Chapter I

Overview of Audit

Chapter-I

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1.1 Introduction

This Report of the Comptroller and Auditor General of India 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.

As of 31 March 2021, there are 58 Administrative Departments in West Bengal, 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 25 Departments ***(Appendix-1)*** under the jurisdiction of this office.

Of the total expenditure of ₹ 29,927.09 crore incurred by these (25) Departments during 2020-21, a major portion (82.47 *per cent*) was incurred by Urban Development and Municipal Affairs (28.46 *per cent*), Disaster Management and Civil Defence (22.97 *per cent*), Public Works (18.47 *per cent*), Power (6.75 *per cent*) and Public Health Engineering Department (5.82 *per cent*).

This chapter provides the planning and extent of audit and response to audit by various Departments.

1.2 About this Report

Findings arising from Performance and Compliance audits of 25 Government Departments, 44 ABs including two Regulatory Authorities ***(Appendix-2)*** and 63 SPSEs ***(Appendix-3)*** under the audit jurisdiction of this Office are included in this Report. Performance Audit examines whether the objectives of the programme/activity/Department are achieved economically, efficiently and effectively. 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.

1.3 Authority for Audit

The mandate for audit 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 audit of expenditure of the Departments of Government of West Bengal is conducted under Section 13 of the C&AG's (DPC) Act. In addition, the C&AG is the sole Auditor in respect of ABs, which are audited under Sections 19(2), 19(3) and 20(1) of the C&AG's (DPC) Act. Autonomous Bodies substantially funded by the Government are also audited under Section 14 of C&AG's (DPC) Act. Further, the C&AG conducts audit of Government Companies and Statutory Corporations in West Bengal under sections 19(1) and 19(2) of the C&AG'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 C&AG.

1.4 Planning and Conduct of Audit

The audit process starts with assessment of audit risks of various Departments of the Government, based on parameters such as expenditure incurred, criticality/ complexity of their 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.

1.5 Response to Audit

Seven compliance audit observations and two Performance Audits proposed for inclusion in this report were forwarded (between December 2021 and April 2022) 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 four Compliance Audits have been received till date (November 2022). The responses of concerned Departments as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

Audit Reports for the years 2015-16 to 2019-20 were sent to the State Government between February 2017 and December 2021 for tabling in the State Legislature. The Reports were presented in the State Legislative Assembly after three to twenty seven months from handing over, as detailed in ***Appendix-4***.

Further, the Departments concerned are required to furnish replies to the observations included in the Audit Reports within one month of their presentation in the State Legislative Assembly. Though the Audit Reports for the years 2006-07 to 2019-20 were presented to the State Legislature between March 2008 and March 2022, replies on 487 paragraphs, are yet to be received from 18 Departments under the audit jurisdiction of this office. Status of the pending replies as on 31 March 2022 is given in ***Appendix-5***. It would also be seen from the Appendix that replies to 313 paragraphs relating to Audit Reports from 2006-07 to 2016-17 were overdue. The delays ranged from 31 to 167 months.

As stipulated in the Rules of Procedure of the Public Accounts Committee (PAC) and Committee on Public Undertakings (CoPU), the administrative Departments are required to take suitable action on the recommendations made in the Reports of the PAC and CoPU 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 November 2022.

Action Taken Notes on 29 paras contained in 13 Reports of the CoPU presented to the Legislature from July 2008 to July 2021 had not been submitted by two Departments to the Assembly Secretariat as of November 2022.

Inspection Reports issued to 20 Departments till 31 March 2022 were reviewed and it was found that 4,214 paragraphs relating to 799 IRs remained outstanding at the end of November 2022 ***(Appendix-6).***

1.6 Placement of Separate Audit Reports of State Autonomous Bodies and SPSEs

Separate Audit Reports (SARs) are the audit reports of the C&AG on the accounts of ABs and SPSEs. These reports are to be laid before the State Legislature as per the provisions of the respective Acts. The status of placement of SARs issued by the C&AG (up to March 2022) on the accounts of ABs and SPSEs in the State Legislature is shown in ***Appendix-****7*. Forty SARs in respect of seven ABs and three SPSEs were issued to the Government during August 2011 to March 2022. These are yet to be placed in the State Legislature.

1.7 Significant Audit Observations

Performance Audit on Upgradation of Roads by PWD in West Bengal

Introduction

The State has incurred an expenditure of ₹19,603.84 crore (82.90 *per cent*) on construction/ upgradation of roads and bridges in the last six years against the total expenditure of ₹ 23,646.76 crore on roads and bridges.

In view of substantial investment made by the State Government on upgradation of roads, Performance Audit was taken up to ascertain whether the expenditure had been incurred in a prudent and efficient manner while adhering to aspects of quality, safety and mobility. ***(Paragraph 2.1)***

Audit was conducted between December 2020 and May 2021 and covered a period of five years (2015-16 to 2019-20). Out of total 995 road works undertaken in the 19 test-checked divisions in seven districts, 130 road works with an estimated cost of ₹ 3,037.93 crore was selected for detailed analysis.

(Paragraph 2.4)

Topographical survey was not conducted in 78 test-checked works. In the remaining 52 test-checked works where topographical survey was stated to have been conducted, the divisions failed to produce any records regarding such survey in 35 works.

(Paragraph: 2.7.1.1)

Use of non-rural road guidelines instead of the required rural road guidelines resulted in five divisions incurring an avoidable expenditure of ₹ 7.62 crore

(Paragraph: 2.7.2.4)

Sixteen roads were designed with higher specifications without following the guidelines meant for rural roads leading to avoidable expenditure of ₹ 15.70 crore.

(Paragraph: 2.7.2.6)

In four works, the divisions ignored the existing layers and laid layers with excess thickness leading to avoidable expenditure of ₹ 7.37 crore.

(Paragraph: 2.7.2.7)

No challans for 4,862.58 MT of bitumen costing ₹ 20.36 crore were produced to Audit. Further, 87 vehicles purportedly used to carry 1,065.52 MT of bitumen were two wheelers, three wheelers, small commercial vehicles, passenger vehicles like buses and even ambulances, which raises doubt regarding authenticity of these challans. ***(Paragraph: 2.8.4)***

Despite increase in the number of vehicles in West Bengal by 47.28 *per cent* from 2015-16 to 2019-20, the Department has neither formulated any policy guidelines nor issued any orders regarding road mobility.

There was no periodic quantification of vehicular traffic, congestion points were not identified, roads had variable width throughout its length, existence of a large numbers of weak and narrow bridges, encroachment of roadside pavements, *etc*. This hampered mobility which adversely affected productivity, fuel consumption and economic efficiency. ***(Paragraph: 2.11.1)***

Various measures suggested for ensuring road safety, such as installation of gantry signages and crash barriers, uniformity in maintaining accident database, developing a handbook for "Road Safety Design Guidelines" for use in urban and rural roads were not carried out. ***(Paragraph: 2.12)***

Performance Audit on Augmentation of Transmission Capacity in West Bengal by West Bengal State Electricity Transmission Company Limited

Introduction

Government of West Bengal unbundled (April 2007) the erstwhile West Bengal State Electricity Board (WBSEB) into West Bengal State Electricity Transmission Company Limited (WBSETCL) and West Bengal State Electricity Distribution Company Limited (WBSEDCL), both incorporated in February 2007. The transmission and load despatch activities of WBSEB were transferred to WBSETCL, a Government company wholly owned by Department of Power, GoWB. ***(Paragraph 3.2)***

WBSETCL had planned for higher capacity than required leading to declining trend in overall network utilisation between 2017-18 and 2020-21. The unutilised capacity ranged from 61.82 to 70.88 *per cent;* excess transformer capacity of 15,864 MVA in the five years was created at a cost of ₹ 517.17 crore. In the same period, transmission cost per unit rose from 17.87 paisa to 24.51 paisa. Assets utilisation was not commensurate with investment and consumers paid a higher per unit cost for transmission.

(Paragraph 3.7)

During 2016-21, WBSETCL's aggregate achievements for construction/ upgradation of sub-stations, additions to transformer capacity and transmission lines were 35.62 *per cent*, 65.74 *per cent* and 39.90 *per cent*, respectively.

(Paragraph 3.8.1)

Out of 35 selected projects, WBSETCL had closed or terminated four projects and one project was completed within schedule. While nine projects were delayed by 2 to 309 days from technical approval to award of work, 29 projects sustained delays of 15 to 2,536 days from award of work to issue of taking over certificate after completion of project. In consequence, WBSETCL incurred cost overrun of ₹ 62.31 crore. ***(Paragraphs 3.9.1 and 3.10.1)***

In eight projects, WBSETCL, in violation of General Conditions of Contract, issued Taking Over Certificates, although ancillary works such as dismantling of towers, stringing of conductors, submission of 'as built' drawings/ documents *etc.* were not completed. Since dates of completion of projects were reckoned retrospectively, LD of ₹ 19.14 crore was not imposed on contractors of these projects. ***(Paragraph 3.10.5)***

WBSETCL did not have a hotline maintenance division, leading to total dependence on shutdown maintenance, with attendant risks of breakdown and ineffective utilisation of resources. Furthermore, WBSETCL had not achieved 100 *per cent* energy metering at boundary points. The shortfall ranged from 15.37 *per cent* to 21.55 *per cent* of boundary points. Consequently, transmission losses were overstated due to determining loss based on norms (3.40 *per cent*) and not actuals (2.29 *per cent* to 2.76 *per cent*). ***(Paragraph 3.11.3)***

Compliance Audit on post Amphan relief and restoration works

Introduction

The Super Cyclonic Storm "AMPHAN", made landfall on 20 May 2020 along the West Bengal-Bangladesh coast. Heavy rainfall was experienced over the coastal Odisha and Gangetic West Bengal on 20 and 21 May, 2020 with wind-speeds upto 133 kmph which affected 16 districts of the State. The super cyclone affected nearly 60 *per cent* of the State population and claimed 99 human lives apart from causing destruction of dwelling houses, agriculture, horticulture, fisheries, animal resources, forest, power, irrigation canals, health infrastructure and industrial sectors.

Government of West Bengal (GoWB) reported damage to the extent of ₹ 1,02,442 crore and sought for central assistance of ₹ 35,018 crore from National Disaster Response Fund (NDRF). Against which, central assistance of ₹ 2,707.77 crore was recommended from NDRF, subject to adjustment of 50 *per cent* of balance available in the State Disaster Response Fund (SDRF) account as on 31 March of the preceding financial year. The assessment of damages by GoWB for claiming Central Assistance was exaggerated and unrealistically high and it was not supported by proper evidence of damages.

(Paragraph 4.1 & 4.7)

The damage assessed by the DMCD Department could not be verified in Audit in absence of district-wise damage assessment report. ***(Paragraph 4.5.1.1)***

Upto June 2020, House Building grant to all damaged households (fully or partially damaged) were given at the rate of ₹ 20,000 each. However, after June 2020, households with fully damaged houses got ₹ 20,000 each and households with partially damaged house got ₹ 5,000 each. The rationale for fixation of the rates of HB grant by the GoWB was not found on record. Thus, distribution of relief by GoWB for HB grant was not fair and equitable.

(Paragraph 4.8.2)

House Building grant was credited more than once into the bank accounts of 9,226 beneficiaries involving payments of ₹ 18.07 crore indicating not only serious deficiencies in the process of selection of beneficiaries but also absence of adequate checks and balances before making DBT to prevent such multiple payments.

(Paragraph 4.8.5)

There was mismatch between the account numbers mentioned in the beneficiary lists and those found in the IFMS Vouchers/Bank Scrolls of successful transactions in South 24 Parganas, Nadia, Paschim Medinipur and Purba Medinipur. Such discrepancy was found in 1,44,175 cases involving ₹ 125.07 crore

(Paragraph 4.8.13)

Horticulture assistance of ₹ 2.82 crore was paid to 5,627 beneficiaries on the basis of beneficiary list prepared for cyclone 'Bulbul' that hit West Bengal in November 2019.

(Paragraph 4.10.1)

Individual Observations of Compliance Audit

West Bengal Khadi and Village Industries Board under MSME&T Department incurred an irregular expenditure of ₹ 3.45 crore in procurement of 4,254 Rotary Sewing Machines in contravention of mandatory provision of West Bengal Financial Rule at a higher rate.

(Paragraph 5.1)

The Department paid ₹ 8.78 crore as Marketing Incentive (MI) under National Handloom Development Programme to 202 ineligible Primary Handloom Weaver' Cooperative Society (PWCS) and additional MI under WBIS 2013 to PWCS in contravention of the Scheme Guidelines**.**

(Paragraph 5.2)

Siliguri Jalpaiguri Development Authority went ahead with the construction of Pineapple Development Centre (PDC) without procuring required land for approach road. As a result, newly constructed facility could not be put to use even after eight years from completion, resulting in unfruitful expenditure of ₹ 18.78 crore.

(Paragraph 5.3)

Dues of ₹ 15.61 crore towards price of earth against unauthorised extraction of 18.51 crore cft of earth without valid permits were not recovered/short recovered in 877 cases by 11 District Land & Land Reform offices.

(Paragraph 5.4)

Non/ short realisation of rent, cess and surcharge of ₹ 32.12 crore in 12,415 cases pertaining to land used for commercial purpose.

(Paragraph 5.5)

Five District Land & Land Reforms Officers failed to realise ₹ 4.53 crore from the lessees/contractors/brick field owners on account of royalty and cess levied on extraction of earth/ sand/ stone.

(Paragraph 5.6)