

EXECUTIVE SUMMARY

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The Report

Based on the audited accounts of the Government of West Bengal for the year 2014-15, 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 2014-15, 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 2015. It, *inter-alia*, provides an insight into the public finances of the State including trends in receipts, expenditure and borrowing by the State Government, besides a brief account of central funds transferred directly to the State implementing agencies through the off budget route.

Chapter 2 is based on Appropriation Accounts and gives a description of appropriations and the manner in which the allocated resources were managed by the various departments.

Chapter 3 is an inventory of West Bengal Government's compliance with various reporting requirements and financial rules.

The report also has an appendices containing additional data collated from several sources in support of the findings.

Audit findings

Finances of the State Government

Fiscal position of the State: Revenue receipts of the Government grew at a rate of 18.70 *per cent* over the previous year, while the corresponding growth of revenue expenditure was 12.91 *per cent*. During the year, revenue receipts were ₹ 86514 crore as against revenue expenditure of ₹ 103652 crore resulting in a revenue deficit of ₹ 17138 crore. The revenue deficit was 2.14 *per cent* of GSDP as against the MTFP target of 1.29 *per cent*. The fiscal deficit during 2014-15 stood at ₹ 27346 crore which was 3.41 *per cent* of GSDP as against the MTFP target of 2.98 *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 bringing in direction and prudence in fiscal management and improving fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit accompanied by prudent debt management consistent

with fiscal sustainability and greater transparency. The fourth Medium-term fiscal policy statement and Fiscal policy strategy statement was presented before the Legislature along with the Budget for the year 2015-16 in February 2015. Though the fiscal deficit was above the ceiling prescribed in FRBM Act, the State had brought down the total liabilities closer to the ceiling prescribed in FRBM Act.

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 below budget estimate, capital expenditure was low at 8.66 *per cent* of total expenditure during 2014-15. This was indicative of failure on the part of the State in utilising its high cost borrowed funds to create capital assets for accelerating development, as most of these funds were utilised to meet the revenue deficit.

Review of Government investment: The Government is getting negligible return from its investments in irrigation works. Return on investment in statutory corporations, rural banks, etc. also depicted a grim picture and was less than one *per cent*.

Financial management and budgetary control

Against a total budget provision ₹ 173544 crore during 2014-15, expenditure of ₹ 148255 crore was incurred. This resulted in overall saving of ₹ 25289 crore. Expenditure of ₹ 7315 crore was incurred in 114 cases without any provision in the original estimates/supplementary demand. There were instances of inadequate provision of funds, unnecessary/excessive re-appropriations and rush of expenditure at the end of the year. In some cases, the anticipated savings were not surrendered leaving no scope for utilising these funds for other developmental 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

Delays were noticed in submission of annual accounts of autonomous bodies/authorities as also in the placement of Separate Audit Reports of some of the bodies in the Legislative Assembly. There were also delays in finalising *proforma* accounts of departmentally managed commercial undertakings indicating laxity in the accountability mechanism in respect of public funds invested in those undertakings.

Accumulation of unadjusted AC bills and parking of developmental funds in Personal Deposit (PD) Accounts were major areas of concern, as amounts were drawn from treasury or transferred out of the Consolidated Fund of the State without proper treasury checks.