

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 Personal Deposit/ Personal Ledger Accounts

As per Rules 338 to 344 of Bihar Treasury Code (BTC), Personal Deposit (PD) Accounts are opened to transfer funds from the Consolidated Fund for special cases where public interest requires speed of expenditure which is not possible through the normal treasury procedure or there are a large number of small beneficiaries dispersed in the interior areas where direct disbursement through the treasury is not practicable. PD administrators are required to review all PD accounts at the end of the financial year and transfer the amounts lying unspent after five consecutive financial years (including the financial year in which the money was withdrawn) back to the Consolidated Fund as reduction of expenditure to the concerned service head from which the money was withdrawn.

#### 3.1.1 Unspent balance in PD Accounts

PD accounts are kept in treasuries in the name of the Administrator of the account. These accounts are opened with the consent of the Finance Department under intimation to the AG (A&E). As per information furnished by 75 treasuries to the AG (A&E), 19 treasuries<sup>2</sup> are not maintaining any PD accounts. There was a balance of ₹ 4,377.12 crore in the 175 existing PD accounts as on 31 March 2019. One PD account was opened whereas no PD account was closed during the year as detailed in **Table 3.1**.

**Table 3.1: Details of PD accounts during 2018-19**

(₹ in crore)

| Opening Balance as on<br>01.04.2018 |          | Addition during the<br>year |          | Closed/Disbursed<br>during the year |          | Closing Balance as on<br>31.03.2019 |          |
|-------------------------------------|----------|-----------------------------|----------|-------------------------------------|----------|-------------------------------------|----------|
| Number                              | Amount   | Number                      | Amount   | Number                              | Amount   | Number                              | Amount   |
| 174                                 | 5,888.45 | 1                           | 1,417.50 | 0                                   | 2,928.83 | 175                                 | 4,377.12 |

Transactions (Cr/Dr) during the year are shown under column 'Addition during the year' and 'Closed/Disbursed' during the year.

(Source: Finance Accounts for the year 2018-19)

During 2017-18, nine treasuries have reported a balance of ₹ 65.77 crore lying unspent for five consecutive financial years in nine PD accounts. None of these treasuries has furnished information regarding refund of this amount to the Consolidated Fund of the State as reduction of expenditure under the concerned service head (Major Head 2029) during 2018-19. Therefore, there is no assurance that the amount has been actually refunded to the Consolidated Fund as reduction of expenditure under the concerned service head.

<sup>1</sup> GoB notification No. 6679 dated 23.08.2016

<sup>2</sup> Bihar Bhawan, New Delhi, Dalsinghsarai, Dumraon, Hilsa, Lalganj, Masaurhi, Mokama, Pupri, Rajgir, Rajouli, Rossera, Secretariat Treasury (Vikash Bhawan, Patna), Shahpur Patori, Sikaraha, Tekari, Naugachia, e-treasury, Udakishanganj and Triveniganj.

### 3.1.2 Inoperative PD Accounts

Out of 175 PD accounts, 95 PD accounts in 47 Treasuries remained inoperative for the last three financial years as detailed in **Appendix 3.1**. Out of these 95 inactive PD accounts, 90 had zero balance and an amount of ₹ 27.73 crore was lying unspent at the end of March 2019 in five<sup>3</sup> PD accounts. These 95 inoperative PD accounts were not closed as per GoB letter<sup>4</sup> though they were liable to be closed at the end of March 2019.

Non-reconciliation of balances in PD accounts periodically and not transferring the unspent balances lying in PD accounts to the Consolidated Fund before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

### 3.1.3 Personal Ledger Accounts

As per Bihar Treasury (Amendment)<sup>5</sup> Code, 2014 Personal Ledger Account (PL account) of Special Purpose Vehicles, Board, Authority, Agency and Society etc., constituted by the State Government who receive money in any form (eg. grant, loan, work to be done on centage etc.) shall be opened in the treasury. The State Government may exempt any institution or any specific scheme from keeping the amount in PL account. PL account will be operated by the authorised officer through non-Government cheque. The State Government may order to keep the amount in the bank account withdrawing from PL account in installments to maintain the monetary liquidity of these institutions. The Finance Department may prescribe the procedure for deposit and withdrawal of the amount from PL account in special circumstances. Further, vide GoB resolution (September 2016), accumulated amounts in all Corporations/Boards/Societies/Agencies/Authorities etc., bank accounts under different departments should be transferred to their PL accounts up to 30 April 2015 and thereafter all expenditure is to be made from PL accounts.

PL accounts are being used by different Departments. There were 261 PL accounts existing in 68 treasuries as 31 March 2019. Seven PL accounts in six treasuries remained inoperative for five years or more till 2018-19 and an amount of ₹ 35.47 crore was lying in these PL accounts as depicted in **Table 3.2**.

**Table 3.2: List of inoperative PL Accounts as on 31.03.2019**

(₹ in lakh)

| Sl. No. | Name of Treasury | Administrator                 | Period  | Amount |
|---------|------------------|-------------------------------|---------|--------|
| (1)     | (2)              | (3)                           | (4)     | (5)    |
| 1.      | Darbhangha       | DRDA, Darbhanga (Dissolved)   | 2013-19 | 19.09  |
| 2.      | Forbesganj       | Panchayat Samiti, Bhargama    | 2013-19 | 0.12   |
| 3.      | Forbesganj       | Forbesganj, Panchayat Samiti  | 2013-19 | 0.07   |
| 4.      | Jhanjharpur      | Panchayat                     | 2013-19 | 19.09  |
| 5.      | Katihar          | District Education Fund       | 2013-19 | 21.54  |
| 6.      | Rohtas           | Bihar State Electricity Board | 2013-19 | 7.65   |

<sup>3</sup> DM, Banka (₹ 25.30 crore), DM, Bhojpur (₹ 0.20 crore), DDC Katihar (₹ 1.50 crore), DM, Patna (₹ 0.66 crore) and DM, Vaishali (₹ 0.07 crore)

<sup>4</sup> GoB Letter No. 11262 dated 5.10.2010

<sup>5</sup> Notification No. M-4-12/2013 (Part-1) 6487/F dated 21.07.2014 Finance Department, GoB

| Sl. No. | Name of Treasury      | Administrator                                          | Period  | Amount          |
|---------|-----------------------|--------------------------------------------------------|---------|-----------------|
| (1)     | (2)                   | (3)                                                    | (4)     | (5)             |
| 7.      | Sinchai Bhawan, Patna | Bihar State Hydroelectric Power Corporation Ltd. Patna | 2014-19 | 3,478.98        |
|         | <b>Total</b>          |                                                        |         | <b>3,546.54</b> |

(Source: Data provided by AG (A&E))

Further, the following irregularities were noticed in PL Accounts:

- Finance Department, GoB (September 2016) directed that only those funds will be transferred to the executing agencies which were to be utilised by the agencies themselves through their PL accounts and not transfer the funds to other executing agencies from their PL accounts. The PL account should not work as a post office.

Audit noticed that the Bihar Rajya Beej Nigam Limited (BRBNL), Patna received ₹ 285 crore in their PL Account (PL A/c – 271) from the Directorate of Agriculture for diesel subsidy. BRBNL transferred ₹ 235 crore from their PL account to their bank account in Punjab National Bank (PNB) and then transferred ₹ 310 crore (₹ 235 crore of diesel subsidy and ₹ 75 crore of Krishi Input) from their PNB account to the HDFC account of Directorate of Agriculture for diesel subsidy. Thus, BRBNL did not utilise the fund by itself in contravention of the Finance Department's letter.<sup>6</sup> Further, it was also noticed that ₹ 75 crore of Krishi Input was transferred to Director of Agriculture by diversion of fund for diesel subsidy.

- Audit noticed that Udyog Mitra, a society under Department of Industries, kept an amount of ₹ 65.59 crore in their 13 current accounts and two sweep accounts in 10 banks as on 31 March 2019 and did not transfer the same to their PL account as per the resolution of Finance Department, GoB (April 2015).

The Society in its reply (October 2019) stated that they were not aware of the instructions of GoB.

- In Education Department, Bihar State Educational Infrastructure Development Corporation (BSEIDC) had a balance of ₹ 287.92 crore lying unspent in the bank account as on 31 March 2019. However, the same was not transferred to PL account in contravention of Finance Department, GoB resolution (April 2015).

**Recommendation:** The Finance Department should review all PD/PL accounts and ensure that all amounts unnecessarily lying in these accounts are immediately remitted to the Consolidated Fund.

### 3.2 Building and Other Construction Workers Welfare cess

The Building and Other Construction Workers (BOCW) Welfare Board was constituted by the State Government by notification<sup>7</sup> in February 2008. The main function of the Board is to provide funds under various welfare schemes to construction workers of the State. Funds provided to the Board are from collection of one *per cent* cess of total expenditure incurred

<sup>6</sup> Letter no. 3608 dated 09.04.2015 & 7280 dated 14.09.2016

<sup>7</sup> Notification No. 04/F1-302/2006/L.E. 865 dated 18.2.2008

on ongoing construction works under GoI, GoB, Semi-Government and private sector in the State during the financial year.

The Departments were booking the collection of labour cess under Major head 8443- Civil Deposit-108-Public Works Deposits which contains many other receipts apart from labour cess. Consequently, the amount of labour cess collected by various departments could not be ascertained. However, a separate sub-head 8443-00-108-0004 has been opened by the Government in June 2019 for booking labour cess collected by various Departments executing projects involving labour.

### 3.2.1 Expenditure under Labour Cess

As per information furnished by the BOCW Welfare Board (January 2020), their accounts have been finalised only up to 2015-16.

Scrutiny of records of labour cess for the period 2018-19 revealed that there was a difference of ₹ 87.32 crore between the closing balance as on 31 March 2018 (₹ 1,099.06 crore) and opening balance as on 01 April 2018 (₹ 1,186.38 crore). On this being pointed out, the Board stated (January 2020) that the difference was due to non-inclusion of interest amount of ₹ 87.32 crore in the closing balance of 2017-18.

Out of total receipts of ₹ 520.30 crore, ₹ 360.06 crore was received on account of labour cess during 2018-19. Out of this, ₹ 83.39 crore was spent during the year, which included expenditure on welfare schemes (₹ 80.81 crore), administrative expenses (₹ 2.56 crore) and bank charges (₹ 0.02 crore). The scheme-wise expenditure is detailed in **Table 3.3**.

**Table 3.3: Expenditure under different labour welfare schemes during 2018-19**

(₹ in lakh)

| Sl. No       | Name of scheme                    | Prescribed rate for single beneficiary                                                                        | Number of beneficiary | Total expenditure |
|--------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------|-------------------|
| (1)          | (2)                               | (3)                                                                                                           | (4)                   | (5)               |
| 1            | Financial assistance for marriage | 0.5 lakh                                                                                                      | 341                   | 170.50            |
| 2            | Maternity Benefit                 | 0.1 lakh                                                                                                      | 46                    | 4.60              |
| 3            | Death Benefit                     | ₹ 1.0 lakh for natural death, ₹ 2.0 lakh for natural death w.e.f. 2.6.19 and ₹ 4.0 lakh for accidental death. | 59                    | 110.00            |
| 4            | Funeral Assistance                | 0.01 lakh<br>0.05 lakh w.e.f. 1.10.18                                                                         | 37                    | 0.37              |
| 5            | Grant for repair of house         | 0.20 lakh                                                                                                     | 371                   | 74.20             |
| 6            | Disability Pension                | 0.01 lakh                                                                                                     | 11                    | 1.32              |
| 7            | Annual Medical Assistance         | 0.03 lakh                                                                                                     | 2,57,345              | 7,720.35          |
| <b>Total</b> |                                   |                                                                                                               | <b>2,58,173</b>       | <b>8,081.34</b>   |

(Source: Data furnished by the Board)

Out of total available fund of ₹ 1,706.68 crore, only ₹ 83.39 crore (4.89 *per cent*) was spent by the Board. Although 15<sup>8</sup> welfare schemes were being run by the Board, expenditure was incurred only on seven schemes, benefitting 2,58,173 workers (18.60 *per cent* of total 13,87,686 registered workers). As per GoB Gazette notification<sup>9</sup>, an amount of ₹ 3,000/- was to be transferred to the account of every eligible registered construction worker under “Annual Medical Assistance Scheme” through Direct Benefit Transfer (DBT). However, only 2,57,345 workers (18.54 *per cent*) were benefitted under Annual Medical Assistance Scheme out of total registered workers during the year.

The Welfare Board in its reply (December 2019) stated that the rest of the registered construction workers will be benefitted through DBT under Annual Medical Assistance after due scrutiny of their bank accounts.

### 3.2.2 Irregularities in Cash Book

BOCW Welfare Board was maintaining 14 subsidiary cash books (bank account wise) but no consolidated General Cash Book was maintained. As of 31 March 2019, total closing balance of 14 subsidiary cash books was ₹ 503.04 crore whereas total closing balance as per bank accounts was ₹ 531.66 crore resulting in difference of ₹ 28.62 crore. This included difference of ₹ 1.84 crore of subsidiary cash book related to SBI A/c No. 30422296857 since 2014-15 as reflected in the Bank Reconciliation Statement. The Board stated that to sort out the difference correspondence with the bank is in progress.

Finance Department (October 2007) intimated that banks should not charge any amount on transactions of Government money. However, it was noticed that in six bank accounts, bank charges amounting to ₹ 0.02 crore was deducted. The Board stated that correspondence with banks (October 2018 and June 2019) have been made for returning the deducted bank charges.

**Recommendation:** *The Bihar BOCW Welfare Board should ensure timely preparation of accounts and maintain relevant records to fulfil its mandate of improving the working conditions of building and other construction workers and providing adequate financial assistance under applicable schemes to them.*

### 3.3 Opaqueness in accounts

Minor head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque as these heads do not disclose the concerned schemes, programmes etc.

Audit noticed that during 2018-19, ₹ 120.65 crore (0.08 *per cent* of total expenditure of ₹ 1,45,955.06 crore) under 12 revenue and capital Major heads of accounts on the expenditure side was classified under Minor head ‘800- Other Expenditure’ below the respective Major heads.

<sup>8</sup> Grant for purchase of bicycle, Grant for purchase of tools, Medical Assistance to Beneficiaries, Family Pension, cash award, financial assistance for education and paternity benefit.

<sup>9</sup> S.O. 257 dated 4 October 2018 and 268 dated 31 October 2018

Similarly, ₹ 1,460.41 crore (1.11 per cent of Revenue Receipts of ₹ 1,31,793.45 crore) under 43 Revenue Major Heads of accounts on the receipts side (excluding Grants-in-aid) were classified under the Minor head ‘800- Other Receipts’ below the respective Major Heads.

Instances where a substantial proportion (10 per cent or more of the total receipts/expenditure under the related Major head) of the receipts and expenditure were classified under Minor head 800- ‘Other Receipts/ Expenditure’ are detailed in *Appendix 3.2* and *Appendix 3.3* respectively.

Classification of large amounts under the omnibus Minor Head 800-‘Other Receipts/ Expenditure’ reflected lack of transparency in financial reporting.

**Recommendation:** The Finance Department may, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under Minor head 800 and ensure that in future such receipts and expenditure are booked under the appropriate head of accounts.

### 3.4 Outstanding balances under Major Suspense and Remittance Heads

Certain intermediary/adjusting Heads of Account known as 8658-Suspense Heads are operated in Government Accounts to reflect transactions of receipt and payments which cannot be booked to a final Head of Account due to lack of information as to their nature, or for other reasons. The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. The position of gross figures under some major Suspense and Remittance Heads at the end of the last three years is indicated in **Table 3.4**.

**Table 3.4: The position of Suspense and Remittance balances**

(₹ in crore)

| Name of Minor Head                                        | 2016-17              |             | 2017-18              |           | 2018-19              |           |
|-----------------------------------------------------------|----------------------|-------------|----------------------|-----------|----------------------|-----------|
|                                                           | Dr                   | Cr          | Dr                   | Cr        | Dr                   | Cr        |
| 8658-101 - Pay and Accounts Office Suspense               | 296.05               | 0.00        | 335.27               | 0.00      | 314.56               | 0.00      |
| <b>Net</b>                                                | <b>(Dr) 296.05</b>   |             | <b>(Dr) 335.27</b>   |           | <b>(Dr) 314.56</b>   |           |
| 8658-102 - Suspense Accounts (Civil)                      | 4,673.39             | 297.35      | 4,059.01             | 309.73    | 4,408.94             | 452.87    |
| <b>Net</b>                                                | <b>(Dr) 4,376.04</b> |             | <b>(Dr) 3,749.28</b> |           | <b>(Dr) 3,956.07</b> |           |
| 8658-110 - Reserve Bank Suspense- Central Accounts Office | 1,265.00             | 894.60      | 1,276.72             | 894.62    | 1,280.04             | 894.61    |
| <b>Net</b>                                                | <b>(Dr) 370.40</b>   |             | <b>(Dr) 382.10</b>   |           | <b>(Dr) 385.43</b>   |           |
| 8782-102-Public Works Remittances                         | 1,18,943.96          | 1,18,827.32 | 16,469.13            | 15,520.08 | 16,746.56            | 15,838.27 |
| <b>Net</b>                                                | <b>(Dr) 116.64</b>   |             | <b>(Dr) 949.05</b>   |           | <b>(Dr) 908.29</b>   |           |
| 8 7 8 2 - 1 0 3 - Forest Remittance                       | 2,535.84             | 2,318.34    | 2,779.39             | 2,535.37  | 3,146.33             | 2,937.60  |
| <b>Net</b>                                                | <b>(Dr) 217.50</b>   |             | <b>(Dr) 244.02</b>   |           | <b>(Dr) 208.73</b>   |           |

(Source: Finance Accounts for the year 2018-19)

There is net increase of ₹ 206.79 crore (debit) under 8658-102-Suspense Accounts (Civil), ₹ 3.33 crore (debit) under 8658-110-Reserve Bank Suspense-Central Accounts office

and decrease of ₹ 20.71 crore (debit) under 8658-101-Pay and Accounts office suspense, ₹ 40.76 crore (debit) under 8782-102- Public Works Remittances and ₹ 35.29 crore (debit) under 8782-103- Forest Remittance in the year 2018-19 as compared to 2017-18.

If these amounts remain un-cleared, the balances under the Suspense Heads would accumulate and not reflect a true and fair picture of Government's expenditure.

**Recommendation:** Clearance of outstanding balances under Suspense Heads would be required to be vigorously pursued by the Finance Department with the help of the concerned entity.

### 3.5 Delay in finalisation of the accounts of Public Sector Undertakings (PSUs)

The financial statements of the companies for each financial year are required to be finalised within six months of the end of the relevant financial year i.e., by 30 September of the next financial year, in accordance with the provisions under Section 96 (1) read with Section 129(2) of the Companies Act, 2013. Failure to do so may attract penal provisions, under which every responsible officer of the concerned defaulting company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both. As such, the management of Government companies whose accounts are in arrears are liable to pay for any default. Similarly, in case of Statutory Corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts. Further, Indian Accounting Standards (Ind-AS) is the accounting standard adopted by companies in India and issued under the supervision of Accounting Standard Board (ASB) which was constituted as a body in 1977. However, at present Ind-AS is applicable only to six PSUs<sup>10</sup>.

There were 78 State PSUs in Bihar comprising 31 working companies, three Statutory Corporations (all working) and 44 non-working companies including five companies under liquidation as on September 2019.

#### 3.5.1 Arrears of accounts of working PSUs

As of 30 September 2019, out of 34 working (including statutory corporations) PSUs, only one PSU<sup>11</sup> finalised its accounts for 2018-19 while accounts of 15 PSUs were in arrears for one year. The remaining 18 PSUs<sup>12</sup> accounts were in arrears of two to 16 years. Altogether 136 accounts were in arrears in case of working PSUs as detailed in *Appendix 3.4*.

Delay in finalisation of accounts often results in unavailability or loss of crucial records over a period of time, which is fraught with the possibility of misrepresentation of facts, fraud and misappropriation.

<sup>10</sup> Bihar Rajya Pul Nirman Nigam Limited, North Bihar Power Distribution Company Limited, South Bihar Power Distribution Company Limited, Bihar State Power Generation Company Limited, Bihar State Power Transmission Company Limited and Bihar State Power (Holding) Company Limited.

<sup>11</sup> Bihar Grid Company Limited.

<sup>12</sup> At the rate of one account per year.

### 3.5.2 Arrears of accounts of non-working PSUs

In addition to the above, as on 30 September 2019, the accounts of all non-working PSUs were in arrears. Out of 44 non-working PSUs, five PSUs<sup>13</sup> were in the process of liquidation. For the remaining 39 non-working PSUs, 1,084 accounts are in arrears. Bihar State Agro Industries Limited has arrears of one year while accounts of SCADA Agro Business Corporation Ltd and Bihar Fruits and Vegetables Development Corporation Ltd. were in arrears for four years each while in the remaining 36 PSUs 1,056 accounts were in arrears ranging from 10 to 42 years as detailed in *Appendix 3.4*.

Due to non-finalisation of accounts, the C&AG has been unable to perform the supplementary audit of companies as stipulated in the Companies Act, and statutory audit of the Corporations as stipulated in their respective Acts, for periods ranged from one to 42 years.

### 3.5.3 Budgetary support to PSUs whose accounts were in arrears

Even in the absence of accounts to judge the genuineness of demands for financial support from these PSUs, the Government provided regular budgetary support (equity - ₹ 10,232.23 crore, loans - ₹ 3,171.54 crore, capital grants - ₹ 2,410.12 crore and subsidies - ₹ 7,914.08 crore) and accepted liability (guarantee - ₹ 6,753.21 crore) of ₹ 30,481.18 crore in respect of 30 PSUs although their accounts were in arrears as on 31 March 2019 as detailed in *Appendix 3.5*. These PSUs have not finalised their accounts for the last one to 42 years in violation of the provisions of the Companies Act/Acts of the respective Statutory Corporations. The pendency of accounts was more than five years in respect of 17 PSUs. Out of these 30 PSUs, 21 PSUs were loss making. The State Government needs to see if this is value-for-money expenditure, and if such assistance can justifiably be booked as capital expenditure for equity and loans.

**Recommendation:** *The Finance Department should review the cases of all PSUs that have arrears of accounts, ensure that the accounts are made current within a reasonable period, and stop financial support in all cases where accounts continue to be in arrears.*

### 3.6 Non-submission of Utilisation Certificates

Rule 342 of the Bihar Financial Rules 1950 (BFR) stipulate that where grants-in-aid (GIA) are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which, after verification, should be forwarded to the Accountant General (A&E) within 18 months of the drawal of grant, to ensure that the funds have been utilised for the intended purposes.

It was observed, however, that 2,453 UCs amounting to ₹ 55,405.09 crore were outstanding as of 31 March 2019 from 33 departments as detailed in *Appendix 3.6*. Year-wise position of outstanding UCs is shown in **Table 3.5**.

<sup>13</sup> Bihar Finished Leather Ltd., Bihar State Leather Industries Development Corporation Ltd., Kumardhubi Metal Casting and Engineering Ltd., Bihar State Small Industries Corporation Ltd., Bihar State Export Corporation.

**Table 3.5: Details of outstanding UCs**

(₹ in crore)

| Sl. No       | Year(*)      | Number of Utilisation Certificate awaited | Amount           |
|--------------|--------------|-------------------------------------------|------------------|
| 1.           | Upto 2016-17 | 1,812                                     | 19,847.73        |
| 2.           | 2017-18      | 484                                       | 17,895.52        |
| 3.           | 2018-19      | 157                                       | 17,661.84        |
| <b>Total</b> |              | <b>2,453</b>                              | <b>55,405.09</b> |

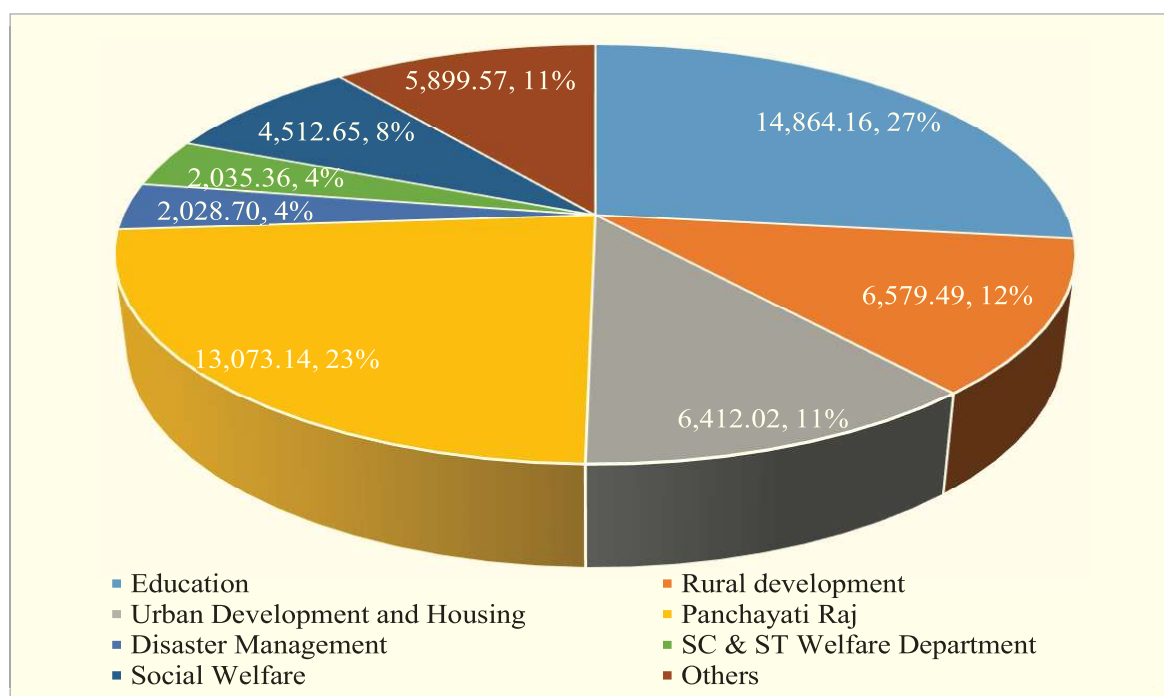
(\* The year mentioned above relates to “Due year” i.e. after 18 months of actual drawal)

(Source: Finance Accounts for the year 2018-19).

Out of the outstanding UCs, 89.35 per cent pertain to seven departments as shown in **Chart 3.1**.

**Chart 3.1: UCs outstanding (Department-wise)**

(₹ in crore)



Though such instances of non-submission of UCs feature in the reports of the C&AG regularly, there has been no improvement in the situation. In many cases, the same recipients continue to receive further grants from the same departments, even while the UCs for earlier grants are pending. High pendency of UCs is fraught with the risk of misappropriation of fund and fraud.

As per the information provided by the Panchayati Raj Department, total outstanding UCs have increased from ₹ 14,174.26 crore in 2014-15 to ₹ 17,119.88 crore as on June 2019. Out of this amount, cent *per cent* outstanding UCs amounting to ₹ 5,753.83 crore were pertaining to 14 different schemes. Besides, ₹ 13,240.39 crore was released without adjustment of outstanding UCs. Further, UCs amounting to ₹ 1,724.54 crore were outstanding (as on 11/07/2019) under nine schemes which are not in operation as given in **Table 3.6**.

**Table 3.6: Outstanding UCs of closed schemes**

(₹ in crore)

| Sl. No.             | Name of Closed Schemes/Heads               | Period of Schemes  | Outstanding UCs Amount |
|---------------------|--------------------------------------------|--------------------|------------------------|
| 1                   | Backward Regional Grant Fund (BRGF) Scheme | 2007-08 to 2014-15 | 250.03                 |
| 2                   | BRGF <i>Kshamtawardhak</i> (IT Cell)       | 2008-09 to 2015-16 | 3.02                   |
| 3                   | BRGF <i>Kshamtawardhak</i> (Training)      | 2009-10 to 2014-15 | 33.18                  |
| 4                   | Integrated Action Plan                     | 2010-11            | 150                    |
| 5                   | 3 <sup>rd</sup> State Finance Commission   | 2007-08 to 2012-13 | 25.01                  |
| 6                   | 4 <sup>th</sup> State Finance Commission   | 2011-12 to 2014-15 | 345.72                 |
| 7                   | 12 <sup>th</sup> Finance Commission        | 2005-06 to 2009-10 | 586.74                 |
| 8                   | 13 <sup>th</sup> Finance Commission        | 2010-11 to 2015-16 | 283.58                 |
| 9                   | <i>Mukhyamatri Gramyoday Plan</i>          | 2012-13 to 2014-15 | 47.26                  |
| <b>Total amount</b> |                                            |                    | <b>1,724.54</b>        |

In respect of the release of grant despite non-receipt of pending UCs, the Department stated (September 2019) that the grant was released after approval of Finance Department. The reply is not acceptable as the relaxation for releasing the grant (February 2019) was with the condition that the Department should submit the pending UCs by 31 March 2019. However, the same was not complied with by the Department.

**Recommendation:** *The Finance Department should ensure that administrative departments collect pending utilisation certificates within the prescribed time frame and till such time, administrative departments should not release further grants to defaulting grantees.*

### 3.7 Outstanding Abstract Contingent (AC) bills

Rule 177 of Bihar Treasury Code (BTC), 2011 provides that a certificate shall be furnished by the DDO to the effect that money withdrawn on Abstract Contingent (AC) bill shall be spent within the same financial year and that the unspent amount shall be remitted to the Treasury before 31 March of that year. Further, as per Rule 194 of the BTC, 2011, countersigned DC bill along with vouchers in support of the final expenditure shall be submitted to the Accountant General (A&E) within six months following the month in which the AC bill was drawn and no AC bill shall be encashed after the end of this period of six months unless DC bill has been submitted. Delayed submission or prolonged submission of DC bills renders the expenditure under AC bills opaque.

Details of outstanding AC bills awaiting adjustment as on 31 March 2019 are given in **Table 3.7**.

**Table 3.7: Details of drawal and adjustment of AC bills**

(₹ in crore)

| Year         | AC bills drawn during the year |                  | DC bills adjusted during the year |                  | AC bills pending for adjustment |                 |
|--------------|--------------------------------|------------------|-----------------------------------|------------------|---------------------------------|-----------------|
|              | No. of bills                   | Amount           | No. of bills                      | Amount           | No. of bills                    | Amount          |
| Upto 2016-17 | 1,02,717                       | 44,796.59        | 89,894                            | 42,204.84        | 12,823                          | 2,591.75        |
| 2017-18      | 1,540                          | 2,906.91         | 281                               | 313.71           | 1,259                           | 2,593.20        |
| 2018-19      | 1,453                          | 631.50           | 40                                | 45.90            | 1,413*                          | 585.60          |
| <b>Total</b> | <b>1,05,710</b>                | <b>48,335.00</b> | <b>90,215</b>                     | <b>42,564.45</b> | <b>15,495</b>                   | <b>5,770.55</b> |

\* 1,380 AC bills amounting to ₹ 553.20 crore out of 1,413 AC bills will be due after 31 March 2019.

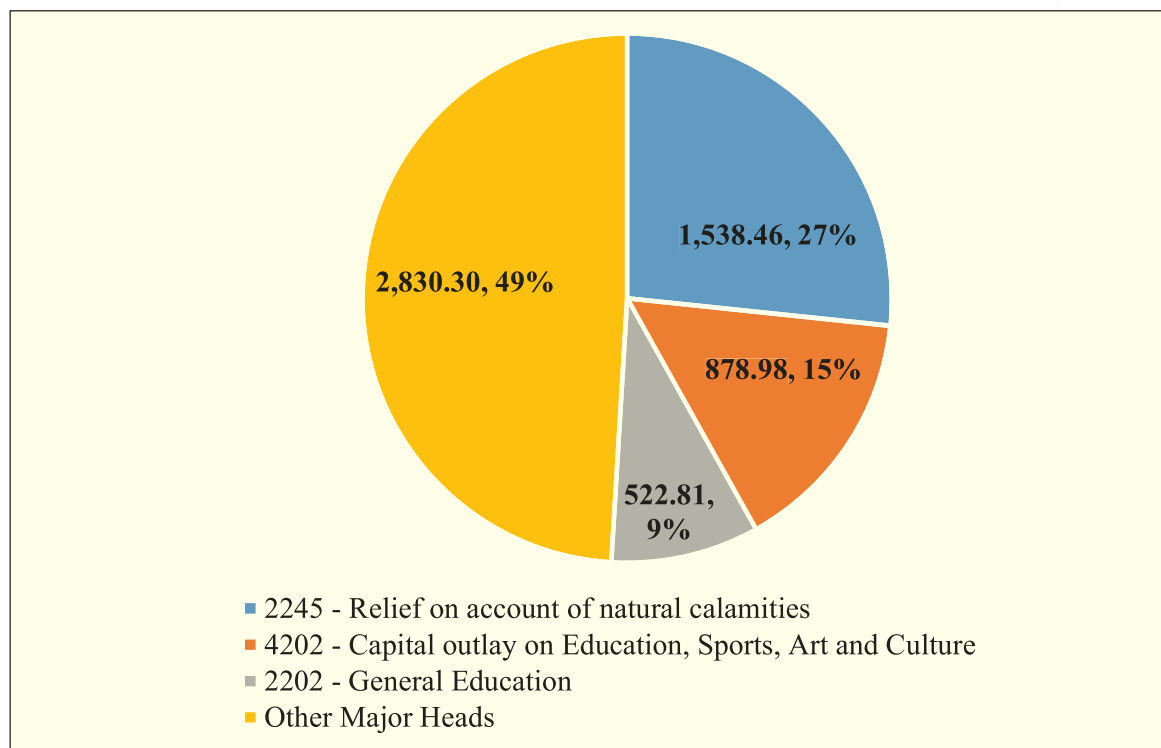
(Source: Finance Accounts 2018-19)

It was observed that 1,453 AC bills of ₹ 631.50 crore were drawn during 2018-19 of which 1,140 bills amounting to ₹ 296.97 crore (47.03 *per cent* of the total amount drawn against AC bills during the year) were drawn in March 2019 alone, and of this 28 AC bills amounting to ₹ 2.16 crore was drawn on the last day of financial year. 1,413 DC bills amounting to ₹ 585.60 crore were not submitted before the close of the financial year 2018-19. Therefore, there is no assurance that the amount of ₹ 585.60 crore has actually been incurred during the financial year for the purpose for which it was sanctioned/authorised. This is a possible overstatement of the expenditure in the year 2018-19. Advances drawn and not accounted for increased the possibility of wastage/misappropriation/malfeasance etc.

Out of the total unadjusted AC bills of ₹ 5,770.55 crore, ₹ 2,940.25 crore (50.95 *per cent*) pertains to three Major heads as detailed in **Chart 3.2**:

**Chart 3.2: Major head-wise unadjusted AC bills**

(₹ in crore)



**Recommendation:** The Finance Department should ensure that all controlling officers adjust AC bills pending beyond the prescribed period in a time-bound manner; and also ensure that AC bills are not drawn merely to avoid lapse of budget. Disciplinary action may be initiated against officers/officials who draw funds on AC bills to avoid lapse of budget.

### 3.8 Non-reconciliation of investment / loans / guarantees

Scrutiny of information provided by the PSUs with respect to the Finance Accounts for the year 2018-19 revealed that there was a difference in the figures as shown in **Table 3.8** below (Details provided in **Appendix 3.7**):

**Table 3.8: Non-reconciliation of investment/loans/guarantees during 2018-19**  
(₹ in crore)

| Sl. no | Particulars | Figures as per Finance Accounts | Figures as per PSUs | Difference |
|--------|-------------|---------------------------------|---------------------|------------|
| 1      | Investment  | 27,141.01                       | 35,742.52           | 8,781.32   |
| 2      | Loans       | 4,074.64                        | 4,858.55            | 3,410.45   |
| 3      | Guarantees  | 5,034.60                        | 4,923.11            | 5,252.45   |

(Source: Finance Accounts of the year 2018-19 and information received from PSUs)

The differences noticed in figures of investments, loans and guarantees are under reconciliation.

**Recommendation:** The Finance Department and the concerned administrative departments should work closely with the Accountant General (A&E) to reconcile the differences in records and accounts relating to State Government investments, loans and guarantees extended to different State Government PSUs.

### 3.9 Less payment of interest on deposits

The State Government was required to pay interest on balances of deposits appearing under heads 8011-106- Insurance and Pension Fund (₹ 41.32 crore) and 8342-Other deposits-117-Defined Contribution Pension Scheme for Government Employees (₹ 86.96 crore) as on 31 March 2018. The Public Account relating to these heads had a total balance of ₹ 128.28 crore. Interest payable on these deposits was ₹ 10.26 crore for the year 2018-19 against which ₹ 6.52 crore has been paid. Consequently, the revenue surplus for 2018-19 was overstated by ₹ 3.74 crore as shown in **Paragraph 3.11**.

**Recommendation:** The Finance Department should book interest due in respect of all interest bearing deposits.

### 3.10 Adjustment of Interest on General Provident Fund (GPF)

The State Government has not discharged interest liability on General Provident Fund completely as required, as given in **Table 3.9** below:

**Table 3.9: Details of balances under General Provident Fund**

(₹ in crore)

| GPF Category                      | Balance at the beginning of 2018-19 | Interest due  | Interest credited |
|-----------------------------------|-------------------------------------|---------------|-------------------|
| General Provident Fund            | 10,136.27                           | 810.90        | 407.37            |
| All India Services Provident Fund | 214.55                              | 17.16         | 12.00             |
| <b>Total</b>                      | <b>10,350.82</b>                    | <b>828.06</b> | <b>419.37</b>     |

(Source: Finance Accounts for the year 2018-19)

Less provision of interest of ₹ 408.69 crore may lead to adverse balances in the fund. Consequently, the revenue surplus for 2018-19 was overstated by ₹ 408.69 crore as shown in **Paragraph 3.11**.

### 3.11 Impact on Revenue Surplus and Fiscal Deficit

As per the Finance Accounts, the impact of incorrect accounting of expenditure and revenue resulted in overstatement of revenue surplus and understatement of fiscal deficit to the tune of ₹ 600.75 crore each as given in **Table 3.10** below:

**Table 3.10: Impact on Revenue Surplus and Fiscal Deficit**

(₹ in crore)

| Sl. No.          | Item                                                                   | Impact on Revenue Surplus   |                 | Impact on Fiscal Deficit     |                 |
|------------------|------------------------------------------------------------------------|-----------------------------|-----------------|------------------------------|-----------------|
|                  |                                                                        | Over statement              | Under statement | Over statement               | Under statement |
| 1.               | Less credit of interest on interest bearing Reserve Funds and Deposits | 3.74                        | -               | -                            | 3.74            |
| 2.               | Less adjustment of interest on General Provident Fund (GPF)            | 408.69                      | -               | -                            | 408.69          |
| 3                | New Pension Scheme                                                     | 188.32                      | -               | -                            | 188.32          |
| <b>Total Net</b> |                                                                        | <b>Overstatement 600.75</b> |                 | <b>Understatement 600.75</b> |                 |

(Source: Finance Accounts for the year 2018-19)

In view of the above, the revenue surplus and fiscal deficit of the State which was ₹ 6,896.65 crore and ₹ 13,806.76 crore would actually be ₹ 6,295.90 crore and ₹ 14,407.51 crore respectively. The overall impact on the performance of the State is discussed in **Paragraph 1.1.2**.

### 3.12 Unadjusted temporary advances and imprest

As per Rule 177 of Bihar Treasury Code 2011, if money is drawn in advance, 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 DDO 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.

It was noticed that temporary advances drawn by the DDOs of Works divisions of eight departments/organisations, amounting to ₹ 184.52 crore were pending for adjustment as of 31 March 2019 which was liable to be refunded to the treasury before the end of the financial year. Further, an amount of ₹ 25.46 crore was also kept in these Works divisions as imprest. Department/ Organisation-wise advances and imprest pending upto 31 March 2019 is given in **Table 3.11**.

**Table 3.11: Unadjusted temporary advances and imprest as on 31 March 2019**

(₹ in crore)

| Sl. No. | Name of the Departments             | Temporary advance | Imprest      | Total         |
|---------|-------------------------------------|-------------------|--------------|---------------|
| 1.      | Building Construction               | 5.45              | 7.08         | 12.53         |
| 2.      | Irrigation                          | 25.25             | 1.65         | 26.90         |
| 3.      | National Highways                   | 0.78              | 0.09         | 0.87          |
| 4.      | Public Health Engineering           | 8.15              | 0.48         | 8.63          |
| 5.      | Road Construction                   | 67.43             | 0.29         | 67.72         |
| 6.      | Rural Works                         | 5.96              | 10.31        | 16.27         |
| 7.      | Local Area Engineering Organisation | 59.48             | 5.33         | 64.81         |
| 8.      | Minor Water Resources               | 12.02             | 0.23         | 12.25         |
|         | <b>Total</b>                        | <b>184.52</b>     | <b>25.46</b> | <b>209.98</b> |

(Source: Finance Accounts for the year 2018-19)

**Recommendation:** The Finance Department and the concerned administrative departments should review all unadjusted temporary advances and imprest, initiate action for their immediate adjustment, and take disciplinary action against officials/officers who have not adjusted/refunded the temporary advances and imprest within the stipulated time.

### 3.13 Apportionment of balances on reorganisation of the State

Balances under Capital (MH 4059 to 5475), Loans and Advances (MH 6202 to 7615) and the balances under Part-III Public Account (except deposits with Reserve Bank) amounting to ₹ 11,148.69 crore remain to be apportioned between the successor States of Bihar and Jharkhand, almost two decades after the reorganisation of the composite State of Bihar with effect from 15 November 2000.

Further, it was decided (September 2005) to divide the assets and liabilities of then existing 12 PSUs<sup>14</sup> between Bihar and Jharkhand. This exercise has, however, been completed only in respect of five PSUs<sup>15</sup> as of September 2019.

**Recommendation:** *The State Government should expedite the apportionment of balances of ₹ 11,148.69 crore between the two successor States of Bihar and Jharkhand.*

**Patna**  
**The 02 August 2020**



**(Dr. NILOTPAL GOSWAMI)**  
**Pr. Accountant General (Audit), Bihar**

### COUNTERSIGNED

**New Delhi**  
**The 05 August 2020**



**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

<sup>14</sup> Bihar State Credit & Investment Corporation Limited, Bihar State Backward Classes Finance & Development Corporation, Bihar State Text Book Publishing Corporation Limited, Bihar State Financial Corporation, Bihar State Minorities Finance Corporation Limited, Bihar State Food and Civil Supplies Corporation Limited, Bihar Hill Area Lift Irrigation Corporation Limited, Bihar Rajya Beej Nigam Limited, Bihar State Hydroelectric Power Corporation Limited, Bihar State Tourism Development Corporation Limited, Bihar State Warehousing Corporation and Bihar State Mineral Development Corporation Limited.

<sup>15</sup> Bihar Rajya Beej Nigam Limited, Bihar State Hydroelectric Power Corporation Limited, Bihar State Tourism Development Corporation Limited, Bihar State Warehousing Corporation and Bihar State Mineral Development Corporation Limited.