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# Appendices

# Preface

This Report has been prepared for submission to the Governor of West Bengal under Article 151 of the Constitution.

Chapter I of this Report contains the basis and approach to the State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/ deficit, etc. and fiscal correction path.

Chapters II and III of the Report contain Audit findings on matters arising from an examination of the Finance Accounts and Appropriation Accounts respectively, of the State Government, for the year ended 31 March 2022. Information has been obtained from Government of West Bengal, wherever necessary.

Chapter IV on 'Quality of Accounts and Financial Reporting Practices' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

Chapter V of this Report presents 'Functioning of State Public Sector Enterprises'. This chapter presents the financial performance of 'Government Companies', 'Statutory Corporations' and 'Government controlled other Companies'.

The Reports containing the findings of Performance Audit and Compliance Audit in various Government departments, observations arising out of audit of Statutory Corporations, Boards and Government Companies and observations on Revenue Receipts are presented separately.

# EXECUTIVE SUMMARY

# Executive Summary

Based on the audited accounts of the Government of West Bengal for the FY ended March 2022, 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, in March 2020, followed by amendments in February 2021 and March 2022.

The State had Revenue, Fiscal and Primary deficits, throughout the five-year period 2017-22. There were instances of misclassification of revenue transactions under the 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 Reports of the CAG, over the last few years.

Outstanding liabilities, with respect to the Gross State Domestic Product, crossed the targets throughout the period of 2017-22.

***(Chapter I)***

### 1.2 Finances of the State

The State witnessed an increase of 20.06 *per cent* in Revenue Receipts during the year 2021-22 as compared to the previous year, primarily due to increase in State's share of Union Taxes and Duties.

Revenue Expenditure increased by 18.12 *per cent* owing to an increase in expenditure on Social Services by 29.97 *per cent*. This resulted in an increase of Revenue Deficit of the State by 8.38 *per cent*, as compared to the previous year. Simultaneously, the State Government increased the expenditure on asset creation by 34.14 *per cent* over the previous year, which led to increase in Fiscal Deficit of the State by 13.07 *per cent*.

Despite receipt of Post Devolution Revenue Deficit (PDRD) grants of ₹ 17,607 crore from GoI, as per recommendations of 15$^{th}$ Finance Commission, the State failed to contain the Revenue Deficit (₹32,000 crore).

The State Government Government did not constitute State Finance Commissions (SFCs) regularly as scheduled i.e. at the interval of five years and accepted the recommendations of SFCs belatedly in its Action Take Reports (ATRs). Also, there was significant shortfall in transfer of 4$^{th}$ SFC funds, against the agreed devolution, mentioned in the ATR.

Outstanding Public Debt at the end of the year has increased by 10.85 *per cent*. In the ensuing five and seven years, debt maturity will be 26.57 and 37.77 *per cent* respectively of total outstanding public debt (₹ 4,70,288 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 (₹ 4,425 crore) in 10 grants or large savings (₹ 74,303 crore) with reference to provisions made during the year. In six 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 2021-22, there was re-appropriation amounting to ₹ 2,190 crore in respect of 553 sub-heads constituting 51 grants. However, despite reappropriation, there were savings of ₹ 3,992 crore in respect of 436 sub-heads and excess of ₹ 3,140 crore in respect of 100 sub-heads.

The above instances indicate inadequate financial management on the part of the controlling officers.

***(Chapter III)***

### 1.4 Quality of Accounts and Financial Reporting Practices

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

The 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 ₹ 3,197 crore in 160 PD Accounts as on 31 March 2022. During 2021-22, an amount of ₹ 229 crore was transferred to PD accounts, in March 2022, from the Consolidated Fund of the State. This was 17.67 *per cent* of the total yearly inflow into the PD accounts. Of this, ₹ 85 crore was transferred on the last working day of March 2022. This was intended to avoid the lapse of budget provisions.

In respect of 67 Autonomous Bodies (ABs) which are to render annual accounts to CAG, two District Legal Services Authorities (DLSAs) have not submitted accounts since their inception in 1998-99. As of 30 September 2022, 279 annual accounts of ABs, due upto 2021-22, remained pending. Non-submission of accounts by Autonomous Bodies is in violation of the prescribed financial rules and directives and points to inadequate internal controls and deficient monitoring mechanism of the concerned 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 for which the advance was drawn. In no case, should this period exceed 60 days from the date of drawl of the AC bill.

Audit scrutiny revealed that, as of March 2022, a total of 7,999 DC bills, in respect of AC bills aggregating ₹ 1,638 crore, had not been submitted.

***(Chapter IV)***

### 1.5 Functioning of State Public Sector Enterprises

As on 31 March 2022, there were 85 State Public Sector Enterprises (SPSEs) in West Bengal, which comprised of 66 working SPSEs (including eight Statutory Corporations) and 19 inactive SPSEs (including one Statutory Corporation). During 2021-22, the working SPSEs registered a turnover of ₹ 60,421 crore which was equal to 3.93 *per cent* of Gross State Domestic Product (GSDP). The return on equity (ROE) of the working SPSEs stood at 0.85 *per cent.*

Government of West Bengal has 99 *per cent* equity holding of ₹ 17,178 crore in 85 SPSEs and had given loans of ₹ 6,206 crore (19.19 *per cent* of total borrowings of ₹ 32,332 crore) as on 31 March 2022. The Major portion of the equity investment of GoWB was in the Power Sector - ₹ 12,981 crore.

Out of 66 working SPSEs, 32 SPSEs earned profit of ₹ 1,197 crore and 34 SPSEs suffered loss of ₹ 1,073 crore. The total accumulated loss of 38 out of 85 SPSEs was ₹ 17,790 crore which exceeded their paid-up capital of`₹ 2,401 crore. During 2021-22, State Government provided financial support of ₹ 2,337 crore to SPSEs towards equity, loans and grants/ subsidies.

Out of 85 SPSEs, only 23 SPSEs prepared Accounts for 2021-22 as of September 2022. The accounts of 56 SPSEs were in arrears for periods ranging from one to five years.

***(Chapter V)***