Chapter 1

Introduction

Chapter 1: Introduction

1.1 Structure of the Report

This Report covers matters arising out of the Compliance Audit of State Government Departments and their Autonomous Bodies. The primary purpose of this Report is to bring to the notice of the Legislature, important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised into four chapters as under:

- **Chapter 1** contains the profile of the Auditee Departments with an overview of their receipt/ expenditure for the last five years, the Authority for audit, audit jurisdiction, planning and conduct of an audit, the response of the Government to various audit products namely Audit Reports, Inspection Reports, individual observations/ paragraphs, follow up action on Audit Reports, *etc.*

- **Chapter 2** contains observations relating to Subject Specific Compliance Audit (SSCA) on 'Utilisation of State Disaster Response Fund in West Bengal'.

- **Chapter 3** contains observations relating to SSCA on 'Implementation of *Yuvasree* Scheme in West Bengal'.

- **Chapter 4** contains an individual paragraph relating to Compliance Audit.

1.2 Profile of the Auditee Departments and Audit Universe

I) As per the Budget, Government of West Bengal (GoWB) released funds under 58[1] grants (during Financial Year 2022-23), to various Departments. The audit universe under the Principal Accountant General (Audit-I), West Bengal (PAG), comprised 3,256 units, related to 35 Grants. There were 32 Departments under the audit jurisdiction of PAG (Audit-I) besides, 124 bodies/ authorities which were either substantially financed from the Consolidated Fund of the State or audit of which had been entrusted by the Government under various sections of the Comptroller & Auditor General's (CAG's) DPC (Duties, Powers and Conditions of Service) Act, 1971. List of Departments and Autonomous Bodies/ Authorities/ Corporations under the audit jurisdiction of the PAG (Audit-I), is shown in ***Appendix 1.1***.

Trend of expenditure in major Departments during the Financial Years (FYs) 2018-23 is shown in **Table 1.1**.

[1] *As per Appropriation Account 2022-23*

Table 1.1: Trend of expenditure of Departments with annual expenditure exceeding ₹ 100 crore *(₹ in crore)*

Sl. No.	Name of the Department	2018-19	2019-20	2020-21	2021-22	2022-23
1	**Agriculture**	6,080.13	3,046.24	2,969.84	6,545.37	7,474.86
2	**Animal Resources Development**	730.25	654.31	716.54	854.13	939.55
3	**Backward Classes Welfare**	1,755.41	557.64	2,046.36	2,018.10	2,013.05
4	**Cooperation**	333.25	433.06	411.90	607.17	539.18
5	**Correctional Administration**	327.81	339.19	275.35	334.23	335.45
6	**Finance**	92,973.76	91,309.92	84,435.69	96,134.52	95,904.56
7	**Fisheries**	155.71	243.95	211.48	205.16	235.36
8	**Food and Supplies**	10,971.79	7,193.13	9,621.18	13,392.75	14,533.22
9	**Health and Family Welfare**	9,560.69	10,734.22	12,651.69	16,583.57	16,834.59
10	**Higher Education**	3,638.28	3,570.42	4,670.37	5,743.98	6,074.10
11	**Home and Hill Affairs**	7,994.64	9,167.02	10,974.79	11,582.60	10,753.85
12	**Irrigation and Waterways**	1,966.88	1,856.68	1,845.53	2,255.34	2,513.87
13	**Judicial**	818.57	807.76	839.50	933.32	1,085.40
14	**Labour**	820.43	821.67	771.31	843.17	778.44
15	**Mass Education Extension and Library Services**	279.85	235.19	201.89	228.02	224.77
16	**Minority Affairs and Madrasah Education**	2,896.44	2,647.05	1,943.35	2,572.89	2,802.66
17	**North Bengal Development**	680.37	461.60	274.44	182.32	239.22
18	**Panchayats and Rural Development**	19,055.96	18,828.66	20,993.91	17,657.72	14,546.25
19	**Planning and Statistics**[2]	281.53	251.30	320.21	322.01	330.64
20	**School Education**	23,017.59	26,720.35	30,076.27	30,856.60	34,477.62
21	**Self Help Groups and Self Employment**	505.86	683.56	596.74	67.80	49.19
22	**Sundarban Affairs**	511.20	406.95	319.94	229.84	206.67
23	**Technical Education, Training and Skill Development**	782.75	675.49	755.24	666.51	689.88
24	**Tribal Development**	706.73	572.83	624.83	429.22	662.24
25	**Water Resources Investigation and Development**	1,054.93	1,008.27	928.92	990.78	1,093.06
26	**Women & Child Development and Social Welfare**	6,021.09	9,654.02	4,357.82	15,357.13	22,749.65
27	**Others**[3]	1,453.60	651.25	510.57	457.02	720.34
Total		**1,95,375.50**	**1,93,531.73**	**1,94,345.66**	**2,28,051.27**	**2,38,807.67**

Source: Sub-Head Accounts and Appropriation Accounts of respective year

[2] Covered through two Demands viz. one on Planning and Statistics and another on Programme Monitoring

[3] Others include (i) Agricultural Marketing Department, (ii) Consumer Affairs Department, (iii) Food Processing Industries & Horticulture Department, (iv) Law Department, (v) Paschimanchal Unnayan Affairs Department and (vi) Youth Services & Sports Department. This also includes demand on 'Chief Minister's Office' and 'Council of Ministers'.

II) Under receipt audit (tax revenue), there were 497 auditable units falling under the Finance Department of the State Government. Details of the actual receipts in respect of tax revenue raised during the period 2018-19 to 2022-23 are given in **Table 1.2** below:

Table 1.2: Details of the actual receipts in respect of the tax revenue raised during the period 2018-19 to 2022-23 *(₹ in crore)*

Sl. No.	Heads of Revenue	2018-19	2019-20	2020-21	2021-22	2022-23
1	**State Goods & Service Tax**	27,067.00	27,308.00	26,013.41	31,271.10	37,967.12
2	**Taxes on Professions, Trade**	560.78	588.72	596.64	664.33	731.33
3	**Stamp & Registration Fees**	5,620.01	6,025.79	5,527.57	7,366.44	6,876.19
4	**State Excise**	10,622.45	11,232.29	10,665.96	13,541.90	16,266.45
5	**Central Sales Tax**	705.48	387.10	464.97	1,019.64	475.99
6	**State Sales Tax**	6,971.38	6,890.42	8,896.27	8,829.14	11,058.66
7	**West Bengal Value Added Tax**	136.15	-116.35	32.60	101.83	305.65
Total		**51,683.25**	**52,315.97**	**52,197.42**	**62,794.38**	**73,681.39**

Source: Finance Accounts of the respective year

Regarding non-tax revenue, details of the actual receipts raised during the period 2018-19 to 2022-23 are given in ***Appendix 1.2***.

1.3 Authority for audit

Authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers & Conditions of Service) Act, 1971 (DPC Act). The CAG conducts audit of expenditure of State Government Departments under Section[4] 13 of the CAG's DPC Act. The CAG is the sole auditor in respect of Autonomous Bodies, which are audited under sections 19 (2), 19 (3)[5] and 20 (1)[6] of the DPC Act. In addition, the CAG also conducts audit of other Autonomous Bodies, which are substantially financed by the Government under Section[7] 14 of the DPC Act. Section 16 of the CAG's DPC Act authorises the CAG to audit all receipts (both revenue and capital) of the Government of India (GoI) and of the Government of each State and Union Territory (having a legislative assembly), and to satisfy himself that the rules and procedures have been designed to secure an effective check on the

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

[5] *Audit of accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations or as per request of the Governor of the State in the public interest*

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

[7] *Several non-Commercial Autonomous/ Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14*

assessment, collection and proper allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit & Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit & Accounts Department.

1.4 Planning and conduct of audit

Compliance Audits are conducted as per the Annual Audit Plan (AAP). Units for Compliance Audit are selected on the basis of a detailed risk assessment exercise based on issues of financial significance, social relevance, internal control systems, past instances of defalcation, misappropriation, embezzlement, *etc.*, as well as findings of previous Audit Reports.

Inspection Reports (IRs) are issued to the Heads of Units after completion of audit. Based on replies received, either audit observations are settled or further action for compliance is advised. Important audit findings are processed further as individual observations/ paragraphs for inclusion in the Audit Report or as SSCA paragraphs.

Formal replies furnished by Departments are carefully considered while finalising the materials for inclusion in the Audit Report. Audit Reports are laid before the State Legislature under Article 151 of the Constitution of India.

1.5 Lack of response of Government to Audit

Response of the Government to Inspection Reports

Principal Accountant General (Audit-I), West Bengal, conducts audit of Government Departments to check for compliance to rules and regulations in transactions and to verify regularity in maintenance of important accounting and other records as per the prescribed rules and procedures. After these audits, IRs are issued to the Heads of Offices inspected with copies to the next higher authorities. Important irregularities and other points detected during inspection, which are not settled on the spot, find place in IRs. Serious irregularities are brought to the notice of the Government by the Office of the PAG.

The Finance Department of GoWB had issued instructions (June 1982) for prompt response by the executive to IRs issued by the PAG to ensure timely corrective action in compliance with the prescribed rules and procedures and to ensure accountability for the deficiencies, lapses, *etc.*, observed during inspections. A timeline of three weeks for submission of initial replies to an IR, from the date of receipt of the IR was prescribed therein, which was to be followed up by such other required explanations and comments, within two months of the date of issue of IR.

IRs issued up to March 2023 relating to 577 offices under four departments[8] showed that 2,748 paragraphs relating to 762 IRs remained outstanding at the end of March 2024. Department-wise and year-wise break-up (from 1991-92 to 2022-23) of the outstanding IRs and Paragraphs are detailed in ***Appendix 1.3***. The unsettled IRs contained 114 paragraphs involving serious irregularities like

[8] *Home & Hill Affairs, Women & Child Development and Social Welfare, Youth Services & Sports and Tribal Development Departments*

theft/ defalcation/ misappropriation of Government money, loss of revenue and shortages/ losses not recovered or not written off amounting to a total of ₹ 8.96 crore. The Department-wise and nature-wise analysis of the outstanding paragraphs of serious nature are detailed in ***Appendix 1.4***.

Audit Committees, comprising the Principal Secretary/ Secretary of the Administrative Departments and representatives of the Finance Department and Audit, were formed in 25 out of 32 Departments under the purview of the Office of the Principal Accountant General (Audit-I), West Bengal for expeditious settlement of outstanding IRs/ Paragraphs. In the 25 Departments where Audit Committees were formed, only two meetings were held, one each by Agriculture Department and Food & Supplies Department during April 2022 to March 2023.

It is recommended that the Government should ensure that a procedure is put in place to (i) take action against officials failing to send replies to IRs/ paragraphs as per the prescribed time schedule, (ii) ensure recovery of losses/ outstanding advances/ overpayments, *etc.*, in a time-bound manner, and (iii) hold at least one meeting of the Audit Committee every quarter.

1.6 Response of Departments to Draft Audit Paragraph and Subject Specific Compliance Audit Paragraphs

Regulations on Audit & Accounts (Amendments), 2020 stipulate that responses to Draft Audit Paragraphs proposed for inclusion in the Report of the CAG of India should be sent within six weeks[9].

Draft Paragraphs and SSCAs are forwarded by the Audit Offices to the Principal Secretaries/ Secretaries of the concerned Departments as well as to the Finance Department, drawing attention to findings and requesting them to send responses within the prescribed time-frame.

Draft Paragraphs and SSCAs proposed for inclusion in this Report were forwarded to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries of the concerned Departments and to the Finance Department of GoWB, between October 2023 and June 2024. The concerned Departments sent replies to all the Compliance Audit paragraphs featuring in this Audit Report. Responses of the Department/ Directorate/ Auditee units as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

1.7 Follow-up on Audit Reports

After tabling of the Reports of the CAG of India in the State Legislature, the State Government Departments are required to submit *suo-motu* replies to the audit observations within one month. Review of outstanding replies on paragraphs included in the CAG's Audit Reports on GoWB, between 2008-09 and 2019-20, showed that replies relating to 357 paragraphs involving 23 Departments out of 32 Departments (excluding omnibus paragraphs involving a number of Departments) remained outstanding as of March 2023 ***(Appendix 1.5)***. Of these paragraphs, 310 pending paragraphs (87 *per cent*)

[9] *State Government's Finance (Budget) Department, in its order dated June 1982, however, directed all the Departments to submit their responses to proposed Draft Paragraphs within one month*

were related to the Finance Department. Further, out of 357 paragraphs, 31 paragraphs pertaining to 2008-09 to 2019-20 were selected for discussion by the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU).

As stipulated in the Rules of Procedure of the PAC and the COPU, Administrative Departments were required to take suitable action on recommendations made in the Reports of PAC/ COPU presented to the State Legislature and submit comments on the action taken or proposed to be taken on those recommendations within three months.

Action Taken Notes on 52 paragraphs contained in 31 Reports of the PAC/ COPU, presented to the State Legislature between 1991-92 and 2021-22[10], had not been submitted by 12 Departments to the State Legislative Assembly as of March 2022. These Reports of the PAC/ COPU had suggested recovery, disciplinary action, *etc.* A significant case is elaborated in ***Appendix 1.6***.

Action taken by the administrative Departments on the recommendations of the PAC/ COPU was, however, found to be inadequate and wanting.

[10] *Five Audit Reports submitted to the State Government between September 2022 and February 2025 are yet to be placed in the State Legislature*