

Chapter I

Overview of Audit

Chapter-I

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1.1 Introduction

This part of the Report covers matters arising out of audit of State Government Departments, State Public Sector Enterprises (SPSEs) and Autonomous Bodies (ABs) under the audit jurisdiction of the Office of the Principal Accountant General (Audit-II) West Bengal.

For the purpose of administration in West Bengal, as of 31 March 2020, there are 58 Administrative Departments headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries, who are assisted by Directors/ Commissioners/ Chief Engineers and other subordinate officers. This report covers the functioning of 23 Departments (*Appendix-1*) including two¹ Departments carved out in November 2019.

Of the total expenditure of ₹ 29,842.38 crore incurred by these Departments during 2019-20, a major portion (80.77 *per cent*) was incurred by Urban Development and Municipal Affairs (28.09 *per cent*), Public Works (23.74 *per cent*), Power (10.56 *per cent*), Disaster Management and Civil Defence (10.32 *per cent*) and Public Health Engineering Department (8.06 *per cent*).

This chapter provides the audited entity's profile, planning and extent of audit and response to Audit by various Departments.

1.2 About this Report

Findings arising from Performance and Compliance audit of 23 Government Departments, 43 ABs (*Appendix-2*) and 63 SPSEs under the audit jurisdiction of the Office of the Principal Accountant General (Audit-II) West Bengal are presented in this Report of the Comptroller and Auditor General of India (CAG). Compliance Audit covers examination of transactions relating to expenditure of the audited entities to ascertain whether the provisions of 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.

1.3 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

¹ *The Department of Non-Conventional and Renewable Energy Sources from the Department of Power and non-conventional Energy Sources as well as the Department of Public Enterprises and Industrial Reconstruction from the Department of Industry, Commerce & Enterprises, vide notification No. 858-Home (Cons)/R2R(Cons)-08/2016 dated 15 November 2019 of the Department of Home & Hill Affairs, Co-ord. Br., Govt. of West Bengal.*

Section 13² of the CAG's (DPC) Act. In addition, the 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. Moreover, CAG also conducts audit of other Autonomous Bodies, under Section 14⁶ of CAG's (DPC) Act, which are substantially funded by the Government. Further, the CAG conducts audit of Government Companies and Statutory Corporations in West Bengal under sections 19 (1)⁷, 19 (2) of the CAG's (DPC) Act. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts issued by the CAG.

1.4 Planning and Conduct of Audit

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.

An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment. After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the Heads of the entities. The entities are requested to furnish replies to the audit findings within one month of receipt of the IRs. Wherever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations included in the IRs are processed for inclusion in the Audit Report.

1.5 Response to Audit

Ten compliance audit observations including one Detailed Compliance Audit and one Performance Audit proposed for inclusion in this report were forwarded (between July 2021 and August 2021) to Additional Chief Secretary/ Principal Secretaries/ Secretaries of the Departments concerned with the request to send their responses. Departmental replies in respect of one performance audit and two compliance audit observations have been received till date (October 2021). The responses of concerned Departments as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

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 anybody 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.

⁷ Audit of the accounts of Government Companies in accordance with the provisions of the Companies Act, 2013 (18 of 2013), previously the Companies Act, 1956 (1 of 1956).

Audit Reports for the years 2014-15 to 2018-19 were sent to the State Government between February 2016 and May 2021 for tabling in the State Legislature. The Reports were laid in the State Legislative Assembly as detailed in **Appendix-3**.

Though the Audit Reports for the year 2006-07 to 2016-17 were presented to the State Legislature between March 2008 and July 2019, replies on 357 paragraphs are yet to be received from 15 Departments under the audit jurisdiction of this office. Status of the pending replies as on 31 July 2021 is given in **Appendix-4**.

As stipulated in the Rules of Procedure of the Committee on Public Accounts (PAC), the administrative Departments are required to take suitable action on the recommendations made in the Reports of PAC presented to the State Legislature and submit comments on the action taken or proposed to be taken on those recommendations within six months. Action Taken Notes on 21 paras contained in 14 Reports of the PAC, presented to the Legislature from July 1999 to June 2019 had not been submitted by four Departments to the Assembly Secretariat as of July 2021.

Inspection Reports issued till 31 July 2021 to 19 Departments were reviewed and it was found that 5,451 paragraphs relating to 1,180 IRs remained outstanding at the end of July 2021 (**Appendix-5**).

