
Chapter 1: Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from three performance reviews, Chief Controlling Officer (CCO) based Audit of one department as well as compliance audit of transactions of the various departments of the Government of West Bengal.

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

Performance audit or value for money audit involves comprehensive review of the projects, programmes, schemes, organisations, etc. in terms of their goals and objectives. It aims at ascertaining the extent to which the expected results have been achieved from the available resources of money, men and materials expended. In the process it evaluates the economy, efficiency and effectiveness of development schemes, projects or organisations both financially and socio-economically.

The primary purpose of this Report is to bring to the notice of the Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit 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.

This chapter, in addition to explaining the authority, planning and extent of audit, provides a synopsis of significant audit observations, a brief analysis of the expenditure of the Government for the last three years, budget and expenditure controls of the Government, response of Government to draft paras/reviews and follow up action on Audit Reports. Chapters 2 and 3 present findings/ observations arising out of the performance review of Public Distribution System, Kolkata Environmental Improvement Project and West Bengal Fire and Emergency Services as well as compliance audit of various departments. The findings of Chief Controlling Officer based audit of Animal Resources Development Department have been highlighted in Chapter 4 of the Report.

1.2 Auditee profile

There are 56 Departments in the State, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers. Office of the Principal Accountant General (Audit), West Bengal conducts audit of 2817 units of various levels under those Departments. Besides, this office audits 101 bodies/authorities either substantially financed from the Consolidated fund of the State or audit

of which have been entrusted by the Government under various sections of the CAG's DPC (Duties, Powers and Conditions of Service) Act, 1971.

The Works Audit Wing in the Office of the Accountant General (Receipt, Works and Local Bodies Audit), West Bengal is responsible for audit of 10 Departments and Directorates of the Government of West Bengal and four autonomous bodies (total 635 units spread all over the State).

The comparative position of expenditure incurred by the Government of West Bengal during the year 2009-10 and in the preceding two years is given in **Table 1.1**.

Table 1.1: Comparative position of expenditure for 2007-08 to 2009-10

(Rupees in crore)

Particulars	2007-08			2008-09			2009-10		
	Non-Plan	Plan	Total	Non-Plan	Plan	Total	Non-Plan	Plan	Total
Revenue expenditure									
General services	18794.27	72.31	18866.58	20700.51	74.93	20775.44	26251.04	105.75	26356.79
Social services	9409.30	4053.70	13463.00	10823.92	5560.90	16384.82	17243.86	6752.10	23995.96
Economic services	2947.45	2606.36	5553.81	11637.21	2388.20	14025.41	4637.01	3104.83	7741.84
Grants-in-aid	411.83	19.20	431.03	406.38	21.26	427.64	398.20	7.09	405.29
Total	31562.85	67515.57	38314.42	43568.02	8045.29	51613.31	48530.11	9969.77	58499.88
Capital expenditure									
Capital Outlay	19.25	2668.48	2687.73	(-) 23.68	3728.98	3705.30	128.22	2882.84	3011.06
Loans and Advances disbursed	46.98	1015.14	1062.12	64.40	695.25	759.65	-320.80	1073.24	752.44
Payment of Public Debt	4579.80	-	4579.80	4854.86	-	4854.86	7672.07	-	7672.07
Public Accounts disbursement	49076.77	-	49076.77	54915.45	-	54915.45	65056.63	-	65056.63
Total	53722.80	3683.62	57406.42	59811.03	4424.23	64235.26	72536.12	3956.08	76492.20
Grand Total	85285.65	71199.19	95720.84	103379.05	12469.52	115848.57	121066.23	13925.85	134992.08

Source : Finance Accounts

1.3 Authority for Audit

The Comptroller and Auditor General of India has been empowered to conduct audit in accordance with Articles 149 and 151 of the Constitution of India and C&AG's DPC Act, 1971. C&AG conducts audit of expenditure of State Government departments under Section 13¹ of the C&AG's DPC Act. Besides, there are units audited under Sections 14² (61 units), 19³ (33 units) and 20 (1)⁴ (11 units) of the said Act. The principles and methodology adopted for audit are prescribed in the Regulation of Audit & Accounts, 2007, Auditing Standards and Performance Audit guidelines issued by the Indian Audit & Accounts Department.

¹ Audit of (i) all expenditure from the Consolidated Fund of State (ii) all transactions relating to Contingency Funds and Public accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets & other subsidiary accounts.

² Several non-Commercial Autonomous/ Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment etc. and substantially financed by the Government, are audited under Section 14.

³ Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations or as per request of the Governor of the State in the public interest.

⁴ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed up on between the C&AG and the Government

1.4 Organisational Structure/Jurisdiction of Audit Office

The Inspection Civil Wing of the Office of the Pr. Accountant General (Audit), West Bengal conducts audit of all expenditure incurred by Civil Departments (except those covered by the Works Audit wing) of the State Government, Autonomous Bodies and authorities, etc. (total 2918 units spread all over the State). The Works Audit Department under the Accountant General (Receipt Works & Local Bodies Audit), West Bengal is responsible for the audit of 10⁵ Departments/ Directorates of the Government of West Bengal and four Autonomous Bodies comprising 635 units.

1.5 Planning and Conduct of Audit

Compliance audit is conducted as per the annual audit plan. The units are selected on the basis of risk assessment. Areas taken up are selected on the basis of topicality, financial significance, social relevance, internal control system of the units, occurrence of defalcation/misappropriation/embezzlement as well as findings of previous Audit Reports. Apart from the above parameters, all departmental, important directorates and district level units are audited annually so that fund flow to their subordinate formations comes to the notice of Audit.

Inspection Reports are issued to the heads of units after completion of audit. Based on replies received, audit observations are either settled or further action for compliance is advised. Important audit findings are processed further as draft paragraphs for inclusion in the Audit Report of C&AG.

In case of Performance Audit and CCO based Audit, objectives and criteria are framed and discussed in entry conferences with the concerned organisation. After conducting of audit, the draft report is issued to the concerned Department. Formal replies furnished by the Department as well as views expressed by the Heads of Departments in exit conferences are carefully considered while finalising the material for inclusion in the Audit Report. Audit Reports are laid before the State Legislature under Article 151 of the Constitution of India.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, which impact the success of programmes. Topics of such performance Audits featuring in the recent years' State Civil Audit Reports included the flagship programmes of immense social relevance, namely, National Rural Health Mission, Sarva Shiksha Abhiyan, Nutritional Support to Primary Education (Mid Day Meal), Accelerated Rural Water Supply Programme, etc. Besides, the deficiencies noticed during assessment of internal control mechanism of some Government departments as well as during compliance audit of the Government departments/ functionaries were also reported.

⁵ *Public Works, Public Works (Roads), Public Works (Construction Board), Housing, Irrigation & Waterways, Public Health Engineering, Sunderban Affairs, Urban Development, Water Resource Investigation and Development and Municipal Engineering*

1.6.1 Performance audits of programmes/activities/department

The present report contains three performance audits (in Chapter 2) and CCO based audit of Animal Resources Development Department for the years 2005-10 (Chapter 4).

The major observations arising out of the performance audits and CCO based audit are outlined in the following paragraphs.

(i) Public Distribution System (PDS)

Government of India (GoI) introduced the Targeted Public Distribution System (TPDS) in June 1997 for providing foodgrains to BPL families at specially subsidised prices. Subsequently in December 2000, GoI launched Antyodaya Anna Yojana (AAY) for identification of poorest of the poor families amongst BPL families covered under TPDS and provision of foodgrains at highly subsidised rates. Various deficiencies in financial management as well as significant operational deficiencies in operation of the scheme were noticed in audit. Management of cash credit account was deficient, as parking of high cost credit funds in current accounts or with procurement agencies, delayed remittance of GoI subsidy by Finance Department to Food and Supplies Department, failure in preparation of Annual Accounts of PDS leading to non-accrual of full GoI subsidy led to avoidable payment of interest of ₹ 63.27 crore on cash credit account. Due to non-achievement of the target of identification of AAY families, more than three lakh families were denied benefit of AAY, while 1.93 lakh eligible families, though identified, were deprived of benefit of the scheme due to non-issue of AAY ration cards.

On the operational side, in the absence of adequate monitoring over functioning of rice mills in the State, the department could not achieve the target of procurement of rice during 2005-10. The department sustained loss towards distribution of foodgrains due to non-recovery of dues towards additional transport charges and short-delivered food grains from Food Corporation of India and transport contractors. Sample check also disclosed various deficiencies in functioning of Fair Price Shops. Inaction on the part of the Department towards repair of the damaged godowns led to 42 godowns and four food storage depots remaining unutilised for years together.

(ii) Kolkata Environmental Improvement Project (KEIP)

Kolkata Environmental Improvement Project (KEIP), financed by an ADB loan, is being executed by Kolkata Municipal Corporation (KMC) and Government of West Bengal (GoWB) jointly to arrest the environmental degradation and improve the quality of life in the outer boroughs of Kolkata Metropolitan Area.

Audit observed that the main objectives of the project could not be fully realised (June 2010) despite incurring an expenditure of ₹ 967.07 crore (54 per cent of total project cost) due to deficiencies in planning, contract management and ineffective monitoring. The Project Management Units, mandated for overall management of the project, were not mobilised fully till 2005 causing

subsequent delay in planning, tendering and project execution. The Project authority did not prepare any comprehensive plan based on adequate survey and investigation. The survey and investigation required to be carried out by the Design & Supervision Consultant was not done; instead, the same was carried out by the working contractors after finalisation of estimates. Implementation and monitoring of resettlement process was not satisfactory as 24 per cent of the affected families were not resettled till November 2010 causing delay in commencement of Canal Improvement works. Only 14 out of 42 work packages in Sewerage and Drainage component were completed. Augmentation works of two STPs have been suspended due to non assessment of plants and equipments before commencement leading to pollution load on the river Hooghly Functioning of Project Steering Committee to oversee the implementation of the project was not effective as regular meetings were not held. Internal control systems were also weak.

(iii) Performance Audit of West Bengal Fire and Emergency Services (WBFES)

The basic responsibility of West Bengal Fire and Emergency Services (WBFES) encompasses maintenance of fire brigades, licensing of warehouses, inspection of high risk buildings to provide assurance of adherence to fire safety norms, etc. Performance review of WBFES was aimed at assessment of the level of its preparedness keeping pace with the changing scenario of urbanisation, increase in population density etc. Several areas of concern relating to operational and management deficiencies were identified, which may potentially affect the level of preparedness.

Though roadmap for construction and upgradation of new FSs was spelt out repeatedly in the Budget speeches, laxity on the part of WBFES in pursuing with implementing agencies to get the construction of Fire Services buildings completed had rendered the progress of work slow. There were instances of delay in receiving fire tenders even after releasing payments, which had also impacted the preparedness in regard to availability of fire tenders. Moreover, insufficient monitoring and absence of data base on availability of fire tenders/safety appliances at fire stations compromised preparedness.

Manpower management also remains to be a matter of concern, as shortage of operational staff coupled with absence of periodic in-service refresher training affects the operational efficiency of fire personnel.

Though development authorities of new townships had started adopting fire safety clauses in addition to standing Municipal Laws, activities of WBFES as regards fire prevention and protection in high risk buildings was not proactive, rather it was dependent upon initiative of the building owners.

(iv) Chief Controlling Officer based Audit of Animal Resources Development Department

Animal Resources Development (ARD) Department aims to produce quality animal resources and products to usher in sustainable improvement in the quality of life of rural people.

CCO based audit of ARD department disclosed several institutional weaknesses like ineffective monitoring mechanism, inadequate control over the properties, especially land, leading to encroachments, absence of periodical review of departmental manpower and vacancies in key functionaries along with staff of closed units not being gainfully deployed, etc.

Examination of level of compliance to rules and regulations on the part of the department also showed various instances of breach of provisions of West Bengal Treasury Rules and West Bengal Financial Rules as well as inadequacies in store management. This included retention of departmental receipts out of Government account, parking of scheme funds in the deposit account of a Government company etc.

On the service delivery front widening gap was noticed between requirement and production of milk, meat and eggs. Shortcomings in the execution of schemes adversely affected their outcome. Implementation of schemes suffered due to lack of planning and initiative on the part of implementing authorities, and delay in release and diversion of funds. Health services suffered due to non-functional Animal Development Aid Centres (ADACs) and owing to shortage of medicines for prolonged periods in animal health centres.

1.6.2 Compliance audit

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of Government departments/organisations. These are broadly categorised and grouped as (i) audit of non-compliance with rules, (ii) audit against propriety/expenditure without justification, (iii) persistent/pervasive irregularities and (iv) failure of oversight/governance.

Some important observations arising out of compliance audit are illustrated below:

Member of Parliament Local Area Development Scheme (MPLADS): MPLADS, a scheme fully funded by the Government of India, (GoI) was introduced in December 1993 enabling Members of Parliament (MPs) to recommend works creating durable community assets. Scrutiny of records of Development and Planning department and district nodal authorities of five selected districts (comprising 30 MPs) including Kolkata relating to 14th Lok Sabha and Rajya Sabha MPs for the period from 2004-05 to 2009-10 disclosed various instances of irregularities and deviation of guidelines. Though MPLADS works were required to be completed within a year of sanction, works were found incomplete ever after five years from the year of recommendation. Works remained incomplete as sanctioned amounts were less than estimated cost. Substantial amounts of scheme funds were spent on inadmissible works, works were executed through beneficiary institutions leading to misappropriation of funds without creation of asset. Implementing Agencies did not maintain separate bank accounts for each MP violating the scheme guidelines. Interests earned on scheme funds were not refunded. Unspent balances of former Rajya Sabha MPs had not been distributed

amongst the successor Rajya Sabha MPs. Oversight by the nodal department was inadequate affecting implementation adversely.

Paragraph 3.1.1

Failure to adhere to technical norms in road construction under Housing and Public Works Department resulted in wasteful expenditure of ₹ 2.24 crore and avoidable expenditure of ₹ 2.94 crore.

Paragraph 3.1.2

West Bengal Industrial Development Corporation Limited unauthorisedly retained ₹ 10.63 crore towards processing fees from subsidy released by the State Government for disbursement to power intensive industries of the State.

Paragraph 3.1.3

The Superintendent, Sub Divisional Hospital, Islampur procured medicines from non-approved firms at higher rates in violation of the guidelines of Director of Health Services incurring an extra expenditure of ₹ 1.21 crore. Expenditure on purchase of medicines exceeded the allotment persistently, highlighting absence of any control by the Directorate of Health Services

Paragraph 3.1.4

Non-collection of administrative cost by Land and Land Reforms Department in violation of revised land acquisition procedure led to loss of Government revenue amounting to ₹ 73.90 lakh

Paragraph 3.1.6

Kolkata Metropolitan Development Authority's (KMDA) decision to revoke cancellation of long term lease of land led to loss of ₹ 3.10 crore

Paragraph 3.2.1

Failure of Public Works Department (PWD) to realise rent on unauthorised hoardings on roadside land coupled with non-realisation of licence fee on hoarding led to loss of revenue of ₹ 3.65 crore.

Paragraph 3.2.2

The Public Health Engineering Department deliberately terminated a valid contract for procurement of pipes leading to undue financial benefit of ₹ 6.63 crore to a supplier.

Paragraph 3.2.3

Failure in taking necessary measures by Hooghly River Bridge Commissioners and KMDA to optimise revenue generation from toll tax, coupled with flawed decision, resulted in loss of ₹ 18 crore.

Paragraph 3.2.4

Procurement of sophisticated medical equipments by the Health and Family Welfare Department without arranging for required infrastructure resulted in equipment worth ₹ 1.98 crore remaining non-operational.

Paragraph 3.4.2

Failure of the Directorate of Health Services to arrange for alternative storage facility and ensure uninterrupted maintenance coverage for the Walk-in-Fridge coupled with inherent system deficiencies, led to damage of 31.92 lakh doses of oral polio vaccine.

Paragraph 3.4.3

1.7 Budget and expenditure controls

A summary of Appropriation Accounts for 2009-10 in respect of the Government of West Bengal is given in **Table 1.2**.

Table 1.2 : Summary of Appropriation Accounts for 2009-10 (₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	47003.99	3126.05	50130.04	45730.41	(-) 4399.63
	II Capital	4490.74	523.46	5014.20	3214.92	(-) 1799.28
	III Loans and Advances	911.60	31.82	943.42	752.44	(-) 190.98
	IV. Public Debt	-	-	-	-	-
Total Voted		52406.33	3681.33	56087.66	49697.77	(-) 6389.89
Charged	IV Revenue	14010.57	120.36	14130.93	14129.68	(-) 1.25
	V Capital	-	12.38	12.38	12.04	(-) 0.34
	VI Public Debt- Repayment	14562.39	122.33	14684.72	16996.62	(+) 2311.90
Total Charged		28572.96	255.07	28828.03	31138.34	(+) 2310.31
Grand Total		80979.29	3936.40	84915.69	80836.11	(-) 4079.58

Source : Appropriation Accounts

The overall saving of ₹ 4079.58 crore was the result of saving of ₹ 7572.48 crore in 38 grants and 25 appropriations under Revenue Section and 41 grants and 17 appropriations under Capital Section, offset by excess of ₹ 3492.90 crore in 16 grants under Revenue Section and eight grants under Capital Section.

1.7.1 Excess expenditure over available provisions

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. Regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). Excess expenditure amounting to ₹ 28906.54 crore for the years 2003-2009 was yet to be regularised. Moreover, during 2009-10, excess expenditure amounting to ₹ 3492.90 crore under 18 grants and six appropriations was incurred from the Consolidated Fund of the State over the amounts authorised by the State Legislature during 2009-10 which also requires regularisation.

1.7.2 Unnecessary/excessive/inadequate supplementary provision

Supplementary provision aggregating ₹ 316.29 crore obtained in 18 cases (₹ 10 lakh or more in each case) during 2009-10 proved unnecessary as the expenditure did not come up to the level of original provision. On the other hand, in 14 cases, supplementary provision of ₹ 1855.25 crore made during

the year proved insufficient by more than ₹ one crore in each case leaving an aggregate uncovered excess expenditure of ₹ 3171.95 crore.

1.8 Response of the Ministries/Departments to Draft Audit Paragraphs

Finance (Budget) department issued directions to the departments in June 1982 to send their response to draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within one month.

The Draft paragraphs are forwarded to the Secretaries of the Ministries/ departments concerned drawing their attention to the audit findings and requesting them to send their response within prescribed time frame. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India, which are placed before the Legislature, it would be desirable to include their comments in the matter.

Draft Paragraphs proposed for inclusion in this report were forwarded to the Secretaries concerned between March 2010 and November 2010 through letters addressed to them personally.

The concerned Ministries/Departments did not send replies to 14 out of 22 Paragraphs/ Reviews featured in Chapters 2 to 4. The responses of concerned Ministries/Departments received in respect of 8 paragraphs have been suitably incorporated in the Report.

1.9 Follow up on Audit Reports

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India, Government of West Bengal upto 2008-2009 revealed that Action Taken Notes on 287 paragraphs (selected: 32 from 1997-1998 to 2008-2009 and not selected: 255 from 1981-1982 to 2008-2009) involving 41 Departments remained outstanding as of September 2010.

Action Taken Notes on 28 Reports of the PAC, presented to the Legislature between 1991-92 and 2009-10 had not been submitted by 16 Departments to the Assembly Secretariat as of September 2010. The matter has been discussed in detail in para 3.3.2 of this Report.