

EXECUTIVE SUMMARY

Based on the audited accounts of the Government of Bihar, for the year ended March 2022, this report provides an analytical review of the finances of the State Government.

Audit Findings

Fiscal Position

The State recorded a Fiscal Deficit of ₹ 25,551 crore, during the year, which had decreased by ₹ 4,276 crore, over the previous year. During 2021-22, the State suffered a revenue deficit of ₹ 422 crore, for the 3rd time since 2004-05. There were instances of misclassification of revenue transactions under the capital section, as brought out in the Report.

Although the fiscal deficit as a percentage of GSDP, was within the revised targets of the BFRBM, but the same was not as per the Budget Estimates. However, outstanding debt to GSDP was also within the projection of XVth FC.

The State was third among the top 10 States, in reviving its economy after covid pandemic and registered the highest GSDP growth during the last five years.

(Chapter-I)

Finances of the State

The State witnessed an increase of ₹ 30,630 crore (23.90 *per cent*) in Revenue Receipts, during the year 2021-22, as compared to the previous year, primarily due to increase in share of union taxes and own tax revenue.

Revenue Expenditure increased by ₹ 19,727 crore (14.14 *per cent*), mainly due to increase in expenditure on Social Services during the year. Simultaneously, State Government had increased the expenditure on asset creation by 30.03 *per cent* over the previous year.

Outstanding Public Debt at the end of the year increased by ₹ 31,698.43 crore (17.89 *per cent*) over the previous year.

An amount of ₹ 279.12 crore (previous year's short transfer of balance ₹ 338.96 crore minus ₹ 59.84 crore excess transferred during 2021-22), was yet to be transferred to NSDL, as on 31 March 2022.

In the last five years (2017-18 to 2021-22), the State Government had enhanced the ceiling amount of outstanding guarantees from ₹ 20,581.52 crore to ₹ 37,631.92 crore. The outstanding guarantees stood at ₹ 25,069.78 crore (including interest), as on 31 March 2022.

(Chapter-II)

Budgetary Management

State Government incurred expenditure of ₹ 1,94,202.20 crore (73.17 *per cent*) against the total provision of ₹ 2,65,396.87 crore, during the year. The supplementary provision (₹ 47,094.17 crore) became completely unnecessary, as the expenditure was not even up to the level of original provision.

Out of total savings of ₹ 71,194.67 crore, only 13.87 *per cent* (₹ 9,878.08 crore) of the savings was surrendered during the year, resulting in a non-surrender of savings aggregating to ₹ 61,316.59 crore (86.13 *per cent* of total savings). During 2021-22, in 45 cases (38 grants/appropriations), supplementary provisions amounting to ₹ 28,674.33 crore (₹ 1 crore or more in each case) proved unnecessary and remained fully unutilised, as the expenditure (₹ 1,17,957.57 crore) had not been recorded even up to the level of the original provision (₹ 1,45,097.60 crore).

In Gender Budget, expenditure was not incurred under 17 category 'A' schemes, despite having funds of ₹ 73.22 crore. The State government did not spend any funds on 33 schemes, despite having funds of ₹ 942.87 crore in Child Welfare Budget. Bihar is the first state in the country to prepare Green Budget. A provision of ₹ 7,682.91 crore was made for 275 schemes, under six categories. However, out of 74 schemes categorised as Group 'A', no expenditure was incurred in 16 schemes.

(Chapter-III)

Quality of Accounts and Financial Reporting practices

The State Government did not disclose, the off-budget liabilities of ₹ 1,482.50 crore, in their budget documents/annual financial statements, in the concerned financial year. Accordingly, the debt to GSDP ratio including off-budget borrowings was 37.29 *per cent*, as on 31 March 2022, against the ratio of 37.07 *per cent*, without taking into account the off-budget borrowings.

23,188 Utilisation Certificates amounting to ₹ 99,178.89 crore, which became due (drawn upto 31.08.2020) for submission, were not submitted by the bodies and authorities of the State, against the grants-in-aid provided by the Government of Bihar.

The departments of the State Government had drawn ₹ 2,460.86 crore from Government's accounts against 3,605 Abstract Contingent (AC) bills, in which 954 AC bills, amounting to ₹ 572.76 crore (23.27 *per cent*), were drawn in March 2022. Substantial expenditure against AC bills in the month of March shows that the drawals were made, primarily to exhaust the budget provisions and revealed inadequate budgetary control.

Further, 25,101 AC bills amounting to ₹ 6,859.68 crore, drawn up to September 2021, were outstanding as on 31 March 2022, in addition to 827 AC Bills of 2021-22, amounting of ₹ 770.05 crore, which were outstanding on March 2022. Thus, a total of 25,928 AC bills, amounting to ₹ 7,629.73 crore, were outstanding, as on 31 March 2022. Advances drawn and not accounted for added to the possibility of wastage/misappropriation of government funds.

As per CFMS, an amount of ₹ 4,040.21 crore was lying parked in Personal Deposit (PD) Accounts, at the end of March 2022, under 212 administrators. Further, migration of five PD Accounts, from CTMIS to CFMS, containing an amount of ₹ 1.54 crore, was pending till date.

Over the last three years, expenditure amounting to ₹ 14,082.36 crore was not included in the respective expenditure heads but kept under the head 8658-102-Suspense Account (Civil), for the want of vouchers, sub-vouchers, non-attachment of sanction

orders/running bills and other supporting documents, which were not furnished to the Principal Accountant General (Accounts & Entitlement), Bihar, as a proof of expenditure.

During the Financial Year 2021-22, ₹ 2,384.56 crore were added to the OB Suspense Accounts, while ₹ 2,063.14 crore, pertaining to the previous years, were cleared from the OB Suspense Accounts. This had resulted in understatement of expenditure to the extent of ₹ 321.42 crore. As such, there was no assurance that the amount of ₹ 321.42 crore had actually been spent, for the intended purpose, as authorised by the State Legislature. The progressive balance under the head 8658-102-Suspense Account (Civil), stood at ₹ 14,785.91 crore at the end of March 2022.

For seamless interaction of all financial activities the “Comprehensive Financial Management System (CFMS)”, designed as a single source of truth, replacing the Comprehensive Treasury Management Information System (CTMIS), had been implemented from 01.04.2019. However, the Finance Department had neither conducted the User Acceptance Test (UAT) before declaring Go-live of the CFMS, till April 2022 nor an IT Audit of the System had been got conducted by the Department. Therefore, it is difficult to obtain assurance about the reliability and integrity of the accounts data, the source of which is solely CFMS.

(Chapter-IV)

State Public Sector Enterprises (SPSEs)

16 SPSEs covered in this report registered an annual turnover of ₹ 20,396.89 crore, as per their latest finalised accounts. This turnover was equal to 3.02 *per cent* of GSDP for the year 2021-22 (₹ 6,75,448 crore).

As on 31 March 2022, the total investment (equity and long-term loans) in SPSEs covered in this report was ₹ 52,689.67 crore. The investment consisted of 76.41 *per cent* (₹ 40,260.17 crore) towards equity and 23.59 *per cent* (₹ 12,429.50 crore) in long-term loans. The State Government had an equity holding of ₹ 39,686.75 crore in share capital. The long-term loans given by State Government and were outstanding as on 31 March 2022, amounted to ₹ 619.30 crore. Compared to the previous year, holding of the State Government in equity of SPSEs registered a net increase of ₹ 32.23 crore.

Government provided budgetary support to the tune of ₹ 29,830.55 crore upto 31 March 2022, to 19 working State Public Sector Enterprises (SPSEs), one Statutory Corporation and 15 non-working SPSEs whose Accounts were in arrears, as on 31 July 2022. These SPSEs had not finalised their Accounts for the last one to 45 years, in violation of the provisions of the Companies Act/Acts of the respective Statutory Corporations/ SPSEs.

Out of 16 SPSEs covered in the report, seven SPSEs earned profit during the year 2021-22. The profit earned decreased to ₹ 291.30 crore in 2021-22 from ₹ 302.15 crore in 2020-21. The top profit-making company in 2021-22 was Bihar Grid Company Limited (₹ 143.97 crore). The Net worth of seven SPSEs that earned profit during 2021-22 was ₹ 10,989.84 crore. The Return on Equity (ROE) of these seven SPSEs was 2.65 *per cent* during 2021-22, as compared to 2.80 *per cent* in 2020-21. ROE of all

these 16 SPSEs i.e., including five loss making and four no profit no loss companies was (-) 7.88 *per cent* in 2021-22.

As on 31 March 2022, out of 16 SPSEs, there were only five SPSEs which incurred losses amounting to ₹ 1,946.95 crore. The accumulated losses and net worth of these five SPSEs were ₹ 21,041.52 crore and ₹ 8,783.09 crore respectively, against the equity investment of ₹ 29,740.37 crore. The net worth of four SPSEs was completely eroded, and it was (-) ₹ 588.43 crore against equity investment of ₹ 85.50 crore, as on 31 March 2022.

(Chapter-V)