

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances 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. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Outstanding Detailed Contingent Bills

Rule 322 (2) of the Bihar Treasury Code, Volume-I provides that every drawing officer has to certify in each abstract contingent (AC) bill that detailed contingent (DC) bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective Controlling Officers for counter-signature and their onward transmission to the Accountant General (A&E) so as to reach not later than 25 of the sixth month from the date of drawal of advance from the treasury to which they relate.

As indicated in **Table 3.1**, out of ₹ 25331.05 crore drawn on 83542 AC bills, only 9425 DC bills for ₹ 2755.68 crore were submitted to the Accountant General (A&E), Bihar. As on 14 September 2011, DC bills in respect of 74117 AC bills for ₹ 22575.37 crore drawn between 2002-03 to 2010-11 were not submitted, despite repeated requests.

Table 3.1: Outstanding Detailed Contingent Bills

(₹ in crore)

Year	AC Bills		DC Bills		Amount of DC Bills as Percentage of AC Bills	Outstanding DC Bills	
	Number	Amount	Number	Amount		Number	Amount
2002-03	6988	332.22	677	86.63	26.08	6311	245.59
2003-04	12570	548.41	845	81.95	14.94	11725	466.46
2004-05	10701	957.72	1197	264.99	27.67	9504	692.73
2005-06	6064	2376.31	1289	430.17	18.10	4775	1946.14
2006-07	6980	3849.31	1546	723.45	18.79	5434	3125.86
2007-08	7081	3860.47	1909	862.82	22.35	5172	2997.65
2008-09	8039	2348.04	1195	184.28	7.85	6844	2163.76
2009-10	12706	4043.20	658	105.59	2.61	12048	3937.61
2010-11	12413	7015.37	109	15.80	0.23	12304	6999.57
Total	83542	25331.05	9425	2755.68		74117	22575.37

(Source: Statement received from A.G. (A&E), Bihar)

The note below Rule 300 of Bihar Treasury Code (BTC), states that money should not be drawn from the treasury simply on the ground that the charge has been sanctioned by the competent authority. It is also not permissible to draw money from the treasury and then to place it in deposit in order to avoid lapse of allotment. If under special circumstances, money is drawn in advance under orders of the competent authority, 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 possible opportunity and in any case before the end of the financial year in which the amount was drawn.

Audit scrutiny revealed that out of ₹ 7015.37 crore drawn during 2010-11 on A C bills, a sum of ₹ 2749.82 crore (39 per cent) was drawn in March 2011. Of this, ₹ 937.75 crore was drawn during the last four days i.e. 28 March 2011 to 31 March 2011 of the financial year. Huge drawals during the last four days of financial year indicate not only weak financial management but is also fraught with the risk of misappropriation.

3.2 Delays in furnishing Utilization Certificates

Rule 342 of the Bihar Financial Rules read with State Government decision (2a) appended to it provides that in cases of grants-in-aid, which are sanctioned in quarterly or half yearly installments, the amount of grants for the first two quarterly installments or first half yearly installment may be sanctioned without insisting upon the production of utilization certificates (UC) in respect of the earlier grants. However, for sanctioning the remaining amount of the grant, UCs on the basis of the audited accounts of the previous grants should be insisted upon by the administrative departments. UCs should be obtained for grants provided for specific purposes by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (A&E).

However, of the 21358 UCs due for submission in respect of grants aggregating ₹ 8926.41 crore, 21291 UCs (99.96 per cent) for an aggregate amount of ₹ 8465.97 crore where in arrears. The age-wise delays in submission of UCs is summarized in **Table 3.2**.

Table 3.2 : Age-wise arrears of Utilisation Certificates

Sl No.	Range of delay in number of years	Total grants paid		Utilisation Certificates outstanding	
		Number	Amount	Number	Amount
1	1-3	254	4571.29	198	4148.37
2	3-5	294	2620.33	284	2584.61
3	5-7	133	327.94	132	326.14
4	7-9	487	295.02	487	295.02
5	9 and above	20190	1111.83	20190	1111.83
Total		21358	8926.41	21291	8465.97

(Source: Audit findings)

Table 3.2 shows that out of 21291 outstanding UCs, 20190 UCs (95 per cent) were more than nine years old. Despite this being pointed out repeatedly in the Comptroller and Auditor General of India's Report on State Finances, no improvement was noticed in furnishing of outstanding UCs on time. This not only indicated lack of internal control in the administrative departments but also the tendency on the part of the Government to go on disbursing fresh grants without confirming proper utilization of the earlier grants.

3.3 Delays in submission of Accounts/Audit Reports of certain authorities or bodies for certification

Section 20 (i) of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971, provides for the audit of accounts of any body or authority, if entrusted to the Comptroller and Auditor General by any law or if requested to do so by the Governor of a State having a Legislative Assembly. Such audit could be undertaken 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 the bodies and authorities. Under this provision, the audit of four autonomous bodies set up by the State Government in respect of Housing, Khadi and Village Industries, Legal Services and Education were entrusted to the Comptroller and Auditor General.

The audit of accounts of the Bihar State Khadi and Village Industries Board (BSKVIB), the Bihar State Housing Board (BSHB) and the Rajendra Agriculture University (RAU), Pusa, Samastipur were entrusted to the Comptroller and Auditor General up to 2002-03, 2003-04 and 2010-11 respectively. Even after repeated pursuance by Audit, the entrustment of audits of BSKVIB and BSHB for the succeeding years was pending till date. Entrustment of accounts of the Bihar State Legal Services Authority was entrusted to the Comptroller and Auditor General permanently. The submission of accounts by these bodies, issuance of Separate Audit Reports (SARs) by the Comptroller and Auditor General and their placement in the State Legislature are indicated in *Appendix 3.1*.

3.4 Misappropriations, Losses, Defalcations

Rules 31 and 32 of the Bihar Financial Rules provide that any loss or suspicion thereof, of public money held by or on behalf of the Government caused by defalcation or otherwise should be immediately reported by the officer concerned to his immediate superior official and the Finance Department as well as to the Principal Accountant General even when such loss has been made good by the party responsible. Subsequent to investigation, a complete report should be submitted regarding the nature, extent and reasons leading to such loss and the prospects of affecting its recovery. The officers receiving these reports must forward it forthwith to the Government along with a detailed report, after completing such departmental investigations as may be necessary or expedient, on the causes or circumstances which led to the misappropriation, loss or defalcation and mentioning the disciplinary action proposed against the responsible person. No such report was, however, made available to the Principal Accountant General by the heads of the offices.

Altogether, 1034 cases of defalcation, misappropriation, loss and theft involving ₹ 409.15 crore had been pending with the concerned departments as of March 2011. The age-wise/category-wise profile of the pending cases is detailed in *Appendices 3.2 and 3.3* and summarized in **Table 3.3 and 3.4**.

Out of ₹ 409.15 crore relating to cases of defalcation, misappropriation, losses and theft up to 2010-11, ₹ 1.18 crore involving 13 cases related to the current financial year. No case of loss written off during the period was intimated by the Government.

Table 3.3: Age-wise profile of the pending cases

(₹ in crore)		
Range in years	Number of cases	Amount involved
Up to 5	948	275.06
5 - 10	86	134.09
Total	1034	409.15

(Source: Audit findings)

The number of cases pending in each category of defalcation, misappropriation, loss and theft detailed in *Appendix 3.3* are summarised in **Table 3.4**.

Table 3.4: Nature of the pending cases

(₹ in crore)		
Nature/Characteristics of the Cases	Number of Cases	Amount involved
Loss	584	112.90
Misappropriation	256	248.01
Theft	01	0.02
Defalcation	193	48.22
Cases of Losses Written off during the Year	-	-
Total pending cases	1034	409.15

(Source: Audit findings)

Out of 1034 cases, 584 cases (56 per cent) related to losses which indicates that appropriate steps for the safety of Government property as prescribed in the rules, had not been taken by the concerned departments. It was further noticed that out of 1034 cases of loss due to theft/misappropriations etc., 948 cases were up to five years old and 86 cases were more than five to 10 years old. The lackadaisical approach of the departments in finalization of these cases had not only caused losses to the State exchequer but also failure to take timely action against the guilty person.

3.5 Operations of omnibus Minor Head-800

Booking of receipts or expenditure under the Minor Head '800 – Other Receipts' and '800 – Other Expenditure' is considered opaque classification of receipts and expenditure as these heads do not disclose the schemes, programmes, etc, to which the amount relate. The head accommodates expenditure which cannot be classified under the available programme minor heads.

During 2010-11, expenditure aggregating ₹ 3293.23 crore (78 per cent of the total expenditure, ₹ 4223.19 crore involving 13 major heads), was classified under Major Head – 800 against 13 Major Heads in the Revenue section. Total expenditure on urban development projects, other rural development programmes and major irrigation were classified under the omnibus Minor Head- 800, instead of depicting the same distinctly under relevant Minor Head below the functional Major Head in the Finance Accounts as indicated in *Appendix 3.4*.

Similarly, revenue receipts aggregating ₹ 233.61 crore, i.e. 75 per cent of the total revenue receipts, of ₹ 310.16 crore were classified under the omnibus Minor Head '800 Other Receipts' under 16 Major Heads. Major amounts of non-tax revenue under Industries, Land and Revenue and Road and Bridges etc. were classified under this Minor Head as indicated in *Appendix 3.5*.

Classification of large amounts under the omnibus Minor Head '800-Other Expenditure/Receipts' affected transparency in financial reporting.

3.6 Non-reconciliation of Receipts and Expenditure

Rule 475 (viii) of the Bihar Financial Rule provides that the head of department and the Accountant General (A&E), Bihar will be jointly responsible for the reconciliation of the figures given in the accounts maintained by, the head of the department with those of the figure appearing in the books of Accountant General (A&E). The main object of reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible and efficient departmental control of expenditure.

Audit scrutiny, however, revealed that in spite of the issue of non-reconciliations of departmental accounts being pointed out in the earlier Audit Reports, such lapses on the part of Controlling Officers continued to persist during 2010-11. During 2010-11, against the total expenditure of ₹ 47411.86 crore (does not include loans and advances) reconciliation was completed only for ₹ 3920.39 crore (8.26 per cent) of the total expenditure. Out of the total receipts of ₹ 44532.32 crore, only ₹ 259.82 crore (0.58 per cent) was reconciled by the Controlling Officer during 2010-11.

3.7 Personal Deposit Accounts

Rule 541 (b) of the Bihar Treasury Code Vol-I provides that moneys tendered by Government servants acting in their official or any other capacity and funds of quasi-public institutions, may not be accepted as personal deposits at a treasury without the special permission of the Government for the opening of a banking account with that treasury. Such permission may be granted after consultation with the Accountant General (A&E), Bihar and unless the Government be satisfied that the initial accounts of moneys to be held in such personal deposit accounts are properly maintained and are subject to audit.

Further, Rule 552 of the Bihar Treasury Code provides that deposits not exceeding rupees five unclaimed for one whole account year, balances not exceeding rupees five of deposits partly repaid during the year than closing, and all balances unclaimed for more than three complete account years shall, at the close of March in each year, be credited to the Government. Of deposits and balances, thus lapsing, the treasury officer will submit a list of these accounts to the Accountant General (A&E), Bihar immediately after 31 March each year.

Though all treasuries and sub-treasuries and the Finance Department were repeatedly requested by the Accountant General (A&E) to make available the data relating to such operative/inoperative accounts, 21 treasuries informed that the data relating to Personal Deposit Accounts did not exist in their treasuries. Audit however, noticed from the departmental receipts that ₹ 21.88 crore was parked under Personal Deposit Accounts in treasuries of the State.

Treasury-wise details of funds kept in Personal Deposit Accounts are given below in **Table 3.5:**

Table 3.5: Fund kept in Personal Deposit Accounts

(₹ in crore)

Sl.No.	Name of the Treasuries	Opening balance	Credit	Debit	Closing balance
1	Muzaffarpur	6.17	0.00	-	6.17
2	Patna	0.02	-	0.01	0.01
3	Saran	-	-	0.11	-0.11
4	Khagaria	-	0.29	-	0.29
5	Patna Nirman Bhawan	0.61	-	-	0.61
6	Sheohar	0.16	-	-	0.16
7	Begusarai	8.08	-	-	8.08
8	Banka	0.01	-	-	0.01
9	Rohtas	6.59	-	-	6.59
10	Bhabhua	0.02	-	-	0.02
11	Bagha	0.05	-	-	0.05
	Total	21.71	0.29	0.12	21.88

(Source: Finance Accounts, Government of Bihar)

Inspection of treasuries by the Accountant General (A&E), Bihar during 2010-11 disclosed that in two treasuries, a total of ₹ 31.79 crore under several non-operational Personal Deposit Accounts was irregularly retained for years and no effort was made for the final closure of such accounts. Details of such Personal Deposit Accounts (11 cases) are indicated in Table 3.6.

Table 3.6: Unspent Balance in PD Accounts.

(₹ in crore)

Sl.No.	Name of the Treasury/ Sub-treasury	Name of the Administrator/ DDO	Balance as on 31 March 2011
1	District Treasury Nawada	Nagar Panchayat, Warshaliganj	0.32
		Zila Parishad	3.10
		Nagar Parishad	2.48
		Nagar Panchayat, Hilsa	0.32
2	District Treasury Gaya	Nagar Panchayat, Sherghati	0.64
		Nagar Panchayat, Tekari	0.88
		Nagar Panchayat, Bodh Gaya	1.10
		Zila Parishad, Gaya	0.10
		Water Board, Gaya	0.03
		Minicipal corporation, Gaya	22.57
		Sambad Sadan, Gaya	0.25
	Total	11	31.79

Government may review such Personal Deposit Accounts for their final closure. Non-closure of Personal Deposit Accounts is fraught with the risk of misappropriation of funds.

3.8 Conclusion

There were no progress in submission of Detailed Contingency bills against Abstract Contingency bills during the year and substantial delays in submission of utilisation certificates. Even after repeated pursuance by audit, the entrustment of Bihar State Khadi Board and Village Industries Board and Bihar State Housing Board were not given to Principal Accountant General (Audit), Bihar. Placement of Separate Audit Reports in the legislature was delayed. Further, there were a number of cases of theft of Government money, misappropriation, loss of Government material, defalcation, etc. for which departmental action was pending

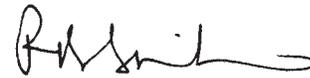
for long periods. Substantial amounts of receipts and expenditure were classified under the omnibus minor head ‘800–Other Receipts/Expenditure’ during 2010-11.

3.9 Recommendations

The Government may:

- put in place a rigorous monitoring mechanism in the departments to adjust the advances drawn on Abstract Contingent bills within the stipulated period, as required under the extant rules.
- ensure timely submission of utilization certificate in respect of grants released for specific purposes to the grantee institutions.
- ensure timely entrustment of audit of Bihar State Khadi and Village Industries Board and Bihar State Housing Board be ensured.
- ensure departmental enquiries in respect of all fraud and misappropriation cases are expedited to bring the defaulters to book. Internal controls in all the organizations may be strengthened to prevent such cases.
- ensure correctness in financial reporting by classifying the amounts received or expended under various schemes in the accounts distinctly, instead of clubbing the same under the Minor head ‘800-Other Expenditure’ and ‘800-Other Receipts’

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