

This Chapter provides an overview of the quality of Accounts and compliance of the State Government in its financial reporting practices with prescribed financial rules, procedures, and directives with regard to completeness, transparency, measurement and disclosure.

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities including strategic planning and decision-making.

## Issues related to completeness of Accounts

### 4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) subject to the provisions of Article 267 provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances, and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of the State.

As per Rule 5 (1) of Bihar Financial Rules, all moneys received by or deposited with any officer employed in connection with the affairs of the State in his capacity as such other than revenue of public money raised or received by Government shall be paid into the Public Account.

## Collection of levies

Two levies that are operational in the State were scrutinised in Audit and the following was observed:

### • Building and Other Construction Workers Welfare Cess:

The Building and Other Construction Workers (BOCW) Welfare Board was constituted by the State Government in February 2008. The main function of the Board is to provide funds under various welfare schemes to construction workers of the State. The Board collects funds at the rate of one *per cent* of the total expenditure incurred on ongoing construction works under GoI, GoB, Semi-Government and Private Sector in the State during the financial year.

The Departments booked the collection of Labour Cess under Major Head 8443-Civil Deposit-108-Public Works Deposits, which contains many other receipts apart from Labour Cess. Consequently, the amount of Labour Cess collected by various Departments could not be ascertained. A separate Sub-Head (8443-00-108-0004) was opened by the Government in June 2019 for the booking of Labour Cess collected by various Departments executing projects involving labour. As per Finance Accounts 2020-21, an amount of ₹ 116.97 crore was credited, and ₹ 31.44 crore was debited leaving a balance of ₹ 85.53 crore as on 31.03.2021. However, BOCW has stated that ₹ 329.96 crore was collected through labour cess and expenditure of ₹ 540.01 crore (including expenditure on

schemes and establishment) was incurred during 2020-21. However, closing balance of ₹ 1,175.64 crore, deposited in scheduled commercial bank, was not reflected in Finance Accounts 2020-21. As details were not provided by BOCW, audit could not comment on the difference in figures of collection.

#### • Bihar District Mineral Foundations (BDMF):

It has been formed as per powers conferred by sub-section (4) of Section 15A read with section 9B of the Mines and Minerals (Development and Regulation) Act, 1957 (Act 67 of 1957), as amended in 2015 for the interest and benefit of persons and areas affected by mining-related operations. Funds are collected from the holders of mineral concessions at the rates specified by the Government. The Funds are utilised as per ‘*Pradhan Mantri Khanij Kshetra Kalyan Yojana*’. An amount of ₹ 61.75 crore has been collected from 2018-19 to 2020-21, of which ₹ 23.12 crore pertains to 2020-21. However, this figure was not accounted for in the Finance Accounts of the respective years but deposited in scheduled commercial bank. Hence, audit could not ascertain the actual fund position.

### 4.2 Non-discharge of liability in respect of interest towards interest-bearing deposits

The Government has a liability to provide and pay interest on the Interest-bearing Deposits as detailed in **Table 4.1**.

**Table 4.1: Non-discharge of liability in respect of interest towards interest-bearing deposits**

(₹ in crore)

Sl. No.	Name of the Interest-bearing deposit	Balance as on 01 April 2020	Interest due		Interest paid
			Due	Rate (per cent)	
1.	8342- Other Deposits-117- Defined Contribution Pension Scheme for Government Employees	349.85	27.76	7.1	Nil
2.	8011- Insurance and pension funds 106- Other Insurance and Pension Funds	41.12			Nil
3.	8121-129- State Compensatory Afforestation Fund (SCAF)	522.95	17.78	3.4	Nil
4.	8009-101- General Provident Fund	10,322.15	732.87	7.1	450.00
5.	8009-104- All India Services Provident Fund	243.30	17.27	7.1	13.50
<b>Total</b>			<b>795.68</b>		<b>463.50</b>

(Source: Finance Accounts 2020-21)

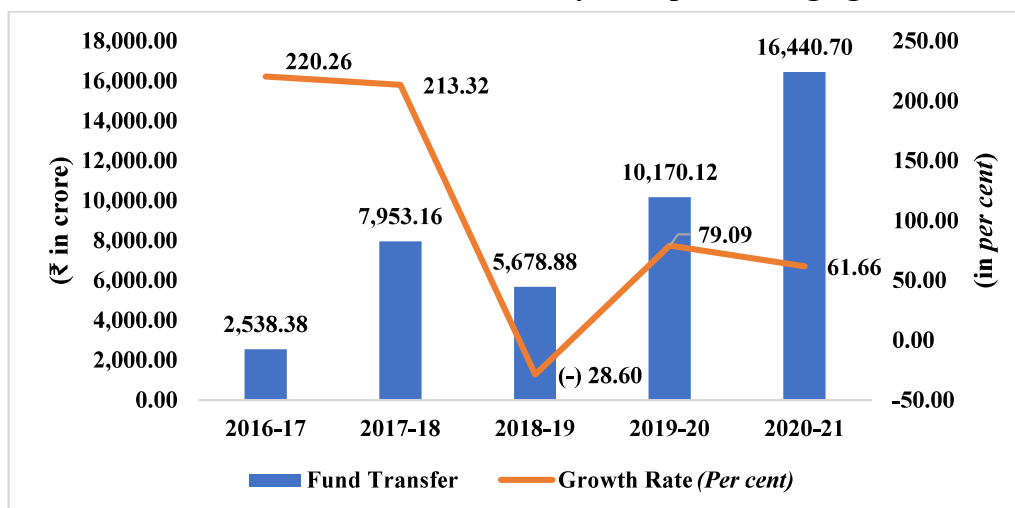
The Government had not earmarked funds to the tune of ₹ 332.18 crore (₹ 795.68 - ₹ 463.50) for interest liability towards Interest-bearing Deposits. Thus, there was an understatement of ₹ 332.18 crore on Revenue deficit and Fiscal deficit due to under provisioning of interest liability of the Government.

### 4.3 Funds transferred directly to State implementing agencies

The Union Government transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organisations for implementation of various Schemes and Programmes. Since these funds are not routed through the State budget, these are not reflected in the Accounts of the State Government. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts of the respective year.

During 2020-21, GoI had directly transferred ₹ 16,440.70 crore to the State implementing agencies which was 61.66 *per cent* more than the previous year (₹ 10,170.12 crore). Trends of such transfers directly to implementing agencies during the last five years are given in **Chart 4.1**.

**Chart 4.1: Transfer of funds directly to implementing agencies**



(Source: Finance Accounts for the respective years)

Information was called in respect of utilisation of funds received under different schemes<sup>31</sup> from six implementing agencies, however, no information made available to audit by any of these agencies.

#### 4.4 Deposit of Local Funds

State Panchayati Raj Act provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) would maintain ZP fund, PS fund and GP fund respectively (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds). These would include all the moneys realised or realisable under the Act and all moneys otherwise received by the Panchayati Raj Institutions (PRIs), such as grants received from Central Finance Commission and State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipt of a Panchayat. The Municipal Act also envisages that the Municipal Fund is to be held by the Municipality. All moneys realised or realisable under this Act and all moneys otherwise received by the Municipalities are kept in the Municipal Fund under the Major Head 8448- Deposits of Local Funds-102-Municipal Funds. Deposits of Local Funds under Municipal Fund and Panchayat Bodies Fund are as detailed in **Table 4.2**.

**Table 4.2: Deposits of Local Funds**

(₹ in crore)

Year			2016-17	2017-18	2018-19	2019-20	2020-21
Municipal Fund (8448-102)	Opening Balance	1	1,738.35	2,330.64	2,742.77	3,307.66	3,743.56
	Receipt	2	2,122.51	1,968.32	2,712.09	2,469.66	3,913.13
	Expenditure	3	1,530.22	1,556.19	2,147.20	2,033.77	2,622.90
	Closing Balance	4	2,330.64	2,742.77	3,307.66	3,743.56	5,033.79

<sup>31</sup> MP's Local Area Development Scheme under Planning & Development Department, Pradhan Mantri Swasthya Suraksha Yojna under AIIMS, Patna, Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) under Agriculture Department.

Year			2016-17	2017-18	2018-19	2019-20	2020-21
Panchayat Bodies Fund* (8448-109)	Opening Balance	5	140.38	434.93	631.61	650.49	754.98
	Receipt	6	650.99	695.52	735.54	374.78	556.49
	Expenditure	7	356.44	498.84	716.67	270.29	458.89
	Closing Balance	8	434.93	631.61	650.49	754.98	852.58

\*Zila Parishad and Panchayat Samiti fund included

(Source: Finance Accounts of the respective years)

Audit observed that over the last several years, the GoB has been transferring amounts from Consolidated Fund to Public Account (Deposit accounts specifically), by debiting revenue and capital major heads of accounts. The amounts so transferred are taken as expenditure for the year in the accounts when actual expenditure may or may not have occurred during the year. Over the years, the balance that has been accumulated in the deposit account (MH 8448) stands at ₹ 28,573.60 crore (depicted in **Table 4.3**), by the end of FY 2020-21, which has already been depicted as revenue or capital expenditure in the respective years but are lying unspent in the deposit head. Audit noticed that Panchayati Raj Department and Urban Development Department were among the major defaulting departments in submitting the UCs as discussed in Para No. 4.5. Apart from transfer from revenue and capital heads, it was also observed that ₹ 605.79 crore from Loans and Advances and ₹ 276.69 crore from receipt head have also been transferred to deposit heads. The reason for transfer from Loan and Advances heads and receipt heads could not be ascertained due to absence of reply from the Finance Department.

**Table 4.3: Trend analysis of Transfer of fund to Deposit of Local Funds**

(₹ in crore)

Year	Revenue			Capital			Total	Closing Balance of 8448
	Revenue expenditure as per Finance Accounts	Amount transferred to MH 8448	Percentage of Amount	Capital expenditure as per Finance Accounts	Amount transferred to 8448	Percentage of Amount		
1	2	3	4	5	6	7	8 (3+6)	
2016-17	94,765	6,007	6.34	27,208	14,862	54.62	20,869	13,110.29
2017-18	1,02,624	7,135	6.95	28,907	15,069	52.13	22,204	21,728.33
2018-19	1,24,897	9,306	7.45	21,058	13,606	64.61	22,912	23,181.78
2019-20	1,26,017	14,531	11.53	12,304	11,314	91.95	25,845	24,942.26
2020-21	1,39,493	11,876	8.51	18,209	9,167	50.34	21,043	28,573.60

(Source: Finance Accounts for the respective years)

A trend analysis revealed that from 2016-17 to 2020-21, the revenue expenditure of Local Funds had risen by 47 per cent while the capital expenditure had reduced by 33 per cent. This is in alignment with the expenditure at state level where the revenue expenditure had risen from 89.75 per cent to 108.84 per cent while the capital expenditure had fallen from 125.96 per cent to 49.57 per cent during the same period.

It was also revealed that funds booked under capital expenditure that were transferred to Major Head-8448 ranged from 50 per cent to 92 per cent whereas that under revenue expenditure ranged from 6 per cent to 12 per cent during the last five years, leading to parking of funds. Funds parked in Public Account indicate overstatement of actual capital expenditure incurred.

There were 260 PL Accounts (including seven new PL Accounts) having balance of ₹ 28,376.52 crore, as on 31 March 2021. Further, 18 PL Accounts were not migrated in CFMS which had a balance of ₹ 5.87 crore.



Out of the 260 accounts, there were 13 PL Accounts with a balance of ₹ 6.22 crore, with no transactions for more than five years.

There were 14 PL Accounts in which discrepancies were found between the closing balance of 2018-19 and the opening balance of 2019-20. The discrepancy of ₹ 5.82 crore hasn't been resolved till September 2021. Moreover, difference of ₹ 650.00 crore was noticed in the closing balance of 2019-20 and the opening balance of 2020-21 in one PL Account of Bihar Rajya Pul Nirman Nigam under Road Construction department.

Non-reconciliation of balances of PL Accounts periodically and not transferring the unspent balances lying in PL Accounts to the Consolidated Fund before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

### Issues related to transparency

#### 4.5 Delay in the submission of Utilisation Certificates (UCs)

Rule 341(2) of Bihar Financial Rules (BFR) stipulates that only so much of the grants should be paid during the financial year as are likely to be expended during that year. The authority signing or countersigning a bill for Grant-in-Aid (GIA) under Rule 431 of Bihar Treasury Code (BTC) should see that money is not drawn in advance of requirement. There should be no occasion for rush for payment of these grants in the month of March. Further, the Finance Department's executive order dated 19 October 2011, prescribed a time of 18 months from the date of sanction for submission of UCs.

Year wise break-up of outstanding UCs is depicted in the **Table 4.4**.

**Table 4.4: Year-wise break up of outstanding UCs**

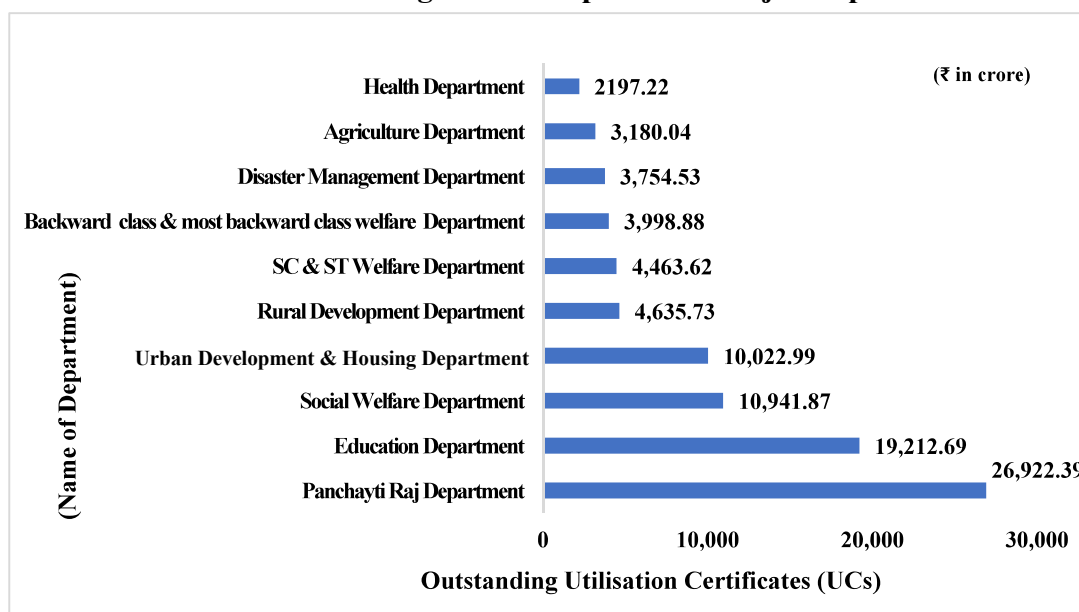
(₹ in crore)

Year*	Number of UCs	Amount
Upto 2018-19	2,633	49,853.07
2019-20	645	26,922.62
2020-21	608	15,911.62
<b>Total</b>	<b>3,886</b>	<b>92,687.31</b>

(Source: Finance Accounts, 2020-21)

\* The year mentioned above relates to "Due year" i.e. after 18 months of actual drawal.

Major defaulting Departments were Panchayati Raj Department (₹ 26,922.39 crore), Education Department (₹ 19,212.69 crore), Social Welfare Department (₹ 10,941.87 crore), Urban Development and Housing Department (₹ 10,022.99 crore), Rural Development Department (₹ 4,635.73 crore) etc., as depicted in **Chart 4.2**.

**Chart 4.2: Outstanding UCs in respect of 10 major Departments**

(Source: Finance Accounts, 2020-21)

While examining Grant No. 42 – Rural Development Department (RDD), it was observed that in some cases, further grant was released subject to submission of UCs within three months. However, the UCs were outstanding beyond that period also.

Out of total GIA of ₹ 54,928.98 crore paid by the Government, ₹ 10,273.35 crore was incurred on creation of Capital Assets during 2020-21. During exit conference on SFAR 2020-21, Finance Department stated that necessary action would be taken for sorting out of utilisation certificates.

Though such instances of non-submission of UCs feature in the reports of C&AG regularly, there has been no improvement in the situation. In many cases, the same recipients continue to receive further grants from the same departments, even while the UCs for earlier grants are pending. High pendency of UCs is fraught with the risk of misappropriation of funds and fraud.

Non-submission of the UCs means that the authorities have not explained how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved.

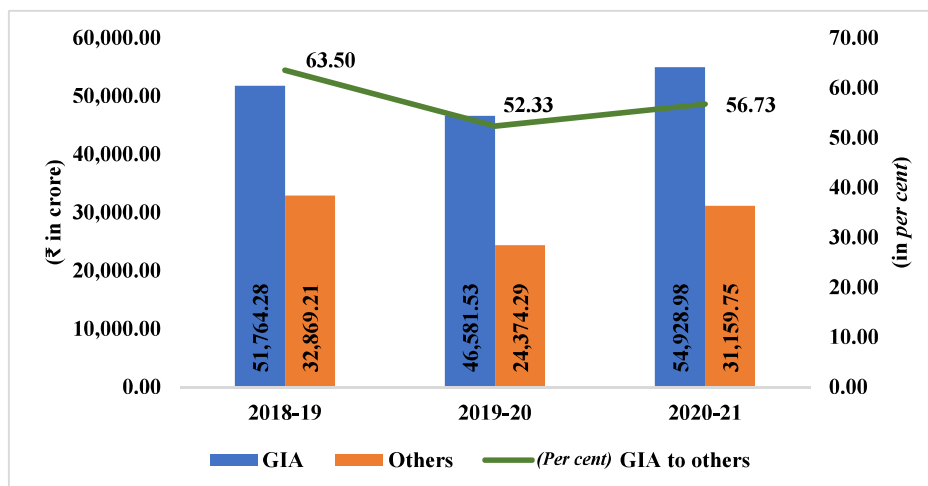
#### 4.5.1 Recording of grantee institution as “Others”

There should be a mechanism in the States for giving institute code to various bodies and authorities receiving GIA from the Government. These grants are also recorded in the Voucher Level Computerisation (VLC) system of the Pr. AG (A&E) office and submission of UCs is monitored against outstanding amounts against each institute. If GIA constitutes a significant portion of the total expenditure of the State, it is essential that the Government provides the details and nature of the Grantee institution to which it is providing funds, in the interests of transparency of Accounts.

During scrutiny, it was observed that the sanctioned amount of GIA and UCs thereof have been recorded in VLC System and department-wise monitoring was done through VLC

System. It was also observed that ₹ 31,159.75 crore (56.73 per cent) was recorded as ‘Others’ out of total GIA amounting to ₹ 54,928.98 crore during 2020-21 (Appendix-III, Finance Accounts, 2020-21). The trend of percentage of GIA shown under type “Others” to total GIA for the last three years is shown in **Chart 4.3**.

**Chart 4.3: Recording of grantee institutions as “Others”**



(Source: Finance Accounts for the respective years)

It is essential that the Government provides the details and nature of the Grantee Institution to which it is providing funds. In the absence of proper code, outstanding amounts against all institutions could not be worked out, which affects the transparency of Accounts.

#### 4.6 Abstract Contingent (AC) Bills

Rule 177 of Bihar Treasury Code (BTC), 2011 provides that a certificate shall be furnished by the Drawing and Disbursing Officer (DDO) to the effect that money withdrawn on the contingent bill shall be spent within the same financial year and that unspent amount shall be remitted to the Treasury before 31 March of the year. Further, as per Rule 194 of the BTC, 2011, countersigned Detailed Contingent (DC) Bill shall be submitted within six months, following the month in which the abstract contingent bill was drawn and no abstract contingent bill shall be cashed after the end of the period of six months unless the detailed contingent bill has been submitted. Year-wise progress in the submission of DC bills against the AC bills is depicted in **Table 4.5**.

**Table 4.5: Year-wise progress in the submission of DC bills against the AC bills**

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	1,05,710	48,335	0	0	91,203	43,940.63	14,507	4,394.37
2019-20	14,507	4,394.37	5,689	4,231.06	0	0	20,196	8,625.43
2020-21	20,196	8,625.43	6,308	4,834.28	0	0	26,504	13,459.71

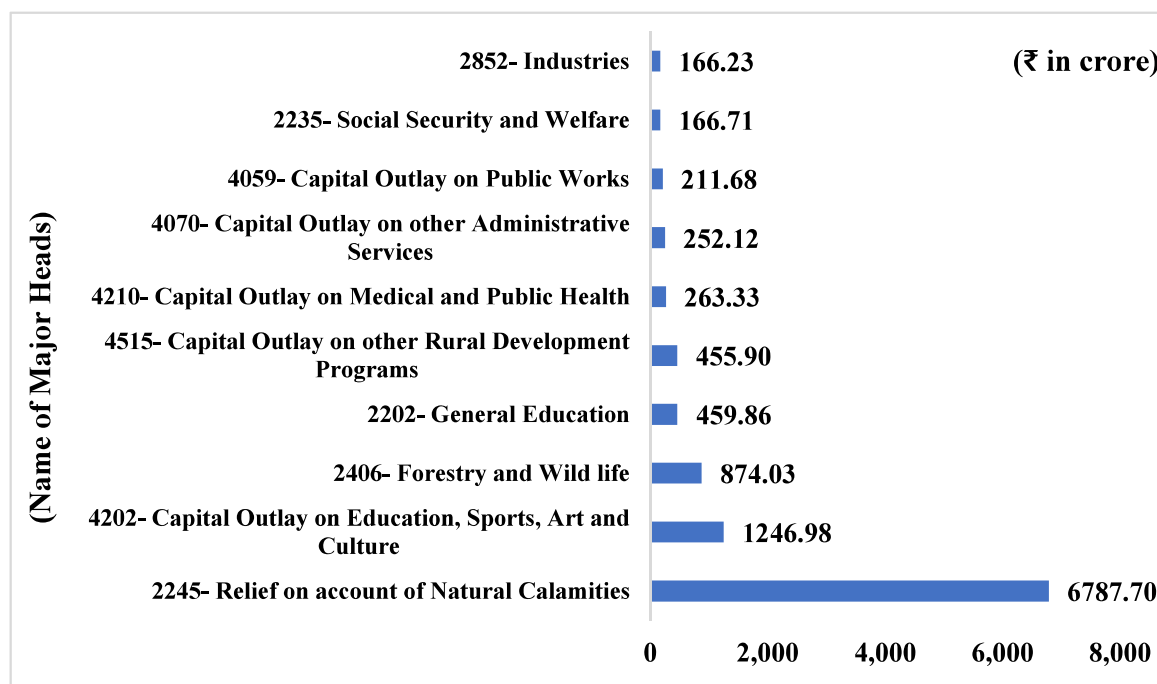
(Source: Data Provided by A&E office)

During the year 2020-21, 1833 AC Bills amounting to ₹ 429.32 crore (8.88 per cent of the total drawn 6,308 AC Bills amounting to ₹ 4,834.28 crore) were drawn in March 2021. 602 AC Bills amounting to ₹ 291.92 crore (6.04 per cent of the total drawn AC Bills) were drawn under various Capital Heads for Creation of Capital Assets.

Trend analysis of VLC data (2016-17 to 2020-21), revealed that ₹ 3,637.21 crore was drawn for Capital Expenditure under MH 4047 to MH 5475. Out of these, ₹ 2,490.34 crore was unadjusted till March 2021. Reason behind the drawal of advance for such capital nature of expenditure could not be ascertained.

Major Head-wise pending DC bills are shown in **Chart 4.4**.

**Chart 4.4: Pending DC Bills in respect of Major Head**



(Source: Finance Accounts, 2020-21)

Expenditure against AC bills at the end of the year and for the creation of capital assets indicates poor public expenditure management and indicates drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation.

Non-submission of DC bills within the prescribed time breaches financial discipline and enhances the risk of misappropriation of public money.

#### **4.6.1 Non-implementation of DC and UC bill functionality under “Online Bill preparation and submission” module in CFMS**

GoB has initiated a project for seamless interaction of all financial activities in the form of CFMS from 01 April 2019. Government stated that eight modules including expenditure management are fully functional. A module was required to be developed for tracking and monitoring of AC/DC and UC bills. Audit reviewed the functioning of the “On-line Bill Preparation and Submission” Module of CFMS and noticed that form and provision for AC bill and GIA bill had been implemented in CFMS as intended. However, the corresponding provision for adjustment of AC bill had not yet been implemented, as of August 2021. The consequence of DC bills not being routed through CFMS means that the pending AC bills cannot be monitored in CFMS, defeating the entire purpose of the Module.

During exit conference on Finance Accounts and Appropriation Accounts (October 2021) with Pr. AG (A&E), Addl. Chief Secretary, Finance Department stated that DC bill functionality in CFMS is intended to be made operational during 2021-22.

#### 4.7 Personal Deposit (PD) Accounts

Rule 339 of BTC, 2011 describes that no Personal Deposit Accounts shall be opened at the Treasury without the written authorisation of the Finance Department under intimation to the Accountant General. Rule 340(b) says that this Account shall only be used for special cases where Public interest requires speed of expenditure not possible through the normal treasury procedure or there are a large number of small beneficiaries dispersed in interiors such that direct disbursement through the treasury is not practicable. Transfer of funds to PD accounts is booked as final expenditure from the Consolidated Fund under the concerned service Major Heads. PD administrators are required to review all PD Accounts at end of the financial year and transfer the amount lying unspent after five consecutive financial years (including the financial year in which the money was withdrawn)<sup>32</sup> back to Consolidated Fund by reduction of expenditure to the service head.

As per the notification<sup>33</sup> issued by Finance Department, GoB, “all PD/Personal Ledger (PL) Accounts opened prior to the date 01-04-2019, will be treated to be opened on 01-04-2019 as a default under CFMS and the unutilised amount lying in PD/PL Accounts shall lapse at the end of five subsequent financial years”. The concept of inoperative PD Accounts would therefore be nullified.

During scrutiny, it was revealed that ₹ 3,811.33 crore was lying with 252 Administrators at the end of the March 2021 as depicted in **Table 4.6**. Moreover, difference of ₹ 9.18 crore was noticed between the closing balance of PD Accounts and Finance Accounts (Statement-21, Major Head 8443-106).

Besides these, 10 PD Accounts, in which an amount of ₹ 1.54 crore is lying are yet to be migrated from CTMIS to CFMS which have not been included.

**Table 4.6: Details of PD Accounts as per CFMS during 2020-21**

(₹ in crore)

Opening Balance as on 01.04.2020		Addition during the year		Closing during the year		Closing Balance as on 31.03.2021	
Number of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount
158 <sup>1</sup>	3,312.94	90 <sup>2</sup>	1,061.65	0	563.26	252 <sup>3</sup>	3,811.33

(Source: Finance Accounts, 2020-21)

Note-

1. Out of 158, there are two new PD accounts of which one closed in 2017 as per record of AG office still appeared in CFMS.
2. There were 90 new PD accounts which have been opened in which an amount of ₹ 199.17 crore was credited.
3. Out of 252 PD accounts, 2 PD Accounts have been migrated in CFMS during the year. 2 New PD Accounts appeared in this year of which one was closed in the year 2017 as per record of AG office and one PD Accounts appeared as new in CFMS but not available in Pre CFMS data base.

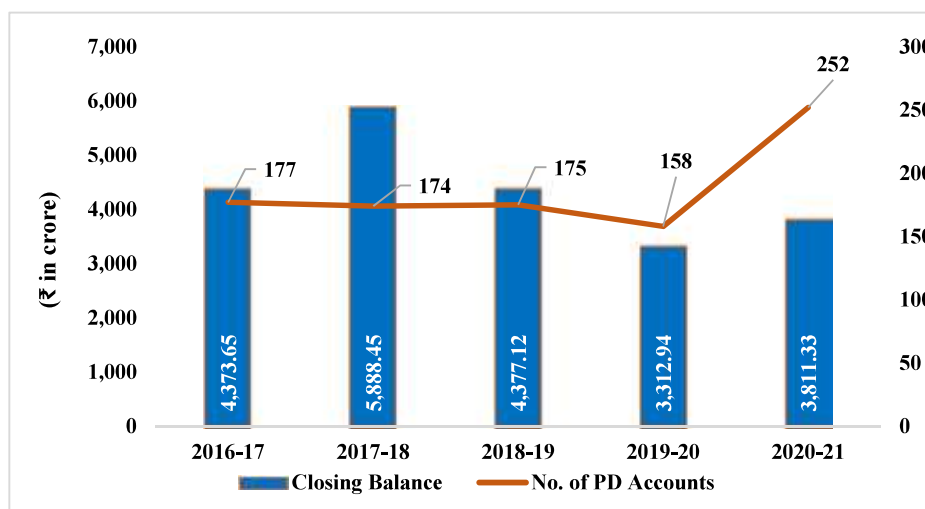
<sup>32</sup> GoB Notification no. 6679, dt: 23.08.2016

<sup>33</sup> Notification no. M-4-02/2020-2916/F Dt: 03.06.2020



The trend of closing balance in PD accounts at the end of the years as detailed in **Chart 4.5**.

**Chart 4.5: Closing Balance in PD Accounts during 2016-17 to 2020-21**



(Source: Finance Accounts for the respective years)

During the year 2016-17 to 2020-21, 89 PD accounts were found where transactions had not been made for the last five years.

Non-reconciliation of balances in PD accounts periodically and non-transfer of unspent balances 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. The State should i) discourage blocking of funds under PD accounts which leads to reduced scrutiny from legislature and ii) ensure strict compliance with the extant provisions.

#### 4.8 Indiscriminate use of Minor Head 800

Minor Head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the Accounts. Routine operation of Minor Head 800 is to be discouraged since it renders the Accounts opaque, as these heads do not disclose the concerned schemes, programmes, etc. During 2020-21, expenditure of ₹ 132.24 crore (0.08 per cent) was incurred through '800' Minor Head out of total expenditure of ₹ 1,57,702.05 crore. The receipt of ₹ 3,364.36 crore (2.62 per cent) was booked through '800' Minor Head out of total revenue receipt of ₹ 1,28,168.34 crore. Significant Expenditure and Receipt (50 per cent and above) under Minor Head '800' are mentioned in **Tables 4.7 and 4.8** respectively.

**Table 4.7: Significant expenditure booked under Minor Head 800 –“Other Expenditure” during the financial year (50 per cent and above)**

(₹ in crore)

Sl. No.	Major Heads	Nomenclature	Total Expenditure	Expenditure under Minor Head 800	Percentage of Expenditure under Minor Head 800 to Total Expenditure
1	2250	Other Social Services	13.71	17.01 <sup>34</sup>	124.09
2	5475	Capital Outlay on Other General Economic Services	53.47	53.47	100.00

(Source: Finance Accounts, 2020-21)

<sup>34</sup> Out of ₹ 17.01 crore, ₹ 3.30 crore was recoveries of overpayments (₹ 3.65 crore- ₹ 0.35 crore was under Administration of Religious and charitable Endowments Acts)

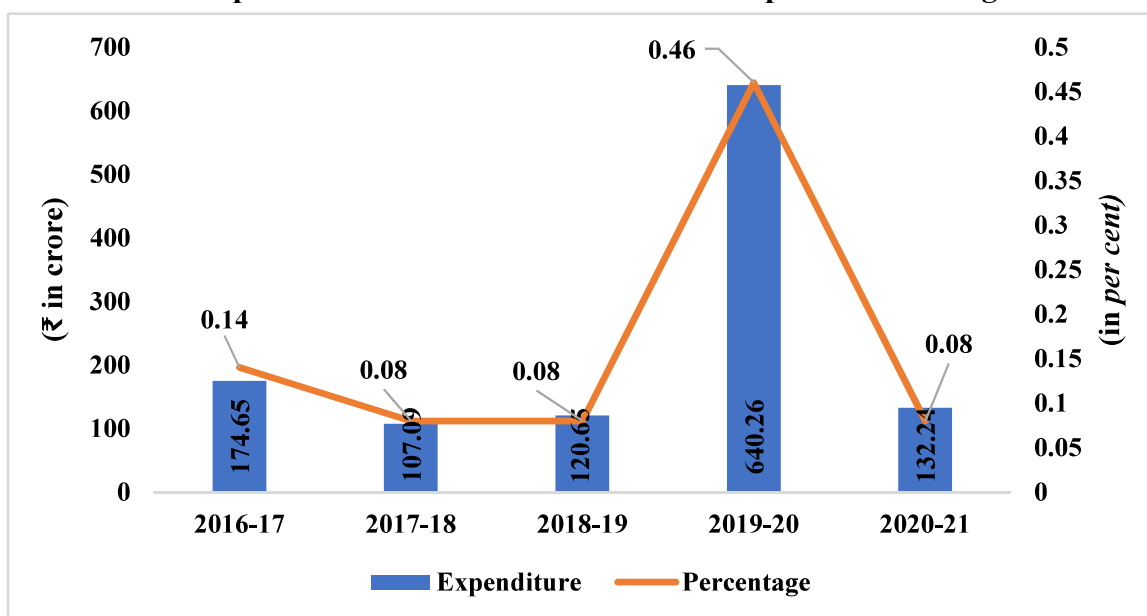
**Table 4.8: Significant receipts booked under Minor Head 800 – “Other Receipts” during the financial year (50 per cent and above)**

(₹ in crore)

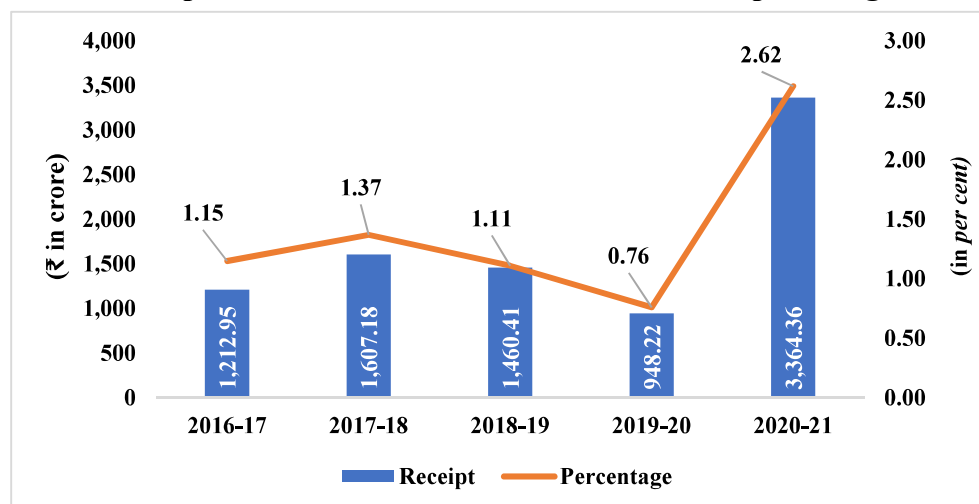
Sl. No.	Major Heads	Nomenclature	Total Receipts	Receipts under Minor Head 800	Percentage of receipts under Minor Head 800 to Total Receipts
1	0049	Interest Receipts	3,240.62	3,063.65	94.54
2	0059	Public Works	4.79	4.46	93.03
3	0070	Other Administrative Services	27.88	15.67	56.21
4	0075	Miscellaneous General Services	33.75	28.54	85.01
5	0230	Labour and Employment	11.36	7.98	70.26
6	0235	Social Security and Welfare	0.06	0.06	100.00
7	0401	Crop Husbandry	8.47	4.71	55.68
8	0426	Co-operation	6.17	3.28	53.10
9	0851	Village and Small Industries	0.10	0.10	100.00
10	0852	Industries	0.11	0.11	100.00
11	1053	Civil Aviation	3.15	3.13	99.32
12	1056	Inland Water Transport	0.01	0.01	100.00
13	1456	Civil Supplies	0.01	0.01	100.00

(Source: Finance Accounts, 2020-21)

Further, expenditure under Minor Head ‘800’ had decreased from ₹ 174.65 to ₹ 132.24 crore and receipt had increased from ₹ 1,212.95 to ₹ 3,364.36 crore during 2016-17 to 2020-21 as depicted in **Chart 4.6** and **Chart 4.7** respectively.

**Chart 4.6: Operation of Minor Head 800 - Other Expenditure during 2016-21**

(Source: Finance Accounts, 2016-17 to 2020-21)

**Chart 4.7: Operation of Minor Head 800 - Other Receipt during 2016-21**

(Source: Finance Accounts, 2016-17 to 2020-21)

During 2020-21, major expenditure was booked under Minor Head ‘800’ from Major head 5475-Capital Outlay on Other General Economic Services (₹ 53.47 crore), 2250- Other Social Service (₹ 17.01 crore) and major receipt was booked under the major head 0049-Interest Receipts (₹ 3,063.65 crore).

As per fiscal prudence, Minor Head 800 is to be utilised only for those receipts and expenditure which are non-recurring in nature and the immediate Head of Account under which it could be booked is not readily available.

Time series data where significant receipt booked under Minor Head 800-“Other Receipts” and “Other Expenditure” are depicted in Table 4.9 and 4.10.

**Table 4.9: Time series data where significant receipts were booked under Minor Head 800 – “Other Receipts”**

(₹ in crore)

Sl. No.	Major Heads	Nomenclature	2016-17	2017-18	2018-19	2019-20	2020-21
1	0049	Interest Receipts	133.37	776.94	261.57	478.10	3,063.65
2	0070	Other Administrative Services	84.02	7.12	35.43	126.42	15.67
3	0230	Labour and Employment	9.12	14.00	12.41	7.76	7.98
4	0401	Crop Husbandry	5.17	7.57	6.89	5.97	4.71
5	1053	Civil Aviation	3.45	3.82	6.50	1.58	3.13

(Source: - Finance Accounts of respective year)

**Table 4.10: Time series data where significant expenditure were booked under Minor Head 800-“Other Expenditure”**

(₹ in crore)

Sl. No.	Major Heads	Nomenclature	2016-17	2017-18	2018-19	2019-20	2020-21
1	2250	Other Social Services	12.96	4.40	5.04	21.25	17.01

(Source: Finance Accounts of the respective year)

Trend analysis revealed that some Major Heads were frequently in use for booking under Minor Head 800 “Other Receipts and “Other Expenditure”. During 2020-21, it observed that ₹ 2,599.99 crore interest receipt from deposit fund (redemption of accrued interest of Consolidated Sinking Fund) under Major Head 0049. This amount was intended to redeem

the Bihar State Development Loan<sup>35</sup> through interest income accrued and accumulated in Bihar Consolidated Sinking Fund (CSF).

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

### Issues related to measurement

#### 4.9 Outstanding balance under major Suspense and Debt, Deposit and Remittance (DDR) heads

Certain intermediary/ adjusting Heads of Account known as 8658-Suspense Heads are operated in Government Accounts to reflect transactions of receipt and payment which cannot be booked to a final Head of Account due to lack of information as to their nature or for other reasons. The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. The position of gross figures under some of the major Suspense and Remittance heads at the end of the last three years is indicated in **Table 4.11**.

**Table 4.11: Balances under Suspense and Remittance Heads**

(₹ in crore)

Minor Head	2018-19		2019-20		2020-21	
Major Head 8658 - Suspense	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101 - PAO suspense	314.56	0	289.23	0	313.90	0
Net	Dr. 314.56		Dr. 289.23		Dr. 313.90	
102 - Suspense Account-Civil	4,408.94	452.87	10,495.81	638.35	15,598.70	1,070.92
Net	Dr. 3,956.07		Dr. 9,857.46		Dr. 14,527.78	
107 - Cash Settlement Suspense Account	0	32.29	0	32.29	0	32.29
Net	Cr. 32.29		Cr. 32.29		Cr. 32.29	
109 - Reserve Bank Suspense – Headquarters	264.57	(-) 0.01	249.56	2.56	262.64	0
Net	Dr. 264.58		Dr. 247.00		Dr. 262.64	
110 - Reserve Bank Suspense – CAO	1,280.04	894.61	1,194.19	894.61	1,501.24	895.64
Net	Dr. 385.43		Dr. 299.58		Dr. 605.60	
112 - Tax Deducted at Source (TDS) Suspense	1,126.83	1,455.19	953.83	1,281.53	994.38	1,459.04
Net	Cr. 328.36		Cr. 327.70		Cr. 464.66	
123 - A.I.S Officers’ Group Insurance Scheme	0.45	6.91	0.35	6.53	0.27	6.24
Net	Cr. 6.46		Cr. 6.18		Cr. 5.97	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	16,746.56	15,838.27	16,748.75	15,837.56	16,749.16	15,837.54
Net	Dr. 908.29		Dr. 911.19		Dr. 911.62	
103 - Forest Remittances	3,146.33	2,937.60	3,146.65	2,938.38	3,147.35	2,943.86
Net	Dr. 208.73		Dr. 208.27		Dr. 203.49	

(Source: Finance Accounts 2018-19 to 2020-21)

Office of the Pr. Accountant General (A&E) had made objections in 14,424 number of vouchers for the FY 2020-21, amounting to ₹ 4,548.13 crore (Revenue expenditure,

<sup>35</sup> ₹ 600 crore dt 03.03.2021, ₹ 1000 crore dt 07.04.2020 and ₹ 1000 crore dt 08.12.2020

₹ 1,356.46 crore and Capital expenditure, ₹ 3,191.67 crore) mainly due to non-attachment of sanction orders /pension payment documents/running bills/sub-vouchers etc. All vouchers were not rectified till the finalisation of accounts of the year 2020-21.

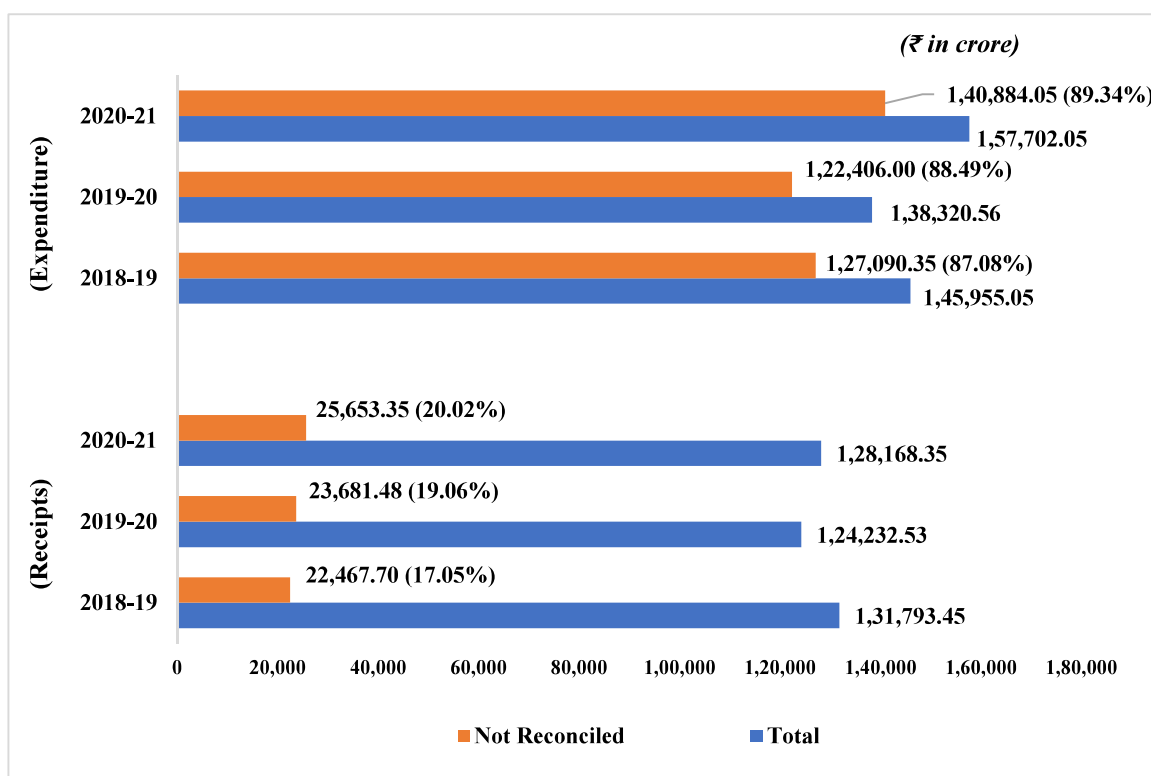
Clearance of suspense and remittance items depends on the details furnished by the State Treasuries (including Works and Forest Divisions, etc.). If these amounts remain unsettled, the balances under the Suspense Heads would accumulate and it would not reflect a true and fair picture of the Government expenditure.

#### 4.10 Non-reconciliation of Departmental figures

For the Controlling Officers of the Departments to exercise effective control over spending, in order to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of AG (A&E) office.

However, it was observed that the Reconciliation Module hasn't been operationalised yet. The trend of non-reconciliation in receipt and expenditure had increased from 2018-19 to 2020-21. Further, the status of non-reconciliation during the last three years has been shown in **Chart 4.8**.

**Chart 4.8: Status of non-reconciliation during last three years**



Source: Finance Accounts for the respective years and data provided by A&E office)

Non-reconciliation of accounts has an impact on the assurance of the completeness and correctness of the receipts and expenditure figures depicted in the accounts. Failure to adhere to the codal provisions and executive instructions in this regard not only results in misclassification but also defeats the objective of the budgetary process.



### 4.11 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India (RBI).

However, Cash balance as on 31 March 2021 as per record of Pr. AG (A&E) was ₹ 301.79 crore (Debit) and that reported by the RBI was ₹ 9.37 crore (Debit). There was a net difference of ₹ 311.16 crore (Debit), mainly due to non-receipt of adjustment from RBI and non-receipt of revised accounts from treasuries. Out of net difference of ₹ 311.16 crore (Debit), ₹ 37.11 crore (Debit) pertains to the period prior to 2016-17.

### 4.12 Adverse Balances under Public Account

Adverse balances arise when transactions are erroneously credited instead of being debited and vice-versa. Some of the significant adverse balances are depicted below in **Table 4.12**, which are under Public Account Head and appear in the Finance Account of 2020-21.

**Table 4.12: Adverse balances under Public Account During 2020-21**

(₹ in crore)

Major Heads	Major Head Description	Minus Balance
8011	Insurance and Pension Funds	(-)483.91
8336	Civil Deposits	(-)0.55

(Source: Finance Accounts, 2020-21)

### Issues related to disclosure

### 4.13 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the CAG, prescribe the form of Accounts of the Union and of the States. CAG of India had set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting and to enhance accountability mechanisms. On the advice of the CAG, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance with Accounting Standards is depicted in **Table 4.13**.

**Table 4.13: Compliance with Accounting Standards**

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	<b>IGAS-1:</b> Guarantees Given by the Government – Disclosure requirements	<ul style="list-style-type: none"> <li>To ensure uniform and complete disclosure of such Guarantees.</li> <li>Class-wise and Sector-wise disclosures</li> </ul>	Statements 9 and 20 of Finance Accounts have been prepared. However, disclosure is incomplete since the State Government doesn't disclose complete details in class-wise & sector-wise.	All Guarantors, Departments of State Govt. and guarantees made during the year could not be ascertained.
2.	<b>IGAS-2:</b> Accounting and Classification of Grants-in-Aid	<ul style="list-style-type: none"> <li>For Accounting and classification of Grants-in-aid both as a grantor as well as a grantee.</li> </ul>	Statement 10 of Finance Accounts has been prepared. However, detailed information in respect of Grants-in-aid given in kind has not been furnished by the State Government.	Amount of GIA received under grants given in kind could not be ascertained.

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
3.	<b>IGAS-3:</b> Loans and Advances made by Government	<ul style="list-style-type: none"> <li>For recognition, measurement, valuation and reporting in respect of Loans and Advances</li> <li>To ensure complete, accurate and uniform accounting practices,</li> <li>To ensure adequate disclosure on Loans and Advances</li> </ul>	<ul style="list-style-type: none"> <li>Statement 7 and 18 of Finance Accounts have been prepared. However, the closing balances depicted in above statements have not been reconciled with the Loanee Entities/ State Government. The State Government has also not furnished the figures in respect of certain Loans and Advances.</li> <li>Disclosure regarding 'Repayment in arrears from other Loanee Entities', 'Write-off of irrecoverable Loans and Advances', and 'Cases of a Loan having been sanctioned as Loan in Perpetuity could not be made as this information was not provided by the State Government.</li> </ul>	'Disclosure regarding Repayment in arrears from other Loanee Entities', 'Write-off of irrecoverable Loans and Advances' and 'Cases of a Loan having been sanctioned as Loan in Perpetuity could not be ascertained as data were not provided by the State Government.

(Source: Finance Accounts 2020-21)

#### 4.14 Timeliness and Quality of Accounts

The accounts of receipts and expenditure of the GoB have been compiled based on the initial accounts rendered by 76 Treasuries and other Accounts Rendering Units (ARUs). GoB had discontinued direct rendering of Accounts by Public Works Divisions and Forest Divisions to AG Office with effect from 01.04.2019 and their transactions are now routed through the Treasuries.

As per monthly accounts closing report for the year 2020-21, it was revealed that Accounts pertaining to April, 2020 was closed on 08.12.2020, i.e., after a lapse of more than six months. After that rest of monthly accounts were closed in regular interval but March 2021 was closed on 04.05.2021.

Due to failure of the ARUs to furnish accounts on time, in the month of February 2021, it was excluded in the Monthly Civil Accounts of the respective month. No account was excluded at the end of the year.

Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments etc., during the year.

#### Other Issues

#### 4.15 Misappropriations, losses, thefts, etc.

Rule 31 of Bihar Financial Rules provides that loss of public money, Government revenue, stores, or other property by defalcation or otherwise should be immediately reported by the office to the higher authority, Finance Department as well as to the Accountant General

(Audit), even when such loss has been made good by the party responsible for it. Such reports must be submitted as soon as suspicion arises that there has been a loss, and these must not be delayed while enquiries are made. Out of 44 departments, seven departments had furnished 'Nil' information and only Minority Welfare Department, GoB had intimated about 11 cases relates with misappropriation/losses/theft of Government material amounting to ₹ 6.49 crore. However departmental action had been initiated but not finalise as yet.

#### 4.16 Follow up action on State Finances Audit Report

The Public Account Committee (PAC) requires the concerned Departments to provide a suo motu Explanatory Note on the paragraphs featuring in the Audit Reports after placing the Reports in the Legislature. The concerned Departments are also required to provide Action Taken Notes (ATNs) to the AG (for vetting and onward transmission to the PAC).

During 2020-21, the PAC didn't hold any sittings for discussion on the SFARs. Out of 306 Paras pertaining to the year from 2008-09 to 2018-19, only 03 paras were discussed till March 2021. A total 303 Paras of SFARs are pending for discussion.

At the instance of the PAC, the Finance Department should have issued instructions to all the Departments to initiate suo moto action on all paragraphs and reviews featuring in the Audit Reports irrespective of whether the cases had been taken up for examination by the PAC or not.

#### 4.17 Apportionment of balances on reorganisation of the state

The Bihar Reorganisation Act 2000 provides for the manner in which balances appearing under Capital (MH 4059 to 5475), Loans and Advances (MH 6202 to 7615) and the balances under part-III Public Account (except Deposit with Reserve Bank) as on the date of bifurcation of the State *i.e.* 15 November 2000 were to be apportioned. An amount of ₹ 11,148.69 crore has to be bifurcated under the above Heads which have been given in Appendix-XIII of Finance Accounts (Volume II). Government of Jharkhand had some objection on the proposed apportionment of certain items which were verified and corrected by Accountant General (A&E), Bihar. The same has been sent to Government of Bihar for their concurrence on 13 December 2018. Concurrence of Government of Bihar is still awaited.

#### 4.18 Unadjusted Temporary advance/Imprest

As per Rule 177 of the Bihar Treasury Code 2011, no money should be withdrawn from the treasury unless it is required for immediate payment. If under special circumstances, money is drawn in advance, the unspent balance of the amount so drawn should be refunded to the treasury by short drawal in the next bill or with a challan at the earliest and in any case before the end of the financial year in which the amount is drawn.

As on 31 March 2021, ₹ 184.52 crore, which should have been refunded to the treasury in terms of these instructions, remained outstanding as un-adjusted advance. Apart from this, an amount of ₹ 25.46 crore was also kept in the imprest, by the Public Works Divisions. Details are given in **Table 4.14**.

**Table 4.14: Unadjusted Temporary Advance/Imprest as on 31 March 2021***(₹ in crore)*

Sl. No.	Name of the Department	Total amount of unadjusted Temporary advance and Imprest		
		Temporary advance	Imprest	Total
1	Building Construction	5.45	7.08	12.53
2	Irrigation	25.25	1.65	26.90
3	National Highways	0.78	0.09	0.87
4	Public Health Engineering	8.15	0.48	8.63
5	Road Construction	67.43	0.29	67.72
6	Rural Works	5.96	10.31	16.27
7	Local Area Engineering Organisation	59.48	5.33	64.81
8	Tube wells and Minor Irrigation	12.02	0.23	12.25
<b>Total</b>		<b>184.52</b>	<b>25.46</b>	<b>209.98</b>

*(Source: Finance Accounts, 2020-21)***4.19 Conclusions**

Positive Indicators	Negative Indicators
	Continuing cases of levies maintaining fund outside Public Accounts of the State
	Increasing number of outstanding UCs
	Increasing number of outstanding DC bills
	Increasing amount under Suspense heads
	Increasing non-discharge of liability in respect of interest on deposits
	Increasing arrears in respect of annual Accounts of PSUs and autonomous bodies

**4.20 Recommendations**

The Finance Department should:

- DC bill provision to be provided in CFMS
- review all PD Accounts and ensure that
  - all amounts lying in PD Accounts at the end of the year are immediately remitted to the Consolidated fund;
  - appropriate action is taken against Department and Treasury officers who fail to follow the financial rules relating to PD Accounts.
- conduct a comprehensive review of all items presently appearing under the minor head 800 and ensure that such receipts and expenditures are booked under appropriate heads of Accounts, in consultation with the AG (A&E).
- prescribe a time frame within which the administrative department collects pending UCs and ensure that till such time no further grants release to defaulting grantees. Responsibility should be fixed for non-submission of outstanding UCs.

- 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. Responsibility should be fixed for the undue delay in adjustment of pending AC bills.
- expedite the apportionment of balances between the two successor States.