

# **Chapter 1**

## **Overview of the General and Social Sector**

## **Chapter 1: Overview of the General and Social Sector**

### ***1.1 About this Report***

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

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 action as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

The Report has been organised in three chapters as under:

- Chapter 1, in addition to explaining the authority, audit jurisdiction, planning and extent of audit, provides a brief analysis of the expenditure of the Departments under the General and Social Sectors for the last five years, response of Government to draft paras/ Performance Audits and follow up action on Audit Reports.
- Chapter 2 of this Report contains observations of Performance Audit on Social/ General Sector activities. This year Performance Audits on Modernisation of Police Force in West Bengal, Working of Burdwan University, Implementation of Schemes and Acts relating to protection and welfare of girl child and Implementation of National Rural Drinking Water Programme by the Public Health Engineering (PHE) Department have been included in the Report. Besides, Information Technology (IT) audit of Hospital Management Information System (HMIS) and Store Management Information System (SMIS) has also been included in this chapter.
- Chapter 3 contains significant observations arising out of Compliance Audit of various Departments and their functionaries.

### ***1.2 Profile of the General and Social Sector and audit jurisdiction***

There are 61 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 (General & Social Sector Audit), West Bengal conducts audit of 2257 units of various levels in 34 Departments under General and Social Sectors. Besides, this office audits 125 bodies/ authorities under these two sectors 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. List of the Departments, autonomous bodies and companies under the audit jurisdiction of the office of the Pr. AG (G&SS Audit), West Bengal is shown in *Appendix 1.1*.

Trend of expenditures in major Departments under the audit jurisdiction of Pr. AG (G&SS Audit), West Bengal during 2009-14 is shown in **Table 1.1**.

**Table 1.1: Trend of expenditures of the Departments under the audit jurisdiction of Pr AG (G&SS Audit), WB with annual expenditure exceeding ₹ 100 crore**

(₹ in crore)

Name of the Department	2009-10	2010-11	2011-12	2012-13	2013-14
Backward Classes Welfare	543.35	581.93	798.86	917.58	914.16
Correctional Administration	147.65	157.21	155.06	165.92	186.42
Development and Planning	310.26	414.39	368.89	284.24	271.87
Disaster Management	386.92	457.96	1367.55	478.17	493.58
Finance	38245.46	49233.02	55517.95	55038.79	66944.10
Fire & Emergency Services	171.32	178.78	180.41	194.33	225.29
Food & Supplies	2250.87	1738.14	2327.77	3004.44	2707.30
Health and Family Welfare	3108.59	3340.46	3831.58	3901.64	4723.99
Higher Education	1509.75	1814.37	2014.74	2016.97	2444.05
Home	3030.04	3446.60	3637.03	3815.12	4398.54
Housing	149.38	195.97	196.06	468.92	645.37
Information and Cultural Affairs	100.18	101.65	92.44	133.91	152.72
Judicial	293.66	386.43	412.39	454.32	466.78
Labour	340.20	415.35	369.85	383.48	505.42
Mass Education Extension and Library Services	153.43	172.90	126.77	202.36	198.82
Minority Affairs and Madrasah Education	463.34	804.75	808.56	1356.33	1746.10
Municipal Affairs	2221.68	2649.81	2600.56	3046.66	3265.59
Panchayat and Rural Development	3234.06	3052.83	3750.38	5091.40	6605.50
Public Health Engineering	786.67	480.41	630.76	1009.33	1354.22
School Education	9721.98	11608.73	12881.41	13849.86	14500.99
Self-Help Group & Self-Employment	101.96	131.37	135.48	164.80	198.71
Technical Education & Training	304.59	293.73	322.83	366.21	468.12
Others <sup>1</sup>	477.25	533.40	560.47	691.41	795.98
<b>Total</b>	<b>68052.59</b>	<b>82190.19</b>	<b>93087.8</b>	<b>97036.19</b>	<b>114213.62</b>

Source: Voucher Level Computerisation (VLC) database maintained by the Office of the Pr. AG (A&E), West Bengal

### **1.3 Authority for audit**

Authority for audit by the C&AG is derived from articles 149 and 151 of the Constitution of India and the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 (DPC Act). C&AG conducts audit of expenditure of State Government Departments under Section 13<sup>2</sup> of the C&AG's DPC Act. CAG is the sole auditor in respect of the Autonomous Bodies, which are audited under sections 19 (2), 19 (3)<sup>3</sup> and 20 (1)<sup>4</sup> of the DPC Act. In addition, C&AG also conducts audit of other autonomous bodies

<sup>1</sup> Others include Civil Defence, Law, Parliamentary Affairs, Governor's Secretariat, Council of Ministers, Personnel & Administrative Reforms, Legislative Assembly Secretariat, Refugee Relief & Rehabilitation and Sports & Youth Services

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 C&AG and the Government.

which are substantially financed by the Government under Section 14<sup>5</sup> of DPC Act. Principles and methodologies for various audits are prescribed in the Regulation of Audit & Accounts, 2007, Auditing Standards and Performance Audit guidelines issued by the Indian Audit & Accounts Department.

#### ***1.4 Planning and conduct of Audit***

Compliance Audit is conducted as per the annual audit plan. Units for audit are selected on the basis of risk assessment viz 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 funds 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.

In case of Performance 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.

#### ***1.5 Response of the departments to draft audit paragraphs***

Regulation of Audit & Accounts, 2007 stipulates that responses to draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India should be sent within six weeks<sup>6</sup>.

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

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<sup>5</sup> 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.

<sup>6</sup> State Government's Finance (Budget) Department, in its order dated June 1982, however, directed all the Departments to submit their responses to proposed draft paragraphs within one month.

Draft Paragraphs proposed for inclusion in this Report were forwarded to the Secretaries concerned between May 2014 and November 2014 through letters addressed to them personally. The concerned Departments/ Directorates did not send replies to seven out of 15<sup>7</sup> Paragraphs/ Performance Audits featured in Chapters 2 and 3.

The responses of concerned Departments/ Directorates as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

### **1.6 Follow up on Audit Reports**

After tabling of the Reports of the C&AG of India in the State Legislature, the State Government Departments are required to submit *suo motu* replies to the audit observations within one month. Review of outstanding replies on paragraphs included in the C&AG's Reports on the Government of West Bengal up to 2010-2011 revealed that replies on 218 paragraphs pertaining to the period 1981-82 to 2010-11 involving 42 Departments (excluding synoptic paragraphs involving a number of Departments) remained outstanding as of November 2014 (*Appendix 1.2*). Out of 218 paragraphs, nine paragraphs pertaining to 2008-09 and 2010-11 were selected for discussion by Public Accounts Committee (PAC), while remaining 209 paragraphs pertaining to the period 1981-82 to 2010-11 have not been selected.

As stipulated in the Rules of Procedure of the PAC, the administrative Departments were required to take suitable action on the recommendations made in the Reports of PAC presented to the State Legislature and submit comments on action taken or proposed to be taken on those recommendations within six months.

Action Taken Notes on 38 Reports of the PAC, presented to the Legislature between 1991-92 and 2010-11 had not been submitted by 20 Departments<sup>8</sup> to the Assembly Secretariat as of July 2014. Out of these, 33<sup>9</sup> Reports of the PAC had suggested recovery, disciplinary action, etc. A few significant cases are elaborated in *Appendix 1.3*.

Thus, action taken by administrative Departments on the recommendations of the PAC was found to be inadequate and wanting.

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<sup>7</sup> Excluding paragraphs of general nature each involving a number of Departments

<sup>8</sup> Agriculture, Finance, Finance (Taxation), Fisheries, Home (Constitution & Election), Housing, Higher Education, Irrigation and Waterways, Municipal Affairs, Panchayats and Rural Development, Public Health Engineering, Public Works, Public Works (Roads), School Education, Social Welfare, Transport, Urban Development, Health & Family Welfare and Co-operation Departments

<sup>9</sup> 1<sup>st</sup> PAC Report 1991-92, 14<sup>th</sup> PAC Report 1993-94, 23<sup>rd</sup> PAC Report 1998-99, 36<sup>th</sup> PAC Report 1999-2000, 37<sup>th</sup> PAC Report 1999-00, 3<sup>rd</sup> PAC Report 2001-02, 4<sup>th</sup> PAC Report 2001-02, 14<sup>th</sup> PAC Report 2002-03, 18<sup>th</sup> PAC Report 2003-04, 29<sup>th</sup> PAC Report 2004-05, 48<sup>th</sup> PAC Report 2005-06, 1<sup>st</sup> PAC Report 2006-07, 4<sup>th</sup> PAC Report 2006-07, 9<sup>th</sup> PAC Report 2006-07, 10<sup>th</sup> PAC Report 2007-08, 12<sup>th</sup> PAC Report 2007-08, 15<sup>th</sup> PAC Report 2007-2008, 16<sup>th</sup> PAC Report 2007-08, 19<sup>th</sup> PAC Report 2008-09, 21<sup>st</sup> PAC Report 2008-09, 27<sup>th</sup> PAC Report 2008-09, 32<sup>nd</sup> PAC Report 2010-11, 33<sup>rd</sup> PAC Report 2010-11, 34<sup>th</sup> PAC Report 2010-11, 36<sup>th</sup> PAC Report 2010-11, 38<sup>th</sup> PAC Report 2010-11, 29<sup>th</sup> PAC Report 2009-10, 3<sup>rd</sup> PAC Report 2012-13, 4<sup>th</sup> PAC Report 2012-13, 5<sup>th</sup> PAC Report 2012-13, 6<sup>th</sup> PAC Report 2012-13, 8<sup>th</sup> PAC Report 2013-14 and 9<sup>th</sup> PAC Report 2013-14.

### 1.7 Recovery at the instance of Audit

Instances were noticed where administrative departments/ subordinate functionaries responded actively and promptly to audit observations and took corrective actions. In the following two significant cases, such actions led to recovery of Government money.

**Table: 1.2: Instances of recovery of Government money at the instances of audit**

Name of the Department/ functionary	Amount recovered	Details of the case
Kolkata Metropolitan Development Authority (KMDA), Urban Development Department	₹ 191.20 lakh	<p>Section 40 of West Bengal Value Added Tax (WBVAT) Act 2003, lays down that any person responsible for paying any dealer for execution of works contract, wholly or partially in pursuance of a contract between such dealer and the contractors (Govt. etc.) shall at the time of payment, deduct an amount towards Sales tax at source (STDS) equal to two <i>per cent</i> when such contractor is registered under WBVAT Act. STDS is required to be deducted from gross bill and accounted for its payment of VAT to the Government by and on behalf of the contractor.</p> <p>Scrutiny (November 2013) of records of KMDA<sup>10</sup>, which is involved in development of housing and other infrastructure<sup>11</sup> in and around Kolkata, revealed that a construction work viz “Vivekananda Flyover project” was awarded (February 2009) to a private contractor on a turn-key basis at a tendered cost of ₹ 165.47 crore. The tendered cost <i>inter alia</i> included provision for deduction of STDS and other taxes payable to the Government of West Bengal. As of November 2013, the work was in progress<sup>12</sup> and a payment of ₹ 106.59 crore had been made to the contractor upto 17<sup>th</sup> Running Account (RA) bill. It was noticed in audit that apart from 1<sup>st</sup> and 2<sup>nd</sup> RA bills<sup>13</sup>, no deduction towards STDS which worked out to ₹ 1.73 crore<sup>14</sup> was made while making payments to the contractor. KMDA had replied that the non-deduction was attributed to a decision<sup>15</sup> (February 2010) of West Bengal Taxation Tribunal; though the extant decision had not objected to deduction of STDS from contractors’ bills.</p> <p>On this being pointed out (November 2013) by audit, KMDA intimated (April 2014) that in pursuance of the audit observation an amount of ₹ 1.90 crore had since been recovered from the contractor.</p> <p>Further ₹ 1.20 lakh was also recovered from other contractors as</p>

<sup>10</sup> Chief Engineer, AD Sector

<sup>11</sup> like water supply, sewerage and drainage, traffic and transportations, township and area development, housing and slum improvement, commercial complexes, parks and playground, etc.

<sup>12</sup> The work was originally scheduled to be completed within 18 months from the date of work order but was subsequently extended upto August 2013.

<sup>13</sup> wherein ₹ 40.02 lakh was deducted as STDS @ 2 per cent as mandated under WBVAT Act.

<sup>14</sup> Two per cent of ₹ 66.57 crore (₹ 106.59 crore – ₹ 40.02 lakh).

<sup>15</sup> in a case of Builders Association of India vs. State of West Bengal wherein it was opined by Honourable tribunal that section 40 of WBVAT related to STDS was unworkable, arbitrary, unreasonable, incompetent and unconstitutional and directed the concerned Respondents to adjust the amount already deducted at source from work contractors against tax on Contractual Transfer Price payable under the VAT Act, 2003 and to refund excess amount, if any, to the concerned work contractors within four months from the date of communication of the judgment.

Name of the Department/ functionary	Amount recovered	Details of the case
		well. The amount so collected (₹ 1.91 crore) had been deposited to Government account.
District Magistrate (DM), Malda, Land & land Reforms Department	₹ 2.72 lakh	<p>West Bengal Treasury Rules<sup>16</sup> provide that every voucher shall bear a pay order signed by Drawing &amp; Disbursing Officer (DDO) specifying the amount payable both in words and figures and all bills should be stamped “paid” or so cancelled that they cannot be used a second time.</p> <p>Scrutiny (December 2013) of vouchers of District Magistrate, Malda relating to car hiring charges for West Bengal General Assembly Election 2011 showed that 219 sub-vouchers for a total ₹ 271833 were used twice in making payments as under:</p> <ul style="list-style-type: none"> <li>➤ At the first instance, the DDO<sup>17</sup> submitted these sub-vouchers as a part of eight bills drawn from Treasury between July 2011 and September 2011. The vouchers were paid in August 2012 and recorded in the cash book under the signature of DDO. The sub vouchers were stamped “paid and cancelled” either on the side or bottom margin.</li> <li>➤ After either tearing off the portion of “paid and cancelled” or by erasing the stamp with white fluid, the same 219 vouchers were found to be presented once again between December 2012 and August 2013 for payment. At the second instance, payment was made from the unspent amount of the election funds by way of making entry in payment side of the cash book under authentication of DDO.</li> </ul> <p>Audit observed that the DDO, while authorising payment of such vouchers, had failed at the first instance to ensure proper defacing of the sub-vouchers to eliminate possibilities of fraudulent future use, and on the second occasion, failed to detect the tampering in sub-vouchers. Scrutiny further revealed control lapses like non-identification of payees by any responsible officer at the time of payments, release of payments to persons other than vehicle owners without obtaining authorisation letters, etc.</p> <p>While admitting the fact, the Department stated (August 2014) that the entire amount of ₹ 2.72 lakh had since been deposited in Government account and departmental proceedings<sup>18</sup> had been initiated against the delinquent cashier who had since retired from service. Further that, DM, Malda had been advised by the Department to take action against the DDO who held charge during the period of misappropriation.</p>

<sup>16</sup> Section 8.05, 8.08, 8.09, 8.10 & 8.11 of WBTR 2005.

<sup>17</sup> Nazareth Deputy Collector (NDC)

<sup>18</sup> Including withholding of leave salary, gratuity, general provident fund balance payable to the retired employee till completion of the proceedings