

Chapter 1

Overview of Economic Sector

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1.1 Introduction

This Report covers matters arising out of audit of State Government Departments and Autonomous Bodies under the Economic Sector.

For the purpose of administration in West Bengal, there are 67 Departments at the Secretariat level headed by Additional Chief Secretaries/Principal Secretaries/Secretaries who are assisted by Directors/Commissioners/Chief Engineers and subordinate officers under them. This report covers the functioning of 27 Departments of the Economic Sector listed in *Appendix-1.1*.

Of the total expenditure of ₹ 22779.48 crore incurred by these Departments, a major portion was incurred by Power and Non-Conventional Energy Sources (25.50 per cent), Public Works (19.54 per cent) and Irrigation & Waterways Department (7.56 per cent) during 2016-17.

1.2 Trend of expenditure

The comparative position of expenditure incurred by the Departments during the period 2014-15 to 2016-17 is given in **Table 1.1**.

Table No. 1.1: Trend of expenditure over last three years

(₹ in crore)

Sl. No.	Name of the Department	2014-15	2015-16	2016-17
1.	Agriculture	1255.87	2113.56	1665.40
2.	Agriculture Marketing	133.02	159.37	107.00
3.	Animal Resources Development	614.36	601.68	666.63
4.	Commerce and Industries	597.62	582.32	736.51
5.	Co-operation	215.72	399.52	492.49
6.	Fisheries, Aquaculture, Aquatic Resources and Fishing Harbours	264.51	284.15	287.17
7.	Forest	426.10	528.12	572.89
8.	Hill Affairs	796.67	618.65	660.44
9.	Information Technology & Electronics	107.03	181.69	161.96
10.	Irrigation and Waterways	1626.24	1504.35	1721.39
11.	Land and Land Reforms	844.22	822.64	857.78
12.	Micro Small and Medium Enterprises & Textiles	513.87	561.95	609.78
13.	North Bengal Development	281.52	450.91	423.02
14.	Paschimanchal Unnayan Affairs	204.52	324.46	298.21
15.	Power and Non-Conventional Energy Sources	1660.56	3290.79	5808.23
16.	Public Works	3752.42	4809.45	4450.00
17.	Sundarban Affairs	229.21	286.12	300.91
18.	Tourism	148.70	125.77	134.74
19.	Transport	1069.20	1264.41	1485.05
20.	Water Resources Investigation and Development	855.73	1036.15	963.13
21.	Seven other Departments ¹	229.47	368.12	376.75
	Total	15826.56	20314.18	22779.48

(Source: Appropriation Accounts of Government of West Bengal for the relevant years)

¹ Bio-Technology, Consumer Affairs, Environment, Food Processing Industries and Horticulture, Public Enterprises and Industrial Reconstruction, Science and Technology and Sericulture

1.3 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from audit of 27 Government Departments and 19 Autonomous Bodies under the Economic Sector (*Appendix-1.2*). Compliance Audit covers examination of transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Performance Audit examines whether the objectives of the programme/ activity/ Department are achieved economically, efficiently and effectively.

1.4 Authority for Audit

The mandate for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. The CAG conducts audit of expenditure of the Departments of Government of West Bengal under Section 13² of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(2)³, 19(3)⁴ and 20(1)⁵ of the CAG's (DPC) Act. In addition, the CAG also conducts audit of other Autonomous Bodies, under Section 14⁶ of CAG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007, issued by the CAG.

1.5 Planning and conduct of Audit

The primary purpose of this Report is to bring to the notice of the State Legislature important results of Audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The 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, thus contributing to better governance.

² *Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.*

³ *Audit of accounts of Corporation (not being companies) established by or under law made by Parliament in accordance with the provisions of the respective legislations*

⁴ *Audit of the accounts of Corporations (not being companies) established by or under law made by the State Legislature at the request of the Governor.*

⁵ *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.*

⁶ *Audit of (i) all receipts and expenditure of a body/ authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore*

The audit process starts with assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/ complexity of the activities, level of delegated financial powers, assessment of overall internal controls and concerns of the stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit, Inspection Reports containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of these Inspection Reports are processed further for inclusion in the Audit Reports which are submitted to the Governor of the State under Article 151 of the Constitution of India. During 2016-17, 226 units of various Departments/ Organisations under the Economic Sector were audited and 216 Inspection Reports (including 18 of previous year and excluding 28 which were issued in 2017-18) containing 693 Paragraphs were issued.

1.6 Response to audit

1.6.1 Compliance Audit Observations and Performance Audit

Twelve compliance audit observations and one Performance Audit report on “Implementation of Renewable Energy Programme in West Bengal” were forwarded (between April and November 2017) to Additional Chief Secretaries/ Principal Secretaries/ Secretaries of the Departments concerned with the request to send their responses. Departmental replies in respect of eight compliance audit observations and the Performance Audit on “Implementation of Renewable Energy Programme in West Bengal” have been received. The replies have been incorporated in the Audit Report wherever applicable.

1.6.2 Follow-up on Audit Reports

After tabling of the Reports of the C & AG of India in the State Legislature, the State Government Departments are required to submit *suo motu* replies to the audit observations within one month. Though the Audit Reports for the year 1981-82 to 2015-16 were presented to the State Legislature between September 1983 and March 2018, replies on 90 paragraphs are yet to be received from various departments under Economic Sector. Status of the pending replies as on 31st December, 2017 is given in *Appendix-1.3*.

Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) are required to be furnished within six months from the date of presentation of the PAC Report to the State Legislature. Action Taken Notes on 23 paragraphs contained in 20 Reports of the PAC, presented to the Legislature had not been submitted by nine⁷ Departments to the Assembly Secretariat as of December 2017. In these 20 Reports, the PAC had suggested recovery, disciplinary action, *etc.* A few significant cases are elaborated in *Appendix-1.4*.

⁷ Agriculture, Co-operation, Fisheries, Food Processing Industries & Horticulture, Irrigation & Waterways, Public Works & Public Works (Roads), Transport and Tourism.

1.6.3 Outstanding replies to Inspection Reports

The Accountant General (Economic and Revenue Sector Audit), West Bengal arranges to conduct periodical inspections of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during the inspections and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective actions. The heads of the offices/ Government are required to promptly comply with observations contained in the IRs, rectify defects and omissions and report compliance through replies. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection Reports issued upto 31 August 2017 were reviewed and it was found that 2128 paragraphs relating to 804 IRs remained outstanding at the end of August 2017 (*Appendix-1.5*). The large pendency of IRs, due to non-receipt of replies, was indicative of the fact that the heads of the offices and the heads of the Departments did not initiate appropriate and adequate action to rectify defects, omissions and irregularities pointed out by Audit in the IRs.