

CHAPTER-IV
QUALITY OF ACCOUNTS AND
FINANCIAL REPORTING PRACTICES

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. 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 being 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 should take suitable measures to ensure greater transparency in its fiscal operations in public interest by disclosing the contingent liabilities created by way of guarantees, the actual liability arising out of borrowings by SPSEs and SPVs and other equivalent instruments where liability for repayment is on the State Government allocations.

The State resorted to extra budget borrowings through SPSEs. These borrowings were not being credited to the Consolidated Fund of the State, having implications on debt parameters of the State. Audit observed that during 2023-24, the State Government routed loan outside the budget through one State Public Sector Enterprises (SPSE). Details have been mentioned in **Table 4.1**.

Table 4.1: Details of Off-budget borrowings during 2023-24

(₹ in crore)		
Sl. No.	Institution/Entity	Amount
1.	Bihar State Road Development Corporation Ltd. (BSRDCL) (Road Construction Department.)	53.48
Total		53.48

(Source: Finance Accounts for the year 2023-24)

The above indicted that the Debt-Stock would be higher by ₹ 53.48 crore in 2023-24, after taking into account the Off-budget borrowings. Accordingly, the total outstanding liabilities to GSDP ratio would also increase to 38.95 per cent.

As per the Finance Accounts of the State Government for the year, 2023-24, it had provided ₹ 268.61 crore (under Major Head 2425-00-190-0011) as Assistance/Grants on account of Off-budget borrowings (i.e., to service the Off-budget borrowings).

The State did not disclose its off-budget liabilities in its budget documents/annual financial statements in the concerned financial year. Non-disclosure of such liabilities in the budget documents renders the financial position of the State Government opaque. If the State Government increasingly resorts to the OBBs, without legislative approval, to finance its expenditure, the liabilities of the State may increase substantially over a period of time and limit the State Government’s capacity for allocation of funds for capital assets/infrastructure development programmes in the State.

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

The Government has a liability to provide and pay interest on the Interest-bearing Deposits/Reserve Funds. Details of non-discharge of liabilities in respect of interest-bearing reserve funds/deposits is 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 2023	Interest due		Interest paid	Interest Short Paid
			Rate (per cent)	Due		
1.	Defined Contribution Pension Scheme for Government Employees	258.16	7.10	18.33	29.84	(-) 11.51
2.	State Compensatory Afforestation Fund (SCAF)	566.71	3.35	16.66	7.07	9.59
3.	State Disaster Response Funds	1,687.87	8.50	133.22	33.77	99.45
4.	State Disaster Mitigation Fund	372.02	8.50	53.36	6.60	46.76
Total				221.57	77.28	144.29

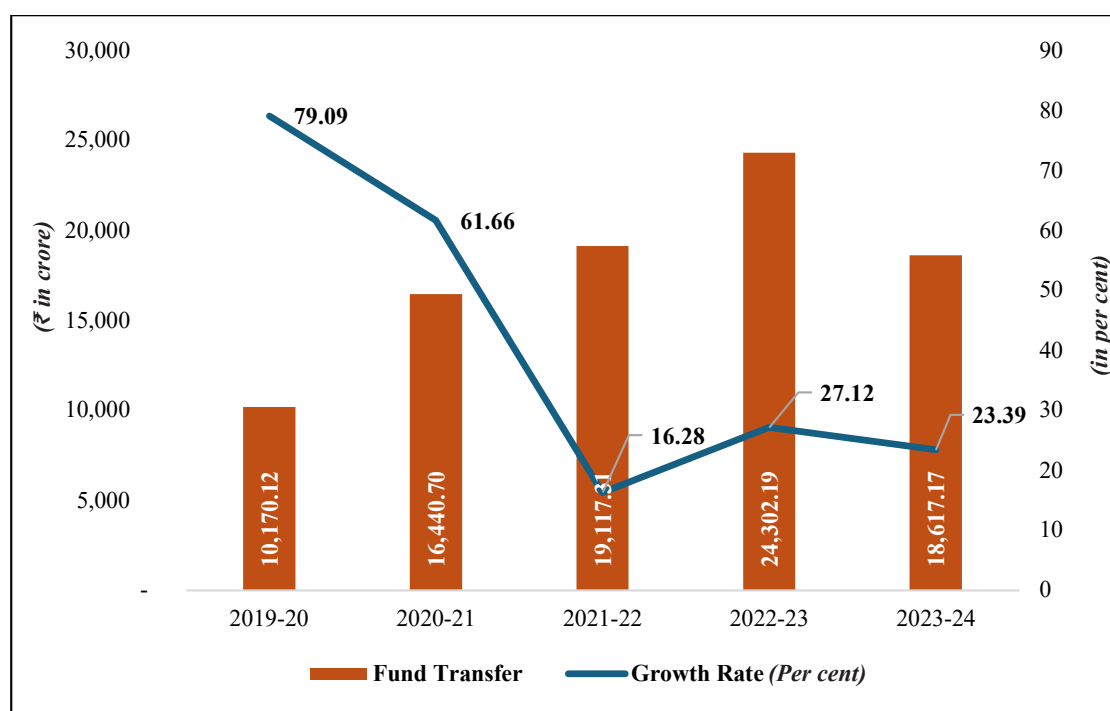
(Source: Finance Accounts of the Government of Bihar for FY 2023-24)

The Government had not earmarked funds to the tune of ₹ 144.29 crore, for interest liability towards Interest-bearing Deposits. Non-payment of interest liability had resulted in overstatement of Revenue Surplus and understatement of 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, these are not reflected in the Accounts of the State Government. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts of the respective year.

During 2023-24, GoI had directly transferred ₹ 18,617.17 crore to the State Implementing Agencies which was 23.39 per cent less than the previous year (₹ 24,302.19 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 by GoI

(Source: Finance Accounts for the respective years)

Some of the major Centrally Sponsored Schemes, wherein maximum amount of funds were transferred directly to the State Implementing Agencies during 2023-24, were ‘Food Subsidy for Decentralized procurement of food grains under ‘National Food Security Act (₹ 6,557.64 crore), ‘Pradhan Mantri Kishan Samman Nidhi’ (₹ 4,907.05 crore) and ‘Mahatma Gandhi National Rural Guarantee Programme- Central Component’ (₹ 4,322.10 crore).

During 2023-24, central share of ₹ 18,617.17 crore under CSS was transferred directly to the Implementing Agencies, bypassing the Consolidated Fund of the State. Besides, contracting the budget and expenditure of the State Government to the extent of ₹ 18,617.17 crore, transfer of funds directly to the implementing agencies has rendered the State Accounts incomplete by not reflecting a composite picture of funds available and assets created in the State.

4.4 Deposit of Local Funds

State Panchayati Raj Act provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) 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 award 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.

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				2019-20	2020-21	2021-22	2022-23	2023-24
Municipal Fund	(8448-102)	Opening Balance	1	3,307.66	3,743.56	5,033.79	6,225.03	6,019.66
		Receipt	2	2,469.66	3,913.13	4,066.75	2,600.45	4,545.47
		Expenditure	3	2,033.77	2,622.90	2,875.51	2,805.82	4,522.02
		Closing Balance	4	3,743.56	5,033.79	6,225.03	6,019.66	6,043.11
Panchayat Bodies Fund*	(8448-109)	Opening Balance	5	650.49	754.98	852.58	756.29	710.29
		Receipt	6	374.78	556.49	228.82	143.34	20.43
		Expenditure	7	270.29	458.89	325.11	189.34	264.97
		Closing Balance	8	754.98	852.58	756.29	710.29	465.75

(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 the GoB has been transferring funds from the Consolidated Fund to the Major Head 8448 (Deposit of Local Funds) under the Public Account, by debiting Revenue and Capital major head of accounts. The amount is booked as Revenue and Capital Expenditure during the year, but is parked in the ‘Deposit of Local Funds’ mainly in Personal Ledger Account¹, under the Public Account of the State.

Over the years, the balance that has accumulated in the deposit account (MH 8448) stood at ₹ 30,017.64 crore (shown in **Table 4.4**), by the end of FY 2023-24. This amount has been shown 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)

Year	Revenue			Capital			Total	Closing Balance of 8448
	Revenue Expenditure as per Finance Accounts	Amount transferred to MH 8448 but booked as expenditure	Percentage of Revenue Expenditure (Column 2)	Capital Expenditure as per Finance Accounts	Amount transferred to 8448 but booked as expenditure	Percentage of Capital Expenditure (Column 5)		
1	2	3	4	5	6	7	8 (3+6)	9
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
2023-24	1,90,514	12,295	6.45	36,453	11,072	30.37	23,367	30,017.64

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

As can be seen from **Table 4.4**, during the period from 2019-20 to 2023-24, funds were booked as Revenue and Capital Expenditure but transferred to MH 8448 of Public Account. Thereafter, funds were kept parked under this Head of Account. Transferring and parking of funds in Public Account indicated overstatement of actual expenditure incurred.

In absence of details of PL accounts along with amount of funds kept therein, Audit could not ascertain their management and utilisation. Reason (s) for transfer of funds for parking in Deposit of Local Fund Head of Account were awaited.

¹ Personal Ledger Account is opened for Special Purpose Vehicles, Boards, Authorities, Agencies and Societies etc., constituted by the State Government to receive money in any form (for eg. Grant loan, work to be done on centage basis etc.). These accounts are opened in the treasury and operated by authorised officer. Unutilised funds in this account are lapsed at the end of consecutive five years.

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 that amount of the grants should be paid during a financial year as is likely to be expended during the year. There should be no occasion for rush for payment of these grants in the month of March. Further, Rule 271 (e) of Bihar Treasury Code, 2011 stipulates that UCs shall be submitted within 18 months from the date of release of GIA. In case of pendency of UCs against the GIA bill drawn 18 months earlier, the next GIA shall not be passed by the treasuries without the special order of the Finance Department.

Status of outstanding UCs, as on 31 March 2024, is shown in **Table 4.5**.

Table 4.5: Year-wise break up of outstanding UCs as on 31.03.2024

(₹ in crore)

Year*	Number of UCs	Amount
Up to 2016-17	2,647	14,452.38
2017-18	525	3,746.64
2018-19	542	5,870.67
2019-20 and 2020-21	27,041	17,980.24
2021-22	15,348	16,014.34
2022-23	3,546	12,813.34
Total	49,649	70,877.61

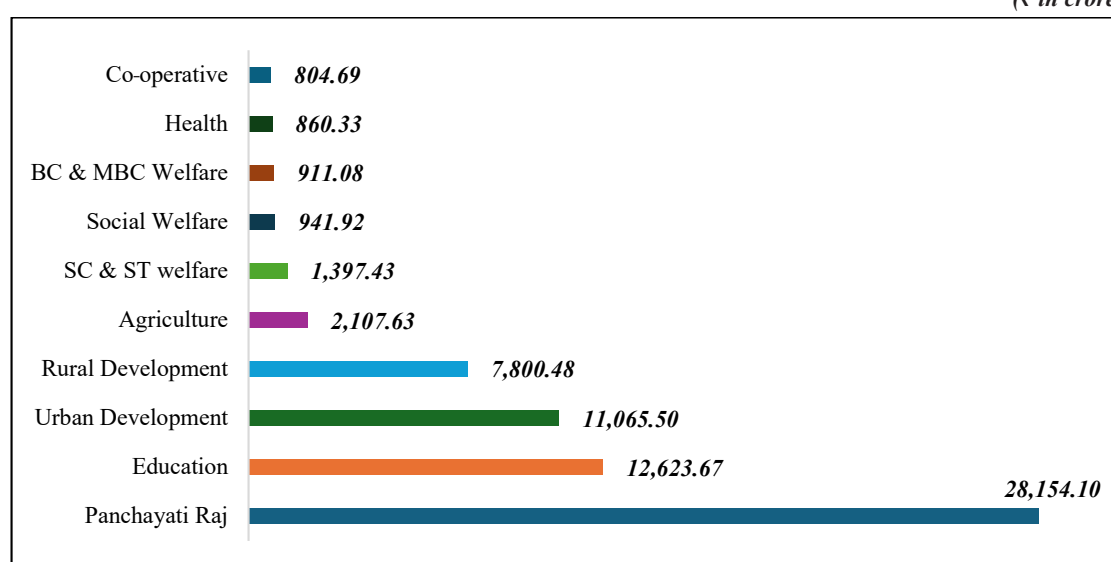
(Source: Finance Accounts, 2023-24)

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

Out of ₹ 70,877.61 crore, ₹ 14,452.38 crore pertained to the period up to 2016-17. Top five defaulting Departments included the Panchayati Raj Department (₹ 28,154.10 crore), Education Department (₹ 12,623.67 crore), Urban Development Department (₹ 11,065.50 crore), Rural Development Department (₹ 7,800.48 crore) and Agriculture Department (₹ 2,107.63 crore). Top 10 defaulting departments are shown in **Chart 4.2**.

Chart 4.2: Department-wise UCs not received by AG (A&E) up to 2023-24

(₹ in crore)



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

Further, UCs outstanding category-wise against GIAs during 2020-21 to 2022-23 are shown in **Table 4.6**.

Table 4.6: UCs not received by AG (A&E) for category-wise GIA for 2020-21 to 2022-23

(₹ in crore)

Year	Salary			Asset Creation			Other than salary and Asset*		
	Drawn	Adjusted	Balance	Drawn	Adjusted	Balance	Drawn	Adjusted	Balance
2020-21	17,788.65	17,261.86	526.79	10,358.02	8,251.49	2,106.53	29,577.33	22,487.19	7,090.14
2021-22	23,813.12	22,325.48	1,487.64	14,103.45	8,673.33	5,430.12	33,307.41	24,210.90	9,096.51
2022-23 (Due up to 09/2022)	11,309.42	10,399.84	909.58	7,771.53	290.29	7,481.24	10,701.65	6,279.10	4,422.55
Total	52,911.19	49,987.18	2,924.01	32,233.00	17,215.11	15,017.89	73,586.39	52,977.19	20,609.20

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

*Includes scholarships/stipends

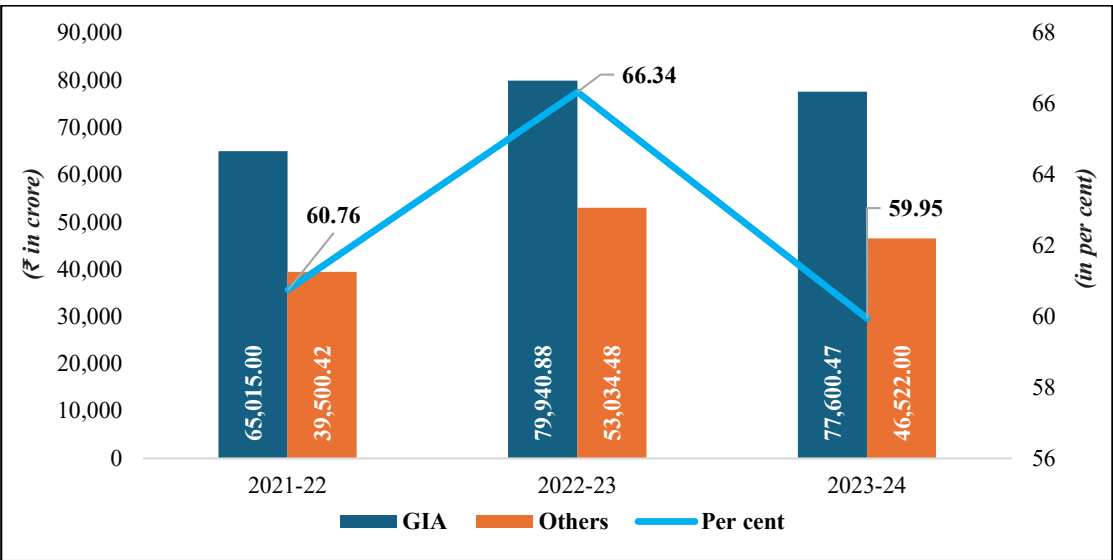
In the absence of UCs, there is no assurance that funds disbursed have been used for the intended purpose. Moreover, high pendency of UCs is fraught with the risk of embezzlement, misappropriation, and diversion of funds.

4.5.1 Recording of grantee institution as “Others”

As GIA constitute a significant portion of the total expenditure of the State, it is essential that the Government provides the details and nature of the Grantee institution to which it is providing funds, in the interest of transparency of its Annual Accounts. There is a mechanism for assigning institute codes to various bodies and authorities receiving GIA from the State Government where the State Government has not assigned institutional codes to all institutes, these grants have been recorded as “Others”.

During 2023-24, out of total GIA of ₹ 77,600.47 crore, only ₹ 46,522.00 crore (59.95 per cent), have been recorded as ‘Others’ (*Appendix-III of the Finance Accounts*). The trend of percentage of GIA shown under type “Others” to 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 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 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, in no case should the submission of the detailed bill be delayed beyond the end of the sixth month following that in which the abstract bill was drawn from the Treasury. No abstract bill shall be cashed after the end of this period unless detailed bill has been submitted in accordance with these rules. In case of pendency of DC bills against the AC bills drawn six months earlier, the next AC bill shall not be passed by the treasuries without the special order of the Finance Department.

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 the AC bills

(₹ in crore)

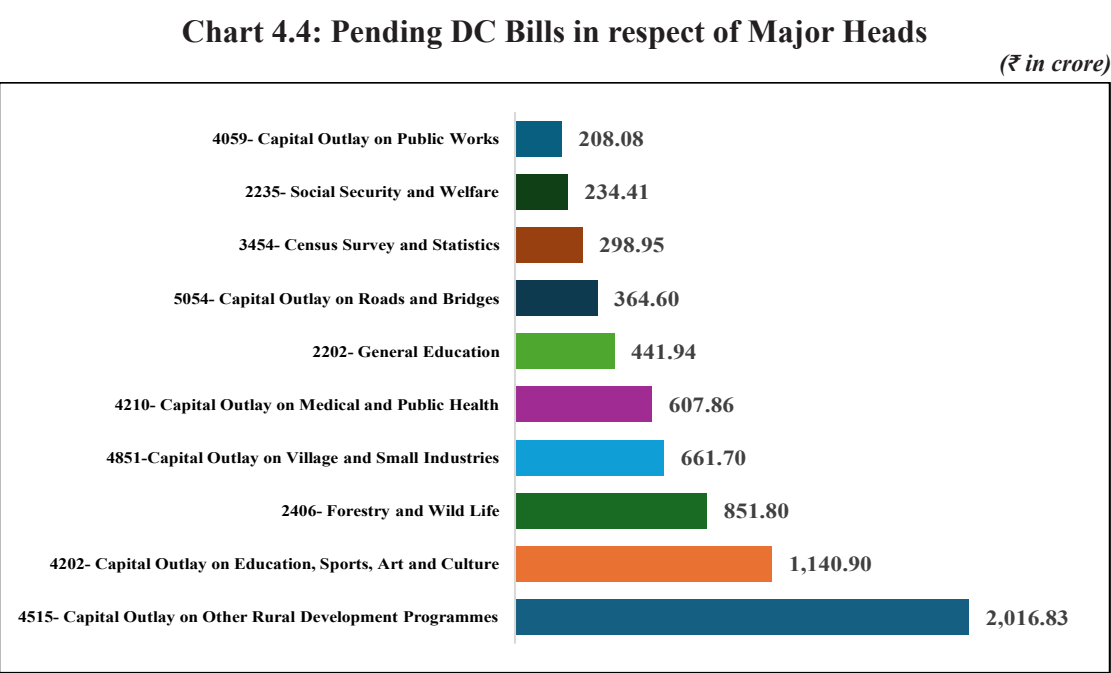
Year	Opening Balance		Addition during the year		Adjustment made during the year		Closing Balance	
	No. of AC Bills pending for adjustment	Amount	No. of AC Bills drawn	Amount	No. of DC Bills submitted	Amount	No. of AC Bills pending for adjustment	Amount
Up to 2021-22	17,882	3,905.78	3,607	2,480.88	1,903	1,848.50	19,586	4,538.16
2022-23	19,586	4,538.16	4,382	6,149.30	2,322	3,567.44	21,646	7,120.02
2023-24 [#]	21,646	7,120.02	844	2,296.33	360	210.59	22,130	9,205.76

(Source: Data Provided by the O/o AG (A&E), Bihar & Finance Accounts, 2023-24)

[#]AC bills drawn up to September 2023 have been taken into account.

As can be seen from **Table 4.7**, during last three years total 8,833 AC Bills for ₹ 10,926.51 crore were drawn and 4,585 DC Bills amounting to ₹ 5,626.53 crore were submitted. As on 31 March 2024, DC Bills against 22,130 AC bills of ₹ 9,205.76 crore were pending for submission. Out of ₹ 9,205.76 crore, ₹ 5,577.91 crore (60.59 per cent of total outstanding) pertains to creation of Capital Assets.

During the month of March 2024, 1,648 AC Bills amounting to ₹ 1,041.12 crore (22.06 per cent of the total amount of ₹ 4,718.24 crore drawn during the year 2023-24 through the total 5,088 AC Bills) were drawn. Top 10 Major Head-wise pending DC bills are shown in **Chart 4.4**.



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

As shown in **Chart 4.4**, the pending DC bills were related to Capital Expenditure under different Major Heads viz., 4059, 4202, 4210, 4515, 4851 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 shows that the expenditure stands inflated to that extent and is fraught with the risk of misappropriation. Non-submission of DC bills within the prescribed period breaches 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 (A&E). 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 there are a large number of small beneficiaries dispersed in interiors such that direct disbursement through the treasury is not practicable. Transfer of funds to PD Accounts is booked as final expenditure from the Consolidated Fund of the State under the concerned Major Head. PD administrators are required to review all PD Accounts at the end of a financial year and transfer the amount 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.

² GoB Notification no. 6679, dt: 23.08.2016.

As per the 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 2024, ₹ 2,180.46 crore were lying with 252 Administrators, as shown in **Table 4.8**.

Table 4.8: Details of PD Accounts as per CFMS during 2023-24

(₹ in crore)

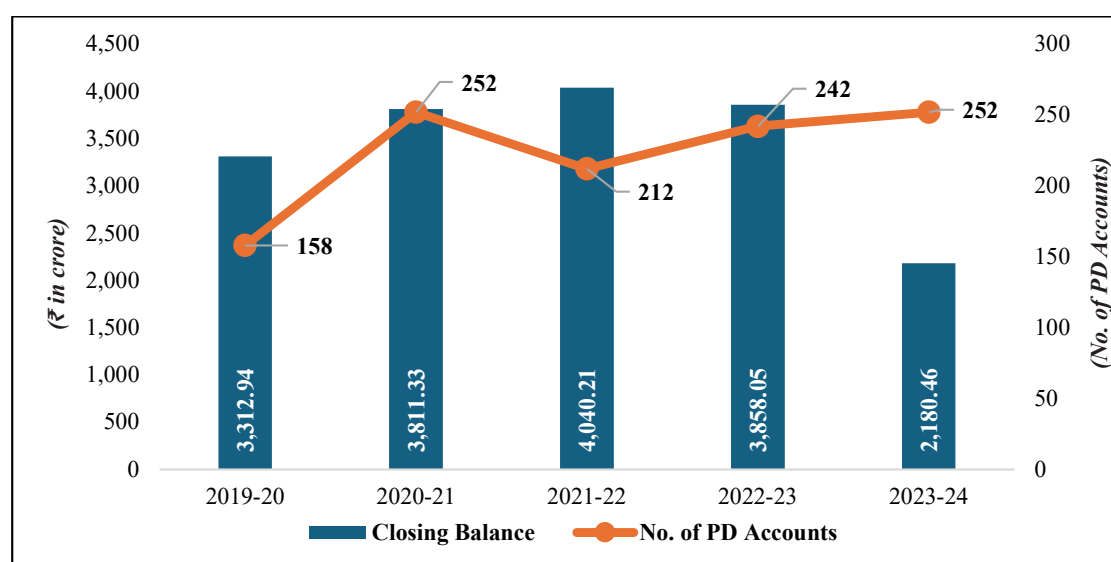
Opening Balance as on 01.04.2023		Addition during the year		Closing/Withdrawal during the year		Closing Balance as on 31.03.2024	
No. of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount	Number of Administrators	Amount
242	3,858.07	12	1,160.67	02	2,838.28	252	2,180.46

(Source: Finance Accounts, 2023-24)

Note- Four PD Accounts with a total balance of ₹ 1.54 crore are yet to be migrated in CFMS.

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 2019-20 to 2023-24



(Source: Finance Accounts of the respective years)

Administrators of PD Accounts were required to reconcile and verify their balances with the treasury figures. Further, Administrators were also required to furnish verification certificates to the Accountant General (A&E), in this regard. However, during the period 2023- 24, out of 252 Administrators of PD Accounts, only 44 Administrators have reconciled and verified their balances with the treasury figures. Also, transfer of ₹ 230.75 crore to the PD accounts in the month of March 2024 enhanced the amount of funds parked in these accounts, to that extent.

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

Blocking of funds under PD accounts needs to be discouraged as it limits legislative scrutiny.

4.8 Indiscriminate use of “Minor Head 800”

Minor Head 800, relating to Other Receipts and Other Expenditure, is intended to be operated only when the appropriate minor head 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 2023-24, out of the total Revenue and Capital Expenditure of ₹ 2,26,967.19 crore, an expenditure of ₹ 148.77 crore (0.07 per cent) was incurred through Minor Head ‘800’. Further, out of the total Revenue Receipts of ₹ 1,93,347.23 crore, receipts of ₹ 1,051.31 crore (0.54 per cent) were booked under Minor Head ‘800’.

Significant Expenditure and Receipts (50 per cent and above of the concerned MH) under 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 2023-24 (50 per cent and above or substantial amount booked)

(₹ 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	2070	Other Administrative Services	1,315.26	12.37	0.94
2	2250	Other Social Services	46.14	43.98	95.31
3	5475	Capital Outlay on Other General Economic Services	109.32	84.87	77.63

(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 2023-24 (50 per cent and above or substantial amount booked)

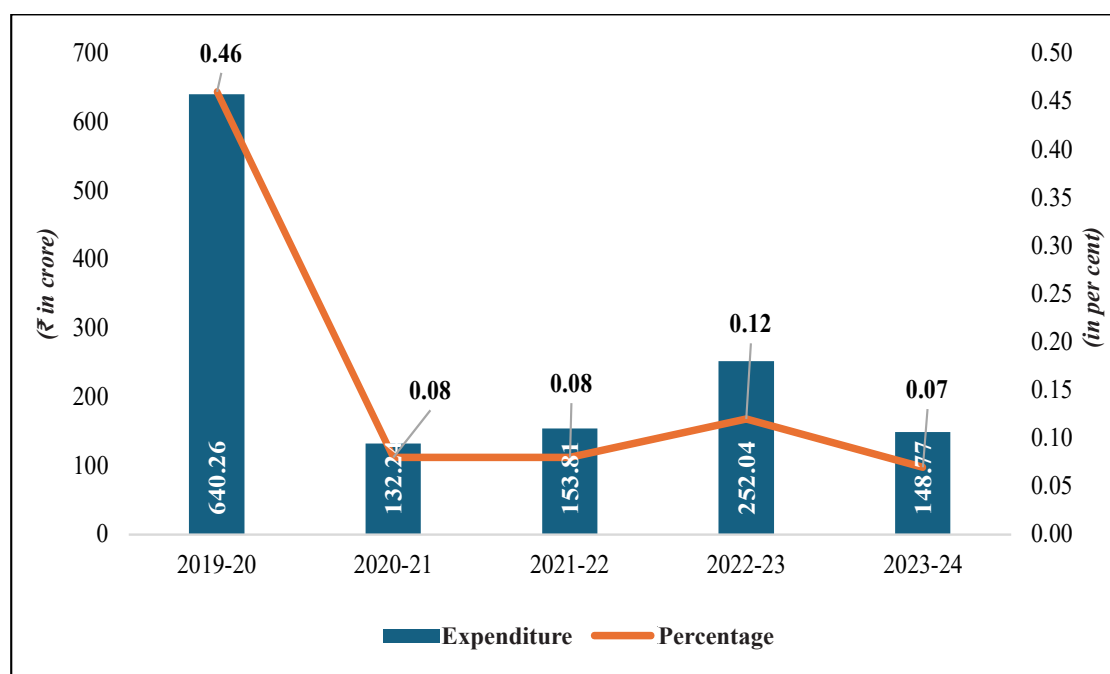
(₹ in crore)

Sl. No.	Major Head	Nomenclature	Total Receipts	Receipts under Minor Head 800	Percentage of receipts under Minor Head 800 to Total Receipts
1	0029	Land Revenue	580.19	118.35	20.40
2	0049	Interest Receipts	897.00	630.26	70.26
3	0055	Police	217.10	108.80	50.12
4	0070	Other Administrative Services	196.03	91.91	46.89
5	0071	Contribution of Recoveries towards Pension and Other Retirement Benefits	8.42	5.43	64.49
6	0230	Labour and Employment	9.50	5.95	62.63
7	0235	Social Security and Welfare	0.19	0.19	100.00
8	0401	Crop Husbandry	4.59	3.33	72.55
9	0851	Village and Small Industries	0.02	0.02	100.00
10	1053	Civil Aviation	0.33	0.33	100.00
11	1056	Inland water Transport	0.01	0.01	100.00
12	1456	Civil Supplies	0.03	0.03	100.00

(Source: Finance Accounts, 2023-24 and Data provided by O/o the AG (A & E), Bihar)

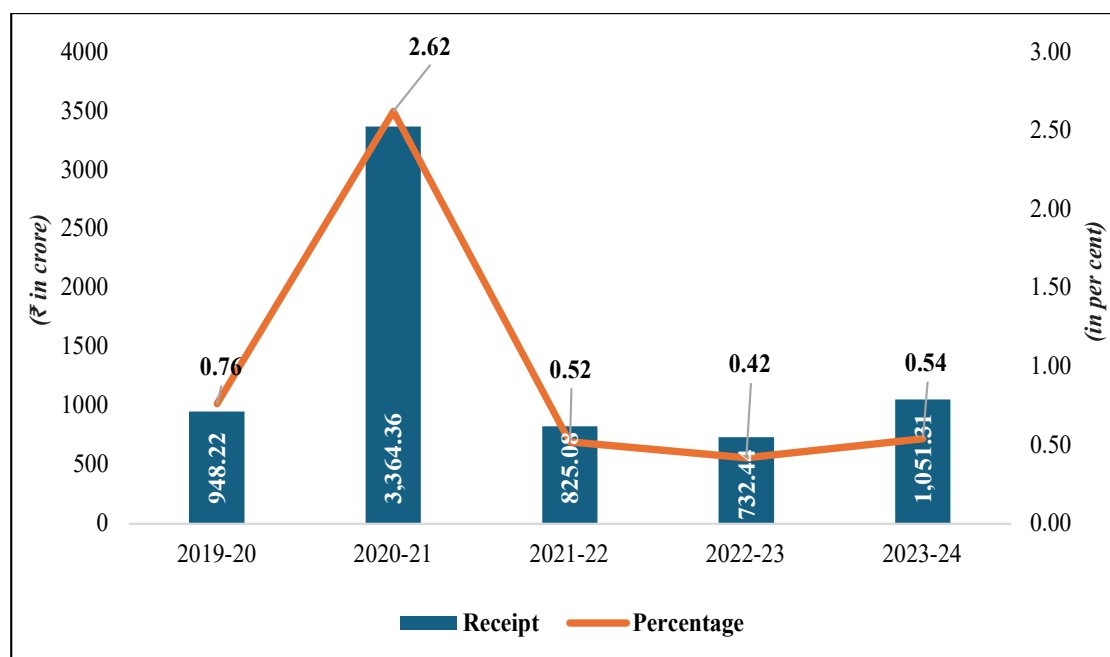
Further, expenditure under Minor Head '800' has decreased from ₹ 640.26 crore to ₹ 148.77 crore and receipts have increased from ₹ 948.22 crore to ₹ 1,051.31 crore, during 2019-20 to 2023-24, as shown in **Chart 4.6** and **Chart 4.7**, respectively.

Chart 4.6: Operation of Minor Head 800 - Other Expenditure during 2019-20 to 2023-24



(Source: Finance Accounts, 2019-20 to 2023-24)

Chart 4.7: Operation of Minor Head 800 - Other Receipts during 2019-20 to 2023-24



(Source: Finance Accounts, 2019-20 to 2023-24)

During 2023-24, significant expenditure was booked under Minor Head ‘800’ from Major head 5475-Capital Outlay on Other General Economic Services (₹ 84.87 crore) and 2250- Other Social Services (₹ 43.98 crore) and significant receipts were booked under the Major Head 0049-Interest Receipts (₹ 630.26 crore).

As per fiscal prudence, 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” are shown in Table 4.11 and 4.12 respectively.

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

(₹ in crore)

Sl. No.	Major Head	Nomenclature	2019-20	2020-21	2021-22	2022-23	2023-24
1.	0049	Interest Receipts	478.10	3,063.65	531.27	363.98	630.26
2.	0230	Labour and Employment	7.76	7.98	10.14	6.75	5.95
3.	0401	Crop Husbandry	5.97	4.71	4.42	3.93	3.33
4.	1053	Civil Aviation	1.58	3.13	2.24	1.42	0.33

(Source: Finance Accounts of the respective years)

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

(₹ in crore)

Sl. No.	Major Head	Nomenclature	2019-20	2020-21	2021-22	2022-23	2023-24
1.	2250	Other Social Services	21.25	17.01	49.26	23.84	43.98

(Source: Finance Accounts of the respective years)

Issues related to measurement

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

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

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. 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 4.13.

Table 4.13: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2021-22		2022-23		2023-24	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 – Suspense						
101 - PAO suspense	365.08	0.00	641.14	280.41	345.49	35.42
Net	Dr. 365.08		Dr. 360.73		Dr. 310.07	
102 - Suspense Account-Civil	16,195.57	1,409.66	14,109.96	277.76	4,943.34	71.22
Net	Dr. 14,785.91		Dr. 13,832.20		Dr. 4,872.12	
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	261.71	(-) 0.01	257.16	(-) 0.24	67.19	63.86
Net	Dr. 261.72		Dr. 257.40		Dr. 3.33	
110 - Reserve Bank Suspense – Central Accounts Office	1,249.60	894.62	358.24	(-) 0.02	1,254.37	898.86
Net	Dr. 354.98		Dr. 358.26		Dr. 355.51	
112 - Tax Deducted at Source (TDS) Suspense	1,572.73	1,857.17	1,279.66	1,805.05	0	62.88
Net	Cr. 284.44		Cr. 525.39		Cr. 62.88	
123 - A.I.S Officers’ Group Insurance Scheme	0.44	6.04	0.32	5.66	0	5.19
Net	Cr. 5.60		Cr. 5.34		Cr. 5.19	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	16,754.96	15,835.85	919.11	0	16,754.96	15,833.47
Net	Dr. 919.11		Dr. 919.11		Dr. 921.49	
103 - Forest Remittances	3,147.44	2,943.90	203.54	0	203.54	0
Net	Dr. 203.54		Dr. 203.54		Dr. 203.54	

(Source: Finance Accounts 2021-22 to 2023-24)

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 mean that payments made by the AG on behalf of a PAO, were yet to be recovered. Outstanding Credit balances mean that payments received by the AG on behalf of a PAO, were yet to be paid. The transactions mainly related to National Highways, and claims with Central Pension Accounting Office, New Delhi. This Head had a debit balance of ₹ 310.07 crore at the end of FY 2023-24. On clearance/settlement of this, the cash balance of State Government will increase.

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. During the year 2023-24, expenditure for an amount of ₹ 771.07 crore (Revenue ₹ 448.88 crore and Capital ₹ 322.19 crore) and receipts of ₹ 0.18 crore have been

placed under Suspense Accounts by the Office of Accountant General (A&E) for want of documents like Sub-vouchers/Challans/Sanction letters *etc.* The total expenditure/receipt of the Government is understated to that extent.

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.

There was a debit balance of ₹ 4,872.12 crore in this head as on 31 March 2024.

Cash Settlement Suspense Accounts- The minor Head is used for settlement of transactions between public works divisions rendering accounts to the same Pay and Accounts Officer and will 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 2024, 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 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.

At the end of FY 2023-24, the debit balance under the Head was ₹ 355.51 crore. This debit balance has decreased by ₹ 2.75 crore from ₹ 358.26 crore of the previous year.

Public Works Remittances- This Head is operated to watch whether the treasury acknowledges amount remitted by the Divisional Officers of public works. The debit balance of ₹ 921.49 crore at the end of year 2023-24 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 Account 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 for by the treasury officers. Due to time lag between 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 remittance made is finally accounted in the treasury accounts. As on 31 March 2024, a debit balance ₹ 203.54 crore appeared 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.

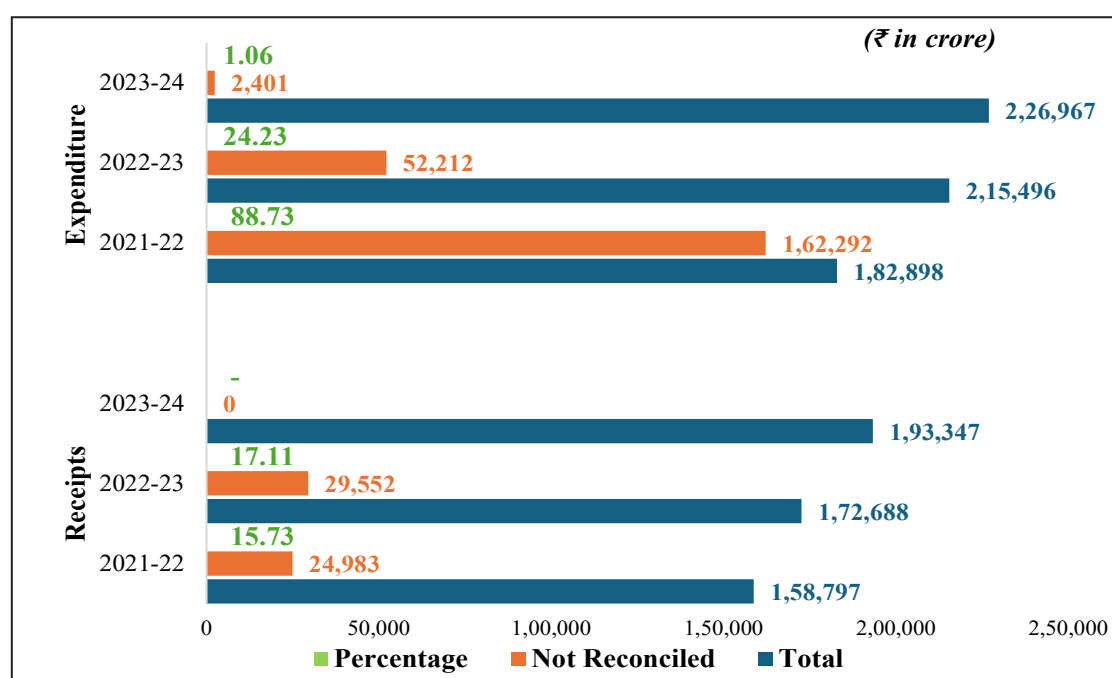
4.10 Non-reconciliation of Departmental transactions

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 CFMS. Therefore, to reconcile the transactions accounted by the office of the AG (A&E) with the transactions accounted by the Grant Controlling authorities of the State Government, 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 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 User, as well as AG (A&E) Admin User. The Departmental Admin User generates the reconciliation Report and forwards it to AG (A&E).

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

Chart 4.8: Status of non-reconciliation of the departmental transactions 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 **Chart 4.8**, 100 per cent of the receipts and 98.94 per cent of the expenditure of the State was reconciled during 2023-24.

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.

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 2024, as per the records of the AG (A&E) was ₹ 726.68 crore (Debit) and that reported by the RBI, was ₹ 19.94 crore (Debit). As such, there was a net difference of ₹ 746.62 crore, mainly due to pending reconciliation between the treasury/RBI/Agency Bank and AG (A&E) Office. The difference was required to be reconciled.

4.12 Adverse Balances under Public Account

Adverse balances (credit balances in debit heads and debit balances in credit heads) are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced.

Adverse balances arise when transactions are erroneously credited instead of being debited and vice versa. Cumulative adverse balances of ₹ (-) 1,212.41 crore appeared under different 15 Head of Accounts as per the Finance Accounts of 2023-24 (*Appendix-4.1*). In 2023-24, there was a new adverse balance of ₹ 0.26 crore under Major Head 7610.

These adverse balances were under reconciliation between the office of the Accountant General (A&E), Bihar and 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 to enhance accountability mechanisms. On the advice of the CAG, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance with Accounting Standards is shown in **Table 4.14**.

Table 4.14: Compliance with Accounting Standards

Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
IGAS-1:			
Guarantees Given by the Government – Disclosure requirements	To ensure uniform and complete disclosure of such Guarantees. Class-wise and Sector-wise disclosures	Statements 9 and 20 of Finance Accounts have been prepared. However, disclosure is incomplete since the State Government doesn't disclose complete details in class-wise & sector-wise. Some information like "invoked during the year", interest, Guarantee, commission fee <i>etc.</i> were incomplete due to non-production of information by the State Government in Finance Accounts.	All Guarantors, Departments of State Government and guarantees made, amount of commission, fee received during the year could not be ascertained.
IGAS-2:			
Accounting and Classification of Grants-in-aid	For Accounting and classification of Grants-in-aid both as a grantor as well as a grantee.	Statement 10 of Finance Accounts has been prepared. However, detailed information in respect of Grants-in-aid given in kind has not been furnished by the State Government.	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.
IGAS-3:			
Loans and Advances made by Government	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	Statement 7 and 18 of Finance Accounts have been prepared. However, disclosure regarding 'Repayment in arrears from other Loanee Entities', 'Cases of a Loan having been sanctioned as Loan in Perpetuity', 'Fresh loans and advances made during the year to the loanee entities from whom repayments of earlier loans are in arrears' is incomplete.	Disclosure regarding 'Repayment in arrears from other Loanee Entities', 'Cases of a Loan having been sanctioned as Loan in Perpetuity', 'Fresh loans and advances made during the year to the loanee entities from whom repayments of earlier loans are in arrears' is incomplete due to which actual status of loan and advances could not be ascertained.

(Source: Finance Accounts 2023-24)

Non-Compliance with the Accounting Standards would impact the objective of financial statements presenting a true and fair view of the financial position and cash flows of the State, besides hindering fiscal transparency.

4.14 Budgetary Support to SPSEs whose accounts are not finalised

Sections 394 and 395 of the Companies Act, 2013, stipulate that Annual Report on the working and affairs of a government company is to be prepared within three months of its Annual General Meeting. The Annual Report should be laid before the State Legislature together with a copy of the Audit Report and CAG's comments, if any, on this Audit Report. 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 the companies and corporations from the consolidated fund of the state.

The State Government provided budgetary support (equity, loans, guarantee, capital grants, and others) of ₹ 58,896.62 crore up to 2023-24 to 19 functional SPSEs, one Working Statutory Corporation and 15 non-functional SPSEs. Out of these SPSEs, most of the SPSEs had not finalised their accounts up to 31 March 2024 (as on 30 September 2024). The arrear of accounts ranged between one to 47 years, in violation of provisions of the Companies Act/Acts of the respective Statutory Corporations/ SPSEs (*Appendix-4.2*).

Due to non-finalisation of accounts, the CAG was unable to perform the supplementary audit of companies, as stipulated in relevant Acts. In the absence of timely finalisation of accounts, results of the investment made by the Government in these companies remained outside the purview of the State Legislature and escaped scrutiny by Audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency could not be taken in time. The risk of fraud and misutilisation of public money could 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 63 Bodies/Authorities in the State, 53 Bodies/Authorities (*Appendix- 4.3*) had not provided their financial statements for audit. Details of arrears of accounts of the remaining nine ABs (except Bihar State Human Rights Commission) are shown in **Table 4.15**.

Table 4.15: Arrears of Accounts of Bodies or Authorities

Sl. No.	Name of Body or Authority	Accounts pending for the year	No. of Accounts pending up to FY 2023-24
1.	Bihar Agriculture University, Sabour, Bhagalpur	2022-23 to 2023-24	02
2.	Bihar State Khadi and Village Industries Board, Patna	2010-11 to 2023-24	14
3.	Bihar State Housing Board, Patna	2016-17 to 2023-24	08
4.	Bihar Electricity Regulatory Commission	2023-24	01
5.	Bihar State Legal Service Authority (BSLSA)	2023-24	01
6.	Bihar Animal Sciences University, Patna	2020-21 to 2023-24	04
7.	Bihar Real Estate Regulatory Authority	2019-20 to 2023-24	05
8.	Bihar State Bio-diversity Board Patna	2017-18 to 2023-24	07
9.	Bihar Building and Other Construction Workers' Welfare Board	2022-23 to 2023-24	02

(Source: Data compiled by Audit Office)

Due to non-finalisation of accounts, the stakeholders were not able to assess the financial status of these bodies. Besides, 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. Audit has been taking up the matter of non-submission of accounts of the defaulting bodies with the authorities concerned from time to time, but without any perceivable improvement.

Other Issues

4.16 Follow-up action on State Finances Audit Report

The Public Account Committee (PAC) requires the concerned Departments to provide a *suo motu* Explanatory Note on the paragraphs featuring in the Audit Reports after the Reports have 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).

During 2023-24, the PAC didn't hold any sittings to discuss SFARs. Out of 388 paragraphs pertaining to the years from 2008-09 to 2021-22, only three paras were discussed, and 385 paras were pending for discussion till March 2024. Sittings of PAC held on SFARs as detailed in Table 4.16.

Table 4.16: Status of sittings held by PAC

Sl. No.	Financial year	No. of PAC sittings held
1.	2018-19	03
2.	2019-20	01
3.	2020-21	02
4.	2021-22, 2022-23 and 2023-24	Nil

(Source: Data provided by the Audit Office)

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.

4.17 Unadjusted Temporary Advance/Imprest

As per Rule 177 of the Bihar Treasury Code (BTC), 2011, no money shall be drawn from the treasury in anticipation of demands or to prevent lapse of budget grants. If under special circumstances, money is drawn in advance under the orders of a competent authority, the unspent balance of the amount thus drawn should be refunded to the treasury by short drawal in the next bill or with a challan at the earliest possible opportunity and in any case before the end of the financial year in which the amount is drawn.

As on 31 March 2024, there were unadjusted temporary advances of ₹ 184.52 crore and unadjusted imprest of ₹ 25.46 crore. These unadjusted amounts were required to be adjusted and deposited to the treasury concerned.

Details of unadjusted temporary advances and unadjusted imprest amount are shown in Table 4.17.

Table 4.17: Unadjusted Temporary Advance/Imprest as on 31 March 2024

(₹ 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)

4.18 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 the government is made by 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 order 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 shown in Government's books.

In the Finance Accounts for the year ended March 2024, Credit balance under MH 8670 "Cheques and Bills" indicated cheques issued but remaining un-encashed. The opening balance as on 01 April 2023 was ₹ 171.31 crore (Credit). During 2023-24, cheques worth ₹ 1,94,189.97 crore were issued, against which ₹ 1,94,154.66 crore were encashed, leaving a closing balance of ₹ 206.62 crore (Credit) as on 31 March 2024.

Furthermore, in case of digital payments, orders through electronic mode are treated as expenditure as and when the transaction is completed. However, in case of failure referred to as 'e-Kuber (e-payment) failed' transactions, the treatment of the transaction is accounted for as Suspense in 8658. During the year 2023-24, an amount of ₹ 31.63 crore was accounted for as Suspense due to e-Kuber (e-payment) failed transactions. 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 2024.

To the extent of the amount outstanding under the Cheque and Bills, the Government cash balance stands overstated.

4.19 Single Nodal Accounting (SNA)

To bring about more efficiency in cash management at both Centre and States level, GoI, decided (July 2023) to introduce fund flow mechanism named SNA-SPARSH (Real time System of Integrated Quick Transfers) for CSS funds through an integrated framework of PFMS, State IFMIS and *e-kuber* platform of RBI. Under this, the State Government was to designate a Single Nodal Agency (SNA) for implementing each State Linked Scheme (SLS) corresponding to CSS.

With regard to the PFMS data (as on 26.08.2024), the following were observed:

- i. Six schemes were being implemented in Bihar through SNA-SPARSH model, as of March 2024 and 142 agencies registered as SNA were mapped with 1,75,494 child agencies in PFMS.
- ii. The State Government was to transfer the Central share as well as the commensurate State share to the SNA within 30 days of receipt of Central share but there were delays of 172 days in transferring Central and State shares from Treasury to SNA.
- iii. Interest at the rate of seven *per cent* per annum payable for delayed transfer of funds (w.e.f. 01.04.2023) had not been deposited to the Consolidated Fund of India. This amount of interest was not deposited as the amount could not be calculated due to improper accounting of funds.

- iv. As on 31 March 2024, interest of ₹ 389.20 crore (earned on funds received) was yet to be bifurcated and deposited in the concerned Consolidated Funds. Further, unspent balances of ₹ 14,738.13 crore lying in the bank account of SNA, were to be refunded to the concerned Government Account. These substantial balances may impact release of funds in 2024-25 adversely.
- v. During 2023-24, total amount released by treasury to SNA was ₹ 31,145.19 crore for CSS. Out of this only ₹ 29,130.11 crore was accounted for as expenditure and ₹ 3,355.09 crore as advance.
- vi. As per CFMS, in 2023-24, out of total transferred amount of ₹ 31,145.19 crore, the State Government received ₹ 18,231.24 crore as Central share. However, as per PFMS Report, out of total receipt of ₹ 30,847.49 crore, the Government transferred Central share of ₹ 18,173.89 crore and State share of ₹ 12,673.60 crore to the SNAs. As per CFMS, ₹ 22,470.94 crore was transferred through GIA bills and ₹ 8,674.25 crore through Fully Vouched Contingent Bills. Detailed vouchers and supporting documents of actual expenditure were not received in the office of the AG (A&E), from the SNAs.

More than 50 *per cent* of the funds were released in the month of March 2024 leading to accumulation of unspent balance with the State.

4.20 Conclusions

- i. 49,649 UCs, amounting to ₹ 70,877.61 crore, and DC Bills against 22,130 AC Bills amounting to ₹ 9,205.76 crore, were outstanding. This indicates lack of internal controls in the administrative departments.
- ii. The State Government did not discharge its liability of ₹ 144.29 crore, to provide and to pay interest towards interest-bearing deposits, during 2023-24.
- iii. The State Government had provided budgetary support (equity, loans, guarantee, capital grants, and others) of ₹ 58,896.62 crore, to 19 functional SPSEs, one working Statutory Corporation, and 15 non-functional SPSEs, whose accounts had not been finalised up to 31 March 2024 (as of 30 September 2024).
- iv. The State Government had not disclosed its Off-budget liabilities amounting to ₹ 53.48 crore in the budget documents/annual financial statements.


Positive Indicators	Negative Indicators
Improvement in submission of UCs	Increasing non-discharge of liability in respect of interest on deposits.
Reconciliation under departmental transactions	Non-reconciliation of PD Accounts with Annual Accounts.
	Arrear of Accounts of Bodies/Authorities

4.21 Recommendations

The Finance Department may:

- i. conduct a comprehensive review of all items presently appearing under the Minor Head '800 Receipts' or '800 Expenditure' and ensure that such Receipts and Expenditures are booked under the appropriate Head of Accounts, in consultation with the Office of the Accountant General (A&E), Bihar.
- ii. ensure that: (a) all controlling officers adjust Abstract Contingent (AC) bills pending beyond the prescribed period, (b) AC bills are not drawn merely to avoid lapse of budget.
- iii. impress upon the managements of State Public Sector Enterprises (SPSEs) to ensure timely submission of their Financial Statements.


Patna
The 28 March 2025



(Dr. Sandip Roy)
Principal Accountant General (Audit), Bihar

COUNTERSIGNED

New Delhi
The 02 April 2025



(K. Sanjay Murthy)
Comptroller and Auditor General of India