

OVERVIEW

This Report includes two chapters containing observations on Finance and Appropriation Accounts of the Government of West Bengal for the year 2001-2002 and three other chapters comprising two reviews and 27 paragraphs dealing with the results of audit of selected programmes and schemes and of the financial transactions of Government including its commercial and trading activities. A synopsis of the findings contained in the audit reviews and the more important paragraphs are presented in this overview.

1 An overview of the Finances of the State Government

The Government showed a higher revenue deficit compared to previous year. Overall revenue receipts of the State increased from Rs 9028 crore in 1997-1998 to Rs 14538 crore in 2001-2002. Compared to 1997-1998, the contribution of the State's own taxes in its total revenue receipt declined sharply from 50.03 *per cent* to 44.95 *per cent*. On the other hand, contribution of grants-in-aid increased sharply from 11.23 *per cent* in 1997-1998 to 20.22 *per cent* in 2001-2002.

Overall revenue expenditure of the State increased from Rs 11322 crore in 1997-98 to Rs 23395 crore in 2001-2002 at an average trend rate of 20.04 *per cent*. Rate of growth of revenue expenditure reached a level of 36.9 *per cent* in 1999-2000 and since then it has decelerated. The share of capital expenditure in the total expenditure was 5.13 *per cent* during the year. As a percentage of revenue receipt, revenue expenditure increased from 125.41 *per cent* in 1997-98 to 160.92 *per cent* in 2001-2002, indicating a widening gap.

Fiscal liabilities of the State increased from Rs 25026 crore in 1997-1998 to Rs 65583 crore in 2001-2002 at an average rate of 26.71 *per cent* during 1997-2002. Net availability of the borrowed funds is an important indicator of debt sustainability. Net funds as *per cent* of total gross debt receipts declined from 27.82 *per cent* in 1999-2000 to 13.53 *per cent* in 2001-2002. Fiscal liabilities are not only required to be stable in relation to Gross State Domestic Product (GSDP), the average rate of interest on these liabilities should also be less than the rate of growth of GSDP. The ratio of fiscal liabilities to GSDP has, however, been increasing continuously. Average interest spread indicated by the difference between the rate of growth of GSDP and the average rate of interest paid on the liabilities had been negative in 2001-2002 with GSDP growth decelerating to 3.35 *per cent* in 2001-2002. Persistence of this phenomenon may endanger debt sustainability.

Against investment of Rs 4143.73 crore in statutory corporations, rural banks, joint stock companies and co-operatives, return on the investment was less than one tenth of one *per cent* in last five years. Since Government was

The abbreviations used in this Report have been listed in the Glossary in Appendix 44 (Page 192)

investing the interest bearing borrowed funds, the difference between the rate of return on these investments and the average interest rate on its outstanding liabilities represented an implicit subsidy, which amounted to Rs 1990.70 crore during 1997-2002.

The amount blocked up in incomplete projects during 1997-2002, continued to rise from Rs 886 crore in 1997-98 to Rs 1137 crore in 2001-2002.

The buoyancy of revenue receipts indicates the nature of the tax regime and the ability of the State to increase its access to resources. States own tax-GSDP ratio also indicates its access to non-obligatory sources of revenue and its non-vulnerability. All the ratios had declined in 2001-2002 compared to 1997-98 indicating fragility of State's resources and secular deterioration.

Various ratios concerning expenditure management indicate quality of its expenditure and their sustainability in relation to its resources. The ratios of capital expenditure and developmental expenditure which indicate the quality aspect of the expenditure had lower values in 2001-2002 compared to 1997-1998.

State's fiscal imbalances were also increasing and a larger part of the fiscal deficit was used for meeting current expenditure. Increasing ratios of fiscal liabilities to its GSDP, revenue receipts and own resources indicated that the debt stock was increasingly becoming unsustainable.

Balance from its current revenue (BCR), which plays an important role in plan size, was not only consistently negative, its magnitude was on the increase. Further, with growing revenue deficits, increasingly a larger part of its liabilities were not having an asset back up. The ratio of its assets to its liabilities had declined to 0.36 indicating that more than half of the State's fiscal liabilities had ceased to have an asset back up. All these indicate continuing deterioration of the State's fiscal situation.

(Paragraphs 1.1 to 1.11)

2 Appropriation audit and control over expenditure

Against the total provision of Rs 35681.77 crore including the supplementary budget the expenditure was Rs 41151.14 crore. The overall excess of Rs 5469.37 crore was the result of the excess of Rs 9649.61 crore in 6 grants and one appropriation offset by the savings of Rs 4180.24 crore in 89 grants and 21 appropriations. The excess expenditure pertained mainly to Public Debt (Rs 9334 crore), Pension Payments (Rs 220 crore) and Police (Rs 69 crore). The excess expenditure of Rs 9649.61 crore in 6 grants and one appropriation required regularisation under Article 205 of the Constitution of India. As of December 2002, the excess expenditure of Rs 23411.91 crore pertaining to the years 1999-2002 were not regularised due to non-receipt of explanatory notes on the excesses from the Finance Department.

Supplementary provision of Rs 2432.71 crore obtained during the year constituted 7 per cent of the original budget provision. Supplementary provision of Rs 584.79 crore proved insufficient in 5 cases by more than

Rs 10 lakh in each case, leaving an aggregate uncovered expenditure of Rs 9644.74 crore. On the other hand, provision of Rs 444.19 crore obtained in 44 cases during the year proved unnecessary. In 19 cases, supplementary grants aggregating to Rs 1366.73 crore proved excessive, the additional requirements being Rs 768.23 crore.

Of the total amount of Rs 68.98 crore drawn by 100 DDOs test-checked in Abstract Contingent Bills between April 1986 and March 2001 adjustment against Rs 58.38 crore (85 *per cent*) had not been submitted till March 2002. This indicated poor financial discipline. During 2001-2002, a further amount of Rs 13.13 crore (147 bills) drawn in AC Bills by these DDOs remained unadjusted.

Despite Government orders directing for closing of the personal Ledger Accounts (PLAs) at the end of financial year, 21 DDOs of four departments test-checked did not close their PLAs resulting in accumulated balance of Rs 48.88 crore under PLAs as of March 2002. Of Rs 38.82 crore deposited by 7 District Magistrates (DMs) in PLAs during April 2000 to January 2002, Rs 16.27 crore related to implementation of different developmental schemes/programmes. Also scheme fund of Rs 1.21 crore kept in PLAs by 8 DMs during 1999-2002 were utilised for other purposes.

(Paragraphs 2.1 to 2.6)

3 Government's investment in Co-operative sector during 1997-2002

To meet common economic, social and cultural needs, co-operatives were formed as instruments for economic and social development of the common people, particularly belonging to the economically weaker section of the society. In West Bengal, the Co-operation Department mainly controls the co-operative sector. However, apart from this, several co-operative societies are running under the jurisdiction of Departments of Fisheries, Cottage and Small Scale Industries and Animal Resource Development.

The Government extended financial assistance of Rs 247.43 crore to Co-operative Societies during 1997-2002 in the form of shares, loans, grants and subsidies with the basic aim of making the Societies viable and self-reliant.

Despite total Government spending of Rs 365.22 crore in Co-operative Sector during 1997-2002 some types of Societies (Primary Agricultural Credit Societies, Primary Consumers' Societies) showed negative growth in terms of number of working Societies and number of members. Besides, profitability of Primary Agricultural Credit Societies, Primary Marketing Societies, Primary Weavers' Co-operative Societies showed distinctly downward trend during last few years.

Out of 6729 primary agricultural credit societies and 1171 fishermen's co-operative societies, 1443 and 322 societies were defunct. At the end of 2001-2002, 5351 societies were under liquidation and Government's assistance of Rs 2.29 crore in these societies was rendered infructuous.

Against targeted enrolment of 8 lakh new members under Universal Membership Scheme only 2.83 lakh were enrolled during 1997-2002. Marketing apex bodies of the state viz. Tantuja, Tantushree, etc. owed Rs 2.29 crore to 40 primary weavers' co-operative societies.

The activities of the Co-operative Societies and their impact on socio-economic condition of the members were not monitored and evaluated. Further, Government audit arrangements of Co-operative Societies were not adequate. Moreover, object of the co-operative sector was frustrated as majority of the co-operative Societies depended heavily on the Government assistance.

(Paragraph 3.1)

4 Working of Public Works (Roads) Department

The Public Works (Roads) Department was responsible for construction of new roads and bridges as well as for improvement and maintenance of 1152 Km of National Highway, 1160 Km of State Highway and 8574 Km other roads.

Poor financial discipline and weak budgetary control led to preparation of budget estimates by Finance Department without input from the department resulting in savings of Rs 535.10 crore under capital head. There were cases of diversion of Rs 14.85 crore from capital to revenue besides parking of Rs 271 crore in PW Deposits and Deposits of Local Fund.

While executing work on widening, strengthening and improvement of 5 roads, contractors were allowed price escalation of Rs 1.47 crore incorporating escalation clause in agreement in violation of Government order.

Physical verification of stores of nine divisions having materials valuing Rs 11.80 crore was not conducted for 10 to 15 years. Executive Engineers of 4 divisions incurred expenditure of Rs 5.88 crore in excess of sanctioned estimates. Three bridges constructed at a cost of Rs 4.73 crore remained unused in absence of approach roads.

Retention of officers and staff without work led to unproductive expenditure of Rs 2.50 crore. The Road and Building Research Institute was utilised for only 30 *per cent* of its capacity for imparting training and no research project was undertaken.

(Paragraph 4.1)

5 National Scheme for Liberation and Re-habilitation of Scavengers and their Dependents

Government of India (GOI) launched a Centrally sponsored scheme under the Ministry of Social Justice and Empowerment in 1980-1981 to liberate scavengers from their existing hereditary occupation of manually removing night soil by converting existing dry latrines to water-borne flush units and to ensure their rehabilitation in alternative gainful and dignified occupations.

Identification survey of scavengers was incomplete and perfunctory; only 21189 scavengers were reported to Government of India while the actual number worked out to 32638 in the State.

Out of Rs 5.74 crore received from GOI during 1989-1994, the implementing agency of the State retained Rs 3.38 crore in short-term deposits as of 31 March 2002.

Against 31557 scavengers awaiting rehabilitation, only 82 were trained for the purpose of rehabilitation during 1997-2002.

Only 1049 scavengers were in all rehabilitated during 1997-2002. Against 127 sanitary marts to be set up during 2000-2002 only four were set up rehabilitating 100 scavengers.

The State Government was indifferent to the need to liberate the scavengers and the scheme was treated as routine relief act rather than an exercise in permanent rehabilitation.

(Paragraph 3.2)

6 Swarnajayanti Gram Swarozgar Yojana

Swaranjayanti Gram Swarozgar Yojna (SGSY), a Centrally sponsored scheme was launched in the State during 1999-2000 with the objective of bringing rural poor families above the poverty line. Against the target of 8.85 lakh families to be covered under the scheme only 1.26 lakh families were covered during 1999-2002.

During 1999-2002, State Government spent only Rs 101.94 crore out of available fund of Rs 183.85 crore resulting in the State being deprived of Central assistance of Rs 81.69 crore.

None of the 5 test-checked districts prepared Annual Action Plans for the year 1999-2000. Key activities were selected without market survey. Project Reports were prepared leaving out needs for training, credit, technology, infrastructure, marketing, etc. Lack of initiatives caused shortfall in grading exercise and consequently in credit linkage with the banks for taking up targeted income generating activities.

During 1999-2001, there was irregular release of Revolving Fund of Rs 1.61 crore and in two districts, Rs 0.58 crore was paid before grading exercise. In the districts test-checked there was shortfall of 35 *per cent* in sanctioning Cash Credit Accounts and 60 *per cent* in utilisation thereof.

Even after 3 years of implementation, the prospect of achievement of the objective of the Yojana to alleviate poverty of 30 *per cent* of rural people living Below Poverty Line within 5 years appeared to be bleak.

(Paragraph 3.9)

7 Constitution and Administration of the Calamity Relief Fund and investment therefrom for the period 2000-2002

Under the recommendation of the Eleventh Finance Commission a “Calamity Relief Fund (CRF) 2000-2005” was created by the Government of India in each State from 1 April 2000 with own contribution of 75 per cent and 25 per cent by the State Government. In three districts, Government suffered loss of Rs 8.15 crore due to failure of 205 Gram Panchayats to take back 2.12 lakh pieces of tarpaulins from the flood victims. Muster rolls for distribution of 1.68 lakh blankets valuing Rs 1.41 crore and records relating to procurement of rice worth Rs 4.66 lakh were not available rendering the distribution and procurement doubtful.

Out of relief contingencies, Rs 87.59 lakh were diverted for purchase of computers, photocopiers, etc.

(Paragraph 3.10)

8 Take over of Procurement of rice by State Government

Food and Supplies Department took over the activities of decentralised procurement of rice from Food Corporation of India in October 1997 with a view to eliminating dependence on FCI and increasing the quantum of procurement of rice for distribution to the Below Poverty Line families under Targeted Public Distribution System besides ensuring price security to the farmers.

Inefficient operation of cash credit account with the Banks led to loss of interest of Rs 2.51 crore. Besides, the department failed to claim subsidy from GOI in time, which resulted in an avoidable payment of interest amounting to Rs 24.29 crore.

Although the departmental staff were deployed at procurement points and incurred establishment cost for collection of levy, the department generously paid Rs 10.06 crore to the millers towards levy collection charges.

The department failed to ensure payment of minimum support price by the millers to farmers and persisted in paying the notified procurement price thereby extending unwarranted benefit of Rs 21.51 crore to rice millers in 3 districts during 2000-2002.

Absence of monitoring and control over procurement led to shortage of 0.42 lakh tonnes of rice valuing Rs 33.34 crore. Storage loss beyond norms amounted to Rs 1.96 crore in 4 years in addition to damage of 664 tonnes of rice valued at Rs 1.04 crore during flood of September 2000.

Excess payment to handling contractors amounted to Rs 1.52 crore.

2522 tonnes of sub-standard rice was issued to consumers in Bardhaman, Medinipur and South 24 Parganas.

(Paragraph 5.2)

9 Working of Juvenile Homes

The Department of the Women and Child Development and Social Welfare was to provide education, training and facilities for development of character, personality and skills to the juveniles of Homes while implementing the Juvenile Justice Act 1986.

Administrative cost of Juvenile Homes constituted 79 *per cent* of total expenditure leaving a small portion of funds for inmates' care.

Diet provided by the Homes was below the daily minimum requirement of 2000-2500 Calorie.

The neglected juveniles were housed in the same Home along with the delinquent juveniles. In Shilayan Home, 52 prostitute girls suffering from venereal disease were accommodated with other juveniles. In Ananda Ashram, Berhampore, 6 children aged 6 to 13 were kept under lock and key for months together in a separate dormitory violating human rights. The Liluah Home in Howrah became an insecure place as 4 girls were sexually abused. In Dhrubashram, whereabouts of 15 inmates were not available raising serious doubt about the security of the inmates in the Homes. Medical facilities and educational facilities provided to the Homes were inadequate. During 1997-2002, the Homes rehabilitated only 15 to 24 *per cent* of the juveniles.

Twenty inmate trainees at Kishalaya, Barasat were made to work as full-fledged labourer.

(Paragraph 3.13)

10 Free distribution of Text Books

To achieve the goal of Universalisation of Primary Education, Government of West Bengal launched the programme of free distribution of text books to all students up to Class V of the Government and aided schools.

During 1997-2000 sessions, 2.31 crore books were printed short in the State. In 166 test-checked schools of 4 districts, books were supplied after one to 11 months of commencement of academic years while in 47 schools short supply of books ranged between 3 and 45 *per cent*, in 3 schools it was 76 *per cent* and in 27 schools certain subject books were not supplied at all.

Despite adequacy of stock (13.51 lakh books) at Barasat Zonal godown of North 24 Parganas, supply of 4.02 lakh (30 *per cent*) books was delayed by 2 to 5 months. Excess supply of 15.50 lakh books to District Inspectors of Schools resulted in damage of 3.65 lakh books valuing Rs 18.96 lakh due to improper storing; 2.63 lakh books valuing Rs 13.65 lakh became obsolete due to change in syllabus. This was coupled with non-maintenance of stock of books and extra expenditure of Rs 12.07 lakh for preservation of obsolete books.

Implementation of the scheme of free distribution of books was mal-administered depriving students from the benefit of the fundamental learning materials.

(Paragraph 3.11)

11 Short Term Vocational Training (STVT) Programme

Short Term Vocational Training Programme (STVT) was launched in the State in 1998-1999 to capacitate a section of Madhyamik/Higher Secondary passed students for self-employment by developing their skills and aptitude.

Test-check of 24 institutions out of 82 of 5 districts during 1997-2002 disclosed financial irregularities like diversion of funds (Rs 38.20 lakh) and parking of funds (Rs 72.83 lakh) in Personal Ledger Accounts and Banks.

Properties worth Rs 52.73 lakh created by NGOs at Government cost were not mortgaged to Government.

Vidyasagar Vocational Training Institute, Haldia and Regional Training Centre, Bardhaman University realised Rs 41.53 lakh in excess of prescribed fees. Further, course fees of Rs 61.80 lakh were not deposited with West Bengal State Council of Technical Education (WBSCTE) by 12 institutions.

In the State, trade/district-wise target for imparting training were not fixed and in 19 institutions, out of 3900 enrolled 634 trainees dropped out. Seven institutions did not conduct 10 stipulated courses depriving 855 students of the same.

Bardhaman Academy, Bardhaman conducted 4 trades each of 3 months' duration against the norms of 6 months for a trade and in Bardhaman 2 NGOs conducted examinations and issued certificates on their own instead of WBSCTE as prescribed.

The impact of the scheme in achieving the target to capacitate the students for self-employment remained unassessed.

(Paragraph 3.12)

12 Excess expenditure over prescribed ceiling limit for Assembly Election held in May 2001

Home (Constitution and Election) Department prescribed a ceiling limit for expenditure of Rs 13.25 lakh per constituency for conducting Assembly Elections held in May 2001 in order to restrict expenditure. All the District Magistrates except Dakshin Dinajpur incurred a total excess expenditure of Rs 8.71 crore beyond the prescribed limit burdening the Government exchequer.

(Paragraph 3.7)

13 Injudicious procurement and undue favour to suppliers

Project Director, State Health System Development Project-II procured bedsteads, chairs and tables of identical specifications at varying rates by splitting the quantities of purchase into several groups resulting in undue favour of Rs 1.20 crore to suppliers.

(Paragraph 3.5)

14 Inadmissible price escalation on road works

Executive Engineer, Barasat Division paid Rs 91.24 lakh on account of variation in the price of diesel and bitumen due to inclusion of escalation clause in the tender in violation of Government order.

(Paragraph 4.6)

15 Unauthorised issue of medicines

CMOH, Uttar Dinajpur unauthorisedly issued medicines, etc. valuing Rs 54.23 lakh between August 1999 and December 2002 to private parties such as Clubs, Samitis, Associations, Autonomous Bodies and to BSF without any order from competent authority resulting in loss of Government money which was recoverable from the concerned parties.

(Paragraph 3.4)

16 Misappropriation and Misutilisation of cash

Physical verification of cash balances conducted by twenty five (25) Drawing and Disbursing Officers (DDOs) in 11 districts and Kolkata between May 2001 and April 2002 at the instance of audit, disclosed shortage of Rs 1.72 crore due to lack of control over drawal and disbursement of cash and non-adherence to statutory rules by the DDOs. Nine DDOs were unable to explain the shortage of Rs 13.92 lakh indicating possible misappropriation of cash.

(Paragraph 3.16)

17 Overpayment to the contractor and additional liability

The Superintending Engineer, Metropolitan Drainage Circle accepted the higher rate for the work of re-excavation of Nowai Khal in the district of North 24-Parganas due to faulty analysis of rate and also did not revise the rate following deployment of high yielding excavator which resulted in overpayment of Rs 1.61 crore.

(Paragraph 4.5)

18 Infructuous/unproductive/unfruitful/avoidable expenditure

(a) Director, Institute of Post Graduate Medical Education and Research (IPGMER), Kolkata spent Rs 2.08 crore inclusive of unpaid liability of Rs 1.91 crore for upgradation of the Institute necessitated due to decision to

introduce MBBS course. On inspection the Medical Council of India did not recommend opening of the course indicating some deficiencies rendering the expenditure unfruitful.

(Paragraph 3.3)

(b) Chief Engineer, Irrigation and Waterways Department failed to provide fund for payment of land compensation within due date which led to avoidable payment of Rs 63.83 lakh due to subsequent increase in land cost with accumulated interest on the cost of land acquired.

(Paragraph 4.2)

(c) By allowing annual maintenance charge for uninstalled medical equipment in different hospitals, the Project Director, State Health System Development Project-II incurred an avoidable expenditure of Rs 33.88 lakh during the first 6 months ending December 2001.

(Paragraph 3.6)

(d) De-requisition of 12.94 acres of land after 19 years of taking possession by Public Works (Roads) Department without assigning any reason and belated placement of fund led to extra expenditure of Rs 33.01 lakh.

(Paragraph 3.8)