

CHAPTER I

INTRODUCTION

CHAPTER-I INTRODUCTION

1.1 Budget profile

There are 44 Departments and 47 Autonomous Bodies (ABs) in the State. The position of budget estimates and actual there against by the State Government during 2011-16 is given in **Table no. - 1.1**

Table no. - 1.1
Budget and expenditure of the State Government during 2011-16

(₹ in crore)

Particulars	2011-12		2012-13		2013-14		2014-15		2015-16	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General services	18,505.11	17,729.72	22,192.64	18,645.11	25,469.15	22,018.47	28,155.44	26,408.18	30,258.64	27,972.30
Social services	20,862.15	18,728.78	25,632.67	23,107.37	32,004.63	26,394.85	43,617.60	31,712.71	38,084.12	35,943.04
Economic services	10,562.18	10,037.82	13,129.83	12,709.96	15,779.73	14,060.06	19,988.27	14,445.05	22,860.81	19,696.39
Grants-in-aid and contributions	4.12	3.17	4.12	3.71	4.12	3.85	4.12	4.04	4.54	4.21
Total (1)	49,933.56	46,499.49	60,959.26	54,466.15	73,257.63	62,477.23	91,765.43	72,569.98	91,208.11	83,615.94
Capital expenditure										
Capital Outlay	15,392.31	8,852.01	17,727.56	9,584.52	18,830.30	14,001.00	25,120.74	18,150.41	29,477.21	23,966.02
Loans and advances disbursed	1,036.60	1,906.08	1,260.71	2,085.95	1,394.38	807.38	406.49	368.71	728.93	621.23
Repayment of Public Debt	2,907.89	2,922.46	3,054.48	3,069.96	3,238.73	3,119.56	3,562.90	3,608.95	3,895.28	4,124.85
Contingency Funds	0	800.00	0	2,250.00	0	1,450.43	0	1,650.00	0	4,477.41
Public Accounts disbursements	5,819.74	21,393.22	7,108.79	24,798.82	7,019.00	29,452.57	12,143.96	39,200.48	14,136.34	45,922.84
Closing Cash balance	0	1,509.45	0	3,715.58	0	6,156.39	0	6,337.11	98.43	11,716.72
Total (2)	25,156.54	37,383.22	29,151.54	45,504.83	30,482.41	54,987.33	41,234.09	69,315.66	48,336.19	90,829.07
Grand Total (1+2)	75,090.10	83,882.71	90,110.80	99,970.98	1,03,740.04	1,17,464.56	1,32,999.52	1,41,885.64	1,39,544.30	1,74,445.01

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget of respective years.)

1.2 Application of resources of the State Government

As against the total outlay of the budget of ₹1,53,258.99 crore, total expenditure (voted and charged) was ₹1,13,298.77 crore during 2015-16. The total expenditure (comprising revenue expenditure, capital expenditure and loans and advances) of the state increased from ₹57,257.58 crore to ₹1,08,203.19 crore during 2011-12 to 2015-16. The revenue expenditure of the State Government increased by 80 per cent from ₹46,499.49 crore in 2011-12 to ₹8,3615.94 crore in 2015-16. Non-plan revenue expenditure increased by 59 per cent from ₹34,013 crore to ₹53,965 crore and capital expenditure increased by 171 per cent from ₹8,852 crore to ₹23,966 crore during the period 2011-12 to 2015-16.

The revenue expenditure consisted 77 to 82 per cent of the total expenditure during the years 2011-16 and capital expenditure constituted 14 to 22 per cent of the total expenditure. During this period, total expenditure increased at an annual average rate of 17.80 per cent, whereas revenue receipts grew at an annual average growth rate of 17.46 per cent during 2011-12 to 2015-16.

1.3 Persistent savings

In 10 cases there were persistent savings of more than ₹70 crore in each case and ranged between 11 to 69 per cent of the total grants during the last five years as per details given in **Table no. - 1.2**.

Table no. - 1.2

List of grants with persistent savings during 2011-16

(₹ in crore)

Sl. No.	No. and Name of the grant	Amount and percentage of savings									
		2011-12		2012-13		2013-14		2014-15		2015-16	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Revenue-Voted											
1	2-Animal and Fisheries Resources Department	210.59	43.22	426.49	44.31	607.69	62.55	211.60	32.11	188.32	31.37
2	12-Finance Department	122.72	43.27	223.31	31.97	106.32	27.48	124.99	45.19	116.02	45.17
3	20-Health Department	528.85	21.52	569.78	22.26	623.24	22.30	914.11	21.60	964.06	21.44
4	27-Law Department	148.50	26.19	151.31	26.11	141.61	22.78	179.09	26.60	146.64	22.14
5	40-Revenue and Land Reforms Department	148.70	24.05	72.52	14.96	132.67	21.20	224.14	31.73	238.37	32.74
6	41-Road Construction Department	120.06	18.44	109.32	16.45	413.22	32.96	359.65	28.57	117.63	11.39
7	50-Minor Water Resource Department	291.77	50.39	92.81	25.99	668.14	66.10	375.42	57.59	359.97	51.86
Total		1,571.19		1,645.54		2,692.89		2,389.00		2,131.01	
Capital-Voted											
8	3-Building Construction Department	292.26	57.49	722.07	69.33	659.52	40.88	1719.79	60.50	1347.14	45.12
9	36-Public Health Engineering Department	137.81	31.09	265.47	50.66	97.55	13.62	601.57	40.46	432.15	35.84
10	49-Water Resources Department	625.86	25.65	672.73	27.47	1,853.56	53.61	1262.62	50.27	251.54	14.48
11	50-Minor Water Resource Department	110.50	42.42	127.24	43.26	108.10	35.51	181.00	50.03	122.14	37.85
Total		1,166.43		1,787.51		2,718.73		3,764.98		2,152.97	
Grand Total		2,737.62		3,433.05		5,411.62		6,153.98		4,283.98	

(Source: Appropriation Accounts of the respective years)

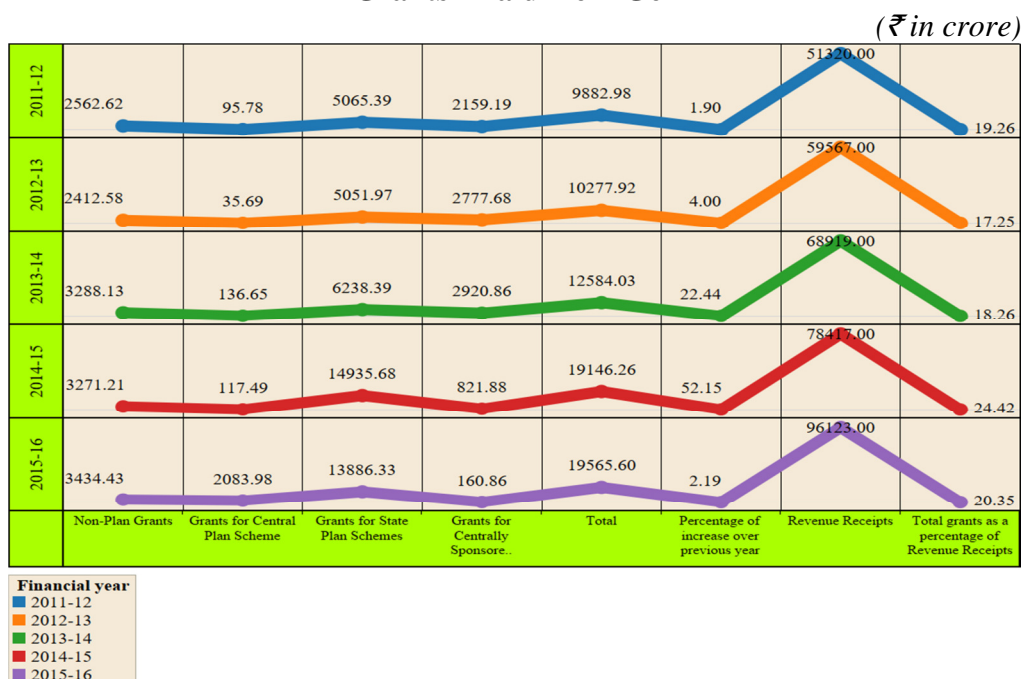
1.4 Funds transferred directly to the State implementing agencies

During 2015-16, Government of India (GoI) directly transferred ₹792.71 crore to various State implementing agencies. Since these funds are not routed through the State Budget/State Treasuries, these are not reflected in the accounts of the Government.

1.5 Grants-in-aid from Government of India

The Grants-in-aid from GoI increased from ₹9,882.98 crore in 2011-12 to ₹19,565.60 crore in 2015-16 as shown in **Chart no. - 1.1**.

Chart no. - 1.1
Grants-in-aid from GoI



(Source: Finance Accounts of the State for the respective years)

1.6 Planning and conduct of audit

The Audit process starts with the risk assessment of various Departments, ABs, schemes/projects, criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings *etc.* Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Bihar under Article 151 of the Constitution of India.

During 2015-16, Compliance Audit of 893 Drawing and Disbursing Officers (DDOs) of the State and 10 ABs were conducted by the office of the

Accountant General (Audit), Bihar. Besides, three Performance Audits, three Scheme Audits and one Follow-up Audit were also conducted.

1.7 Lack of responsiveness of Government to Inspection Reports

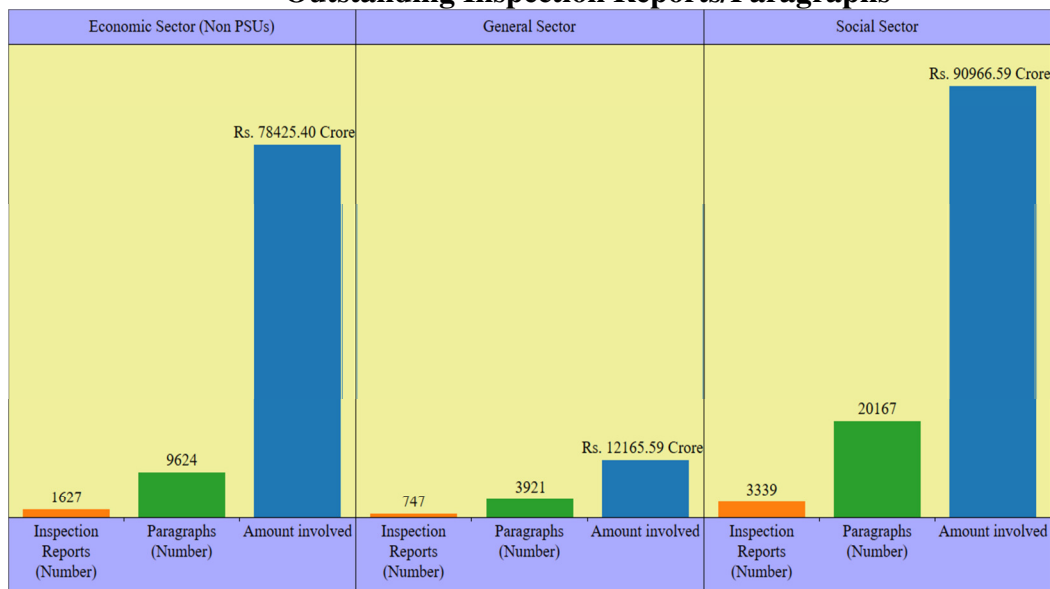
The Accountant General (Audit), Bihar conducts periodical inspection of Government Departments by test-check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities *etc.*, detected during audit are not settled on the spot, these IRs are issued to the heads of offices inspected, with copies to next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the AG (Audit) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of the AG (Audit), Bihar through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

During 2015-16, 26 meetings of the Audit Committee were held in which only 470 paragraphs were settled.

A detailed review of the IRs issued to 2,820 DDOs upto September 2015 pertaining to 38 Departments showed that 33,712 paragraphs¹ having financial implications of about ₹1,81,557.58 crore² relating to 5,713 IRs³ remained outstanding at the end of 31 March 2016⁴, shown in **Chart no. - 1.2**.

Chart no. - 1.2
Outstanding Inspection Reports/Paragraphs



(Source: Information compiled by different sectors of this office)

¹ Economic Sector (Non PSU) – 9,624, General Sector -3,921, Social Sector – 20,167 and total – 33,712

² Economic Sector (Non PSU) – ₹78,425.40 crore, General Sector -₹12,165.59 crore, Social Sector – ₹90,966.59 crore and total – ₹1,81,557.58 crore.

³ Economic Sector (Non PSU) – 1,627, General Sector -747, Social Sector – 3,339 and total – 5,713

⁴ Including IRs and paragraphs issued upto 30 September 2015 and outstanding as on 31 March 2016.

The year-wise position of these outstanding 5,713 IRs and 33,712 paragraphs is detailed in **Appendix-1.1** and types of irregularities in **Appendix-1.2**.

The departmental officers failed to take action on observations contained in outstanding IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to the audit observations.

1.8 Government response to significant audit observations (Draft Paragraphs/Performance Audit)

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected Departments, which have negative impact on the success of programmes and functioning of the Departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the Departments are required to send their responses to Draft Performance Audit Reports/ Draft Paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India to be placed before the State Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Accountant General to discuss the Draft Reports of Performance Audits and Draft Audit Paragraphs. These Draft Reports and Paragraphs proposed for inclusion in the Report were also forwarded to the Principal Secretaries/Secretaries concerned for seeking their replies. For the present Audit Report, Draft Reports on three Performance Audits, three Scheme Audits, one Follow-up Audit and 12 Draft Paragraphs were forwarded to the concerned Principal Secretaries/Secretaries. Replies of the Government/Department have been received for all the Performance Audits, Scheme Audits, Follow-up Audit and eight Draft Paragraphs.

1.9 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suomotu* action on all Audit Paragraphs and Performance Audits featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within two months of the presentation of the ARs to the State Legislature.

The position regarding receipt of Action taken Notes (ATNs) on the paragraphs included in the ARs upto the period ended 31 March 2015, as on 30 September 2016 is given in **Table no. - 1.3**.

Table no. - 1.3
Position regarding receipt of ATNs on the paragraphs included in the ARs

Audit Reports	Year	ATNs pending as of 31 September 2016 (No. of Paragraphs)	Date of presentation in the State Legislature	Due date for receipt of ATNs
General, Social and Economic Sectors	2012-13	5	15/7/2014	15/9/2014
	2013-14	4	6/4/2015	6/6/2015
	2014-15	10	18/3/2016	18/5/2016
State Finances	2012-13	34	21/2/2014	21/4/2016
	2013-14	32	6/4/2015	6/6/2015
	2014-15	31	18/3/2016	18/5/2016

(Source: Information compiled by Public Accounts Committee Section of this office)

1.10 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government were referred to various departmental DDOs for confirmation and further necessary action under intimation to audit.

Recoveries of altogether ₹131.55 lakh were pointed out (2015-16) in 13 cases. However, total recoveries effected during 2015-16 was ₹3.64 lakh in 4 cases as details given in **Table no. - 1.4**.

Table no. - 1.4
Recoveries pointed out by Audit and accepted/recovered by the Departments

(₹ in lakh)

Name of Sector	Recoveries pointed out in Audit and accepted by the Departments during 2015-16		Recoveries effected during 2015-16		Department	Particulars of recoveries noticed
	Number of cases	Amount involved	Number of cases	Amount involved		
General Sector	01	0.68	01	0.68	Home	Purchase at higher rates (0.58)
Social Sector	08	76.95	01	2.93	Health	Double payment in sanitation
			01	0.02	Health	Excess Payment
Economic Sector	4	53.92	01	0.01	Environment and Forest	Excess payment

(Source: Information compiled by different Sectors of this office)

1.11 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several ABs have been setup by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure etc. The audit of accounts of five ABs in

the State has been entrusted to the Comptroller and Auditor General of India out of which three have not been renewed. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix-1.3**.

As the entrustment of audit of three ABs was not renewed and annual accounts of two ABs for the year 2015-16 were delayed/not received, the five ABs were not audited for the accounting year 2015-16 and Separate Audit Reports were not issued (**Appendix-1.3**).