

This chapter reviews the integrity, transparency and effectiveness of the budgetary process and allocative priorities, including supplementary grants and the concomitant financial management, assessing whether decisions taken at the policy level are implemented at the administrative level without the diversion of funds. It is based on the audit of Appropriation Accounts and gives a grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery Departments. It also contains a detailed analysis of other specific budget together with the Achievement Report.

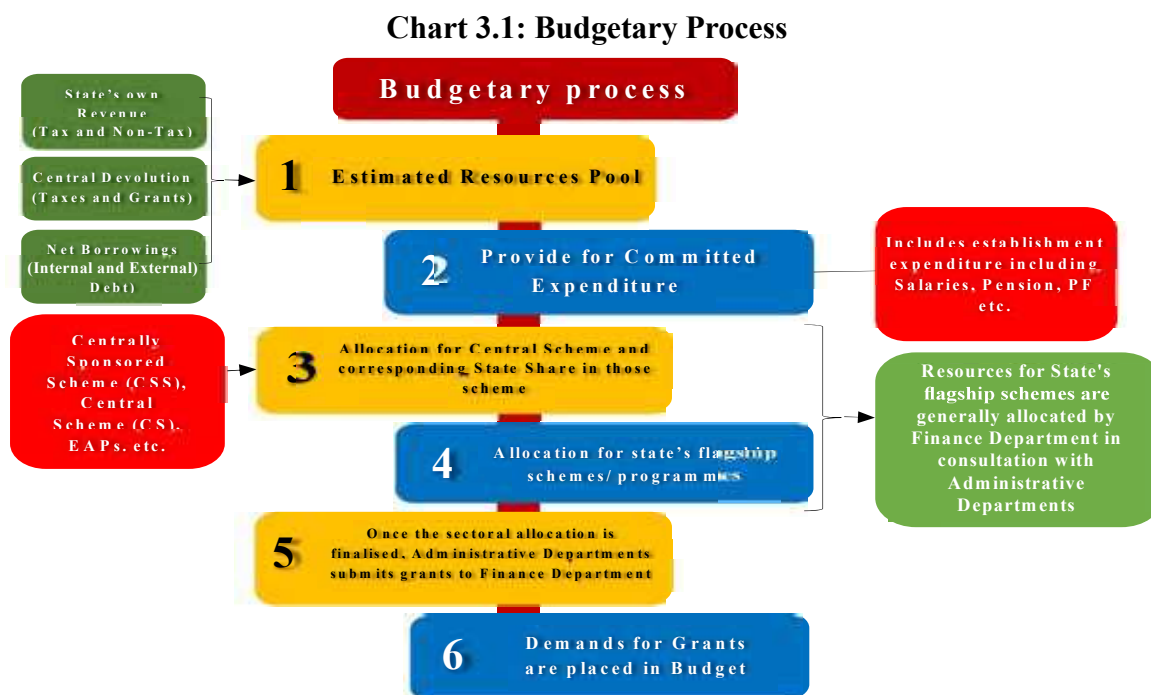
3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The budget process commences with the issuance of the budget circular issued by the Finance Department containing instructions to be followed by all Departments in the preparation of revised estimates for the current year and the Budget Estimates for the next financial year. This takes place, normally in August-September each year as prescribed in the Bihar Budget Manual.

State had initiated a project for seamless integration of all financial activities in the form of Comprehensive Financial Management System (CFMS) from 01 April 2019 which replaced the Comprehensive Treasury Management Information System (CTMIS). Budget Preparation is one of the sub-modules of Budget Management under CFMS.

Legislative authorisation is the sine qua non for the incurrence of all expenditure by the State Government. The State Government has framed financial rules and provided for delegation of financial powers for the incurrence of expenditure and the levels authorised to sanction such expenditure together with restrictions on appropriation and re-appropriations. Apart from supplementary grants, Re-appropriation can also be used to re-allocate funds within a Grant. Review of Budget process in two Departments are discussed in subsequent paras.

A typical budget preparation process in a State is given in **Chart 3.1:**



3.2 Appropriation Accounts

Appropriation Accounts depict the original budget provision, supplementary grants, surrenders, savings, and re-appropriations distinctly, and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both Charged and Voted items of the budget. Appropriation Accounts, thus, facilitate understanding the utilisation of funds, the management of finances and monitoring of budgetary provisions.

Audit of appropriation accounts by the CAG seeks to ascertain whether the expenditure actually incurred under various grants, is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations, and instructions.

3.2.1 Summary of total provisions, actual disbursements and savings during the financial year

A summarised position of total budget provision, disbursements and savings with its further bifurcation into voted and charged is as under:

Table 3.1: Budget provision, disbursement and saving during 2020-21

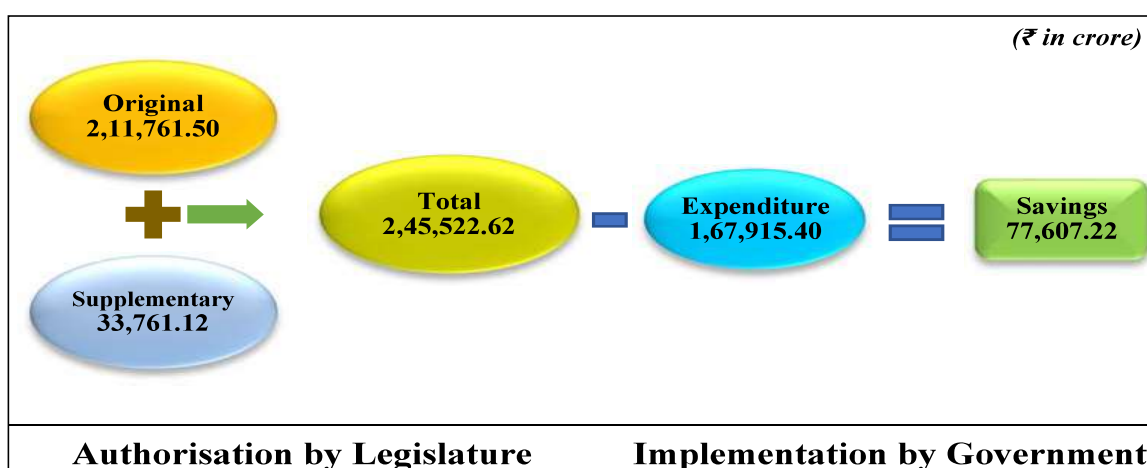
(₹ in crore)

	Total Budget Provision		Disbursements		Savings	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	1,79,213.40	14,194.83	1,28,879.35	12,686.51	50,334.05	1,508.32
Capital	45,061.06	7,053.33	19,469.07	6,880.47	25,591.99	172.86
Total	2,24,274.46	21,248.16	1,48,348.42	19,566.98	75,926.04	1,681.18
	2,45,522.62		1,67,915.40		77,607.22	

(Source: Detailed Appropriation Accounts for the year 2020-21)

The various components of the budget are depicted in the chart below:

Chart 3.2: Components of the budget



(Source: Detailed Appropriation Accounts for the year 2020-21)

As evident from above chart, the State Government has incurred expenditure of 68.39 per cent against the total provision resulting in saving of 31.61 per cent, which indicates poor budget preparing process. The supplementary provision (₹ 33,761.12 crore) became completely unnecessary as the expenditure was not even up to the level of original provision. While

accepting the audit observation, the Finance Department stated that savings were not in terms of real money but in term of Budget Provision.

Further, in the process of preparation of the main budget for the year 2020-21, State Government prepared some Specific Budgets i.e., Outcome Budget, Gender Budget, Child Welfare Budget, and Green Budget. Achievement Report in respect to the Outcome Budget 2020-21 has also been prepared and laid down before the legislature.

These budgets and Achievement Report are analysed with respect to each other and the Approved Appropriation Accounts and results thereof are discussed in the subsequent paras of this report.

3.2.2 Charged and Voted disbursements

Break-up of total disbursement into charged and voted during the last five years (2016-21) is depicted in **Table 3.2**.

Table 3.2: Charged and Voted Expenditure during 2016-21

(₹ in crore)

Year	Total Budget Provision		Disbursements		Saving/Excess		Saving against Total Provision (Per cent)	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
2016-17	1,55,825.73	13,525.86	1,14,849.67	13,148.65	40,976.08	377.23	26.30	2.79
2017-18	1,72,021.43	15,322.52	1,26,263.69	14,683.63	45,757.76	638.90	26.60	4.17
2018-19	1,90,375.36	19,114.48	1,42,022.79	18,294.88	48,352.56	819.60	25.40	4.29
2019-20	2,08,629.14	19,858.04	1,30,506.24	19,135.68	78,122.90	722.36	37.45	3.64
2020-21	2,24,274.46	21,248.16	1,48,348.42	19,566.98	75,926.04	1,681.18	33.85	7.91

(Source: Appropriation Accounts for respective years)

The overall savings of ₹ 77,607.22 crore during 2020-21 was more than 2.30 times the size of the supplementary budget of ₹ 33,761.12 crore obtained during the year.

Large amount of savings in allotted funds indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purpose.

3.3 Integrity of Budgetary and accounting process

Integrity of the Budget means, “public funds are being spent properly and according to the interest of the public”. The budget must be credible, and the information contained in the fiscal and financial report must be reliable. Budget integrity and accountability would ultimately depend on the capacity of the Department to program the expenditure realistically, implement their programmes and schemes timely and efficiently.

3.3.1 Transfers not mandated by the Appropriation Act/Detailed Demands for Grants (into Public Account/ Bank Accounts)

It was seen that provisions of fund in budget have been made and referred to the Administrative Department by the Finance Department for expenditure. The Department then draws the entire amount provisioned and deposits it in designated bank account for further payment/ execution even if it is not required for immediate use.

It was also noticed that out of the total expenditure, 57 per cent of the capital expenditure, 54 per cent of the expenditure under loan and advances and nine per cent of the revenue expenditure were deposited in Civil Deposit and Deposits of Local Funds. Details of Heads by which fund were transferred to Deposit Account (MH-8448 and 8443) are shown in Table 3.3.

Table 3.3: Details of fund transferred to Major Head 8443 & 8448

(₹ in crore)

Heads	Transferred to MH-8448		Transferred to MH-8443	
	2019-20	2020-21	2019-20	2020-21
Receipt	76.67	276.69	0	0
Revenue Expenditure	8,456.84	11,876.36	248.79	538.88
Capital Expenditure	11,485.31	9,166.60	893.12	1,330.20
Loans & Advances	609.38	605.79	0	0
Public Account	9,158.00	11,824.36	162.44	283.74
Total	29,786.50	33,750.20	1,304.35	2,152.85

(Source: VLC data)

Transfer of amount from the Consolidated Fund of the State into Public Account Heads not authorised through the Appropriation Act leads parking of funds to avoid lapse of Budgetary Grants. This also gives an inflated picture of the expenditure incurred by the State Government during that financial year.

3.3.2 Unnecessary or excessive supplementary grants

As per article 205 of the constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation, which is subsequently approved by the legislature through Supplementary Budget.

During 2020-21, in 44 cases (35 grants/appropriations), supplementary provisions amounting to ₹ 17,855.06 crore (₹ 1 crore or more in each case) proved unnecessary and remained fully unutilised as the expenditure (₹ 1,10,142.09 crore) had not even reached up to the level of the original provision (₹ 1,50,136.86 crore) as detailed in *Appendix 3.1*.

However, in seven significant cases where supplementary provision of ₹ 14,417.74 crore (₹ 1,000 crore and above in each case) proved unnecessary are shown in **Table 3.4** below:

**Table 3.4: Cases where supplementary provisions
(₹ 1,000 crore or more in each case) proved unnecessary**

(₹ in crore)

Sl. No.	Number and Name of the Grant	No. of schemes	Original Provision	Supplementary Provision	Expenditure	Savings out of Original Provision
1	2	3	4	5	6	7 (4-6)
Revenue (Voted)						
1	16-Panchayati Raj Department	23	10,135.21	2,462.63	8,236.01	1,899.20
2	20-Health Department	93	9,129.43	2,284.93	8,520.45	608.98

Sl. No.	Number and Name of the Grant	No. of schemes	Original Provision	Supplementary Provision	Expenditure	Savings out of Original Provision
1	2	3	4	5	6	7 (4-6)
3	21-Education Department	144	33,950.48	3,177.54	26,401.69	7,548.79
4	42-Rural Development Department	26	15,940.28	1,890.75	9,299.16	6,641.12
5	48-Urban Development & Housing Department	64	7,163.72	2,179.48	5,590.39	1,573.33
(A) Total Revenue (Voted)			76,319.12	11,995.33	58,047.70	18,271.42
Capital (Voted)						
6	41-Road Construction Department	13	5,068.75	1,346.84	3,203.88	1,864.87
7	49-Water Resources Department	14	2,957.74	1,075.57	1,956.17	1,001.57
(B) Total Capital (voted)			8,026.49	2,422.41	5,160.05	2,866.44
Grand Total (A+B)			84,345.61	14,417.74	63,207.75	21,137.86

(Source: Appropriation Accounts for the year 2020-21)

Audit analysed that at the time of first supplementary budget, the expenditure incurred was ranged from 5.23 to 45.01 *per cent* and at the time of second supplementary budget, the expenditure was ranged from 41.46 to 53.30 *per cent* of the original provision in the concerned Grants as shown in the following table:

Table 3.5: Supplementary provision proved unnecessary

(₹ in crore)

Grant No.	Original provision (OP)	Expenditure upto July 2020	Expenditure Percent of OP	First Supplementary (Aug 2020)	Exp. Upto January 2021	Expenditure Percent of OP	Second Suppl. Feb 2021	Total Expenditure upto March 2021	Expenditure Percent of OP
16	10,615.21	4,778.10	45.01	501.80	5,114.67	48.18	1,960.83	8,402.41	79.15
20	10,937.68	1,982.47	18.13	4.50	5,829.73	53.30	2,280.43	9,166.77	83.81
21	35,191.05	1,842.03	5.23	2,166.40	18,299.18	52.00	1,241.22	26,813.75	76.19
41	6,706.11	1,287.79	19.20	1,650.00	3,570.04	53.24	470.00	4,894.40	72.98
42	15,955.29	3,609.21	22.62	-	7,731.55	48.46	1,890.76	9,314.16	58.38
48	7,213.72	1,189.17	16.48	-	3,049.02	42.27	2,379.48	5,640.39	78.19
49	4,053.16	617.25	15.23	-	1,680.42	41.46	1,075.57	2,770.48	68.35

(Source: VLC data)

Such injudicious allocation of supplementary budget to several grants, despite having savings against original allocation, resulted in paucity of fund for other departments as evident from accumulation of liability at the end of financial year and a big list of incomplete schemes.

3.3.3 Unnecessary and Excessive Re-Appropriation

‘Re-appropriation’ means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. The Government is thus allowed to re-appropriate provisions from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down.

Scrutiny of the detailed appropriation account 2020-21 revealed that:

- Re-appropriation of ₹ 395.41 crore under 12 grants/appropriations involving 29 Detailed Heads proved unnecessary (re-appropriation not required) as final savings (more than ₹ 50 lakh in each case) were ₹ 749.71 crore (*Appendix 3.2*).

- ₹ 1,356.49 crore provided through re-appropriation in 13 grants/ appropriations involving 18 Detailed Heads, proved excessive (amount re-appropriated was more than what was actually required) in view of savings (more than ₹ 50 lakh in each case) of ₹ 702.01 crore (**Appendix 3.3**). This indicates injudicious re-appropriation without assessing actual requirements.
- In 15 cases under seven grants/appropriations, an amount of ₹ 81.06 crore was re-appropriated for which re-appropriation orders were issued on 31 March 2021 as depicted in **Appendix 3.4**. The re-appropriation without a specific reason indicates an inadequate expenditure control mechanism.

Augmentation of provision through re-appropriation orders proved unnecessary/excessive because expenditure did not come up to the level of original/supplementary budget provision.

3.3.4 Unspent amount, surrendered appropriations and/or Large Savings/Surrender

The Administrative and Finance Departments, in checking the estimates, should apply unrelentingly the proved and well-tried check of the average of previous actuals with known or reasonably foreseeable facts, which may modify that average.

During 2020-21, there were 56 cases of savings under voted and charged expenditure related to 37 Grants, each of ₹ 100 crore and above, amounting to a total of ₹ 76,654.30 crore (32.63 *per cent* of total provision of ₹ 2,34,933.75 crore) as detailed in **Appendix 3.5**.

Further, there was significant variation of 20 *per cent* or more between total grant and expenditure in 41 Grants which leads to huge savings of ₹ 74,887.52 crore (39 *per cent* of total provision of ₹ 1,92,265.37). The reasons for these variations have not been appropriately explained in the Appropriation Accounts (**Appendix 3.6**).

Scrutiny of savings of ₹ 100 crore and above in each grant/appropriation during the last five years revealed that in 32 cases involving 27 Grants, there were persistent total savings of ₹ 37,502.92 crore and above during each of the five years as detailed in **Appendix 3.7**.

Persistent saving indicates that the budget allocation was made without considering the previous year's expenditure. Budget utilisations less than 50 *per cent* in 2020-21 are depicted in **Table 3.6**.

Table 3.6: Grants/Appropriations with Budget utilisation less than 50 *per cent* (2016-21)

Sl. No.	Grant No.	2016-17	2017-18	2018-19	2019-20	2020-21	Number of Years*
1	1	57.38 (2,896.81)	56.02 (3,020.80)	56.53 (3,306.88)	59.48 (3,618.84)	43.63 (3,435.02)	1
2	3	50.78 (3,505.87)	51.50 (5,054.69)	72.75 (4,445.14)	29.78 (5,988.35)	29.1 (5,402.78)	2
3	4	78.95 (661.78)	60.02 (486.62)	62.03 (378.35)	49.19 (618.89)	35.41 (512.78)	2
4	5	78.57 (17.45)	70.42 (20.08)	84.69 (22.47)	4.31 (30.89)	0.71 (29.63)	2
5	8	64.99 (125.94)	70.63 (137.55)	67.68 (139.12)	60.96 (155.65)	43.19 (170.87)	1

Sl. No.	Grant No.	2016-17	2017-18	2018-19	2019-20	2020-21	Number of Years*
6	11	61.20 (2,387.86)	79.66 (1,537.96)	77.53 (1,567.53)	88.22 (1,605.96)	24.05 (1,719.06)	1
7	12	87.16 (875.62)	86.53 (994.2)	92.20 (1,630.85)	77.25 (2,130.03)	16.41 (5,277.78)	1
8	18	49.20 (2,166.03)	50.05 (2,422.47)	79.09 (1,406.24)	50.25 (1,405.41)	32.33 (2,251.88)	2
9	23	77.53 (858.50)	73.35 (932.55)	85.01 (742.85)	46.78 (930.47)	48.09 (966.03)	2
10	30	87.52 (425.05)	50.68 (651.07)	57.59 (459.70)	48.98 (510.22)	44.94 (627.00)	2
11	37	94.55 (9,410.50)	68.71 (11,285.05)	34.37 (11,509.34)	29.41 (12,067.97)	44.67 (11,638.89)	3
12	40	54.30 (848.00)	62.92 (896.46)	67.68 (819.20)	57.80 (971.91)	47.49 (1,407.49)	1
13	45	66.54 (274.71)	41.96 (220.22)	67.48 (251.11)	65.53 (218.24)	39.20 (119.78)	2
14	46	19.34 (784.65)	83.84 (173.00)	43.72 (168.76)	16.23 (314.74)	18.22 (309.53)	4

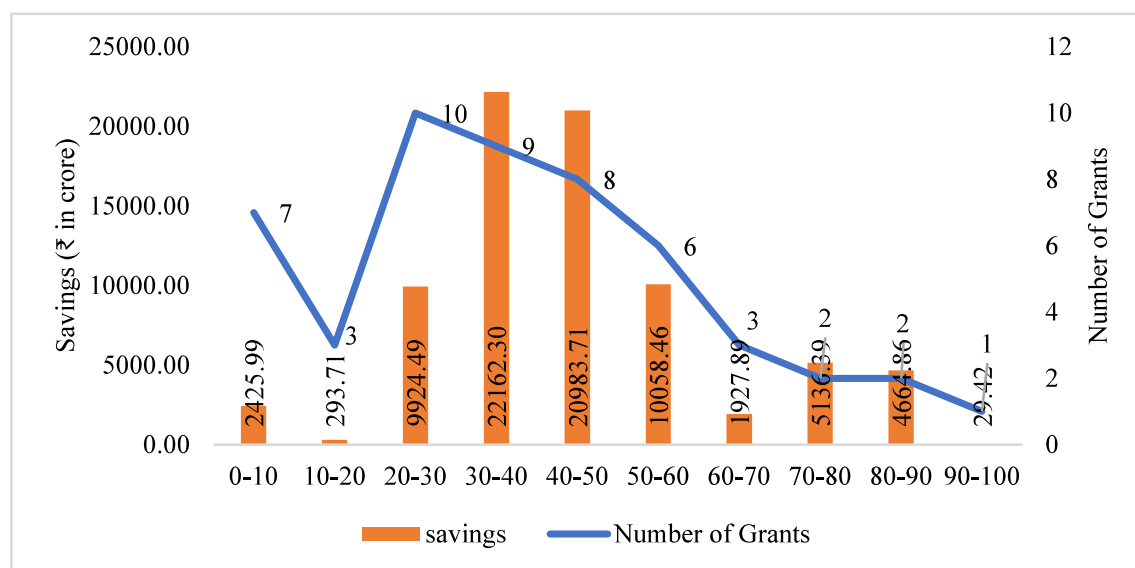
(Source: Appropriation Accounts of the respective years)

* Number of years with utilisation below 50 per cent, figures in brackets depicts Budget allotted during the Financial Year in crore.

Out of these 14 Grants, there were two Grants in which budget utilisation was less than 50 per cent three or more times over the last five years. GoB did not take cognition of the percentage of budgeted amount actually spent by the departments in preceding years, which resulted in inflated and unrealistic budget estimates. For e.g., for Grant No 37, the budgeted amount increased from ₹ 9,410.50 crores in 2016-17 to ₹ 12,067.97 crores in 2019-20 despite the fact that the actual expenditure dropped from 94.55 per cent to 29.41 per cent over the years. Even the reduction in budget in 2020-21 was not commensurate with per cent of actual expenditure. It was also seen that most of the savings under Grant no. 37 (Rural Works Department) was mainly under capital schemes like *Pradhan Mantri Gram Sadak Yojana*, *Mukhyamantri Gram Sampark Yojana*, and *Gramin Tola Sampark Nischay Yojana*. Under Grant no. 46 (Tourism Department) showed the major savings under Capital Scheme Head 'Development of Tourism Structures'.

Further scrutiny of amount surrendered in year 2020-21 (₹ 100 crore and above in each case) revealed that there was a surrender of ₹ 12,836.85 crore under 15 Grants. Supplementary provisions under 13 Grants, proved unnecessary as the expenditure not even reached up to the level of the original provision indicating inaccurate estimation of funds. Grant wise details depicted in **Appendix 3.8**.

It is evident that the departments, failed to utilise their original budget provisions making supplementary provision fruitless. Further, in three grants the amount of surrender was even more than supplementary provisions. In addition, it is also observed that departments under Grant No.s 3, 12 and 18 which were responsible mainly for incurring capital expenditure shows saving of more than 70 per cent of their original budget provisions. **Chart 3.3** depicts the number of grants/appropriations grouped by the percentage of saving along with their total savings during the financial year.

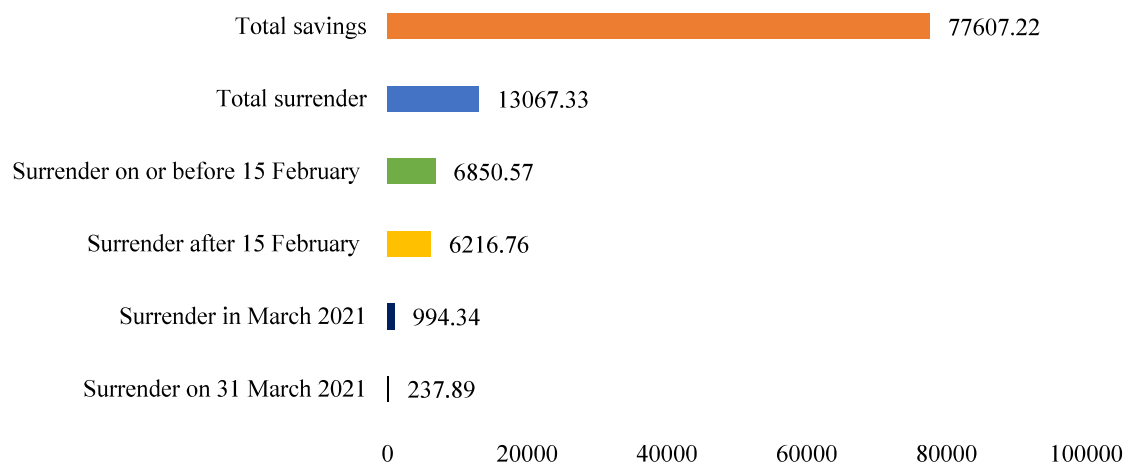
Chart 3.3: Number of Grants/Appropriations grouped by the percentage of Savings along with their total savings

(Source: Appropriation Accounts for the year 2020-21)

Above chart shows that 14 grants out of 51 had savings more than 50 *per cent* in which three Grants had savings more than 80 *per cent* of their budget provisions. Therefore, the state shall look into their budgeting methodology, as 33 *per cent* of the grants shows savings more than 50 *per cent* of their budget provisions. Saving and surrender before the end of financial year are shown in **Chart 3.4**.

Chart 3.4: Savings and surrenders before the close of FY 2020-21

(₹ in crore)



(Source: Appropriation Accounts for the year 2020-21)

As per para 104 of Bihar Budget Manual, no amount out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or not already approved by the competent authority. Surrender of savings shall be submitted by 15th of February of the current year. In exceptional cases surrenders may be submitted up to 31st March of the current year. Audit observed surrender of a huge balance of ₹ 6,216.76 crore after 15th February in mass violation of stipulated provision deprived other Departments of the funds, which they could have utilised

3.3.5 Grant-in-aid for creation of capital assets

Grants-in-Aid (GIA) are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. GIA is given for specified purpose of supporting an institution including construction of assets. As per IGAS-2, GIA disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as GIA are to be spent by the grantee, except in cases where it has been specifically authorised by President on the advice of the CAG of India.

As per Appendix-III of Finance Accounts 2020-21, total funds released as GIA during 2020-21 was ₹ 54,928.98 crore, of which, funds allotted for creation of Capital Assets was ₹ 10,273.35 crore (18.70 *per cent*).

3.3.6 Excess expenditure and its regularisation

Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, demand for such excess. This implies that it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability of the executive by the Legislature over utilisation of public money.

During scrutiny, it was noticed that ten cases of excess expenditure pertaining to the period 1987-88 to 1996-97 under Animal Husbandry department amounting to ₹ 657.98 crore were sub-judice and one case of 1989-90 under Health Department amounting ₹ 0.35 crore has not been regularised till 31 March 2021. In addition, one case of 2019-20 for ₹ 2.30 crore was also noticed.

3.4 Comment on effectiveness of budgetary and accounting process

To enhance the effectiveness of the budgetary and accounting process in the departments, the management should put in place measures to solve the budgetary control system problems. Moreover, Governments should set yearly objectives for each performance indicator of their budgetary control system so that department should work hard to achieve the yearly set objectives for each indicator.

3.4.1 Budget projection and the gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for the achievement of various fiscal indicators. Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during the financial year 2020-21 are depicted in **Table 3.7**.

Table 3.7: Summarised position of Actual Expenditure vis-à-vis Budget provisions during 2020-21

(₹ in crore)

Nature of Expenditure		Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Grant/ Appropriation	Actual Expenditure	Savings	Amount surrendered	Amount surrendered in March 2021	Percentage of savings surrendered in March 2021 (Col.8/Col.6*100)
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Voted	I-Revenue	1,50,590.33	28,623.07	1,79,213.40	1,28,879.35	50,334.05	5,988.17	965.92	1.92
	II-Capital	38,744.58	4,586.92	43,331.50	18,355.09	24,976.41	6,106.26	28.03	0.11
	III-Loans & Advances	1,230.44	499.12	1,729.56	1,113.98	615.58	0.00	0.00	0.00
	Total Voted	1,90,565.35	33,709.11	2,24,274.46	1,48,348.42	75,926.04	12,094.43	993.95	1.31
Charged	IV-Revenue	14,160.88	33.95	14,194.83	12,686.51	1,508.32	972.90	0.39	0.03
	V-Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI-Public Debt- Repayment	7,035.27	18.06	7,053.33	6,880.47	172.86	0.00	0.00	0.00
	Total Charged	21,196.15	52.01	21,248.16	19,566.98	1,681.18	972.90	0.39	0.03
Grand Total		2,11,761.50	33,761.12	2,45,522.62	1,67,915.40	77,607.22	13,067.33	994.34	1.28

Note: The expenditure includes recoveries/refund of revenue expenditure amounting to ₹ 2,072.41 crore and recoveries of capital expenditure amounting to ₹ 146.50 crore adjusted as reduction of expenditure.

(Source: Appropriation Accounts for the year 2020-21)

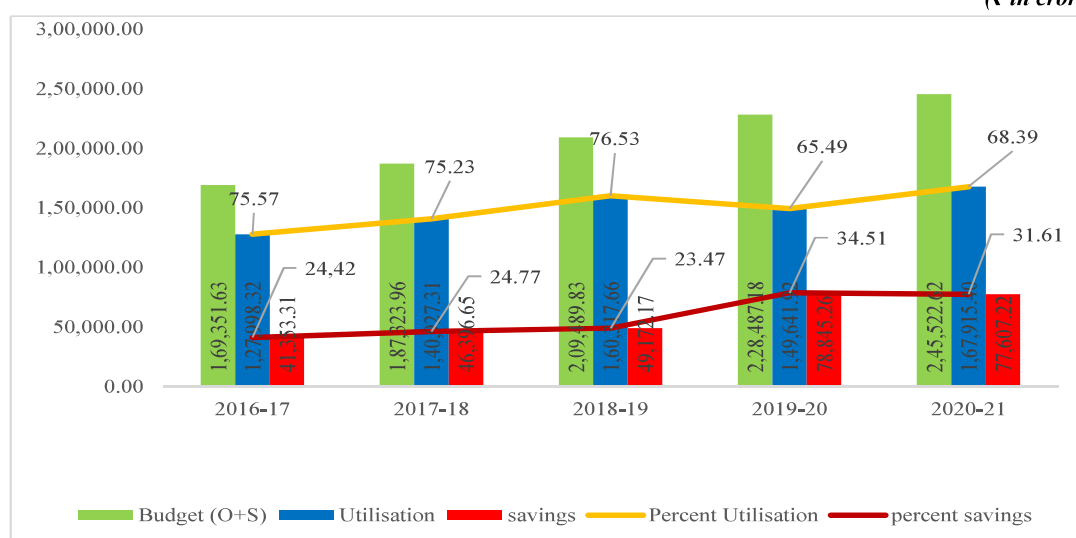
As evident from above table, the expenditure incurred during the year was only ₹ 1,67,915.40 crore (68.39 per cent) against the total provision of ₹ 2,45,522.62 crore. This shows that the supplementary provision of ₹ 33,761.12 crore was avoidable since the expenditure did not even reach upto the level of the original provision (₹ 2,11,761.50 crore).

Overall savings of ₹ 77,607.22 crore (31.61 per cent) resulted from savings of ₹ 51,842.37 crore in 46 grants and 08 Appropriations under Revenue section and savings of ₹ 25,764.85 crore in 34 grants under Capital section including 07 grants under Loans and Advances and one grant under Public Debt Repayments.

Out of total savings of ₹ 77,607.22 crore, only 16.84 per cent (₹ 13,067.33 crore) was surrendered during the year resulting in non-surrender of savings aggregating to ₹ 64,539.89 crore (83.16 per cent of total savings). Total saving was 229.87 per cent more than the supplementary provision. Trends in the percentage of overall savings and excess against the overall provision in the budget are shown in **Chart 3.5**.

Chart 3.5: Budget Utilisation during 2016-17 to 2020-21

(₹ in crore)



(Source: Appropriation Accounts of respective years)

Trend analysis revealed that overall savings ranged from 23.47 per cent to 34.51 per cent during the last five years in respect of appropriation, which is significant. This indicates inaccurate estimation and inability of the Planning & Development Department and Finance Department to ensure effective budgetary control.

Further, there were cases of non-utilisation of the entire provision of ₹ 12,155.10 crore in 532 Detailed Head of accounts under 47 grants/ appropriations. Out of these cases, the total provision of ₹ 11,646.15 crore, in 102 cases under 26 grants/ appropriations, was unutilised (₹ 10 crore and above in each case) as detailed in **Appendix 3.9**. Non-utilisation of funds indicated that either the budgeting was done without due prudence or there were serious slippages in programme implementation.

3.4.2 Major policy pronouncements in budget and their actual funding for ensuring implementation

During the financial year 2020-21, the State Government has made several major policy pronouncements in the budget regarding social welfare and other schemes under various departments. 14 out of 44 Departments have replied on this issue.

The audit observed that there were some major policy initiatives taken by the departments but no expenditure was incurred resulting in non-achievement of intended goals as detailed in **Table 3.8** below:

Table 3.8: Policies for which provisions were made but no expenditure was incurred
(₹ in crore)

Sl. No.	Name of Department	Name of scheme	Budget estimation	Revised estimation	Expenditure
1	Prohibition, Excise and Registration	Integrated Excise Management System	4.00	4.00	0.00
2	Minority Welfare	Financial Assistance to Muslim Abandoned Women	2.00	2.00	0.00
3		Multi Sectoral Development Programme (Merit-cum-Means, Pre-Metric and Post Matric Scholarship)	1.00	1.00	0.00
4	Minor water Resource	State Plan Building	2.50	2.50	0.00
5	SC and ST Welfare	Pradhan Mantri Adarsh Gram Yojana	40.00	40.00	0.00
6		Post matric Stipend	60.00	60.00	0.00
7		Share Capital of SCDC	4.00	4.00	0.00
8		Scheme of development of SC	1.45	1.45	0.00
9		Scheme of development of SC	4.25	4.25	0.00
10		Building for STs	3.00	3.00	0.00
11	Sugar Industries	Balance Outlay	15.22	15.22	0.00

(Source: Data received from the departments)

Reason for revision of estimates has not been intimated by the departments. This deprives the beneficiaries of intended benefits. Savings in such schemes deprive other departments of the funds, which they could have utilised.

3.4.3 Financial power being flouted –in relation to re-appropriation

Permissible Re-appropriations within the Grant or Appropriations of a year should be sanctioned at any time within the year but not after the expiry of the year. Audit noticed that in one case, the department of Food and Consumer Protection made a request for re-appropriation in April (08.04.2021) and Finance Department accorded their approval in May (06.05.2021) for an amount of ₹ 5.47 crore against the set provision.

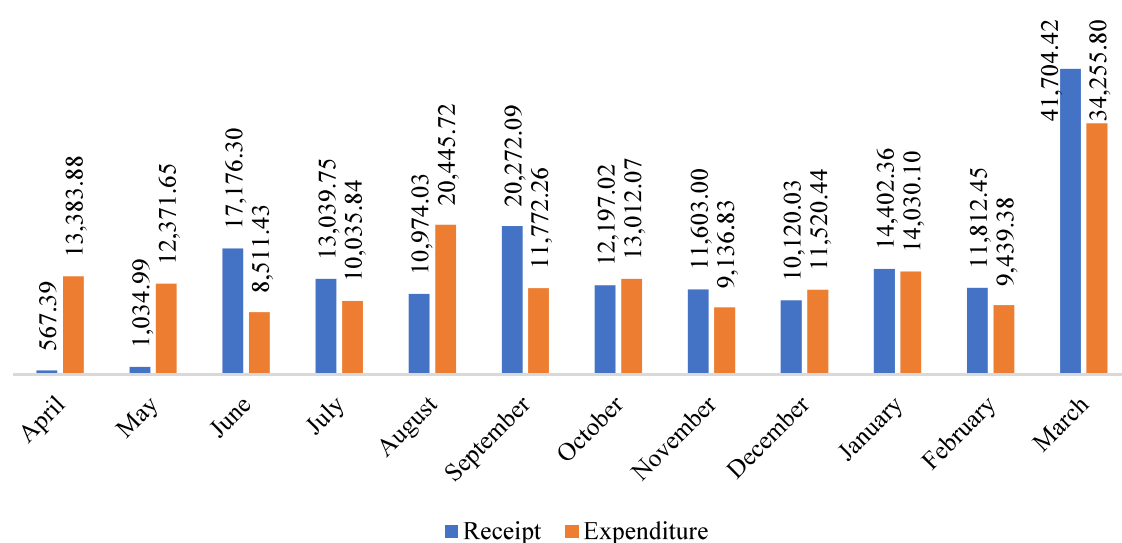
3.4.4 Rush of Expenditure

The Bihar Budget Manual (BBM) stipulates that, late allotments should be avoided unless they are inevitable. Funds placed at the disposal of a Disbursing Officer late in the year are very often an invitation to extravagance or rush of expenditure. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained.

Audit revealed that in 13 Departments, expenditure (₹ 14,838.40 crore) incurred during the last quarter and in the month of March 2021 (₹ 9,837.20 crore) was 59 *per cent* and 39.11 *per cent* respectively of total expenditure (₹ 25,151.25 crore) during the year as detailed in **Appendix 3.10**. There were cases of total incurrence of originally provisioned expenditure of ₹ 7,583.75 crore (₹ one crore and above in each case) in the month of March 2021 under 87 detailed heads under 29 grants as detailed in **Appendix 3.11**. However, for the whole appropriation, the expenditure in March 2021 was 20 *per cent* of the total expenditure whereas, the receipt in March 2021 was 25 *per cent* of the overall receipts, during the year. Month wise trend of receipts and expenditure for the financial year is shown in **Chart 3.6**.

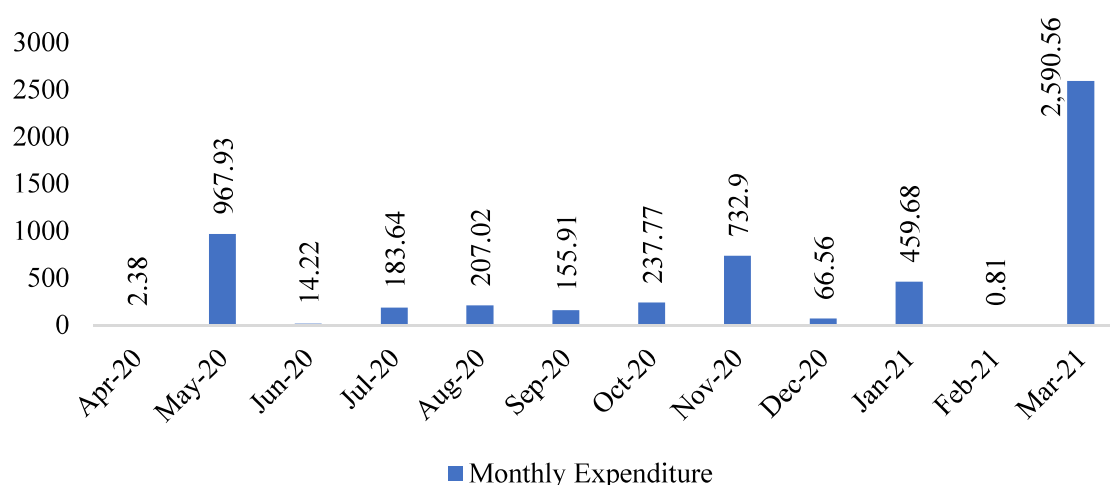
Chart 3.6: Monthly Receipts and Expenditure during the FY 2020-21

(₹ in crore)



(Source: Monthly Expenditure Report & Monthly Civil Accounts 2020-21)

Further, **Appendix 3.10** shows that there was maximum expenditure 96.96 *per cent* (₹ 400.85 crore) under the Backward and Most Backward Class Welfare Department but with respect to total amount spent, maximum expenditure ₹ 2,590.56 crore was incurred by Urban Development and Housing Department in March 2021 whereas original budget provision ₹ 7,213.72 crore and Supplementary provision ₹ 2,379.48 crore (February 2021) was available and total actual expenditure of the department was only ₹ 5,640.39 crore. The month wise expenditure is depicted in **Chart 3.7** below.

Chart 3.7: Month wise expenditure of Urban Development and Housing Department with high expenditure in March(*₹ in crore*)

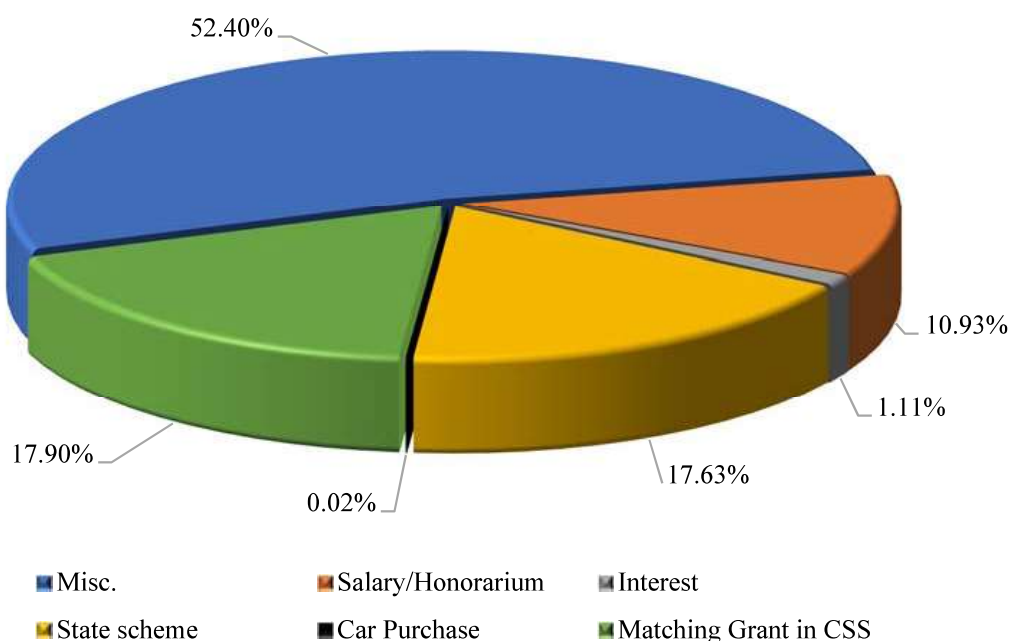
(Source: Monthly Expenditure Report 2020-21)

Audit observed that an amount of ₹ 2.42 crore was transferred to public account in the month of March. Substantial expenditure incurred by departments at the fag end/last day of the year indicated deficient financial management and inadequate expenditure control. The rush of expenditure towards the end of the financial year is a breach of financial propriety.

3.4.5 Advance from Contingency Fund

The Contingency Fund of the State was established under the Bihar Contingency Fund Act, 1950 in terms of the provisions of Articles 267 (2) and 283 (2) of the Constitution of India.

Through the Bihar Contingency Fund (Amendment) Act 2015, State increased the corpus of the Contingency Fund from ₹ 350 crore to ₹ 8,470.45 crore, on a temporary basis, for the period 1 April 2020 to 30 March 2021. This was for relief on natural calamities like drought and earthquake and to meet the State share of Central Government sponsored projects for which budget provisions have not been made and expenditure was to be made immediately. Fifty *per cent* of the total amount so enhanced was to be used only for relief and rehabilitation measures due to natural calamities. It was observed that the State Government made 65 withdrawals amounting to ₹ 5,825.42 crore from the Contingency Fund, out of which 32 withdrawals amounting to ₹ 2,335.72 crore (40.10 *per cent*) were made for foreseeable nature as detailed in *Appendix 3.12*.

Chart 3.8: Non-contingent expenditure from Contingency Fund

(Source: Records of Finance Department, Government of Bihar)

Thus, instead of providing funds mentioned above in a regular budget, the same was sanctioned from Contingency Fund violating the Constitutional provisions. Further, analysis of the Contingency Fund revealed that it had been regularly enhanced during the past five years on temporary basis, not only for relief on natural calamities and meeting the State share of GoI sponsored projects but also for expenditure on non-contingent nature. However, the expenditure on natural calamities during the last five years ranged from 34.52 to 78.77 per cent of the funds drawn from the Contingency Fund as shown in **Table 3.9**.

Table 3.9: Expenditure on natural calamities from the Contingency Fund

(₹ in crore)

Sl. No.	Year	Total expenditure from Contingency Fund	Expenditure on natural calamities	Percentage of total expenditure
1	2016-17	4,416.63	1,524.42	34.52
2	2017-18	4,949.21	3,898.33	78.77
3	2018-19	4,353.49	1,725.00	39.62
4	2019-20	3,529.76	2,332.00	66.07
5	2020-21	5,825.42	2,925.53	50.22

(Source: Records of Finance Department)

It was incumbent on the Finance Department to make budgetary provisions for the above routine expenditure and secure prior legislative approval as contemplated in the Constitution as part of the annual budgetary exercise.

The Contingency Fund is being used as an imprest account against the Constitutional provisions.

3.5 Comments on transparency of budgetary and accounting process

Transparency of budget refers to full disclosure of all relevant fiscal information in a timely and systematic manner and provide feedback on government revenue, allocation, and

expenditure. In this context, The Government of Bihar initiated (1 April 2019) the CFMS (Comprehensive Financial Management System) to bring transparency and responsiveness to public financial management.

To make the budget more transparent, State Government prepared Outcome Budget, Gender Budget, Child Welfare Budget and Green Budget with the Budget for the year 2020-21 to allocate the public funds meant for them and to make accounting and achievement more reliable. An Achievement Report in respect to the Budget 2020-21 has also been prepared and laid down before the legislature.

Comparative study/analysis of the Budget documents revealed that against total 2483 schemes included in the main budget, only 1284 schemes has been taken in the “Outcome Budget” and only 698 schemes were taken in “Achievement Report” as detailed below **Table 3.10**.

Table 3.10: Comparative analysis of budget with specific budget

(₹ in crore)

Sl. No.	Budget	No of Schemes	Budget Amount	Per cent of Original Budget	Expenditure Amount AA	per cent expenditure against BE	No of Group A Schemes
1	Appropriation Account	2126	2,45,522.62	100	1,67,915.40	100.00	
2	Outcome Budget (BE)	1284	1,35,187.04	55.06	93,703.06	55.80	
3	Gender Budget (BE)	551	33,176.27	13.51	50,103.08	29.84	80
4	Child Welfare Budget (BE)	209	37,257.58	15.17	31,950.63	19.03	
5	Green Budget (BE)	231	5,693.88	2.32	14,231.42	8.48	66
6	Achievement Report (RE)	698	1,18,202.71	48.14	78,955.42	47.02	

(Source: Appropriation Accounts with Outcome, Gender, Child Welfare and Green Budgets & Achievement Report)

During analysis, audit observed that the State has presented the specific budget before the legislature as a practice every year, however the departments still lagging behind in delivering quality for accounting of schemes. Although the size of the budget outlays has also progressively increased over the past five years, the institutions for inter-departmental coordination and gender sensitisation of the administration are weak in the State.

3.6 Review of selected grants

A review of the budgetary procedure and control over expenditure was conducted in respect of Grant No.-37 Rural Works Department and Grant No.- 42 Rural Development Department on the basis of saving/excess and magnitude of the Grants and Supplementary demands made during the year 2020-21. The results of the review are detailed below:

3.6.1 Grant No. 37 “Rural Works Department”

Development of rural roads brings multiple socio-economic benefits to the rural areas, which form a strong base of the economy. The GoB is committed to an all-round social and economic development of the State and the responsibilities of construction of rural roads (with necessary culverts and cross-drainage structures) lie with the Rural Works Department.

The State had to build a total of 1,29,473¹³ km of rural roads for 1,29,209 identified habitations for rural connectivity and till date a total of 68,591 km for 68,174 identified habitations, including about 45,832 km under PMGSY for 45,672 identified habitations

¹³ <https://rwdbihar.gov.in/AboutUs.aspx> : Executive Summary

have been built. The state has to build another 60,882 km of road length, including about 10,937 km under PMGSY.

There were five Major Heads (2245, 2515, 3054, 3451 and 4515) operated in this Grant in the financial year 2020-21. Summarised financial provision is detailed in **Table 3.11** below:

Table 3.11: Position of Summarised Appropriation for 2020-21

(₹ in crore)

Sl. No	Budget Estimate	Original provision	Supplementary provision	Total provision (3+4)	Total Expenditure	Saving (5-6)	Saving as a percentage of total provision
1	2	3	4	5	6	7	8
1	Capital	9,424.00	00	9,424.00	3,310.69	6,113.31	64.87
2	Revenue	1,214.89	1,000.00	2,214.89	2,016.83	198.06	8.94
	Total	10,638.88	1,000.00	11,638.89	5,327.52	6,311.37	54.23

(Source: Rural Works Department, Bihar)

Scrutiny of records revealed the following observations:

3.6.1.1 Budgetary process

- Against the Original Proposal of ₹ 8,768.05 crore (Revenue and Capital including ₹ 500.00 crore as Central Share for PMGSY), the Planning and Development Department had enhanced the proposal to ₹ 9,619.00 crore. Finally, Finance Department provisioned ₹ 11,638.89 crore including supplementary provision of ₹ 1,000 crore. Department has incurred expenditure of ₹ 5,327.52 crore (45.77 per cent) only.
- Out of total provision, ₹ 9,424 crore was for Capital section, ₹ 5,086.00 crore (10 times more than original proposal of the department) was for PMGSY as part of Central Share. Against the budget provision of ₹ 5,086.00 crore, GoI released only ₹ 1.13 crore (0.02 per cent) to meet administrative expenditure only and it was actually parked in Public Account but shown as spent in the books. Non-fulfilment of criteria mentioned in the PMGSY guidelines resulting in non-release of fund for capital works under the scheme.

The big gap between total provision and total allotment indicates that budget estimation for the year 2020-21 was prepared without any proper planning. Particularly audit noticed that budget preparation of capital section for PMGSY was highly unrealistic and inaccurate.

3.6.1.2 Scheme Implementation

- At least 388¹⁴ road projects of approximately 912.73 KM¹⁵ length had been dropped by the Department at the stage of execution of agreement with the contractor (State scheme-193) during 2016-17 to 2020-21 (**Appendix 3.13**).
- Audit observed that out of 4,973 inspections of PMGSY scheme, National Quality Monitoring had reported 1,029 number of road and bridge projects under the category of “unsatisfactory” during the period of five year from 2016-17 to 2020-21. Thus, it indicates weakness in Monitoring Mechanism of the state (**Appendix 3.14**).

¹⁴ 193 of state scheme and 195 of PMGSY road projects.

¹⁵ 284.01 KM length under state schemes and 628.72 KM length under PMGSY.

- Audit noticed that Department has provisioned ₹ 27 crore for plantation under the head of account 37-4515001030216 for the year 2020-21 from the Central share of PMGSY which was against the scheme guidelines.

3.6.1.3 Financial Management

- Audit observed that as per Appropriation Account total expenditure of the department was ₹ 5,199.65 crore whereas the department reported the expenditure of ₹ 5,327.52 crore only (₹ 127.87 crore in excess) required reconciliation.
- There was a huge difference of ₹ 1,885.18 crore in expenditure under PMGSY reported through Online Management, Monitoring and Accounting System (OMMAS) and expenditure booked in Detailed Appropriation Accounts of GoB (*Appendix 3.15*).
- There was a difference of ₹ 1,579.58 crore in capital expenditure and ₹ 3,183.63 crore in revenue expenditure between Bihar Rural Road Development Agency (BRRDA) and Detailed Appropriation Accounts of GoB (*Appendix 3.16*).
- An amount of ₹ 2,000.00 crore was released by GoB as 40 *per cent* matching State share against Central share of ₹ 2,883.57 crore for PMGSY programme fund during the year 2016-17, which was in excess by ₹ 77.62 crore. This amount was kept in separate bank account (ICICI Bank A/c no.040401010716). Interest of ₹ 54.13 lakh accrued/earned in that account is still lying unutilised till date. The account is still operational (September 2021).
- In State Scheme, audit noticed that an amount of ₹ 323.07 crore spent under establishment & committed expenditure of revenue nature was booked as capital expenditure during last five years (*Appendix 3.17*). During audit, it was noticed that an amount of ₹ 68.21 crores, extended as Grants-in-Aid for both revenue purposes and for creation of assets has been classified as Capital Expenditure for the year 2020-21. On instance of audit, Department accepted the mistake and stated that under the direction of Finance Department these expenditures shall be booked under revenue head henceforth.
- It has been observed that an amount was received for PMGSY under revenue head and the same was booked as expenditure of ₹ 234.26 crore (₹ 1.13 crore+₹ 233.13 crore) under major head 4515. This resulted in understatement of revenue expenditure and overstatement of capital expenditure as well.
- An amount of ₹ 1,630.61 crore accrued interest on PMGSY Scheme was lying unutilised as on 31 March 2021. This was to be utilised for the same scheme, however, non-utilisation of the same as on date leads to parking of fund.
- Audit noticed that pre-CFMS bank accounts with Nodal Officer are still in existence and there are balances of ₹ 75.12 crore (March 2021) under programme fund of MMGSY and interest was lying in these accounts. This was in contravention of orders of the Finance Department¹⁶. The reason for maintaining the account even after the implementation of CFMS was not intimated by the Department (September 2021).

3.6.1.4 Deferred liability

- For 278 projects of PMGSY as per OMMAAS and 11,938 projects of MMGSY completed during 2006-07 to 2020-21, ₹ 83.44 crore and ₹ 1,561.52 crore respectively were not paid to the contractors even after the work was physically complete whereas Department

¹⁶ Letter No. 2575 dated 14.05.2020 of Finance Department, Government of Bihar.

had sufficient fund available in their PL account (September 2021). The reason for deferred liability is awaited from Department.

3.6.1.5 Other Important issues

- Audit observed that an amount of ₹ 41.64 crore drawn through AC Bills during 2015-16 and 2016-17 was lying unadjusted as on 31st March 2021. It was further noticed that the amount drawn through AC Bills was meant for planned activities related to PMGSY and MMGSY projects, which is against the relevant rules of BFR (Bihar Financial Rule) and BTC (Bihar Treasury Code).
- Further, it has been observed that out of ₹ 10.00 crore received/drawn as GIA during 2018-19, utilisation certificates for ₹ 10.00 crore were not submitted (September 2021).

3.6.2 Grant No. 42 “Rural Development Department”

The Rural Development Department, GoB, implements several programs that are for alleviation of rural poverty through creation of infrastructure by generating sustainable employment opportunities for the rural poor. It creates job opportunities and foundation-based infrastructure in rural areas and improve the condition of rural family. The GoB is committed for poverty alleviation through providing building supporting and sustaining institutions for the poor and enhancing their livelihood. There is a program which caters to skill development and promotes opportunities of self-employment for eligible categories of individuals and self-help Groups. Overall development of people through convergence of schemes under multi-dimensional strategy and to increase the employment opportunities in rural areas are aims of the Department.

Grant No. 42 meant for Rural Development Department consists 10 Major Heads (2203, 2215, 2216, 2220, 2501, 2505, 2515, 3451, 3454 and 4515) to operate its financial management during the financial year 2020-21.

A review of the budgetary procedure and control over expenditure was conducted. Summarised financial outlay/provision is detailed in **Table 3.12** below:

Table 3.12: Position of Summarised appropriation

(₹ in crore)

Sl. No	Budget Estimate	Original provision	Supplementary provision	Total provision (3+4)	Expenditure	Savings (5-6)	Saving as a percentage of total provision
1	2	3	4	5	6	7	8
1	Revenue	15,940.28	1,890.75	17,831.03	9,299.16	8,531.87	47.85
2	Capital	15.01	0.00	15.01	15.00	0.01	0.07
	Total	15,955.29	1,890.75	17,846.04	9,314.16	8,531.88	47.81

(Source: Appropriation Accounts of the Rural Development department for the year 2020-21)

Scrutiny of records during audit revealed following:

3.6.2.1 Budgetary process

- An amount of ₹ 8,531.88 crore was saving against the total provision ₹ 17,846.04 crore. Finance department stated that this was due to direct transfer of Central Share of PMAY-G, ₹ 4,798.70 crore to implementing agency resulting in non-utilisation of provisions made in the state budget.

- The budget proposal of Lohiya Swakshata Yojna¹⁷ and Mukhyamantri Gramin Aawas Yojana¹⁸, was enhanced by 100 *per cent* and 4125.10 *per cent* respectively, but the Department failed to make any expenditure under these schemes.
- Out of total provision of ₹ 9,087.58 crore for Pradhan Mantri Awas Yojana- G (PMAY-G), ₹ 6,208.92 crore for PMAY (G) was budgeted as Central Share. Against the Central share, GoI released only ₹ 1885.32 crore (30.36 *per cent*).
- Out of total provision of ₹ 3,095 crore as central and state share in MGNREGA schemes, only ₹ 2,027.38 crore (66 *per cent*) was spent during the year.

The big gap between total provision and total allotment indicates that budget estimates for the year 2020-21 was done without proper planning. The audit noticed that budget preparation for PMAY(G) was highly unrealistic and inaccurate.

3.6.2.2 Financial Management

- Out of total provision of ₹ 17,846.04 crore, only ₹ 9,314.16 crore was utilised. Thus, saving was ₹ 8,531.88 crore (47.81 *per cent*) out of which only ₹ 671.51 crore (7.87 *per cent*) was surrendered.
- Proper reconciliation was not carried out by the Department, resulting in differences in figures of expenditure of amounting to ₹ 44.88 lakh.
- Out of the total expenditure of ₹ 463.24 crore, an amount of ₹ 218.20 crore¹⁹ (47 *per cent*) was spent in the month of March 2021 under three heads of accounts.
- An amount of ₹ 376.71 crore accrued as interest on PMAY (G)/IAY Schemes was lying unutilised during 2016-17 to 2020-21. This was to be utilised for the same scheme however could not be done as on date leading to parking of fund.

Thus, a substantial amount of savings, parking of funds in bank accounts and expenditure incurred at the fag end of the year indicate the deficient financial management in provisions and expenditure of the budget, and lack of effective budgetary control.

3.6.2.3 Scheme Implementation

- In MGNREGA schemes, where both target and achievement were quantified, there was shortfall by 217 lakh man-days (₹ 268.64 crore²⁰) against the target of 2,500 lakh.

3.6.2.4 Deferred liability

- There was a deferred liability of ₹ 821.61 crore (as per MIS on 22 October 2021) despite having the sufficient savings of ₹ 1,067.62 crore in MGNREGA scheme.
- An interest amount of ₹ 25.42 crore²¹ was liable to be paid against the delay in release of Central Share to implementing agency. Deferred liability enhanced the fiscal deficit to that extent.

¹⁷ In Lohiya Swakshata Yojna, Budget Estimate of ₹ 200.00 crore was approved by the Planning and Development Department, GoB against the demand of ₹ 100.00 crore.

¹⁸ In Mukhyamantri Gramin Aawas Yojna, Budget Estimate of ₹ 422.51 crore was approved by Planning Department against the demand of ₹ 10.00 crore.

¹⁹ R.D. Training Institute: ₹ 1.73 crore (100 *per cent*), NRLM: ₹ 197.25 crore (47 *per cent*) and Block IT Centre: ₹ 19.22 crore (42 *per cent*)

²⁰ At the rate of ₹ 123.80 per day.

²¹ PMAY (G): ₹ 16.51 crore and MGNREGA: ₹ 8.91 crore

3.6.2.5 Other Important Issues

- Against total receipt of ₹ 3,052.79 crore as GIA, UCs amounting to ₹ 1,072.93 crore was still pending for submission (August 2021).
- Details of drawal against AC bill was not available with the Department. However, it is seen that approximately an amount of ₹ 17.17 crore was pending (August 2021).

3.7 Review of specific budget

Women and children, environment, forest, and climate change are the most vulnerable part of a society and public funds meant for them requires more attention, transparency, and logical approach. The State, being a “Welfare State”, understand these requirements very well and prepared Gender Budget, Child Welfare Budget, and Green Budget.

These are reviewed by audit and discussed in preceding paragraphs:

3.7.1 Review of Gender Budget

Gender Budgeting is a part of the GoI’s policies and approach toward women for their overall development. The Ministry of Human Resources Development (MHRD) under GoI issued (October 2004) instructions and guidelines along with checklist to watch modalities and performance of the Gender Budgeting, which seeks to establish accountability and transparency in policy formulation and decision making.

Bihar adopted Gender Budgeting practices in 2008-09, three years after the first Gender Budget statement was presented by the GoI in 2005-06. The Social Welfare Department acts as the nodal department to coordinate and monitor the schemes. A Gender Resource Centre was established in April 2016 and nominated as state-based agency for Gender Budgeting by Social Welfare Department. **Table 3.13** details the allocation under Gender Budget made by the State during five-year period 2016-21.

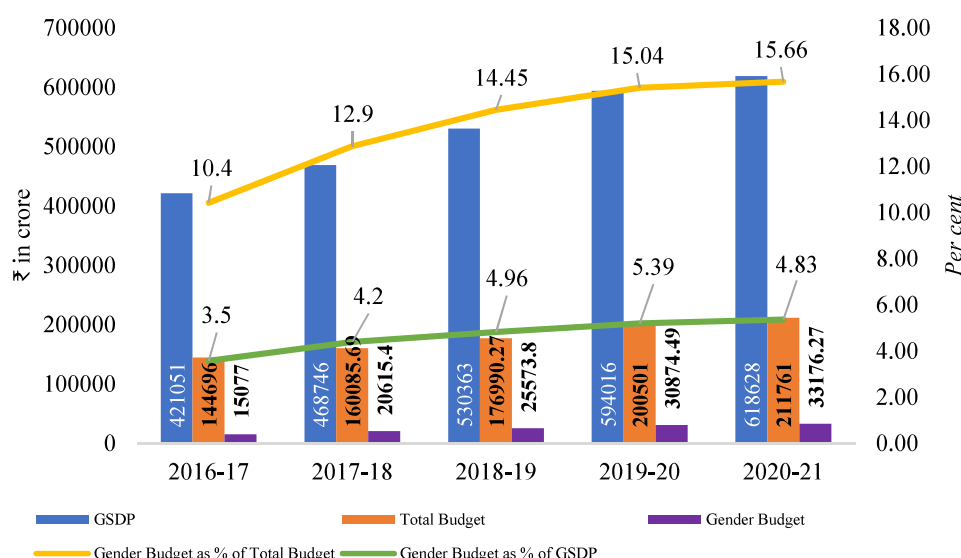
Table 3.13: Total resources allotted under Gender Budget

(₹ in crore)

Details	2016-17	2017-18	2018-19	2019-20	2020-21
Outlay for women	15,077	20,615.4	25,573.8	30,874.49	33,176.27
Total size of State budget	1,44,696	1,60,085.69	1,76,990.27	2,00,501	2,11,761
Share (%) outlay for women in the state budget	10.4	12.9	14.45	15.04	15.66
Outlay for women as <i>per cent</i> of GSDP	3.5	4.2	4.96	5.39	4.83

(Source: Gender Budget for the year 2020-21)

During 2020-21, ₹ 33,176.27 crore was allotted for Gender Budget under 20 Departments. However only 80 schemes, designed to benefit women, were running under 10 Departments. The expenditure was proposed to be incurred within the overall budget on schemes designed to benefit women under Category ‘A’ (100 *per cent* - ₹ 11,901.94 crore for 80 schemes) and Category ‘B’ (at least 30 *per cent* - ₹ 21,274.33 crore for 440 schemes) as detailed in **Appendix 3.18**. The **Chart 3.9** highlights the percentage of gender budget with respect to GSDP and total budget during 2016-21.

Chart 3.9: Gender Budget compared to Budget and GSDP

(Source: Budget and Gender Budget 2020-21)

Financial achievement of the Gender Budget is described in **Table 3.14** below:

Table 3.14: Financial performance of Gender Budget

(₹ in crore)

Scheme Category	Group (by per cent expenditure)	No of Schemes	Gender Budget BE	Net Budget/Fund available as per AA	Expenditure
A (100%)	Zero	29	2,688.17	2,932.69	(-)0.01
	01 to 25	7	213.37	213.37	26.06
	26 to 50	4	4,479.33	4,610.26	1,961.38
	51 to 75	10	131.86	139.86	83.67
	More than 75	30	4,389.22	5,970.62	5,629.58
	Total A	80	11,901.94	13,866.79	7,700.69
B (at least 30%)	Zero	97	926.81	3,017.48	0
	01 to 30	22	1,727.95	3,798.95	135.66
	More than 30	321	18,619.57	56,377.74	41,136.45
	Total B	440	21,274.33	63,194.16	41,272.11
Grand Total		520	33,176.27	77,060.95	48,972.80

(Source: Gender Budget with Appropriation Accounts 2020-21)

A total expenditure of ₹ 48,972.80 crore (₹ 7,700.69 crore for Category A and ₹ 41,272.11 crore for Category B) was made at the end of 2020-21. It shows that most of the expenditure (84 per cent) was made in Category B schemes. This highlights concentration of expenditure towards non-specific provisions and thus the aim to facilitate women through gender budget was not obtained at desired level.

Audit scrutinised the financial data of Gender Budget (Category 'A') with Appropriation Accounts in respect of Rural Development Department (RDD) and Social Welfare Department (SWD) where major schemes were going on. Out of 48 schemes, 17 relates to RDD and 31 relates to SWD, where five and 25 flagship²² schemes were running respectively. **Table 3.15** shows the scrutinised figure of budget and expenditure during 2020-21 under two departments whereas scheme wise details are in **Appendix 3.19**.

²² Flagship schemes mean the main and most important scheme and totally dedicated to women.

Table 3.15: Budget and Expenditure under two Departments*(₹ in crore)*

Department	Budget	Gender Budget	Category 'A'	Cases	Expenditure		
					No expenditure in schemes (available fund per cent)	Below 50 per cent	Above 50 per cent
RDD	15,320.33	12,672.34	8,977.92	17	12 (22.54)	01	04
SWD	7,130.41	4,276.05	801.74	31	08 (1.39)	05	18

(Source: Budget Documents)

Audit noticed that departments have not incurred expenditure in 12 and 08 schemes whereas funds were available to the tune of ₹ 2249.95 crore and ₹ 16.20 crore under RDD and SWD respectively.

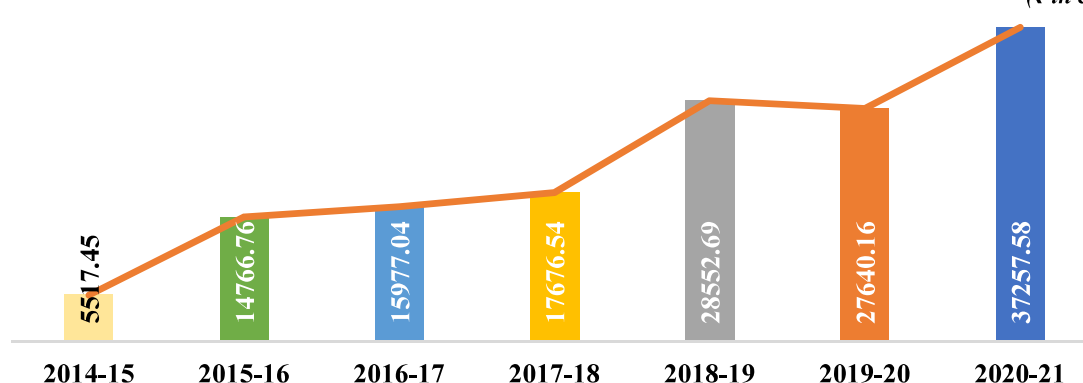
It was also noticed that ₹ 45.06 crore was provisioned in three²³ schemes under Gender Budget but was not found in Appropriation Accounts. Hence, audit could not ascertain the actual expenditure.

The State Government has not reported on the performance of Gender Budget of previous years in the Gender Budget of 2020-21 to gauge the effectiveness of the scheme targets to benefit women. Thus, in the absence of any performance reports/records including the actual expenditure incurred, the effectiveness of the schemes' targets to extend benefits to women under Gender Budgeting could not be ascertained.

3.7.2 Review of Child Welfare Budget

In Bihar, 48 per cent of the total population (4.48²⁴ crore children (2.35 crore Girl child (47 per cent)) fall in the age group of 0 to 18 years. This is the most vulnerable segment of the total population towards which the State Government is committed to allocate public finance for their all-round development. In accordance with the United Nations Convention on the Rights of the Child (NCT) and the National Policy on the Child, 2013 GoB started to prepare/process Child Welfare Budget from the year 2013-14.

The timeline data²⁵ of the State Child Welfare Budget is detailed below:

Chart 3.10: State Child Welfare Budget from 2014-15 to 2020-21*(₹ in crore)**(Source: Child Welfare Budget of relevant years)*

²³ 01-2415017960309-₹ 0.04 crore, 08-2205001020001-₹ 2.12 crore, 48-2217800010101-₹ 42.90 crore.

²⁴ Census 2011 & Child Welfare Budget 2020-21 Government of Bihar.

²⁵ Child Welfare Budgets of the year 2014-15 to 2020-21.

The Child Budget 2020-21 describes further the total provision as in **Table 3.16** below:

Table 3.16: Details of Child Budget from 2018-19 to 2020-21

(₹ in crore)

Year	Budget	Establishment & Committed		State Scheme		Centrally Sponsored Scheme	
		Amount	Per cent	Amount	Per cent	Amount	Per cent
2018-19 Actuals	28,552.69	9,043.76	31.67	3,567.21	12.50	15,941.71	55.83
2019-20 Actuals ²⁶	27,640.16	7,594.39	27.48	4,440.62	16.06	15,605.16	56.46
2020-21 BE	37,257.58	9,951.78	26.71	6,425.75	17.25	20,880.04	56.04

(Source: Child Welfare Budgets of the year 2020-21)

Out of 209 schemes detailed in the Child Welfare Budget, only 125 were found reported in the Achievement Report 2020-21. As per Approved Appropriation Accounts, it was noticed that in 144 schemes (69 *per cent*) expenditure was below 80 *per cent*. Financial achievement against the budget provisions under Child Welfare Budget were in **Table 3.17** below:

Table 3.17: Financial performance of Child Welfare Budget

(₹ in crore)

SL	Group	No. of Schemes	Net Budget (DAA)	Expenditure (DAA)
1	81-100	65	25,018.18	23,474.61
2	61-80	36	5,065.04	3,569.72
3	41-60	18	3,599.93	1,879.44
4	21-40	18	8,301.45	2,973.35
5	00-20	24	1,889.66	53.52
6	Zero	48	2,958.33	-0.01
	Total	209	46,832.60	31,950.63

(Source: Child Welfare Budgets and Appropriation Accounts of the year 2020-21)

It is evident from the above table that no expenditure was incurred for 48 schemes despite a fund of ₹ 2,958.33 crore being available. An expenditure of ₹ 53.52 crore (2.83 *per cent*) was incurred for 24 schemes whereas ₹ 1,889.66 crore was available. It shows that the Child Welfare Budget was prepared just as an exercise on paper rather than being enablers for children welfare.

State government stated that the Child budgeting was not an isolated exercise. It was just a collection of allocations made for children from the main budget.

3.7.3 Review of Green Budget

Green budgeting means using the tools of budgetary policymaking to help achieving environmental and climate goals.

Bihar is an agrarian state, and the agro-forestry plays a major role in its economy besides, other issues related to environment and climate change are also vital. The state presently has 6845 sq km notified natural forest area which is 7.27 *per cent* of the geographical area of the State.

Bihar is the first state in the country to prepare and exercise green budgeting in line with GoI. As there is no fixed rule or parameter for preparation of Green Budget, the state compiled the expenditures to be incurred on these components across the departments. Summarised Green Budget provisions are as below in **Table 3.18**.

²⁶ Child Welfare Budget 2021-22

Table 3.18: Green Budget provision during 2020-21

(₹ in crore)

Sl. No.	Details	2020-21 BE ²⁷
1	Budget Estimates of the state for the year	2,11,761.49
2	Total Provision of the 19 Departments related to Green Budget	81,176.46
3	Total provision in heads related to Green Budget of these 19 departments	27,162.85
4	Green Budget	5,693.88
5	Total provision of the departments includes in Green Budget (in <i>per cent</i>) (Sl. 4 / Sl. 2 X 100)	7.01
6	Green Provision out of Heads related to the Green Budget (in <i>per cent</i>) (Sl. 4 / Sl. 3 X 100)	20.96

(Source: Green Budget for the year 2020-21)

Scrutiny revealed that total 231 schemes across 19 departments comprising of ₹ 5,693.88 crore has been included in the Green Budget 2020-21 as detailed in **Appendix 3.20**.

It was noticed that out of 66 schemes categorised as Group “A” with 100 *per cent* allocation, in only 10 schemes (eight of Environment, Forest & Climate Change Department, one of Public Health Engineering Department and one of Rural Development Department) 80 to 100 *per cent* of the allocation was utilised, in 14 schemes 50 to 80 *per cent*, and in 29 schemes upto 50 *per cent* of the allocation was utilised. However, in 13 schemes no expenditure was incurred during the year.

Further group wise performance of the schemes is detailed in **Table 3.19** below:

Table 3.19: Performance of schemes under Green Budget

(₹ in crore)

Group	Share	No. of Schemes		As per Appropriation Accounts			Achievement in <i>per cent</i>
		Green Budget	Achievement Report	Schemes	Net Budget	Expenditure	
A	100%	66	41	64	1,873.80	672.93	35.91
B	75-90%	10	8	10	152.50	Could not be ascertained as specific items under defined percentage including budget & expenditure their-against was not available.	
C	50-75%	37	31	37	3,949.93		
D	25-50%	29	27	29	733.34		
E	05-25%	53	34	53	7,372.52		
F	01-05%	36	30	36	17,566.04		
		231	171	229	31,648.12	672.93	N.A.

(Source: Green Budget with appropriation Account for the year 2020-21)

Thus, in the absence of any specific performance reports/records including the actual expenditure incurred, the effectiveness of the schemes could not be ascertained in audit. During analysis, it was seen that the Green Budget, Appropriation Accounts and Achievement Reports were not in conformity and due to this audit could not ascertain the exact performance against each scheme.

3.7.4 Review of Outcome Budget and Achievement Report thereon

The objective of the Outcome Budget was to establish a co-relationship between the financial budget and performance budget and to track not just the intermediate physical outputs but also the outcomes. Outcome Budget and Achievement Report initiative showing significant possible physical result through financial request by the Government was started in 2006-07. This is such a means by which the utility of expenditure can be assessed by reviewing after

²⁷ Green Budget for the year 2020-21.

expenditure. It provides information about possible outcomes to the public and can ensure transparency and accountability of the government in its financial dealings. Outcome budget determines the physical feature in relation to the amount spent by the Government, the same Achievement Report presents the achievements against the targets.

Audit undertook an exercise to assess whether the various orders and instructions relating to preparation of outcome budget had been followed to enable it to serve its intended purpose and achieve the target as set by the Government.

A review of the Outcome Budget was conducted with the objective of ascertaining:

- Whether applicable laws, rules and regulations made there under and various orders and instructions issued by the competent authority for preparation of Outcome Budget were complied with; and
- Whether there were inconsistencies in reporting of physical targets and whether data was reliable.

Review of Outcome Budgets for the year 2020-21 of two departments i.e. Rural Works Department and Rural Development Department were selected for examination in audit. In addition, an analysis of the financial outlays and achievement of physical targets of two centrally sponsored schemes/programmes i.e. PMGSY under RWD and PMAY under RDD was also carried out. The audit findings are discussed in the succeeding paragraphs.

3.7.4.1 Deviation from Government instructions

As per the guidelines issued by the MoF, GoI, the Outcome Budget has to be prepared in a manner that it contains Executive Summary, Introduction, Statement of Budget Estimates, Reform measures and policy initiative, Review of past performance and financial review.

Finance Department issued Circular for Budget Preparation, containing Appendix-XII for preparation of outcome budget by the departments each year. This format lacked above said requirement except statement of Budget Estimate. Information regarding Normal Savings resulting from economic use of resources, utilisation certificate in execution of schemes and surrender due to obsolete and the funds are no more required were absent.

3.7.4.2 Financial and Physical Outlays vis-à-vis Outcome Budget

A. Grant no. 37: Rural Works Department

Out of 17 schemes, only 12 schemes featured in Outcome Budget and Achievement Report for the year 2020-21. The financial achievement is detailed in **Table 3.20** below:

Table 3.20: Financial Achievement against the budget provision

(₹ in crore)

Sl. No.	Name of the Scheme	Net Budget AA	Expenditure AA	Percent Achievement	Financial Achievement as per Achievement Report	Deposit in 8443 - 8448	Actual Expenditure
1	Bihar Rural Path Development agency	10.00	10.00	100.00	10.00	10.00	-

Sl. No.	Name of the Scheme	Net Budget AA	Expenditure AA	Percent Achievement	Financial Achievement as per Achievement Report	Deposit in 8443 - 8448	Actual Expenditure
2	Establishment of Various Offices of Rural Works Department	185.00	122.25	66.08	122.42	0.00	122.25
3	Mukhya Mantri-Gram Sampark Yojana	611.72	529.32	86.53	529.32	529.32	0.00
4	Mukhya Mantri Gram Sampark Yojana	1,392.04	1,228.34	88.24	1,228.34	1,228.34	-0.00
5	Pradhan Manti Gram Sadak Yojana (PMGSY)	333.00	233.13	70.01	233.13	233.13	0.00
6	Rural Development Projects (NABARD Aided Scheme)	300.00	93.00	31.00	93.00	68.00	25.00
7	Mukhya Mantri Gram Sampark Yojana	96.19	96.19	100.00	96.19	96.19	-
8	Gramin Tola Sampark Nishchaya Yojana	500.00	415.00	83.00	415.00	415.00	-
9	Chief minister village Connectivity plan (NDB)	700.00	455.00	65.00	455.00	455.00	-
10	Mukhya Mantri Gram Sampark Yojana (World Bank Aided)	300.00	201.00	67.00	201.00	201.00	-
11	Pradhan Manti Gram Sadak Yojana (PMGSY)	5,086.00	1.13	0.02	1.13	1.13	-
12	Minimum Needs Programme	105.05	49.83	47.43	49.75	-	49.83
Total		9,619.00	3,434.18	35.70	3,434.27	3,237.10	197.07

(Source: Appropriation Account, Achievement Report and VLC data for the year 2020-21)

As evident from the table above

- against the total provision of ₹ 9,619.00 crore, only ₹ 3,434.18 crore (₹ 3,434.27 crore as per achievement report) has been spent which is equal to 35.70 *per cent* of total provision.
- It is also noticed that ₹ 3,237.10 crore (94.26 *per cent*) was parked in the Heads 8443 & 8448 against the total ₹ 3,434.18 crore expenditure. Audit could not ascertain that out of the total amount in the deposit Head, how much was actually spent during the financial year 2020-21.
- Out of 12 schemes mentioned above, 100 *per cent* parking was done in 9 schemes.
- During scrutiny of financial and physical outlays of flagship programme PMGSY as depicted in **Table 3.21**.

Table 3.21: Financial & Physical outlays of PMGSY*(₹ in crore)*

Year	BE	RE	Actual	Variation over BE (in per cent)	Sanctioned works	Achievement against sanctioned work
1	2	3	4	5	6	7
2016-17	3,540.00	5,000.00	3,276.24	263.76 (7.45)	2,003	1,882
2017-18	5,500.00	4,633.00	1,539.64	3,960.36 (72.01)	850	682
2018-19	5,285.66	200.00	1,789.59	3,496.07 (66.14)	531	431
2019-20	5,286.66	540.00	1,172.87	4,113.79 (77.81)	351	207
2020-21	5,419.00	5,419.00	1,680.60	3,738.40 (68.99)	468	0

Figures in parentheses indicate variation in percentage
(Source: Data provided by the department.)

Scrutiny of the financial as well as physical targets vis-à-vis achievements of the programmes revealed that there was no direct co-relation between financial outlays with physical targets. In PMGSY, actual expenditure was 7.45 *per cent* to 77.81 *per cent* less than BE during 2016-17 to 2020-21. Due to reduction of RE during 2017-18, 2018-19 and 2019-20, the shortfall of actual expenditure to BE was also seen.

B. Grant No. 42: Rural Development Department

All 29 schemes featured in Outcome Budget was included in the Achievement Report for the year 2020-21. The scheme wise financial achievement (irrespective for bill code) is detailed in **Table 3.22** below:

Table 3.22: Financial achievement against the budget provision*(₹ in crore)*

Sl. No.	Name of the Schemes compiled	Net Budget AA	Expenditure AA	Financial Achievement as per Achievement Report
1	Bihar Rural Development Training Institution	3.90	1.73	1.73
2	Bihar Rural Livelihood Project	423.40	334.49	334.49
3	Continuous livelihood plan	150.00	97.50	97.50
4	Development Management Institute	12.01	3.96	3.96
5	District Rural Development Agency	56.00	19.05	15.48
6	Headquarter Establishment	6.00	4.31	4.31
7	Indira Awas Yojna (IAY)	7,309.16	4,727.48	4,727.48
8	Integrated strengthening to Bihar Unitary Social Security Project (EAP)	34.59	34.59	34.59
9	Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)	3,094.96	2,027.38	2,027.38
10	National Rural Livelihood Mission (NRLM)	1,724.00	1,039.17	1,039.17
11	Swachhh Bharat Mission	2,024.97	656.72	656.72
12	Swarna Jayanti Gram Swarajgar Yojana-Headquarter Establishment	3.00	0.70	0.70
13	Water life green mission	8.42	7.06	7.06
14	Water life greenery	5.00	1.00	1.00
	Total	14,855.41	8,955.14	8,951.57

(Source: Appropriation Accounts, Achievement Report for the year 2020-21)

As evident from the table above:

- Against the total provision of ₹ 14,855.41 crore, only ₹ 8,955.14 crore (₹ 8,951.57 crore as per achievement report) has been reported spent which is equal to 60.28 *per cent* of total provision.
- Scrutiny of achievement report, Outcome budget and other related records revealed that there was no quantified target in 15 head of accounts under three schemes such as Swachhh Bharat Mission, NRLM and Bihar Gramin Jivikoparjan. However, achievement was quantified in the achievement report.
- In MGNREGA scheme, where both target and achievement were quantified, there was shortfall by 217 lakh man-days against the target of 2,500 lakh man-days.

Scrutiny of financial and physical outlays of flagship programme PMAY as depicted in **Table 3.23**.

Table 3.23: Financial and physical outlays of PMAY

(₹ in crore)

Year	BE	RE	Actual	Variation over BE (in per cent)	No. of units sanctioned	Achievements (No.)
2016-17	2,132.08	5,848.89	3,459.93	1,327.85 (62.27)	6,37,658	5,62,009
2017-18	5,821.27	4,367.27	1,004.28	(-)4,816.99 (82.74)	5,38,959	4,57,363
2018-19	6,411.28	5,555.73	5,293.28	(-)1,118.00 (17.43)	0	0
2019-20	5,900.00	8,432.56	5,390.93	(-)509.07 (8.62)	13,02,259	935,478
2020-21	8,127.99	9,087.58	4,728.52	(-)3,399.47 (41.82)	7,82,102	1,07,351

Figures in parentheses indicate variation in percentage

(Source: Data provided by the department.)

Scrutiny of the financial as well as physical targets vis-à-vis achievements of the programmes revealed that there was no direct co-relation between financial outlays with physical targets. In PMAY, actual expenditure was nine *per cent* to 83 *per cent* less than BE during 2017-18 to 2020-21 except 62 *per cent* more than BE in 2016-17. Reason for zero achievements during 2018-19 is awaited from the Department.

3.7.4.3 Reliability of Data

Web-based online system are one of the tools to monitor programme implementation. The Integrated Management Information System (IMIS) is a comprehensive web-based information system, which enables the States and the Centre to monitor the progress of implementation of the programme. Audit observed the following:

A PMGSY**Table 3.24: Discrepancy in Outcome Budget and OMMAS²⁸**

As per Budget Outcome/Achievement Report				As per OMMAS			% increase in target of Outcome Budget comparing to OMMAS Report
Year	Target (KM)	Achievement (KM)	Shortfall	Target (KM)	Achievement (KM)	Shortfall	
2018-19	5,800	Not Available	--	3,960	3,199.59	760.41	46.46
2019-20	4,500	691	3,809	3,370	406.35	2,963.65	33.53
2020-21	3,600	1805	1,795	2,600	1,806.14	793.86	38.46

(Source: Rural Works Department, GoB)

As can be seen from table, there is a large difference between targets of PMGSY as defined in Outcome Budget Report and OMMAS (MIS report) report over the last five years. The variation ranges from 33.53 per cent to 46.46 per cent. However, achievement of PMGSY was almost similar in both reports. But against the set target in both reports, achievement is much closer to OMMAS report even though only 69.67 per cent target could be achieved indicating that preparation of target mechanism shown in Budget outcome report as well as in OMMAS report is far away from reality.

B PMAY-G**Table 3.25: Discrepancy in Outcome Budget and IMIS Report**

Year	As per outcome budget ²⁹ (No. of habitations)			As per IMIS ³⁰ (No. of habitations)		
	Target	Achievement	Shortfall	Target	Achievement	Shortfall
2016-17	6,37,658	1,72,821	4,64,837	NA	1	Could not be ascertained
2017-18	5,38,959	1,39,839	3,99,120	NA	28,135	
2018-19	NA	NA	NA	NA	5,81,832	
2019-20	8,00,000	1,11,540	6,88,460	NA	3,76,220	
2020-21	7,00,000	8,90,264	1,90,264 surplus	NA	9,42,626	

(Source: Achievement Report & pmay.nic.in)

As evident from above table, a large difference between target and achievement of PMAY in outcome budget Report and Awas soft (MIS report) report during the period 2016-21. The target related information was not given in Awas soft. However, the achievement of the schemes didn't match with the achievement of the Department. In absence of data, audit couldn't verify the data between two kind of reports. The reliability of data was questionable.

3.7.4.4 Advantage/shortfall in CFMS

The purpose of CFMS is to provide greater transparency to the Government functioning at various levels and track funds up to the last level thus minimising intermediary delays and provide direct benefit to the beneficiaries.

Audit noticed that after implementation of two years, CFMS has not overcome the issues, which were noticed in pre CFMS era like unrealistic budget preparation (Para 3.3.4), misclassification of revenue to capital and others (Para 2.4.4.1).

²⁸ Online Management, Monitoring and Accounting System (OMMAS) a tool to manage and monitor the physical and financial progress of work done by the BRRDA

²⁹ Outcome Budget with Achievement Reports

³⁰ PMAY site maintained by NIC (pmay.nic.in)

3.7.4.5 Conclusion

Outcome Budget of GoB did not give information about normal savings resulting from economic use of the resources, current position of outstanding utilization Certificate and unspent balances with department. Physical output targets were not fixed in a realistic manner. There were data discrepancies that undermined the utility of the Outcome Budget as an instrument to measure outcomes expected from the financial outlays being made.

However, deviations from the guidelines on preparation of Outcome Budget undermined this fundamental objective. There was no direct co-relation between financial outlay and physical outcomes; achievements within the same budgetary allocation were less as compared to targets; there was discrepancy in depiction of targets figures of the programmes between outcome Budgets and Web-based online system; and monitoring of progress of implementation of programmes through Web based online system suffered from data unreliability.

Audit observed that this exercise was done without proper due diligence and thus the targeted recipients could not be benefitted much as required by presenting the Outcome Budget.

3.8 Recommendations

The Finance Department should monitor the trend of expenditure by Departmental Controlling Officers so that unnecessary provisions are not made, funds are not retained unnecessarily, and are surrendered at the earliest, without resorting to last-minute surrenders and lapsing of allocations. The Government should:

- ensure that all anticipated savings are surrendered on time so that the funds can be utilised for other development purposes.
- review the reasons for persistent savings and take necessary steps to avoid such situations to ensure optimum utilisation of the amount allocated.
- agree to Re-appropriation proposals from grant controlling officers only if the trend of expenditure warrants these.
- ensure timely surrender of funds and evolve a system of timely budgetary releases to departments to minimise the surrenders.
- frame rules to control the rush of expenditure during the fag end of the financial year.
- devise a Management Information System (MIS) which helps in bringing out the unspent amount of AC bills drawn at DDOs level who draw funds and fail to transfer unspent balances to Consolidated Fund before the closure of the financial year.
- The Finance Department should insist that the respective departments to submit performance reports for Gender Budgeting/ Child Welfare Budgeting/ Green Budgeting and Outcome Budget so as to bring about transparency in public spending and attain its objective of welfare state.