable to be refunded to the treasury before the end of financial year.

Recommendation: *The Finance Department and the concerned administrative departments should review all unadjusted temporary advances and imprest, initiate action for their immediate adjustment, and take disciplinary action against officials/officers who have not adjusted/refunded the temporary advances within the stipulated time.*

(Paragraph 3.12)

Apportionment of balances on reorganisation of the State

The State Government is yet (since November 2000) to apportion ₹ 11,148.69 crore between the successor States of Bihar and Jharkhand.

Recommendation: *The State Government should expedite the apportionment of balances of ₹11,148.69 crore between the two successor States.*

(Paragraph 3.13)