

# **Chapter 1**

## **Overview of Economic Sector**



## Chapter 1: Overview of Economic Sector

### 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 54 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 22 Departments of the Economic Sector listed in *Appendix-1.1*.

Of the total expenditure of ₹ 22642.31crore incurred by these 22 Departments during 2017-18, a major portion (64.27 per cent) was incurred by five top spending Departments. These were Public Works (25.25 per cent), Power and Non-conventional Energy Sources (15.38 per cent), Transport (8.22 per cent), Agriculture (7.84 per cent) and Irrigation and Waterways Department (7.58 per cent).

### 1.2 Trend of expenditure

The trend of expenditure incurred by these 22 Departments under Economic Sector during the period 2015-16 to 2017-18 is given in **Table 1.1**.

**Table 1.1: Trend of expenditure over last three years**

(₹ in crore)

Sl. No.	Name of the Department	2015-16	2016-17	2017-18	
					%
1.	Agriculture	2113.56	1665.40	1776.27	7.84
2.	Agricultural Marketing	159.37	107.00	135.75	0.60
3.	Animal Resources Development	601.68	666.63	745.84	3.29
4.	Co-operation	399.52	492.49	393.10	1.74
5.	Fisheries, Aquaculture, Aquatic Resources and Fishing Harbours	284.15	287.17	331.97	1.47
6.	Forest	528.12	572.89	546.47	2.41
7.	Industry, Commerce and Enterprises	582.32	736.51	1055.41	4.66
8.	Information Technology & Electronics and e-Governance	181.69	161.96	108.10	0.48
9.	Irrigation and Waterways	1504.35	1721.39	1717.29	7.58
10.	Land & Land Reforms and Refugee Relief & Rehabilitation	822.64	857.78	931.24	4.11
11.	Micro, Small & Medium Enterprises and Textiles	561.95	609.78	811.03	3.58
12.	North Bengal Development	450.91	423.02	752.03	3.32
13.	Paschimanchal Unnayan Affairs	324.46	298.21	566.79	2.50
14.	Power & Non-Conventional Energy Sources	3290.79	5808.23	3483.13	15.38
15.	Public Works	4809.45	4450.00	5717.33	25.25
16.	Sundarban Affairs	286.12	300.91	401.33	1.77
17.	Tourism	125.77	134.74	162.07	0.72
18.	Transport	1264.41	1485.05	1862.02	8.22
19.	Water Resources Investigation and Development	1036.15	963.13	958.29	4.23
20.	Three other Departments <sup>1</sup>	368.12	376.75	186.85	0.83
	<b>Total</b>	<b>19695.53</b>	<b>22119.04</b>	<b>22642.31</b>	

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

<sup>1</sup> Consumer Affairs, Environment, Food Processing Industries and Horticulture.

### **1.3 About this Report**

Findings arising from audit of 22 Government Departments and 17 Autonomous Bodies (**Appendix-1.2**) under the Economic Sector are in this Report of the Comptroller and Auditor General of India (CAG). 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 13<sup>2</sup> of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(3)<sup>3</sup> and 20(1)<sup>4</sup> of the CAG's (DPC) Act. In addition, the CAG also conducts audit of other Autonomous Bodies which are substantially funded by the Government under Section 14<sup>5</sup> of CAG's (DPC) Act. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts (Amendments), 2012, 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 the 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.

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

---

<sup>2</sup> *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.*

<sup>3</sup> *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.*

<sup>4</sup> *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.*

<sup>5</sup> *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.*

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. During 2017-18, 217 units out of the 624 auditable units of various Departments/Organisations under the Economic Sector of West Bengal were audited and 223 Inspection Reports (including 28 of previous year and excluding 22 issued in 2018-19) containing 716 Paragraphs were issued.

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 for laying before the State Legislature under Article 151 of the Constitution of India.

## **1.6 Response to Audit**

### **1.6.1 Compliance Audit Observations and Performance Audit**

Two Performance Audit reports on “**Functioning of Agricultural Farms**” and “**Functioning of Paschimanchal Unnayan Affairs Department (PUAD)**” and 10 compliance audit observations were forwarded (between June and November 2018) to Additional Chief Secretaries/Principal Secretaries/Secretaries of the Departments concerned with a request to send their responses. Departmental replies in respect of only three compliance audit observations and one performance audit report have been received till date (April 2019). The replies received have been incorporated in the Audit Report.

### **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 to 97 audit paragraphs are yet to be received from various departments under the Economic Sector. Status of the pending replies as on 30 November 2018 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 for 24 paragraphs contained in 21 Reports of the PAC, presented to the Legislature, had not been submitted by nine<sup>6</sup> Departments to the Assembly Secretariat as of November 2018. In these 21 Reports, the PAC had suggested recovery, disciplinary action, *etc.* A few significant cases are elaborated in *Appendix-1.4*.

---

<sup>6</sup> Agriculture, Co-operation, Fisheries, Food Processing Industries & Horticulture, Irrigation & Waterways, Public Works & Public Works (Roads), Tourism and Transport.

### **1.6.3 Outstanding replies to Inspection Reports**

The Principal 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.

Inspection Reports issued upto 30 November 2018 were reviewed and it was found that 1696 paragraphs relating to 609 IRs remained outstanding at the end of November 2018 (*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.