Chapter 1

Introduction

Chapter 1: Overview of Economic Sector

1.1 Introduction

Government functioning is broadly classified as General Services, Social Services and Economic Services. This report covers the functioning of 27 Departments of Economic Sector listed in *Appendix-1.1*.

For the purpose of administration in West Bengal, there are 60 departments at the Secretariat level headed by Principal Secretaries/Secretaries who are assisted by Directors/Commissioners and subordinate officers under them.

Of the total expenditure of ₹ 14207.80 crore incurred by these departments, a major portion was incurred by Public Works (22.92 per cent), Power and Non-Conventional Energy Sources (14.46 per cent) and Irrigation and Waterways (8.55 per cent) Departments during 2013-14.

1.2 Trend of expenditure

Comparative position of expenditure incurred by the departments during the year 2013-14 along with preceding two years is given in table 1.1.

Table 1.1: Table showing the trend of expenditure for three years

(₹ in crore)

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SI	Name of the department	2011-12	2012-13	2013-14		
No.						
1.	Agriculture	831.29	859.49	892.49		
2.	Agriculture Marketing	85.73	73.03	84.54		
3.	Animal Resources Development	480.71	550.69	514.59		
4.	Commerce and Industries	377.33	446.25	564.08		
5.	Co-operation	159.30	244.14	190.03		
6.	Fisheries, Aqua-culture, Aquatic	214.21	187.56	209.66		
	Resources and Fishing Harbours					
7.	Food Processing Industries and	81.38	110.24	100.50		
	Horticulture					
8.	Forest	343.23	364.09	454.27		
9.	Hill Affairs	320.24	548.73	647.40		
10.	Irrigation and Waterways	932.59	1117.37	1214.26		
11.	Land and Land Reforms	785.85	796.78	856.66		
12 .	Micro and Small Scale	398.39	434.46	460.29		
	Enterprises and Textiles					
13.	Paschimanchal Unnayan Affairs	140.44	131.41	169.62		
14.	Power and Non-Conventional	712.29	2077.40	2054.30		
	Energy Sources					
15.	Public Works	2303.23	3673.35	3255.93		
16.	Sunderban Affairs	154.58	216.80	217.75		
17.	Transport	791.37	671.15	1127.66		
18.	Water Resources Investigation	447.44	522.84	603.38		
	and Development					
19.	Others (Nine departments)	303.93	386.72	590.39		
	Total	9863.53	13412.50	14207.80		

(Source-Appropriation Accounts of Government of West Bengal for the relevant years)

1.3 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from audit of 27 Government Departments and 18 Autonomous Bodies under the Economic Sector (Appendix-1.2). Compliance Audit covers examination of transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Performance Audit examines whether the objectives of the programme/activity/department are achieved economically, efficiently and effectively.

1.4 Authority for Audit

Authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. CAG conducts audit of expenditure of the Departments of Government of West Bengal under Section 13¹ of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19 (2)², 19(3)³ and 20(1)⁴ of the CAG's (DPC) Act. In addition, CAG also conducts audit of other Autonomous Bodies under Section 14⁵ of CAG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007, issued by the CAG.

1.5 Planning and conduct of Audit

The primary purpose of this Report is to bring to the notice of the State 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 action as also to frame policies and directives that will lead to improved Financial Management of the Organisations, thus contributing to better governance.

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of the stakeholders. Previous audit findings are also

² Audit of accounts of Corporation (not being companies) established by or under law made by Parliament in accordance with the provisions of the respective legislations.

⁴ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

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

³ Audit of the accounts of corporations (not being companies) established by or under law made by the State Legislature at the request of the Governor.

⁵ Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹one crore.

considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit, Inspection Reports containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports which are submitted to the Governor of the State under Article 151 of the Constitution of India. During 2013-14, 227 units of various Departments/ Organisations under Economic Sector were audited and 211 Inspection Reports containing 664 Paragraphs were issued.

1.6 Response to audit

1.6.1 Compliance Audit Observations and Performance Audit

Eight compliance audit observations and one Performance Audit report on 'Implementation of Rashtriya Krishi Vikas Yojana' were forwarded demi officially to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the departments concerned (between May and September 2014) with the request to send their responses. Departmental replies in respect of the Performance Audit and seven compliance audit observations, issued during the year 2013-14 have been received. Partial replies have been received in respect of the remaining one observation. The replies have been incorporated in the Audit Report wherever applicable.

1.6.2 Follow-up on Audit Reports

With a view to ensuring accountability of the executive in respect of the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC) directed that the department concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of PAC relating to the paragraphs contained in the Audit Reports within the time frame as may be prescribed by the PAC. Audit reviewed the outstanding ATNs as of 31 December 2014 on the paragraphs included in the Report of the Comptroller and Auditor General of India, Economic Sector, Government of West Bengal, and found that the departments did not submit ATNs for 21 recommendations pertaining to audit paragraphs discussed by the PAC.

1.6.3 Outstanding replies to Inspection Reports

The Accountant General (Economic and Revenue Sector Audit), West Bengal arranges to conduct periodical inspections of the Government departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective actions. The heads of the offices/Government are required to promptly comply with observations contained in the IRs, rectify defects and omissions and report compliance through replies. Serious financial

irregularities are reported to the heads of the Departments and the Government.

Inspection Reports issued upto 31 December 2014 were reviewed and it was found that 1578 paragraphs relating to 557 IRs remained outstanding at the end of December 2014 (Appendix- 1.3). The large pendency of IRs, due to non-receipt of replies, was indicative of the fact that the heads of the offices and the heads of the Departments did not initiate appropriate and adequate action to rectify defects, omissions and irregularities pointed out by Audit in the IRs.

1.7 Significant Audit observations

Performance Audit on 'Implementation of the Rashtriya Krishi Vikas Yojana'

Rashtriya Krishi Vikas Yojana is a centrally sponsored scheme with cent per cent central funding for increasing agricultural production and productivity in the State. Department of Agriculture, Government of West Bengal (GoWB) is the nodal department which coordinates with 10 other State Government Departments for project preparation and approval, implementation, monitoring and evaluation of the RKVY scheme in the State. Performance Audit on the 'Implementation of the Rashtriya Krishi Vikas Yojana' was conducted during this year. Significant audit observations are as follows:

- ➤ District level agricultural plans were prepared without due consideration of village level inputs. Prioritisation of projects was also not done according to the actual requirement of the districts.
- There were considerable delays in release of funds at every level. Short release of funds adversely affected the implementation of various projects. State could not avail second instalment due to delays in submission of Utilisation Certificates (UCs) relating to the use of first instalment of funds released.
- Funds under approved interventions were diverted in contravention to the RKVY guidelines. Substantial amounts drawn from treasury also remained unspent at different levels.
- Milk production under 'Bishesh Go-Sampad Bikash Abhijan' had increased only by 5.81 lakh MT in three years (2010-11 to 2012-13) against the target of 21.30 lakh MT in five years (2010-2015) even after spending of ₹ 97.05 crore.
- ➤ Farm implements costing ₹ 2.01 crore were lying unutilised since their supply to the Government Agriculture Farms.
- ➤ Infrastructure facilities of the Government Agriculture Farms could not be improved even after incurring expenditure of ₹37.15 crore.
- ➤ Assets created at a total cost of ₹3.48 crore by the Agriculture Marketing Department could not be put to use due to lack of proper planning and adequate initiative by the department.

Monitoring and review of implementation/ achievement of the projects by the nodal department as well as State Level Sanctioning Committee were deficient.

(Chapter 2)

Compliance Audit

Significant audit observations are given below:

 Public Works (Roads) and Sundarban Affairs Departments had failed to arrange land for approaches in time which led to unfruitful expenditure of ₹ 12.37 crore incurred on three incomplete bridges.

(Paragraph 3.2)

• Eight Autonomous Bodies and Public Enterprises Department had lost opportunities to earn additional interest of ₹ 24.23 crore between 2005-06 and 2013-14 due to inept fund management.

(Paragraph 3.4)

• Hooghly River Bridge Commissioners (HRBC) failed to collect service tax from recipients of their services and had to incur avoidable expenditure of ₹ 1.26 crore along with liability of ₹ 4.50 crore.

(Paragraph 3.5)

• Forest department failed to introduce levy of transit pass fee on collection of boulders and river bed materials resulting in loss of revenue of ₹ 1.75 crore.

(Paragraph 3.6)

Audit of 'Implementation of the Teesta Barrage Project'

Teesta Barrage Project (TBP), a major multipurpose project on the river Teesta was taken up by Irrigation and Waterways Department in the year 1975 with the objective of irrigating 9.22 lakh ha Culturable Command Area (CCA), generation of hydropower of 1000 MW, besides flood moderation and navigation in three phases in different stages and substages. The Sub-Stage-I of TBP was approved (1976) by the Planning Commission at an estimated cost of ₹ 69.71 crore and was due to be completed by 1990. The project estimates were revised several times and finally increased to ₹ 8427.12 crore in March 2013. The project completion date was also rescheduled to 2017. Till March 2014, total spending on the project was ₹ 1532.63 crore.

Audit examined the progress of the project implementation during the last five years (2009-10 to 2013-14). Main findings of audit are summarised as follows:

➤ Utilisation of irrigation potential was low (ranging between 22 per cent and 39 per cent) due to non-completion of canals, distributaries and minors, field channels, lack of water availability and change in cropping pattern.

- As against the requirement of 144 cumec water for irrigating CCA of 3.42 lakh ha under Sub-Stage-I, availability of water in Teesta has been reduced to 81 cumec during the lean season of the years 2009-14.
- ➤ High Level Project Monitoring Committee constituted in April 2011 to review and monitor the progress of the project every month met only twice against the requirement of 36 meetings.
- ➤ Inspite of cases of theft and pilferage, physical verification of stores was not conducted as per codal provision. Further, accounting of project materials was also not done.

(Paragraph 3.7)

• Audit of 'Violation of Indian Road Congress Guidelines'

Audit was undertaken with a view to assess whether the road works being undertaken by PWD and PWRD were designed as per the IRC guidelines to ensure quality and economy in execution of road works. 25 Public Works and Public Works (Roads) divisions were audited between March 2013 and June 2014 to see compliance to the IRC guidelines in designing of road pavement. The Department did not follow the IRC guidelines in designing of roads with low traffic volume and provided unnecessary/excess layer of Bituminous Macadam in 26 road works. Besides, in four road works, department did not conduct traffic survey and sub soil test to design the road pavement. These resulted in avoidable expenditure of ₹ 33.73 crore.

(Paragraph 3.8)