

## EXECUTIVE SUMMARY

### The Report

Based on the audited accounts of the Government of West Bengal for the year 2011-2012, this report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed based on the FRBM Act, Budget documents, Economic Review 2011-12, Thirteenth Finance Commission Report and other financial data obtained from various Government departments and organisations. The report is structured in three Chapters.

**Chapter 1** is based on the audit of Finance Accounts and makes an assessment of West Bengal Government's fiscal position as on 31 March 2012. It provides an insight into trends in committed expenditure, borrowing patterns besides a brief account of Central funds transferred directly to the State implementing agencies through off budget route.

**Chapter 2** is based on Appropriation Accounts and gives the grant by grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

**Chapter 3** is an inventory of West Bengal Government's compliance with various reporting requirements and financial rules. The report also has an appendage of additional data collated from several sources in support of the findings.

### Audit findings and recommendations

#### Finances of the State Government:

**Fiscal position of the State:** The State Government has succeeded in improving the fiscal situation during 2011-12. Revenue Receipts grew at a healthy rate of 24 *per cent*, while the growth of Revenue Expenditure contained to 14 *per cent*. During the year Revenue Receipts were ₹ 58755.04 crore as against Revenue Expenditure of ₹ 73326.37 crore resulting in Revenue Deficit of ₹ 14571.33 crore. The revenue deficit was 2.65 *per cent* of GSDP as against the FRBM Act target of 1.6 *per cent*. The Fiscal Deficit during 2011-12 stood at ₹ 17704.88 crore which was 3.22 *per cent* of GSDP as against the FRBM Act target of 3.5 *per cent*.

**Enactment of Fiscal Responsibility Legislation:** The State introduced the West Bengal Fiscal Responsibility and Budget Management (WBFRBM) Act in July 2010 and amended it in February 2011 fixing the rolling fiscal targets for 2010-15. The Act aimed at prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit and reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability and greater transparency. The first Medium-term fiscal policy statement and Fiscal policy strategy statement

was presented before the Legislature along with the Budget for the year 2012-13.

**Prioritisation of Capital expenditure:** Capital Expenditure as well as expenditure under Economic Sector is the major indicator of development activity. In both the cases, not only was the actual expenditure far below budget estimate, Capital Expenditure was remarkably low at only 3.61 *per cent* of total expenditure during 2011-12. This was indicative of failure of the State in utilising its high cost borrowed funds in increasing Capital Expenditure and accelerating development, as most of the high cost borrowed funds were utilised to meet Revenue Expenditure.

**Review of Government investment:** Government is getting very little return from its capital outlay on Irrigation works. Return on investment in Statutory Corporations, rural banks, etc. depicted a grim picture, varying between zero and 0.06 *per cent*, while Government had to pay interest at the average rate of 7.78 to 8.99 *per cent* on its borrowings during 2007-08 to 2011-12 leading to substantial implicit subsidy.

### **Financial management and budgetary control:**

There was an overall saving of ₹ 8201.48 crore, which was the result of saving of ₹ 13201.93 crore offset by excess of ₹ 5000.45 crore. Expenditure of ₹ 5617.30 crore was incurred in 78 cases without any provision in the original estimates/supplementary demand. There were instances of inadequate provision of funds and unnecessary/excessive re-appropriations. In many cases, the anticipated savings were not surrendered leaving no scope for utilising these funds for other development purposes. In violation of the provisions of Budget Manual and West Bengal Financial Rules, the Controlling Officers of test checked Departments did not monitor the progress of expenditure.

### **Financial Reporting**

For ensuring proper utilisation of Government assistance received by autonomous bodies, timely submission of annual accounts assumes utmost importance. However, pendency in submission of annual accounts of autonomous bodies/ authorities coupled with delay in placement of Separate Audit Reports of some of the bodies in the Legislative Assembly diluted the financial control. There were considerable delays in finalising *pro forma* accounts of departmentally managed commercial undertakings indicating laxity in the accountability mechanism of both the management and Government in respect of public funds invested in those undertakings.

Accumulation of unadjusted AC bills and parking of developmental funds in Personal Deposit (PD) / Personal Ledger (PL) Accounts was a major area of concern, as substantial amounts were drawn from treasury or transferred out of the Consolidated Fund of the State without proper treasury checks and Legislative control.