A teal-colored envelope icon is centered on the page. The envelope is shown from a top-down perspective, with the flap folded down. The body of the envelope is a rounded rectangle, and the flap is a simple triangle pointing upwards.

**Chapter-III**  
**Internal Control in**  
**Finance Department**



## CHAPTER – III

### DETAILED COMPLIANCE AUDIT

#### FINANCE DEPARTMENT

#### 3 *Internal Control in Finance Department*

##### 3.1 Introduction

The Finance Department, Government of Bihar is responsible for management of finances of the State Government. Major functions and activities of the Department are budgeting and preparation of the annual financial statement, monitoring of expenditure, administration of treasuries and internal audit of Government Departments. Besides, it also carries out works relating to maintenance of General Provident Fund (GPF) and Contributory Provident Fund (CPF) of government employees, and printing works of Departmental Presses.

Finance Department is headed by an Additional Chief Secretary and assisted by two Secretaries for management of resources and expenditure control respectively. At department level, work of treasury administration and maintenance of GPF accounts are headed by Deputy Commissioner, Treasury and Accounts and Deputy Commissioner, GPF respectively.

At division level, there are offices of Assistant Director, Finance Audit, operational under the control of the Audit Director, Finance Department, Government of Bihar.

At district level, District Accounts Officer (DAO) under the control of District Magistrate is responsible for transparent financial administration and continuous monitoring of activities in Government offices. The District Magistrate concerned utilises the services of DAO for financial and accounts inspection, training and maintenance of records of district level offices.

##### 3.1.1 *Audit Objectives*

In order to assess the internal control of the Finance Department, audit had set the objectives to examine whether:

- at district level the functioning of the DAOs ensured compliance to laid down financial provisions;
- records related to General Provident Fund and Contributory Provident Fund were maintained as per provisions;
- the internal audit was in place for effective monitoring.

##### 3.1.2 *Audit criteria*

The audit has been conducted based on following criteria:

- Rules of Executive Business, 1979 of Government of Bihar;
- Bihar Financial Rules, 2005;
- Bihar Treasury Code 2011;
- Bihar Budget Manual and

- Directives/circulars issued by Finance Department from time to time.

### **3.1.3 Audit Scope and methodology**

The compliance audit has covered the period from 2016-17 to 2020-21 and was conducted during December 2020 to September 2021. During audit, records of the Finance Department at Government level and its subordinate offices *i.e.* Directors of Finance Audit and Directorate, Provident Fund, Bihar, Patna were scrutinized at State level. Further, records of all the selected seven division/districts<sup>18</sup> Assistant Directors (Audit) Finance, District Provident Fund Officers (DPFOs), District Treasury Officers (DTOs) and records of one Block Development Officer<sup>19</sup> (BDOs) of each district and Superintendent, Government Presses (Gaya and Gulzarbagh) at field level were scrutinized for ascertaining the adequacy and effectiveness of controls of the Finance Department over its subordinate offices and control of the department over other administrative departments.

## **3.2 Audit Findings**

### **3.2.1 Functioning of District Accounts Officers**

As per Rule 10 of the Bihar Financial Rules (BFR), Head of a Department is responsible for enforcing financial order by observance of all relevant financial rules and regulations.

In order to maintain transparent financial administration and its continuous monitoring in the districts, duties and responsibilities of DAOs were fixed by the Finance Department (December 2017) which include the following:

- Ensuring proper maintenance of accounts and records and to ensure that the provisions of Bihar Budget Manual, Bihar Treasury Code, Bihar Financial Rules and other instructions issued from time to time are implemented by DDOs at district level.
- Monitoring the operation of bank accounts and amount deposited in the banks.
- Inspection of records of each DDO at least once in a year and perform the duties of Financial Advisor of field level offices.
- Provide directions in compliance of audit objections of the different offices under the control of Districts.
- Ensuring arrangement for training of district level officials.
- Examine the cases of financial irregularities in government offices.

Audit observed that due to non-creation of separate establishments for DAOs and supporting staff, none of the above-mentioned responsibilities were being discharged at the districts. The post of DAO was sanctioned in all the 38 districts. However, in the test checked seven districts, only four districts had regular DAOs<sup>20</sup> while the remaining three posts were operationalised as additional

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<sup>18</sup> Bhagalpur, Darbhanga, Gaya, Muzaffarpur, Patna, Saharsa and Saran.

<sup>19</sup> Danapur (Patna); Jagdishpur (Bhagalpur); Mushahari (Muzaffarpur); Kahara (Saharsa); Bahadurpur (Darbhanga); Gaya Sadar (Gaya) and Chapra Sadar (Saran).

<sup>20</sup> Bhagalpur, Muzaffarpur, Patna and Saharsa.

charges of other District level officers<sup>21</sup> of the Bihar Accounts Service.

Audit also noticed that in Bhagalpur and Saharsa districts, regular posting of DAOs had been made but these officers were also given additional charges of DPFO and Senior Treasury Officer respectively. No separate budget was provided for operation of these offices and the office of the DAO was functional as a section under the control of District Magistrate.

Audit observed that cases of non-compliance of financial provisions, non-observance of Bihar Budget Manual, huge/delayed surrender of funds, indiscriminate operation of bank accounts, diversion of funds, persistent unadjusted advances, *etc.* were prevalent in all the seven test-checked districts (July 2021).

### **3.2.2 Budgetary and expenditure Control**

As per Bihar Budget Manual 2016, the budget should be based on actual expenditure incurred in the previous years. Further, Rule 22 of chapter 4 of Bihar Budget Manual stipulates that all controlling officers<sup>22</sup> should prepare the estimates and send them to the Finance Department along with their comments. Further Rule 65 of the *ibid* manual describes that the controlling officers should examine the estimates received from disbursing officer<sup>23</sup> to see that they are correct and required details and explanations have been given.

The Comptroller and Auditor General of India's State Finance Audit Reports (SFARs) (upto 2019-20) provide an insight into the deficit management in financial matters which includes AC/DC bills, non-utilisation of budget allocation, persistent savings, unnecessary supplementary allocation/ re-appropriation of funds, substantial surrender of funds, cases of rush of expenditure, blockage of funds, PD Accounts *etc.* Further, scrutiny of budget estimates prepared by the test-checked subordinate offices of the Department revealed that they were not realistic as previous years actual expenditures were not considered while preparing budgetary estimates for the next year. Finance Department released funds to the DDOs under certain heads of expenditure without assessing the actuals of the past years and funds remained unspent and had lapsed/surrendered in the last week/day of the financial year (**Appendix-3.1**). Lapse of funds in salary head ranged between 12 and 38 *per cent*. Even under the heads of office expenses, electricity, TA *etc.*, 100 *percent* funds had lapsed/surrendered in the test-checked offices (**Appendix-3.2**). Audit scrutiny also revealed that the Finance Department provided funds to subordinate offices *viz.* Government Presses (Gulzarbagh, Patna and Gaya), DPFOs, DTOs, Finance Audit offices *etc.* under the heads of Travelling Allowances, Maintenance of Vehicles (though no vehicle was available), Publication & Printing, Machine

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<sup>21</sup> District Treasury Officer, District Statistical Officer, District Provident Fund Officer.

<sup>22</sup> The head of the Department or other departmental officer who is entrusted with the responsibility of controlling the incurring of expenditure, collection of revenue of the concerned department and submission of the Budget Estimate. For Finance Department, Principal Secretary/Secretary, Director GPF, Director Press and Chief Controller of Accounts are the controlling officers.

<sup>23</sup> As per definition no. 25 in Bihar Budget Manual, Drawing and Disbursing Officers (DDOs) means a Gazetted Officer who is authorized to draw bills/cheques, and make payments on behalf of the Government.

& Equipment *etc.*, though, entire funds had lapsed/surrendered in the previous five years.

In order to make all financial transaction including Budget preparation and allotment, E-billing, Treasury system, Payee management *etc.* online, Govt. of Bihar has implemented Integrated Financial Management System (IFMS) as Comprehensive Financial Management System (CFMS) from 1 April 2019.

Scrutiny of records revealed that the Finance Department had not carried out any pilot project study before rolling out CFMS in the State and issues related to design and minor bugs have not been addressed. This had resulted in incidences of multiple weakness of the project identified from time to time. There were cases of excess payment, double payment, duplicate bill generation (approx. 1,500 employees) through CFMS. Due to these deficiencies in the software architecture, the Finance Department had decided (September 2019) to re-develop CFMS version 2.0 for workable solution.

Finance Department in its reply admitted (November 2021) the audit observations that there was no requirement for supplementary grants given during the years. It also stated that in future, efforts would be made so that such mistakes would not occur. However, the fact remains that the DAO did not ensure the compliance of provisions of Bihar Budget Manual for preparation of budget estimates based on actual expenditure of past years.

### 3.2.3 Delayed surrender/ lapse of funds

According to Bihar Budget Manual, all savings anticipated by the controlling officer should be reported with full details and reasons to the Finance Department. Surrender of savings was also to be informed by 15<sup>th</sup> of February of the current year.

Scrutiny of records of 11 test-checked offices<sup>24</sup> revealed that time schedule for surrendering the savings to the Finance Department had not been adhered to by the DDOs from 2016-17 to 2020-21. Funds were surrendered in last week/day of the financial year (**Table no. 3.1**):

**Table No. 3.1**  
**Amount surrendered in last week/day of the financial year**  
(₹ in crore)

Year	Allotment	Expenditure	Surrender/Lapse
2016-17	6.91	6.27	0.64
2017-18	10.03	9.57	0.46
2018-19	10.46	9.73	0.73
2019-20	6.34	5.80	0.54
2020-21	23.72	17.76	5.96
<b>Total</b>	<b>57.46</b>	<b>49.13</b>	<b>8.33</b>

(Source: Records of test-checked offices)

Surrender of allotted funds in the last week of the financial year indicated that the Department failed to maintain the prescribed financial discipline. Test-checked DDO wise status is given in **Appendix-3.1**.

<sup>24</sup> DPFOS: Muzaffarpur, Gaya, Patna, Bhagalpur; DTOs: Muzaffarpur, Gaya, Saharsa, Chapra; Asstt. Director, Audit Directorate, Bihar, Patna; Asstt. Director, Finance Audit, Darbhanga Division, Darbhanga and Government Press, Gulzarbagh, Patna.

### 3.2.4 Operation of Multiple Bank Accounts

According to Rule 34 of Bihar Treasury Code, 2011, moneys withdrawn from the Public/Government Account by a Government servant/Drawing Officer shall not be deposited in a bank account except with the special permission of the Government/Finance Department.

Further, the Finance Department, during the period 2000 to 2021, had on eight occasions expressed its concerns about opening of bank accounts by the DDOs without the permission from Finance Department. Scrutiny of records revealed that the Department was not aware of the number of bank accounts maintained and closed by DDOs. Instructions had been issued in 2017 to (i) review the number of bank accounts and to close all non-operational bank accounts by December 2017 and (ii) deposit unutilised funds into the consolidated fund of the State. Following non-compliance of above directions, timeline for closure of bank accounts (except one for petty payments) was extended till June 2020 which too was not complied with even up to March 2021. In the test-checked offices, Audit noticed that District Accounts Officers and respective administrative departments could not ensure adherence to prescribed timelines for closure of bank accounts and deposition of the funds into the consolidated fund of the State.

Scrutiny of records of the test-checked BDOs revealed that out of total 98 operational bank accounts shown in cash books, there were no transactions by three BDOs in 25 bank accounts for more than three years but had the balance of ₹ 1.12 crore (*Appendix-3.3*). In remaining 73 bank accounts, 12 were being operated in private sector banks by five BDOs which had a balance of ₹ 2.67 crores.

#### *Audit further observed the following:*

- In the test-check of 29 district level offices<sup>25</sup>/DDOs, seven BDOs were operating nine to 28 bank accounts related to social welfare schemes *Mukhya Mantri Kanya Vivah Yojana, Lohiya Swachhh Bihar, Swatantra Senani Yojana etc.* Nine DDOs<sup>26</sup> had no official bank account as of March 2021 and they were withdrawing funds from the treasury into the accounts of sub-ordinate official's personal accounts for contingent payments.

DPFO, Muzaffarpur stated that official bank account could not be opened due to lack of permission from Finance Department. The practice for keeping the government funds in personal accounts of officials can lead to the possibility of fraud/embezzlement.

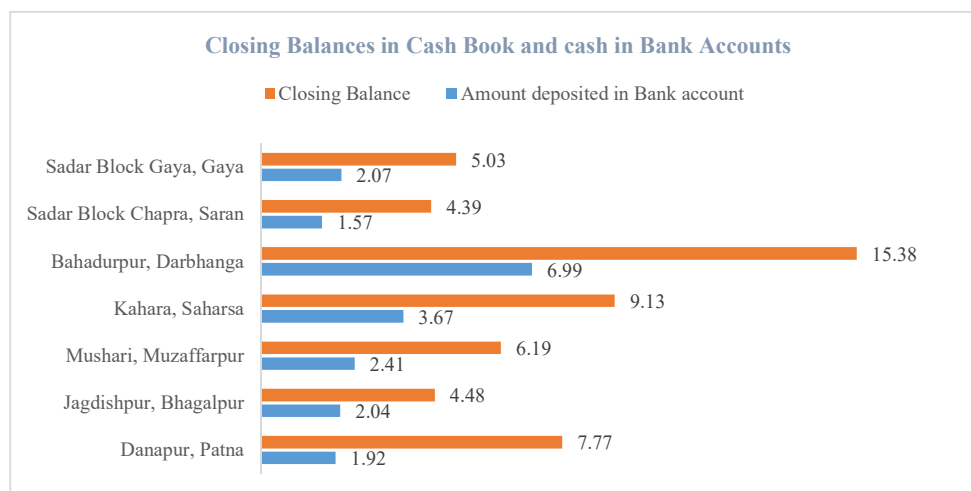
- It was noticed that all seven test-checked BDOs had operated multiple bank accounts (nine to 28), as on March 2021. All 98 bank accounts were in operation without the permission of the Finance Department. As against the accumulated cash book closing balances of ₹52.37 crore

<sup>25</sup> DPFOs (7), BDOs (7), Assistant Directors of Finance Audit (7), District Treasury Officers (6) and Government presses (2).

<sup>26</sup> DPFOs (4), Assistant Directors of Finance Audit (2) and District Treasury Officers (3).

(March 2021), the bank balances were only ₹20.67 crore (39 per cent) (Chart 3.1).

**Chart No.-3.1**



(Source: Records of test-checked BDOs)

In the above chart, the difference between closing balance of cash book and bank balance was mainly due to unadjusted advances with different officials and diversion of scheme funds without authorization. These balances were maintained against those schemes which were either closed or operated from other method like DBT. Consequently, the vouchers relating to diverted amount remained unadjusted. The practice of bank reconciliation was non-existent in all test-checked BDOs. Cash books were not based on bank balances. Under the circumstances, accounts did not show the true financial position apart from the possibility of misappropriation. There was, however, no evidence of disciplinary action taken against any of the concerned officials.

In reply, the Department stated that the decision of opening /review of bank accounts is in control of administrative department. The respective financial provisions (as mentioned in Rule 34, 176 and 177 of BTC, 2011 and periodical instructions of the Department) were expected to be followed by Administrative Department. The reply was not acceptable as these provisions were grossly ignored in these offices.

### **3.2.5 Blockage of Funds**

Finance Department instructed (November 2017) closure of subsidiary accounts/ cash book whose operations had been either closed or there was no possibility of operation in near future.

Scrutiny of records revealed that out of seven test-checked BDOs, six maintained 203 subsidiary cash books related to social welfare schemes, that were either closed or were operated under DBT. Unutilized funds since 2010 amounting to ₹18.21 crore had also not been remitted to the consolidated fund of the State.

The Finance Department replied (December 2021) that issue of non-compliance of financial rules by the BDOs had been raised at the Rural Development Department (RDD) level.



The reply was not satisfactory as this shows the need for effective compliance of financial management at district level.

### 3.2.6 Diversion of scheme funds

Rule 11 of BFR provides that a controlling officer must see that expenditure is incurred on the purpose for which the money was provided. The Finance Department had issued detailed guidelines for depositing the accumulated amount in the bank accounts as well as into treasury.

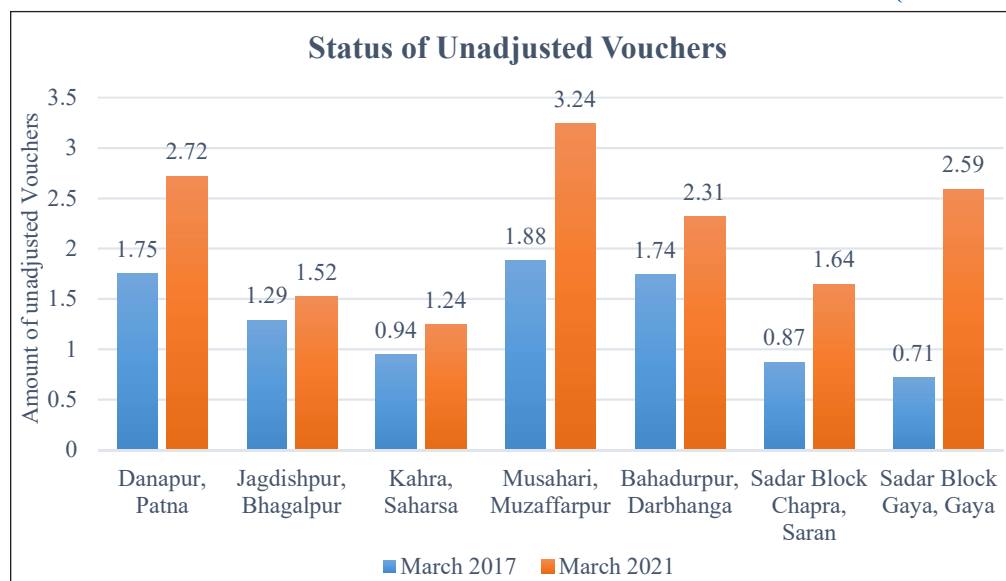
Scrutiny of records of seven test-checked BDOs revealed that there was a diversion of ₹15.26 crore from scheme funds whose expenditure vouchers remained to be adjusted for which sanction had not been obtained from the competent authorities.

The quantum of DDO wise unadjusted vouchers increased during the period 2016-17 to 2020-21 as given in **Chart No. 3.2** below:

**Chart No. 3.2**

**Status of diversion of funds in shape of unadjusted vouchers in test-checked BDOs as of March 2021**

(₹ in crore)



(Source: Records of test-checked BDOs)

It was further observed that in BDO, Bahadurpur (Darbhanga), vouchers amounting to ₹ 1.33 crore relating to period prior to March 2015-16 were missing resulting in possible embezzlement.

The Finance Department agreed with audit observations and stated (December 2021) that funds should be spent only on those purposes for which they were allotted and that matters have been raised with RDD for non-compliance of financial rules by BDOs. However, the fact is that no penal action was ever taken or responsibility ever fixed.

### 3.2.7 Unadjusted advances

Rule 318 of Bihar Treasury Code, 2011 provides that departmental advances for various purposes should be adjusted/recovered within twelve months of drawal. Further, Finance Department issued directions (May 2020) to all Heads

of Administrative Departments for review of unadjusted advances lying with the DDOs. DAOs were also required to monitor the amount of advance and their adjustment by the Head of the offices/DDOs.

It was noticed in audit that out of 29 test-checked offices, including seven BDOs, there were pending cases of unadjusted/unrecovered advances since 1993-94 in 11 offices (**Table no. 3.2**):

**Table No. 3.2**  
**Status of unadjusted/unrecovered advances in test-checked BDOs as of March 2021**

(₹ in lakh)

Sl. No.	Name of the BDO	Unadjusted advances as per cash book	Advances <sup>27</sup> given as per advance register			Pending since
			Officials of other departments	Private parties/institutions	Own official/staff	
1	Jagdishpur, (Bhagalpur)	76.00	32.00	10.16	38.08	1993-94 onward
2	Mushahari, (Muzaffarpur)	43.00	19.32	2.14	23.40	Prior to 2016
3	Bahadurpur, (Darbhanga)	688.00	167.74	1.63	509.45	1993-94 onward
4	Sadar Gaya, (Gaya)	31.28	25.81	1.15	4.33	Prior to 2015
5	SadarChapra, (Saran)	57.17	8.61	16.38	16.33	2013-14 onward
6	Kahara, (Saharsa)	421.00	169.91	48.19	196.52	1996-97onward
7	Danapur (Patna)	177.00	Details not available-			Prior to 2016
	<b>Total</b>	<b>1,493.45</b>	<b>423.39</b>	<b>79.65</b>	<b>781.65</b>	

(Source: Records of test-checked BDOs)

The above advances of ₹14.93 crore pending for recovery/adjustment as of March 2021 constituted 28 per cent of the available closing balances with the test-checked BDOs. The BDOs had given advances to Panchayat Sachivs, Junior Engineers, Mukhiyas and even to the private parties/firms etc. However, details of persons to whom the advances were issued were not maintained in the Advance Register. There was, hence, remote possibility of recovering the advances pending for almost 30 years. Some cases are highlighted below:

- BDO, Danapur (Patna) did not produce the details (name, pending since, amount, purpose etc.) of advances of ₹1.77 crore and in absence of such details there was no possibility either to adjust or recover the advances. Absence of respective records was also indicative of probable misappropriation.
- BDO, Jagdishpur (Bhagalpur) had advanced ₹33.17 lakh to officials which was not adjusted periodically. All the officials had retired/diedand hence there was no possibility of their recovery.
- In case of BDO, Bahadurpur (Darbhanga) a sum of ₹32.90 lakh was given to 137 people without receipts. Further, a sum ₹14.88 lakh was found as adjusted in the cashbook without any supporting vouchers.

<sup>27</sup> The details given in the advance register of DDOs were not updated and did not tally with closing balance of cash book.

- BDO, Chapra (Saran) advanced ₹19.98 crore to various officials for distribution of funds to beneficiaries under social welfare schemes of which, a sum of ₹10.89 crore was adjusted without production of vouchers (July 2021).
- In BDO, Kahara (Saharsa) advances of ₹ 6.71 lakh as per cash book did not tally with the advance register (September 2021). The absence of vouchers as well as improper maintenance of records indicated probable misappropriation of Government money.

The Finance Department in its reply stated (December 2021) that issues of non-compliance of financial rules by BDOs have been raised with RDD and directions have been issued from time to time for adjustment of advances.

The reply is not satisfactory as payment/ adjustment of advances without supporting vouchers, unadjusted advances for more than 30 years to private parties and others *etc.* were fraught with risk of embezzlement/ corruption/ fraud *etc.* An independent investigation should be conducted and responsibility of the concerned involved may be fixed.

Further, in remaining four offices<sup>28</sup> under control of Finance Department, advances given to suppliers (₹ 47.87 lakh) for printing work and temporary advances to staff (₹ 0.57 lakh) remained unadjusted since 2006-07.

### 3.2.8 Other important observations

In case of two BDOs<sup>29</sup>, the purpose of issuing 287 cheques valued at ₹ 22.02 crore from April 2015 to December 2020 was not on record ([Appendix-3.4](#)). Audit also noticed that in the office of BDO, Danapur, a sum of ₹0.55 lakh was withdrawn from bank by the *Nazir* (Cashier) even after his superannuation.

In reply, the Finance Department stated (December 2021) that the audit observation was related to non-compliance of financial rules in Rural Development Department and its subordinate offices.

The reply of the Finance Department is a reflection of the nonchalant attitude.

## 3.3 Irregular maintenance of General Provident Fund/Contributory Pension Scheme(CPS) accounts

### 3.3.1 Non-Maintenance of GPF accounts

The work of maintenance of GPF accounts was taken over by the State Government in December 1985 from the Accountant General (A&E), Bihar. According to instructions issued by Government (December 1985), details of functioning of provident fund offices and system of maintenance of records of each individual subscriber as well as roles and responsibilities of different government departments dealing with GPF are as under:

- DDOs were required to prepare salary bills along with deduction schedule and send to treasury for payment.

<sup>28</sup> Govt. Press Gulzarbagh (₹42.18 lakh), Govt. Press Gaya (₹5.69 lakh), DTO, Bhagalpur (₹0.26 lakh) and DTO Gaya (₹0.31 Lakh).

<sup>29</sup> Danapur (Patna), and Mushahari (Muffarpur).

- Treasury office was required to provide Treasury Voucher No. (TV no.) along with pay bill schedules of Government officials to Provident Fund Directorate (PFD) and District Provident Fund Office (DPFO) in respect of all India cadre/State cadre and other officials respectively.
- PFD and DPFO were required to maintain GPF subscription ledger for GPF of subscribers' contribution as per Government Order (December 1985).

Audit observed that in the seven test-checked districts, GPF calculation of the subscribers were not being done on the basis of records prescribed by the government. GPF statements of the retiring officials were prepared on the basis of details provided by DDOs which was fraught with risk of misstatements. As a result, amount of GPF contribution made by employee during the period 1986 to 2011-12 was not available. It was only after the operationalisation of Comprehensive Treasury Management Information System (CTMIS) in March 2012 that some details became available. Out of total 1,70,520 accounts, available with PFD, 27,237 (16 per cent) GPF subscribers' accounts had no details due to non-maintenance of records and were opened with zero opening balance as on 1 April 2012 in CTMIS.

The Provident Fund Directorate accepted the audit observation and stated that efforts are being made to minimize the zero balance cases. As per Director, Provident Fund, Bihar, out of 27,525 cases of zero balance, 14,538 cases have been resolved and 12,714 cases are under process to resolve (January 2021). Further updated position is awaited. However, the cases of zero balances were found persisting at DPFO level during audit.

### ***3.3.2 Denial of benefit to Contributory Pension Scheme Subscribers***

The Contributory Pension Scheme (CPS) Scheme, 2005 was implemented for the employees who joined service between September 2005 and March 2010<sup>30</sup> in the State Government Services. The scheme envisaged deduction of 10 per cent of basic pay from the salary of the employees which was required to be transferred to National Securities Depositories Limited (NSDL) along with the equivalent Government contribution for management of fund. Interest was also payable equal to the prevalent GPF scheme. Each beneficiary of the scheme was to be allocated a Permanent Pension Account Number (PPAN) at DPFO level for recording of deduction, contribution, and interest payable thereupon.

Scrutiny of records available at Provident Fund Directorate (PFD), Patna revealed that there were 26,932 CPS subscribers who joined service during 2005-06 to 2009-10. However, details of contribution made by these subscribers and matching contribution by the Government along with payable interest to them were not available with PFD due to non-maintenance of records.

However, it was worked out by audit on the basis of records/information provided by Finance Department and Treasuries to AG (A&E), Bihar. Out of the accumulated CPS contribution of ₹70.17 crore up to March 2010 placed under

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<sup>30</sup> *New Pension Scheme (NPS) was introduced after March 2010 for new joinees.*

the head 8011 as CPS contribution upto March 2010, ₹41.32 crore was yet to be transferred to New Pension Scheme (NPS). As a result, the subscribers had been denied the benefit of their own share of money, Government contribution and interest due against them. On this being pointed out to the PFD, no comment was offered by them.

### 3.4 Internal Audit

Though internal audit in Finance Department existed since 1953, the Department did not develop/ publish any code/manuals, guiding principle etc. for conducting audit. In their reply (February 2021), the Directorate of Audit stated (February 2021) that the Audit Code, Audit Manual and guidelines were under preparation for the first time.

#### 3.4.1 Audit management

Audit Directorate, (Finance Department) had not maintained details regarding actual number of auditee units as well as any record to know the status of audit of auditable units in the State. In absence of such basic records, the Directorate was not in a position to know the pendency of audit of any particular unit.

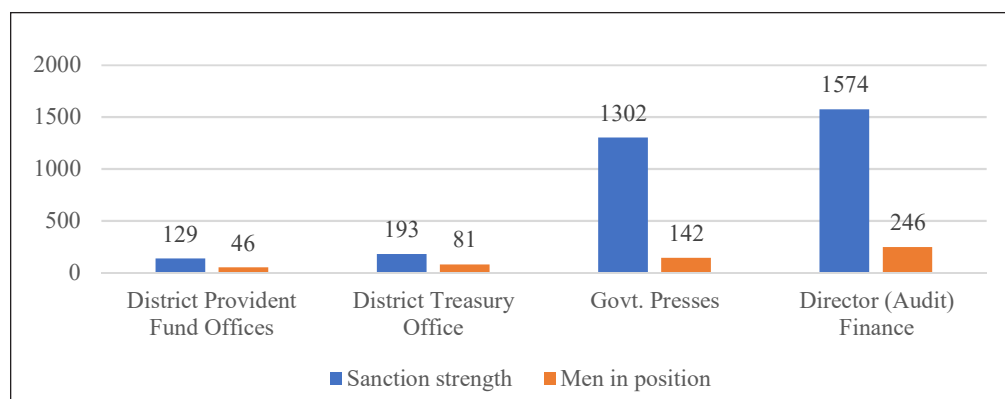
Regular internal audit was not conducted in the State during April 2015 to March 2021. There was no audit plan based on risk assessment. However, special audit was conducted on the basis of request made by the specific department/ office only. Scrutiny disclosed that out of 498 requisitions received during the said period, audit work of 261 requests (52 per cent) was completed, 14 were left incomplete and in 30 cases, audit works were in progress (March 2021). Of the remaining 193 requisitions, work for 143 (29 per cent) requests had not yet started though audit programmes were approved. The plans for 50 (10 per cent) requests were yet to be approved by the Directorate.

The Audit Directorate stated that shortage of audit personnel and non-production of records by auditee units were the main reason for non-inception/ non-completion of audit work. The fact is that this important responsibility of the Finance Department suffered and resulted in weakening of the function of internal watchdog in financial matters.

### 3.5 Manpower shortage

The overall sanctioned strength and men-in-position of the test-checked offices under the control of the Finance Department viz. Audit Offices, DPFOs, DTOs and Government presses are indicated in **Chart 3.3** below:

**Chart 3.3**  
**Status of Sanctioned strength (SS) and availability of man power (MIP)**  
**(March 2021)**



(Source: Records of Department)

In the Audit Directorate Wing, 84 per cent posts were vacant. There was acute shortage of the audit personnel. The category wise sanctioned strength as well as men-in-position is indicated in the **Table No.-3.3** below:

**Table No.-3.3**  
**Category wise vacancy position of office of the Audit Directorate, Finance Department as of March 2021**

Name of Post	Category	Sanctioned Strength	Men in Position	Shortfall (per cent)
Director, Jt. Director, Dy. Director, Under Secretary	Administrative Officials	18	0	18 (100)
Sr. Audit Officer/ Audit Officer	Audit Personnel	268	23	245 (91)
Asstt. Audit Officer		275	0	275 (100)
Sr. Auditor/Auditor		876	192	684 (78)
Section Officer, Assistant, UDC etc.	Other official staff	137	31	106 (77)
<b>Total</b>		<b>1,574</b>	<b>246</b>	<b>1,328 (84)</b>

(Source: Records of Director, Finance (Audit) office)

Audit noticed that posts of Sr. Audit Officer (Sr. AO), Audit Officer (AO) and Assistant Audit Officer (AAO) were sanctioned during 2018-19 only. Against a sanctioned strength of 1,419 audit personnel<sup>31</sup>, only 215 (15 per cent) were in position.

In reply, Assistant Director, Audit Directorate, Patna stated (February 2021) that requisition for appointment of 138 AAOs had been sent to BPSC. Superintendent, Gulzarbagh Press, Patna admitted (February 2021) that appointment of staff was pending with Government since 1996 while Government Press, Gaya stated that Finance Department was taking necessary action in this regard (October 2021).

<sup>31</sup> Auditor, Sr. Auditor, Assistant Audit Officer, Audit Officer and Sr. Audit Officer.

### 3.6 Conclusion

Finance Department did not ensure proper/effective functioning of post of District Accounts Officer to ensure transparent financial management by district level DDOs which resulted in complete lack of financial discipline. Despite repeated highlighting of deficit management of the department in Budgetary and financial matters in SFAR of Bihar upto the year 2019-20, there were cases of surrender/lapse of funds, indiscriminate operation of multiple bank accounts, diversion of funds, persistent unadjusted advances *etc.* persisting at district/block level offices. There were irregularities in maintenance of General Provident Fund/Contributory Pension Scheme accounts which had possibility of malfeasance and frauds. Inadequate management of functioning of internal audit arrangement of Finance Department had adversely affected its intended objective of ensuring proper monitoring of compliance of financial rules/regulations/instructions. There was substantive shortage of man power in District Provident Fund Offices, District Treasury Offices and Internal Audit Wing, Directorate of Audit which ultimately affected the internal control mechanism which creates possibility of misappropriation, embezzlement, fraud *etc.* of Government funds. All of these affected the internal control mechanism of the Finance Department where audit was only on request.

