

CHAPTER II
FINANCIAL MANAGEMENT AND
BUDGETARY CONTROL

2.1 Introduction

2.1.1 This chapter is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of audit of budgetary process and budget assumptions are being included in this chapter.

Appropriation Accounts are the accounts of expenditure, voted and charged, of the Government for each financial year, compared with the amounts of the voted grants and appropriations charged for different purposes, as specified in the schedules appended to the Appropriation Acts. These Accounts list the original grants, supplementary grants, savings, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services *vis-à-vis* those authorised by the Bihar Appropriation Act, 2015 in respect of both charged and voted items of the budget. Appropriation Accounts, thus, facilitates the management of finances and monitoring of budgetary provisions and are complementary to the Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under the various grants is within the authorisation given under the Bihar Appropriation Act, 2015 and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions.

2.1.3 As per the Bihar Budget Manual (BBM), 2016, effective from February 2016 (earlier BBM, 1963), the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the Heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demands for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actual as possible. This onerous exercise requires lot of foresight, both in estimating revenue and anticipating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended. A saving in spending constitutes as much of a financial irregularity as an excess of expenditure. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees, etc.

Deficiencies in the management of budget and expenditure and violation of the Budget Manual noticed in audit are discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of expenditure during 2015-16 against 51 grants/appropriations is given in **Table 2.1**.

Table 2.1: Position of actual expenditure vis-a-vis original/supplementary provisions for the year 2015-16

(₹ in crore)									
	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Savings (-)/Excess (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered by 31 March Col.7/Col.6* 100
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Voted	I Revenue	83,316.23	20,769.18	1,04,085.41	76,782.77	(-) 27,302.64	17,173.96	11,787.66	62.90
	II Capital	24,853.01	6,207.04	31,060.05	24,046.02	(-) 7,014.03	6,716.04	3,939.22	95.75
	III Loans and Advances	728.93	361.82	1,090.75	621.23	(-) 469.52	468.61	93.93	99.81
Total Voted		1,08,898.17	27,338.04	1,36,236.21	1,01,450.02	(-) 34,786.19	24,358.61	15,820.81	70.02
Charged	IV Revenue	7,891.89	20.70	7,912.59	7,723.90	(-) 188.69	97.35	92.64	51.59
	V Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	3,895.28	268.49	4,163.77	4,124.85	(-) 38.92	0.00	0.00	0.00
Total Charged		11,787.17	289.19	12,076.36	11,848.75	(-) 227.61	97.35	92.64	42.77
Appropriation to Contingency Fund (if any)									
Grand Total		1,20,685.34	27,627.23	1,48,312.57	1,13,298.77	(-) 35,013.80	24,455.96	15,913.45	69.85

Note: The expenditure includes recoveries/refund of revenue expenditure amounting to ₹ 890.73 crore and recoveries of capital expenditure amounting to ₹ 80.00 crore, adjusted as reduction of expenditure.

(Source: Appropriation Accounts for the year 2015-16)

As indicated in **Table 2.1**, the total provision in the year 2015-16 was ₹ 1,48,312.57 crore which includes original provision of ₹ 1,20,685.34 crore and supplementary provision of ₹ 27,627.23 crore. Against the total provisions of ₹ 1,48,312.57 crore, expenditure of ₹ 1,13,298.77 crore only was incurred thus savings of ₹ 35,013.80 crore occurred. Supplementary provisions of ₹ 27,627.23 crore obtained during the year constituted 22.89 per cent of the original provision (₹ 1,20,685.34 crore). Overall savings of ₹ 35,013.80 crore was 23.61 per cent of the total provisions of ₹ 1,48,312.57 crore. The savings of ₹ 35,013.80 crore was occurred in 46 grants (₹ 27,302.64 crore) and eight appropriations (₹ 188.69 crore) under the Revenue section and ₹ 7,014.03 crore in 30 grants under the Capital section, ₹ 469.52 crore in 13 grants under the Loans and Advances section and ₹ 38.92 crore under Public Debt Repayment. The excess expenditure of ₹ 119.01 crore was occurred in one appropriation under Planning and Development Department inspite of savings of ₹ 135.04 crore in that appropriation.

Despite the savings of ₹ 35,013.80 crore, supplementary provisions of ₹ 27,627.23 crore was made (which was 78.90 per cent of the savings) clearly indicate inaccurate estimation of funds and lack of control mechanism over the Budget estimation. Cases of supplementary provisions that proved unnecessary are discussed in **paragraph 2.3.5**. Out of total savings of ₹ 35,013.80 crore, only 69.85 per cent of savings was surrendered (₹ 24,455.96 crore) during the year. Amount surrendered on 31 March 2016 (₹ 15,913.45 crore) was 65.07 per cent of total surrendered amount of ₹ 24,455.96 crore. Further, an amount of

₹ 10,557.84 crore could not be surrendered (30.15 per cent of total savings). The savings/excesses were intimated (August 2016) by the Accountant General (A&E), Bihar to the Controlling officers but their explanations for excess/savings had not been received (August 2016).

2.3 Financial Accountability and Budget Management

2.3.1 Excess over provisions relating to previous years requiring regularisation

Rule 105 of the BBM, 2016 states that under clauses 1(b) and 2 of Article 205 of the Constitution of India, if any money was spent on any service during a financial year in excess of the amount granted for the service, demand for such excess amount has to be presented to the Legislative Assembly and is to be dealt with the same way as if it were a demand for grant. As per Rule 106 a demand for an excess grant is presented to regularise the expenditure incurred in excess of the grant made in a particular year, only after the Appropriation Accounts of the year have been compiled by C&AG and considered by Public Accounts Committee. However, excess expenditure amounting to ₹ 1,065.07 crore for the previous years¹ was yet to be regularised as shown in **Appendix 2.1**. The excess expenditure not regularised for considerable period is breach of Constitutional provision.

2.3.2 Excess over provision during 2015-16 requiring regularisation

Excess expenditure amounting to ₹ 119.01 crore over authorisation from consolidated fund of the State during 2015-16 in Planning and Development Department, as detailed in **Table 2.2**, required regularisation under clauses 1(b) and 2 of Article 205 of the Constitution.

Table 2.2: Excess expenditure during the year 2015-16

(₹ in crore)

Sl. No.	Number and name of Grant	Original Provision	Supplementary provision	Total Provision	Expenditure	Excess
Capital-Voted						
1	35- Planning and Development Department	1684.19	499.79	2183.98	2302.99	119.01

(Source: Appropriation Accounts for the year 2015-16)

2.3.3 Appropriation vis-à-vis Allocative Priorities

Rule 65 of the BBM, 2016, (Rule 65 of the BBM, 1963) provides that the controlling officer should examine the estimates received from the disbursing officers to see that they are correct, that all details and explanations (where required) have been given, and that the explanations (when given) are adequate. If inadequate, the provision should be altered. Further, under Rule 70 of the BBM, 2016 (Rule 78 of the BBM, 1963), copies of estimates received should be examined by the administrative department and the Finance Department, and any point calling for examination should be dealt with at once without waiting for the receipt of the budget from the Accountant General. The administrative departments should not wait for the Finance Department to discover points requiring examination but should proceed with the examination of the estimates immediately on their receipt.

¹ 1977-78 to 1978-79, 1981-82 to 1984-85, 1986-87 to 1999-00, 2003-04 to 2005-06, 2010-11 and 2014-15.

The object of the examination by the administrative department is to detect excessive or inadequate provisions in the revised and budget estimates which they can do more easily than the Finance Department in view of their more intimate knowledge of the actual conditions. It is essentially necessary that there should be no delay in getting replies to the budget slips issued by the Finance Department. This can only be achieved, if the points referred by the Finance department have been previously considered by the administrative department concerned and enquiries had been made by them in advance. It is of utmost importance that a budget slip should ordinarily be answered within a week of its receipt and in no case should a slip remain unanswered for more than a fortnight.

The outcome of appropriation audit revealed that during 2015-16, there were 30 cases of savings in 24 grants/appropriations each exceeding ₹ 100 crore and above aggregated to ₹ 28,752.26 crore (35.35 per cent) of total provisions (₹ 81,337.10 crore) as detailed in **Appendix 2.2**. Further, savings of ₹ 27,566.38 crore was occurred in 29 grants exceeded ₹ 10 crore and also by more than 20 per cent of the total provisions as detailed in **Appendix 2.2(A)**.

Some cases of savings exceeding ₹ 100 crore are discussed below:

i. Grant Number 16-“Panchayati Raj Department” (Revenue-Voted)

Supplementary provision of ₹ 1,100.78 crore proved unnecessary as the total expenditure of ₹ 2,893.00 crore was less than the original provision ₹ 4,364.32 crore. Saving of ₹ 2,572.10 crore was 47.06 per cent of total provision (₹ 5,465.10 crore).

Reasons of final savings have not been intimated.

ii. Grant Number 21-“Education Department” (Revenue-Voted)

Against the total provision of ₹ 24,455.31 crore, the expenditure was only ₹ 18,641.41 crore, resulting in savings of ₹ 5,813.90 crore (23.77 per cent). Thus the supplementary provision of ₹ 3,695.40 crore was proved wholly unnecessary. The savings was mainly under the Head, 2202-General Education-01-Elementary Education-101-Government Primary School-0001-Government Primary and Middle School (₹ 1,240.45 crore); 111-Sarva Shiksha Abhiyan-0201-Sarva Shiksha Abhiyan (SSA) (₹ 980.01 crore); 112-National Programme of Mid Day Meal in Schools-0203-National Programme of Nutrition Support for Primary Education (MDM) (₹ 513.69 crore); 02-Secondary Education-109-Government Secondary Schools-0001-Other Schools (₹ 234.12 crore); 110-Assistance to Non-Government Secondary Schools-0209-Scheme for imparting education to Madarsas Minorities and Disabled (₹ 164.92 crore).

Reasons of final savings have not been intimated.

iii. Grant Number 42-“Rural Development Department” (Revenue-Voted)

Against the total provision of ₹ 7,082.45 crore the expenditure was only ₹ 3,528.41 crore, resulting in savings of ₹ 3,554.04 crore (50.18 per cent). Thus the supplementary provision of ₹ 2,109.79 crore was proved wholly necessary. The savings was mainly under the head “2505-Rural Employment-01-National Programmes-701-National Rural Employment Programme-0102-Headquarters Establishment (₹ 3.22 crore); 789-Special Component Plan for Scheduled Castes-

0301-Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) (₹ 16.80 crore); 2515-Other Rural Development Programme-00-102-Community Development-0001-Block Establishment (₹ 5.20 crore).

Reasons of final savings have not been intimated.

iv. Grant Number 48-“Urban Development and Housing Department” (Revenue-Voted)

Supplementary provision of ₹ 941.30 crore remained unnecessary as the total expenditure of ₹ 1,977.47 crore was less than the original provision (₹ 2,169.85 crore). Saving of ₹ 1,133.68 crore was 36.44 per cent of total provision (₹ 3,111.15 crore).

Reasons of final savings have not been intimated.

v. Grant Number 03-“Building Construction Department” (Capital-Voted)

Against the total provision of ₹ 2,985.37 crore, expenditure was only ₹ 1,638.23 crore, resulting in savings of ₹ 1,347.14 crore (45.12 per cent). Thus, further provision of funds (₹ 550.58 crore) through supplementary grants proved unnecessary, since the expenditure was less than the original provision (₹ 2,434.79 crore).

Reasons of final savings have not been intimated.

2.3.4 Persistent Savings

In 10 grants/appropriations (Departments), there were persistent savings of more than ₹ 50 crore in each case and ranged between 11 to 69 per cent of the total grants during the last five years as indicated in **Appendix 2.3**. Out of which persistent savings of ₹ 100 crore and above occurred mainly under, Animal and Fisheries Resource, Finance, Health, Law, Road Construction (Revenue-voted) and Building Construction, Water Resources, Minor Water Resource Departments (Capital-Voted).

The persistent savings indicated that the budgetary control in the departments were not effective and previous years trends were not taken into account while allocating the funds for the year.

2.3.5 Appropriateness of supplementary provisions

Rule 109 of the BBM, 2016 (Rule 117 of the BBM, 1963) lays down the procedure for obtaining supplementary grants. As per this Rule, when the administrative department considers that a supplementary grant is necessary, whether to meet a new specific item of expenditure or to cover a probable excess in the voted grant due to unforeseen causes, it should first consult the Finance Department. If the Finance Department objects and the objection is upheld by Government, the controlling officers should be instructed at once to take steps to keep expenditure within the grant. The cases for supplementary demand are prepared showing the reasons for the demand.

Supplementary provisions aggregating ₹ 13,900.49 crore obtained in 47 cases (36 grants/appropriations), involving ₹ 10 lakh or more in each case during the year 2015-16 proved unnecessary as the expenditure did not exceed the original provisions as detailed in **Appendix 2.4**.

From the above facts, it was clear that the Controlling Officers failed to exercise their responsibilities envisaged under Rule 11 of the Bihar Financial Rules.

Demands for supplementary provisions without assessing the actual requirements indicated lack of control on the part of the controlling authorities.

2.3.6 Excessive/ unnecessary re-appropriation of funds

As per Rule 97 of the BBM, 2016 (Rule 37 of the BBM, 1963) it is the responsibility of each Controlling Officer to ensure that total expenditure is kept within the total grant or appropriation placed at his disposal and to see that expenditure under each unit of appropriation is kept within the amount originally provided under that unit. However, because of certain exigencies, it may not always be possible to ensure that the expenditure under each unit of appropriation is kept within the amount originally provided for. While, there may be savings under certain sub-heads, there could be excess expenditure under certain other heads. In such cases, it is possible to meet the excess under certain heads from the savings under other heads. Such transfer of provisions from one head to the other is known as re-appropriation.

Test check of Detailed Appropriation Accounts and Grants Audit Register revealed that under 28 grants/appropriations involving 123 sub-heads, additional funds of ₹ 1,335.60 crore provided through re-appropriation proved wholly unnecessary as the final savings were ₹ 1,461.76 crore, as detailed in **Appendix 2.5**.

Further, in four cases ₹ 152.05 crore was injudiciously withdrawn through re-appropriations, when there was excess expenditure of ₹ 26.73 crore as detailed in **Table 2.3**.

Table 2.3: Injudicious withdrawals through re-appropriation of funds

(₹ in crore)							
Sl. No.	Grant No.	Head of Accounts and Description	Total Provision	Re-appropriation (-)	Total Surrender	Expenditure	Final Excess
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	09	2425-00-001-0002- Superintendence	66.91	0.05	3.57	63.40	0.11
2	41	5054-03-101-0104- Chief Minister Bridge Construction Scheme	400.00	85.00	14.37	301.24	0.61
3	49	4700-02-051-0101- Irrigation Project of Gandak Basin (Works)	406.53	47.00	0.68	365.30	6.45
4	49	4711-01-051-0101- North Bihar Flood Control Project	314.00	20.00	15.42	298.14	19.56
Total			1187.44	152.05	34.04	1028.08	26.73

(Source: Grants Audit Register & Detailed Appropriation Accounts for the year 2015-16)

Under the Head “2425-Co-operation-00-001-Direction and Administration-0002-Superintendence of Grant No. 9”, ₹ 0.05 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 0.11 crore occurred.

Under the Head “5054-Capital Outlay on Roads and Bridges-03-State Highways-101-Bridges-0104-Chief Minister Bridge Construction Scheme of Grant No. 41”, ₹ 85 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 0.61 crore occurred.

Under the Head “4700-Capital Outlay on Major Irrigation-02-Irrigation Project for Gandak Basin (Non-Commercial)-051-Construction-0101-Irrigation Project of Gandak Basin (works) of Grant No. 49” ₹ 47 crore withdrawn through re-appropriation whereas excess expenditure of ₹ 6.45 crore occurred.

Similarly Under the Head “4711-Capital Outlay on Flood Control Projects-01-Flood Control-051-Construction-0101-North Bihar Flood Control Projects of Grant 49” ₹ 20.00 crore was withdrawn through re-appropriation whereas excess expenditure of ₹ 19.56 occurred.

Thus, instead of providing additional funds to meet the requirement, withdrawal of funds through re-appropriation was made which reflected poor financial management.

Further, in 131 cases, the un-utilised provision was not properly assessed as, even after the withdrawal of ₹ 1,166.30 crore through re-appropriation proved insufficient since there remained savings of ₹ 3,478.35 crore under the relevant detailed heads of these grants as shown in **Appendix 2.6**.

The above instances are indicative of the fact that the Controlling Officers failed to anticipate their actual requirements and did not have up-to-date information regarding expenditure and re-appropriation.

2.3.7 Substantial surrenders

As per Rule 104 of the BBM, 2016 (Rule 112 of the BBM, 1963), no amount out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or not already approved by the competent authority. Surrender of savings shall be submitted by 15 of February of the current year. In exceptional cases surrenders may be submitted up to 31 March of the current year.

Out of the total provision of ₹ 17,072.50 crore in 140 cases, ₹ 11,511.27 crore (67.43 per cent) were surrendered as indicated in **Appendix 2.7**. The surrender under each unit ranged between 50 and 99.97 per cent (₹ five crore and more than 50 per cent of the total provision in each case).

Further, there was hundred per cent surrender of funds of more than ₹ five lakhs (₹ 5,133.94 crore) in 182 schemes under 38 grants/appropriations (**Appendix 2.8**) depriving the beneficiaries of the benefits and services which could have been derived from these schemes.

2.3.8 Surrender in excess of actual saving

As against saving of ₹ 251.54 crore, the amount surrendered was ₹ 254.48 crore, resulting in excess surrender of ₹ 2.94 crore as given in **Table 2.4**.

Table 2.4: Surrender in excess of actual saving during the year 2015-16

(₹ in crore)					
Sl. No.	Number and name of the grant	Total grant	Saving	Amount surrendered	Amount surrendered in excess (5-4=6)
(1)	(2)	(3)	(4)	(5)	(6)
Capital- Voted					
1	49-Water Resources Department	1,737.63	251.54	254.48	2.94

(Source: Appropriation Accounts for the year 2015-16)

The amount injudiciously surrendered was in excess of the actual saving, indicate lack of or inadequate budgetary control in Water Resource Departments.

Injudicious surrender of surplus fund which is not existing indicated lack of monitoring by the Controlling Officers of the department.

2.3.9 Anticipated savings not surrendered/ belatedly surrendered

As per Rule 104 of the BBM, 2016 (Rule 112 of the BBM, 1963), surrender of savings shall be submitted by 15 of February of the current year in exceptional cases surrenders may be submitted up to 31 March of the current year.

At the close of the year 2015-16, in 17 cases (₹ one crore or more and above 10 per cent in each case), savings of ₹ 8,361.75 crore (82.26 per cent) out of ₹ 10,165.15 crore were not surrendered as detailed in **Appendix 2.9**.

Besides, in 84 cases, where there was surrender of funds in excess of ₹ 10 crore and 10 per cent of the total provisions in each case, ₹ 23,168.70 crore (30.29 per cent) of the total provision (₹ 76,485.12 crore) was surrendered on the last working day of the financial year 2015-16 as detailed in **Appendix 2.10**.

This shows that the Controlling Officers failed to discharge their basic responsibility of being accountable for budgetary control. These funds were neither utilised for the purposes for which they were allotted nor were these made available for utilisation of other needy Heads by re-appropriation.

2.3.10 Rush of Expenditure

As per Rule 125 of the BBM 2016, (Rule 113 of BBM, 1963), late allotments should be avoided at all cost unless they are inevitable and funds placed at the disposal of a Disbursing Officer late in the year are very often an invitation to extravagance of rush of expenditure.

Expenditure exceeding 35 per cent of total expenditure, incurred during March 2016, under 10 departments were listed in **Appendix 2.11**. In these cases, ₹ 7,907.35 crore (42.71 per cent) of total expenditure (₹ 18,514.17 crore) under the 10 departments was spent in March 2016. Thus, the substantial amount of expenditure incurred by the Department at the fag end of the year indicates deficient financial management and lack of effective control over expenditure by the Controlling Officers and a tendency to utilise the budget only at the fag end of the financial year.

2.4 Drawal of funds to avoid lapse of budgetary provision

As per Rule 176 of the Bihar Treasury Code, 2011 (BTC, 2011), all charges incurred must be drawn and paid at once and no money should be withdrawn from the Treasury unless it is required for immediate payment. Further, Rule 177 of BTC, 2011 provides that 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 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 is drawn. A certificate shall be furnished by the Drawing and Disbursing Officer to the effect that the money withdrawn on the contingent bill shall be spent within the same financial year and that the unspent amount shall be remitted to the Treasury before 31 March of the year.

However, it was observed that in 39 cases, an amount of ₹ 33.51 crore was drawn on AC bills during the period 2003-04 to 2013-14 and out of this an amount of ₹ 4.54 crore was remitted after retention for the period ranging from 10 months to nine years and five months (**Appendix 2.12**).

Further, in 12 cases, entire amount of ₹ 3.82 crore drawn on AC bills during the period 2007-08 to 2011-12 was remitted after retaining the fund for the period ranging from nine months to seven years and two months (*Appendix 2.13*).

The irregular retention of funds, enabled the departments to avoid lapse of budget provision and to bypass budgetary compulsion to spend the amount before the close of financial year.

The matter was reported to the Departments (January 2015 to May 2016); their reply is awaited (November 2016).

2.5 Unreconciled Expenditure

Rule 475 (viii) of the Bihar Financial Rules states that heads of departments and the AG (A&E), Bihar will be jointly responsible for the reconciliation of the figures given in their respective accounts maintained by the heads of the departments with those that appear in the books of AG (A&E), unless in any case there are special rules or orders to the contrary. Further, as per rule 96 of the BBM, 2016 (Rule 134 of the BBM, 1963), the controlling officers, after consolidating the monthly figures received from disbursing officers under their control, should get the monthly/quarterly figures reconciled with those recorded in the books of Accountant General. The last date for reconciliation was fixed as 24 June 2016 by the AG (A&E), Bihar.

Although matter of departmental figures not reconciled had been pointed out regularly in Audit Reports, under 76 Major heads, heads of departments did not reconcile expenditure amounting to ₹ 66,962.68 crore (exceeding ₹ 10 crore in each case) during 2015-16 as shown in *Appendix 2.14*. Out of this, ₹ 54,606.15 crore (81.55 per cent) relates to 18 Major heads as shown in **Table 2.5**.

Table 2.5: Position of reconciliation of expenditure during 2015-16

(₹ in crore)			
Sl. No.	Major Heads	Booked Expenditure	Amount not reconciled
(1)	(2)	(3)	(4)
1	2049-Interest Payments	7,079.69	6,733.16
2	2055-Police	4,862.22	2,140.47
3	2071-Pensions and Other Retirement Benefits	11,850.36	11,835.43
4	2202-General Education	18,429.71	2,781.49
5	2210-Medical and Public Health	3,115.54	2,911.21
6	2216-Housing	1,435.68	1,435.68
7	2217-Urban Development	1,648.53	1,270.90
8	2225-Welfare of SC,ST and Other Backward Classes	4,055.63	3,411.75
9	2235-Social Security and Welfare	4,316.75	4,072.49
10	2401-Crop Husbandry	1,703.80	1,453.79
11	2505-Rural Employment	1,140.83	1,129.90
12	2515-Other Rural Development Programme	3,346.69	2,158.33
13	2801-Power	6,047.95	3,300.00
14	3054-Road and Bridges	1,709.07	1,293.30
15	4059-Capital outlay on Public Works	1,038.23	1,038.23
16	4070- Capital outlay on Other Administrative Services	2,233.73	2,146.50
17	4210-Capital outlay on Medical and Public Health	1,090.75	1,090.75
18	5054-Capital outlay on Roads and Bridges	4,402.77	4,402.77
Total		79,507.93	54,606.15

(Source: Information complied by office of the Accountant General (A&E))

In view of the above, it is apparent that had the Government taken the issue of reconciliation of expenditure with the above mentioned 18 departments, 81.55 per cent of total unreconciled expenditure (₹ 66,962.68 crore) could have been reconciled.

2.6 Advances from Contingency Fund

The Contingency Fund of the State was established under the Bihar Contingency Fund Act, 1950 (amended in 2012), in terms of the provisions of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an Imprest. The corpus of the Bihar Contingency Fund is ₹ 350 crore for the year 2015-16. However, in terms of the Bihar Contingency Fund (Amendment) Act 2012, the State Government increased the corpus from ₹ 350 crore to ₹ 4,827.41 crore on temporary basis for the period 1 April 2015 to 30 March 2016 for Agriculture Impute Grants, cyclone in North and North East of the State and other sectors. One third of the total amount so enhanced would be used only for relief and rehabilitation measures due to natural calamities.

Scrutiny of documents related to sanction, expenditure and recoupment of contingency fund during 2015-16 revealed that 139 withdrawals amounting to ₹ 6,117.60 crore were made from contingency fund of which 80 withdrawals amounting to ₹ 2,927.07 crore (47.85 per cent) (**Appendix-2.15**) were for routine expenditure such as share to State sponsored Pre-Matric scholarship, internal adjustments of ICDS on establishment expenditure, payment of salary of contract teachers, enhancement of PMSGY, internal adjustment of Planning and Development Department, State share of Sarva Siksha Abhiyan, Government Panchayat Building, Share to Central Sponsored Scholarship (each case ₹ 100 crore and above), implementation of Swasth Poshan, development of State University, girl strengthening under Rajiv Gandhi Scheme SABLA Planning, cycle of girls of Primary Education (each cash ₹ 50 crore and above) etc. Since these items were foreseeable expenditure, the drawal of advance from the Contingency Fund of the State was irregular and has not been properly utilised.

The matter was reported to Finance Department; The reply is awaited.

However, all advances during the year 2015-16 were recouped and permanent corpus at the end of the year remained at ₹ 350 crore.

2.7 Outcome of Inspection of Treasuries

There are 73 treasuries in the State as of March 2016. The AG (A&E) Bihar, Patna inspected 25 treasuries during the year 2015-16. Some of the irregularities and deficiencies noticed during the inspection of treasuries are mentioned in the succeeding paragraphs:

2.7.1 Excess payment of pension/family pension

Inspection of Treasuries during 2015-16, revealed that excess payment of pension and family pension amounting to ₹ one crore were made (**Appendix 2.16**) due to wrong fixation of revised pension by Bank, payment of higher rate of family pension in place of consolidated family pension beyond stipulated date due to instruction noted on the pension payment order (PPO) were not followed by the

Banks, delayed commencement of reduced pension for commuted value and other miscellaneous reasons.

2.7.2 Vouchers not submitted in support of payment

Rule 25 and 26 of BTC, 2011, required that the Treasury Officer shall, by inspection satisfy himself that all vouchers/challans are attached with the List of Payment and Cash Accounts along with the relevant schedules to be sent to the office of the AG (A&E) with monthly accounts.

Compilation of the State Government accounts by the Accountant General is primarily based on the vouchers and challans received from the Treasuries.

Vouchers for 15,502 items amounting to ₹ 1,980.02 crore for the year 2015-16 were not received from 73 treasuries as detailed in **Appendix 2.17**, out of which 634 vouchers amounting to ₹ 1,165.31 crore (58.85 per cent) pertained to three treasuries (Patna Bikash Bhawan, Patna Nirman Bhawan and Patna Sinchai Bhawan).

Vouchers not submitted with monthly accounts of treasuries directly impacts the preparation of Finance and Appropriation Accounts.

2.7.3 Register of wanting vouchers and schedules

In order to watch over the submission of supporting vouchers/challans with the relevant schedules attached with the Monthly Accounts of the treasuries to the Accountant General, a register of wanting vouchers/schedules should be maintained in each treasury. No such register was found to have been maintained by 18² out of 25 treasuries inspected during 2015-16.

Review of Selected Grants

A review of the budgetary procedures and control over expenditure was conducted (August and September 2016) in respect of Grant No. 1- “Agriculture Department” and Grant No. 39 “Disaster Management Department” on the basis of savings excesses and magnitude of the grants and supplementary demands made during the year 2015-16. The results of review are detailed below:

2.8 Review of Grant No. 1-“Agriculture Department”

The Agriculture Department is the Nodal Agency for the development of agriculture and agricultural activities in the State. Department of Agriculture through its Directorates and with the technical guidance of the Agricultural Universities acts as delivering vehicle to reach the benefits of technological advancements as well as research findings to the persons engaged in farm activities. There were six Major Heads (2401, 2402, 2415, 2435, 3475 & 4401) operated under this Grant in financial year 2015-16.

A review of the budgetary procedures and control over expenditure was conducted (August and September 2016) in respect of Grant No.1- “Agriculture Department” on the basis of savings, excesses and magnitude of the grants and supplementary demands made during the year 2015-16.

² Aurangabad, Benipur, Banka, Bagaha, Danapur, Dalsinghsarai, Foebesganj, Hilsa, Jehanabad, Kishanganj, Katihar, Lalganj, Lakhisarai, Massaurhi, Nawada, Sitamarhi, Sheohar and Sherghati.

Table 2.6: Position of Summarised Appropriation for 2015-16

(₹ in crore)						
Budget Estimate	Original Provision	Supplementary Provision	Total Provision (2+3)	Total Expenditure	Savings	Savings in percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue Voted	2414.82	980.13	3394.95	1742.85	1652.10	48.66
Capital Voted	418.42	55.78	474.20	23.39	450.81	95.07
Total	2833.24	1035.91	3869.15	1766.24	2102.91	54.35

(Source: Appropriation Accounts for the year 2015-16)

The results of review are detailed below:

2.8.1 Substantial Savings

Against the total provision of ₹ 3,394.95 crore under Revenue voted head, an expenditure of ₹ 1,742.85 crore was incurred resulting in saving of ₹ 1652.10 crore (48.66 per cent of the total provision) and against the total provision of ₹ 474.20 crore under Capital voted head, ₹ 23.39 crore was spent resulting in 95.07 per cent savings under Capital head meant for Rashtriya Krishi Vikash Yojana, National oil Seeds and Palm oil Mission, National Food Security Mission, National Agriculture Extension and Technology Mission etc. The overall expenditure of ₹ 1,766.24 crore was only 45.65 per cent of the total provision of ₹ 3,869.15 crore during 2015-16, resulting in substantial savings of ₹ 2,102.91 crore (54.35 per cent) as detailed in **Table 2.6**.

On this being pointed out in audit (September 2016) Budget Officer (B.O.), Agriculture Department stated that substantial savings was due to deduction in plan outlay by Planning and Development Department, outlay from GoI not received and slow progress of work of Kisanganj Agriculture College.

The reply was indicative of the fact that the department lacked in proper estimation of provisions.

2.8.2 Unnecessary supplementary provision

Rule 109 of the BBM 2016, (Rule 117 of the BBM, 1963), lays down the procedure for obtaining supplementary grants. As per this rule, when the administrative department considers that a supplementary grant is necessary, whether to meet a new specific item of expenditure or to cover a probable excess in the voted grant due to unforeseen causes, it should first consult the Finance Department.

Scrutiny of records revealed that provision for an amount of ₹ 159.75 crore was made under the Major heads 2401, 2402, 2415, 2435, 3475 and 4401 through supplementary provision, whereas, only ₹ 479.60 crore was spent against total original provision of ₹ 822.05 crore, as shown in **Appendix-2.18**. Supplementary provision of ₹ 159.75 crore obtained in 29 sub heads under aforesaid six Major heads during the year proved unnecessary as the expenditure did not come up to the level of the original provision.

On this being pointed out in audit (September 2016) B.O., Agriculture Department stated that the supplementary grant was provided on the basis of subject-wise requirement.

However, the reply was silent about supplementary provision made despite availability of funds under original provision.

2.8.3 Unnecessary re-appropriation of funds

Rule 97 of the BBM, 2016 (Rule 37 of the BBM, 1963) defines re-appropriation as transfer of a particular sum of money from one unit of appropriation to meet the specific expenditure under another unit in the same grant by competent authority.

Test check of records revealed that under detailed heads “2401-00-102-0301, 2401-00-119-0001, 2401-00-789-0323, 2401-00-796-0359, 2402-00-102-0004 and 3451-00-090-0007”, additional funds of ₹ 24.97 crore was provided through re-appropriation which proved unnecessary as expenditure was less than original provision as shown in **Table 2.7**.

Table 2.7: Unnecessary re-appropriation of funds

(₹ in crore)					
Sl. No.	Head of account	Original provision	Re-appropriation	Total (3+4)	Expenditure
(1)	(2)	(3)	(4)	(5)	(6)
1	2401- Crop Husbandary-00-102-Food Grain Crops-0301-National Food Security Mission	53.43	20.36	73.79	25.50
2	2401- Crop Husbandary-00-119- Horticulture and Vegetable Crops-0001- Horticulture Development Scheme	15.82	0.07	15.89	11.36
3	2401- Crop Husbandary-00-789- Special Component Plan for Schedule Castes-0323- National Food Security Mission	10.32	3.90	14.22	2.91
4	2401- Crop Husbandary-00-796-Tribal Area Sub-Plan-0359-National food protection mission	0.65	0.24	0.89	0.14
5	2402-Soil and Water Conservation-00-102- Soil Conservation-0004- Regional Establishment	4.09	0.25	4.34	4.05
6	3451- Secretariat-Economic Services-00-090-Secretariat-0007- Agriculture Department	3.37	0.15	3.52	3.27
Total		87.68	24.97	112.65	47.23

(Source: Detailed Appropriation Accounts and Grants Audit Register for the year 2015-16)

On this being pointed out in audit (September 2016) B.O, Agriculture Department stated that re-appropriation was done on the basis of subject-wise requirement.

However, no reply was furnished for re-appropriation despite savings under the original provision.

2.8.4 Surrender of fund on the last day of the financial year

As per Rule 104 of the BBM, 2016 (Rule 112 of the BBM, 1963), no amount out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or not already approved by the competent authority. Surrender of savings shall be submitted by 15th of February of the current year. In exceptional cases surrenders may be submitted up to 31st March of the current year.

Out of total provision of ₹ 3,230.87 crore (in 92 cases), ₹ 1,078.47 crore (33.38 per cent) was surrendered on the last day of the financial year 2015-16, as detailed in **Appendix-2.19**.

On this being pointed out in audit (September 2016) B.O, Agriculture Department stated that the surrender from field offices were received at the end of financial year, then it was compiled at the headquarter level and surrendered on the last day of financial year.

2.8.5 Funds not utilised resulted in hundred per cent surrender

Scrutiny of records relating to original provision, supplementary provision and surrender during 2015-16 revealed that entire provision of ₹ 469.98 crore of 17 sub head under four major heads remained unutilised and was completely surrendered as detailed in **Appendix-2.20**.

Out of hundred per cent surrendered amount, 78.91 per cent (₹ 370.85 crore) in four cases (Sl. No. 3, 11, 12 and 15) pertained to the scheme for Agri Business Infrastructure Development Project, Rashtriya Krishi Vikash Yojna, National Food Security Mission and National Horticulture Mission.

On this being pointed out in audit (September 2016) B.O, Agriculture Department stated that the sanction was not made due to Central funds not released by the GOI and Grants-in-aid not sanctioned for externally aided project under State Plan in respect of Agriculture Marketing and Rajendra Agriculture University.

2.9 Review of Grant No. 39- “Disaster Management Department”

Disaster Management Department is nodal agency for management of relief operations in the state. There were five Major Heads (2070, 2235, 2245, 2251 & 4250) operated in this Grant in the financial year 2015-16.

A review of the budgetary procedure and control over expenditure was conducted (August and September 2016) in respect of Grant No. 39- “Disaster Management Department” on the basis of savings, excess and magnitude of the grants and supplementary demands made during the year 2015-16.

Table 2.8: Position of Summarised Appropriation for 2015-16

(₹ in crore)						
Budget Estimate	Original Provision	Supplementary Provision	Total Provision (2+3)	Total Expenditure	Savings	Saving in percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue Voted	557.02	2,244.28	2,801.30	394.55	2,406.75	85.92
Capital Voted	0.40	0.00	0.40	0.11	0.29	72.50
Total	557.42	2,244.28	2,801.70	394.66	2,407.04	85.91

(Source: Appropriation Accounts for the year 2015-16)

The results of review are discussed below:

2.9.1 Substantial Savings

Scrutiny of records for the year 2015-16 revealed that against the total provision of ₹ 2,801.30 crore under Revenue voted head, an expenditure of ₹ 394.55 crore and against the total provision of ₹ 0.40 crore under capital voted head, an expenditure of ₹ 0.11 crore was incurred during the year. The overall expenditure of ₹ 394.66 crore was only 14.09 per cent of the total provision of ₹ 2,801.70 crore resulting in substantial savings of ₹ 2,407.04 crore (85.91 per cent) as detailed in **Table 2.8**.

The matter was referred to the Government (September 2016), their reply has not been received.

2.9.2 Unnecessary re-appropriation of funds

Rule 97 of the BBM, 2016 (Rule 37 of the BBM, 1963) defines re-appropriation as transfer of a particular sum of money from one unit of appropriation to meet the specific expenditure under another unit in the same grant by competent authority.

Scrutiny of records related to re-appropriation account for the period 2015-16, it was revealed that ₹ 39.04 crore was provided through re-appropriation which proved wholly unnecessary as expenditure (₹ 55.14 crore) was less than original provision (₹ 315.28 crore) as detailed in the **Appendix-2.21**.

The matter was referred to the Government (September 2016), their reply has not been received.

2.9.3 (i) Surrender of fund on the last day of the financial year

As per Rule 104 of the BBM, 2016 (Rule 112 of the BBM, 1963), no amount out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or not already approved by the competent authority. Surrender of savings shall be submitted by 15th of February of the current year. In exceptional cases surrenders may be submitted up to 31st March of the current year.

Out of total Provision of ₹ 43.09 crore (in 10 cases), ₹ 12.19 crore (28.29 per cent) was surrendered on the last day of the financial year 2015-16, as detailed in **Appendix-2.22**. Amount surrendered pertained to schemes related to Social Security and Welfare, Capital Outlay on Other Social Services, Administrative Service, Secretariat Social Service and Relief on account of Natural calamities.

The matter was referred to the Government (September 2016), their reply has not been received.

2.9.3 (ii) Surrendered amount not accepted by the Finance Department

The Disaster Management Department had proposed to surrender ₹ 468.65 crore on the last day of the financial year as well as after closing of the financial year 2015-16. However, the aforesaid surrender was not accepted by the Finance Department, resulting in lapse of the saved amount and the government has been deprived from reallocation of fund to other needy heads as detailed in **Table 2.9**.

Table 2.9: Lapsed/Surrendered amount not accepted by the Finance Department

(₹ in crore)			
Head	Letter no. by which surrenders were proposed	Date	Amount of surrender
(1)	(2)	(3)	(4)
2245-Relief on account of Natural Calamities	1789	03/05/2016	15.16
2245-Relief on account of Natural Calamities 01- Drought and their relief 02- Floods, cyclones etc. 06-Earthquake	1395	31/03/2016	445.81
2235-01-200-0004-Grant in aid for compensation of land to persons displaced by soil erosion	1388	31/03/2016	7.68
Total			468.65

(Source: Information received from Disaster Management Department, GOB)

The matter was referred to the Government (September 2016), their reply has not been received.

2.9.4 Provision not utilised

Scrutiny of records relating to original provisions, supplementary provisions and savings pertaining to period 2015-16, it was revealed that in 33 sub head relating to 'Relief on account of Natural Calamities' the total provision of ₹ 80.46 crore remained completely unspent as detailed in **Appendix-2.23**.

This shows that the department was failed to access the requirement of provision for disaster and it was totally based on assumption.

The matter was referred to the Government (September 2016), their reply has not been received.

2.9.5 Departmental expenditure figure not reconciled

Rule 475 (viii) of the Bihar Financial Rules states that heads of departments are responsible for the reconciliation of the figures given in their respective accounts maintained by the heads of the departments with those that appear in the books of AG (A&E), unless in any case there are special rules or orders to the contrary. Further, as per rule 96 of the BBM, 2016 (Rule 134 of the BBM, 1963), the controlling officers, after consolidating the monthly figures received from disbursing officers under their control, should get the monthly/quarterly figures reconciled with those recorded in the books of Accountant General. The last date for reconciliation was fixed as 24 June 2016 by the AG (A&E), Bihar.

However, proper reconciliation was not carried out by the Department, resulting in differences in figures of expenditure under five Major heads amounting to ₹ 871.67 crore as detailed in **Appendix-2.24**.

The matter was referred to the Government (September 2016), their reply has not been received.

2.10 Conclusion and Recommendations

Large Savings due to improper Budget estimation

- There were large savings of ₹ 35,013.80 crore (23.61 per cent) against total budget provision of ₹ 1,48,312.57 crore during 2015-16 which indicate improper budget estimation. Persistent savings of ₹ 50 crore and above were also noticed in 10 departments during last five years.

The budgetary control mechanism should be strengthened in the Government Departments to avoid huge savings, especially where savings occurred persistently and to avoid taking supplementary grants, which remain unutilised.

Surrender of funds

- Out of the total savings of ₹ 35,013.80 crore, only ₹ 24,455.96 crore (69.85 per cent) was surrendered. Amount surrendered on last day of financial year (31 March 2016) was (₹ 15,913.45 crore) which was 65.07 per cent of total amount surrendered. It was also noticed that there were hundred per cent surrender of funds in 182 schemes under 38 grants/appropriations (total ₹ 5,133.94 crore).

Government should ensure timely surrender of funds stating valid reasons so that it could be utilised in other Heads.

Excess over provisions during previous years requiring regularisation

- Excess expenditure of ₹ 119.01 crore was incurred over provisions during the year which requires regularisation under Article 205 of the Constitution of India. Besides, ₹ 1,065.07 crore pertaining to previous years were yet to be regularised.

Government should take appropriate action for regularisation of excess expenditure of previous years.

Reconciliation of Departmental figures

- The Controlling Officers did not reconcile ₹ 66,962.68 crore (exceeding ₹ 10 crore in each case) under 76 Major Heads, with the books of the AG (A&E), Bihar during 2015-16. Only 3,317 (16 per cent) Drawing and Disbursing Officers (DDOs) out of 21,116 DDOs have reconciled their accounts upto March 2016.

Controlling officers should reconcile the expenditure figures every month with those in the books of the AG (A&E).

Advances from Contingency Fund

- During 2015-16, 139 withdrawals amounting to ₹ 6,117.60 crore were made from Contingency Fund. Out of this, 80 withdrawals amounting to ₹ 2,927.07 crore (47.85 per cent) were made for meeting routine expenditure. This include expenditure of ₹ 897.07 crore (16 withdrawals) incurred by Education Department towards salary of contract teachers etc., ₹ 640.00 crore (3 withdrawals) incurred by Welfare of SCs, STs Department for meeting state share towards pre-matric scholarship etc. and ₹ 600.88 crore (8 withdrawals) incurred by Social Welfare Department for meeting establishment expenditure.

Advances from the Contingency Fund should be given only for meeting expenditure of unforeseen nature.

Deficiencies in Agriculture and Disaster Management Departments

- In spite of substantial savings (54.25 *per cent* in Agriculture Department and 85.91 *per cent* in Disaster Management Department) in original provision, augmentation of funds through supplementary provision and re-appropriation were made by the Departments. However, savings were not timely surrendered by the Departments.

The Agriculture and Disaster Management Departments should adhere to the provisions of the Budget Manual by adopting budget monitoring system in the Department.