

3.1 Introduction

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.

3.1.1 Budget Process

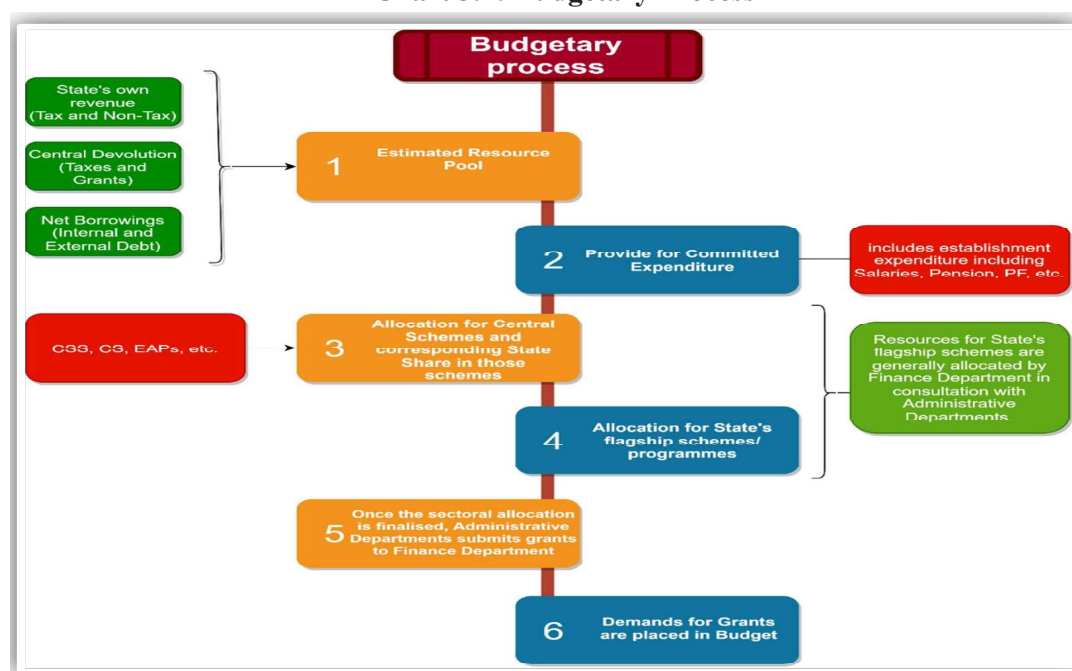
The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The Budget process commences with the issuance of the Budget Circular by the Finance Department containing instructions to be followed by all Departments in the preparation of revised estimates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

GoB has initiated a project for seamless integration of all financial activities in the form of Comprehensive Financial Management System (CFMS) from 01 April-2019 which replaces the present 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.

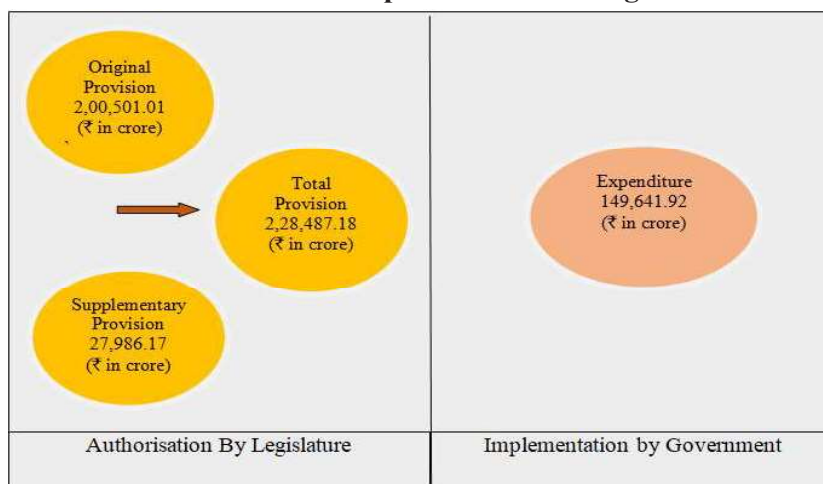
A typical budget preparation process in a State is given in Chart 3.1:

Chart 3.1: Budgetary Process



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

Chart 3.2: Components of the budget



The supplementary provision was completely unnecessary in many grants as the expenditure was not even upto the level of original provision (details are discussed in **para 3.4**).

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

A summarised position of total budget provision, disbursement, and saving/ excess with its further bifurcation into voted and charged is as under.

Table 3.1: Budget provision, disbursement and saving/excess during 2019-20

(₹ in crore)

	Total Budget Provision		Disbursements		Saving/Excess	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	1,65,461.84	12,190.51	1,15,075.82	12,025.85	50,386.02	164.66 ¹⁴
Capital	43,167.30	7,667.53	15,430.42	7,109.83	27,736.88	557.70
Total	2,08,629.14	19,858.04	1,30,506.24	19,135.68	78,122.90	722.36

(Source: Appropriation Accounts of the year 2019-20)

3.1.3 Charged and voted disbursements

Break-up of total disbursement into charged and voted during the last five years (2015-20) is depicted in Table 3.2.

Table 3.2: Charged and Voted Expenditure during 2015-16 to 2019-20

(₹ in crore)

Year	Disbursements		Saving/Excess	
	Voted	Charged	Voted	Charged
2015-16	1,01,450.02	11,848.75	34,905.20	227.61
2016-17	1,14,849.67	13,148.65	40,976.08	377.23
2017-18	1,26,263.69	14,683.63	45,757.76	638.90
2018-19	1,42,022.59	18,294.88	48,352.56	819.60
2019-20	1,30,506.24	19,135.68	78,122.90	722.36

(Source: Appropriation Accounts for respective years)

¹⁴ Includes the Excess Expenditure of ₹ 2.30 crore in Grant no 32.

3.2 Appropriation Accounts

Appropriation Accounts depict the original budget provision, supplementary grants, surrenders, 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 appropriations 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.

3.3 Comments on the integrity of Budgetary and accounting process

Budget integrity means public funds are to be 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. By improving the capacity of the department to produce accurate and timely budget reports, the Government would improve budget integrity and strengthen accountability in the use of public funds.

3.3.1 Expenditure incurred without the authority of law

No money is to be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the article 204 of the Constitution of India. Expenditure on a new scheme should not be incurred on a scheme/ service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant, appropriation, or an advance from the Contingency Fund of the State. Details of expenditure without budget provision are depicted in **Table 3.3**.

Table 3.3: Details of Expenditure without Budget Provision

(₹ in lakh)

Sl. No	Grant No	Description of Accounts	Expenditure
1.	17	2040-00-101-0001-District Charges	1.63
2.	20	2211-00-001-0104-Health and Medical Education in Human Resources	3.61
3.	22	2055-00-111-0001-Drive against Ticketless Travelers	2.71
4.		2055-00-800-0001-Expenditure on Deputation of Para Military Force	0.45
5.		2055-00-800-0004-Expenditure on security in Terrorism affected Areas (Recoupment by Central Government)	0.06
6.	48	2217-80-800-0125-e-Governance/Urban Reforms Programmes and equivalent programme thereof	4.80
7.	51	2236-02-101-Scheme for distribution of nutritious food to pregnant women, children, and nursing mother	5.32
Total			18.58

(Source: Detailed Appropriation Accounts for the year 2019-20)

These expenditures incurred without any original/supplementary budgetary provision, lead to breach of the constitutional provision. Reply awaited (May 2021).

3.3.2 Misclassification of Revenue Expenditure as Capital Expenditure and vice versa

Capital Expenditure is broadly the expenditure incurred with the objective of creating/acquiring/increasing concrete assets of a material and permanent character or reducing permanent liabilities. All other expenditure incurred for the running of the entity including the establishment and administrative expenditure and for maintenance of its assets is classified as Revenue Expenditure. During 2019-20, there was an expenditure of ₹ 50.45 crore incurred on the establishment, and administrative heads which was classified as Capital expenditure. Details are depicted in **Table 3.4**.

Table: 3.4 Misclassification of Revenue expenditure as Capital expenditure

(₹ in crore)

Sr. No.	Type of Misclassification	Amount
1.	Salary	42.49
2.	Commercial and Special Services	4.58
3.	Office expenses	2.58
4.	Traveling expenses	0.10
5.	Other Administrative Expenses	0.32
6.	Dress and Uniform	0.06
7.	Rent Rate and taxes	0.26
8.	Medical Reimbursement	0.06
	Total	50.45

(Source: Finance Account 2019-20)

Misclassification of the revenue expenditure as capital expenditure resulted in the overstatement of capital expenditure.

3.3.3 Unnecessary or excessive supplementary grants

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.

During 2019-20, in 51 cases (39 grants/appropriations), supplementary provisions amounting to ₹ 21,084.50 crore (₹ 1 crore or more in each case) proved unnecessary and remained *per cent* unutilised as the expenditure (₹ 1,14,219.75 crore) had not even reached up to the level of the original provision (₹ 1,62,210.58 crore) as detailed in **Appendix 3.1**.

However, there were seven significant cases where supplementary provision of ₹ 15,070.29 crore (1,000 crore and above in each case) which proved unnecessary as evident from the table below.

Table 3.5: Cases where supplementary provisions (₹ 1,000 Crore or more in each case) proved unnecessary

(₹ in crore)

Sl. No.	Number and Name of the Grant	Original Provision	Supplementary Provision	Expenditure	Savings out of Original Provision
	Revenue (Voted)				
1.	16- Panchayati Raj Department	11,956.31	1,420.04	8,689.62	3,266.69
2.	20- Health Department	7,693.06	1,590.75	6,960.84	732.22
3.	21- Education Department	34,027.21	3,033.56	25,958.41	8,068.80

Sl. No.	Number and Name of the Grant	Original Provision	Supplementary Provision	Expenditure	Savings out of Original Provision
4.	39-Disaster management Department	4,314.76	3,037.12	3,621.18	693.58
5.	42- Rural Development Department	15,639.03	2,924.05	9,692.46	5,946.57
6.	48- Urban Development and Housing Department	5,148.79	1,086.25	2,984.53	2,164.26
(A)	Total for Revenue (Voted)	78,779.16	13,091.77	57,907.04	20,872.12
	Capital (Voted)				
7.	49-Water Resources Department	2,529.66	1,978.52	954.33	1,575.33
(B)	Total Capital (Voted)	2,529.66	1,978.52	954.33	1,575.33
	Grand Total	81,308.82	15,070.29	58,861.37	22,447.45

(Source: Appropriation Accounts for the year 2019-20)

In absence of adequate justification, Supplementary Grants were obtained despite savings against Original Grants. Thus, other departments could not avail funds for incomplete schemes.

3.3.4 Unnecessary and Excessive re-appropriation

Re-appropriation of ₹ 202.73 crore under 30 grants/appropriations involving 67 detailed heads proved unnecessary as ₹ 143.33 crore was surrendered and the final savings were ₹ 880.95 crore (*Appendix 3.2*).

It was also seen that ₹ 1,008 crore provided through re-appropriation in eight grants/appropriations involving 16 detailed heads, proved excessive in view of savings (more than 50 lakh in each case) of ₹ 324.49 crore (*Appendix 3.3*). This indicates injudicious re-appropriation without assessing actual requirements.

In 59 cases under 15 grants/appropriations out of 51 grants, an amount of ₹ 106.67 crore was re-appropriated for which re-appropriation orders were issued on 31 March 2020 as depicted in *Appendix 3.4*. The re-appropriation without a specific reason for it 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.

3.3.5 Unspent amount and surrendered appropriations and/or Large Savings/Surrender

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

During 2019-20, there were 51 cases of savings under voted and charged expenditure related to 49 grants, each exceeding ₹ 100 crore and above, amounting to ₹ 77,502.41 crore (37.49 per cent of total provisions of ₹ 2,06,717.97 crore) as detailed in *Appendix 3.5*.

Further, there were significant variations (20 per cent and above in each case) between the total grant/appropriation and expenditure incurred leading to savings of ₹ 72,976.16 crore under 42 grants/ appropriations, the reasons for which have not been appropriately explained in the Appropriation Accounts as detailed in *Appendix 3.6*.

Scrutiny of savings of ₹ 100 crore and above in each grant/appropriation during the last five years revealed that in 29 cases involving 26 grants, there were persistent total savings of ₹ 29,680.66 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 2019-20 are depicted in **Table 3.6**.

Table 3.6: Grants/Appropriations with Budget utilisation less than 50 per cent (in 2019-20)

(₹ in crore)

Sl. No.	Grant No.	2015-16	2016-17	2017-18	2018-19	2019-20	Number of Years*	Budget 2019-20
1.	3	59.06	50.78	51.50	72.75	29.78	1	5,988.35
2.	4	71.54	78.95	60.02	62.03	49.19	1	618.89
3.	5	76.99	78.57	70.42	84.69	4.31	1	30.89
4.	9	67.16	66.55	78.62	62.61	25.77	1	2,302.61
5.	23	71.77	77.53	73.35	85.01	46.78	1	930.47
6.	30	90.25	87.52	50.68	57.59	48.98	1	510.22
7.	37	84.45	94.55	68.71	34.37	29.41	2	12,067.97
8.	39	14.09	32.90	65.60	34.07	49.22	4	7,357.68
9.	41	88.18	90.56	88.33	90.51	36.50	1	7,605.56
10.	46	67.98	19.34	83.84	43.72	16.23	3	314.74
11.	48	62.80	73.07	64.11	61.52	49.17	1	6,395.04
12.	49	87.62	74.95	69.74	94.17	31.97	1	5,669.12
13.	50	52.59	57.97	61.01	81.10	31.30	1	1,629.69

(Source: Appropriation Accounts of the respective years)

* Number of years with utilisation below 50 per cent

Out of these 13 Grants, there were three Grants having budget utilisation less than 50 per cent more than two or more times over the last five years. Main savings under Grant 37 (Rural Works Department) was mainly under capital schemes like Pradhan Mantri Gram Sadak Yojana, Mukhyamantri Gram Sampark Yojana, and Gramin Sampark Nischay Yojana. Savings under Grant 39 (Disaster Management Department) was under Revenue Schemes as Repairs and Restoration of damaged roads and bridges, Repairs of damaged irrigation system and flood control system and Agriculture input grant (for damaged crops). Grant 46 (Tourism Department) shows the savings under Capital Schemes as Development of Tourism Structures.

Scrutiny of amount surrendered at the end of March 2020 (₹ 100 crore and above in each case) revealed there was a surrender of ₹ 16,198.55 crore under 16 grants as depicted in **Table 3.7**. Supplementary provisions under 15 grants, proved unnecessary as the expenditure not even reached up to the level of the original provision indicating inaccurate estimation of funds.

Table 3.7: Details of surrender of funds in excess of ₹ 100 crore and above at the end of March 2020

(₹ in crore)

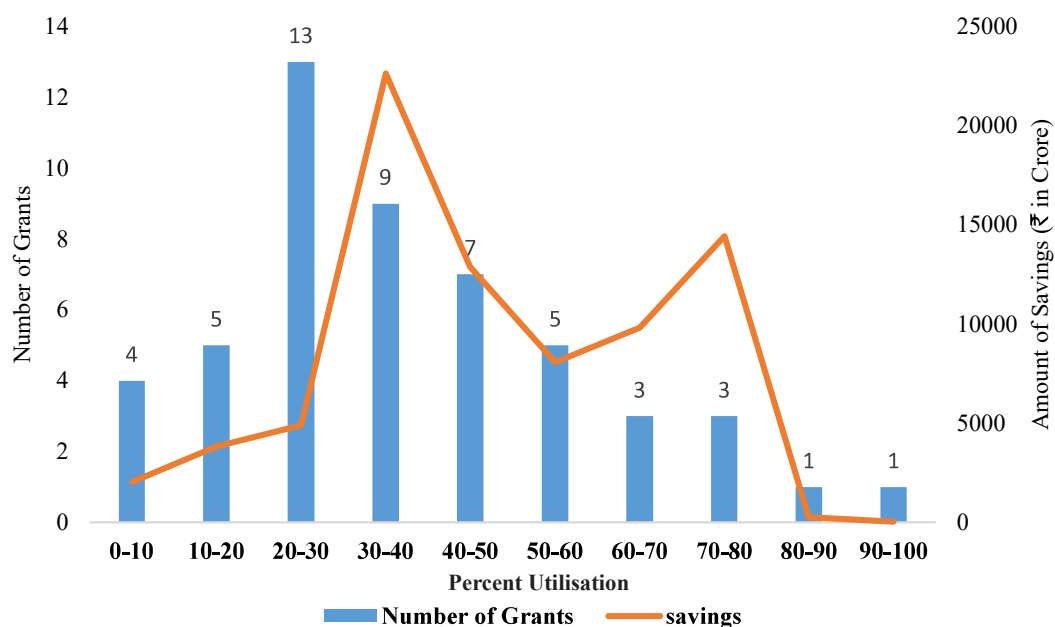
Sr. No.	Grant Number	Original Provision	Supplementary Provision	Total provision	Actual Expenditure	Savings	Amount Surrendered
1.	1	2,958.77	660.07	3,618.84	2,152.49	1,466.35	423.06
2.	3	5,375.06	613.29	5,988.35	1,783.34	4,205.01	250.00
3.	6	536.51	398.28	934.79	610.85	323.94	160.00
4.	9	1,997.71	304.90	2,302.61	593.29	1,709.32	139.35

Sr. No.	Grant Number	Original Provision	Supplementary Provision	Total provision	Actual Expenditure	Savings	Amount Surrendered
5.	12	2,049.96	80.07	2,130.03	1,645.52	484.51	245.90
6.	16	12,206.31	1,420.04	13,626.35	8,734.75	4,891.60	146.68
7.	21	34,798.69	3,425.98	38,224.67	26,084.00	12,140.67	1,413.94
8.	23	821.39	109.08	930.47	435.26	495.21	102.50
9.	35	2,488.95	67.15	2,556.10	1,372.42	1,183.68	151.86
10.	37	10,917.97	1,150.00	12,067.97	3,549.02	8,518.95	4,746.66
11.	39	4,320.56	3,037.12	7,357.68	3,621.18	3,736.50	1,594.41
12.	40	886.80	85.11	971.91	561.72	410.19	140.31
13.	41	7,005.56	600.00	7,605.56	2,776.07	4,829.49	1,487.78
14.	42	15,669.04	2,924.05	18,593.09	9,692.46	8,900.63	3,382.74
15.	49	3,652.30	2,016.82	5,669.12	1,812.40	3,856.72	306.47
16.	51	7,037.73	2,677.60	9,715.33	7,376.09	2,339.24	1,506.89
	Total	1,12,723.31	19,569.56	1,32,292.87	72,800.86	59,492.01	16,198.55

(Source: Appropriation Accounts for the year 2019-20)

The above table shows that out of 16 grants having surrender of more than 100 crore, despite having supplementary provisions, the original provisions were not utilised, making supplementary provisions fruitless. Further, in six grants the amount of surrender was even more than supplementary provisions. In addition, Grant Nos¹⁵ 3, 37, 41, and 49 show saving more than 70 *per cent* of their budget provisions is also the departments responsible mainly for incurring the capital expenditure. The Grant 49 pertaining to Water Resources Department has shown savings of 106 *per cent* of the original budget provisions.

Chart: - 3.3 Number of Grants/Appropriations grouped by the percentage of Savings along with their total savings of year 2019-20



(Source: Appropriation Accounts for the year 2019-20)

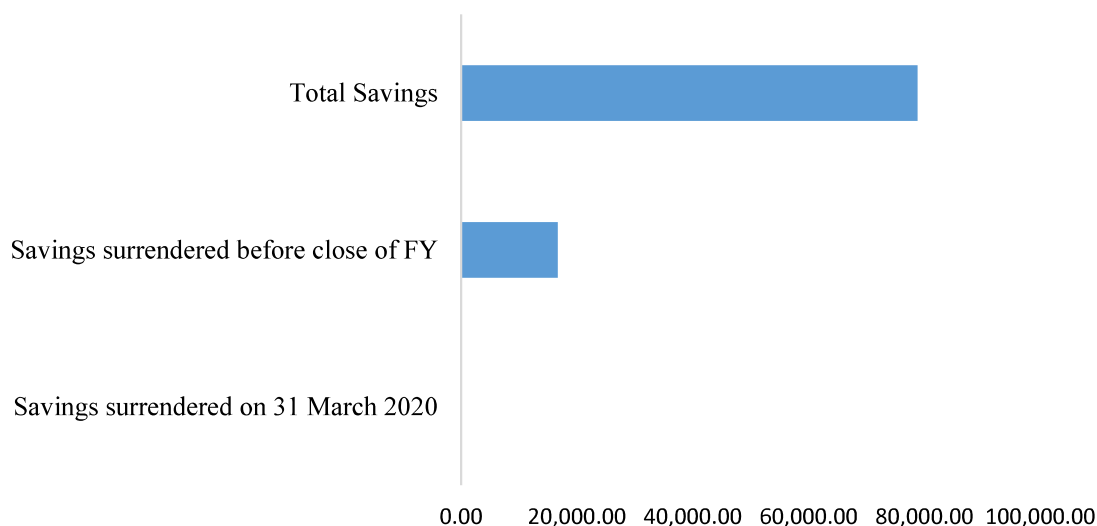
Above chart shows that 31 grants out of 51 grants have less than 40 *per cent* utilisation and only 2 Grants have utilisation more than 80 *per cent* of the budget provisions. Therefore, the

¹⁵ 3- Building Construction Department, 37- Rural Works Department, 41- Road Construction Department, 49 – Water Resources Departments

State should look into their budgeting methodology, as 60 *per cent* of the grants are not able to utilize even 40 *per cent* of their budget provisions.

Chart 3.4: Savings and surrenders before the close of financial year 2019-20

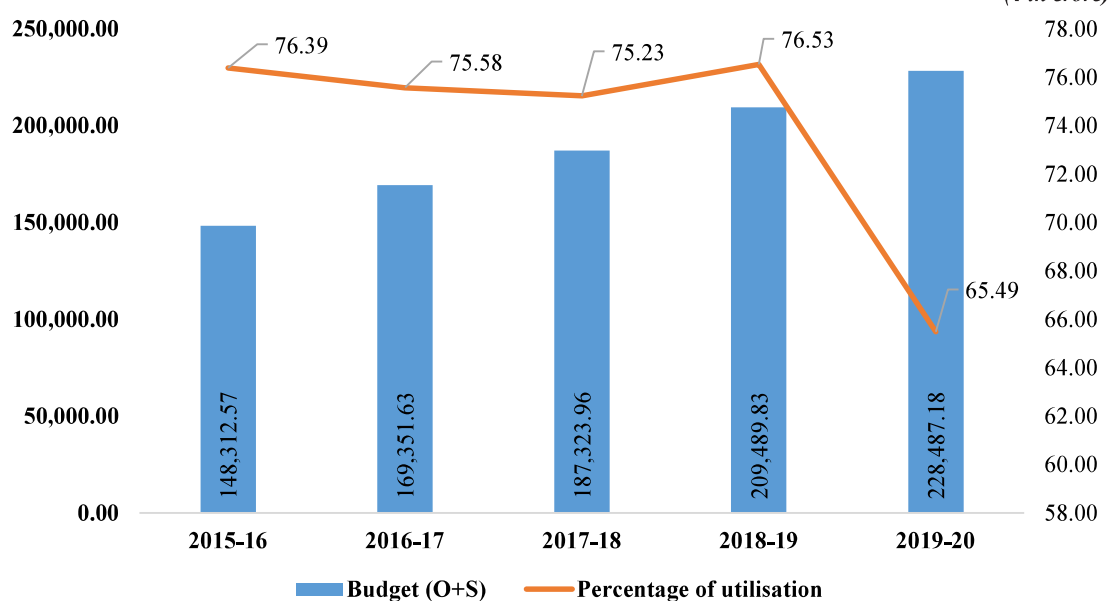
(₹ in crore)



(Source: Appropriation Accounts for the year 2019-20)

Chart 3.5: Budget Utilisation during 2015-16 to 2019-20

(₹ in crore)



(Source: Appropriation Accounts of respective years)

One of the reason for the significant savings under different Grants may be the late receipt of the funds from the Central Government, as the major part of central funds were received in October 2019 (55.91 *per cent*), February 2020 (17.08 *per cent*), and March 2020 (18.51 *per cent*).

Audit analysed that the reasons for excessive savings/surrenders are budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls, and release of funds towards the end of the financial year. Excessive savings also deprives other Departments of the funds, which they could have utilised.

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 by the Legislature of the executive over utilisation of public money.

3.3.6.1 Excess expenditure relating to FY for which Report Proposed

Excess expenditure over the provision for the year is a contravention of the provisions requiring Legislative sanction, which could be avoided by keeping track of expenditure progression with the budget made for the purpose.

During audit of Appropriation Accounts of the year 2019-20 it was noticed that there was an excess expenditure of ₹ 2.30 crore in Grant 32- Legislature, under Revenue (charged) section as depicted in **Table 3.8** below.

Table 3.8: Excess disbursements over grants/appropriations during the financial year
(₹ in crore)

		Grant No. and Name	Total Grant	Expenditure	Excess
Charged	Revenue	32- Legislature	1.16	3.46	2.30

(Source: Appropriation Accounts for the year 2019-20)

The reason for the final excess has not been intimated (January 2021).

3.3.6.2 Regularisation of excess expenditure of the previous financial year

During scrutiny, it was noticed that 10 cases of excess expenditure pertaining to the period 1987-88 to 1996-97 under Animal Husbandary department amounting ₹ 657.98 crore were *sub-judice* and one case of 1989-90 under Health Department amounting ₹ 0.35 crore was recommended for regularisation on 04 February 2021.

Excess expenditure relating to previous years (2015-20) was examined and it was noticed that in one case of 2015-16 under the Planning and Development Department excess expenditure amounting ₹ 119.01 crore was regularised (13 April 2018).

Table 3.9: Expenditure relating to previous years requiring regularisation*(₹ in crore)*

Year	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
1987-88	Animal Husbandry	6.92	Matter is sub-judice
1988-89		6.13	
1989-90		8.65	
1990-91		29.29	
1991-92		70.72	
1992-93		87.77	
1993-94		125.03	
1994-95		170.61	
1995-96		146.49	
1996-97		6.37	
Total		657.98	

(Source: Information furnished by PAC section of O/o Accountant General (Audit), Bihar)

3.4 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 2019-20 are depicted in **Table 3.10**.

Table 3.10: Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during the financial year 2019-20*(₹ in crore)*

Nature of Expenditure	Original Grant/Appropriation	Supplementary Grant/Appropriation	Total Grant/Appropriation	Actual Expenditure	Savings	Amount surrendered	Amount surrendered in March 2020	Percentage of savings surrendered in March 2020 (Col.8/Col.6*100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Voted								
I-Revenue	1,43,374.97	22,086.87	1,65,461.84	1,15,075.82	50,386.02	9,416.97	719.63	1.42
II-Capital	36,592.62	4,955.17	41,574.79	14,764.12	26,783.67	7,068.30	1,302.54	4.86
III-Loans and Advances	1,441.81	177.70	1,619.51	666.30	953.21	228.40	0	0
Total Voted	1,81,409.40	27,219.74	2,08,629.14	1,30,506.24	78,122.90	16,713.67	2,022.17	2.59
Charged								
IV-Revenue	11,855.68	334.83	12,190.51	12,025.85	164.66	0	0	0
V-Capital	0	0	0	0	0	0	0	0
VI-Public Debt-Repayment	7,235.93	431.60	7,667.53	7,109.83	557.70	0	0	0
Total Charged	19,091.61	766.43	19,858.04	19,135.68	722.36	0	0	0
Grand Total	2,00,501.01	27,986.17	2,28,487.18	1,49,641.92	78,845.26	16,713.67	2,022.17	2.56

Note: The expenditure includes recoveries/refund of revenue expenditure amounting to ₹ 1,085.01 crore and recoveries of capital expenditure amounting to ₹ 2,460.21 crore adjusted as reduction of expenditure.

(Source: Appropriation Accounts for the year 2019-20)

As evident from the table above, the expenditure incurred during the year was only ₹ 1,49,641.92 crore (65.49 per cent) against the total provision of ₹ 2,28,487.18 crore. This shows that the supplementary provision of ₹ 27,986.17 crore was avoidable since the expenditure did not even reach the level of the original provision (₹ 2,00,501.01). Overall savings of ₹ 78,845.26 crore resulted from savings of ₹ 50,550.68 crore in 46 grants and eight Appropriations under Revenue section and savings of ₹ 27,994.58 crore in 35 grants

under Capital section including seven grants under Loans and Advances and one grant under Public Debt Repayments.

Out of total savings of ₹ 78,845.26 crore, only 21.20 *per cent* was surrendered (₹ 16,713.67 crore) during the year resulting in non-surrender of savings aggregating to ₹ 62,131.59 crore (78.80 *per cent* of total savings). Total saving was 281.73 *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 **Table 3.11**.

Table 3.11: Original Budget, Revised Estimate and Actual Expenditure during 2015-20
(₹ in crore)

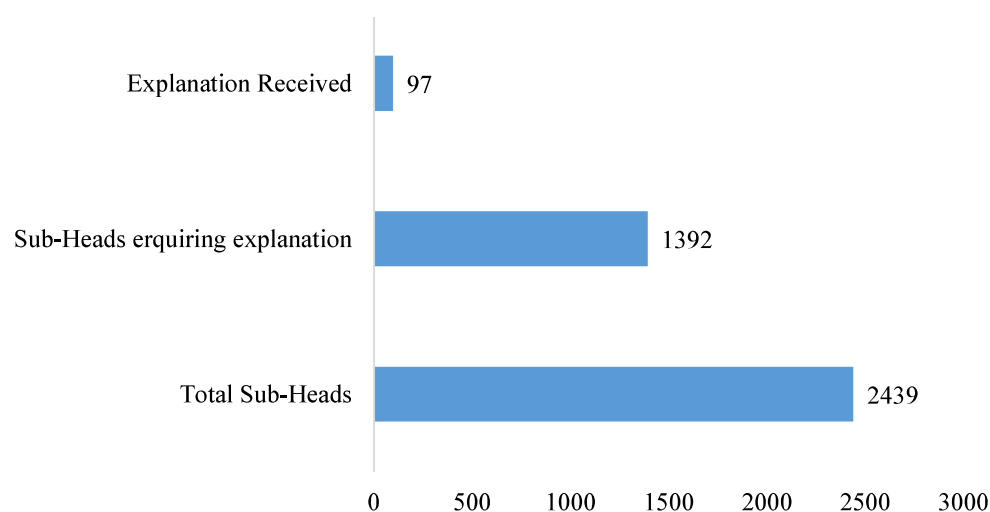
	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	1,20,585.34	1,44,696.29	1,60,085.70	176,990.27	2,00,501.01
Supplementary Budget	27,627.23	24,655.30	27,258.26	32,499.56	27,986.17
(% of Original Budget)	(22.91)	(17.04)	(17.03)	(18.36)	(13.96)
Revised Estimate	1,32,849.48	1,54,327.47	1,72,884.28	1,90,918.72	2,17,759.54
Actual Expenditure	1,13,298.77	1,27,998.32	1,40,947.31	1,60,317.66	1,49,641.92
Saving /excess	35,013.80	41,353.31	46,396.66	49,172.17	78,845.26
Percentage of Saving	23.62	24.42	24.77	23.47	34.51

(Source: Appropriation Accounts and Budget documents GoB 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 of funds and failure of the Finance Department to ensure effective budgetary control.

Further, there were cases of cent *per cent* non-utilisation of the entire provision of ₹ 9,419.90 crore in 498 detailed head of accounts under 46 grants/ appropriations. Out of these cases, the total provision of ₹ 8,606.35 crore in 87 cases under 31 grants/ appropriations was unutilised (₹ 10 crore and above in each case) as detailed in **Appendix 3.8**. Non-utilisation of funds indicated that either the budgeting was done without due prudence or there were serious slippages in programme implementation. Status of explanations received in case of variations in Appropriation Accounts requiring explanation is depicted in chart 3.6.

Chart 3.6: Summary of Explanation for Variation in Appropriation Accounts



(Source: Appropriation Accounts for the year 2019-20)

3.4.1 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature, large additional requirements for different purposes under various schemes/activities; but finally they are unable to spend even the original budget provision rendering the entire supplementary provision or parts thereof unnecessary. As a result, the unutilised funds could not be used by other needy departments. Sometimes, some of the schemes remained incomplete due to want of funds.

During 2019-20 it was observed that 143 incomplete projects, as mentioned in Appendix IX of Finance Accounts, were to be completed during the year. Against the estimated cost of ₹ 3,396.64 crore, the expenditure of only ₹ 1,000.85 crore was made upto March 2020. Details of Incomplete Projects, which were due for completion during 2019-20, are given Table 3.12.

Table 3.12: Details of Incomplete Projects during 2019-20

(₹ in crore)

Sl. No	Name of Scheme/Project (having estimated cost of ₹ 100 crore or more)	Scheduled date of completion	Estimated cost of scheme/project	Expenditure during 2019-20	Expenditure as of 31 March 2020	Pending Payments
1	Residual work for construction of Mandai Weir, Afflux Bund, Guide Bundh Head Regulator its Distribution System in Jehanabad District	2019-20	232.84	2.85	30.10	82.44
2	Western Gandak Canal System Bihar (Saran Main Canal and its Distribution System), Bihar (New Major ERM) Group-02 (Old Group-07) in Saran District	2019-20	201.52	0.54	6.42	0 ¹⁶
Total			434.36	3.39	36.52	82.44

(Source: Finance Accounts for the year 2019-20)

The intended benefit of the unfinished schemes could not be extended to the public at a large. Further, this leads to escalation of the project cost.

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

During the financial year 2019-20, the State Government has made several major policy pronouncements in the budget regarding social welfare and other schemes under various departments. 13 out of 44 Departments have replied on this issue.

The audit observed that there were some major policy initiatives taken during the budget process but were not executed due to revision in estimation or no expenditure was made which are given in the table below.

¹⁶ Data not made available by the department.

Table 3.13: Policies for which provisions were made but were withdrawn in the revised estimation

(₹ in crore)

Sl. No.	Name of Department	Name of scheme	Budget estimation	Revised estimation
1.	Minority Welfare Department	Coaching for minorities students for preparation of competitive examination of Public Service Commission	5.00	0.00
2.		Training of minority artisan and literate youth work man (Mukhya Mantri)	5.00	0.00
3.		Multi Sectoral Development Programme (Merit-cum-Means, Pre Matric and Post Matric scholarship)	1.00	0.00

(Source: Data received from the department)

Table 3.14: Policies for which provision were made but no expenditure was incurred.

(₹ in crore)

Sl. No.	Name of Department	Name of scheme	Budget estimation	Revised estimation	Expenditure
1.	Minority Welfare	Maintenance and protection of Wakf properties	5.00	1.00	0.00
2.		Bihar State Madarsa Strengthening Scheme	40.00	22.50	0.00
3.		Minority Residential School	12.00	9.00	0.00
4.	Rural Works	Pradhanmantri Gram Sadak Yojna	1200.00	400.00	0.00

(Source: Data received from 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

Scrutiny of data related to Re-appropriation during 2019-20, revealed that expenditure of ₹ 0.90 crore under five grants incurred using Re-appropriation on an object for which no provision exists in the budget where Re-appropriation orders sanctioned from the Finance Department. In 24 cases under 12 grants amounting to ₹ 148.73 crore, Re-appropriation were made from supplementary grants, which was voted for a definite purpose defeating the objective of supplementary grant. During the audit of the Grant Audit Register, neither any case was found where Re-appropriation was made which involves the undertaking of liability, which is likely to be extended beyond the financial year nor there any deviation from the prescribed format of 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. There were three cases under two Grants in which Re-appropriation were made after 31 March 2020 as depicted in Table 3.15.

Table 3.15: Re-appropriation made after 31 March 2020

(₹ in crore)

Sl. No.	Grant No. and name	letter no. and date of Department		Date of receipt in Finance Department	letter no. and date of approval by Finance Department		Amount
		Letter no.	Date		Letter no.	Date	
1.	1- Agriculture department	1326	28.04.2020		433	31.03.2020	0.10
2.	2- Animal and	1092	24.03.2020	20.04.2020	454	31.03.2020	1.20
3.	Fisheries Resource department	1093			455	31.03.2020	0.06
	Total						1.36

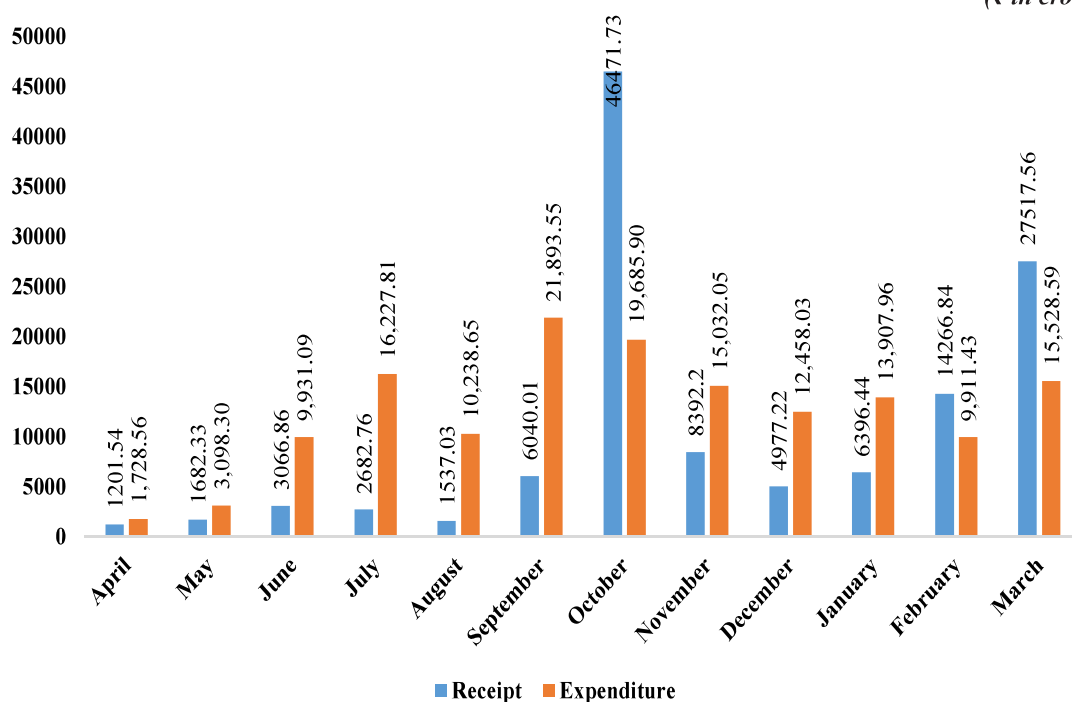
(Source: Re-appropriation letters from the departments)

3.4.4 Rush of Expenditure

The 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.

Scrutiny of expenditure during the last quarter of the year and in the month of March 2020 revealed that in nine Departments, expenditure (₹ 4,890.92 crore) incurred during the last quarter was 61.17 *per cent* of total expenditure (₹ 7,995.88 crore) during the year and expenditure incurred (₹ 4,172.75 crore) in the month of March 2020 was 52.19 *per cent* of total expenditure as detailed in **Appendix 3.9**. There were cases of expenditure of the entire provision of ₹ 1,020.75 crore in the month of March 2020 under 30 detailed heads under 13 grants as detailed in **Appendix 3.10**. Month wise trend of receipts and expenditure for the financial year is shown in **chart 3.7**.

Chart 3.7: Monthly Receipts and Expenditure during the FY for the State
(₹ in crore)



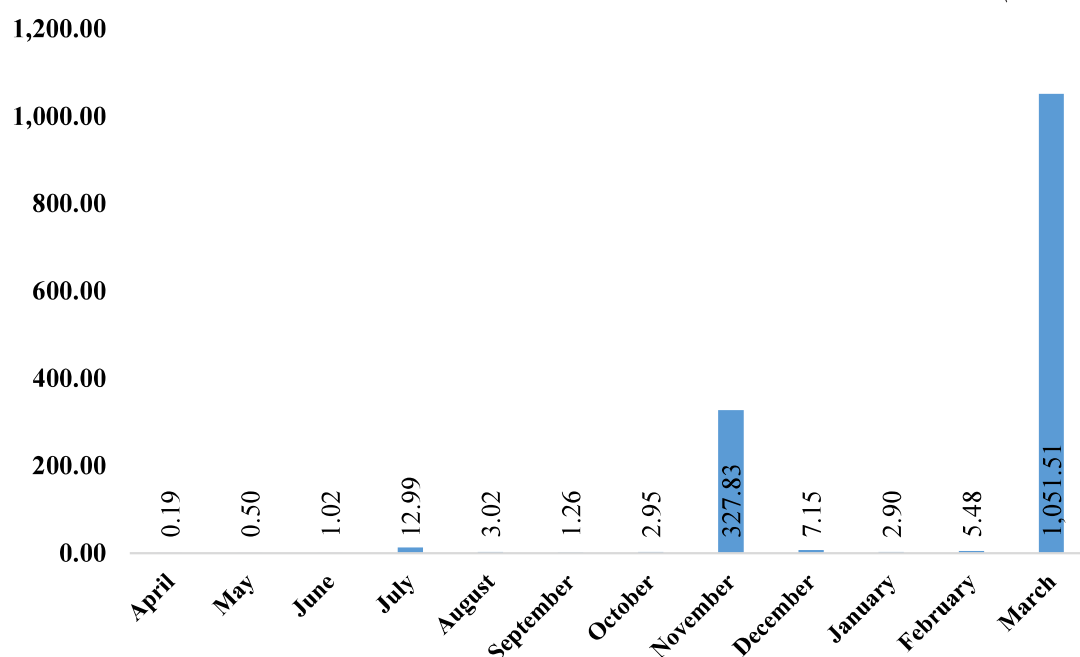
(Source: Monthly Expenditure Report 2019-20)

Major part of net proceeds of Union taxes (56 *per cent*) and GIA from GoI (32 *per cent*) was received in October 2019. Similarly, Union taxes (19 *per cent*) and GIA (38 *per cent*) was received in March 2020. The expenditure was accordingly increased from October to March.

Further, **Appendix 3.9** shows that there was maximum expenditure in March 2020 under the Backward and Most Backward Class Welfare Department (74.22 *per cent*). The month wise expenditure is depicted in **chart 3.8** below.

Chart 3.8: Month wise expenditure of Backward and Most Backward Class welfare Department with a very high percentage of expenditure in March

(₹ in crore)



(Source: Monthly Expenditure Report 2019-20)

Thus, a substantial amount of expenditure incurred by the department at the fag end of the year indicates deficient financial management and inadequate expenditure control. The rush of expenditure towards the end of the financial year is a breach of financial propriety.

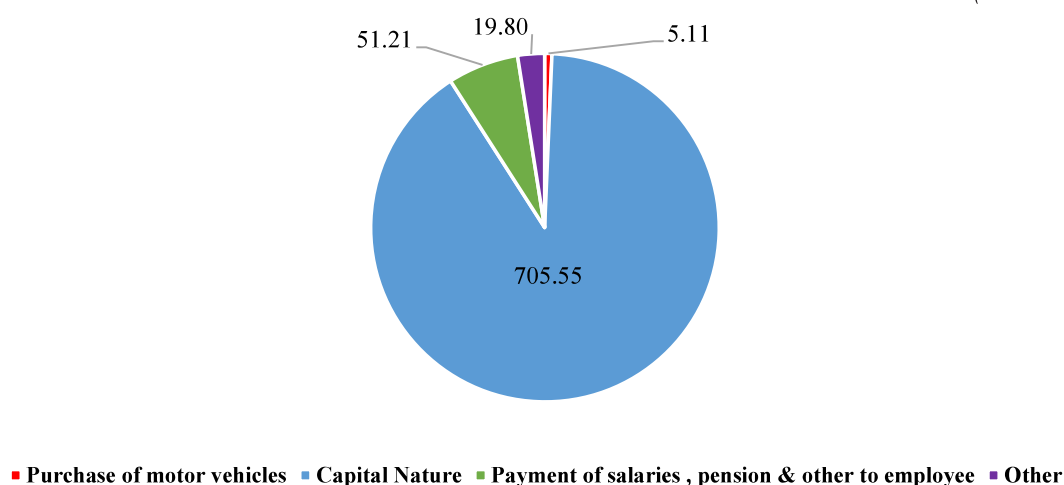
3.4.5 Advance from Contingency Fund

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, the State Government increased the corpus of the Contingency Fund from ₹ 350 crore to ₹ 8,020.04 crore, on a temporary basis, for the period 1 April 2019 to 30 March 2020. This was for relief on natural calamities like drought and earthquake and to meet the State share of GoI 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. In comparison, the corpus of the Contingency Fund of GoI was only ₹500 Crore which is far less. It was observed that the State Government made 85 withdrawals amounting to ₹ 3,529.76 crore from the Contingency Fund, out of which 33 withdrawals amounting to ₹ 781.67 crore (22.15 *per cent*) were made for foreseeable nature as detailed in **Appendix 3.11**.

Chart 3.9: Non-contingent expenditure from Contingency Fund

(₹ in crore)



(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 enhanced¹⁷ during the past five years on temporary basis, for relief on natural calamities and meeting the State share of GoI sponsored projects. 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 3.16**.

Table 3.16: 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	2015-16	6,117.60	2,205.00	36.04
2	2016-17	4,416.63	1,524.42	34.52
3	2017-18	4,949.21	3,898.33	78.77
4	2018-19	4,353.49	1,725.00	39.62
5	2019-20	3,529.76	2,332.00	66.07

(Source: Records of Finance Department)

However, 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 Finance Department has failed to comply with these Constitutional provisions and the Contingency Fund is being used as an imprest account.

3.5 Review of selected grants

A review of the budgetary procedure and control over expenditure was conducted in respect of Grant No.-16-Panchayati Raj Department and Grant no.-51-Social Welfare Department on the basis of savings, excess, and magnitude of the Grants and Supplementary demands made during the year 2019-20. The results of the review are detailed below:

¹⁷ Raised to ₹ 1,800 crore in 2013-14, to ₹ 2,000 crore in 2014-15, to ₹ 4,827.41 in 2015-16 to ₹ 5,787.85 crore in 2016-17, ₹ 6,403.42 in 2017-18, ₹ 7079.61 crore in 2018-19, and ₹ 8,020.04 crore in 2019-20.

3.5.1 Grant No. 16 “Panchayati Raj Department”

In pursuance of the provisions made in the 73rd Constitution (Amendment) Act, 1992, the Bihar Panchayat Raj Act, 2006 has been enacted, which provides for the establishment of Gram Panchayat at the village level, Panchayat Samiti at Block level, and Zila Parishad at District level. At present, 8,386 Gram Panchayats, 534 Panchayat Samitis, and 38 Zila Parishads are functional in the State.

There were four major heads (2515, 4515, 2015, and 3451) operated by the Department of Panchayati Raj under Grant No. 16 during the financial year 2019-20 as summarised in Table 3.17.

Table 3.17: Position of summarised appropriation for 2019-20

(₹ in crore)

Budget estimate	Original Provision	Supplementary Provision	Total Provision	Total Expenditure	Savings	Saving in percentage
Revenue voted	11,956.31	1,420.04	13,376.35	8,689.62	4,686.73	35.04
Capital voted	250.00	0.00	250.00	45.13	204.87	81.95
Total	12,206.31	1,420.04	13,626.35	8,734.75	4,891.60	35.90

(Source: Appropriation Accounts for the year 2019-20)

Scrutiny of records for the year 2019-20 revealed the following:

Savings of ₹ 4891.60 crore (35.90 *per cent*) shows the improper estimation of provision by the Department. Analysis of last four years data revealed that saving under revenue section was for the reason of less spending under recently implemented (in 2018-19) scheme namely National Rural Swaraj Campaign (0 *per cent*), Chief Minister Nischaya Yojana (39 *per cent*), and Headquarter Panchayat Establishment (02 *per cent*). Further, saving under capital section was for the reason of less spending under scheme Panchayat Government Building (0 *per cent*) in 2018-19 (18 *per cent*) in 2019-20.

Expenditure of only ₹ 8,217.97 crore under Major Head 2515 incurred against the original provision of ₹ 10,887.47 crore resulted in savings of ₹ 2,669.50 crore. However, despite saving under the original provision, a supplementary provision of ₹ 1,420.04 crore was made which was unnecessary (*Appendix 3.12*). These are the schemes Chief Minister Nishchaya Yojana, Contribution to District Councils, Block Panchayat, and Gram Panchayat in the light of recommendation of State Finance Commission where Supplementary provision was made proved unnecessary.

Expenditure to the extent of 63.90 *per cent* of the total expenditure of ₹ 15.90 crore in two schemes under two Major Heads i.e. 2015 and 2515 was incurred in the month of March 2020 (*Appendix 3.13*).

Proper reconciliation was not carried out by the Department, resulting in differences in the figure of expenditure to the tune of ₹ 181.08 crore (*Appendix 3.14*).

AC bills for ₹ 91.48 crore were outstanding for which DC bills were not submitted by concerned DDOs (*Appendix 3.15*)

UCs worth ₹ 19,975.51 crore pertaining to 2003-04 to 2018-19 remained outstanding as on 31 March 2020 (*Appendix 3.16*).

The entire provision of ₹ 99.78 crore of five sub-heads under major head 2515 remained completely unutilised and was surrendered. The reply for entire non-utilisation of allotment and consequent surrender is awaited (February 2021).

Table 3.18: 100 per cent non-utilisation and Surrender of funds

(₹ in crore)

Sl. No.	Scheme	Total provision	Expenditure	Surrender
1	2515-00-796-0220- Rastriye Gram Swaraj Abhiyan (RGSA)	0.97	00	0.97
2	2515-00-198-0215- Rastriye Gram Swaraj Abhiyan (RGSA)	62.75	00	62.75
3	2515-00-789-0214- Rastriye Gram Swaraj Abhiyan (RGSA)	12.06	00	12.06
4	2515-00-101-0514- Panchayati Raj System and Human Resource Development (Externally Aided Project)	9.00	00	9.00
5	2515-00-789-0513-Panchayati Raj System and Human Resources Development (EAP)	15.00	00	15.00
Total		99.78	00	99.78

(Source: Appropriation Accounts 2019-20)

3.5.2 Grant No. 51 - “Social Welfare Department”

Social Welfare Department is one of the important Department of the State for the upliftment of Women, Children, Divyangjan, Old age people, and other deprived section for the protection and promotion of the society. Women Development Corporation (WDC) and the State Society for Ultra Poor and Social Welfare (SAKSHAM) have also been functioning as autonomous institutions.

There were five major heads (2210, 2235, 2236, 2251, and 4235) operated under this grant in the financial year 2019-20. A summarised position of total budget provision, disbursement, and saving/excess under voted expenditure is mentioned in **Table 3.19**.

Table 3.19: Budget provision, disbursement and savings/excess during the financial year 2019-20

(₹ in crore)

Total Budget provision	Disbursements (Expenditure)	Saving/Excess	Percentage of saving
Voted	Voted	Voted	
9,715.33	8,208.44	1,506.89	15.51

(Source: Appropriation Accounts of the year 2019-20)

As evident from the table above, the incurred expenditure was ₹ 8,208.43 (84 per cent) crore against the total provisions of ₹ 9,715.33 crore.

Total disbursement under voted expenditure with trend analysis during the last five year (2015-20) is mentioned in **Table 3.20**.

Table 3.20: Disbursements and savings during 2015-20

(₹ in crore)

Year	Total Budget Provision	Disbursements (Expenditure)	Saving/Excess (in percentage)
	Voted	Voted	Voted
2015-16	6,830.25	5,367.46	1,462.79 (21.42)
2016-17	6,819.83	5,210.65	1,609.18 (23.60)

Year	Total Budget Provision	Disbursements (Expenditure)	Saving/Excess (in percentage)
	Voted	Voted	Voted
2017-18	6,131.88	5,837.28	294.60 (4.80)
2018-19	9,755.93	6,395.16	3,360.77 (34.45)
2019-20	9,715.33	8,208.44	1,506.89 (15.51)

(Source: Appropriation Accounts 2015-16 to 2019-20, Government of Bihar)

It was seen from the above table that savings during 2015-16 to 2019-20 ranged between 4.80 and 34.45 *per cent*.

On being pointed out, it was replied (February 2021) that savings were mainly due to less number of beneficiaries, and non-receiving of contribution from the Rural Development Department, *etc.*

Scrutiny of records for the year 2019-20 revealed the following:

- Supplementary provision amounting to ₹ 136.01 crore (₹ 1 crore or more in each case) proved unnecessary as even the full original provision was not utilised during the year 2019-20 (**Appendix 3.17**). Out of ₹ 7,816.96 crore, an expenditure of ₹ 7,154.07 crore was incurred, and an amount of ₹662.89 crore was surrendered on 31 March 2020. Savings were mainly due to excess provision in certain items, non-receiving of Grants-in-aid as central share by GoI, fund less sanctioned/fund not sanctioned by GoI, scheme not sanctioned, change of categories of beneficiaries by GoI, *etc.* (**Appendix 3.18**). During test check of records relating to the scheme, it was found that due to less spending, the execution of schemes/programmes was badly hampered.
- In 21 Schemes/ Programmes run by the Department, expenditure incurred ranged from 26 *per cent* to 94 *per cent* in the month of March 2020, and in five Schemes/ Programmes *per cent* expenditure was incurred only in March 2020. This indicates that a uniform flow of expenditure was not maintained, which was the primary requirement of budgetary control.

It was replied (February 2021) that the GoI funds were received in installments, hence, the problem occurs in allotment to the proportional fund of GoI and GoB. Therefore, the withdrawal in the month of March became more than other months.

- During 2003-19, an amount of ₹33,899.23 crore in form of GIA was sanctioned against which UCs amounting to ₹23,340.75 crore only were submitted and resultantly UCs to the tune of ₹10,558.48 crore remained outstanding as of September 2020. UCs were pending even after a lapse of more than 17 years which was in violation of provisions of BFR. Age-wise arrears in the submission of utilisation certificates are detailed in **Appendix 3.19**.
- During 2002-2020, an amount of ₹ 2,412.82 crore was withdrawn on AC bills against which DC bills of ₹ 2,213.62 crore were submitted upto March 2020. Hence, DC bills amounting ₹ 199.20 crore remained outstanding till March 2020. This leads to possible overstatement of the expenditure. Details of outstanding AC bills awaiting adjustment as on 31 March 2020 are given in **Appendix 3.20**. Further, during 2015-20, an amount of ₹ 94.37 crore was withdrawn on AC bills where ₹19.22 crore (20.37 *per cent*) was withdrawn in the last month of the financial year (March), as depicted in **Table 3.21**. Audit observed that during 2016-17 and 2017-18, withdrawal of funds through AC bills

in the last month of the financial year indicates that this was primarily done to exhaust the budgetary provision.

Table 3.21: Trend analysis of drawal on AC bills in the month of March

(₹ in crore)

Year	Withdrawal on AC bills	Withdrawal on AC bills in the month of March	Percentage of Withdrawal on AC bills in the month of March
2015-16	39.44	10.31	26.14
2016-17	13.47	13.47	100
2017-18	0.41	0.34	82.93
2018-19	58.10	9.70	16.70
2019-20	1.32	0.10	7.57
Total:	94.37	19.22	20.37

(Source: VLC database maintained in the O/o A.G. (A & E), Bihar)

- As per Rule 194 of BTC 2011, the drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers is not available at the time of drawal are made on 'Abstract Contingent' (AC) Bills. Expenditure through AC Bill should be done only for meeting contingent expenses and not for carrying out planned activities. During 2015-20, the audit observed that an amount of ₹11.36 crore (12 *per cent*) was drawn on AC bills but expended on Capital head (4235) as depicted in **Table 3.22**.

Table 3.22: Trend analysis of AC bills drawn for Capital head during 2015-20

(₹ in crore)

Year	Total amount drawn on AC bills	AC bill drawn for Capital head (Percentage)
2015-16	39.44	3.74 (9.48)
2016-17	13.47	7.18 (53.30)
2017-18	0.41	0.33 (80.48)
2018-19	58.10	0
2019-20	1.32	0.11 (8.33)
Total:	94.37	11.36 (12.04)

(Source: VLC database maintained in the A.G. (A & E), Bihar)

Trend analysis shows that year-on-year Department has been incurring capital expenditure through AC Bills except for in 2018-19. Capital Expenditure should have been planned in advance and the AC Bills route for meeting the expenses shouldn't have been taken. It only indicates a lack of object-level planning, a lack of knowledge about items of expenditure at the time of drawal of the amount, and a tendency to circumvent surrendering of the sanctioned amount. Hence, AC bills for incurring capital expenditure were drawn against the provision of the Bihar Treasury Code 2011.

- Scrutiny of Voucher Level Computerisation (VLC) data provided by A.G. (A&E), it was observed that in Social Welfare Department during 2017-18 Grants-in-Aid amounting to ₹ 70.00 crore was misclassified as Capital Expenditure.

In scrutiny of the schemes, the following was observed:

➤ **Unnecessary Retention of Funds**

During a test check of records (Jan 2021 to March 2021) relating to the District Programme Officer, Patna it was observed that 16 bills amounting to ₹ 4.02 crore were withdrawn from the treasury between 2014-15 and 2018-19 for the purchase of materials

and providing training. The expenditure incurred in this period was ₹3.05 crore and subsequently ₹ 0.97 crore was lying idle in the closing balance of cash book. Thus, withdrawn money remained idle with the DPO ranging from One year five months to Five years nine months in violation of the Bihar Treasury Code.

It was observed that in 24 cases, an amount of ₹ 46.33 crore was drawn against AC bills under Major Heads 2235, 2236 and 4235 during the period 2005-06 to 2016-17, out of which DC bills were submitted for the amount of ₹ 5.18 crore only. Among these DC bills, an amount of ₹ 4.95 crore (96 *per cent*) was remitted into the Treasury after retention for periods ranging from one year eight months to 13 years and five months.

It was also observed that GIA was sanctioned amounting to ₹ 56.42 crore in four cases under Major Head 2235 during 2003-04 to 2017-18. Test check of submitted UCs disclosed that a total ₹ 24.15 crore were remitted back in Treasury after a delay ranging from one year 10 months to 13 years 10 months.

3.6 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.