

# **OVERVIEW**

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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 2007-08 and three others comprising five reviews and 36 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. The specific audit methodology adopted for programmes and schemes has been mentioned in the respective 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 Tourism Department is given below:

## FINANCIAL POSITION OF THE STATE GOVERNMENT

The fiscal position of the State viewed in terms of the key fiscal parameters – revenue, fiscal and primary deficit showed only a marginal improvement in 2007-08 over the previous year. In the absence of FRBM Act which was yet to be enacted by the State, the State Government did not seem to have any statutory binding or commitment to achieve the fiscal targets as recommended by the TFC during its award period. Moreover, due to non-enactment of the fiscal responsibility legislation, the State Government had foregone the relief in interest payments on Government of India loans as well as debt relief and other benefits linked to the fiscal performance of the State during 2005-08.

Revenue expenditure as a percentage of total expenditure hovered around 90 *per cent* during the period 2003-08 leaving inadequate resources for expansion of services and creation of assets as a result of which only 32 *per cent* of fiscal liabilities of the State has asset backup during 2007-08. Overall fiscal liabilities of the State increased from Rs 89388 crore in 2003-04 to Rs 134402 crore in 2007-08. These liabilities stood at 4.46 times the Revenue Receipts and 9.21 times that of the State's own resources as at the end of 2007-08. Moreover, within the revenue expenditure, four components – salary expenditure, pension liabilities, interest payments and subsidies constitute about 90 *per cent* of the non-plan revenue expenditure during 2007-08. The continued prevalence of revenue, fiscal and primary deficits indicates the increasing fiscal liabilities accompanied with negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable debt situation unless measures are initiated to compress the

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*Abbreviations used in this overview have been listed in the Glossary (page 229)*

non-plan revenue expenditure and to mobilise the additional resources in ensuing years.

Against the total provision of Rs 51337.95 crore including the supplementary budget, the expenditure was Rs 60702.08 crore. The overall excess of Rs 9364.13 crore was the net result of excess of Rs 12145.54 crore in 14 grants and eight appropriations offset by the savings of Rs 2781.41 crore in 54 grants and 29 appropriations. The excess expenditure of Rs 16055.11 crore required regularisation under Article 205 of the Constitution of India.

Records of 12 DDOs test-checked during 2007-08 disclosed that Rs 122.01 crore was drawn upto 2007-08 through AC Bills including Rs 72.04 crore drawn during 2007-08. As against Rs 122.01 crore so drawn in AC Bills, Rs 97.10 crore remained unadjusted as of March 2008.

## **PERFORMANCE AUDIT**

### **MANAGEMENT OF CORRECTIONAL HOMES**

The Correctional Homes are administered under the provisions of the West Bengal Correctional Services Act, 1992 and provide for detention, reformation and rehabilitation of prisoners committed to prison custody. Performance audit of the management of Correctional Homes (CHs) for the period 2003-08 showed that in violation of the provisions of the Act individual bank accounts were not opened for 65 *per cent* of the prisoners of five test-checked CHs. Prisoners' cash aggregating to Rs 1.90 crore was retained in cash chest and in Superintendents' personal ledger accounts, which was often unauthorisedly used to defray the expenses of the CHs. Cases of misappropriation were also noticed in two CHs. There was over-crowding of inmates by 39 *per cent* on an aggregate in 12 CHs while under-trial prisoners constituted 73 to 78 *per cent* of total prisoners. In many cases life convicts were retained even after completion of 14 years of imprisonment. Other prisoners were also not released on parole in disregard to provisions of the Act and the Criminal Procedure Code. There were delays in construction of new CHs/barracks, etc, and out of 460 works taken up during 2002-07, 76 works including construction of four new CHs remained incomplete as of March 2008. Further, staff quarters and barracks constructed between June 2005 and December 2006 at a cost of Rs 1.43 crore remained unutilised as of March 2008. Extra expenditure of Rs 0.67 crore was incurred in eight test-checked CHs due to procurement of medicines at higher prices.

### **NUTRITIONAL SUPPORT TO PRIMARY EDUCATION**

The National Programme of Nutritional Support to Primary Education aimed at boosting universalisation of primary education by improving enrolment, attendance, retention and learning levels of children and simultaneously improving nutritional status of students of primary schools. Performance audit of

the scheme disclosed instances of parking of scheme funds in the personal ledger accounts of District Magistrates, excess expenditure on transportation of rice, extra payment of cooking cost, etc. Even after implementation of the scheme for over a decade, 7321 primary schools in the State were not covered under the scheme while 7.78 lakh eligible children remained out of school as of March 2007. Further, the average attendance rate was found to be between 69 and 79 *per cent* against the target of 85 *per cent* on the basis of which foodgrains were to be distributed and payment of cooking cost was to be made to schools. Out of 16834 primary schools in five test-checked districts, health check-up of students of 3483 schools (21 *per cent*) was conducted and nutritional deficiency was detected in 31706 students while 77142 students were suffering from other diseases. Thus, the scheme objective of improving enrolment, average attendance rate and nutritional status of primary school children remained unachieved.

There was short lifting of 18.32 lakh quintals of rice during 2002-07 due to non-coverage of all the primary schools under Mid Day Meal programme and serving of cooked meals for less than targeted 222 school-days in a year. During January 2003 to July 2006, the Department paid cooking cost to schools on the basis of total enrolment of students in violation of the norm of 85 *per cent* resulting in extra expenditure of Rs 90 crore. Payment of transportation charge to contractors at the flat rate of maximum admissible amount (Rs 50/Rs 75 per quintal) irrespective of the distance covered resulted in an extra expenditure of Rs 1.58 crore during 2002-07. There was no action plan for management, monitoring and evaluation of the scheme. In absence of the same, proper monitoring and evaluation was not being done to assess the impact of implementation of the scheme.

### **ACCELERATED RURAL WATER SUPPLY PROGRAMME**

The objective of the Accelerated Rural Water Supply Programme (ARWSP) was to provide safe and adequate drinking water facilities to all the rural population by 2009. A review ARWSP in audit reveals that the implementation of the ARWSP suffered from several drawbacks and in spite of availability of funds, thousands of rural habitations and schools remained without adequate drinking water. The Annual Action Plans were not drawn up properly. Poor financial management led to delay in release of funds to the implementing agencies, savings, inadmissible expenditure and diversion of funds. Despite an investment of Rs 1543.84 crore since 2002-03, 5535 habitations did not have any source of drinking water and over 12000 habitations suffered due to unacceptable water quality, including arsenic and fluoride contamination. Periodic testing and monitoring of quality of water sources was not done. A large number of ongoing schemes remained incomplete due to lack of initiative and proper planning. Similarly, the implementation of Swajaldhara Schemes was marred by lack of financial control, maintenance of records, audit of accounts and non adherence to norms. Cases of non-submission of utilisation certificates were rampant. Provision of ground water recharge had not been made compulsory to prevent over-exploitation of ground water.

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## MANAGEMENT OF BIO-MEDICAL AND PLASTIC WASTE

To control the health and environmental hazards due to Bio-Medical Waste (BMW) and Plastic Waste, Government of India notified the Bio-Medical Waste (Management and Handling) Rules, 1998, (BMW Rules) and Recycled Plastics Manufacture and Usage Rules in 1999 (Plastic Rules). West Bengal Pollution Control Board (WBPCB) was responsible for enforcement of the rules. The Environment and Health and Family Welfare departments (H&FWD) were to provide infrastructural support.

The BMW Rules were not implemented due to lack of infrastructure, awareness, and initiative on the part of the local authorities as well as the Department. Sixty *per cent* of Health Care Units (HCUs) of the state were running without waste treatment facility (WTF). WBPCB inspected only 23 *per cent* of HCUs in the state during 2002-07 for checking compliance to rules. H&FWD procured 16 WTF for management of BMW, of which five remained inoperative since installation. In North Bengal no common WTF was set up. Cases of improper segregation of BMW, non-clearance of untreated BMW from hospitals within 48 hours, pilferage/sale of used and untreated saline I.V. fluid bottles, burning of contaminated linen articles in hospital campus, etc. were also observed.

Despite restriction imposed on use of plastic carry bags in different areas, the orders were not implemented in a meaningful manner. Municipalities and Government agencies were very much reluctant to implement different orders regarding control and use of plastic carry bags and such apathy had a serious consequence upon the plastic waste management of the state.

## INTERNAL CONTROL MECHANISM IN TOURISM DEPARTMENT

Evaluation of internal control mechanism in Tourism Department revealed deficiencies in budgetary, expenditure, administrative and operational controls. Deficient budgetary and expenditure control resulted in incurring of expenditure without budget provision, release of substantial funds at the close of the financial year, irregular appropriation of Government revenue, delay in depositing the departmental receipts into Government account and non-recovery of loans, interest and unutilised grants from the executing agencies of the tourism promotion projects. There was no mechanism to monitor the utilisation of funds released by the Department to the implementing agencies for execution of various tourism development schemes and to watch the physical progress of such projects. In the absence of adequate monitoring and supervision over the functioning of the executing agencies of the projects, out of Rs 60.64 crore paid by the Department to West Bengal Tourism Development Corporation Limited for 112 State schemes for promotion of tourism, 42 schemes for Rs 9.47 crore were not started at all while Rs 41.64 crore remained unutilised as of March 2008. Similarly, out of Central assistance of Rs 65.70 crore received during 2002-08 for execution of 30 Centrally Sponsored projects costing Rs 86.29 crore, Rs 50.97 crore remained

unutilised as of March 2008. Out of 30 projects, only two were completed, 15 remained incomplete for over two to five years and 13 were not started as of March 2008. Further, tourism infrastructure created between May 2002 and June 2007 at a cost of Rs 3.77 crore remained unutilised as of March 2008 due to non-availability of required facilities. There was no control exercised by the Department in the functioning of Government tourist lodges. Out of 43 Government tourist lodges, ten remained inoperative as these were not commercially viable and two lodges were not put into operation since their construction.

## **AUDIT OF TRANSACTION**

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 87.64 crore as mentioned below:

There were cases of defalcation of Government money of Rs 0.22 crore and misappropriation of Sarva Siksha Abhiyan funds amounting to Rs 5.15 crore. Besides, there were losses sustained by Urban Development (Rs 0.70 crore), Public Works (Rs 0.54 crore), Public Works (Roads) (Rs 0.78 crore) and Transport (Rs 0.49 crore). Besides, irregular expenditure of Rs 0.50 crore was observed under Forest Department.

Instances of infructuous/wasteful expenditure and overpayment of Rs 11.53 crore were noticed in Co-operation (Rs 3.03 crore), Fisheries (Rs 6.86 crore), Urban Development (Rs 0.71 crore), Industrial Reconstruction (Rs 0.62 crore) and Animal Resources Development (Rs 0.31 crore) Departments.

Undue financial benefits worth Rs 0.58 crore was extended to a contractor by Public Works (Roads) Department.

Expenditures aggregating Rs 62.95 crore incurred by Co-operation (Rs 34.34 crore), Health and Family Welfare (Rs 3.42 crore), Tourism (Rs 4.61 crore), Higher Education (Rs 12 crore), Industrial Reconstruction (Rs 1.50 crore), Information and Cultural Affairs (Rs 1.46 crore), Panchayat and Rural Development/Municipal Affairs (Rs 1.11 crore), Women and Child Development and Social Welfare (Rs 0.45 crore), Public Works (Rs 1.17 crore), Public Works (Roads) (Rs 1.25 crore) and Urban Development (Rs 1.64 crore) Departments proved either excess or avoidable.

Non-adherence of Government rules and orders and laxity on the part of the Government functionaries led to shortage of subsidised food grains worth Rs 0.90 crore meant for Public Distribution System, consumption of non-standard drugs worth Rs 0.39 crore by patients, excess payment of Special Pay of Rs 0.60 crore and shortage of undisbursed Government cash of Rs 2.31 crore.

Some of these audit observations are mentioned below:

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Failure on the part of the Block Medical Officer of Health, Pundibari, Coochbehar in exercising prescribed checks in preparation, presentation and realisation of the bills resulted in defalcation of Government money of Rs 22.14 lakh through non-entry/short-entry of drawals from treasury in the Cash Book.

***(Paragraph 4.1.1)***

Sarva Siksha Abhiyan (SSA) funds amounting to Rs 5.15 crore earmarked for construction of new schools in Darjeeling district were misappropriated by the then Education Secretary and Council Project Officer, SSA Cell, Darjeeling Gorkha Hill Council between December 2004 and March 2005 in collusion with bank officials.

***(Paragraph 4.1.2)***

Non-utilisation of first instalments of loans received from National Co-operative Development Corporation for construction of 258 rural agricultural godowns within the stipulated time frame led to non-release of the second instalments. As a result, the works had to be abandoned rendering Government assistance of Rs 3.03 crore infructuous.

***(Paragraph 4.2.2)***

One Marine Food Park, constructed at a cost of Rs 6.86 crore at Shankarpur, Purba Medinipur, was inaugurated in January 2006. The Food Park, however, remained abandoned owing to reluctance on the part of the fish traders to shift from a nearby private fish market, rendering the construction cost infructuous.

***(Paragraph 4.2.3)***

The Kolkata Metropolitan Development Authority took up renovation of a road belonging to Irrigation & Waterways Department without consulting the latter. The road got completely damaged during the desiltation of the adjacent canal due to dumping and scraping of the excavated material rendering expenditure of Rs 71 lakh incurred on road renovation wasteful.

***(Paragraph 4.2.5)***

Reluctance on the part of the West Bengal State Co-operative Marketing Federation Limited in clearing its own liabilities relating to one inoperative cash credit facility availed by it from a bank, coupled with prolonged inaction on the part of the Co-operation Department as guarantor for ensuring settlement of the same, led the liability to accumulate for years together. It ultimately led to an avoidable expenditure of Rs 33.82 crore out of the State exchequer.

***(Paragraph 4.4.1)***

Negligence of a departmental undertaking in complying with the statutory requirements coupled with lack of timely initiative on the part of the Tourism Department to ensure settlement of income tax liabilities of the undertaking led to avoidable expenditure of Rs 4.61 crore towards clearing of dues.

***(Paragraph 4.4.13)***