

Executive Summary

Based on the audited accounts of the Government of West Bengal for the year ended March 2020, this Report provides an analytical review of the finances of the State Government.

1. Audit Findings

1.1 Fiscal Position

Government of West Bengal amended the FRBM Act with regard to the targets for the six-year period 2019-20 to 2024-25 prospectively, during March 2020.

The fiscal parameters of the State as reflected in its Revenue and Fiscal deficits, were negative throughout the five-year period 2015-20. Primary Deficits, were also negative during 2018-20. There were instances of misclassification of revenue transactions under capital section and non-accountal of other liabilities, which would have pushed up the Deficits to a further extent, as brought out in this Report, as well as in the State Finances Audit Report of the CAG over the last few years.

Outstanding liabilities were also above the targets during 2015-18 and 2019-20. The liabilities of the State have been increasing year-on-year and over 48 *per cent* of market borrowings during the year 2019-20 were utilised to balance Revenue Account of the State thereby restricting asset creation in the State.

(Chapter I)

1.2 Finances of the State

The State witnessed a decrease of 2.10 *per cent* in Revenue Receipts during the year 2019-20 as compared to the previous year, primarily due to decrease in collection of State's Own Revenue and tax transfers from the Government of India.

Revenue Expenditure increased by around four *per cent* owing to introduction of West Bengal Services (Revision of Pay and Allowance) Rules, 2019 with effect from 1 January 2020. This resulted in increase of Revenue Deficit of the State by 89.07 *per cent* as compared to the previous year. Simultaneously, State Government has reduced the expenditure on asset creation by 32.66 *per cent* over the previous year.

Committed expenditure on Salaries & Wages, Interest Payments and Expenditure on Pension with respect to Revenue Receipts was 68.36 *per cent*, which crossed the previous year's ratio (59.27 *per cent*). Quality of expenditure on physical infrastructure was lower than the average of General Category States.

Outstanding Public Debt at the end of the year has increased by 10.37 *per cent*. In the ensuing five and seven years, debt maturity will be 42.92 and 64.02 *per cent* respectively of total outstanding public debt (₹ 3,68,058 crore).

(Chapter II)

1.3 Budgetary Management

Sound budgetary management requires advance planning and accurate estimation of revenues and expenditure. There were instances of incurring excess expenditure (₹ 2,459.76 crore) in nine grants or large savings (₹ 50,067 crore) with reference to provisions made during the year, which point to flaws in expenditure monitoring and control. A majority of Controlling Officers did not explain the reasons for variations in expenditure *vis-à-vis* allocations, to the Principal Accountant General (A&E), which affects the accountability mechanism of Government and weakens legislative control over public finances.

In eight cases (where supplementary provision was ₹ 200 crore or more in each case) actual expenditure was less than the original provisions and hence the supplementary provisions were unnecessary.

During 2019-20, there was re-appropriation amounting to ₹ 2,047 crore in respect of 607 sub-heads constituting 51 grants. However, despite re-appropriation, there was savings of ₹ 2,069 crore in respect of 96 sub-heads and excess of ₹ 8,662 crore in respect of 78 sub-heads.

Persistent excess expenditure over grants approved by the State Legislature is violative of the will of the Legislature and needs to be viewed seriously. There has been a persistent excess over authorisation during the last five years on account of 'Special Programme under NRHM (State share)'. Government needs to estimate its resources more realistically and manage its expenditure judiciously and ensure that prior legislative sanction is obtained for anticipated requirement of additional funds. Despite flagging this issue every year over the last five years, the State Government had failed to take corrective measures in this regard.

(Chapter III)

1.4 Quality of Accounts and Financial Reporting practices

Indiscriminate operation of omnibus Minor Head 800-Other Expenditure/Receipts affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

West Bengal Treasury Rule 6.09 provides that 'Personal Deposit Account created by debit to the Consolidated Fund of the State shall be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund of the State'. It was, however, noticed that there was a balance of ₹ 5,240 crore in 160 PD Accounts as on 31 March 2020. During 2019-20, an amount of ₹ 768 crore was transferred in March 2020 from the Consolidated Fund of the State. This is 25.29 *per cent* of the total yearly inflow into the PD accounts, of which, ₹ 13.89 crore was transferred on the last working day of March 2020. This was intended to avoid the lapse of budget provisions.

In respect of 51 Autonomous Bodies which were to render annual accounts to CAG, only ten bodies/ authorities had submitted accounts up to 2019-20 while four District Legal Services Authorities (DLSAs) did not submit accounts since their inception in 1998-99. As of September 2020, 271 annual accounts due up

to 2019-20 remained pending. Non-submission of accounts by Autonomous Bodies is in violation of prescribed financial rules and directives and points to inadequate internal controls and deficient monitoring mechanism of the State Government departments.

Rule 4.138 (5) of WBTR requires that advances drawn through AC bills are to be adjusted through Detailed Contingent bills (DC bills) within one month from the date of completion of the purpose. Audit scrutiny revealed that as of September 2020, a total of 9,714 DC bills in respect of AC bills aggregating ₹ 3,077 crore had not been submitted.

Rule 330A of the West Bengal Treasury Rules (WBTR) and Subsidiary Rules (SR) 1997 read with Finance Department's order (August 2005) stipulates that Utilisation Certificates (UCs) in respect of Grants-in-aid received by the grantee should be obtained by the departmental officers from the grantees within one year from the dates of release of the grants provided for specific purposes. Audit scrutiny revealed that as of September 2020, a total of 4,02,964 UCs in respect of grants aggregating ₹ 2,25,712 crore had not been submitted.

(Chapter IV)