

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 67 Departments at the Secretariat level headed by Assistant Chief Secretaries/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 ₹ 20314.18 crore incurred by these Departments, a major portion was incurred by Public Works (23.68 per cent), Power and Non-Conventional Energy Sources (16.20 per cent) and Agriculture (10.40 per cent) during 2015-16.

1.2 Trend of expenditure

The comparative position of expenditure incurred by the Departments during the period 2013-14 to 2015-16 is given in table 1.1.

Table No. 1.1: Trend of expenditure over three years

(₹ in crore)				
Sl No.	Name of the Department	2013-14	2014-15	2015-16
1.	Agriculture	892.49	1255.87	2113.56
2.	Agriculture Marketing	84.54	133.02	159.37
3.	Animal Resources Development	514.59	614.36	601.68
4.	Commerce and Industries	564.08	597.62	582.32
5.	Co-operation	190.03	215.72	399.52
6.	Fisheries, Aquaculture, Aquatic Resources and Fishing Harbours	209.66	264.51	284.15
7.	Forest	454.27	426.10	528.12
8.	Hill Affairs	647.40	796.67	618.65
9.	Information Technology & Electronics	100.90	107.03	181.69
10.	Irrigation and Waterways	1214.26	1626.24	1504.35
11.	Land and Land Reforms	856.66	844.22	822.64
12.	Micro and Small Scale Enterprises and Textiles	460.29	513.87	561.95
13.	North Bengal Development	245.75	281.52	450.91
14.	Paschimanchal Unnayan Affairs	169.62	204.52	324.46
15.	Power and Non-Conventional Energy Sources	2054.30	1660.56	3290.79
16.	Public Works	3255.93	3752.42	4809.45
17.	Sundarban Affairs	217.75	229.21	286.12
18.	Tourism	92.42	148.70	125.77
19.	Transport	1127.66	1069.20	1264.41
20.	Water Resources Investigation and Development	603.38	855.73	1036.15
21.	Seven other Departments ¹	251.82	229.47	368.12
	Total	14207.80	15826.56	20314.18

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

¹ Bio-Technology, Consumer Affairs, Environment, Food Processing Industries and Horticulture, Public Enterprises and Industrial Reconstruction, Science and Technology and Sericulture.

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 19 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.

The audit process starts with assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/ complexity of the 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 further for inclusion in the Audit Reports which are submitted to the Governor of the State under Article 151 of the Constitution of India. During 2015-16, 227 units of various Departments/ Organisations under the Economic Sector were audited and 224 Inspection Reports (including 15 of previous year and excluding 18 which were issued in 2016-17) containing 782 Paragraphs were issued.

1.6 Response to audit

1.6.1 Compliance Audit Observations and Performance Audit

Ten compliance audit observations and one Performance Audit report on “Protection of Forests and Biodiversity through Protected Area Network” were forwarded (between April and August 2016) to Principal Secretaries/ Secretaries of the Departments concerned with the request to send their responses. Departmental replies in respect of six compliance audit observations and one Performance Audit issued during the year 2016-17 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 on 31 August 2016 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 inspections 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 2016 were reviewed and it was found that 1731 paragraphs relating to 628 IRs remained outstanding at the end of August 2016 (*Appendix- I.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 report on “Protection of Forests and Biodiversity through Protected Area Network”

Forest Department in West Bengal aims to conserve natural flora & fauna in the forests and wetlands, through creation of Protected Areas (PAs) in the State. There are 21 PAs in the State having 4692 sq km of forests under PA network which is 39.50 *per cent* of State’s total forests area and 5.28 *per cent* of total geographical area. The overall strategy involves protection of critical habitats of endangered species, improved PA management, development of infrastructure, improvement of habitat, reduction of human-animal conflict, besides capacity building and involving of local people in management of PAs.

Significant Audit findings of the Performance Audit are as follows:

- The Department did not take adequate steps for creation and expansion of PA network to achieve the target of covering 10 *per cent* of geographical area under the PA network.
- Identified elephant corridors were not notified, which resulted in obstruction of natural migratory path of elephants, causing man-animal conflicts.
- Requisite inviolate spaces were not provided, which impacted conservation/ protection of biodiversity.
- Management of PAs was found to be inefficient in preparation and implementing Management Plans for effective management of PAs.
- Steps taken to reduce biotic pressure on wildlife were found inadequate as the Department had failed to relocate forest villages from the PAs, create Eco-Sensitive Zones around PAs and regulate eco-tourism in and around PAs.

(Chapter 2)

Compliance Audit

Significant Audit observations are given below:

- The Public Works (Roads) Department unjustifiably revised the specifications of the strengthening of a road, in deviation from the IRC guidelines, in order to utilise the savings which led to extra expenditure of ₹ 2.74 crore.

(Paragraph 3.1)

- Paschim Banga Go-Sampad Bikash Sanstha had enhanced the agreed rates for supply of cattle feed arbitrarily, without approval of the Finance Department and without verifying the actual market rates of cattle feed. This led to excess payment of ₹ 96.38 lakh to the three agencies supplying cattle feed.

(Paragraph 3.2)

- Paschimanchal Unnayan Parshad failed to protect newly laid Water Bound Macadam layers of a road project with bituminous overlay course for a prolonged period and also failed to enforce terms and conditions of the contract. This led to unfruitful expenditure of ₹ 2.11 crore due to damage of the partially completed road.

(Paragraph 3.3)

- Executive Engineers of three Public Works Divisions failed to levy and collect one-time license/ permit fee from existing licensees for laying Optical Fibre Cable along the roads, resulting in loss of Government revenue to the extent of ₹ 3.42 crore.

(Paragraph 3.7)

Thematic Audit on the Implementation of Coastal Regulation Zone in West Bengal

Ministry of Environment, Forest and Climate Change, Government of India had issued Coastal Regulation Zone (CRZ) Notification in 1991 which was subsequently replaced with CRZ 2011 in 2011 with a view to ensuring the livelihood security of fishermen and other local communities living in the coastal areas, to conserving and protecting coastal stretches with their unique marine environment and also to promoting development in a sustainable manner. For implementation, regulation and monitoring of activities in the coastal areas, West Bengal State Coastal Zone Management Authority (WBSCZMA) was constituted in September 1998 and re-constituted over the years.

Audit examined implementation of the CRZ notification 2011 during the period between 2010-11 and 2015-16. Main findings of Audit are summarised as follows:

- Institutional arrangements were weak as there were deficiencies in the composition of WBSCZMA in ensuring the necessary expertise. WBSCZMA only discussed project approvals and did not take up matters related to conservation, enforcement, monitoring and violations of Coastal Regulation Zone notification and was thus reduced to being only a project approval body. District Level Committees also did not function as an effective body for reporting violations and enforcing the regulation.
- Actions taken to conserve the coastal zones were ineffective due to delays in preparation of Coastal Zone Management Plan and local level maps and identification of ecologically sensitive, economically important and highly vulnerable coastal areas.

- WBSCZMA cleared 20 projects, out of which 10 projects were not permitted under the CRZ Regulation 2011 and in seven cases approval were accorded in violation of the regulation.
- Enforcement of CRZ Regulations was weak, leading to proliferation of illegal hotels with uncontrolled tourism in Digha, Mandarmoni and Sundarban areas and discharge of untreated effluents/ management of solid wastes in the coastal areas.
- Post clearance monitoring was absent and deviations from the approved project conditions were observed in most of the projects.

(Paragraph 3.10)