

## Executive Summary

Based on the audited accounts of the Government of West Bengal for the year ended March 2021, 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 followed by February 2021.

The fiscal parameters of the State as reflected in its Revenue and Fiscal deficits, were negative throughout the five-year period 2016-21. The State also had Primary Deficits during 2017-21. There were instances of misclassification of revenue transactions under capital section and non-accountal of other liabilities, which would have further increased the Deficits, 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 2016-18 and 2019-21. The liabilities of the State have been increasing year-on-year and over 58.84 *per cent* of market borrowings during the year 2020-21 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 an increase of 3.83 *per cent* in Revenue Receipts during the year 2020-21 as compared to the previous year, primarily due to increase in Grants-in-Aid from the Government of India.

Revenue Expenditure increased by 9.44 *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 50.18 *per cent* as compared to the previous year. Simultaneously, State Government has reduced the expenditure on asset creation by 18.39 *per cent* over the previous year.

Committed expenditure on Salaries & Wages, Interest Payments and Expenditure on Pension with respect to Revenue Receipts was 75.36 *per cent*, a significant increase over previous year (68.36 *per cent*).

Outstanding Public Debt at the end of the year has increased by 12.92 *per cent*. In the ensuing three, five and seven years, debt maturity will be 15.49, 26.60 and 41.42 *per cent* respectively of total outstanding public debt (₹ 4,24,247 crore).

*(Chapter II)*

### **1.3 Budgetary Management**

Sound budgetary management requires advance planning and accurate estimation of revenues and expenditure. There were instances of excess expenditure (₹ 5,604 crore) in 15 grants or large savings (₹ 62,765 crore) with reference to provisions made during the year. None of the Controlling Officers explained 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 seven cases (where supplementary provision was ₹ 100 crore or more in each case) actual expenditure was less than the original provisions and hence the supplementary provisions were unnecessary.

During 2020-21, there was re-appropriation amounting to ₹ 1,211 crore in respect of 1,207 sub-heads constituting 48 grants. However, despite reappropriation, there was savings of ₹ 2,972 crore in respect of 706 sub-heads and excess of ₹ 1,159 crore in respect of 110 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 ₹ 3,465 crore in 160 PD Accounts as on 31 March 2021. 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 the lapse of budget provisions.

In respect of 65 Autonomous Bodies (ABs) which were to render annual accounts to CAG, two District Legal Services Authorities (DLSAs) did not submit accounts since their inception in 1998-99. As of 30 September 2021, 288 annual accounts of ABs due upto 2020-21 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 March 2021, a total of 11,321 DC bills in respect of AC bills aggregating ₹ 3,400 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 March 2021, a total of 3,94,162 UCs in respect of grants aggregating ₹ 2,29,099 crore had not been submitted.

*(Chapter IV)*

### **1.5 Functioning of State Public Sector Enterprises**

As on 31 March 2021, there were 85 State Public Sector Enterprises (SPSEs) in West Bengal which comprised of 66 working SPSEs (including eight Statutory Corporations) and 19 non-working SPSEs (including one Statutory Corporation). During 2020-21, the working SPSEs registered a turnover of ₹ 54,522 crore which was equal to 4.19 *per cent* of Gross State Domestic Product (GSDP). The return on equity (ROE) of the working SPSEs stood at 4.56 *per cent*.

Government of West Bengal has 99 *per cent* equity holding of ₹ 16,857 crore in 85 SPSEs and had given loans of ₹ 6,526 crore (21.25 *per cent* of total borrowings of ₹ 30,715 crore) as on 31 March 2021. Major portion of Equity investment of GoWB was in Power Sector - ₹ 12,866 crore.

Out of 66 working SPSEs, 33 SPSEs earned profit of ₹ 1,752 crore and 33 SPSEs incurred loss of ₹ 1,061 crore. The total accumulated loss of 41 out of 85 SPSEs was ₹ 17,130 crore which exceeded their paid-up capital of ₹ 2,407 crore. During 2020-21, State Government provided financial support of ₹ 1,960 crore to SPSEs towards equity, loans and grants/ subsidies.

Out of 85 SPSEs, only 25 SPSEs prepared Accounts for 2020-21 as of November 2021. The accounts of 46 SPSEs were in arrears for periods ranging from one to five years.

*(Chapter V)*