

Chapter 1

Introduction

Chapter 1: Overview of Economic Sector

1.1 Introduction

This Report covers matters arising out of audit of State Government Departments and Autonomous Bodies under the Economic Sector.

For the purpose of administration in West Bengal, there are 61 Departments at the Secretariat level headed by Principal Secretaries/Secretaries who are assisted by Directors/Commissioners and subordinate officers under them. This report covers the functioning of 27 Departments of the Economic Sector listed in *Appendix-1.1*.

Of the total expenditure of ₹ 15826.56 crore incurred by these Departments, a major portion was incurred by Public Works (23.71 per cent), Power and Non-Conventional Energy Sources (10.49 per cent) and Irrigation and Waterways (10.28 per cent) during 2014-15.

1.2 Trend of expenditure

The comparative position of expenditure incurred by the Departments during the year 2014-15 along with preceding two years is given in Table no. 1.1.

Table No. 1.1: Trend of expenditure over three years

(₹ in crore)

Sl No.	Name of the Department	2012-13	2013-14	2014-15
1.	Agriculture	859.49	892.49	1255.87
2.	Agriculture Marketing	73.03	84.54	133.02
3.	Animal Resources Development	550.69	514.59	614.36
4.	Commerce and Industries	446.25	564.08	597.62
5.	Co-operation	244.14	190.03	215.72
6.	Fisheries, Aqua-culture, Aquatic Resources and Fishing Harbours	187.56	209.66	264.51
7.	Food Processing Industries and Horticulture	110.24	100.50	78.41
8.	Forest	364.09	454.27	426.10
9.	Hill Affairs	548.73	647.40	796.67
10.	Information Technology and Electronics	43.91	100.90	107.03
11.	Irrigation and Waterways	1117.37	1214.26	1626.24
12.	Land and Land Reforms	796.78	856.66	844.22
13.	Micro and Small Scale Enterprises and Textiles	434.46	460.29	513.87
14.	North Bengal Development	145.08	245.75	281.52
15.	Paschimanchal Unnayan Affairs	131.41	169.62	204.52
16.	Power and Non-Conventional Energy Sources	2077.40	2054.30	1660.56
17.	Public Works	3673.35	3255.93	3752.42
18.	Sunderban Affairs	216.80	217.75	229.21
19.	Tourism	63.04	92.42	148.70
20.	Transport	671.15	1127.66	1069.20
21.	Water Resources Investigation and Development	522.84	603.38	855.73
22.	Others (Six Departments) ¹	134.69	151.32	151.06
	Total	13412.50	14207.80	15826.56

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

¹ Bio-Technology, Consumer Affairs, Environment, Industrial Reconstruction, Public Enterprises, Science and Technology.

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

The mandate 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. The CAG conducts audit of expenditure of the Departments of Government of West Bengal under Section 13² of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(2)³, 19(3)⁴ and 20(1)⁵ of the CAG's (DPC) Act. In addition, the CAG also conducts audit of other Autonomous Bodies, under Section 14⁶ 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, 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 considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

² *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 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 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 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.*

⁶ *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.*

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 2014-15, 214 units of various Departments/Organisations under the Economic Sector were audited and 235 Inspection Reports (including 36 of previous year and excluding 15 which were issued in 2015-16) containing 714 Paragraphs were issued.

1.6 Response to audit

1.6.1 Compliance Audit Observations and Performance Audit

Nine compliance audit observations and one Performance Audit report on 'Development of Pisciculture in the State' were forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the Departments concerned (between June and September 2015) with the request to send their responses. Departmental replies in respect of six compliance audit observations issued during the year 2015-16 have been received. 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 August 2015 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 pertaining to 23 audit paragraphs (including five for which initial ATNs were not satisfactory) 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 August 2015 were reviewed and it was found that 1621 paragraphs relating to 573 IRs remained outstanding at the end of August 2015 (*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 ‘Development of Pisciculture in the State’

Pisciculture is one of the important economic activities of the State. Department of Fisheries, Aquaculture, Aquatic Resources & Fishing Harbours (Department) is responsible for activities in fishery sector in the State. The State contributes about 16.5 *per cent* of fish production and 40 *per cent* of fish seed production of the country. The contribution of fisheries sector to the Net Domestic Product of the State was 2.35 *per cent* during the year 2014-15. In 2014-15, actual fish production was 16.17 lakh MT which was about 52 *per cent* of the total potential. Significant audit findings of the Performance Audit are as follows:

- With regard to steps taken to develop pisciculture, the Department did not have updated database of water bodies, reliable estimates of production and policy to drive fish production. The database of water bodies had not been revised since 1976.
- Utilisation of beels/baors and reservoirs was only 50 and 11 *per cent* respectively. Rivers, canals and estuaries were not utilised for pisciculture at all.
- Steps taken for expansion of pisciculture like ensuring optimum utilisation of water bodies, setting up of fish farms and supply of quality fish seed was inadequate.
- The certificates of accreditation were issued to only 108 out of 621 private hatcheries in the State due to failure of the Department to make accreditation of hatcheries mandatory.
- Harmful chemicals like formalin were widely used by fish traders in lieu of ice during transportation and selling of fish to extend the shelf life of fish.
- The existing rules did not provide any means for restricting the quantity of capture/over-fishing in marine fisheries. Number of registered fishing boats including trawlers was increasing over the years resulting in low productivity and posing threat to biodiversity.
- There was acute shortage of various field level officials responsible for implementation/monitoring. These hampered the implementation and monitoring of fishery related works.
- The Department did not monitor functioning of the farms which were engaged in shrimp culture and discharged waste water into the tidal canals, violating guidelines of the Coastal Aquaculture Authority.

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Compliance Audit

Significant audit observations are given below:

- Consumer Affairs Department engaged Puja organisers arbitrarily for participation in consumer awareness programme during puja festivals and failed to ensure proper execution through proper monitoring and supervision which resulted in irregular expenditure of ₹ 2.83 crore.

(Paragraph 3.2)

- Public Works, Irrigation and Waterways and Animal Resources Development Departments failed to avail exemption of Service Tax due to failure in applying revised provisions of the Finance Act 1994 resulting in avoidable expenditure of ₹ 2.53 crore.

(Paragraph 3.4)

- Lack of co-ordination between Public Works Department (PWD) and Kolkata Metropolitan Development Authority (KMDA) coupled with injudicious decision of PWD in taking up strengthening work when the construction of the elevated corridor on the same stretch had already been taken up by KMDA, resulted in wasteful expenditure of ₹ 3.36 crore.

(Paragraph 3.7)

- **Audit of 'Reconstruction, remodelling and improvement of embankments in Sunderban area damaged by severe cyclone Aila'**

Audit examined the progress of the project implementation during the last six years (2009-10 to 2014-15). Audit noticed that objectives set for the project were not completed even after lapse of five years leaving the entire coastal zone susceptible to further breach. The key findings of audit are summarized as follows:

- GoI and the State released ₹ 525.75 crore and ₹ 111.25 crore respectively. As of March 2015, ₹ 193.64 crore was utilised after completing only 16 per cent and one per cent of the targets in respect of procurement of land and reconstruction of embankments respectively.
- As of March 2015, I&WD took up reconstruction of 45.196 km of embankments on only 1036.14 acres out of total 2336.85 acres of land already in possession. I&WD, however, failed to commence the re-construction of embankments in the remaining land of 1300.71 acres due to failure in timely implementation of rehabilitation and compensation packages.
- The rehabilitation package was finalised almost three years after commencement of the land acquisition process leading to resistance from the occupiers who refused to vacate the land without any rehabilitation package. Administrative lapses in processing the LA cases by the L&LRD also delayed acquisition of land. These two factors complicated the land acquisition process and hampered implementation of the project.
- Poor execution of the project also led to abnormal delay and loss of government revenue.

(Paragraph 3.8)

• **Audit of ‘Allowance of higher rates in different construction works’**

Audit covering 26 Public Works and Public Works (Roads) divisions were undertaken between March 2014 and June 2015 with a view to assess whether the rates of the tendered items were in compliance with the rates prescribed in the prevailing Schedule of Rates of the PW and PWRD and economy had been ensured during acceptance of the rates in the contract. The key findings of audit are summarised as follows:

- Higher rate of mechanical piling⁷ was applied in three building works though the works were executed with manual piling. This resulted in extra expenditure of ₹ 1.36 crore.
- In respect of two road works, allowance of rates of bituminous item of higher grade despite procurement of lower grade bitumen resulted in extra expenditure of ₹ 11.06 lakh.
- Economy was not maintained in selection of the variety of bitumen and also for allowance of longer road carriage. These resulted in extra expenditure of ₹ 1.79 crore.

(Paragraph 3.9)

⁷ *Mechanical piling is done using hydraulic rig machine and generally used in case of rocky/hard soil and in case of bigger diameter and higher depth boring.*
