
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 performance audit of selected programmes/ activities and Government organisations and compliance audit of Government Departments and autonomous bodies.

Compliance audit refers 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. On the other hand, performance audit examines whether the objectives of the programme/activity/department are achieved economically and effectively.

District-centric audit assesses the status and impact of implementation of various socio-economic developmental activities in the district and evaluates improvement in the quality of life of the people.

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.

Chapter 1, 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. Chapter 2 of this Report contains audit of selected programmes/Government organisations. Chapter 3 contains observations on compliance audit of various departments and their functionaries. The findings of Chief Controlling Officer based audit of Water Resources Investigation and Development Department have been highlighted in Chapter 4 of the Report.

1.2 Profile of audited entities

There are 57 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 2770 units of various levels under those Departments. Besides, this office audits 108 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

11 Departments of the Government of West Bengal and four autonomous bodies (total 659 units spread all over the State).

The comparative position of expenditure incurred by the Government of West Bengal during the year 2010-11 and in the preceding two years is given in **Table 1.1**.

Table 1.1: Comparative position of expenditure for 2008-09 to 2010-11

(Rupees in crore)

Particulars	2008-09			2009-10			2010-11		
	Non-Plan	Plan	Total	Non-Plan	Plan	Total	Non-Plan	Plan	Total
Revenue expenditure									
General services	20700.51	74.93	20775.44	26251.04	105.75	26356.79	28569.06	111.35	28680.41
Social services	10823.92	5560.90	16384.82	17243.86	6752.10	23995.96	18753.81	8589.28	27343.09
Economic services	11637.21	2388.20	14025.41	4637.01	3104.83	7741.84	4764.88	3325.62	8090.50
Grants-in-aid	406.38	21.26	427.64	398.20	7.09	405.29	403.65	20.51	424.16
Total	43568.02	8045.29	51613.31	48530.11	9969.77	58499.88	52491.40	12046.76	64538.16
Capital expenditure									
Capital Outlay	(-) 23.68	3728.98	3705.30	128.22	2882.84	3011.06	(-)6.08	2231.83	2225.75
Loans and Advances disbursed	64.40	695.25	759.65	-320.80	1073.24	752.44	71.16	336.57	407.73
Payment of Public Debt	4854.86	-	4854.86	7672.07	-	7672.07	6846.29	-	6846.29
Public Accounts disbursement	54915.45	-	54915.45	65056.63	-	65056.63	74227.77	-	74227.77
Total	59811.03	4424.23	64235.26	72536.12	3956.08	76492.20	81139.14	2568.40	83707.54
Grand Total	103379.05	12469.52	115848.57	121066.23	13925.85	134992.08	133630.54	14615.16	148245.70

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 (103 units) and 20 (1)⁴ (16 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.

1.4 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 2878 units spread all over the State). The Works Audit wing under the Accountant General (Receipt Works

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.

& Local Bodies Audit), West Bengal is responsible for the audit of 11⁵ Departments/ Directorates of the Government of West Bengal and four Autonomous Bodies comprising 659 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. Audits 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 audit, the draft report is issued to the concerned Department. Observations arising out of audit effort are also discussed with the Departmental heads in exit conference.

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 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. 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.

1.6.1 Performance audits of programmes/activities/department

The present report contains two performance audits viz. District Audit of Dakshin Dinajpur and Working of Siliguri Jalpaiguri Development Authority and Chief Controlling Officer (CCO) based audit of Water Resources Investigation and Development Department.

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

⁵ Forests, Housing, Irrigation & Waterways, Municipal Engineering, Public Health Engineering, Public Works, Public Works (Roads), Public Works (Construction Board), Sunderban Affairs, Urban Development and Water Resources Investigation & Development Departments.

(i) District-centric Audit of Dakshin Dinajpur

In recognition of the importance accorded by the Planning Commission, Government of India, for a district-centric approach to devolution of finances towards integrated local area development, a district-centric audit of Dakshin Dinajpur District was carried out to assess the status and impact of implementation of various socio-economic developmental activities in the District during 2006-2011 and to evaluate improvement in the quality of life of the people. The review covered key Social Sector programmes relating to health, education and housing, water supply and Economic Sector programmes relating to creation of roads, infrastructure development, employment generation, electrification of villages.

While audit observed some positive trends in the health and education, there are quite a few areas that have been flagged for focused attention of the State/District administration.

- An area that calls for attention is the planning process to assess the gaps in various developmental and social security programmes and develop appropriate perspective and annual plans to bridge these gaps with proper prioritisation and clear timelines. Audit observed that the District Plan was either not prepared or prepared late. The State Government should build capacity at the local level to enable the blocks to formulate plans to address the locally felt needs.
- Implementation of National Rural Health Mission (NRHM), the flagship scheme in **Health Sector**, resulted in some positive impact as reflected in increased institutional deliveries and reduced infant mortality rate. However, Audit observed that households and facility surveys were not conducted, perspective plan was not prepared and functioning of Rogi Kalyan Samitis was deficient thereby compromising the idea of community participation and ownership. No new health centres were set up despite acute shortages and there were deficiencies in inpatient services, operation theatres, labour room, pathological test facility etc. Besides, there were significant shortages of medical officers and paramedics.
- In **Education Sector**, review of the Sarva Siksha Mission (SSA) revealed that there was no increase in the number of elementary schools during the last five years. Existing schools lacked requisite infrastructure like stipulated number of class rooms, toilets, etc. as various interventions of the Scheme were either not implemented or inadequately implemented. Disparities in posting of teachers in the district and inadequate capacity building of teachers may potentially affect the quality of teaching. Though drop-out and promotion rate of students improved, enrolment of children decreased during last five years.
- In **Nutrition Sector**, the Integrated Child Development Services (ICDS) programme failed to provide requisite nutrition to the targeted population for 300 days in a year mainly due to shortage in supply of food. The Anganwadi (AW) Centres suffered from inadequate infrastructural facilities. There were shortages of Child Development Project Officers, which also impacted supervision of AW Centres.

- Under **Water Supply**, review of the implementation of the Accelerated Rural Water Supply Programme in the District showed that safe drinking water could not be supplied to school children in quality affected area and 8.83 lakh people of fluoride affected areas due to delay in trial boring and investigation. In violation of Chief Engineer's order, Bacteriological test of the existing 40 Piped Water Supply Schemes (PWSS) was not conducted at all since July 2009. During 2006-11, chemical test on PWSS was less than six *per cent* of normative requirement.
- In **Housing and Sanitation Sector** during 2006-11, 83 *per cent* of the target under Indira Awas Yojana was achieved. Achievement in construction of sanitary complex, toilets for schools and AW centres was only 48 *per cent* of the targets even though target dates for full coverage had long elapsed.
- In **Roads Sector**, though length of road increased by 73 *per cent* and number of connected habitations by 64 *per cent*, 52 *per cent* of the habitations remained unconnected, even after implementation of Pradhan Mantri Gram Sadak Yojana for last ten years. Effective steps need to be taken for gearing up completion of works within stipulated timeframes.
- **Employment generation schemes** like Swarna Jayanti Gram Swarozgar Yojana (SGSY) and National Rural Employment Guarantee Scheme (NREGS) failed to make the desired impact in the District and suffered from lax supervision. Under SGSY, only 16 *per cent* of the Self Help Groups formed were credit linked for income generating activities as of March 2011. Only 36 *per cent* of the job card holders were provided employment on an average under NREGS, but a negligible number of households were provided 100 days guaranteed employment.
- In **Energy Sector**, though the RGGVY succeeded in bringing electricity to all the mouzas in the District, all rural households in the District could not be energised after five years of launching the programme.

(ii) Working of Siliguri Jalpaiguri Development Authority

Located at the narrow corridor linking North-Eastern States to the rest of the country and on the traditional trade route to Sikkim, Nepal, Bhutan and mandated with the responsibilities of planned and integrated development of Siliguri Jalpaiguri Planning Area (SJPA), Siliguri Jalpaiguri Development Authority (SJDA) was constituted in April 1980. Since then, it has taken leadership in providing connectivity with the existing state and national highways by way of constructing new and alternative bye roads, fly-overs and bridges and has executed a number of projects for development of housing and transport infrastructure. Audit has flagged certain areas of concern as regards planned use of land, strengthening financial and operational controls, acquisition, utilisation of land, infrastructure development and internal control.

- Contrary to its statutory responsibility to prepare Land Use and Development Control Plan within two years of notification, SJDA did not do so in respect of substantial part of its notified area after seven to 31 years of notifications. As a result, individual development works taken up by SJDA did not have desired linkage with long term development plans.

- Budget management was flawed as would be evident from instances of delays in sending budget proposals to Government and wide variation between budget and actuals. Financial management was deficient leading to shortfall in collection of toll charges, rents, etc. and retention of heavy cash balances in savings and current bank accounts.
- Inability to protect its interest was apparent from the instances of non-registration of 462.43 acres of land acquired, acquisition of excess land than requisitioned by the requiring body, transfer of 8.58 acres of land in excess of acquisition to a requiring body free of cost, etc. noticed in audit. Besides, 48.748 acres of land acquired at ₹ 7.83 crore was under encroachments, indicating lack of diligence.
- In the absence of comprehensive policy for fixation of prices for leasing out of land, decisions taken by SJDA were often arbitrary resulting in loss of revenue on allotment of land at reduced rate and extension of undue favour to lessees. Instances of execution of works outside SJPA were noticed.
- The control deficiencies in SJDA were compounded by lax monitoring by Urban Development Department, though the Act had mandated the Department to monitor the activities of the Authority and Government was represented in the board of the Authority by Minister and Principal Secretary of the Department.

(iii) Chief Controlling Officer based Audit of Water Resources Investigation and Development Department

Water Resources Investigation and Development Department (WRIDD) of the Government of West Bengal is responsible for planning, conservation, development, utilisation and management of water resources in sustainable manner for both the surface and groundwater in the Minor Irrigation (MI) sector. The Department plays a pivotal role in ensuring assured irrigation for agriculture by bringing more and more cultivable land under assured irrigation with minimum time and investment. The Chief Controlling Officer based audit of WRIDD was conducted to assess the performance of the Department during the period 2006-11. Audit observed some areas of concern relating to institutional, compliance and programme implementation, which affected the performance of the Department and call for Government attention.

- With a view to reduce excessive stress on ground water the 11th Five Year Plan envisaged special emphasis on utilisation of surface water for creation of MI potential. The Department, however, continued to depend more on ground water for creation of Irrigation Potential (IP) in disregard to the plan proposal.
- Vacancies in key posts and inadequate infrastructure of the State Water Investigation Directorate (SWID) adversely affected implementation of West Bengal Ground Water Resources Act, 2005. The laboratories were not properly equipped to analyse the chemical parameters effectively due to non-availability of modern instruments, non-functional equipment and irregular supply of chemicals/testing kits. None of the laboratories was equipped for testing of heavy metals, inorganic and organic pesticides, virological and bacteriological analysis of water samples.

- Internal control mechanism of the Department was found deficient. There was no departmental manual for guidance of the officers and staff in carrying out their duties and for exercising internal control over the activities of the Department.
- During 2006-11, 11990 MI schemes having command area of 1.08 lakh ha were handed over to unregistered beneficiary committees. Despite huge investment in these schemes the Department did not put an effective mechanism in place for maintenance and monitoring of the schemes to ensure optimum utilisation of created potential.
- Deficiencies in procurement, storage and accounting of materials were noticed. Material was procured in excess of requirement which resulted in piling of surplus materials for years.
- Utilisation of irrigation potential of Government operated MI schemes ranged between 29 *per cent* and 37 *per cent* during the period 2006-10 due to defunct schemes, reduction of designed command areas by habitation, insufficient maintenance and irregular power supply. The Department did not take effective step to revitalise the defunct schemes.

Lack of seriousness in implementation of the Act was evident as permits were not obtained from SWID prior to installation of 3705 groundwater based MI schemes by Water Resources Development Directorate (WRDD). Workshops on mass awareness were conducted only in eight districts during the first five years of implementation of the Act.

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:

Failure to adhere to technical norms in road construction and lacunae in prior investigation resulted in unfruitful expenditure of ₹ 2.13 crore and avoidable expenditure of ₹ 0.92 crore under Public Works (Roads) Department.

Paragraph 3.1.1

In disregard of the Rural Infrastructure Development Fund guidelines, PW and PW (Roads) Departments incurred an avoidable expenditure of ₹ 1.47 crore on road repair within the defect liability period, allowed price escalation of ₹ 0.33 crore in a bridge work and extended undue favour of ₹ 0.43 crore to the contractors by allowing longer road carriage and use of costlier bitumen.

Paragraph 3.1.2

Lack of monitoring and non-adherence to the BIS specification in testing of concrete by the West Bengal Housing Board led to payment of ₹ 1.87 crore as compensation to a contractor on a housing project.

Paragraph 3.1.3

West Bengal Housing Board paid compensation to the contractors in contravention to the terms of the agreement which led to undue benefit of ₹ 2.93 crore.

Paragraph 3.1.4

The Home (Police) Department procured two troop carriers worth ₹ 91.73 lakh without considering their suitability resulting in the vehicles not being used in anti-terrorist operations for more than two years and consequent blockage of funds.

Paragraph 3.2.1

Four Public Health Engineering Divisions sunk rig bored tube wells in the hard rocky parts of the State without ascertaining the availability of suitable aquifer from the concerned authorities. This led to an infructuous expenditure of ₹ 6.37 crore.

Paragraph 3.2.3

The objective of reviving the Mayo Hospital, Kolkata through creation of a joint venture company did not fructify owing to inaction and indifference of the Health and Family Welfare Department. Resultantly, Government had to shoulder wasteful/unfruitful expenditure of ₹ 10.25 crore for meeting liabilities of the joint venture company.

Paragraph 3.4.1

Newly created health services infrastructure and medical equipments/furniture worth ₹ 2.05 crore under Basic Health Project remained unused for two to five years. Resultantly, the objective of improvement of health services remained unachieved, besides possibility of damage of the infrastructure due to non-use.

Paragraph 3.4.2

Construction of Kolkata Kala Kendra remained at the foundation level even after lapse of 11 years from its initiation. Repeated change in scope of work coupled with failure of the Information and Cultural Affairs Department to expedite the progress of work not only led to steep enhancement in estimated cost, but rendered foundation piling work worth ₹ 1.01 crore wasteful.

Paragraph 3.4.3

A goat rearing scheme introduced by Paschimanchal Unnayan Parshad (PUP) in Birbhum and Purulia Districts did not succeed, as the PUP, District Magistrates and Zilla Parishads had not ensured supply of goats by a private agency. Resultantly, expenditure of ₹ 2.06 crore on construction of 752 unused sheds remained unfruitful.

Paragraph 3.4.4

Even after lapse of seven to eight years from approval, all six hydel power projects in Darjeeling remained either non-starters or defunct owing to failure of West Bengal Renewable Energy Development Agency (WBREDA) to address primary ground level issues. Resultantly, ₹ 1.25 crore spent on these projects was unfruitful/wasteful; while ₹ 1.23 crore remained parked in WBREDA's current bank account for three to eight years.

Paragraph 3.4.5

Objective of creation of export auction infrastructure for a flower market at Mallikghat, Kolkata was not achieved owing to failure of a Government Corporation and Food Processing Industries and Horticulture Department in ensuring temporary relocation of flower vendors. This resulted in idling of expenditure of ₹ 1.84 crore, while expenditure of ₹ 0.78 crore became infructuous.

Paragraph 3.4.6

1.7 Budget and expenditure controls

A summary of Appropriation Accounts for 2010-11 in respect of the Government of West Bengal is given in **Table 1.2**.

Table 1.2 : Summary of Appropriation Accounts for 2010-11 (₹ in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/Excess (+)
Voted	I Revenue	49488.48	6088.23	55576.71	51350.04	(-) 4226.67
	II Capital	5745.36	294.20	6039.56	2483.34	(-) 3556.22
	III Loans and Advances	491.76	4.00	495.76	407.73	(-) 88.03
	IV. Public Debt	-	-	-	-	-
Total Voted		55725.60	6386.43	62112.03	54241.11	(-) 7870.92
Charged	V Revenue	15354.21	299.72	15653.93	14633.19	(-) 1020.74
	VI Capital	-	8.37	8.37	7.88	(-) 0.49
	VII Public Debt- Repayment	14844.25	4320.38	19164.63	26220.08	(+) 7055.45
Total Charged		30198.46	4628.47	34826.93	40861.15	(+) 6034.22
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		85924.06	11014.90	96938.96	95102.26	(-) 1836.70

Source: Appropriation Accounts

The overall saving of ₹ 1836.70 crore was the result of saving of ₹ 10167.43 crore in 47 grants and 22 appropriations under Revenue Section and 48 grants and 19 appropriations under Capital Section, offset by excess of ₹ 8330.72 crore in 13 grants and seven appropriations under Revenue Section and one grant and six appropriations 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 over a grant/appropriation regularised by the State Legislature. The time limit for regularisation of expenditure has, however, not been prescribed under the Article. Regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 16637.64 crore for the years 2006-2010 was yet to be regularised as of December 2011. Moreover, excess expenditure under 13 grants and ten appropriations amounting to ₹ 8330.72 crore from the Consolidated Fund of the State was incurred over the amounts authorised by the State Legislature during 2010-11, which requires regularisation.

1.7.2 Unnecessary/excessive/inadequate supplementary provision

Supplementary provision aggregating ₹ 548.64 crore obtained in 13 cases (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision. On the other hand, in nine cases, supplementary provision of ₹ 7282.70 crore proved insufficient by more than ₹ 1 crore in each case leaving an aggregate uncovered excess expenditure of ₹ 7982.46 crore.

1.8 Response of the 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 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 May 2011 and November 2011 through letters addressed to them personally.

The concerned Departments did not send replies to 12 out of 26 Paragraphs/ Reviews featured in Chapters 2 to 4. The responses of concerned Departments received in respect of 14 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 2009-2010 revealed that Action Taken Notes on 298 paragraphs (33 paragraphs from 1997-1998 to 2009-2010 selected by Public Accounts Committee (PAC) and 265 paragraphs from 1981-1982 to 2009-2010 not selected by PAC) involving 40 Departments remained outstanding as of September 2011.

It was observed that the Action Taken Notes on 35 Reports of the PAC, presented to the Legislature between 1991-92 and 2009-10 had not been submitted by 17 Departments⁶ to the Assembly Secretariat as of September 2011. The matter has been discussed in detail in para 3.3.3 of this Report.

⁶ Agriculture, Commerce & Industries, Finance, Fisheries, Health & Family Welfare, Home, Housing, Irrigation & Waterways, Municipal Affairs, Panchayats & Rural Development, Public Health Engineering, Public Works, Public Works (Roads), School Education, Social Welfare, Transport and Urban Development Departments.