

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

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

Issues related to Completeness of Accounts

4.1 Loans of State Government not credited to the Consolidated Fund (Off-Budget Borrowings)

As per Article 293 (1) of the Constitution of India, the State Government can borrow within the territory of India, upon the security of the Consolidated Fund of the State within such limits, if any, as may be from time to time fixed by the Legislature of the such State by law and to the giving of guarantees within such limits, if any, as may be so fixed.

The State Government needs to take suitable measures to ensure greater transparency in its fiscal operations, in the public interest, by disclosing the contingent liabilities created by way of guarantees, the actual liabilities arising out of borrowings by PSUs and SPVs and other equivalent instruments, in cases where the liability for repayment is on the State Government allocations. Audit observed that, during 2022-23, the State Government had routed loans outside the budget through one State Public Sector Undertaking (PSU)/ Authority, as mentioned in **Table 4.1**.

Table 4.1: Details of off-budget borrowings during 2022-23

(₹ in crore)

Sl. No.	Institution/entity	Amount	Remarks
1.	Bihar State Road Development Corporation Ltd. (BSRDCL) (Road Construction Department)	686.77	Disbursed by Housing and Urban Development Corporation Limited (HUDCO)
	Total	686.77	

(Source: Data provided by the concerned entity)

BSRDCL has borrowed ₹ 1,206.77 crore (₹ 520.00 crore in 2021-22 and ₹ 686.77 crore in 2022-23), out of the total sanctioned loan of ₹ 2,000.00 crore, for construction of the JP Ganga Path Project at Patna. While BSRDCL replied (August 2023) that the State Government has given guarantee. In this regard, the same was not found in Statement - 20 of the Finance Accounts (Volume-II).

The State Government, however, did not disclose the off-budget liabilities in its budget documents/annual financial statements, in the concerned financial year.

This indicates that the Debt-Stock would be higher by ₹ 686.77 crore in 2022-23, after taking into account the off-budget borrowings. Accordingly, the debt to GSDP ratio will be enhanced up to 39.13 *per cent*. The revenue deficit and fiscal deficit would also increase accordingly.

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

The State Government has a liability to provide and pay interest on the Interest-bearing Deposits/Reserve Funds as detailed in **Table 4.2**.

Table 4.2: Non-discharge of liability in respect of interest towards interest-bearing Deposits/Reserve Funds

(₹ in crore)

Sl. No.	Name of the Interest-bearing deposit	Balance as on 01 April 2022	Interest due		Interest paid
			Due	Rate (per cent)	
1.	Defined Contribution Pension Scheme for Government Employees and other insurance fund	258.74	18.37	7.1	-
2.	All India Service Provident Fund	272.33	1.11	7.1	-
3.	State Compensatory Afforestation Fund (SCAF)	566.71	18.98	3.35	-
4.	State Disaster Response Funds	229.06	17.16	7.49	-
5.	State Disaster Mitigation Fund	245.72	18.40	7.49	-
Total			74.02		

(Source: Finance Accounts, 2022-23)

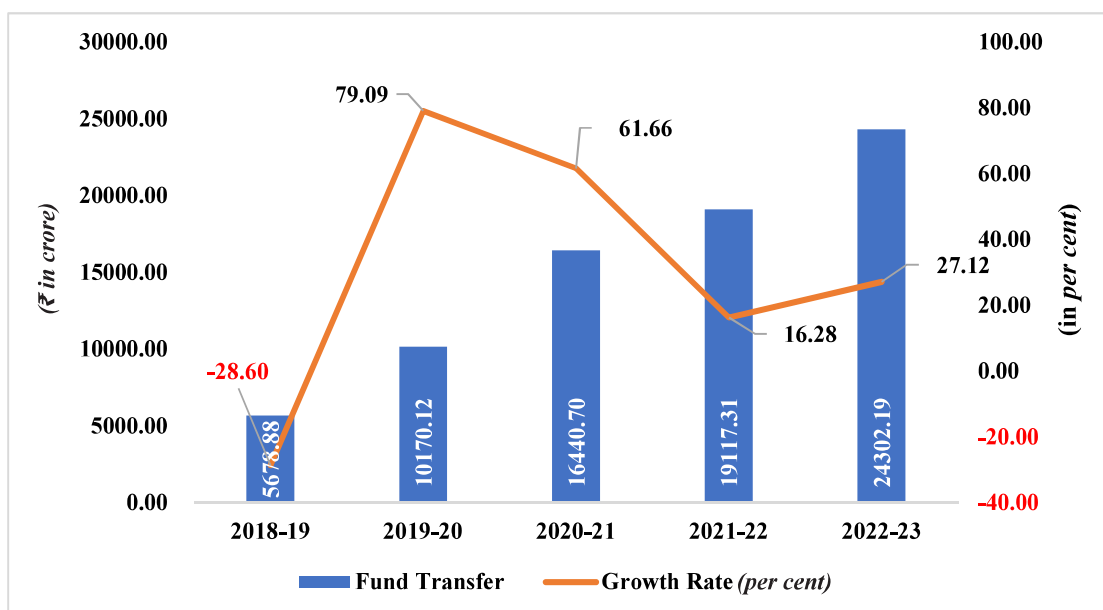
It did not, however, earmark ₹ 74.02 crore, for its interest liability towards Interest-bearing Deposits. Non-payment of interest liability resulted in understatement of the Revenue Deficit and Fiscal Deficit, to that extent.

4.3 Funds transferred directly to State Implementing Agencies

The Union Government (GoI) has been transferring substantial funds directly to the State Implementing Agencies/Non-Government Organisations for implementation of various Schemes and Programmes. Since these funds are not routed through the State budget, they 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 2022-23, GoI had directly transferred ₹ 24,302.19 crore to the State implementing agencies which was 27.12 *per cent* more than the previous year (₹ 19,117.31 crore). Trends of such transfers directly to implementing agencies, during the last five years, are given in **Chart 4.1**.

Chart 4.1: Transfer of funds directly to implementing agencies



(Source: Finance Accounts for the respective years)

Information, in regard to utilisation of funds received under different schemes, was sought from three¹ implementing agencies. However, none of the implementing agencies provided the information.

CSS, where funds directly transferred more than ₹ 500 crore and above, were Pradhan Mantri Swasthya Suraksha Yojana (₹ 754.50 crore), Pradhan Mantri Kisan Samman Nidhi-PM Kisan (₹ 4,879.77 crore), Mahatma Gandhi National Rural Guarantee Programme (₹ 5,120.43 crore) and Food Subsidy for decentralised Procurement of food grains under National Food Security Act (₹ 10,966.10 crore).

During 2022-23, central share of ₹ 24,302.19 crore under CSS was transferred directly to the Implementing Agencies, bypassing the Consolidated Fund of the State. Besides contracting the budget and expenditure of State Government to the extent of ₹ 24,302.19 crore, this has caused the assets created not to be reflected in the State Accounts, rendering them incomplete.

4.4 Deposit of Local Funds

The State Panchayati Raj Act provides that Zila Parishads (ZPs), Panchayat Samitis (PSs) and Gram Panchayats (GPs) would maintain their funds (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds). These funds would include all the moneys realised or realisable under the Act and all moneys otherwise received by the Panchayati Raj Institutions (PRIs), such as from the Central and State Finance Commissions awards and their own revenue, including tax and non-tax receipts of a Panchayat. The Municipal Act also envisages that the Municipal Funds are 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 Funds, under the Major Head 8448-Deposits of Local Funds-102-Municipal Funds.

¹ Bihar State Food and Civil Supplies Corporation Ltd., Bihar Rural Development Society, and Agriculture Department.

Deposits of Local Funds, under Municipal Funds and Panchayat Bodies Funds, are detailed in **Table 4.3**.

Table 4.3: Deposits of Local Funds

(₹ in crore)

Year			2018-19	2019-20	2020-21	2021-22	2022-23	
Municipal Fund	(8448-102)	Opening Balance	1	2,742.77	3,307.66	3,743.56	5,033.79	6,225.03
		Receipt	2	2,712.09	2,469.66	3,913.13	4,066.75	2,600.45
		Expenditure	3	2,147.20	2,033.77	2,622.90	2,875.51	2,805.82
		Closing Balance	4	3,307.66	3,743.56	5,033.79	6,225.03	6,019.66
Panchayat Bodies Fund*	(8448-109)	Opening Balance	5	631.61	650.49	754.98	852.58	756.29
		Receipt	6	735.54	374.78	556.49	228.82	143.34
		Expenditure	7	716.67	270.29	458.89	325.11	189.34
		Closing Balance	8	650.49	754.98	852.58	756.29	710.29

(Source: Finance Accounts of the respective years)

*Zila Parishad and Panchayat Samiti funds included)

As can be observed from **Table 4.3**, over the last five years, GoB has been transferring funds from the Consolidated Fund to the 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, though actual expenditure may or may not have occurred during the year. Over the years, the balance that had been accumulated in the deposit account (MH 8448) stood at ₹ 26,927.43 crore (depicted in **Table 4.4**), by the end of FY 2022-23. This amount has been depicted as revenue or capital expenditure in the respective years, but is lying unspent in the deposit head.

Table 4.4: Trends of transfer of funds to Deposit of Local Funds

(₹ in crore)

Financial Year	Revenue			Capital			Total	Closing Balance of MH 8448
	Revenue expenditure as per Finance Accounts	Amount transferred to MH 8448	Percentage of Amount	Capital expenditure as per Finance Accounts	Amount transferred to MH 8448	Percentage of Amount		
1	2	3	4	5	6	7	8 (3+6)	
2018-19	1,24,897	9,306	7.45	21,058	13,606	64.61	22,912	23,181.78
2019-20	1,26,017	14,531	11.53	12,304	11,314	91.95	25,845	24,942.26
2020-21	1,39,493	11,876	8.51	18,209	9,167	50.34	21,043	28,573.60
2021-22	1,59,220	12,454	7.82	23,678	10,565	44.62	23,019	26,561.64
2022-23	1,83,976	8,781	4.77	31,520	9,965	31.61	18,746	26,927.43

(Source: Finance Accounts for the respective years and VLC Data)

From 2018-19 to 2022-23, revenue expenditure of Local Funds reduced by 5.64 per cent, while the capital expenditure reduced by 26.76 per cent.

Also, funds booked under capital expenditure and transferred to Major Head-8448 ranged from 31 per cent to 91 per cent, whereas those booked under revenue expenditure ranged from four per cent to 11 per cent, during the last five years, leading to parking of funds. Funds parked in the Public Account indicated overstatement of actual expenditure incurred.

Issues related to Transparency

4.5 Delay in the submission of Utilisation Certificates (UCs)

Rule 341(2) of the Bihar Financial Rules (BFR), 2005, stipulates that only so much of the grants should be paid during the financial year as are likely to be expended during that year. The authority signing or countersigning a bill for Grant-in-Aid (GIA), under Rule 431 of Bihar Treasury Code (BTC), 2011, 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, for submission of UCs, the Finance Department's executive order (October 2011), prescribed the time limit of 18 months from the date of sanction.

Status of UCs not received by AG (A&E), Bihar, and pending reconciliation, as on 31 March 2023, is shown in **Table 4.5**.

Table 4.5: Year-wise break up of UCs not received by AG (A&E), Bihar (as on 31.03.2023)

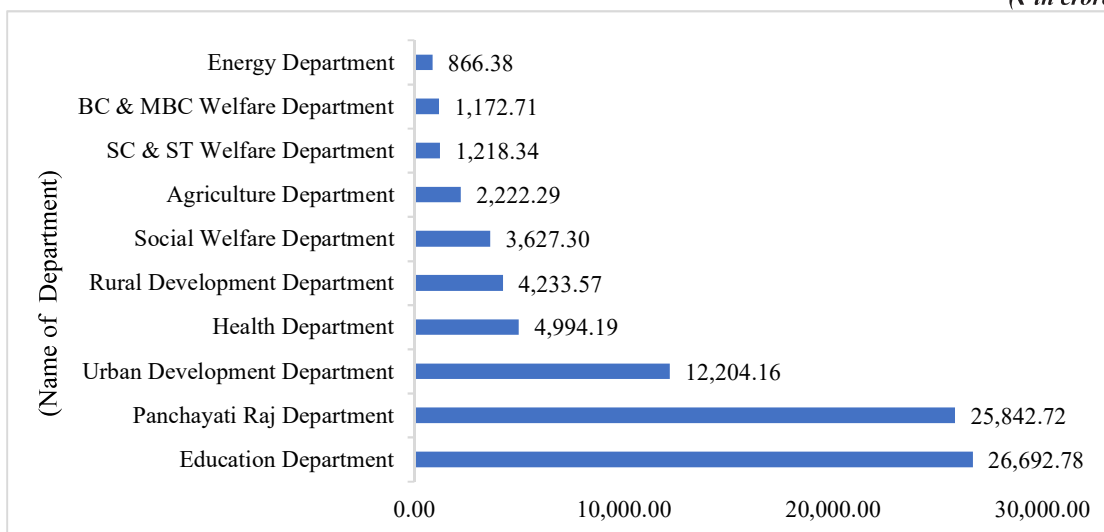
(₹ in crore)

Year*	Number of UCs	Amount
Up to 2016-17	2708	16,702.88
2017-18	552	5,894.77
2018-19	630	10,019.52
2019-20	12429	18,330.29
From 01.04.2020 to 30.09.2021	25436	37,000.42
Total	41755	87,947.88

(Source: Data provided by the O/o Accountant General (A&E) Bihar)

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

Out of ₹ 87,947.88 crore, ₹ 16,702.88 crore pertained to the period up to 2016-17. Five major defaulting Departments were Education Department (₹ 26,692.78 crore), Panchayati Raj Department (₹ 25,842.72 crore), Urban Development Department (₹ 12,204.16 crore), Health Department (₹ 4,994.19 crore), and Rural Development Department (₹ 4,233.57 crore), out of the 10 major defaulting departments, as shown in **Chart 4.2**.

Chart 4.2: Department-wise UCs not received by AG (A&E)(*₹ in crore*)

(Source: Information provided by the O/o AG (A&E), Bihar)

Further, UCs, not received by AG (A&E) for category-wise GIA, for 2019-20 to 2021- 22, is shown in **Table 4.6**.

Table 4.6: UCs not received by AG (A&E) for category-wise Grants-in-Aid for 2019-20 to 2021-22(*₹ in crore*)

Financial Year	Salary			Asset Creation			Other than salary and Asset*		
	Drawn	Adjusted	Balance	Drawn	Adjusted	Balance	Drawn	Adjusted	Balance
2019-20	19,666.33	15,966.11	3,700.22	11,356.25	7,529.51	3,826.74	25,678.83	14,849.84	10,828.99
2020-21	17,788.65	13,556.19	4,232.46	10,358.02	6,581.74	3,776.28	29,577.33	15,416.70	14,160.63
2021-22 (Due up to 09/2021)	8,594.07	4,499.23	4,094.84	2,314.80	183.02	2,131.78	12,902.84	4,296.39	8,606.45
Total	46,049.05	34,021.53	12,027.52	24,029.07	14,294.27	9,734.80	68,159.00	34,562.93	33,596.07

(Source: Data provided by A&E Office) *Includes scholarships/stipends

In the absence of UCs, there is no assurance that funds disbursed have been used for the intended purpose. Moreover, high pendency of UCs is fraught with the risk of embezzlement, misappropriation and diversion of funds.

Instances of non-submission of UCs feature in the reports of C&AG regularly. During 2022-23, UCs, amounting to ₹ 1,09,093.32 crore, were adjusted.

The Finance Department replied (December 2023) that the review meetings, presided over by the Chief Secretary to the Government of Bihar, were being held weekly/monthly, at the regular intervals and directions had been issued to the major defaulting departments, for adjustment of outstanding UCs, in a timely manner.

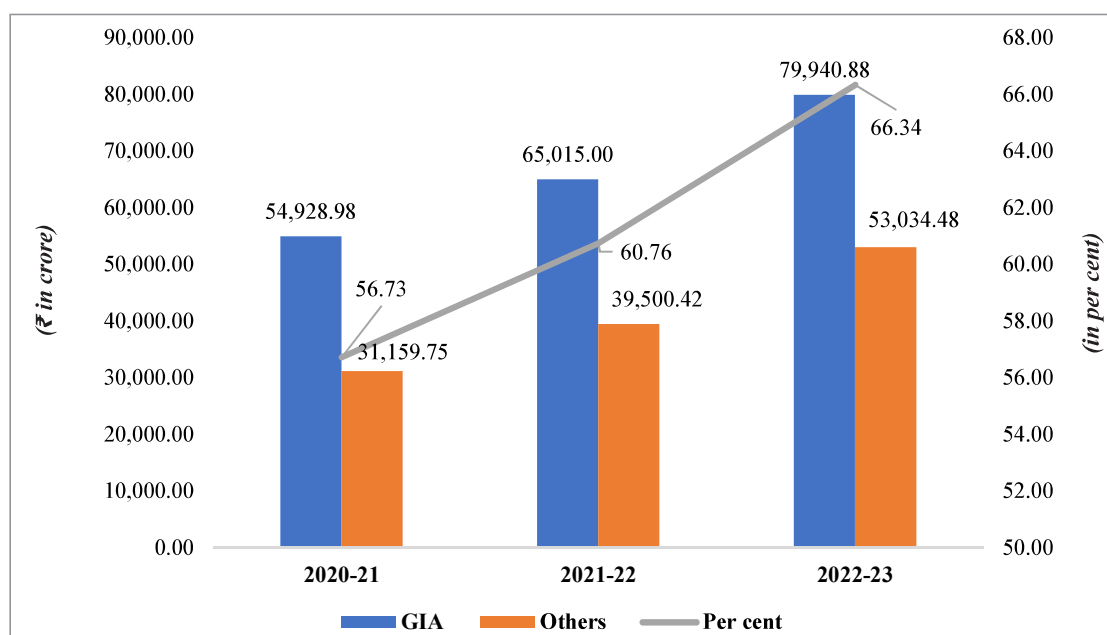
4.5.1 Recording of grantee institution as “Others”

As 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 institutions to which it is providing funds, in the interest of transparency of its Annual Accounts.

There is a mechanism for assigning institute codes to various bodies and authorities receiving Grants-in-Aid from the State Government. As the State Government had not assigned institutional codes to all institutes, these grants had been recorded as “Others”, which had affected the transparency of accounts. These Grants-in-Aid are also recorded in Voucher Level Computerisation (VLC) System of the office of the AG (A&E) and submission of UCs against the outstanding amount against each institution, is also monitored.

During 2022-23, out of the total GIA of ₹ 79,940.88 crore, ₹ 53,034.48 crore (66.34 per cent), has been recorded as ‘Others’. The trend of percentage of GIA, shown under type “Others”, to the total GIA, for the last three years, is shown in **Chart 4.3**.

Chart 4.3: Recording of grantee institutions as “Others”



(Source: Finance Accounts for the respective years)

In the absence of any proper codes having been assigned, by the State Government, to the institutions/ bodies/ authorities receiving GIA from the Government, the amounts outstanding against all institutions could not be worked out, which affected the transparency of Accounts.

4.6 Abstract Contingent (AC) Bills

Rule 177 of the 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, a countersigned Detailed Contingent (DC) Bill shall be submitted within six months, following the month in which the abstract contingent bill was drawn, and no abstract contingent bill shall be cashed after the end of the period of six months, unless the detailed contingent bill has been submitted. Year-wise progress in the submission of DC bills, against the AC bills drawn, is shown in **Table 4.7**.

Table 4.7: Year-wise progress in the submission of DC bills against AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No. of DC Bills	Amount	No. of DC Bills	Amount	No. of DC Bills	Amount	No. of DC Bills	Amount
Up to 2018-19	12316	3,002.51	1453	631.50	1855	1,034.89	11914	2,599.12
2019-20	11914	2,599.12	5799	4,250.72	456	2,636.53	17257	4,213.31
2020-21	17257	4,213.31	6356	4,858.04	451	3,953.64	23162	5,117.71
2021-22	23162	5,117.71	3607	2,480.88	195	1,148.42	26574 [#]	6,450.17
2022-23 [#]	26574	6,450.17	842	1,053.79	24	14.91	27392	7,489.05

(Source: Data Provided by the O/o AG (A&E), Bihar & Finance Accounts, 2022-23)

Note: AC bills drawn up to September 2022 have been taken into account.

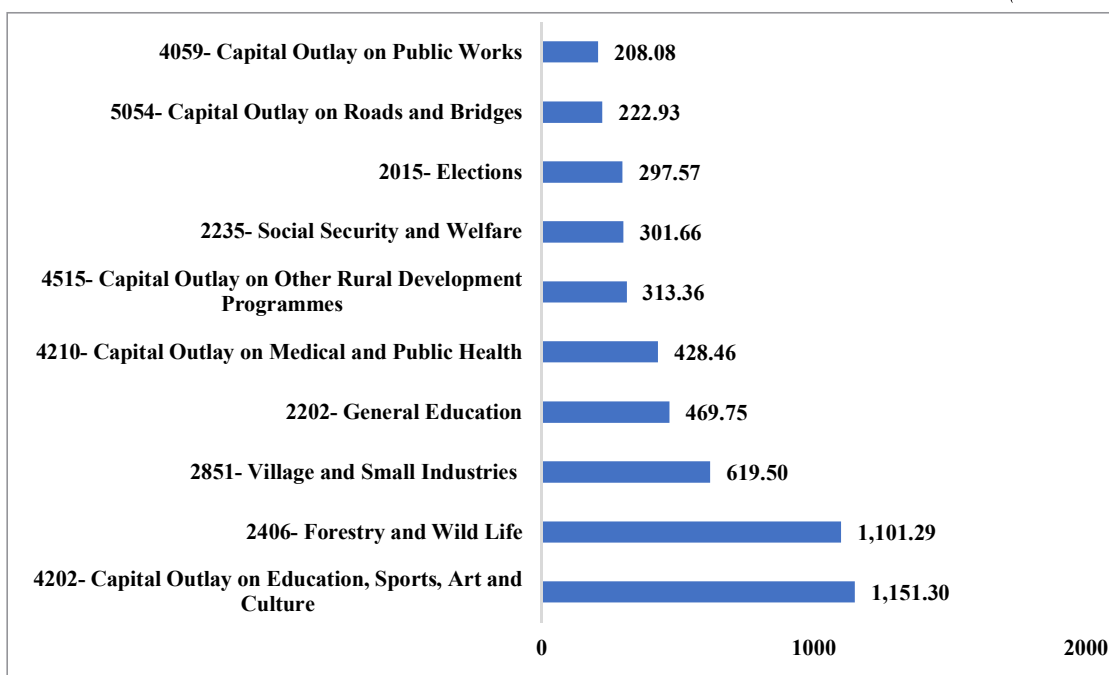
[#] Accretion of 646 AC Bills, over the previous year, is due to addition of AC Bills taken into account after September 2021.

Out of the closing balance of ₹ 7,489.05 crore, an amount of ₹ 3,219.52 crore (42.99 per cent of total outstanding) pertains to creation of Capital Assets.

During the month of March 2023, 1209 AC Bills, amounting to ₹ 2,106.98 crore (34.26 per cent of the total drawn 4382 AC Bills amounting to ₹ 6,149.29 crore), were drawn in March 2023. Major Head-wise pending DC bills are shown in **Chart 4.4**.

Chart 4.4: Pending DC Bills in respect of Major Heads

(₹ in crore)



(Source: Data provided by the O/o AG (A&E), Bihar)

As shown in **Chart 4.4**, the pending DC bills were related with capital expenditure under different Major Heads- 4202, 4210, 4059, 4515, and 5054.

Expenditure against AC bills, at the end of the year and for the creation of capital assets, indicates poor public expenditure management. It also indicates that withdrawals were being made primarily to exhaust the budgetary provisions. Non-adjustment of advances for long periods is fraught with the risk of misappropriation. The Finance Department replied (December 2023) that review meetings, presided over by the Chief Secretary, are

held weekly/monthly, at regular intervals and directions are issued to major defaulting departments, for adjustment of AC Bills in a timely manner.

Non-submission of DC bills within the prescribed period constitutes a breach of financial discipline and enhances the risk of misappropriation of public money.

4.7 Personal Deposit (PD) Accounts

Rule 339 of BTC, 2011, describes that no Personal Deposit Accounts shall be opened at the Treasury, without the written authorisation of the Finance Department, under intimation to the Accountant General. Further, Rule 340(b) stipulates that the PD Account shall only be used for special cases where public interest requires speed of expenditure, not possible through the normal treasury procedure or increases where there are a large number of small beneficiaries, dispersed in such a way 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 Major Head. PD administrators are required to review all PD Accounts at the end of the financial year and transfer the amounts lying unspent after five consecutive financial years (including the financial year in which the money was withdrawn)² back to the Consolidated Fund of the State, by reduction of expenditure to the service head.

As per notification³ issued by the Finance Department, GoB, “all PD/PL Accounts opened prior to the date 01.04.2019, will be treated to be opened on 01.04.2019, as a default under CFMS and the unutilised amount lying in PD/PL Accounts shall lapse at the end of five subsequent financial years”. The concept of inoperative PD Accounts would, therefore, be nullified.

At the end of March 2023, ₹ 3,858.05 crore was lying with 242 Administrators, as shown in **Table 4.8**.

Table 4.8: Details of PD Accounts, as per CFMS, during 2022-23

(₹ in crore)

Opening Balance as on 01.04.2022		Addition during the year		Closing/Withdrawal during the year		Closing Balance as on 31.03.2023	
No. of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount
212 ^s	4,040.21	32	1,229.60 [@]	02	1,411.76 [@]	242 ^s	3,858.05 [*]

(Source: Finance Accounts, 2022-23)

Note-

^s Five Accounts with a total balance of ₹ 1.54 crore are yet to be migrated in CFMS, which are over and above 242 PD Accounts.

[@] During the year, Receipts of ₹ 1,229.60 crore and payments of ₹ 1,411.76 crore appeared in the plus minus memo as per CFMS. However, there were no balance in 02 closed PD Accounts.

^{*} Difference of ₹ 8.01 crore shown (Finance Accounts Vol II, Statement No. 21) under MH 8443-106 is under reconciliation.

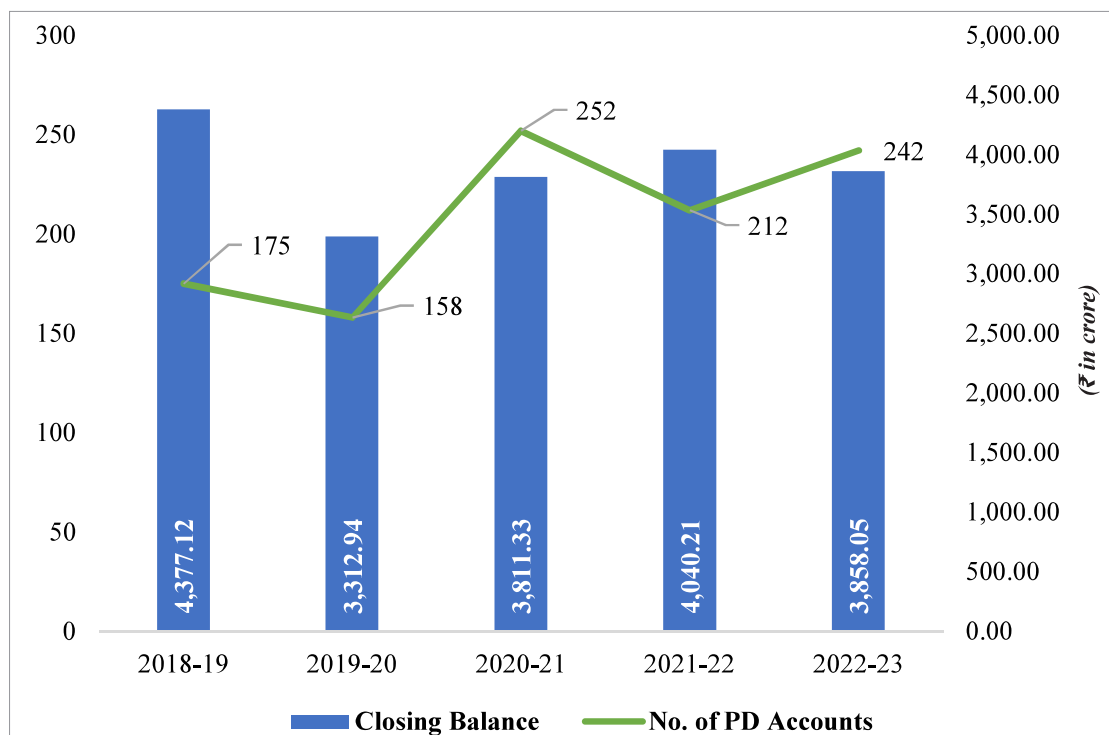
Apart from the above, five PD Accounts, having a balance of ₹ 1.54 crore, had not been migrated from CTMIS to CFMS, even after more than four years of implementation of CFMS.

² GoB Notification no. 6679, dt: 23.08.2016.

³ Notification no. M-4-02/2020-2916/F Dt: 03.06.2020.

The trends of closing balance in PD accounts, at the end of the last five years, are detailed in **Chart 4.5**.

Chart 4.5: Closing Balance in PD Accounts during 2018-19 to 2022-23



(Source: Finance Accounts for the respective years)

4.8 Indiscriminate use of the "Minor Head 800"

Minor Head 800, relating to Other Receipts and Other Expenditure, is intended to be operated only when the appropriate minor head is not available 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 2022-23, expenditure of ₹ 252.04 crore (0.12 *per cent*) was incurred through the Minor Head '800', out of the total revenue and capital expenditure of ₹ 2,15,496 crore. Receipts of ₹ 732.44 crore (0.42 *per cent*) were also booked through the Minor Head '800', out of the total revenue receipts of ₹ 1,72,688 crore. Significant Expenditure and Receipts (50 *per cent* and above), under the Minor Head '800', are mentioned in **Tables 4.9** and **4.10**, respectively.

Table 4.9: Significant expenditure booked under MIH-800- "Other Expenditure", during the financial year 2022-23 (50 *per cent* and above)

(₹ in crore)

Sl. No.	Major Head	Nomenclature	Total Expenditure	Expenditure under Minor Head 800	Percentage of Expenditure under Minor Head 800 to Total Expenditure
1	2250	Other Social Services	28.33	23.84	84.15
2	5475	Capital Outlay on Other General Economic Services	235.11	202.78	86.25

(Source: Data provided by o/of the AG (A&E))

Table 4.10: Significant receipts booked under MIH-800 – “Other Receipts”, during the financial year 2022-23 (50 per cent and above)

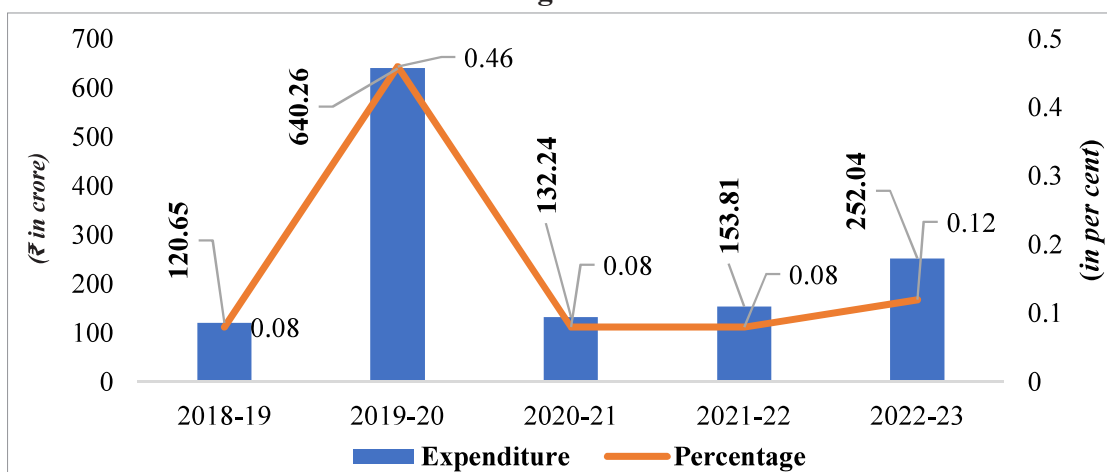
(₹ in crore)

Sl. No.	Major Head	Nomenclature	Total Receipts	Receipts under Minor Head 800	Percentage of receipts under Minor Head 800 to Total Receipts
1	0049	Interest Receipts	642.03	363.98	56.69
2	0070	Other Administrative Services	301.34	193.15	64.10
3	0230	Labour and Employment	10.75	6.75	62.77
4	0401	Crop Husbandry	5.42	3.93	72.51
5	0851	Village and Small Industries	0.01	0.01	100.00
6	0852	Industries	0.41	0.40	99.32
7	1053	Civil Aviation	1.43	1.42	99.77
8	1456	Civil Supplies	0.10	0.10	100.00

(Source: Finance Accounts, 2022-23 and Data provided by A&E Office)

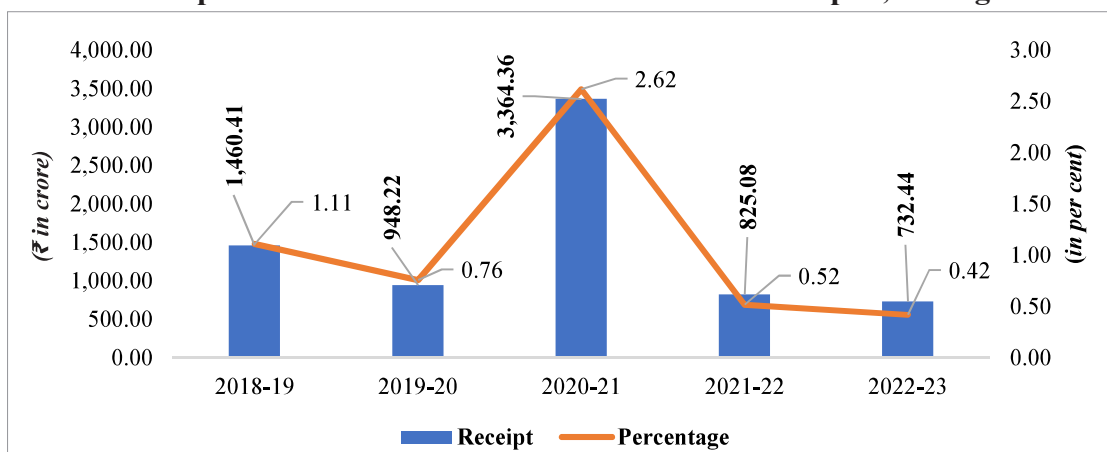
Further, the expenditure under Minor Head ‘800’ increased from ₹ 120.65 crore to ₹ 252.04 crore and receipts decreased from ₹ 1,460.41 crore to ₹ 732.44 crore, during 2018-19 to 2022-23, as depicted in Charts 4.6 and 4.7, respectively.

Chart 4.6: Operation of the Minor Head ‘800 - Other Expenditure’, during 2018-23



(Source: Finance Accounts, 2018-19 to 2022-23)

Chart 4.7: Operation of the Minor Head ‘800 - Other Receipts’, during 2018-23



(Source: Finance Accounts, 2018-19 to 2022-23)

During 2022-23, significant expenditure was booked under the Minor Head ‘800’ from the Major head 5475-Capital Outlay on Other General Economic Services (₹ 202.78 crore) and 2250- Other Social Services (₹ 23.84 crore) and significant receipts were booked under the Major Head 0049- Interest Receipts (₹ 363.98 crore) and 0070- Other Administrative Services (₹ 193.15 crore).

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

Time series data wherein significant receipts booked under Minor Head 800-” Other Receipts” and “Other Expenditure”, is depicted in **Tables 4.11** and **4.12**.

Table 4.11: Time series data on significant receipts booked under Minor Head 800 – “Other Receipts”.

(₹ in crore)

Sl. No.	Major Head	Nomenclature	2018-19	2019-20	2020-21	2021-22	2022-23
1.	0049	Interest Receipts	261.57	478.10	3,063.65	531.27	363.98
2.	0230	Labour and Employment	12.41	7.76	7.98	10.14	6.75
3.	0401	Crop Husbandry	6.89	5.97	4.71	4.42	3.93
4.	1053	Civil Aviation	6.50	1.58	3.13	2.24	1.42

(Source: Finance Accounts of respective years)

Table 4.12: Time series data on significant expenditure booked under Minor Head 800- “Other Expenditure”

(₹ in crore)

Major Head	Nomenclature	2018-19	2019-20	2020-21	2021-22	2022-23
2250	Other Social Services	5.04	21.25	17.01	49.26	23.84

(Source: Finance Accounts of the respective year)

Further, during 2022-23, it was also observed that significant amounts of some major heads had been booked under the minor head 800, though, they were below 50 per cent of the total expenditure/receipts, as shown in **Tables 4.13** and **4.14**.

Table 4.13: Significant expenditure booked under the Minor Head “800”

(₹ in crore)

Major Head	Nomenclature	Total Expenditure	Expenditure under Minor Head 800	Percentage of Expenditure under Minor Head 800 to Total Expenditure
2245	Relief on account of natural calamities	1,939.40	16.09	0.83

(Source: Finance Accounts, 2022-23)

Table 4.14: Significant receipts booked under the Minor Head “800”

(₹ in crore)

Sl. No.	Major Head	Nomenclature	Total Receipts	Receipts under Minor Head 800	Percentage of receipts under Minor Head 800 to Total Receipts
1.	0030	Stamps and Registration fees	6,451.06	21.09	0.33
2.	0041	Other Receipts	2,935.47	10.35	0.35

(Source: Finance Accounts, 2022-23)

Indiscriminate booking of receipts under the Minor Head 800 not only affects transparency and nature of transactions, but also renders the accounts opaque.

Issues related to measurement

4.9 Outstanding balance under Major Suspense and Debt, Deposit and Remittance (DDR) Heads

Certain intermediary/adjusting Heads of Account, known as 8658-Suspense Heads, are operated in the Government Accounts, to reflect transactions of receipts and payments which cannot be booked to a final Head of Account, due to lack of information regarding their nature or for other reasons.

The Finance Accounts reflect the net balances under the 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. Details of gross figures, under some of the major Suspense and Remittance heads, at the end of the last three years, are indicated in **Table 4.15**.

Table 4.15: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2020-21		2021-22		2022-23	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 – Suspense						
101 - PAO suspense	313.90	0	365.08	0.00	641.14	280.41
Net	Dr. 313.90		Dr. 365.08		Dr. 360.73	
102 - Suspense Account-Civil	15,598.70	1,070.92	16,195.57	1,409.66	14,109.96	277.76
Net	Dr. 14,527.78		Dr. 14,785.91		Dr. 13,832.20	
107 - Cash Settlement Suspense Account	0	32.29	0	32.29	0	32.29
Net	Cr. 32.29		Cr. 32.29		Cr. 32.29	
109 - Reserve Bank Suspense – Headquarters	262.64	0	261.71	(-) 0.01	257.16	(-) 0.24
Net	Dr. 262.64		Dr. 261.72		Dr. 257.40	
110 - Reserve Bank Suspense – CAO	1,501.24	895.64	1,249.60	894.62	358.24	(-) 0.02
Net	Dr. 605.60		Dr. 354.98		Dr. 358.26	
112 - Tax Deducted at Source (TDS) Suspense	994.38	1,459.04	1,572.73	1,857.17	1,279.66	1,805.05
Net	Cr. 464.66		Cr. 284.44		Cr. 525.39	
123 - A.I.S Officers' Group Insurance Scheme	0.27	6.24	0.44	6.04	0.32	5.66
Net	Cr. 5.97		Cr. 5.60		Cr. 5.34	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	16,749.16	15,837.54	16,754.96	15,835.85	919.11	0
Net	Dr. 911.62		Dr. 919.11		Dr. 919.11	
103 - Forest Remittances	3,147.35	2,943.86	3,147.44	2,943.90	203.54	0
Net	Dr. 203.49		Dr. 203.54		Dr. 203.54	

(Source: Finance Accounts 2020-21 to 2022-23)

Pay and Accounts Office Suspense- This head is intended for settlement of transactions between the AG (A&E) and the various separate PAO Offices of Government of India. Outstanding Debit balances under this Head imply that payments made by the AG on behalf of a PAO, were yet to be recovered. Outstanding Credit balances imply that payments received by the AG, on behalf of a PAO, were yet to be paid. The net debit

balance under this head shows an increasing trend. On clearance/settlement of this, the cash balance of State Government will increase. The transactions mainly related to National Highways, and decrease in claims with Central Pension Accounting Office, Delhi. This head had a debit balance of ₹ 360.73 crore at the end of FY 2022-23.

Suspense Account-Civil- Transactions where full particulars of the classification are not available, or where the relevant vouchers/ schedules in support thereof are not available or where there is some discrepancy between the figures reported in the treasury schedule of payments/cash accounts and those appearing in the supporting vouchers, schedules *etc.* constitute the major portion of outstanding figures under this Head. Transactions taking place on behalf of Railways, Defence, Postal, and Telecommunication Departments are also initially classified under the head, pending settlement of claims by these authorities. O/o the AG (A&E) raised objections in regard to 11400 vouchers amounting to ₹ 2,725.00 crore (Revenue expenditure ₹ 873.05 crore and Capital expenditure ₹ 1,851.95 crore) during the year 2022-23. These vouchers have been kept in Suspense Accounts, for want of sanction orders/pension payment documents/ running bills/sub-vouchers *etc.* OB Suspense, pertaining to previous years, amounting to ₹ 3,713.42 crore (Revenue: ₹ 2,206.05 crore and Capital: ₹ 1,507.37 crore) was cleared during 2022-23. As such, there was overstatement of net expenditure of ₹ 988.42 crore (an overstatement of Revenue expenditure of ₹ 1,333.00 crore and understatement of Capital expenditure of ₹ 344.58 crore). The progressive balance under the head 8658-102-Suspense Account (Civil) stood at ₹ 13,832.20 crore, at the end of March 2023.

Outstanding debit balance under this Head means that payments were made which could not be debited to the final expenditure Head for want of details. Outstanding credit balance means that amounts were received which could not be credited to the final receipt head for want of details.

Cash Settlement Suspense Accounts- This minor Head is used for settlement of transactions between public works divisions rendering accounts to the same Pay and Accounts Officer and is to be operated by the PAO receiving compiled accounts from the public works divisions. The head is credited when one division accepts some receipts/revenues on behalf of another division. The head is debited/credited on receipt of cheque/bank draft or issue of cheque/bank draft to/from another division, as the case may be. A Credit balance of ₹ 32.29 crore was lying in this head, as on 31 March 2023, since long.

Reserve Bank Suspense, Central Accounts Office- This Head is operated for recording inter-Governmental transactions, where monetary settlement between the cash balances of two Governments is done by sending advice to the Central Accounts Section of the Reserve Bank of India (RBI). This Head is cleared by transferring the amount to the final Head of Account, on receipt of intimation of the monetary settlement having been carried out by the RBI. Through this Head, grants/loans, received from the GoI, and their repayments, discharge of securities and interest paid thereon by the Public Debt

Offices of RBI and payments made by the Director General of Supplies and Disposals for materials supplied to Government Departments, are settled.

During 2022-23, the debit balance under the Head was ₹ 358.26 crore, representing an increase of ₹ 3.28 crore, compared to the previous year.

Public Works Remittances- This head is operated to watch whether the treasury acknowledges the amount remitted by the divisional officers of public works. The debit balance of ₹ 919.11 crore, at the end of year 2022-23, was due to non-reconciliation between the Division Offices and the Treasuries.

Forest Remittances- Collection for Forest Revenues by the divisions and their remittance to the Government Accounts at the treasury, initially takes place under this Head. The debit balance under this head is cleared by credits appearing in the treasury accounts, when the remittances are acknowledged and accounted by the treasury officers. Due to the time lag between the actual realisation of revenue and its remittance into the treasury, the debits appearing in the division accounts, under this head, would continue to appear till the remittance made is finally accounted for in the treasury accounts. As on 31 March 2023, a debit balance of ₹ 203.54 crore was appearing under this head.

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

4.10 Non-reconciliation of Departmental transactions

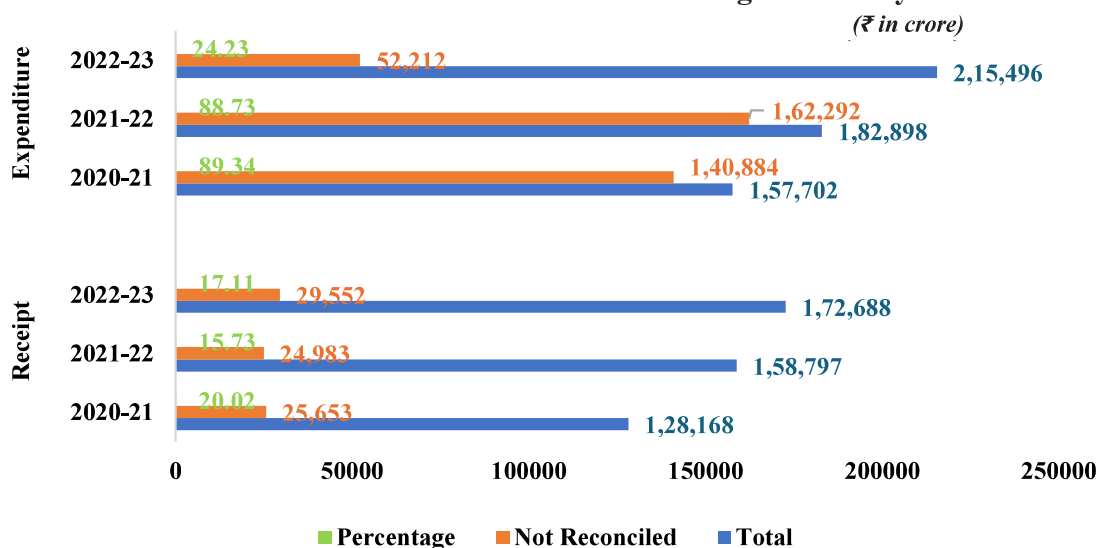
As per Para 96 of the Bihar Budget Manual, 2016, the controlling officers are required to reconcile their monthly/quarterly figures with those recorded in the books of the Accountant General.

An online reconciliation module has not been developed in the CFMS. Therefore, to reconcile the transactions accounted by the Office of AG (A&E), with the transactions accounted by the Grant Controlling authorities of the State Government, the office of the AG (A&E) uploads the data dump file of the transactions included in the monthly accounts in the CFMS main server, using the Secure File Transfer Protocol (SFTP⁴) utility. Here the transactional data of AG is compared with CFMS data and department-wise reconciliation report is prepared (in CFMS). This Report is available to all Department Admin Users, as well as AG (A&E) Admin Users. The Departmental Admin Users generates the reconciliation Reports and forward them to AG (A&E).

Only 20, out of 46 Grant Controlling Departments, sent the reconciliation Reports to AG (A&E).

Status of non-reconciliation of the departmental transactions, during the last three years, is shown in **Chart 4.8**.

⁴ SFTP- It is a Secure File Transfer Protocol that uses secure shell encryption, to provide a high level of security for sending and receiving file transfers.

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

(Source: Finance Accounts for the respective years and data provided by O/o AG (A&E), Bihar)

As can be seen from the **Chart 4.8**, the State Government did not reconcile 17.11 per cent of total receipts and 24.23 per cent of the total expenditure. Non-reconciliation of accounts impacts on the assurance of the completeness and correctness of the receipts and expenditure figures depicted in the accounts. Failure to adhere to the codal provisions and executive instructions in this regard, results not only in misclassification, but also defeats the objective of the budgetary process.

4.11 Reconciliation of Cash Balances

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

However, the Cash balance, as on 31 March 2023, as per the records of the AG (A&E), was ₹ 805.90 crore (Debit) and that reported by the RBI, was ₹ 193.62 crore (Credit). As such, there was a net difference of ₹ 612.28 crore (Debit), mainly due to incorrect reporting of transactions and non-reconciliation by agency banks. The difference was under reconciliation.

4.12 Adverse Balances under Public Account

Adverse balances arise when transactions are erroneously credited, instead of being debited and *vice versa*. Some of the significant adverse balances, under Public Account Heads and in the Finance Accounts of 2022-23, are shown in **Table 4.16**.

Table 4.16: Adverse balances under the Public Account during 2022-23

(₹ in crore)

Major Heads	Major Head Description	Minus Balance
8011	Insurance and Pension Funds	(-) 99.71
8336	Civil Deposits	(-) 0.55

(Source: Finance Accounts, 2022-23)

These adverse balances were under reconciliation between the office of the Accountant General (A&E), Bihar and the State Government.

Issues related to disclosure

4.13 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General (CAG) of India, prescribe the form of Accounts of the Union and of the States. The CAG of India had set up (2002) a Government Accounting Standards Advisory Board (GASAB), for formulating standards for government accounting and financial reporting and enhancing 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 4.17**.

Table 4.17: 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"> To ensure uniform and complete disclosure of such Guarantees. Class-wise and Sector-wise disclosures 	<ul style="list-style-type: none"> Statements 9 and 20 of Finance Accounts were prepared. However, the disclosure remained incomplete, since the State Government does not disclose complete details, class-wise, sector-wise. Some critical information like “Guarantee invoked during the year”, interest, guarantee, commission fee <i>etc.</i>, was left incomplete. 	<ul style="list-style-type: none"> All Guarantors, Departments of State Government 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"> For Accounting and classification of Grants-in-aid both as a grantor as well as a grantee. 	<ul style="list-style-type: none"> Statement 10 of Finance Accounts has been prepared. However, detailed information in respect of Grants-in-aid given in kind, was not furnished by the State Government. 	<ul style="list-style-type: none"> Amount of GIA received under grants given in kind could not be ascertained. Misclassification led to understatement of Revenue Deficit and overstatement of Capital Expenditure to that extent.
3.	IGAS-3: Loans and Advances made by Government	<ul style="list-style-type: none"> For recognition, measurement, valuation and reporting in respect of Loans and Advances To ensure complete, accurate and uniform accounting practices, To ensure adequate disclosure on Loans and Advances 	<ul style="list-style-type: none"> Statement 7 and 18 of Finance Accounts were prepared. However, the closing balances depicted in above statements were not reconciled with the Loanee Entities/ State Government. The State Government also did not furnish figures in respect of certain Loans and Advances. 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 Loans in Perpetuity, could not be made, as this information was not provided by the State Government. 	<ul style="list-style-type: none"> ‘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 Loans in Perpetuity, could not be ascertained, as data was not provided by the State Government.

(Source: Finance Accounts 2022-23)

Non-Compliance with the Accounting Standards impacts presentation of a true and fair view of the financial position and cash flows apart from hindering fiscal transparency.

Opening of New Sub-Heads of Accounts without advice

As per Article 150 of the Constitution of India, the accounts of the State are to be kept in the form as advised by the C&AG of India. During 2022-23, the State Government opened 07 new Sub-Heads (04 under the ‘Revenue Section’ and 03 under the ‘Capital Section’) in the budget, without seeking the advice of the C&AG of India. The State Government provided budgetary provisions under these heads and incurred expenditure of ₹ 17.65 crore (₹ 13.17 crore under the ‘Revenue Section’ and ₹ 4.48 crore under the ‘Capital section’), as shown in **Table 4.18**.

Table 4.18: Newly opened Sub-Heads

(₹ in crore)

Sl. No.	Section	Bill code	Expenditure incurred
1	Revenue	2059-01-053-0032	0.48
2		2202-02-191-0004	0.13
		2202-02-192-0004	0.10
		2202-02-193-0004	0.03
		2202-02-196-0004	1.18
3		2202-03-112-0005	11.25
4		2210-02-001-0101	0.00
5	Capital	5055-00-051-0104	2.76
6		5055-00-051-0105	1.72
7		5055-00-051-0106	0.00
Total			17.65

(Source: Finance Accounts, 2022-23)

4.14 Budgetary Support to SPSEs whose accounts are not finalised

Sections 394 and 395 of the Companies Act, 2013, stipulate that the Annual Report on the working and affairs of a government company is to be prepared within three months of its Annual General Meeting. As soon as may be after such preparation, the annual report should be laid before the State Legislature, together with a copy of the Audit Report and any comments upon on supplement to the audit report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. The above mechanism provides the necessary legislative control over the utilisation of public funds invested in these companies and corporations, from the consolidated fund of the state.

The State Government provided budgetary support (equity, loans, guarantee, capital grants, and others) of ₹ 51,582.85 crore to 17 functional SPSEs, one Statutory Corporation and 15 non-functional SPSEs, whose accounts had not been finalised up to 31 March 2023 (as on 31 August 2023). These SPSEs had not finalised their accounts for last one to 45 years, in violation of the provisions of the Companies Act/Acts of the respective Statutory Corporations/ SPSEs (**Appendix 4.1**).

Due to non-finalisation of accounts, the supplementary audit of companies by CAG, as stipulated in the Companies Act and statutory audit of the corporations, as stipulated in their respective Acts could not be carried out. 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 accountability and improving efficiency also can not be taken in time and the risk of fraud and misutilisation of public money can not be ruled out.

4.15 Submission of Accounts/Separate Audit Reports of Autonomous Bodies (ABs)

As per Section 19(3) of the CAG's 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 so to do 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) of the DPC Act.

Out of 57 Bodies/Authorities in the State of Bihar, 49 Bodies/Authorities had not provided entrustment at all (*Appendix-4.2*). Details of arrears of accounts, as well as entrustment details of the remaining eight autonomous bodies, are shown in **Table 4.19**.

Table 4.19: 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 FY 2022-23	Remarks
1.	Rajendra Agriculture University, PUSA, Samastipur	Entrustment was received for 05 years from the year 2012-13.	NIL	NIL	-
2.	Bihar Agriculture University, Sabour, Bhagalpur	Entrustment received up to 2021-22.	2020-21 to 2022-23	03	-
3.	Bihar State Khadi and Village Industries Board, Patna	-	2010-11 to 2022-23	13	-
4.	Bihar State Housing Board, Patna	-	2016-17 to 2022-23	07	-
5.	Bihar Electricity Regulatory Commission	-	2021-22 to 2022-23	02	Separate Audit Report up to FY 2020-21 issued.
6.	Bihar State Legal Service Authority (BSLSA)	-	2021-22 to 2022-23	02	-
7.	Bihar Animal Science University, Patna	2017-18 to 2021-22	2016-17, 2020-21 to 2022-23	04	Accounts for the year 2017-18 to 2019-20 have been received but not audited.
8.	Real Estate Regulatory Authority	-	2019-20 to 2022-23	04	-

(Source: Data provided by respective entities)

Due to non-finalisation of accounts, the stakeholders were not able to assess financial status of these bodies. Delay in finalisation of accounts carries the risk of financial irregularities remaining undetected, apart from violation of the provision of the respective legislations under which these bodies were constituted.

4.16 Timeliness and Quality of Accounts

The accounts of receipts and expenditure of the GoB were compiled based on the initial accounts rendered by 43 Treasuries and other Accounts Rendering Units (ARUs). GoB had discontinued rendering of hard copies of Accounts by Public Works Divisions and Forest Divisions, to the office of the AG (A&E), after implementation of CFMS (April 2019) and transactions were being routed through the Treasuries.

These accounts present the transaction of the GoB for the period from 01 April 2022 to 31 March 2023. Delay in submission of Monthly Accounts ranged between 01 to 42 days.

Further, it was also found that 26 accounts had been excluded from their respective Monthly Civil Accounts, during the financial year. This exclusion has caused delay in submission of these 26 accounts ranging between 20 to 288 days. Further, no account was excluded at the end of the financial year. The quality of accounts can be enhanced by ensuring the inclusion of all accounts in the Monthly Civil Accounts.

Other Issues

4.17 Misappropriations, losses, thefts, etc.

Rule 31 of the Bihar Financial Rules, 2005, provides that loss of public money, Government revenue, stores, or other property, by defalcation or otherwise, should be immediately reported by the office, to the higher authority, Finance Department, as well as to the Accountant General (Audit), even when such loss has been made good by the party responsible for it. Such reports must be submitted as soon as suspicion arises that there has been a loss, and these must not be delayed while enquiries are made. Out of 44 departments, seven⁵ departments had furnished 'Nil' information and one department and one SPSE had furnished information, as depicted in **Table 4.20**.

Table 4.20: Pending cases of misappropriation, losses, theft, etc.

(₹ in crore)

Departments/SPSEs	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	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Fisheries Directorate	05	0.28	-	-	-	-	05	0.28
Bihar State Warehousing Corporation	01	4.04	01	4.04	-	-	-	-

(Source: Data provided by the concerned department/SPSE)

⁵ Panchayati Raj, Sugarcane Industry, Cabinet Secretariat, Law, Minority Welfare, Prohibition, Excise and Registration, Information and Public Relation.

Final decisions, for these tabulated cases, were yet to be taken by the departments.

4.18 Follow-up action on the State Finances Audit Reports

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

Sittings of the PAC were held on SFARs, as detailed in **Table 4.21**. Out of 355 paragraphs, pertaining to the years from 2008-09 to 2020-21, 03 paragraphs were discussed, and 352 paragraphs were pending for discussion, till March 2023.

Table 4.21: Status of sittings held by PAC

Sl. No.	Financial year	No. of sittings held by PAC
1.	2018-19	03
2.	2019-20	01
3.	2020-21	02
4.	2021-22 and 2022-23	Nil

Further, after placement of the Report before the Legislature, the Finance Department should have issued instructions to all the Departments to initiate *suo motu* action on all the paragraphs featuring in the State Finances Audit Reports, irrespective of whether the cases had been taken up for examination by the PAC or not.

4.19 Unadjusted Temporary advance/Imprest

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

As on 31 March 2023, ₹ 184.52 crore, required to be refunded to the treasury, in terms of these instructions, remained outstanding as unadjusted advance. Apart from this, an amount of ₹ 25.46 crore was also kept in the imprest, by the Public Works Divisions, as detailed in **Table 4.22**.

Table 4.22: Unadjusted Temporary Advance/Imprest as on 31 March 2023

(₹ in crore)

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

(Source: Data provided by O/o the AG (A&E), Bihar)

4.20 Cheques and Bills

This head is an intermediary accounting device for initial record of transactions, which are eventually to be cleared/withdrawn. Under the scheme of departmentalisation of accounts, payment of claims against government is made by the Pay and Accounts offices of different Ministries/departments, by cheques drawn on branches of RBI or Public Sector Banks accredited to the Ministry/Department. When claims are preferred in the appropriate bill form to the PAO/Departmental Officer, the payment is authorised through issue of cheques, after exercising the prescribed checks and recording of pay orders by the PAO/Departmental Officer. The Head “Cheque and bills” depicts the difference between the payment instructions (through cheques *etc.*) issued by Government Ministries/ Departments to Public Sector Banks and the extent to which such payments had actually been made and correctly booked. Continued existence of unreconciled balances under this Head, can distort the cash balances depicted in Government’s books.

In the Finance Accounts for the year ended March 2023, the Credit balance, under MH 8670 “Cheques and Bills”, indicated cheques issued but remaining un-encashed. The opening balance, as on 01 April 2022, was ₹ 207.48 crore (Credit). During 2022-23, cheques worth ₹ 1,88,540.91 crore were issued, against which ₹ 1,88,577.08 crore were encashed during the year, leaving a closing balance of ₹ 171.31 crore (Credit) as on 31 March 2023. The closing balance represents expenditure originally booked in various financial years under different functional Major Heads, which has not resulted in any cash outflow to the Government of Bihar till 31 March 2023.

Existence of persisting balances under the Head “Cheques and bills”, violated the Receipt and payment Rules, 1983, which stipulates that cheque and bills remaining unpaid beyond six months of issue, and not renewed, are to be cancelled and the amount written back in the accounts.

To the extent, of the amount so outstanding under the Head ‘Cheques and Bills’, the Government cash balance stands overstated.

4.21 Single Nodal Accounts (SNAs)

As per notification issued (March 2021) by MoF, Department of Expenditure, GoI, with a view to more effective cash management and bringing about greater efficiency in public expenditure management, the State Governments and Ministries/Departments of the Government of India, are following various procedures for release and monitoring the utilisation of funds under Centrally Sponsored schemes (CSSs), with effect from 01 July 2021.

Implementation of Single Nodal Accounting

For implementation of SNA:

- ✦ Every State Government is to designate a Single Nodal Agency for each CSS. Each Agency is to be registered in the Public Financial Management System (PFMS) and the bank account of each Agency is to be opened in a Scheduled Commercial bank and mapped in the PFMS.

- ✦ Funds available in the bank accounts of all the Implementing Agencies below the SNA are to be transferred to the bank account of the SNA concerned, with clear bifurcation of the Central and State shares. Only Zero Balance savings bank accounts are to be opened.
- ✦ All the Implementing agencies (IAs) are to register themselves in PFMS with Zero Balance Account. Depending on the operational requirements, Zero-Balance Subsidiary Accounts for each scheme are to be opened for all IAs, either in the same branch of the selected bank, or in different branches. These subsidiary accounts are to have allocated drawing limits, to be decided by the SNA concerned, from time to time, and they are to draw funds on real time basis.
- ✦ The SNAs are to ensure that the interest earned from the funds released is mandatorily remitted to the respective Consolidated Fund on *pro-rata* basis.
- ✦ In the beginning of the FY, the Ministries/Departments are to release not more than 25 *per cent* of the amount earmarked for a State for a CSS. Additional Central Share (not more than 25 *per cent* at a time) is to be released upon transfer of the stipulated State Share to the Single Nodal Account and utilisation of at least 75 *per cent* of the funds released earlier. However, this provision is not applicable in case of schemes where a different quantum of release has been approved by the Cabinet.
- ✦ The State Government is to transfer the Central share received, to the concerned SNA's account, within a period of 21 days of receipt. The Central share is not to be transferred to the PD accounts or any other accounts. Further, the State share is to be released not later than 40 days of the release of Central share.
- ✦ All implementing Agencies are to return unspent amounts, lying in their account, to the SNA, under the control of the State Government. SNAs are to maintain a record of unspent balance lying in the account of implementing agencies and the amount refunded by implementing agencies.
- ✦ Further, as per the new procedure, it is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned, by all the IAs, to the Single Nodal Account of the SNA concerned.
- ✦ Ministries/ Departments are to ensure that releases under all CSS are made strictly as per the actual requirements on the ground.
- ✦ A separate bank account (to be called "Holding Account") is to be opened by the agencies, for holding tax/statutory deductions. This Holding Account is permitted to make payments outside of PFMS, through cheques or internet banking, to affect the statutory payments, with the challan details being captured simultaneously.
- ✦ The Holding Account is to serve the purpose of holding tax/duties/levies/fees/municipal charges *etc.* of the State Government, Municipalities *etc.*, which the Agencies need to process. The maximum time for which money can be held in this account is fourteen days, after which the money is to be credited back to the Agency Account.

- ✦ Payments are to be made from the Zero balance subsidiary accounts, up to the drawing limit assigned to such accounts, from time to time. Transactions in each subsidiary Account are to be settled with the SNA daily, through the Core Banking Solution (CBS), on the basis of payments made during the day.
- ✦ The SNA is to keep all the funds received in the Single Nodal Account only and not to divert the same to Fixed Deposits/Flexi-Account/Multi-Option Deposit Account /Corporate Liquid Term Deposit (CLTD) Account *etc.*

As per PFMS data (on PFMS dashboard), as on 27.04.2023, along with GoI directions regarding SNA and audit of implementation of SNA in Bihar, the following were observed:

- (i) There were 113 agencies registered as SNA mapping with 4999 child agencies, wherein 159262 Zero Balance accounts were being used by child agencies. Thus, 164374 agencies were mapped in PFMS.
- (ii) During FY 2022-23, ₹ 35,420.09 crore was released (GoI: ₹ 24,398.36 crore and GoB: ₹ 11,021.73 crore) for CSS under SNA, out of which only ₹ 34,462.41 crore was accounted for as expenditure. An amount of ₹ 3,641.63 crore as advance and ₹ 6,673.73 crore was yet to be utilised against the release of ₹ 34,337.99 crore by the treasuries to SNA. GoB had not released the proportionate State share of ₹ 2,258.37 crore to SNA.
- (iii) Out of the total interest of ₹ 330.63 crore (earned on the balance of ₹ 15,681.83 crore), during the year 2022-23, the proportionate amount of interest was yet to be bifurcated and transferred between the Central and the State Governments.
- (iv) As per the Finance Accounts 2022-23, the State Government had received ₹ 22,481.46 crore during 2022-23, in its Treasury Accounts. As on 31 March 2023, the Govt. had transferred Central share of ₹ 22,231.91 crore, received in the Treasury Accounts and State Share of ₹ 14,190.40 crore, to the SNAs. However, as per PFMS, GoI had released ₹ 24,398.36 crore for CSS under SNA. Out of the total transfer of ₹ 36,422.31 crore, ₹ 745.69 crore had been transferred through AC Bills, ₹ 52.99 crore through Bills for Scholarships and Stipends, ₹ 5,996.11 crore through Fully Vouched Contingent Bills and ₹ 29,627.52 crore through GIA bills, which was against the directions of GoI.
- (v) The State Government had taken up to 181 days each, to transfer the Central and State Shares, from the treasuries, to the SNAs.
- (vi) Current account was opened as SNA, by the Bihar Agriculture University (BAU), Sabour, Bhagalpur, under the Rastriya Krishi Vikash Yojana (RKVY).
- (vii) Accumulated interest of ₹ 19.17 crore, for the period from 2020-21 to 2022-23, was lying in Jal Jeevan Mission (SNA). The amount was to be deposited in the respective Consolidated funds, after being apportioned between the Central and the State Government.

(viii) The Bhagalpur Smart City Limited (SNA) had diverted ₹ 140.07 crore to term deposits.

4.22 Conclusions

- ✦ 41755 Utilisation Certificates (UCs), amounting to ₹ 87,947.88 crore, and 27392 Detailed Contingent (DC) bills, amounting to ₹ 7,489.05 crore, were outstanding for submission. This indicated lack of internal controls in the administrative departments.
- ✦ The State Government had not discharged its liability of ₹ 74.02 crore, to provide and pay interest towards Interest-bearing Deposits, during 2022-23.
- ✦ The State Government had not fully reconciled expenditure (24.23 *per cent*) and receipts (17.11 *per cent*), during the financial year 2022-23.
- ✦ The State Government had provided budgetary support (equity, loans, guarantee, capital grants, and others) of ₹ 51,582.85 crore, to 17 functional SPSEs, one Statutory Corporation and 15 non-functional SPSEs, whose accounts had not been finalised up to 31 March 2023 (as on August 2023).
- ✦ There was an unreconciled difference of ₹ 612.28 crore (Debit), in the Cash Balance of the State Government, for the year 2022-23.
- ✦ The State Government had not disclosed its off-budget liabilities amounting to ₹ 686.77 crore, in the budget documents/annual financial statements.

4.23 Recommendations

The Finance Department may:

- ✦ Conduct a comprehensive review of all items appearing as receipt and expenditure under the minor head 800 and ensure that such receipts and expenditures are booked under the appropriate heads of Accounts, in consultation with the AG (A&E).
- ✦ Ensure that: (i) all controlling officers adjust AC bills pending beyond the prescribed period (ii) withdrawal of fund on AC bills is in the conformity with the rules/codal provisions and (iii) AC bills are not drawn merely to avoid lapse of budget.