

Executive Summary

The Report

Based on the audited accounts of the Government of West Bengal for the year 2012-13, this report provides an analytical review of the annual accounts of the State Government. The financial performance of the State has been assessed based on the FRBM Act, budget documents, Economic Review 2012-13, Thirteenth Finance Commission Report and other financial data obtained from various Government departments and organisations. The report is structured in three chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of West Bengal Government's fiscal position as on 31 March 2013. It, *inter-alia*, provides an insight into trends in committed expenditure, borrowing patterns besides a brief account of central funds transferred directly to the State implementing agencies through off budget route.

Chapter 2 is based on Appropriation Accounts and gives description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter 3 is an inventory of West Bengal Government's compliance with various reporting requirements and financial rules.

The report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings

Finances of the State Government:

Fiscal position of the State: The State Government has succeeded in improving the fiscal situation during 2012-13. Revenue receipts grew at a rate of 16 *per cent*, while the growth of revenue expenditure was 12 *per cent*. During the year revenue receipts were ₹ 68296 crore as against revenue expenditure of ₹ 82111 crore resulting in revenue deficit of ₹ 13815 crore. The revenue deficit was 2.22 *per cent* of GSDP as against the FRBM Act target of 1.1 *per cent*. The fiscal deficit during 2012-13 stood at ₹ 19146 crore which was 3.08 *per cent* of GSDP as against the FRBM Act target of 3.5 *per cent*.

Enactment of Fiscal Responsibility Legislation: The State introduced the West Bengal Fiscal Responsibility and Budget Management (WBFRBM) Act in July 2010 and amended it in February 2011 fixing the rolling fiscal targets for 2010-15. The Act aimed at bringing in direction and prudence in fiscal management and improving fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit accompanied by prudent debt management consistent with fiscal sustainability and greater transparency. The

second Medium-term fiscal policy statement and Fiscal policy strategy statement was presented before the Legislature along with the Budget for the year 2013-14 in March 2013.

Prioritisation of Capital expenditure: Capital expenditure as well as expenditure under economic sector is the major indicator of development activity. In both the cases, not only was the actual expenditure below budget estimate, capital expenditure was low at only 5.19 *per cent* of total expenditure during 2012-13. This was indicative of failure on the part of the State in utilising its high cost borrowed funds to create capital assets for accelerating development, as most of the high cost borrowed funds were utilised to meet revenue expenditure.

Review of Government investment: The Government is getting negligible return from its investments in irrigation works. Return on investment in statutory corporations, rural banks, etc. also depicted a grim picture and was less than 0.1 *per cent* while Government had to pay interest at the average rate of 7.78 to 8.70 *per cent* on its borrowings during 2008-09 to 2012-13.

Financial management and budgetary control:

Against a total provision ₹ 131286.68 crore during 2012-13, an expenditure of ₹ 115548.64 crore was incurred. This resulted in overall saving (unspent provision) of ₹ 15738.04 crore. Expenditure of ₹ 5846.88 crore was incurred in 77 cases without any provision in the original estimates/supplementary demand. There were instances of inadequate provision of funds, unnecessary/excessive re-appropriations and rush of expenditure at the end of the year. In some cases, the anticipated savings were not surrendered leaving no scope for utilising these funds for other development purposes. In violation of the provisions of Budget Manual and West Bengal Financial Rules, the Controlling Officers of test checked departments did not monitor the progress of expenditure.

Financial Reporting

For ensuring proper utilisation of Government assistance received by autonomous bodies, timely submission of annual accounts assumes utmost importance. Delays were, however, noticed in submission of annual accounts of autonomous bodies/ authorities as also in placement of Separate Audit Reports of some of the bodies in the Legislative Assembly. There were also delays in finalising *pro forma* accounts of departmentally managed commercial undertakings indicating laxity in the accountability mechanism of both the management and Government in respect of public funds invested in those undertakings.

Accumulation of unadjusted AC bills and parking of developmental funds in Personal Deposit (PD) Accounts was a major area of concern, as amounts were drawn from treasury or transferred out of the Consolidated Fund of the State without proper treasury checks .