

Chapter IV

Quality of Accounts & Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds outside Public Account of the State

Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

It was observed that funds meant to be credited to the Public Account was not credited therein as discussed in detail below:

- **Non transfer of Cesses to the fund**

The West Bengal Rural Employment and Production Act, 1976 was enacted with the objective to provide for additional resources for promotion of employment in rural areas and for implementing rural production programmes. The Act envisaged a levy of surcharge on land revenue and imposition of Rural Employment Cess on all immovable properties on which road and public work cesses are assessed. The Act also envisaged creation of the West Bengal Rural Employment and Production Fund (WBREPF) for this purpose.

Further, the West Bengal Rural Primary Education Act, 1973 was enacted with the objective to make better provision for the development, expansion, management and control of primary education with a view to making it universal, free and compulsory. The Act envisaged imposition of Education cess on all immovable properties on which road and public work cesses are assessed. The Act also envisaged creation of the West Bengal Board of Primary Education Fund (WBPEF) for this purpose.

Audit noticed that WBREPF and WBPEF were not created by the State Government as of March 2021. During 2020-21, an amount of ₹ 1,688.78 crore⁴⁷ and ₹ 429.14 crore⁴⁸ were collected by the State Government as Rural Employment Cess and Primary Education cess respectively. Moreover, there were collections of ₹ 8.13 crore, ₹ 7.92 crore and ₹ 0.87 crore respectively on account of Road Cess, Public Works Cess and Miscellaneous receipts on cess.

⁴⁷ ₹ 1,682.22 crore on Rural Employment Cess on coal mines and ₹ 6.56 crore on Rural Employment Cess on other than tea estates and coal mines.

⁴⁸ ₹ 420.56 crore on Education cess on coal mines and ₹ 8.58 crore on Education cess on other than tea estates and coal mines.

Non-transfer of cess (₹ 2,134.84 crore) referred *ibid* resulted in overstatement of revenue receipts and understatement of revenue deficit and fiscal deficit to that extent (Refer **Table 1.9**).

4.2 Non-discharge of liability in respect of interest towards interest bearing reserve funds

The State Government has a liability to provide and pay interest on the amounts in the 'Reserve Fund bearing Interest'. However, the State Government did not provide budgetary allocation for interest payments under the head of account '2049' (revenue expenditure), although there were balances totaling ₹ 1,150.56 crore in the following Interest bearing reserve funds as on 31 March 2020, as indicated in **Table 4.1**.

Table 4.1: Non-discharge of liability in respect of interest towards interest bearing reserve funds

Sl. No.	Name of the Interest bearing reserve funds	Balance as on 31 March 2020	Amount of interest not provisioned
		(₹ in crore)	
1.	State Disaster Response Fund (SDRF)	914.98	37.79
2.	State Compensatory Afforestation Fund (SCAF)	236.48	8.28
Total			46.07

Source: Finance Accounts

Due to non-payment of interest⁴⁹ in the SDRF and SCAF, Revenue Deficit and Fiscal Deficit was understated by ₹ 46.07 crore (Refer **Table 1.9**).

4.3 Funds transferred directly to State implementing agencies

The Central Government had been transferring funds directly to State implementing agencies for implementation of various schemes/programmes in social and economic sectors. As these funds were not routed through the State budget/State Treasury system, the Annual Finance Accounts did not capture flow of such funds. Thus, to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them did not present the complete picture.

With effect from 1 April 2014, GoI decided to release all assistance for Centrally Sponsored schemes/Additional Central Assistance to the State Governments. In West Bengal, however, transfer of Central funds directly to the State implementing agencies continued even during 2020-21 (**Appendix –VI of Finance Accounts, Volume-II**). Year-wise details of such transfers from 2016-17 to 2020-21 are shown in **Table 4.2**.

Table 4.2: Funds transferred to State implementing agencies by GoI

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Direct transfers to State implementing agencies	(₹ in crore)				
	5,397	9,891	5,800	11,677	26,198

Source: Finance Accounts for the respective years

⁴⁹ For SDRF- Interest calculated taking average Ways and Means interest @4.13 per cent for 2020-21 and for SCAF- Interest calculated taking interest @3.50 per cent (as per GoWB's notification)

During 2020-21, GoI released ₹ 26,198 crore, of which the schemes involving major transfers of Central funds directly to State implementing agencies were 'food subsidy for decentralized procurement of food grains under National Food Security Act (₹ 8,792 crore)', payments for 'Mahatma Gandhi National Rural Guarantee Program (₹ 9,719 crore)' and 'Indigenous Phosphorous and Potassium fertilizers (₹ 1,070 crore)'.

Issues related to transparency

4.4 Delay in submission of Utilisation Certificates

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 March 2021, a total of 3,94,162 UCs in respect of grants aggregating ₹ 2,29,099 crore had not been submitted. Age-wise details of delays in submission of UCs is given in **Table 4.3**.

Table 4.3: Age-wise arrears in submission of Utilisation Certificates

Year	Opening Balance as on 1 st April 2020		Addition during 2020-21		Clearance during 2020-21		Due for submission upto 2020-21	
	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)
Up to 2018-19	3,56,570	2,00,756	-	-	91,495	47,714	2,65,075	1,53,042
2019-20	46,394	24,956	21,497	17,857	-	-	67,891	42,813
2020-21	-	-	-	-	-	-	61,196	33,244
Total							3,94,162	2,29,099

Source: Finance Accounts (2019-20 and 2020-21); Difference of ₹1 crore is due to rounding.

Note: UCs for the GIA disbursed during 2019-20 became due during 2020-21.

Though such instances of non-submission of UCs are being reported in the Reports of the CAG of India regularly, there has been no improvement as number of pending UCs and the amount increased by 59.91 per cent and 87.77 per cent respectively, over that reported in the Audit Report of 2016-17 (2,46,484 UCs for ₹ 1,22,008 crore).

Year-wise breakup of outstanding Utilisation Certificates is given in **Table 4.4**.

Table 4.4: Year-wise breakup of outstanding Utilisation Certificates

Year	Number of UCs	Amount (₹ in crore)
Upto 2011-12	1,50,307	34,880
2012-13	8,212	5,229
2013-14	5,606	4,969
2014-15	6,045	4,850

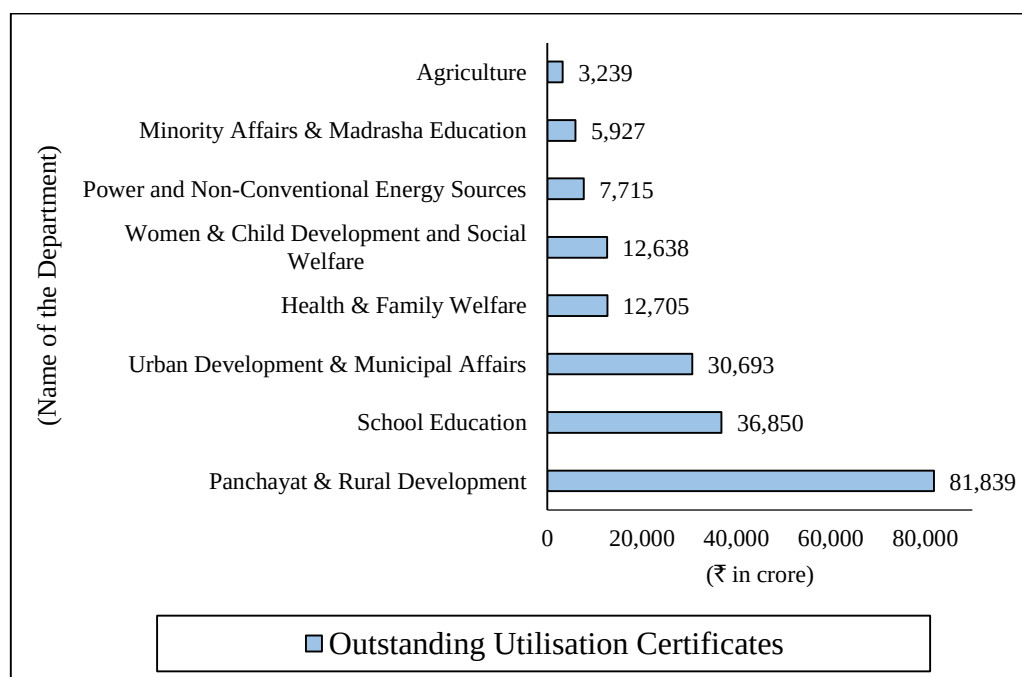
Year	Number of UCs	Amount (₹ in crore)
2015-16	3,894	4,696
2016-17	17,485	24,742
2017-18	32,667	36,250
2018-19	40,859	37,427
2019-20	67,891	42,813
2020-21	61,196	33,243
Total	3,94,162	2,29,099

Source: VLC data and Finance Accounts

It can be seen from **Table 4.4** that the outstanding UCs in 2018-21 accounted for 49.54 *per cent* of the total amount of the outstanding UCs.

Status in respect of eight departments with maximum amount of outstanding UCs (since 2002-03) is given in **Chart 4.1**.

Chart 4.1: Outstanding amount of UCs in respect of eight departments (since 2002-03)



Source: Finance Accounts

Major cases of non-submission of UCs upto 2020-21 pertained to the departments of Panchayat & Rural Development (81,950 UCs for ₹ 81,839 crore), School Education (38,117 UCs for ₹ 36,850 crore) and Urban Development & Municipal Affairs (34,837 UCs for ₹ 30,693 crore). Outstanding UCs of these three departments accounted for 39.30 *per cent* of the total UCs outstanding and 65.20 *per cent* of the total outstanding amount.

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which these were given. This assumes

greater importance as pendency in non-submission of UCs is fraught with the risk of misappropriation.

4.5 Abstract Contingent bills

Rule 4.108 of the West Bengal Treasury Rules (WBTR) 2005 stipulates that AC bills are meant for drawal of fund with a view to incurring of expenditure on items which are contingent in nature. 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 for which the advance was drawn. In no case, this should exceed 60 days from the date of drawal of the AC bill. Year-wise progress in submission of DC bills against the AC bills upto 2018-19, 2019-20 and 2020-21 is given in **Table 4.5**.

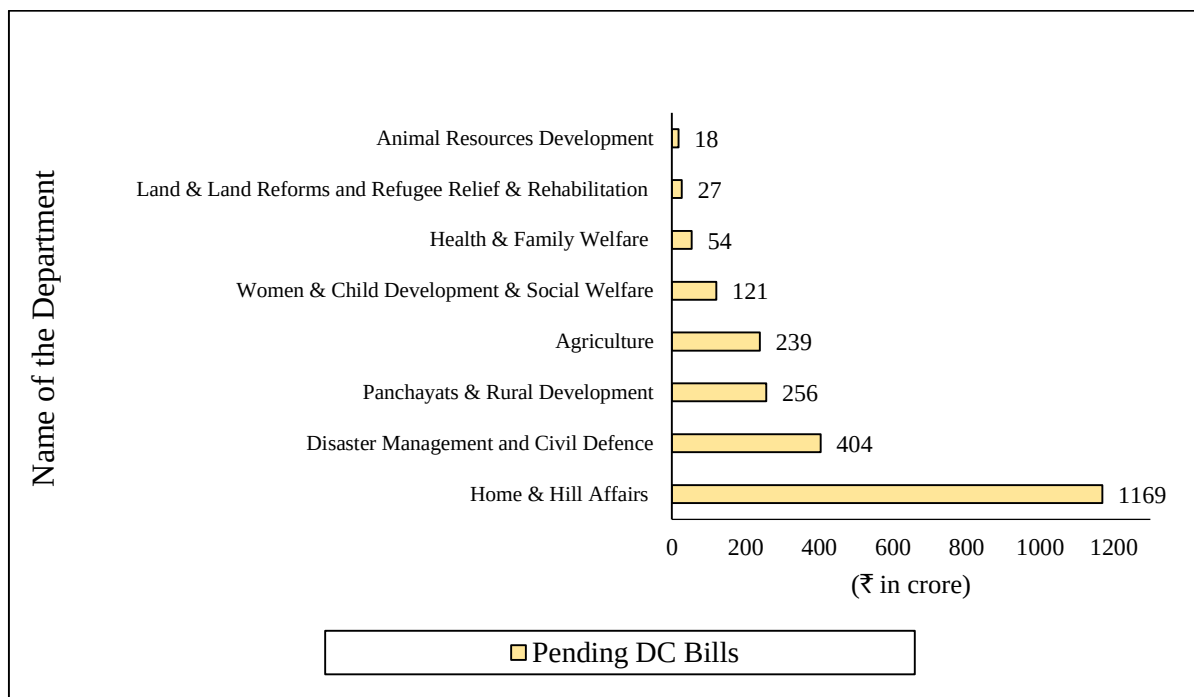
Table 4.5: Year wise progress in submission of DC bills against AC bills

Year	Opening Balance as on 1 st April 2020		Addition during 2020-21		Clearance during 2020-21		Closing Balance as on 2020-21	
	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)
Up to 2018-19	8,477	1,904	-	-	78	22	8,399	1,882
2019-20	1,246	1,175	-	-	85	417	1,161	758
2020-21	-	-	1,940	770	179	10	1,761	760
Total	9,723	3,079	1,940	770	342	449	11,321	3,400

Source: Finance Accounts

Pending DC Bills reflects on accounting indiscipline by the Government functionaries and controlling authorities leading to risk of fraud, temporary misappropriation and embezzlement of funds and therefore, requires close monitoring by the respective DDOs. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

DC bills pending upto 2020-21 against eight departments where pendency is significant is shown in the **Chart 4.2**.

Chart 4.2: Pending DC Bills in respect of eight departments as on 31 March 2021

Source: Finance Accounts

The departments of Home & Hill Affairs (₹ 1,169 crore; 3,544 AC bills), Disaster Management and Civil Defence (₹ 404 crore; 2,630 AC bills), and Panchayats & Rural Development (₹ 256 crore; 690 AC bills) accounted for 60.63 per cent of the total outstanding AC bills.

Two departments which cleared maximum AC bills through submission of DC bills were Home & Hill Affairs (₹ 2,753 crore: 70.19 per cent) and Disaster Management and Civil Defence (₹ 1,717 crore; 80.95 per cent).

Scrutiny revealed (August 2021) that significant amount drawn on AC bills remained unadjusted in respect of following three DDOs for the reasons described against each:

Joint Director of Agriculture (Accounts) West Bengal

- (i) AC bill of ₹ 68.92 crore drawn (April 2015) for the purpose of 'Providing SDRF assistance to the affected farmers due to natural calamity' remained unadjusted owing to non-settlement of fraudulent withdrawal of fund amounting ₹ 1.24 crore. As per Finance Department's directive (December 2019), the objected amount was either to be recovered or written off order issued.
- (ii) Three AC bills amounting ₹ 31.27 crore drawn between December 2013 and March 2014 for 'Implementation of RKVY⁵⁰ scheme' and one AC bill of ₹ 9.60 crore drawn in July 2013 for 'Assistance to affected farmers' remained

⁵⁰ Rashtriya Krishi Vikas Yojana

unadjusted since supporting books, records, vouchers and claim bills etc., were stated to be misplaced/ missing during shifting of office.

Administrative Officer, Kolkata Police

- (i) AC bills amounting to ₹ 23.69 crore drawn (March 2021) for Assembly Election 2021 remained unadjusted owing to non-receipt of vouchers from various units of Kolkata Police and requisite certificates from the beneficiaries.
- (ii) AC bills amounting to ₹ 9.19 crore drawn (November 2020) for 'Procurement of 1,270 numbers of 5.56 mm Rifle Ex-Calibre for use of Kolkata Police' remained pending since arms were not supplied by the Ichapore Rifle Factory.
- (iii) AC bills amounting to ₹ 6.51 crore drawn (January 2009) for 'Execution of IGVTDC project⁵¹' remained unadjusted since the commissioning of the project had not been carried out by the implementing agency 'KELTRON⁵²' despite the fact that items/equipment for the said project had been supplied.

Joint Director of Accounts, West Bengal Police Directorate

AC bills amounting to ₹ 5.25 crore drawn (March 2021) for the West Bengal Legislative Assembly Election 2021 remained unadjusted due to non-receipt of vouchers from the Transport department and non-payment of claims to various units of the Central Police Force.

4.6 Personal Deposit Accounts

Personal Deposits (PD) are maintained in the treasuries in the nature of banking accounts. These are commonly known as Personal Ledger (PL) Accounts or Personal Deposit Accounts.

As per the WBTR, the PD Accounts enable its Holders/ Administrators to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State.

As per Rule 6.09 (1) of the WBTR, PD Accounts shall be closed at the end of the financial year by minus debit of the balance to the relevant service head in the Consolidated Fund of the State⁵³. The account may be opened again in the following year, if necessary.

Analysis revealed the following:

- (a) In terms of WBTR, the Personal Deposit Accounts are to be opened Administrator-wise and scheme-wise, should not be omnibus and opened

⁵¹ Integrated GIS based Automated Vehicle Tracking & Management (AVT&M), Area Traffic Control (ATC), Distress Call Response Management System (DCRMS) and Critical Public Place Surveillance System (CPPSS)

⁵² Kerala State Electronics Development Corporation Limited

⁵³ Except, where personal deposits are created by law or rules having the force of law for discharging the liabilities arising out of special enactments.

only if it is absolutely necessary. No details⁵⁴ in this regard were furnished to Audit by the State Government, though called for.

Consequently, the extent of adherence to the procedural norms, could not be vouchsafed in Audit.

- (b) Article 202 of the Constitution of India provides for legislative financial control over public expenditure through the Annual Financial Statement/Budget. Not transferring the unspent balances lying in PD Accounts to the Consolidated Fund before the closure of the financial year violates legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself.

4.6.1 Status of PD Accounts

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 ₹ 3,465 crore in 160 PD Accounts as on 31 March 2021 as shown in **Table 4.6**. Similar such year-end balances were noticed in 2019-20 (₹ 5,240 crore in 160 PD Accounts), in 2018-19 (₹ 5,466 crore in 159 PD Accounts), in 2017-18 (₹ 4,282 crore in 157 PD Accounts) and in 2016-17 (₹ 5,141 crore in 153 PD Accounts).

Table 4.6: Details of PD Accounts

Sl. No.	Description	No. of Accounts	Amount (₹ in crore)
1	Number of PD Accounts at the beginning of the year	160	5,240
2	Addition [#] during the year 2020-21	0	1,298
3	Cleared [@] during the year 2020-21	0	3,073
4	PD Accounts existing at the end of the year	160	3,465

Source: Finance Accounts of Government of West Bengal (2020-21)

[#]Indicates amounts transferred and credited through challans to existing as well as newly opened PD Accounts (8443-106)

[@]Indicate amounts surrendered and expended from PD Accounts (8443-106)

The correctness of the closing balances in PD Accounts as of March 2021 could not be ascertained as the monthly as well as annual verification of balances in the Treasuries was found to be deficient, as elaborated in **Para 4.6.2**.

Non-transfer of unspent balances lying in PD Accounts to the Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation.

4.6.2 Operation of PD Accounts

- (i) Under Rule 6.08 of West Bengal Treasury Rules, non-lapsable PD Accounts, if not operated for a period of two years and if there is reason

⁵⁴ PD/PL accounts- (i) Department /Administrator /Scheme-wise; (ii) Remaining inoperative for more than a period of two years along-with reasons for their non-closure; and (iii) Holders' status of annual verification and reconciliation of balances with the treasury.

to believe that the need for such PD Accounts has ceased, are required to be closed.

Test-check of 29 treasuries, conducted in 2020-21 in respect of transactions for the year 2019-20, revealed that PD Accounts of four operators amounting to ₹ 22.92 crore (pertaining to 37 inoperative schemes) were lying inoperative for more than two years.

- (ii) During 2020-21, an amount of ₹ 369 crore was transferred in March 2021 from the Consolidated Fund of the State. This is 28.42 *per cent* of the total yearly inflow into the PD accounts, of which, ₹ 25.17 crore was transferred on the last working day of March 2021. This was intended to avoid lapse of budget provisions.

Test-check of PD Accounts maintained by seven DDOs⁵⁵ revealed the following deficiencies:

- (i) There was a difference in closing cash book balance and corresponding Treasury Pass Book balance of two DDOs (**Table 4.7**) due to non-reconciliation as required under WBTR.

Table 4.7: Details of PD Accounts

Sl. No.	Name of the DDO	Closing balance as per cash book	Closing balance as per Treasury pass book	Difference
		(₹ in crore)		
1	DM, Alipurduar	35.80	37.30	1.50
2	DM, Murshidabad	33.89	34.23	0.34

Source: Departmental figures

- (ii) Five DDOs as of March 2021 parked ₹ 11.64 crore in their respective PD Accounts for a period exceeding two years, disregarding the provisions of WBTR (**Appendix 4.1**).
- (iii) Four DDOs⁵⁶, violating the Finance Department's order (September 2017) surrendered unutilised fund of ₹ 11.13 crore in Revenue heads instead of Capital heads from where funds were originally drawn. Consequently, Revenue Deficit was understated by ₹ 11.13 crore with corresponding overstatement of Capital Outlay to the same extent (**Table 1.9**).
- (iv) Three DDOs⁵⁷ kept an amount of ₹ 4.65 crore in the shape of un-classified balance in their PDA. Therefore, the justification for retention of the same could not be ascertained in Audit.
- (v) DM, Darjeeling had an adverse balance of ₹ 6.46 crore in a single scheme in his PDA, which indicates more expenditure than the receipts. The Auditee, however, failed to provide the details of the scheme/ source, from which such expenditure was met.

⁵⁵District Magistrates (DM) of Alipurduar, Jalpaiguri, Darjeeling, Uttar Dinajpur, Paschim Bardhaman, Murshidabad and Chief Executive Officer, WBREDA

⁵⁶DMs of Murshidabad(₹ 7.80 crore), Darjeeling (₹ 3.01 crore), Alipurduar (₹ 0.22 crore), Jalpaiguri (₹ 0.10 crore)

⁵⁷DMs of Jalpaiguri (₹ 4.49 crore), Darjeeling (₹ 0.13 crore) and Alipurduar (₹ 0.03 crore)

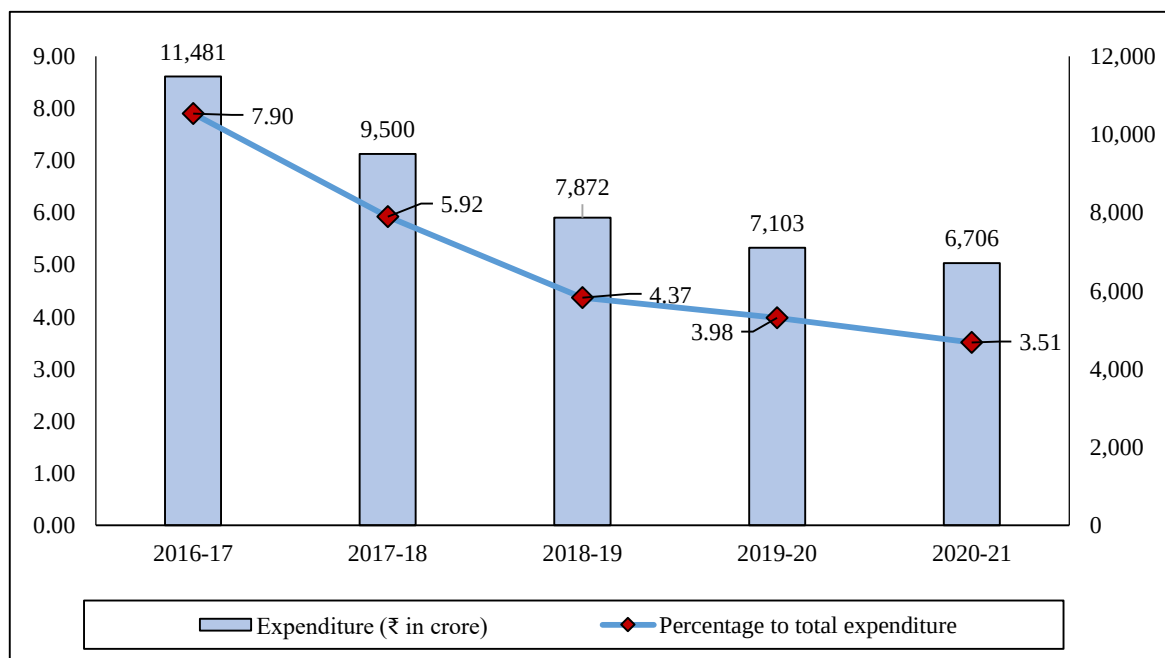
- (vi) Retention of unutilised BEUP⁵⁸ funds (₹ 0.06 crore) of the 15th Assembly by DM, Uttar Dinajpur even after its dissolution (25 May 2016). As per BEUP guidelines the fund was to be refunded to the Government Account by 31 March 2017.

4.7 Indiscriminate use of Minor head 800

The omnibus Minor Head 800 relating to Other Receipts/Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Principal Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

Government of West Bengal has operated Minor Head 800 extensively during 2016-21. The quantum of expenditure booked under this Minor Head showed a decreasing trend over the years. During 2020-21, the State Government booked an expenditure of ₹ 6,706 crore under Minor Head 800 against 62 revenue and capital Major Heads of Account, constituting 3.51 per cent of the total revenue and capital expenditure of ₹ 1,90,955 crore. The extent of operation of 'Minor Head 800 -Other Expenditure' as a percentage of Total Expenditure during 2016-21 is given in **Chart 4.3**.

Chart 4.3: Operation of Minor Head 800- Other Expenditure during 2016-21



Source: Finance Accounts

⁵⁸Bidhyak Elaka Unnayan Prakaalpa

Instances of a significant proportion (50 *per cent* or more) of the expenditure within a Major Head, being classified under the Minor Head 800- 'Other Expenditure' during 2020-21, are given in **Table 4.8**.

Table 4.8: Significant expenditure booked under Minor Head 800 – Other Expenditure

Major Head	Expenditure under Minor Head 800	Total Expenditure	Percentage
	(₹ in crore)		
2205-Art & Culture	272.45	499.73	54.52
2250-Other Social Services	263.92	267.61	98.62
3051-Capital Outlay on Port and Light Houses	1.17	1.34	87.31
4885-Other Capital Outlay on Industries and Minerals	50.61	51.91	97.49
5055-Capital Outlay on Road Transport	38.55	38.39	100.42
5056-Capital Outlay on Inland Water Transport	49.13	49.13	100
5452-Capital Outlay on Tourism	47.93	54.74	87.56

Source: Finance Accounts

DDOs against whom major expenditure occurred under the head of account '800' were (i) Assistant Secretary, Health & Family Welfare Department (₹ 2,378 crore), (ii) Jt. Director (A&A), Directorate of Disaster Management, West Bengal (₹ 205 crore) (iii) Joint Director of Information, Kolkata Information Centre (₹ 191 crore), (iv) Accounts Officer Cum DDO, Medical Cell, Finance Department (₹ 153 crore) and (v) Chief Executive Officer, Board of Waqfs, West Bengal (₹ 153 crore).

Receipts amounting to ₹ 2,592 crore (1.75 *per cent* of total receipts) covering 52 Major Heads were booked under Minor Head 800 during 2020-21. Cases where significant receipts were booked under this Minor Head are given in **Table 4.9**.

Table 4.9: Significant receipts booked under Minor Head 800 – Other Receipts

Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
	(₹ in crore)		
0049- Interest Receipts	2,649.18	2,823.64	93.82
0217- Urban Development	28.79	28.79	100
1456- Civil Supplies	10.50	10.50	100
1452- Tourism	1.82	1.82	100
0235- Social Security & Welfare	1.33	1.34	98.92

Source: Finance Accounts

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

Issues related to measurement

4.8 Outstanding balance under major Suspense and DDR (Debt, Deposit and Remittances) heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads.

Balances under Suspense and Remittance heads at the end of the year is shown in **Table 4.10**.

Table 4.10: Balances under Suspense and Remittance Heads for the last three years

(₹ in crore)

Sl. No.	Head of Account	2018-19		2019-20		2020-21	
	Ministry/ Department with which pending	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658-Suspense Account							
1	101-PAO Suspense	168.05	3.92	187.75	5.63	34.99	(-)1.13
	Net	164.13 (Dr.)		182.12 (Dr.)		36.12 (Dr.)	
2	102-Suspense Account-Civil	1,103.81	1,103.03	1,261.17	1,338.14	714.73	338.41
	Net	0.78 (Dr.)		76.97 (Cr.)		376.32 (Dr.)	
3	110- RB Suspense CAO	526.52	278.94	544.82	279.00	82.36	(-)0.02
	Net	247.58 (Dr.)		265.82 (Dr.)		82.38.(Dr.)	
4	112-TDS. Suspense	0.00	42.33	0.00	185.19	0.00	269.40
	Net	42.33 (Cr.)		185.19 (Cr.)		269.40 (Cr.)	
5	129-Material purchase settlement Suspense Account	0.02	67.46	0.00	67.46	0.00	67.44
	Net	67.44 (Cr.)		67.46 (Cr.)		67.44 (Cr.)	
8782-Cash Remittances and Adjustments between officers rendering account to the same Accounts Officer							
1	102-P.W. Remittances	66,973.96	66,587.64	66,973.96	66,587.64	66,973.96	66,587.64
	Net	386.32 (Dr.)		386.32 (Dr.)		386.32 (Dr.)	
2	103-Forest Remittances	6,199.01	6,173.39	6,199.01	6,173.39	6,199.01	6,173.39
	Net	25.62 (Dr.)		25.62 (Dr.)		25.62 (Dr.)	
8793 - Inter State Suspense Accounts							
1	Inter State Suspense Accounts	14.88	0.22	29.97	0.75	0.64	(-)0.33
	Net	14.66 (Dr.)		29.22 (Dr.)		0.97 (Dr.)	
Grand Total		729.32 (Dr.)		559.48 (Dr.)		570.89 (Dr.)	

Source: Finance Accounts; Difference of ₹0.01 crore is due to rounding.

It can be seen from **Table 4.10** that owing to non-clearance of suspense and remittance balances, aggregate cash balances were deflated by ₹ 729 crore, ₹ 560 crore and ₹ 571 crore respectively during 2018-19, 2019-20 and 2020-21. Details of suspense and remittance balances and their effect on cash balances during 2020-21 has been shown in **Appendix 4.2**. The reasons for non-clearance of significant balances in suspense and remittance heads were as follows:

- Reimbursement of claims amounting to ₹ 114.56 crore in connection with National Highway expenditure rejected by RPAO⁵⁹ for want of allotment. On clearance, cash balance will increase;
- Failed transaction of ₹ 213.94 crore under e-Pradan system in IFMS⁶⁰. On clearance, cash balance will decrease;
- Payment for purchases amounting to ₹ 67.44 crore made on credit by 61 Public Works (PW) divisions remained pending. On clearance, cash balance will decrease;
- Cheques amounting to ₹ 322.66 crore and ₹ 114.77 crore issued by Forest and PW divisions respectively were not encashed at the Treasury. On clearance, cash balance will decrease;
- Receipt amounting to ₹ 30.18 crore is due because of non-settlement of clearance memo from RBI. On settlement, cash balance will increase; and
- Remittances of cash/cheque amounting to ₹ 347.87 crore and ₹ 11.08 crore respectively by Forest and PW divisions, were not acknowledged by Treasuries. On being acknowledged, cash balance will increase.

4.9 Non-reconciliation of Departmental figures

Rule 385 of West Bengal Financial Rules (WBFR) stipulates that expenditure recorded in the departments books of account be reconciled every month with the books of the Accountant General (A&E). Reconciliation enables the Chief Controlling Officers (CCOs) to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts. The Public Accounts Committee had also recommended (December 2011) adherence to the stipulations of the WBFR.

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of the budgetary process. **Table 4.11** shows the status of reconciliation of receipts and expenditure *vis-à-vis* total receipts/expenditure.

⁵⁹ Regional Pay and Accounts Office

⁶⁰ Integrated Financial Management System

Table 4.11: Status of reconciliation during the three years 2018-21

Year	Ratio of reconciled receipts w.r.t. total receipts	Ratio of reconciled expenditure w.r.t. total expenditure
2018-19	77.05	88.02
2019-20	100	99.63
2020-21	100	100

Source: Finance Accounts

As can be seen from the **Table 4.11**, reconciliation has shown improvement over the past three years.

4.10 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Principal Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India (RBI). As per the Statement of closing balance as on 31 March 2021 worked out by the RBI on 10 April 2021, the State had a credit balance of ₹ 0.99 crore while the closing cash balance as certified by the Principal Accountant General (A&E), West Bengal the State showed a credit balance of ₹ 20.37 crore. Thus, there was a difference of ₹ 19.38 crore (net credit) between the cash balance worked out by the Principal Accountant General (A&E) and reported by the RBI, which requires reconciliation.

Issues related to disclosure

4.11 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of West Bengal in 2020-21 and deficiencies therein are detailed in **Table 4.12**.

Table 4.12: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1: <i>Guarantees given by the Government – Disclosure requirements</i>	The standard requires the Government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Partly complied	While the Government has disclosed the maximum amount of guarantees given during the year, detailed information like invocation of guarantees and automatic debit mechanism were not furnished.

2.	IGAS-2: <i>Accounting and classification of Grants-in-aid</i>	Grants-in-aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Not complied	State Government made budgetary provision and classified GIA amounting to ₹ 1,114 crore under Capital Major Heads of Account, instead of under the Revenue section. It did not furnish any information regarding GIA paid in kind during the year. Non-compliance led to understatement of revenue deficit and overstatement of capital outlay.
3.	IGAS-3: <i>Loans and Advances made by the Government</i>	The standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Partly complied	While the State Government complied with the format prescribed by the Standard, the closing balances depicted in Statements 7 and 18 have not been reconciled with the Loanee Entities/State Government. The State Government has also not furnished the figures in respect of certain loans and advances for which they maintain detailed accounts. Only seven out of 124 loanees have confirmed the balances maintained by the Accountant General (A&E).

Source: Finance Accounts

4.12 Submission of Accounts/ Separate Audit Reports of Autonomous Bodies

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Sections 19 or 20 of Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971 (CAG's DPC Act).

The ABs coming under the audit purview as per Section 19 or 20 of CAG's DPC Act are required to submit the annual accounts of a financial year to Audit by 30 June of the succeeding year. In respect of 65 ABs which were to render annual accounts to CAG, there were delays in submission of accounts as detailed in **Table 4.13**.

Table 4.13: Age-wise details of delay in submission of Annual Accounts of Autonomous Bodies, as of 30 September 2021

Sl. No.	Delay in Number of Years	No. of ABs
1	0-2	24
2	3-5	27
3	6-10	08
4	Above 10	06
Total		65

Source: Records of Autonomous bodies

The status of rendering of accounts to Audit is indicated in **Appendix 4.3**. Two District Legal Service Authorities (DLSAs) did not submit accounts since their inception in 1998-99. As of 30 September 2021, 288 annual accounts of ABs due up to 2020-21, remained pending.

4.13 Follow up action on State Finances Audit Report

Rules of procedure of the Committee on Public Accounts of the West Bengal Assembly, promulgated in 1977, provide that after tabling the Report in the State Legislature, the State Government departments are required to submit replies to the audit observation within one month. Status of tabling of Audit Reports for the period from 2015-16 to 2019-20 have been shown in **Table 4.14**.

Table 4.14: Status of laying of Audit Reports on State Finances

Year	Submission of Audit Report on State Finances for placement in the Legislative Assembly	Date of laying of Audit Report
2015-16	30.01.2017	07.03.2018
2016-17	26.03.2018	11.07.2019
2017-18	17.02.2020	----
2018-19	25.08.2020	----
2019-20	06.08.2021	----

Source: Records of the Office of the Principal Accountant General (Audit-I), West Bengal and West Bengal Legislative Assembly

SFAR 2015-16 was discussed by the PAC in December 2019. In February 2021, PAC had brought out a report containing its recommendations. Action Taken Note on the recommendations is yet to be furnished by the State Government. Replies on SFAR 2016-17 are yet to be furnished by the State Government. Such lack of responsiveness especially in respect of SFAR 2016-17, is a matter of serious concern and goes against the basic tenet of legislative control over expenditure from the public exchequer and undermines the importance of the Legislature.

4.14 Conclusion

Positive Indicators	Negative Indicators
Decreased tendency in booking under minor head 800 – Other Receipts/ Expenditure	Non-payment of accrued liabilities for interest bearing reserve funds
Downward trend in the balances of PD Accounts	Upward trend of outstanding UCs
Improved status in reconciliation of departmental figures	Increased arrear of annual accounts in respect of Autonomous Bodies and Public Sector Undertakings

4.15 Recommendations

- i. The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- ii. The Finance Department should review all PD accounts to ensure that all amounts unnecessarily lying in these PD accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department should reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.
- iii. Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.
- iv. The Government may consider carrying out adjustment of Abstract Contingent bills within the stipulated period, as required under the Rules.
- v. The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account.