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## OVERVIEW

This Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of West Bengal for the year 2005-2006 and three others comprising seven reviews and 21 paragraphs dealing with the results of performance audit of selected programmes and schemes, internal control system as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit findings on the performance of the Government in implementation of certain programmes and schemes as well as internal control mechanism in Cottage and Small Scale Industries Department is given below:

### *Financial position of the State Government*

Both the Revenue and Fiscal Deficit decreased in 2005-2006 mainly due to larger growth in revenue receipts as compared to growth in revenue expenditure. The increase in revenue receipts was mainly due to receipt of grants to cover deficit on revenue account from Government of India. There was slight improvement in the share of plan expenditure (17.25 *per cent*) and developmental expenditure (49.01 *per cent*) in total expenditure during the current year while the capital expenditure (5.04 *per cent*) was marginally lower compared to previous year's. Salaries, pension and interest payments, however, consumed the entire revenue receipts.

Fiscal liabilities as a ratio to Gross State Domestic Product (GSDP) increased from 46.42 *per cent* in 2001-2002 to 55.06 *per cent* in 2004-2005 and then declined to 52.71 *per cent* in 2005-2006. These liabilities were 4.8 times of revenue receipts and 10 times of own resources. Increasing ratios of fiscal liabilities to the GSDP, revenue receipts and own resources endanger sustainability of debt stock.

Against the total provision of Rs 44939.18 crore including the supplementary budget, the expenditure was Rs 41766.83 crore. The overall savings of Rs 3172.35 crore was the result of excess of Rs 260.65 crore in 13 grants and four appropriations offset by the savings of Rs 3433 crore in 54 grants and 28 appropriations. The excess expenditure of Rs 260.65 crore in 13 grants and

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*Abbreviations used in this overview have been listed in the Glossary (page 213)*

four appropriations required regularisation under Article 205 of the Constitution of India. Major savings (Rs 1956.27 crore) occurred under 10 grants and one appropriation mainly due to less spending on planned schemes. As of September 2006, the excess expenditure of Rs 50073.06 crore pertaining to the years 1999-2005 were not regularised due to non-receipt of explanatory notes on the excesses from the Finance Department.

Despite Government orders directing closure of Personal Ledger Accounts (PLAs) at the end of financial year, 29 DDOs of six departments test-checked did not close their PLAs resulting in accumulated balance of Rs 237 crore under PLAs as of March 2006.

Rupees 68.72 crore drawn in Abstract Contingent Bills between April 1987 and March 2005, by 88 test-checked DDOs remained unadjusted for want of detailed contingent bills. During 2005-2006, a further amount of Rs 1.32 crore was drawn in AC Bills by these DDOs the entire amount of which remained pending.

## PERFORMANCE REVIEWS

### *Sarva Shiksha Abhiyan*

Sarva Shiksha Abhiyan (SSA), a programme aimed at universal elementary education through creation of basic physical infrastructure failed to create the desired impact as the perspective plan as well as annual plans was prepared without household survey and survey of girl children, children belonging to SC/ST, children with special needs and street children. As of April 2005, 8.97 lakh children continued to remain out of school in the State. Out of 5.04 lakh children with special needs in the State, only 0.62 lakh were enrolled in schools as of March 2005, of which only 0.16 lakh children were provided with aids and appliances. Infrastructural deficiencies in the schools were apparent as 19 *per cent* of the schools of the State had no drinking water facility and 41 *per cent* were without toilet facility. Pupil teacher ratio (PTR) in primary and upper primary schools in the State was in excess of the norm. The State also failed to get Rs 522.48 crore as grants from GOI during 2001-2005 due to low spending. No monitoring and evaluation system at any level was in existence.

### *Food Security, Subsidy and Management of Food grains*

Targeted Public Distribution System (TPDS) and Antyoday Anna Yojana (AAY), introduced for providing food grains to Below Poverty Line (BPL) families at specially subsidised prices and for reducing hunger among the poorest segment of population failed as the Food and Supplies Department could achieve only 49 *per cent* of target of procurement of rice for BPL population during 2001-2006 mainly due to delayed release of funds to the procurement agencies. Sixty eight *per cent* of the total allocation of food grains was not lifted by the Government for

distribution through Fair Price Shops (FPS) during 2001-2006. As 70 per cent farmers of West Bengal were not aware of Minimum Support Price (MSP) instances of deprival of farmers due to non-payment of MSP by rice millers were noticed. GOI subsidy of Rs. 64.66 crore could not be claimed due to non-preparation of proforma accounts of TPDS since 2001-2002. Besides, deficient fund management resulted in unauthorised payment of levy collection charges to rice millers, irregular interest payments to procurement agencies, excess payment of milling charges, etc. No survey was made in the modified rationing areas prior to April 2004 for identification of bogus ration cards and 27.85 lakh bogus cards were cancelled during April 2004 to February 2006

### ***Project Tiger and India Eco-development Project***

The basic objectives of the Project Tiger and India Eco Development Project were conservation of tiger along with biodiversity and elimination of human interference in the Tiger Reserves. There was no management plan for the tiger reserves at Sunderban and Buxa till 1999-2000. Funding by Government of India during 2000-2005 was not consistent with the identified needs projected in Annual Plan of Operations. The Buxa Tiger Reserve relocated only 415 out of 16000 population in forest villages; thereby human interference in the biotic atmosphere continued unabated. Patrolling arrangements were poor. There were 14990 offences comprising tree felling, timber smuggling etc. during 2000-2005 where the offenders remained undetected. Inputs worth Rs 9.38 crore procured under Village Eco-development Project were not entered in the stock register. Of these, inputs worth Rs 4.91 crore were either not in existence or were not acknowledged by the beneficiaries. Stock of firearms in both the tiger reserves were not properly maintained.

### ***Haldia Development Authority***

Performance of Haldia Development Authority (HDA), formed with the main objective of ensuring planned and integrated development of Haldia planning area, suffered owing to delayed preparation / non-preparation of Land Use and Development Control Plan. Inept financial management coupled with utter inaction on the part of the HDA led to rent and water/electricity charges of Rs 39.95 crore remaining unrealised as of March 2006. On the other hand, ineffective control over water supply system led to loss of revenue of Rs 13.02 crore during 2002-2006 due to leakages in pipelines, valve failure, unauthorised connections and tapping from main lines. Due to non-creation of a revolving fund in violation of the Government order despite release of Rs 4 crore by the State Government for the purpose, additional interest liability of Rs 2.73 crore accrued to HDA. Besides, HDA extended undue benefit worth Rs 2.03 crore to the entrepreneurs by charging reduced administrative charges and fixation of price of developed land without taking into account the cost of development. All these mismanagements coupled with lack of monitoring by the Government affected the fulfilment of objectives of HDA.

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***Cattle and Buffalo Development and Fodder and Feed Development Programmes***

Implementation of the centrally sponsored national project for Cattle and Buffalo Development Programme, aimed at producing better yielding cows and buffaloes through extensive cross breeding by artificial insemination (AI), suffered as Paschim Banga Go-Sampad Bikash Sanstha could not avail 69 *per cent* of GOI grants during 2001-2006 due to delay in submission of micro-plan to GOI. No specific breeding policy was finalised by the Government even after lapse of five years of implementation of the programme. Against the target of covering all breedable cattle of the State by AI within 2010-2011, only seven to eight *per cent* of breedable cattle were covered during 2001-2006. There were gross underutilisation of the capacity of AI centres and frozen semen bull stations. Besides, there were instances of injudicious procurement of bulls without verifying their maturity and without identifying mating areas for natural breeding. Lack of monitoring also factored in non-achievement of desired results of cattle and buffalo development programme and the prospect of covering all breedable cattle of the State by artificial insemination within 2010-2011 seemed remote.

The Fodder and Feed Development programme suffered to a great extent due to ineffective farm management, low cropping intensity, sowing of substandard seeds and high establishment cost of fodder farms. There was 56 *per cent* shortfall in production of fodder and 50 *per cent* shortfall in production of fodder seed in government farms of the State during 2001-2006. The shortfall in production of 41273 MT of fodder in two test-checked farms led to avoidable purchase of cattle feed costing Rs 3.06 crore.

***Border Area Development Programme***

The Border Area Development Programme, launched to meet the special developmental needs of the people living in remote and inaccessible areas near international border, suffered from shortfall in selection and recommendation of schemes to GOI by State Level Screening Committee, delay in release of fund by department as well as by district authorities, expenditure in deviation from scheme guidelines, flawed selection of schemes, preparation of incorrect estimates and taking up of works without adequate planning etc. Department could not avail of Rs 39.03 crore of Special Central Assistance (SCA) due to non-sanction of adequate number of schemes by State Level Screening Committee (SLSC) and non-submission of utilisation certificates. In violation of BADP guidelines, Special Central Assistance of Rs 3.01 crore was spent on 37 schemes in eight non-border blocks. Preparation of improper estimates by district authorities resulted in shortage of funds at the time of execution leaving 106 schemes abandoned, thereby rendering the expenditure of Rs 7.31 crore on them unfruitful. Thus, the objective of meeting the special developmental needs of the people of border areas remained largely unachieved.

***Internal Control Mechanism in Cottage and Small Scale Industries Department***

Internal control measures envisaged in the Government rules and procedures to safeguard against errors and irregularities in financial matters were not effectively followed. Non-observance of budgeting procedure made the budget provisions unrealistic and resulted in savings during each of the years 2001-2006. During 2002-2006, rush of expenditure was noticed in the month of March indicating lack of financial discipline in the department. Owing to lack of effective pursuance, the department failed to recover overdue instalments of principal and interest aggregating Rs 23.80 crore from co-operative societies/SSI units/entrepreneurs of which there was no scope for recovery of Rs 5.70 crore from 799 defunct Co-operative societies in three test-checked districts. In absence of proper planning for implementation, the centrally sponsored scheme for construction of houses for flood affected weavers remained abandoned; while GOI subsidy of Rs 2.34 crore remained parked with the State Government for over five years. There was no Internal Audit Wing either in the department or in the Directorate of Handloom and Textile. The internal audit wings of other two directorates (Cottage and Small Scale Industries and Sericulture) were also ineffective

***Transaction Audit Findings***

Audit of financial transactions, subjected to test-check of various departments of the Government and their field functionaries, showed instances of losses, excess payment, unfruitful expenditure of about Rs 64.58 crore as mentioned below:

There were cases of doubtful procurement and suspected leakage of valuable chemicals worth Rs 4.66 crore under the Health and Family Welfare Department and shortage of stock of books valuing Rs 0.38 crore under Hill Affairs Department.

Instances of infructuous/wasteful expenditure and overpayment of Rs 11.92 crore were noticed in Agriculture (Rs 0.57 crore), Health and Family Welfare (Rs 0.26 crore), Housing (Rs 6.45 crore), School Education (Rs 2.67 crore), Sports and Youth Services (Rs 0.25 crore) and Transport (Rs 1.72 crore) Departments.

Health and Family Welfare Department extended undue benefit to a contractor for Rs 0.24 crore in violation of the terms of contract.

Expenditures aggregating Rs 39.01 crore incurred by Finance (Rs 21.54 crore), Health and Family Welfare (Rs 3.22 crore), Hill Affairs (Rs 0.36 crore), Home (Police) (Rs 0.57 crore) and Power (Rs 13.32 crore) Departments proved either excess or avoidable or unfruitful.

Investment of Rs 6.30 crore by Backward Classes Welfare (Rs 0.43 crore), Public Works (Roads) (Rs 1.44 crore), Refugee Relief and Rehabilitation (Rs 4.43 crore) Departments became idle resulting in blockage of funds.

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Besides above, non-adherence of Government rules and orders resulted in shortage of cash of Rs 2.07 crore with 15 Drawing and Disbursing Officers under six departments.

Some of these audit observations are mentioned below:

Failure of internal control over management of store in the Institute of Post Graduate Medical Education and Research resulted in doubtful procurement and suspected leakage of chemicals worth Rs 4.66 crore by way of fake entries and deliberate omission of closing balance during 1996-2003.

*(Paragraph 4.1.1)*

Due to non-compliance of the provisions of EPF Act 1952, West Bengal Housing Board had to sustain loss of Rs 1.17 crore and a further liability of Rs 0.94 crore.

*(Paragraph 4.2.3)*

Irregular acquisition of Government land at concessional rate by West Bengal Housing Board for a commercial enterprise led to loss of stamp duty of Rs 0.63 crore and loss of salami of Rs 3.71 crore.

*(Paragraph 4.2.4)*

Printing of text books without proper assessment of requirement resulted in 62.50 lakh books turning obsolete rendering their printing cost of Rs 2.67 crore wasteful.

*(Paragraph 4.2.5)*

In Gariahat Flyover Project, extra payment of Rs 74.22 lakh was made against contractual provisions and for a work not actually done by the contractor. Further, profit of Rs 97.49 lakh was allowed in excess of entitlement to the contractor.

*(Paragraph 4.2.7)*

Failure of the State Government to judiciously negotiate the rate of interest while converting old high cost loans taken from West Bengal Infrastructure Development Finance Corporation into new low cost loans resulted in extra expenditure of Rs 21.54 crore towards interest payment for the period from August 2004 to June 2006.

*(Paragraph 4.4.1)*

Failure on the part of the authorities of six hospitals of Kolkata and North 24 Parganas in verifying the rates charged in the electricity bills resulted in avoidable expenditure of Rs 3.22 crore.

*(Paragraph 4.4.2)*

Failure of the Power Department in getting the electrification work completed within the stipulated time frame led to avoidable expenditure of Rs 13.32 crore towards payment of interest on loan taken from Rural Electrification Corporation.

*(Paragraph 4.4.5)*