




OVERVIEW


This Report includes two chapters on the finances and accounts of the Government of Bihar, one chapter on six performance reviews/long paragraphs and two other chapters on audit of transactions and internal audit arrangement of the State Government consisting of 31 paragraphs. A summary of main audit observations on the matters contained in the performance reviews and the important paragraphs is presented in this overview.


1 Finances of the State Government


 Revenue receipts of the Government of Bihar increased from Rs 9296 crore (composite state) in 1998-99 to Rs 10968 crore (successor state) in 2002-03. The rate of growth of revenue receipts during 2002-03 over the previous year was a modest 11 per cent, primarily due to 19 per cent growth in the tax revenue and 32 per cent growth in the grants in aid from Government of India.


 28 per cent revenue came from State's own resources, whereas Central tax transfers and grants-in-aid contributed nearly 72 per cent of the total revenue.


 Among the tax revenue, 17 *per cent* increase in sales tax, 71 per cent increase in taxes on goods and passengers, 26 per cent growth in taxes on vehicles and 14 *per cent* increase in stamps and registration fees were the principal contributors for the high growth in the revenue during the year.


 Three fifty one *per cent jump* in interest receipts and 56 per cent growth in receipts from Non –ferrous mining and metallurgical industries were however not sufficient to prevent the decline (Rs 26 crore) of the non-tax revenue during the year.


 The current levels of cost recovery in supply of merit goods and services by Government are 0.11 per cent for secondary education, 0.73 per cent for university and higher education, 5.81 per cent for technical education, 3.45 per cent in health and family welfare, 0.2 per cent in water supply and sanitation, 10.04 per cent in major and medium irrigation and 0.33 per cent in minor irrigation.


 The total expenditure of the state has increased marginally from Rs 12966 crore in 1998-1999 for the erstwhile composite state to Rs 13972 crore in 2002-2003 for the new reorganized state.


 Revenue expenditure increased from Rs 11563 crore in 1998-99 to Rs 12255 crore in 2002-03. Administrative expenses (Rs 1155 crore), interest payments (Rs 3022 crore), and pensions (Rs 2049 crore) alone consumed 57 per cent of total revenue receipts of the State during the year.


 Interest payments increased steadily by 25 per cent from Rs 2412 crore in 1998-99 to Rs 3022 crore in 2002-03 and consumed 28 per cent of revenue receipts.


 The share of economic and social services in total expenditure declined from 22.40 and 32.09 per cent in 1998-99 to 17.96 and 29.04 per cent in 2002-03 respectively. The share of general services increased from 41.02 per cent in 1998-99 to 47.63 per cent in 2002-03.

 Capital expenditure increased from Rs 742 crore in 2001-02 to Rs 970 crore in 2002-03. Total outstanding balance of the loans advanced was Rs 8205 crore as on 31 March 2003. Interest received against these advances was meagre varying from 0.04 per cent to 0.65 per cent of the outstanding loans and advances during 1998-2003.


 The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments declined from 32.59 per cent in 1998-99 to 1.72 per cent during 1998-2003.

 Revenue deficit decreased from Rs 1320 crore in 2001-02 to Rs 1287 crore in 2002-03. Fiscal deficit however increased from Rs 2583 crore to Rs 2988 crore in 2002-03. These deficits however do not include the power subsidy of Rs 2963 crore payable to Bihar State Electricity Board as per their latest accounts. As a result, the effective deficits in each case would go up by Rs 2963 crore.

 Government of Bihar has paid Rs 747.19 crore as loans and advances during the year. Of which, Rs 630.34 crore (84 per cent) was paid to the Bihar State Electricity Board (BSEB). Out of the loan sanctioned to BSEB, loan of Rs 340 crore was meant for revenue purposes viz payment of interest on bonds, clearance of outstanding dues of NTPC etc. Hence accountal of payment of subsidy to the BSEB as investment/capital expenditure distorts the state accounts, leading to suppression of revenue deficit.


 Fiscal liabilities of the State increased from Rs 26826 crore in 1998-1999 to Rs 35249 crore in 2002-2003 at an average trend growth rate


of 7.60 per cent. These liabilities as ratio to GSDP increased from 40.50 per cent in 1998-1999 to 62.20 per cent in 2002-2003 and stood at 3.21 times of its revenue receipts and 10.14 times of its own resources comprising its own tax and non-tax revenue.


 The liabilities of Government of Bihar depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving/retired State employees, guarantees/ letters of comforts issued by the State Government


(Paragraph 1.1 to 1.9)


2 Allocative priorities and Appropriation


 During 2002-2003 State Government incurred expenditure of Rs 15506.45 crore against total budget provision of Rs 20542.20 crore. The overall saving of Rs 5035.75 crore was the net result of saving of Rs 5045.90 crore in 45 grants and five appropriations offset by excess of Rs 10.15 crore in two grants.

 In 44 cases involving 34 grants/appropriations there were persistent savings of more than two crore and 10 per cent or more of the total provision in each case.

 Excess expenditure amounting to Rs 7467.62 crore for the years 1977-78 to 2002-03 had not been regularised as of March 2004 though required under Article 205 of the Constitution of India.

 Supplementary provisions of Rs 614.56 crore obtained in 40 cases during August 2002 to March 2003 was wholly unnecessary as the expenditure did not come up in these cases even to the level of original provision.

 There were 22 cases of grants/appropriations in Revenue section and 8 cases of grants/appropriations in Capital section in which large savings of Rs 993.31 crore, exceeding Rs one crore in each case had not been surrendered at the close of the year 2002-03.


 In 38 major heads, expenditure of Rs 6567.37 crore under 1552 units of appropriation pertaining to 2002-03 remained unreconciled by 87 Controlling Officers though required as per Financial rules.


(Paragraph 2.2 to 2.8)


3 Performance reviews


National AIDS Control Programme


National AIDS Control Programme aimed at reducing spread of HIV infection and strengthening the country's capacity to respond to HIV/AIDS on a long term basis. Implementation of the programme in the State suffered mainly due to absence of monitoring. Physical progress of targeted intervention for high risk groups and prevention of HIV/AIDS among low risk groups was either nil or marginal except in the case of condom promotion. Blood banks lacked basic infrastructure facilities. No community centre was set-up for low cost AIDS care. Institutional strengthening was weak. Intersectoral collaboration was absent. Thus, the intended objective of reducing spread of HIV infection and strengthening country's capacity to respond to HIV/AIDS on a long term basis was not realised.


 **During 1998-2002 due to poor spending only 46 per cent (Rs 11.14 crore) of funds allocated (Rs 24.27 crore) by GOI were released.**


 **Excess expenditure of Rs 0.49 crore during 1999-2003 on awareness campaign was incurred by diverting funds from different components.**


 **Against an allocation of Rs 15.00 lakh for civil works, AIDS Control Society in March 2003 advanced Rs 1.17 crore to District Magistrates for construction of rooms for blood banks without approval of NACO.**


 **Physical progress in the components of targeted intervention for groups at high risk groups was either nil or negligible except in the case of condom promotion and prevention of HIV/AIDS among low risk groups was dismal during 1998-2003.**


 **Physical progress in prevention of HIV/AIDS among low risk groups was also poor due to absence of basic infrastructure in blood banks. Due to lack of mandatory equipments like air conditioners and elisa reader in blood banks, the functioning of blood banks suffered.**

 **One hundred seven equipments supplied by NACO to 15 blood banks for their modernisation were non-functional as the blood banks had no operational license from appropriate authority. Even in seven licensed blood banks 168 equipment supplied by NACO were lying idle.**

 **Low cost AIDS care was not initiated in the State as no community care centre was set-up.**

 **Institutional strengthening by imparting training to trainers was not done since 1999-2000.**

 **Intersectoral collaboration was non-existent. Level of awareness development was low and no society was formed at district level for effective implementation of the programme.**


 **There was absence of effective monitoring of the programme. The reports on the impact analysis of the programme done by ORG Centre (May 2000) and World Bank Mission (May 2002) were not made available.**


(Paragraph 3.1)


Implementation of Drugs and Cosmetics Act, 1940


The Drugs and Cosmetics Act, 1940 and Rules framed thereunder regulate the import, manufacturing, distribution, sale and clinical research of drugs and cosmetics.


The Act was not implemented effectively in the State. There was absence of internal control mechanism in the department. No master control register was available. Licenses to manufacturing and selling units were not renewed timely. There was huge shortfall in survey and inspections of manufacturing and selling units. Inordinate delay in testing of samples collected was observed. Price control mechanism was not in vogue. The possibility of manufacture and sale of sub-standard drugs and cosmetics could not be ruled out and the intended objective of making available essential life saving drugs at fair prices to masses was not realised.

 **The Controller of Drugs did not have a master control register which would indicate the actual status of manufacturing/selling units of the State and licenses to manufacturing/selling units were not periodically renewed, though required.**

 **Of 851 manufacturing units as of March 2003, licenses of 21 units were not renewed. Similarly, licenses of 6077 selling units out of 31412 units were not renewed as of March 2003.**


 **In 25 districts, as against 70332 units due for inspections in 2000-02, number of inspections carried out by 34 DIs was 13235 only.**


 **Quality of drugs and cosmetics manufactured in the State was not assured because no manufacturing unit in the State sought approval during 1998-2003 of the Controller of Drugs for quality testing of drugs and cosmetics manufactured.**


 **In a state with a large population of 8 crore, not a single sample of blood unit was taken and tested during 1998-2003.**


 **Seventy five per cent of samples of drugs collected during 1998-2003 by the State Drug Control Laboratory, Patna were tested.**


Government Analyst attributed the shortfall to inadequate infrastructure such as chemical, power supply, testing equipment and manpower.


 **Only 2978 samples tested and analysed during 1998-2003 against the requirement of the testing of 146218 samples. Samples collected fell short by 96 per cent, while only 51 per cent of samples collected were analysed. Thus there was hardly any enforcement of the provisions of the Act in the State.**

 **The Controller of Drugs did not initiate punitive and deterrent action in respect of 122 cases of sub-standard drugs reported by five Regional Licensing Authorities during 1998-2003.**

 **Interface of State Drug Regulatory Authority with pharmaceutical industry/trade, consumers, and medical professionals was not on record. This adversely affected dissemination of information and feed back on the functioning of enforcement authorities.**

 **No intelligence branch was set up for keeping a watch on illegal manufacture of drugs and its trade activities. No training was imparted to Drug Inspectors to tone up enforcement of the Act.**

 **Controller of Drugs stated that there was no price control mechanism in vogue in the State.**

 **There was lack of monitoring and evaluation mechanism to ensure effective implementation of the provisions of the Drugs and Cosmetics Act, 1940.**


(Paragraph 3.2)


Welfare of handicapped


Welfare of handicapped is a complex social issue involving coordination of curative, promotional and rehabilitational activities directed at different forms of handicap and a multitude of measures. Further, the definition of handicapped for the purpose of coverage is so widely dispersed over such a large area of disabilities that no single focus emerges automatically from the disparate efforts undertaken by different agencies entrusted with the delivery of programme objectives. Welfare activities for the handicapped are governed by the provisions of Persons with Disabilities (Equal opportunities, Protection of rights and Full participation) Act, 1995 and Mental Retardation and Multiple Disabilities Act, 1999. These Acts envisaged to bring people suffering from different kinds of disabilities into the main stream of social life.


The review revealed that various provisions of the Acts remained unimplemented during 1998-03 and the schemes taken up suffered from mismanagement emanating from the lack of co-ordination and supervision. As a result, a major chunk of GOI funds remained unutilised and the


performance of the schemes was either nil or negligible. Thus the welfare of the handicapped remained neglected.


 **The provisions of the Disability Act, 1995 relating to survey, investigation, research on causes of disabilities, promotion of methods of preventing disabilities, awareness campaign, public education, research and designing new assisting devices etc. remained unimplemented.**

 **Eighty six per cent (Rs 125.97 crore) of GOI funds received (Rs 145.85 crore) by the State during 1998-03 remained unutilised and parked in current accounts in banks, while the implementation of the schemes suffered.**

 **Free glasses were provided only to 28 per cent and eight per cent of children detected with refractory errors during 2001-02 and 2002-03 respectively. Formal training courses in the stream of technical and vocational education of persons with disabilities were not started in any of the polytechnics as of March 2003.**

 **Fifty four per cent (Rs 5.02 crore) of available funds were not spent on all the 11 schemes being taken up under the State Plan. In three out of 11 schemes under the State plan (workshop for deaf and dumb, special equipment for deaf and dumb, school of spastic children) expenditure was nil while in three other schemes (blind school, blind teachers training, commissioner disability) the expenditure was negligible varying from 10 to 13 per cent of the available funds.**

 **Artificial Limbs Centre, Patna produced aids and appliances worth Rs 2.32 lakh only while establishment expenditure of the Institute was Rs 77.86 lakh during 1998-2003.**

 **Only 16 per cent of the handicapped registered were sponsored by the Special Employment Exchange, Patna and only two per cent of the handicapped registered were placed in jobs.**

 **Absence of Block Government Guarantee led to non-payment of loan to 1405 handicapped applicants.**

 **Implementation of the Disability Act and the Schemes thereunder lacked monitoring mechanism.**

(Paragraph 3.3)

Accelerated Irrigation Benefit Programme

Accelerated Irrigation Benefit Programme (AIBP) launched (1996-97) by Government of India aimed at accelerating completion of ongoing irrigation/multipurpose projects that languished due to financial constraints of the State.

Implementation of the programme during 1996-2003 was reviewed to assess its effectiveness.

The implementation of the programme in the State suffered due to selection of ineligible and unviable projects, short release of State's share, partial utilisation of Central loan assistance, misutilisation of funds, excessive establishment expenditure, unplanned execution of projects in different stretches. There was manifold increase in cost of projects under AIBP though utilisation of potential created was meagre.



Release of State's share fell short by Rs 10.96 crore in respect of three projects, while in five other projects, State share was released in excess of the norm by Rs 61.07 crore. Rupees 29.88 crore were misutilised on other office expenses.



Executive Engineer, Western Kosi Canal Division, Khajauli sold cement valuing Rs 65.55 lakh to different divisions and deposited the sale proceeds to the Madhubani Treasury as receipt of the Government, though the cement was purchased from AIBP funds.



All the seven projects out of eight were burdened with excessive establishment expenditure which ranged between 45 and 238 per cent of the works expenditure of the projects.



None of the seven projects was completed in four crop seasons as per the programme, while six projects were not completed even after a lapse of six to 14 crop seasons.




Only 62 per cent (7.45 lakh hectare) of the combined targeted irrigation potential was created by the seven projects as of March 2003, while only 28 per cent of the irrigation potential created under AIBP was utilised.



Compared to the cost per hectare projected, the cost of creation of irrigation potential substantially increased in the revised estimated cost of the projects. Despite expenditure of Rs 221.62 crore on Durgawati Reservoir Project, no irrigation potential was created as of March 2003.



Without completing the process of acquisition of land for two projects, Rs 30.86 crore were irregularly paid to three Special Land Acquisition Officers during 1997-2003. Out of this Rs 5.88 crore only were paid to farmers and Rs 24.98 crore remained parked in current accounts in banks or Civil Deposits, though the money received under central loan assistance carried interest rate of 11.5 to 13 per cent per annum.

 The implementation of the programme lacked monitoring mechanism although required as per the guidelines prescribed by the Government of India.

(Paragraph 3.4)

Prevention and control of fire

Implementation of Fire Service measures in the State was ineffective due to lack of effective monitoring and periodical evaluation. As a result substantial provision of fund remained unutilized. Upgradation and setting up of fire service units with Tenth and Eleventh Finance Commission grant was not carried out; Fire units were not properly equipped; communication system was not improved; Fire stations lacked water sources. Large number of water tenders, fire- fighting equipments etc procured during 1998 were still lying unutilized.


(Paragraph 3.5)

Payment of Stipend and Scholarship to students


Stipend and scholarship was payable to the meritorious students and to the students belonging to economically and socially backward section of the society like the SC/ST/OBCs etc. Implementation of the scheme in the State suffered due to poor disbursement of scholarship to students belonging to SC, ST and OBCs. Further, no scholarship was disbursed to meritorious students out of Rs 5.15 crore provided in the budget during 1998-2003.

(Paragraph 3.6)

4 Fraudulent drawal/misappropriation/embezzlement/losses

 Expenditure of Rs 1.33 crore against advance payment during March 2001 in Valmiki State Trading Division, Betia was doubtful.


(Paragraph 4.1.1)

 Non-observance of codal provisions in maintenance of cash book in the two offices (the Superintendent District Jail Saharsa and the Nazarat Deputy Collector, Jahanabad) led to misappropriation of Rs 25.11 lakh.


(Paragraph 4.1.2 and 4.1.4)

 The Executive Engineer Public Health Engineering Division, Saharsa spent Rs 16.48 lakh on doubtful supply of materials.

(Paragraph 4.1.3)

 Expenditure of Rs 11.82 lakh during 1998-2002 in Block Development Office, Narhat, Nawada remained unadmitted in accounts for one to 15 years.

(Paragraph 4.1.5)


 Block Development Officer, Choraut (Sitamarhi) and other officials misappropriated advance payment of Rs 35.62 lakh meant for disbursement to the beneficiary of Indira Awas Yojana, flood relief, old age pension and scholarships.

(Paragraph 4.1.6)

 Fictitious booking of expenditure in accounts led to defalcation of Rs 13.16 lakh in the office of Child Development Project Officer, Manigachhi (Darbhanga).

(Paragraph 4.1.7)


5 Avoidable/ excess/ unfruitful expenditure

 District Magistrate, Patna delayed payment to the suppliers of blankets, shawls etc. resulting in avoidable liability of Rs 17.94 lakh on account of interest.


(Paragraph 4.4.2)

 The Executive Engineer, Road Construction Division, Ara spent Rs 37.68 lakh for excess supply of materials in Ara-Buxar road work.


(Paragraph 4.4.4)

 In RCD Biharsharif there was doubtful use of stone metal valued at Rs 88.70 lakh in road work and bitumen valued at Rs 90.29 lakh issued to an agency in excess of requirement remained unrecovered.


(Paragraph 4.4.5)

 Expenditure of Rs 28.22 lakh on repairs of Pansalwa-Baidyanathpur Road during 1999-2000, while original work was in progress, was doubtful.


(Paragraph 4.4.6)

 The improvement and construction of link road (Kankarbagh road No.3) without acquisition of required land resulted in unfruitful expenditure of Rs 41.30 lakh on incomplete construction of the road.

(Paragraph 4.4.9)


 Taking up the work of construction of approaches to Railway overbridge at Hajipur without survey and investigation resulted in extra cost of Rs 1.62 crore.

(Paragraph 4.4.10)


 Taking up construction of Kakarghati branch canal of Western Kosi main canal (from RD 95 to RD 125) and cross drainage structure (chain 78 to 103.20) of Durgawati dam without acquisition of land at different points resulted in unfruitful expenditure of Rs 5.01 crore on incomplete construction of the branch canal.

(Paragraph 4.4.11 and 4.4.12)

6 Idle investment/Idle establishment/Blockage of funds


 Five Drawing and Disbursing Officers drew funds of Rs 8.09 crore from treasuries and irregularly kept them in 'Civil Deposits'/banks.

(Paragraph 4.5.3)


 As the construction of building was incomplete, the Cobalt machine for providing specialised treatment to cancer patients in DMCH was not installed.

(Paragraph 4.5.4)

7 Regulatory issues and other points

 Failure of Magadh University, Bodhgaya and BRA Bihar University, Muzaffarpur to get the college and hostel buildings vacated from unauthorised possession of CRPF resulted in depriving the students of the teaching and hostel facilities. Besides, the rental charge of Rs 73.57 lakh was not recovered from them.

(Paragraph 4.6.1)

 In the absence of sand filling, in Harnaut-Belchi-Chandi road, the quality of road work involving expenditure of Rs 1.05 crore was not assured.

(Paragraph 4.6.2)