

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 the 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.

#### 4. 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

Three 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<sup>18</sup> 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. However, 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. The Sub-Head

<sup>18</sup> Notification No. 04/F1-302/2006/L.E 865 dated 18.02.2008

was, however, not in operation as on date. During 2017-18 to 2019-20, an amount of ₹ 925.77 crore was collected out of which ₹ 289.75 crore pertained to 2019-20 while a cumulative total of ₹ 1,383.64 crore was collected as on March 2020 and deposited in Scheduled Commercial Banks.

- **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 being collected from the holders of mineral concessions at the rates specified by the government; all interest accrues on the deposits, voluntary contributions, *etc.* The Funds are utilised as per ‘Pradhan Mantri Khanij Kshetra Kalyan Yojana’. It is being kept in a Scheduled Bank or Bank designated for this purpose by the Government through a Savings Bank Account. An amount of ₹ 68.55 crore was collected during 2017-18 to 2019-20 in this account and deposited in Scheduled Commercial banks.

- **District Society for Computerisation of Registration Offices (DISCORE)**

The GoB had decided (March 2005) to computerise all the registration offices in the State through System for Computerised Registration (SCORE) Software. As per the Bihar Registration Rules, 2008, computerisation was carried out through the State-level society namely Bihar Society for Computerisation of Registration offices (BISCORE) and one each at the district level namely DISCORE. The service charge was being levied for the automated registration process and preservation of documents in soft copies whereas no additional service was being provided. However, the Department levied service charges besides registration fees without providing any additional service. DISCORE collected ₹ 33.88 crore as service charge for the period 2019-20 and kept in bank accounts.

Thus, the Government of Bihar illegally framed provisions for the collection of service charges in the Bihar Registration Rule. This issue has already been pointed out in Report No. 1 of the 2021, Revenue Sector Report for the year 2018-19.

Contributions made to Labour Cess, BDMF and DISCORE were kept in Scheduled Commercial Banks. This involves breach of Article 266(1) of the Constitution.

### **Funds of Regulators outside Government Accounts**

The Regulatory Authorities are ‘State’ within the meaning of Article 12 of the Constitution of India. Moneys received by them are on account of discharge of functions ‘on behalf of the Government’. Hence, their funds need to be housed in the Public Account of the States. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

There are two Regulators working in the State. During scrutiny of Accounts of Regulators, the following was observed:

- **Real Estate Regulatory Authority (RERA)**

The RERA was formed under the Real Estate (Regulation and Development) Act, 2016 (No. 16 of 2016) for regulation and promotion of the real estate sector and to ensure the sale of plot, apartment or building, as the case may be, or sale of real estate project.

As per section 75 (1) and (2) of the Act, the funds are collected as Government Grants received, the fees received and the interest accrued on the amounts. The funds are to be utilised on the salaries and allowances payable to the chairperson and other members and expenses on the discharge of authority's functions. Further, funds collected are being kept in Scheduled Commercial Banks by RERA. An amount of ₹ 21.68 crore was collected up to 2018-19 and deposited in scheduled commercial banks.

- **Bihar Electricity Regulatory Commission (BERC)**

The BERC was established under Section 17 of the Electricity Regulatory Commissions Act, 1998 vide GoB Notification no. 1284 dated 15 April 2002. As per the provision, the funds are collected as any grants and loans made to the state commission, all fees received, all sums received by the commission from any other source, and the funds are utilised on the payment of the salary, allowances and other remuneration of Chairperson, members, employees, etc., and expenses on the discharge of commission's functions. An amount of ₹ 22.38 crore was collected during 2017-18 to 2019-20 out of which ₹ 7.90 crore pertained to 2019-20. Further, Funds were being kept in Scheduled Commercial Banks in the form of Fixed Deposits and in saving accounts.

Both Regulators have deposited the collected money in Scheduled Commercial Banks which is a breach of Article 266 (2) of the Constitution of India.

#### 4.2 Non-inclusion of clear cut liabilities incurred during the Financial Year

In years of tight fiscal conditions, there is a tendency to postpone certain payments due, especially in the last quarter of the financial year to the next financial year. These could include subsidy-related payments and other contracted payments for which bills have been submitted.

During the financial year 2019-20, an amount of ₹ 123.80 crore was due for payments in 49 incomplete projects (*Appendix 4.1*). Deferred or withheld payments of bills to contractors despite delivery of work and submission of bills create the liabilities for the government and show incompleteness and non-transparency of Accounts. Thus, the Fiscal deficit was understated by ₹ 123.80 crore on the overall liability of the Government.

#### 4.3 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 (Major Head of Accounts 8011 and 8342) 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 31 <sup>st</sup> March 2020	Amount of Interest not provisioned
1.	8342-Other Deposits-117- Defined Contribution Pension Scheme for Government Employees	349.85	15.06
2.	8011-Insurance and other funds 106- Other Insurance and Pension Funds	41.12	
<b>Total</b>		<b>390.97</b>	<b>15.06*</b>

\*Interest on deposit of ₹ 188.32 crore @ 8 per cent GPF interest rate  
(Source: Finance Accounts 2019-20)

The Government has not provided funds for interest liability towards Interest-bearing Deposits of ₹ 188.32 crore, which was the closing balance as on 31 March 2019. Thus, there was an understatement of ₹ 15.06 crore on Revenue deficit and Fiscal deficit on the overall liability of the Government.

#### 4.3.1 Interest liability on General Provident Fund (GPF)

During the year 2019-20, the State Government has not discharged interest liability on General Provident Fund completely as required. The quantum of short payment of interest to General Provident Fund is given in the following table.

**Table 4.2: Details of short payment of interest to General Provident Fund**

(₹ in crore)

GPF Category	Balance at the beginning of 2019-20	Interest due	Interest Credited
General Provident Fund	10,250.52	820.04	280.93
All India Services Provident Fund	227.03	18.16	12.00
<b>Total</b>	<b>10,477.55</b>	<b>838.20</b>	<b>292.93</b>

(Source: Finance Accounts, 2019-20)

Short payment of interest to General Provident Fund has resulted in understatement of Revenue deficit and Fiscal deficit by ₹545.27 crore (₹838.20 crore minus ₹292.93 crore). Further, short payment of interest may also lead to adverse balance in the fund.

#### 4.4 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 2019-20, GoI had directly transferred ₹ 10,170.12 crore to the State implementing agencies which were 79.09 per cent more than the previous year (₹ 5,678.88 crore) (Appendix-VI of Finance Accounts 2019-20).

During test check of four<sup>19</sup> implementing agencies for analysis of transfers and actual utilisation, it was found that ₹ 47.97 crore, (Bihar State Milk Co-operative Federation Ltd.,) and ₹ 27.02 crore (Bihar State Tourism Development Corporation Ltd) were lying unspent, which leads to the parking of funds as detailed in **Table 4.3**.

<sup>19</sup> Road Construction Department, Bihar, Bihar State Milk Co-operative Federation Ltd., Bihar State Tourism Development Corporation Ltd. and Bihar State Food & Civil Supplies Corporation Ltd. (BSFCSCCL)

**Table 4.3: GoI releases directly to State implementing Agencies during 2019-20**

(₹ in crore)

Sl. No.	Name of the Implementing Agencies	Name of the Schemes of Government of India	Financial Year	O.B	Government of India releases during 2019-20	Fund Utilised	Refund	Balance
1.	Bihar State Milk Co-operative Federation Ltd.	National Programme for Dairy Development	2017-18		35.67	1.09	0.00	34.58
			2018-19	34.58	37.93	41.02	0.00	31.50
			2019-20	31.50	19.72	23.92	0.61	26.69
		Rashtriya Gokul Mission	2017-18	0.47	15.00	2.83	0.00	12.64
			2018-19	12.64	9.50	9.52	0.00	12.62
			2019-20	12.62	12.31	3.65	0.00	21.28
2.	Bihar State Tourism Development Corporation Ltd.	Integrated Development of Tourists Circuits around specific themes (Swadesh Darshan)	2017-18	20.20	46.80	12.16	0.00	54.84
			2018-19	54.84	36.32	46.89	0.00	44.26
			2019-20	44.26	56.11	73.35	0.00	27.02

(Source: Data furnished by concerned depts.)

#### 4.5 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 4.4**.

**Table 4.4: Deposits of Local Funds**

(₹ in crore)

Year				2015-16	2016-17	2017-18	2018-19	2019-20
<b>Municipal Fund</b>	(8448-102)	Opening Balance	1	1436.53	1738.35	2330.64	2742.77	3307.66
		Receipt	2	1525.00	2122.51	1968.32	2712.09	2469.66
		Expenditure	3	1223.19	1530.22	1556.19	2147.20	2033.77
		Closing Balance	4	1738.35	2330.64	2742.77	3307.66	3743.56
<b>Panchayat Bodies Fund*</b>	(8448-109)	Opening Balance	5	319.72	140.38	434.93	631.61	650.49
		Receipt	6	955.67	650.99	695.52	735.54	374.78
		Expenditure	7	1135.01	356.44	498.84	716.67	270.29
		Closing Balance	8	140.38	434.93	631.61	650.49	754.98

\*Zila Parishad and Panchayat Samiti fund included

(Source: Finance Accounts of the respective year)

It is evident from the above table that parking of funds has increased from ₹ 1738.35 crore to ₹ 3743.56 crore in Major Head 8448-102 (Municipal Fund) and from ₹ 140.38 crore to

₹ 754.98 crore in Major Head 8448-109 (Panchayat Bodies Fund) during the period from 2015-16 to 2019-20.

Audit also observed that over the last several years, the Government of Bihar 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. In respect of amounts transferred over the years by depicting expenditure, deposit accounts, as on 31 March 2020, retain an accumulated amount of ₹ 24,942.26 crore as depicted in **Table 4.5**.

**Table 4.5: 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)	
2015-16	83,616	4,807	5.75	23,966	4,048	16.89	8855	8449.00
2016-17	94,765	6,007	6.34	27,208	14,862	54.62	20869	13110.29
2017-18	1,02,624	7,135	6.95	28,907	15,069	52.13	22204	21728.33
2018-19	1,24,897	9,306	7.45	21,058	13,606	64.61	22912	23181.78
2019-20	1,26,017	14,531	11.53	12,304	11,314	91.95	25845	24942.26

(Source: Finance Accounts for the respective years)

Trend analysis revealed that funds booked under capital expenditure transferred to Major Head-8448 range from 16 per cent to 91 per cent whereas under revenue expenditure range from 5 per cent to 11 per cent during the last five years, leading to parking of funds. Funds parked in Public Account indicate overstatement of actual capital expenditure incurred.

### Issues related to transparency

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

Rule 341(2) of Bihar Financial Rules (BFR) stipulate that the grants should be paid during the financial year as are likely to be spent 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 (F.D) executive order dated 06 January 1975, prescribed a time of one year from the date of sanction for submission of UCs. This deadline was increased to 18 months by F.D, GoB executive order dated 19 October 2011.

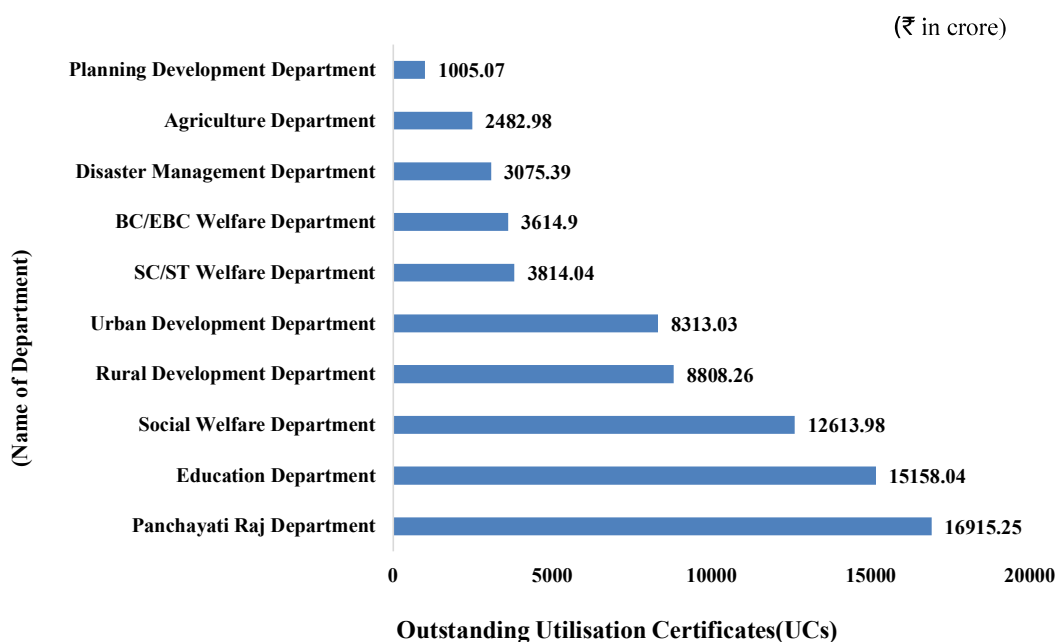
As per the Finance Department's letter dated 10.10.2013, UCs for the amount of GIA which have been drawn on or after 01.10.2011 will be submitted in the form BTC 42A to the A.G (A&E), Bihar. Year wise break-up of outstanding UCs is depicted in the **Table 4.6**.

**Table 4.6: Year-wise break up of outstanding UCs**(*₹ in crore*)

Year	Number of UCs	Amount
Up to 2010-11	336	3239.46
2011-12	148	1513.50
2012-13	175	1400.00
2013-14	219	1364.39
2014-15	179	2556.26
2015-16	203	2968.25
2016-17	186	4891.98
2017-18	301	13015.00
2018-19	516	27293.34
2019-20	327	21448.74
<b>Total</b>	<b>2590</b>	<b>79690.92</b>

*(Source: Data provided by O/o the Pr.A.G.(A&E), Bihar, Patna)*

It was observed that a major amounts of outstanding UCs as on March 2020, were found in the Departments like Panchayati Raj Department (₹ 16,915.25 crore), Education Department (₹ 15,158.04 crore), Social Welfare Department (₹ 12,613.98 crore) and Rural Development Department (₹ 8,808.26 crore) etc., as depicted in **Chart 4.1**.

**Chart 4.1: Outstanding UCs in respect of 10 major Departments for the grants paid up to August 2018***(Source: Finance Accounts of the State)*

Data regarding the number of pending UCs with respect to the creation of capital assets, False UCs/Misreporting of UCs, keeping funds in Fixed Deposit Account or any other type of account with lesser return could not be ascertained due to non-availability of data at the department level or in AG (A&E) Bihar, Patna.

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. Loss of opportunity cost due to keeping funds in Accounts is also a major concern. There is also no assurance that the intended objectives of providing these funds have been achieved.

#### 4.6.1 Recording of Grantee Institution as “Others”

There should be a mechanism in States of giving institute code to various bodies and authorities receiving GIA from the Government. These grants are also recorded in the Voucher Level Computerization (VLC) system of the Accountant General (A&E) office and the 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 Institute Code has not been provided by any concerned department, 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 ₹ 24,374.29 crore (52.33 per cent) was recorded as ‘Others’ out of total GIA amounting to ₹ 46,581.53 crore during 2019-20 (*Appendix-III, Finance Accounts, 2019-20*).

In absence of proper code, outstanding amounts against all institutions could not be worked out, which affects the transparency of Accounts.

#### 4.7 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 bill was drawn and no abstract bill shall be cashed after the end of the period of six months unless the detailed bill has been submitted. Year-wise progress in the submission of DC bills against the AC bills is depicted in **Table 4.7**.

**Table 4.7: 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 2016-17	1,01,334	42,987.91	1383	1,808.68	90177	42,421.46	12,540	2,375.13
2017-18	12,540	2,375.13	1540	2,906.91	468	915.64	13,612	4,366.40
2018-19	13,612	4,366.40	1453	631.51	112	73.53	14,953	4,924.38
2019-20	14,953	4,924.38	5689	4,231.06	0	0.00	20,642	9,155.44

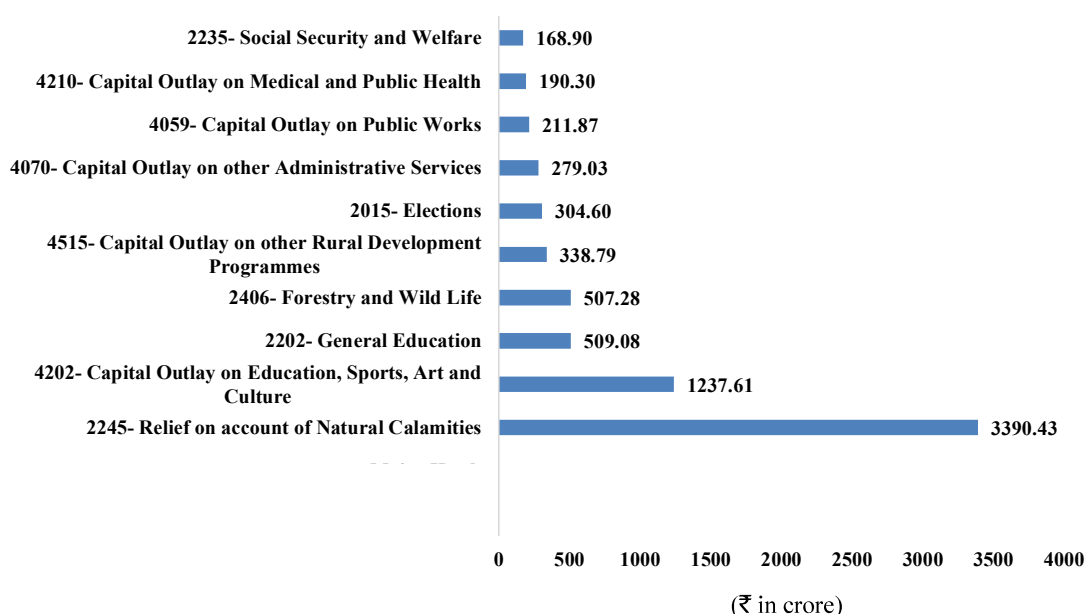
(Source: Finance Accounts for the respective years)



It is evident from the above table that a total of 20,642 AC Bills amounting to ₹ 9,155.44 crore, had not been adjusted till March 2020. During the year 2019-20, 289 AC Bills amounting to ₹ 805.96 crore (19.05 per cent of the total drawn 5689 AC Bills amounting to ₹ 4,231.06 crore) were drawn under various Capital Heads for Creation of Capital Assets. 1383 AC Bills amounting to ₹ 644.13 crore (15.22 per cent of the total drawn AC Bills) were drawn in March 2020 alone. No AC Bill was drawn on the last day of the financial year 2019-20.

Substantial expenditure against AC bills in March indicates that the drawal was primarily to exhaust the budget provisions and reveals inadequate budgetary control. Drawals for the creation of Capital Assets indicate lack of object-level planning. Department-wise pending DC bills are not being maintained in the VLC module of the AG (A&E) office. Major Head wise pending DC bills are shown in **Chart 4.2**.

**Chart 4.2: Pending DC Bills in respect of Major Head**



(Source: Data furnished by the O/o Pr.AG (A&E))

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.

#### 4.8 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>20</sup> back to Consolidated Fund by reduction of expenditure to the service head.

As per the notification<sup>21</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 was nullified as of now accordingly.

During scrutiny, it was observed that all the PD Accounts have been opened under designated heads of Accounts i.e. 8443 Civil Deposits – 106 Personal Deposits. A total of ₹ 4,377.12 crore was lying in 175 PD Accounts before CFMS (as on 31.03.2019). Out of these, only 163 PD Accounts were migrated to CFMS and 12 PD<sup>22</sup> Accounts have not been migrated to CFMS in the financial year 2019-20. Two PD Accounts are newly raised in CFMS, which were not previously included in 175 PD Accounts. One PD Accounts was already closed in 2017 but presently available in CFMS. 166 Plus Minus Memo submitted by Treasuries to AG (A&E) office. PD Accounts were opened with the approval of Accountant General (A&E), Bihar, Patna.

During 2019-20, eight PD Accounts were closed and the balance of ₹ 555.90 crore lying in these Accounts were remitted to the Consolidated Fund of the State. Details of PD Accounts that were in CFMS during 2019-20 have been shown in **Table 4.8**. Transactions (Cr. & Dr.) during the year are shown under column Addition and Closing during the year.

**Table 4.8: Details of PD Accounts as per CFMS during 2019-20**

(₹ in crore)

Opening Balance as on 01.04.2019		Addition during the year		Closing during the year		Closing Balance as on 31.03.2020	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
166	4,361.12	0	552.13	08	1600.31	158	3,312.94

(Source: Finance Accounts for the respective years)

It was noticed that there was a difference of ₹ 16.00 crore in the closing balance of March 2019 and the opening balance of April 2019. AG (A&E) office stated that the difference in balance is due to the non-migration of 12 PD accounts and pending reconciliation of seven PD Accounts. The reason for differences between Finance Accounts (Statement-21) and Plus Minus memorandum is also under reconciliation.

Non-reconciliation of balances in PD accounts periodically and not transferring the 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.

<sup>20</sup> GoB notification No. 6679 dated 23.08.2016.

<sup>21</sup> Notification no. M-4-02/2020-2916/F Dt: 03.06.2020

<sup>22</sup> DDC, Katihar; SDO Narkatiaganj; SDO Rajouli (Nawada), Inland Water Transport Directorate, Nirman Bhawan Patna; Bihar Rastra Bhasha Parishad, Patna; DM, Saharsa; SDO, Saharsa; SDO Marhaura (Saran); SDO Sheohar; SDO, Sherghati; SDO, Mahnar and SDO, Dehri

#### 4.9 Personal Ledger (PL) Accounts

As per Bihar Treasury (Amendment) Code 2014 Personal Ledger Account (PL Account) of Special Purpose Vehicles, Board, Authority, Agency and Society *etc.*, constituted by the State Government who receive money in any form (*e.g.* grant, loan, work to be done on centage, *etc.*) shall be opened in the treasury. The State Government may exempt any institution or any specific scheme from keeping the amount in PL Account. The authorised officer through a non-Government cheque will operate PL Account. The State Government may order to keep the amount in the Bank Account withdrawing from PL Account in installments to maintain the monetary liquidity of these institutions. The Finance Department may prescribe the procedure for deposit and withdrawal of the amount from the PL Account in special circumstances.

There were 253 PL Accounts amounting to ₹ 26,997.71 crore, including eight new PL Accounts existing in 66 treasuries as on 31 March 2020. Further, 18 PL Accounts were not migrated in CFMS.

There were 70 PL Accounts in which discrepancies were found between the closing balance of 2018-19 and the opening balance of 2019-20. Out of these, 53 were reconciled as on 22.12.2020. Action is underway in AG (A&E) office to remove discrepancies in other PL Accounts. No PL Account was closed during 2019-20.

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.

#### 4.10 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.*

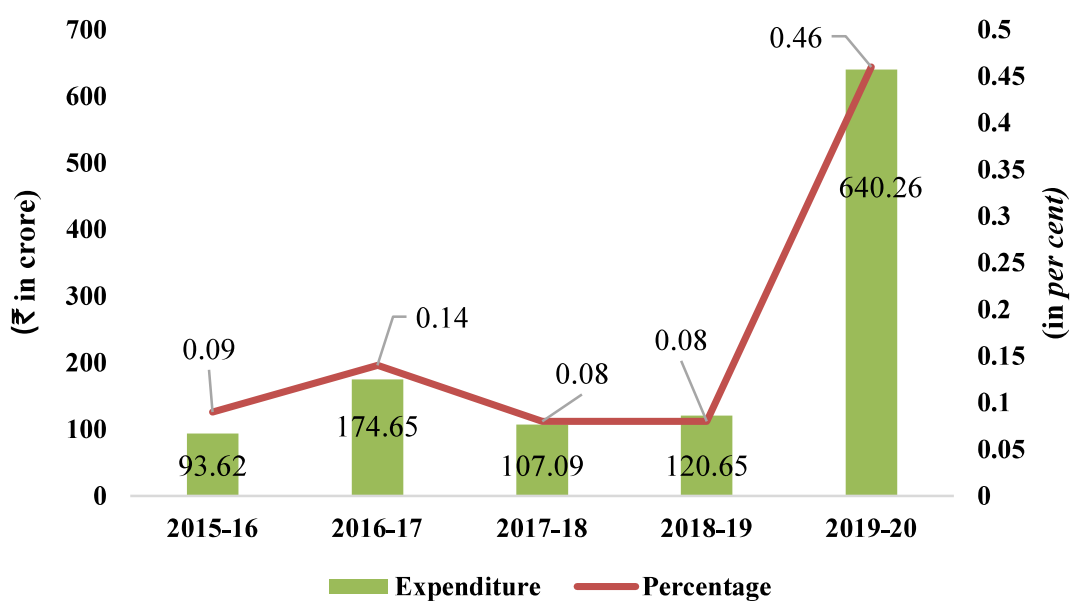
During 2019-20, expenditure of ₹ 640.26 crore (0.46 *per cent*) was incurred through '800' Minor Head out of total expenditure of ₹ 1,38,320.56 crore. The receipt of ₹ 948.22 crore (0.76 *per cent*) was booked through '800' Minor Head out of total receipt of ₹ 1,24,232.53 crore (Appendix-4.2 and 4.3). Expenditure and Receipt under Minor Head '800' were found 50 *per cent* or more as mentioned in **Tables 4.9** and **4.10** respectively.

**Table 4.9: Significant expenditure booked under Minor Head 800 – Other Expenditure during the financial year**

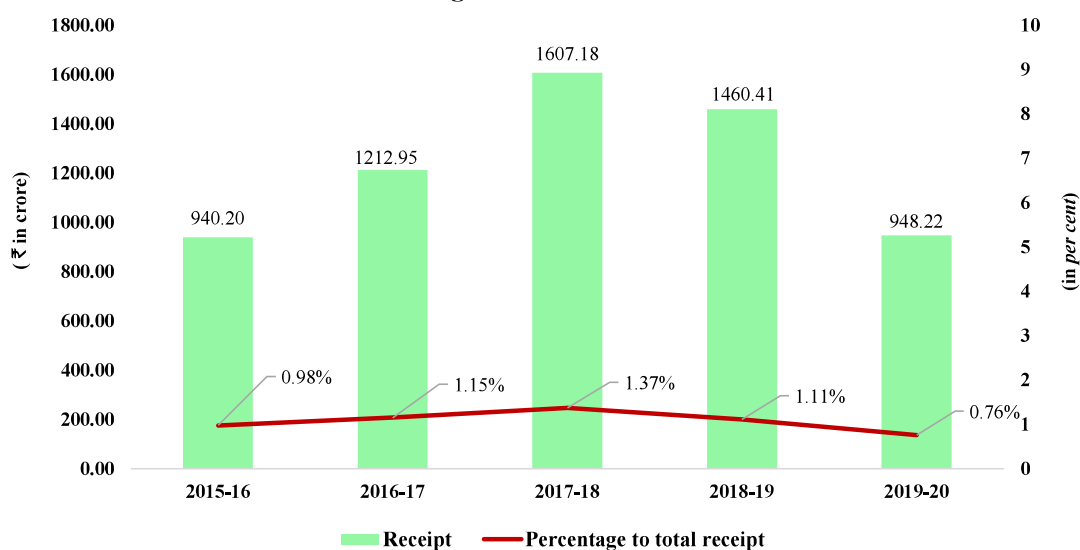
(₹ in crore)					
Sl. No.	Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Per centage
1.	2250	Other Social Service	21.25	23.05	92.21

**Table 4.10: Significant receipts booked under Minor Head 800 – Other Receipts during the financial year***(₹ in crore)*

Sl. No.	Major Head	Description	Receipts under Minor Head 800	Total Receipts	Percentage
1.	0059	Public Works	5.80	8.60	67.44
2.	0070	Other Administrative Services	126.42	137.39	92.02
3.	0210	Medical and Public Health	26.53	47.54	55.81
4.	0230	Labour and Employment	7.76	11.28	68.79
5.	0235	Social Security and Welfare	0.17	0.17	100.00
6.	0404	Dairy Development	0.02	0.02	100.00
7.	0506	Land Reforms	0.16	0.13	121.06
8.	0702	Minor Irrigation	10.90	17.69	61.62
9.	0851	Village and Small Industries	0.08	0.08	100.00
10.	0852	Industries	14.63	14.64	99.93
11.	1053	Civil Aviation	1.58	1.95	81.03
12.	1056	Inland Water Transport	0.01	0.01	100.00
13.	1456	Civil Supplies	0.02	0.02	100.00

*(Source: Finance Accounts, 2019-20)***Chart 4.3: Operation of Minor Head 800 - Other Expenditure during 2015-16 to 2019-20***(Source: Finance Accounts, 2015-16 to 2019-20)*

**Chart 4.4: Operation of Minor Head 800 - Other Receipt during 2015-16 to 2019-20**



(Source: Finance Accounts, 2015-16 to 2019-20)

Further, expenditure under Minor Head ‘800’ has increased from ₹ 93.62 to ₹ 640.26 crore and receipt from ₹ 940.20 to ₹ 948.22 crore during 2015-16 to 2019-20. During 2019-20, major expenditure was booked under Minor Head ‘800’ from Major head 2406-Forestry and Wild Life (₹ 216.42 crore) and 6004- Loans and Advances from the Central Government (₹ 390.77 crore).

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

#### 4.11 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	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8658 - Suspense</b>						
101 - PAO suspense	335.27	0.00	314.56	0.00	289.23	0.00
<b>Net</b>	<b>Dr. 335.27</b>		<b>Dr. 314.56</b>		<b>Dr. 289.23</b>	
102 - Suspense Account-Civil	4,059.01	309.73	4,408.94	452.87	10,495.81	638.35
<b>Net</b>	<b>Dr. 3,749.28</b>		<b>Dr. 3,956.07</b>		<b>Dr. 9857.46</b>	
107 - Cash Settlement Suspense Account	0.00	32.29	0.00	32.29	0.00	32.29
<b>Net</b>	<b>Cr.32.29</b>		<b>Cr. 32.29</b>		<b>Cr. 32.29</b>	
109 - Reserve Bank Suspense –Headquarters	262.54	0.66	264.57	(-) 0.01	249.56	2.56
<b>Net</b>	<b>Dr. 261.88</b>		<b>Dr. 264.58</b>		<b>Dr. 247.00</b>	
110 - Reserve Bank Suspense – CAO	1,276.72	894.62	1,280.04	894.61	1,194.19	894.61
<b>Net</b>	<b>Dr. 382.10</b>		<b>Dr. 385.43</b>		<b>Dr. 299.58</b>	
112 - Tax Deducted at Source (TDS) Suspense	776.13	1257.13	1126.83	1455.19	953.83	1281.53
<b>Net</b>	<b>Cr. 481.00</b>		<b>Cr. 328.36</b>		<b>Cr. 327.70</b>	
123 - A.I.S Officers' Group Insurance Scheme	0.23	7.08	0.45	6.91	0.35	6.53
<b>Net</b>	<b>Cr. 6.85</b>		<b>Cr. 6.46</b>		<b>Cr. 6.18</b>	
<b>Major Head 8782-Cash Remittances</b>						
102 - P.W. Remittances	16,469.13	15,520.08	16,746.56	15,838.27	16,748.75	15,837.56
<b>Net</b>	<b>Dr. 949.05</b>		<b>Dr. 908.29</b>		<b>Dr. 911.19</b>	
103 - Forest Remittances	2,779.39	2,535.37	3,146.33	2,937.60	3,146.65	2,938.38
<b>Net</b>	<b>Dr. 244.02</b>		<b>Dr. 208.73</b>		<b>Dr. 208.27</b>	

*(Source: Finance Accounts 2017-18 to 2019-20)*

It was observed that fund under 102- Suspense Account-civil has remarkably increased (net Dr. 9857.46 crore) during 2019-20 in comparison to the previous year 2018-19 (net Dr. 3,956.07 crore). AG (A&E) office has so far made an objection in 22,857 number of vouchers amounting to ₹ 7,149.67 crore and 316 number of challans amounting to ₹ 63.59 crore due to non-attachment of sanction orders/ pension payment documents/ running bills/ sub-vouchers *etc.* These have been kept in Suspense Accounts. All vouchers and challans were not rectified till April 2021.

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 un-cleared, the balances under the Suspense Heads would accumulate and not reflect the true and fair picture of the Governments expenditure.

#### 4.12 Non-reconciliation of Departmental figures

Controlling Officers of the Departments to exercise effective control over spending 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.

As per Rule 475 of Bihar Financial Rules, all Controlling Officers are required to reconcile their receipts and expenditure with the Accountant General (A&E).

However, it was observed that the trend of non-reconciliation in receipt and expenditure had increased from 2017-18 to 2019-20. Further, during the year 2019-20, ₹ 23,681.48 crore (19.06 per cent) of receipt out of total receipt ₹ 1,24,232.53 crore and ₹ 1,22,406 crore (88.49 per cent) of expenditure out of total expenditure ₹ 1,38,320.56 crore were not reconciled as shown in **Table 4.12**.

**Table 4.12: Status of Reconciliation of Receipts and Expenditure figures**

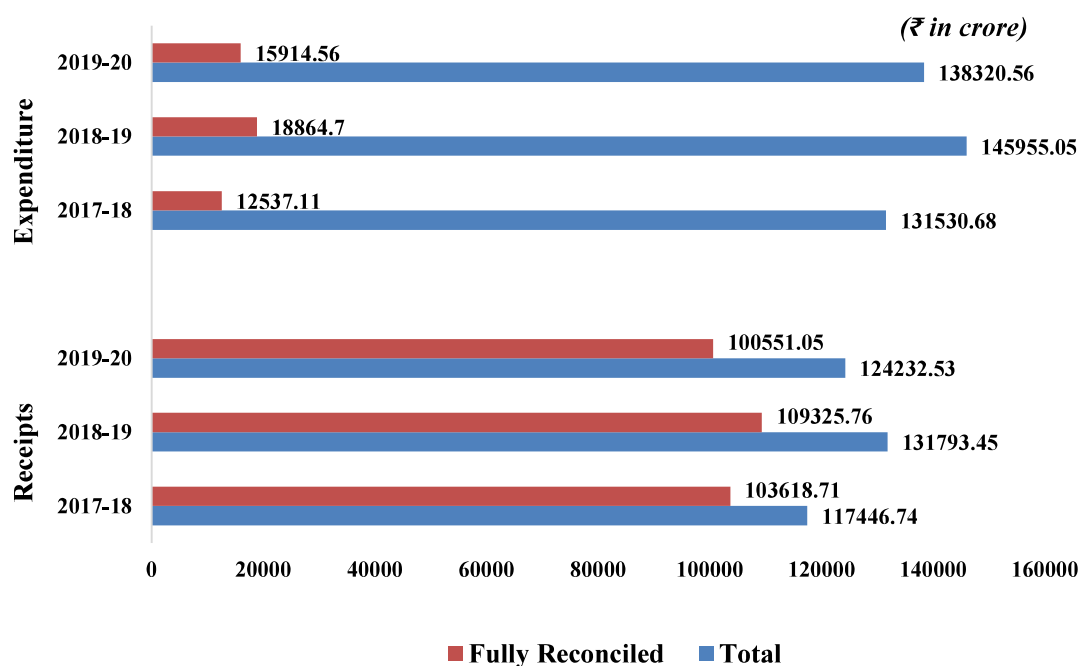
(₹ in crore)

Year	Fully Reconciled	Partially Reconciled	Not reconciled at all (per cent)
<b>Receipts</b>			
2017-18	103618.71	-	13828.03 (11.77)
2018-19	109325.76	-	22467.70 (17.05)
2019-20	100551.05	-	23681.48 (19.06)
<b>Expenditure</b>			
2017-18	12537.11	-	118993.57 (90.47)
2018-19	18864.70	-	127090.35 (87.08)
2019-20	15914.56	-	122406.00 (88.49)

(Source: Finance Accounts for the respective years & Data furnished by the O/o Pr.AG (A&E))

Further, the status of reconciliation during the last three years has been shown in **Chart 4.5**.

**Chart 4.5: Status of reconciliation during the three years 2017-20**



(Source: Finance Accounts for the respective years & Data furnished by the O/o Pr.AG (A&E))

The amount is booked as Major Head wise in VLC Module so as total no. of controlling officers were not available. The facility of reconciliation of receipts under Cyber Treasury has not been started so far.

Failure to adhere to the codal provisions and executive instructions in this regard not only resulted in misclassification but also defeats the objective of the budgetary process.

#### 4.13 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, there was a difference of ₹ 700.18 crore (Dr.) between the cash balance as on 31 March 2020 as worked out by the Accountant General (A&E) and by the RBI. Such difference is mainly due to incorrect reporting of transactions and non-reconciliation by the Agency Banks. The difference is under reconciliation.

Out of the above-stated differences, an amount of ₹ 11.86 crore (Dr) pertains to the period from 1964-65 to 1987-88 which is under consideration of the State Government for write-off whereas other differences are under reconciliation. No Cash Balance difference was either written off or credited to the State Account during the year 2019-20.

#### Issues related to disclosure

#### 4.14 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India (CAG), prescribe the form of Accounts of the Union and of the States. Further, the CAG of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, 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.	IGAS-1: 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>	Complied Statements 9 and 20 of Finance Accounts have been prepared. However, disclosure is incomplete since the state Govt. has not furnished the required information.	All Guarantors, departments of state govt. and guarantees made during the year could not be ascertained.
2.	IGAS-2: Accounting and Classification of <i>Grants-in-Aid</i>	<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>	Complied Statement 10 of Finance Accounts.	No



Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
3.	IGAS-3: Loans and Advances made by Government	<ul style="list-style-type: none"> <li>For recognition, measurement, valuation, and reporting in respect of Loans and</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>Complied Statement 7 and 18 of Finance Accounts</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>	‘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.

#### 4.15 Submission of Accounts/ Separate Audit Reports of Autonomous Bodies

As per Section 19(3) of the CAG’s Duties, Powers and Conditions of Services (DPC) Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the Accounts of such corporation and shall have for the purposes of such audit, right of access to the books and Accounts of such corporation.

Apart from Section 19, where the audit of the Accounts of any Body or authority has not been entrusted to the CAG by or under any law, he shall, if requested to do so by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the Accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and Accounts of that body or authority (Section 20).

Out of 45 Bodies/Authorities under audit jurisdiction in the State of Bihar, CAG is the Primary Auditor of only four Bodies/Authorities. Audit of remaining 41 Bodies/Authorities (*Appendix-4.4*) are being conducted under Section 14 of CAG (DPC), Act 1971. However, entrustment audit of Accounts was not given to the CAG. Arrears of Accounts of bodies or authorities are depicted in **Table 4.14**.

**Table 4.14: Arrears of Accounts of bodies or authorities**

Sl. No.	Name of Body or Authority	Entrustment received up to	Accounts pending for the year	No. of Accounts pending up to F.Y 2019-20	Remarks
1.	Bihar Agricultural University, Sabour, Bhagalpur	2014-15	Since 2018-19	2	Audited as per para 31(2) of BAU Act,2015
2.	Rajendra Prasad Agricultural University, Pusa, Samastipur	2016-17	Since 2014-15	3	Notify Central University 03.10.16
3.	Bihar State Legal Service Authority(BLSA)	Permanent	2019-20	1	Section 18 of BLSA act,1987
4.	Bihar Electricity Regulatory Commission	Permanent	2019-20	1	Section 104(2) of Electricity Act,2003
<b>Total</b>				<b>7</b>	

(Source: Data compiled by Audit Office)

#### 4.16 Departmental Commercial Undertakings/Corporations/ Companies

The Companies Act, 2013 stipulates that the financial statement of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.*, by 30 September of the next financial year. Failure to submit Accounts on time renders the officers of the company liable to penal provisions under the Act.

It was observed that 137 Accounts are in arrears pertaining to 33 working companies since 1998-99, 11 Accounts are in arrears for 3 working Statutory Corporations since 2015-16 and 1067 Accounts are in arrears pertaining to 37 non-working companies since 1977-78. Out of 42 non-working PSUs, five PSUs are under liquidation (**Appendix 4.5**).

Government provided budgetary support (equity, loans, grants, guarantee and subsidies) of ₹ 18,872.14<sup>23</sup> crore to 16 working State Public Sector Undertakings, two Statutory Corporations, and 16 non-working Public Sector Undertakings up to 2019-20 whose Accounts were in arrears as on 31 March 2020. These PSUs have not finalised their Accounts for the last one to 43 years in violation of provisions of the Companies Act/Acts of the respective Statutory Corporations/ Public Sector Undertakings (**Appendix 4.6**). Twenty PSUs/Corporations are loss making with their net worth being negative (**Appendix 4.7**).

Due to non-finalisation of Accounts, the CAG has been unable to perform the supplementary audit of Companies as stipulated in the Companies Act and statutory audit of the corporations as stipulated in their respective acts. In the absence of timely finalisation of accounts, results of the investment of the Government remain outside the purview of the State Legislature and escape scrutiny by Audit. Consequently, corrective measures, if any, required for ensuring

<sup>23</sup> Equity- ₹ 342.63 crore, Loan- ₹ 2,705.97 crore, Capital Grant- ₹ 561.36 crore, Subsidy- ₹ 7,447.91 crore, including extended Guarantee- ₹ 7,814.27 crore

accountability and improving efficiency cannot be taken in time. The risk of fraud and mis-utilisation of public money cannot be ruled out.

#### 4.17 Timeliness and Quality of Accounts

The Accounts of the State Government are compiled by the Accountant General (A&E) from the initial Accounts rendered by district treasuries, sub-treasuries, Resident Commissioner (New Delhi), cyber treasury, apart from the RBI advice.

It was observed that the Accounts of the State Government for the year 2019-20 are based on the initial Account rendered by 76 Treasuries (including the Public works division and Forest Division) and advises of RBI. The accounts have been compiled from the vouchers, initial and subsidiary accounts rendered by the treasuries and other rendering units. No accounts were excluded at the end of the year.

#### Other Issues

#### 4.18 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 enquires are made. Pending cases of misappropriation, losses and theft are depicted in **Table 4.15**.

*Table 4.15: Pending cases of misappropriation, losses, theft, etc.*

(₹ in crore)

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in the final disposal of pending cases of misappropriation, losses, theft, etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
			Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Rural Work Department	11	2.94	0	0	11	2.94	0	0

Rural works Department had intimated that departmental action had been initiated in 11 cases, which are pending for the last twenty years. Out of 11 cases, eight cases amounting to ₹ 2.11 crore were pending for more than 10 years and the remaining three cases were pending for less than ten years. However, the final action is yet to be taken.

#### 4.19 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 within one month

of 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) within three months of tabling the Reports.

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.

During 2019-20, the PAC had held one meeting for discussion on the SFARs. A total number of 282 Paras of SFARs out of 285 paras relating to 2008-09 to 2017-18 are pending for discussion.

#### 4.20 Conclusions

Positive Indicators	Negative Indicators
Decreasing number of discrepancies in PL Accounts	Continuing cases of cess, royalty, and regulators 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

#### 4.21 Recommendations

The Finance Department should

- 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 expenditure are booked under appropriate heads of Accounts, in consultation with the Accountant General (A&E).
- prescribe a time frame within which the administrative department collects pending utilisation certificates and ensure that till such time no further grants release to defaulting grantees. Responsibility should be fixed for the 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.

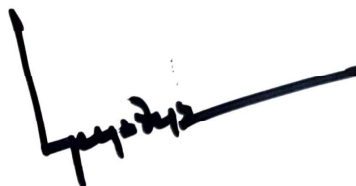
- need to see if this is value for money expenditure and if such assistance can justifiably be booked as capital expenditure for equity and loan.
- review the cases of all PSUs that are in arrears of Accounts, ensure that the Accounts are made current within a reasonable period, and stop financial support in all cases where Accounts continue to be in arrears. The Government should fix the responsibility for non-finalisation of the accounts.



(RAMAWATAR SHARMA)  
Accountant General (Audit), Bihar

Patna  
The 19 August 2021

COUNTERSIGNED



(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

New Delhi  
The 27 August 2021