



**CHAPTER-I**  
**INTRODUCTION**



## CHAPTER-I

### INTRODUCTION

#### 1.1 About this Report

This report relates to matters arising from the performance audit of selected programmes and activities and compliance audit of departments under General, Social and Economic Sectors of the Government of Bihar.

Performance audit is an independent assessment/examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively. Performance is examined against suitable criteria and the causes of deviations from those criteria are analysed.

Compliance audit refers to the examination of transactions relating to expenditure, receipts, assets and liabilities of Government to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

The primary purpose of this report is to bring to the notice of the Legislature, audit findings of significant materiality in respect of performance and compliance audits conducted during 2016-17. The audit findings are expected to enable the executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance and improved public service delivery.

This Report comprises three chapters. This chapter, in addition to explaining the planning and extent of audit, provides a brief analysis on the expenditure of the departments and responses of Government to the Audit Inspection Reports/Audit Reports and action taken on them. Chapters II and III present detailed findings and observations on the performance and compliance audits conducted during 2016-17.

#### 1.2 Auditee profile

There are 44 departments in the State, out of which 38 departments pertain to General, Social and Economic sectors. During 2016-17, against the total budget of ₹ 1,69,351.62 crore, the State incurred total expenditure of ₹ 1,26,302.02 crore. Out of this, total expenditure of ₹ 1,25,576.74 crore against the budget of ₹ 1,60,679.35 crore pertained to 38 departments under General, Social and Economic sectors.

#### 1.3 Response of the Government to Inspection Reports

The Principal Accountant General (Audit), Bihar conducts periodical inspection of Government Departments by test-check of transactions and verifies the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs) to the head of the office with request to furnish replies within four

weeks. When important irregularities, etc., detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with copies to next higher authorities.

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 2016-17, Compliance Audits of 1,035 Drawing and Disbursing Officers (DDOs) of the State and 15 autonomous bodies were conducted by the office of the Principal Accountant General (Audit), Bihar.

Serious irregularities are also brought to the notice of the heads of the departments by the office of the Principal Accountant General (Audit), Bihar through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

A detailed review of the IRs issued to 3,116 DDOs up to September 2016 pertaining to 38 Departments revealed that 40,788 paragraphs having financial implication of about ₹ 2,14,493.88 crore relating to 6,638 IRs remained outstanding at the end of 31 March 2017 as shown in **table 1.1**. The year-wise position of outstanding IRs/paragraphs and types of irregularities is detailed in **Appendix-1.1** and **Appendix-1.2** respectively.

**Table 1.1**  
**Outstanding Inspection Reports/Paragraphs**

(₹ in crore)

Sl. No.	Period	No of outstanding IRs (per cent)	No of outstanding paras (per cent)	Amount involved
1	Less than one year	392 (6)	3,071 (8)	21,407.29
2	1 year to 3 years	2,736 (41)	18,046 (44)	1,03,767.17
3	More than 3 years to 5 years	759 (11)	4,898 (12)	61,249.95
4	More than 5 years to 8 years	2,751 (42)	14,773 (36)	28,069.47
	<b>Total</b>	<b>6,638</b>	<b>40,788</b>	<b>2,14,493.88</b>

Out of 3,128 IRs consisting of 21,117 paragraphs involving an amount of ₹ 1,25,174.46 crore issued during 2013-17 (upto September 2016), response on only 633 IRs consisting of 4,019 paragraphs involving ₹ 35,580.20 crore was received from the departments.

During 2016-17, 86 Audit Committee meetings were held in which only 229 paragraphs were settled.

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.

#### **1.4 Response of the Government to significant audit observations (Draft Paragraphs/Performance Audits/Thematic Audits)**

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 provisions of the 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 the personal attention of the heads of departments 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 meet 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 heads of departments seeking their replies.

For the Audit Report 2016-17, five draft Performance Audits Reports, five draft Thematic Audit Reports and 11 draft paragraphs were forwarded to the concerned Administrative Secretaries. Replies of the Government/departments have been received for all the Performance Audits, Thematic Audits and eight draft paragraphs.

#### **1.5 Response of the Government and auditee units during the conduct of Performance/Thematic audits**

Section 18 (1) (b) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 stipulates that the C&AG has the authority in connection with the performance of his duties under the said Act to requisition any accounts, books and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extends. This provision has been further amplified by Regulation 181 of the Regulation on Audit and Accounts 2007 which stipulates that every department or entity shall establish and implement a mechanism to ensure that data, information and documents that are required by Audit are made available to it in time.

Despite such clear provisions, instances of non-production of records to Audit are many. Though such instances are brought to the notice of the authorities on each occasion, follow up by the authorities concerned have not been uniformly swift and effective.

For the Audit Report 2016-17, five Performance Audits (PAs) and five Thematic Audits (TAs) were attempted. However, despite repeated efforts, records requisitioned by the Audit teams were not made available and replies to audit memos issued during audit were not provided in many cases.

In respect of three PAs<sup>1</sup> and one TA, 59 units out of 96 did not produce certain records requisitioned by Audit as detailed in *Appendix 1.3*.

***Non-production of records severely limits the exercise of CAG's constitutional mandate and may result in lack of accountability by State Government functionaries and concealment of fraud, misappropriation, embezzlement etc. The State Government is urged to take appropriate action including flagging of individual instances of non-production of records from a vigilance angle and initiation of disciplinary action against the concerned officials.***

Out of 1,367 audit memos issued in respect of five PAs and five TAs, replies were not received for 131 audit memos and only partial replies were received in respect of 465 audit memos as detailed in *Appendix 1.3*.

## **1.6 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,  *suo motu* 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 2016, as on 30 September 2017 is given in **table 1.2**.

**Table 1.2**

**Position regarding receipt of ATNs on the paragraphs included in the ARs (GS&ES)**

<b>Audit Reports for the year</b>	<b>ATNs pending as of 30 September 2017 (No. of Paragraphs)</b>	<b>Money Value (₹in crore)</b>	<b>Date of presentation in the State Legislature</b>	<b>Due date for receipt of ATNs</b>
2013-14	0	0	6/4/2015	-
2014-15	2	2.72	18/3/2016	18/5/2016
2015-16	19	3373.14	27/3/2017	27/5/2017

The above table reflects the slow response of departments on audit observations.

<sup>1</sup> PA on Mukhyamantri Kshetra Vikas Yojana, PA on functioning of Primary Health Centres in Bihar, PA on implementation of RTE, 2009 in Bihar and TA on implementation of Post-Matric Scholarship Scheme in Bihar.

### **1.7 Recoveries at the instance of Audit**

Audit findings involving recoveries that are noticed in the course of test audit of accounts of the departments of the State Government are referred to the concerned authorities for confirmation and further necessary action under intimation to Audit.

A total of 17 cases of recoveries involving an amount of ₹ 22.57 crore were pointed out by Audit during 2016-17 and accepted by the departments. However, the departments could make recovery in only two cases involving an amount of ₹ 1.40 lakh.

### **1.8 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Legislature**

The audit of accounts of five autonomous bodies in the State had been entrusted to the Comptroller and Auditor General of India out of which four accounts 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-1.4*.

