Chapter I

Overview

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 Accountant General (Audit-II), West Bengal.

As of 31 March 2022, 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 ₹34,601.87 crore incurred by these 25 Departments during 2021-22, a major portion (83.56 *per cent*) was incurred by Urban Development and Municipal Affairs (32.28 *per cent*), Public Works (17.39 *per cent*), Public Health Engineering (13.67 *per cent*), Disaster Management and Civil Defence (10.38 *per cent*) and Power Department (9.84 *per cent*).

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

1.2 About this Report

Audit findings arising from Compliance audits of 25 Government Departments, 46 ABs including two Regulatory Authority ***(Appendix-2)*** and 63 SPSEs ***(Appendix-3)*** under the audit jurisdiction of this Office are included in this Report. 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[1] 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)[2], 19(3)[3] and 20(1)[4] of the C&AG's (DPC) Act. ABs substantially funded by the Government are also audited under Section

[1] *Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.*

[2] *Audit of accounts of Corporation (not being companies) established by or under law made by Parliament in accordance with the provisions of the respective legislations.*

[3] *Audit of the accounts of corporations (not being companies) established by or under law made by the State Legislature at the request of the Governor.*

[4] *Audit of accounts of anybody or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.*

14[5] 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)[6] 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. 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. The important audit observations in the IRs are processed for inclusion in the Audit Report.

1.5 Response to Audit

Twenty six Compliance Audit paragraphs and three Detailed Compliance Audits proposed for inclusion in this report were forwarded (between July 2022 and December 2022) to Additional Chief Secretary/ Principal Secretaries/ Secretaries of the Departments concerned, with the request to send their responses. Departmental replies in respect of eight Compliance Audit Paragraphs and three Detailed Compliance Audit have been received till date (March 2023). 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 2016-17 to 2020-21, were sent to the State Government between May 2018 and January 2023, for tabling in the State Legislature. The Reports for 2016-17 to 2019-20, were presented in the State Legislative Assembly after three to twenty seven months from handing over as detailed in ***Appendix-4***.

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 to 358 paragraphs are yet to be received from 15 Departments under the audit jurisdiction of this office. Status of the pending replies as on

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5 *Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of anybody or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.*

6 *Audit of the accounts of Government Companies in accordance with the provisions of the Companies Act, 2013 (18 of 2013), previously the Companies Act, 1956 (1 of 1956).*

31 August 2022, is given in ***Appendix-5***. It would also be seen from the Appendix that replies to these 358 paragraphs were overdue for 14 years 8 months to 6 months.

As stipulated in the Rules of Procedure of the Committee on Public Accounts (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 17 paras contained in 14 Reports of the PAC presented to the Legislature from July 1999 to February 2021, had not been submitted by four Departments to the Assembly Secretariat and Action Taken Notes on 17 paras contained in 17 Reports of the CoPU presented to the Legislature from July 2008 to March 2022, had not been submitted by three Departments to the Assembly Secretariat as of August 2022.

Inspection Reports issued to 21 Departments till 31 August 2022, were reviewed and it was observed that 4,342 paragraphs relating to 749 IRs remained outstanding at the end of August 2022 ***(Appendix-6)***.

1.6 Placement of Separate Audit Reports of Autonomous Bodies and SPSEs

Separate Audit Reports (SARs) contain the audit observations 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***. Thirty one SARs in respect of four ABs and three SPSEs were issued to the Government during February 2012 to March 2022. These are yet to be placed in the State Legislature.

1.7 Significant Audit Observations

Detailed Compliance Audit on Implementation of *Lok Prasar Prakalpa,* Information and Cultural Affairs Department, Government of West Bengal

The Information and Cultural Affairs Department (I&CAD), Government of West Bengal (GoWB), launched (July 2014) a flagship project, *'Lok Prasar Prakalpa'* to ensure a minimum monthly income to the Folk Artists (FAs), to provide economic stability to the FAs, along with the revival of traditional folk art.

(Paragraph 2.2.1)

Database of the FAs was incomplete and was not updated. The database did not contain field for capturing information on 'family income'. Further, out of the total of 0.80 lakh FAs in the seven selected districts, the Folk Forms of 5,860 FAs and Experience Forms of 4,816 FAs, were not available.

(Paragraph 2.2.8.1)

Due to absence of integration of the LPP portal with the Jai Bangla portal, I&CAD did not have real-time control over the implementation of LPP, even after the adoption of Direct Benefit Transfer.

(Paragraph 2.2.8.2)

In the absence of centralised instructions relating to the implementation of LPP, the District Information and Culture Officers (DICOs) did not follow a uniform procedure for selection, implementation and monitoring of the scheme.

(Paragraph 2.2.9.1)

Due to the non-conduct of auditions, 51,376 applicants, in the seven test-checked districts, were denied opportunity to be enlisted for receiving financial assistance under the LPP.

(Paragraph 2.2.9.2)

DICOs had failed to distribute 5,590 identity cards, even after 54 months of its printing.

(Paragraph 2.2.9.5)

Out of seven selected districts, 21,094 retainer FAs in three districts[7] had not been provided programme during 2021-22, while 17,917 FAs in the remaining four districts[8] were not provided programme till July-August 2022.

(Paragraph 2.2.10.2)

Due to the delay in repayment of the loan, Folk & Tribal Cultural Centre (FTCC) had to pay additional interest of ₹ 2.03 crore, for the period from October 2020 to January 2021.

(Paragraph 2.2.11)

In the selected seven districts, life certificates were not collected from 39,601 FAs in the financial year 2021-22.

(Paragraph 2.2.12.1)

There was no specific timeline regarding intimation of death of FAs in the guidelines. In the absence of regular monitoring, I&CAD had released ₹ 12.58 lakh to the bank accounts of the 99 deceased FAs.

(Paragraph 2.2.12.2)

In seven selected districts, the Department conducted 16 workshops during FYs 2017-18 and 2018-19, but did not conduct workshops during FYs 2019-20 to 2021-22.

(Paragraph 2.2.12.4)

Individual Compliance Audit observation

Lack of action by DL&LROs resulted in non-realisation of rent, cess and surcharge of ₹ 4.63 crore, in cases pertaining to land used for commercial purposes.

(Paragraph 2.7)

7 *Purulia (12,000), Murshidabad (7,834) & Dakshin Dinajpur (1,260).*

8 *Hooghly (5,000), Bankura (10,446), Birbhum (1,750) & Alipurduar (721).*

Detailed Compliance Audit on Implementation of Cluster Development Programme in West Bengal

The Cluster Development Programme (CDP), in West Bengal, is being implemented under the 'Micro and Small Enterprises - Cluster Development Programme' (MSE-CDP), through joint funding, with grants by the Government of India (70 *per cent* of the project cost or to 90 *per cent,* in case of micro/village, women owned or SC/ST units); funding by Special Purpose Vehicles (SPVs)- of at least 10 *per cent of the project cost;* and gap funding by the State Government.

The main objectives of the CDP are: (i) strengthening of the institutional framework (ii) providing backward and forward linkages and (iii) creation of need-based Common Facility Centres (CFCs), using modern technology, for enhancing the productivity and competitiveness of the enterprises in the cluster.

Out of the 13 CFCs under MSE-CDP, five[9] have been fully completed and handed over, one[10] has been partly completed and handed over, four[11] are ongoing, two[12] have been dropped and one[13] had not been taken up.

(Paragraph 2.8.1)

Instances of inclusion of ineligible stakeholders, not related to the operations of the CFCs were noticed in four out of the eight selected CFCs.

(Paragraph 2.8.5.1)

Deviations, in purchase of approved Plant and Machinery were noticed in four CFCs. Mandatory approval for the deviations, were also not obtained from the National Level Screening Committee.

(Paragraph 2.8.6.1)

One of the agencies, to whom advance of ₹ 4.33 crore had been paid, for supply of machines of CFC of Re-rolling Mills, Jagatballavpur, Howrah, had not delivered 50 out of 74 machines, costing ₹ 1.76 crore, even after a lapse of nine years, resulting in stalling of the project.

(Paragraph 2.8.6.2)

In four[14] CFCs, P & M worth ₹11.44 crore were procured, but were not insured by the SPVs, though required as per the MSE-CDP guidelines.

(Paragraph 2.8.6.6)

CFC of the Re-rolling Mills, Jagatballavpur, Howrah remained non-functional, even after ten years and the amount of ₹ 11.21 crore had remained unfruitful,

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[9] *(i) Fan Manufacturing, Bansdroni, Kolkata (ii) Plastic Products, Rajganj, Jalpaiguri (iii) Honey Processing Cluster, Malda (iv) Roofing Tiles Cluster, Murlu, Bankura and (v) Zari Embroidery Cluster, Budge Budge II Block, South 24 Parganas.*

[10] *Lead Acid Storage Battery, Darjeeling.*

[11] *(i) Refractory Bricks, Salanpur, West Burdwan (ii) Re-rolling Mills, Jagatballavpur, Howrah (iii) Kaliyaganj Edible Oil, Uttar Dinajpur and (iv) Silver Filigree, Magrahat, South 24 Parganas.*

[12] *(i) Metal Casting (Foundry) Cluster, Howrah and (ii) Leather Goods, Santiniketan, Birbhum.*

[13] *Rice Mill Cluster, East Burdwan.*

[14] *(i) Silver Filigree, Magrahat, South 24 Parganas, (ii) Fan Manufacturing, Bansdroni, Kolkata, (iii) Re-rolling Mills, Jagatballavpur, Howrah and (iv) Lead Acid Battery, Siliguri, Darjeeling.*

without achievement of the desired objectives. CFC of the Kaliyaganj Edible Oil, Uttar Dinajpur, after incurring expenditure of ₹ 5.50 crore, on civil works, could not be made functional, even after a time lag of 38 months.

(Paragraph 2.8.6.7)

Five[15] CFCs which procured Plant & Machinery (P & M), had not published Notice Inviting Tenders (NITs) in the Indian Trade Journal or in any of the widely published National dailies, thus detracting from the objectives of open competition, wide participation, and competitive rates. E-tendering was also not opted for purchase of any of the CFCs, although it was made mandatory.

(Paragraph 2.8.7.1)

Implementing Agency neither had in-house technical expertise, nor had it engaged any consultant, to assess the actual requirement of P&M for the CFCs, which had resulted in deviations from the approved Detailed Project Reports.

UCs submitted by the Implementing Agency did not mention the interest accrued on the funds kept in the Project Specific Accounts (PSAs) and had not refunded the interest accumulated in the PSAs of the CFCs.

(Paragraph 2.8.9.1)

The District Industries Centres (DICs) had not maintained records/ information related to the implementation of CFCs, for the purpose of monitoring and had solely relied upon the records/ information provided by the SPVs.

The DICs had not conduct physical inspections of the CFCs. Further, the General Manager, DICs, did not effectively perform their duties as Chairpersons of the Purchase Committees. Besides, irregularities in tendering could not be checked by GM, DICs.

(Paragraph 2.8.9.2)

Individual Compliance Audit observations

Public Health Engineering Department (PHED), without proper survey, awarded the piped water supply scheme to an agency, for the construction of River Bed Tube Wells (RBTWs), on river beds which had large-scale mining activities and were prone to flooding, resulting in complete washing out of 74 of the RBTWs so installed and wasteful expenditure of ₹ 3.17 crore.

(Paragraph 2.10)

Construction of a newly laid layer of Bituminous Macadam, without wearing course, in contravention of Indian Road Congress (IRC) provisions and MoRTH specifications, led to damage of road and wasteful expenditure of ₹ 2.50 crore.

(Paragraph 2.13)

Public Works Department extended undue benefit, by allowing interest-free Mobilisation Advance to a contractor, resulting in loss of interest of ₹ 5.34 crore.

(Paragraph 2.15)

[15] *(i) Refractory Bricks, Salanpur, West Burdwan, (ii) Re-rolling Mills, Jagatballavpur, Howrah, (iii) Fan Manufacturing, Bansdroni, Kolkata, (iv) Plastic Products, Rajganj, Jalpaiguri, and (v) Lead Acid Battery, Siliguri, Darjeeling.*

Despite availability of information regarding non-payment of motor vehicle taxes by defaulter vehicle owners, the RTOs/ ARTOs did not monitor, nor did they review the data available with VAHAN. As a result, demands were not raised and taxes and penalty, amounting to ₹ 12.68 crore, remained unrealised.

(Paragraph 2.22)

Registering Authorities under the Transport Department did not collect tax from dealers or manufacturers at the time of first registration of motor vehicles, resulting in loss of Government revenue, amounting to ₹13.35 crore.

(Paragraph 2.26)

Overview of State Public Sector Enterprises

The State Public Sector Enterprises (SPSEs) comprise State Government Companies, Government-controlled other Companies, subsidiary Companies and Statutory Corporations. They were established to carry out the activities of commercial nature and to contribute in economic development of the State. As on 31 March 2022, there were 63 SPSEs (including 19[16] inactive SPSEs) under the audit jurisdiction of the Office of the Accountant General (Audit-II). The financial performance of 63 SPSEs, according to their latest finalised accounts as on 30 September 2022, showed that 44 working SPSEs registered an aggregate turnover of ₹ 42,339.50 crore. This turnover was equal to 2.76 *per cent* of State Gross Domestic Product[17] (GSDP) for the year 2021-22 (₹ 15,36,681 crore).

(Paragraph 3.1)

As of 30 September 2022, 20 out of 61 SPSEs had submitted their accounts for the year 2021-22. The accounts[18] of remaining 41 SPSEs (127 accounts)[19] were in arrears for one year to 16 years as compared to 54 SPSEs (136 accounts) in arrears for one year to 15 years, at the end of September 2021.

(Paragraph 3.4)

As on 31 March 2022, the investment (capital and long-term loans) in 63 SPSEs was ₹ 42,355.01 crore as seen from their latest available accounts received. This total investment consisted of 37.76 *per cent* towards paid-up capital and 62.24 *per cent* in long-term loans.

(Paragraph 3.6)

During 2021-22, the office of the Accountant General (Audit-II), West Bengal conducted compliance audit of 18 units of 11 SPSEs. The results of these audits are communicated to the Government of West Bengal and the SPSEs concerned. During the year, 15 inspection reports (IRs) containing 90 paragraphs were issued after audit of these 11 SPSEs. In the same period, 27 IRs were closed and 108 paragraphs settled based on replies furnished. As on 31 March 2022, 335 IRs containing 1,140 paragraphs were outstanding in respect of 46 SPSEs.

(Paragraph 3.8)

[16] *Including one company under liquidation viz. West Bengal Tea Development Corporation Limited.*

[17] *First advance estimates at current prices for base year 2011-12 (Source: Bureau of Applied Economics & Statistics, Government of West Bengal).*

[18] *Including four arrear accounts of Britannia Engineering Limited, that was amalgamated with Westinghouse Saxby Farmer Limited, with retrospective effect from April 2016.*

[19] *Including 10 consolidated financial statements.*

Compliance Audit of State Public Sector enterprises

West Bengal State Electricity Distribution Company Limited (WBSEDCL) purchased solar energy beyond the contractually committed quantity, between March 2018 and March 2020, despite fulfilling Renewable Purchase Obligations, resulting in excess expenditure of ₹ 30.22 crore.

(Paragraph 4.2)

WBSEDCL had supplied electricity to four centralised bulk consumers, without obtaining adequate security under the extant provisions. This led to non-realisation of electricity charges of ₹ 47.07 crore.

(Paragraph 4.5)

West Bengal Tourism Development Corporation Limited constructed jetties in the Digha-Sankarpur area, without undertaking necessary environmental impact assessments, for obtaining the requisite approvals from the West Bengal Coastal Zone Management Authority. Consequently, the expenditure of ₹ 5.09 crore, on these jetties, was rendered wasteful.

(Paragraph 4.7)

Detailed Compliance Audit on "*Management of Resources*" by the South Bengal State Transport Corporation

Initially, the South Bengal State Transport Corporation (SBSTC) was incorporated as the Durgapur State Transport Corporation (December 1973), under Section 3 of the Road Transport Corporations Act, 1950. Subsequently, it was renamed as the South Bengal State Transport Corporation in March 1988. The main objective of the Corporation is to provide an efficient, economic and reliable transport service, in coordination with other forms of transport, to public, trade and industry, in the districts of South Bengal.

As of 31 March 2022, SBSTC was providing passenger service covering a total route length[20] of 1.30 lakh kilometres per day. The State also allows private operators to provide public transport in the areas operated by SBSTC. Out of the total buses operated in South Bengal, SBSTC's share was approximately 13 *per cent*.

(Paragraph 4.8.1)

The percentage of off-road buses was very high, ranging between 27.84 (FY 2019-20) and 38.13 (FY 2017-18). This implied that SBSTC could not earn revenue from these buses during the said periods. As against the AIA[21] of 6.48 years, the average age of buses of SBSTC was 8.06 years in FY 2021-22.

(Paragraph 4.8.8.1)

SBSTC had 48[22] AC buses as of 31 March 2022. However, it was not maintaining separate records, either for the revenue earned (make-wise) from operation of AC buses or for the cost of their maintenance. Records of four[23]

20 *Route length = Total number of routes operated by SBSTC x Km. covered per route x Number of trips per route.*

21 *AIA in FY 2017-18.*

22 *38 standard AC buses, five Volvo AC buses and Five Electric AC Buses.*

23 *Digha, Belgharia, Durgapur and Asansol.*

depots showed that the occupancy ratio of standard AC, Volvo and electric AC buses, in FY 2021-22, was 37.57, 20.68 and 29.03 *per cent,* respectively. The average earnings per kilometre (EPKM)[24] of these buses worked out to ₹ 25.25, ₹ 23.20 and ₹ 13.47, respectively, whereas the cost of fuel per km/cost of energy consumed per km (in case of electric buses) worked out to ₹ 24.63,₹ 36.95 and ₹ 5.77, respectively. The contribution margin, after meeting the fuel costs, worked out to ₹ 0.62, ₹ (-)13.75 and ₹ 7.70.

(Paragraph 4.8.8.2)

During FYs 2017-18 to 2021-22, the value of fuel consumed to cover dead kilometres amounted to ₹ 2,843.43 lakh[25]. Except in the case of Digha depot, the distance between depot to bus stand for the five selected depots varied between 4 km and 21 km.

(Paragraph 4.8.9.1)

Although the average price of HSD had increased from ₹ 67.71 per litre in FY 2018-19 to ₹ 89.41 in FY 2021-22, the fare per km had remained static during this period. As a result, the gap[26] between EPKM and fuel cost per Km gradually diminished from ₹ 9.67 per Km in 2018-19 to ₹ 2.73 per km in 2021-22.

(Paragraph 4.8.9.2 I)

During 2021-22, SBSTC had deployed buses to facilitate commuters, with 50 *per cent* of the sitting capacity, as per Government Orders issued from time to time. Due to restricted occupancy in FY 2021-22, SBSTC had suffered operational losses of ₹ 1,008.54 lakh[27] and the same had been claimed from the GoWB. Against the said claim, SBSTC had received ₹ 600 lakh (up to July 2022) only from GoWB.

(Paragraph 4.8.9.2 IV)

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[24] *For FY 2021-22.*

[25] *Dead km (FYs 2017-18 to 2021-22) x Average HSD rate/Average KMPL= 171,90,013 x ₹ 70.30/4.25.*

[26] *Traffic Revenue per Km less Fuel cost per KM.*

[27] *Operational Loss calculated: ₹ 1,173.90 lakh+ Amount received: ₹ 100 lakh- Due from High Court: ₹ 214.56 lakh- Due from Health Department: ₹ 50.80 lakh.*