

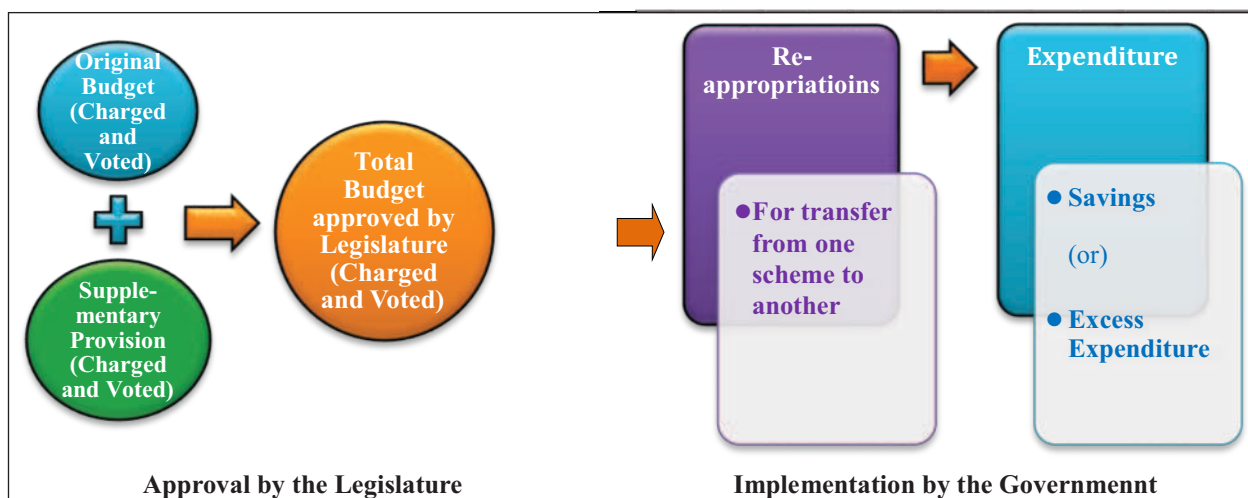
# Chapter II Financial Management and Budgetary Control

The Comptroller and Auditor General of India performs the audit of appropriations to ascertain whether the expenditure actually incurred under various grants underlying the budget is within authorisations given under the Appropriation Act for the year, that expenditure required to be charged under provisions of the Constitution is so charged, and whether, expenditure is incurred in conformity with the law, relevant rules, regulations and instructions. This chapter analyses the Appropriation Accounts of the Government for the year 2017-18.

## 2.1 Financial Accountability and Budget Management

The State Legislature initially approves the annual budget. The Government presents *Supplementary Demands* (Paragraph 3 of Chapter II of the West Bengal Budget Manual) before the Legislature, when the initial allocation is found to be inadequate or expenditure has to be incurred on a new item. Further, Re-appropriation is a mechanism which allows the State Government to transfer Savings from one sub-head (usually a scheme) to another, provided such transfers occur **within the same grant<sup>66</sup> and under the same section<sup>67</sup>**. Appropriation Accounts captures the data along the entire process of budget formulation and implementation (**Chart 2.1**).

**Chart 2.1: Flow chart of budget implementation**



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

## 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2017-18 against 54 grants/appropriations<sup>68</sup> is given in **Table 2.1**.

<sup>66</sup> Grant means the amount voted by the Legislative Assembly in respect of a demand for grant

<sup>67</sup> Capital, Revenue or Loans

<sup>68</sup> Pursuant to Finance Department's Notification dated 6 February 2017, some grants/appropriations have been merged due to which 21 grants/appropriations were discontinued from 2017-18. Effectively, 54 grants / appropriations were in operation during 2017-18.

**Table 2.1: Position of actual expenditure vis-à-vis allocations in 2017-18**

(₹ in crore)

Nature of Expenditure		Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Provision	Actual Expenditure	Savings (-) / Excess (+)	Savings / Excess in percentage
1	2	3	4	5	6=(5-4)	(6/4)*100=7	
Voted	Revenue	1,19,529	11,060	1,30,589	1,17,417	(-)13,172	(-) 10.09
	Capital	20,815	6,923	27,738	21,522	(-)6,216	(-) 22.41
	Loans and Advances	972	2,004	2,976	(-)31 <sup>#</sup>	(-)3,007	(-)101.04
<b>Total Voted</b>		<b>1,41,316</b>	<b>19,987</b>	<b>1,61,303</b>	<b>1,38,908</b>	<b>(-)22,395</b>	<b>(-)13.88</b>
Charged	Revenue	26,430	2,324	28,754	28,435	(-)319	(-)1.11
	Capital	12	2	14	10	(-)4	(-)28.57
	Public Debt- Repayment	49,497	7	49,504	25,012	(-)24,492	(-)49.47
<b>Total Charged</b>		<b>75,939</b>	<b>2,333</b>	<b>78,272</b>	<b>53,457</b>	<b>(-)24,815</b>	<b>(-)31.70</b>
<b>Grand Total</b>		<b>2,17,255</b>	<b>22,320</b>	<b>2,39,575</b>	<b>1,92,365</b>	<b>(-)47,210</b>	<b>(-)19.71</b>

Source: Appropriation Accounts of Government of West Bengal (2017-18)

\* Includes repayment of Ways and Means Advances of ₹ 5,395 crore.

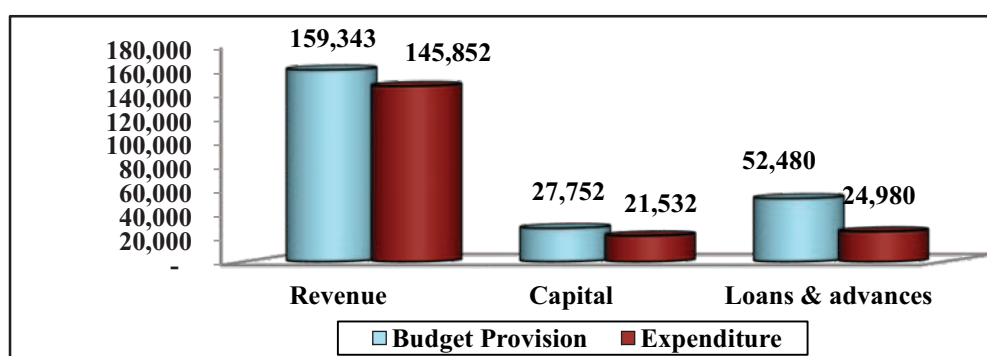
# Negative balance as loans converted to equity surpassed the loans disbursed during the year.

The total provision for expenditure in 2017-18 was ₹ 2,39,575 crore. The actual gross expenditure during the year was ₹ 1,92,365 crore (80.29 per cent). There was an overall savings of ₹ 49,828 crore and excess of ₹ 2,618 crore which resulted in net savings<sup>69</sup> of ₹ 47,210 crore in 2017-18.

### 2.2.1 Revenue, Capital and Loans and Advances

As per Para 3 of Chapter III of the West Bengal Budget Manual, the Government expenditure is categorised into three sections (i) Revenue Expenditure<sup>70</sup>, (ii) Capital Expenditure<sup>71</sup> and (iii) Loans and Advances<sup>72</sup>. Savings occurred in all sections: Revenue Account, Capital Account and Loans and Advances (Chart 2.2).

**Chart 2.2: Budget provision and expenditure under Revenue, Capital and Loans and Advances Sections** (₹ in crore)



Source: Appropriation Accounts

<sup>69</sup> Savings is the term used for indicating the amount that could not be spent out of budget provisions.

<sup>70</sup> Revenue expenditure is the account of current expenditure of the State. For example, wages, salaries, maintenance works, repairs etc.

<sup>71</sup> Capital Expenditure means expenditure of a Capital nature such as construction of irrigation projects, bridges, buildings, laying of roads, irrigation and electricity projects etc.

<sup>72</sup> Loan account is the account of public debt incurred and discharged and loans and advances made by the State Government to local bodies, employees and others and recovered from them.

**In Capital Account, only 77.58 per cent of the budget provision was actually spent.** Substantial savings occurred in flagship schemes Jawaharlal Nehru National Urban Renewal Mission for U.I.G.S (State Share) Project (₹ 500 crore, 100 per cent), West Bengal Compensatory Entry Tax Fund (WBCETF) (₹ 620 crore, 100 per cent) and Multi-Sectoral Development Scheme for Minorities (Central Share) (₹ 606 crore, 71.71 per cent).

Revenue Expenditure (₹ 1,45,852 crore) was lower than the Budget Estimates (₹ 1,59,343 crore) by 8.47 per cent. The programmes impacted by unspent savings of budget provisions were Pradhan Mantri Gram Sadak Yojana (PMGSY) (Central Share) (₹ 932 crore); Sarva Shiksha Abhiyan (Central Share) (₹ 2,468 crore); Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (Central Share) (₹ 4,352 crore) and Supply of Rice to the APL/BPL families in the Targeted Public Distribution System (TPDS) at the subsidised rate (Central Share) (₹ 510 crore).

Expenditure on Loans and Advances Section was ₹ 27,500 crore less than the budget provision.

### 2.2.2 Grant-wise Analysis

As per West Bengal Budget Manual, the Authority at whose disposal a grant is placed, is responsible to keep constant watch over the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. The expenditure in West Bengal Government is incurred through 54 different grants. For the purpose of determining excess expenditure or savings, Revenue (voted), Revenue (charged), Capital (voted), Capital (charged) and Loans (voted) are treated as independent grants. Savings and Excess Expenditures for grants/ appropriations under Revenue, Capital and Loans and Advances sections are in **Table 2.2**.

**Table 2.2: Total Excess or Savings under different grants**

Description	Revenue		Capital		Loans & Advances*		Amount (₹ in crore)
	Number of grants <sup>73</sup>	Number of appropriations <sup>74</sup>	Number of Grants	Number of Appropriations	Number of Grants	Number of Appropriations	
Savings occurred in	50	22	40	17	11	14	49,828
Excess Expenditure occurred in	3	1	8	1	6	2	2,618

Source: Appropriation Accounts

\*The data shown under 'Loans and Advances' section has been culled out from the data relating to 'Capital' section

The grants in which high savings and high excess expenditure occurred are listed in **Appendix 2.1** and **2.2**.

**Excess expenditure (59 per cent) was in seven grants that provide funds for day-to-day administration whereas savings in six grants (17 per cent) was under which major schemes were implemented.**

<sup>73</sup> Grants are the provisions voted by the Legislature for incurring voted expenditure.

<sup>74</sup> Appropriation is the provision made in the budget for incurring expenditure which is directly charged and not subject to the voting of the Legislature.

### 2.2.2.1 Excess Expenditure

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this article.

(i) **Excess Expenditure in current year:** It was observed that excess expenditure of ₹ 2,618 crore was incurred in 10 grants<sup>75</sup> and two appropriations (details in **Appendix 2.2**).

- The excess expenditure under Grant 40 – Panchayat and Rural Development Department was mainly on account of (i) assistance to Zilla Parishads for repair/maintenance of roads etc., (₹ 711 crore) and (ii) State share of Indira Awas Yojana (₹558 crore) under Revenue sector.
- Excess expenditure of ₹575 crore occurred in Grant 43 – Power and Non-Conventional Energy Sources (Revenue Voted) mainly for payment of subsidy (₹423 crore) to West Bengal State Electricity Development Corporation Limited (WBSEDCL) in connection with power tariff to its consumers.

#### **Box 2.1: Expenditure without authorisation of the Legislature**

In 2017-18, the expenditure of ₹ 2,870.25 crore was incurred without any budget provision, i.e., neither in original nor in supplementary in 60 cases (at sub-head level) in respect of 24 grants and one appropriation (details in **Appendix 2.3**). These amounts were mainly spent on:

- Investments in West Bengal Highway Development Corporation Limited (₹ 850 crore) under Public Works Department.
- West Bengal Compensatory Entry Tax (₹ 476.96 crore) under Urban Development and Municipal Affairs Department.
- Interest payments<sup>76</sup> (₹ 282.90 crore) and repayment of loans to NSSF<sup>77</sup> (₹ 157.89 crore) under Finance Department. Liabilities on account of interest as well repayment of loans were ascertainable with a fairly high degree of accuracy at the time of budget making. Non-provision of funds on this account in the budget had led to underestimation of revenue deficit by ₹ 440.79 crore.

The expenditure, however, has been incurred from the Consolidated Fund of the State and as such approval of the Legislature was required.

**Incurring huge expenditure without the budget provision (original or supplementary) undermines the authority of the Legislature.**

(ii) **Persistent excess expenditures:** Cases of excess expenditure are reported every year through Audit Reports on State Finances. There were, however, grants in which excess expenditure has occurred persistently during the last three years. The details are in **Table 2.3** below.

<sup>75</sup> Grant No. 10-Consumer Affairs is not included in this above table as only ₹ 0.16 crore under Capital-Voted section was spent without provision

<sup>76</sup> Includes Market borrowings (₹ 187.65 crore), NSSF- (₹ 80.43 crore), loans from Government of Japan (₹ 1.54 crore) and loans from Asian Development Bank (₹ 8.05 crore)

<sup>77</sup> National Small Savings Fund

**Table 2.3: Grants in which persistent excess expenditure occurred in last three years**  
(₹ in crore)

Sl. No.	Number and Name of the Grant	Amount of Excess		
		2015-16	2016-17	2017-18
<b>Revenue Voted</b>				
1	7-Backward Classes Welfare	212.38	32.05	273.38
2	24 – Health & Family Welfare	731.17	167.57	375.33
3	43-Power and Non-Conventional Energy Sources	406.39	1,909.92	574.87

Source: Appropriation Accounts

Such repeated excess expenditure over grants approved by the State Legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the House of the People/State Legislative Assembly, and, therefore, need to be viewed seriously.

**Recommendation 5: The State Government may analyse the reasons for persistent excess expenditure on priority basis. The Finance Department should ensure that no Departmental Controlling Officers, including the Finance Department itself, resort to excess expenditure over the regular allocations approved by the State Legislature.**

#### 2.2.2.2 Excess expenditure requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess expenditure over a grant / appropriation regularised by the State Legislature. The excess expenditure was to be regularised after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

The State Government, however, failed to get the excess expenditure amounting to ₹ 24,075 crore over and above the allocation, pertaining to the years 2009-10 to 2016-17, in 128 cases of Grants/ Appropriations (more than ₹ one crore or more than 20 per cent of the total provision) regularised as of February 2019 (*Appendix 2.4*). Of this, excess disbursement of ₹ 6,786 crore pertaining to the years 2013-14 to 2016-17 occurred in 31 grants.

**Recommendation 6: All the existing cases of excess expenditure need to be regularised at the earliest and, in future, such un-voted expenditure may be completely stopped, with the exception of cases of dire and extreme emergency, the cost of which cannot be met from the Contingency Fund.**

#### 2.2.2.3 Savings

In the year 2017-18, the total savings were ₹ 49,828 crore, of which, ₹ 45,046.33 crore (90.40 per cent) pertained to 21 grants with savings of more than ₹ 100 crore each and by more than 20 per cent of the total provision.

In addition, during the years 2013-18, there were cases of persistent savings of more than ₹ 100 crore each as shown in **Table 2.4**:

**Table 2.4: Grants/Appropriations with persistent savings during the years 2013-18**

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Savings ₹ in crore (per cent)				
			2013-14	2014-15	2015-16	2016-17	2017-18
<b>Revenue Voted</b>							
1.	6	Animal Resources Development	240.80 (32.94)	234.60 (28.41)	300.81 (34.70)	258.05 (31.45)	263.41 (27.44)



Sl. No.	Grant No.	Name of the Grant/ Appropriation	Savings ₹ in crore (per cent)				
			2013-14	2014-15	2015-16	2016-17	2017-18
<b>Revenue Voted</b>							
2.	15	School Education	2,118.47 (12.45)	1,058.50 (5.90)	4,022.05 (19.16)	3,413.17 (15.52)	5,040.90 (20.06)
<b>Capital Voted</b>							
3.	5	Agriculture	184.09 (43.82)	285.20 (39.18)	399.22 (49.78)	551.57 (68.77)	433.87 (67.83)
4.	25	Public Works	843.48 (31.28)	899.05 (28.55)	1,476.51 (29.03)	728.43 (19.32)	2,556.43 (37.24)
5.	32	Irrigation and Waterways	1,515.46 (71.39)	952.30 (48.06)	1,202.98 (58.05)	1,391.61 (57.47)	1,275.20 (55.31)
6.	55	Water Resources Investigation & Development	284.23 (71.27)	233.65 (38.54)	366.24 (37.07)	208.38 (27.20)	241.34 (30.69)

Source: Appropriation Accounts

### Box 2.2 : Rashtriya Madhyamik Shiksha Abhiyan

In 2017-18, there was a saving of ₹ 684.97 crore under Rashtriya Madhyamik Shiksha Abhiyan in respect of Grants-in-Aid provided under the scheme. Similar savings occurred in 2016-17 (₹ 670.00 crore), 2015-16 (₹ 1,457.01 crore), 2014-15 (₹ 469.03 crore) and 2013-14 (₹ 302.92 crore).

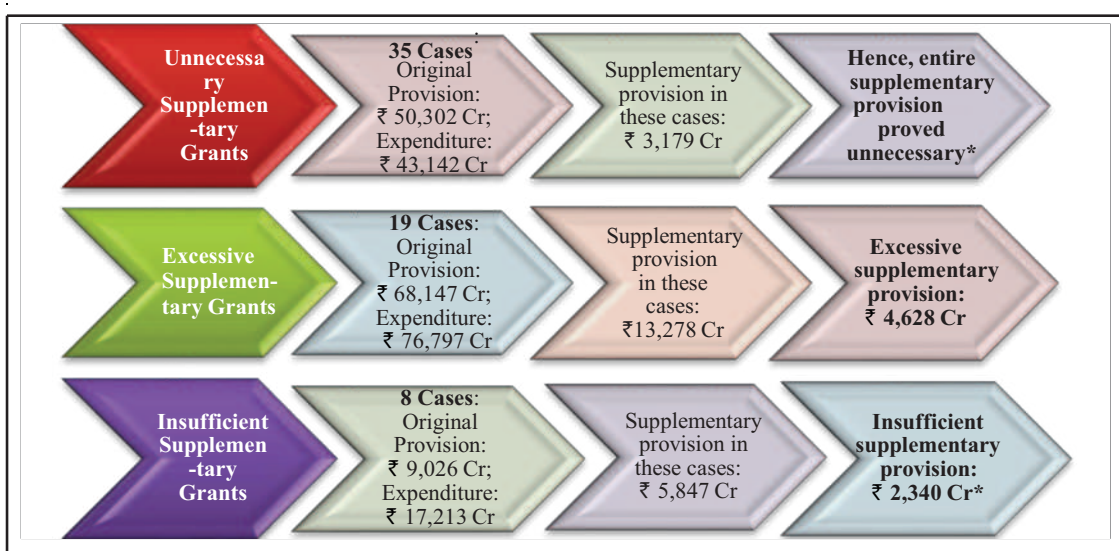
**It was observed from the Appropriation Accounts that the State Government did not furnish reasons for such savings.**

Persistent Savings under six departments indicate that the schemes under these departments did not receive the required priority by the Government and there was inefficiency in implementation by the departments concerned/ implementing agencies.

### 2.2.3 Supplementary Grants

Audit analysis showed that supplementary grant (Rupees one crore and above) of ₹ 7,807 crore i.e., 34.98 per cent of total supplementary grant was unnecessary in 54 cases. On the other hand, in eight cases the supplementary grant of ₹ 5,847 crore was not adequate to meet the requirement (₹ 8,187 crore) and fell short by 28.52 per cent (Chart 2.3).

**Chart 2.3: Unnecessary, Excessive and Insufficient Supplementary Provisions**



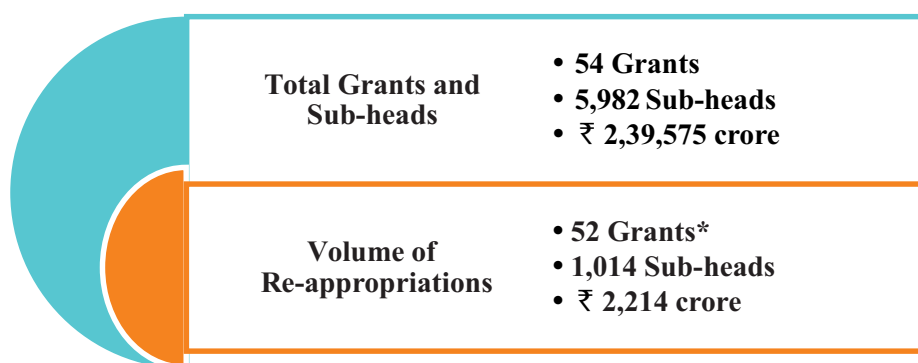
Source: Appropriation Accounts \* More than ₹ 1 crore in each case

### 2.2.4 Re-appropriation

By definition, Re-appropriations are meant for transfer of saving from one scheme/ unit to another within the same grant and under same section (*i.e.*, Capital, Revenue or Loans). Finance Department, however, issued re-appropriation orders to mainly withdraw the budget provisions, on the last day of the financial year. There were savings of ₹ 2,477.61 crore in 91 sub-heads<sup>78</sup> under 32 grants and excesses of ₹ 849.67 crore in 26 sub-heads<sup>79</sup> under 15 grants due to re-appropriation (*Appendix 2.5*).

Audit analysis of Re-appropriation is depicted in **Chart 2.4**.

**Chart 2.4: Re-appropriation in the overall budget**



Source: Voucher Level Computerisation; \* Except Grant No 3- Council of Ministers and Grant No 31- Information Technology

All the bills are submitted, processed and payments made through electronic systems and re-appropriations are generated electronically through Integrated Financial Management System (IFMS) (Details in **Para 2.6**). Despite this there were three cases<sup>80</sup> of savings (₹ 74.43 crore) even after re-appropriation on the last working day.

This indicates that the expenditure control mechanism was not adequate and that re-appropriation was not done on the the basis of real-time data.

**Recommendation 7: Leveraging advancements in Information Technology State Government may issue re-appropriations on the basis of real-time data on committed expenses and actual receipts.**

### 2.2.5 Deficiencies in Surrenders

As per Paragraph 8 in Chapter V of the WBBM, unspent balances lapse and are not available for utilisation in the following year. Unspent balances were required to be surrendered to the Finance Department before 21 February of each year. Following instances indicate deficiencies in surrenders.

#### 2.2.5.1 Short surrender of savings

In 39 cases under 31 grants, an amount of ₹ 11,842.32 crore out of total savings of ₹ 15,282.53 crore was not surrendered (*Appendix 2.6*).

<sup>78</sup> ₹ 5 crore and above

<sup>79</sup> ₹ 5 crore and above

<sup>80</sup> Final savings of ₹ 1 crore and above

### **2.2.5.2 Surrender on the last working day of the year**

An amount of ₹ 429.05 crore was surrendered by seven departments on the last working day of March 2018 (*Appendix 2.7*). An analysis shows that

- In Public Works department, an amount of ₹ 208.79 crore was surrendered on 31 March 2018. This was 68.68 *per cent* of the total surrender of 304 crore made by the department, which, constituted 11.81 *per cent* of the total savings (₹ 2,575 crore) under the Grant.

In Power and Non-Conventional Energy Sources department, an amount of ₹ 143.78 crore was surrendered on 31 March 2018. This formed 22.05 *per cent* of the total surrender of ₹ 652 crore made by the department which, constituted 47.25 *per cent* of the total savings (₹ 1,380 crore) under the Grant.

### **2.2.5.3 Surrender in excess of actual savings**

In four cases under three grants, surrendered amount exceeded savings by ₹ 246 crore, details of which is shown in *Appendix 2.8*.

### **2.2.5.4 Amount surrendered despite Excess Expenditure**

In four cases under four grants, there was surrender of ₹ 198 crore despite excess expenditure of ₹ 431 crore, details of which is shown in *Appendix 2.9*.

**Recommendation 8: The Government should ensure that excessive, unnecessary supplementary provisions and injudicious surrenders are avoided.**

### **2.2.5.5 Un-surrendered savings**

In 83 cases under 36 grants and 23 appropriations, savings of ₹ 33,620.92 crore remained completely un-surrendered. As can be seen from the *Appendix 2.10*, the major departments which did not surrender any part of savings exceeding ₹ 1,000 crore were School Education (₹ 5,040.90 crore), Public Health Engineering (₹ 1,163.22 crore) and Finance (₹ 24,647.84 crore) respectively.

**Recommendation 9: All anticipated savings should be surrendered on time so that funds can be utilised for other development purposes.**

**The above-mentioned shortcomings in surrendering/non-surrendering of funds indicated that the departments did not exercise adequate budgetary controls by watching flow of expenditure through monthly expenditure statements.**

### **2.2.6 Savings in budget for development expenditure/creation of assets**

Development expenditure *vis-à-vis* net budget allocation (excluding salary/establishment expenses<sup>81</sup>) on Social and Economic services during 2017-18 are indicated in **Table 2.5**.

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<sup>81</sup> For the purpose of excluding salary/establishment expenses, the amounts booked under the object heads '01-Salary', '02-Wages', '04-Pension/Gratuities', '07-Medical Reimbursements', '11-Travel Expenses', '12-Medical Reimbursements under WBHS 2008', '13-Office Expenses', '14-Rent, Rates and Taxes', '15-Royalties', '16-Publications', '20-Other Administrative Expenses', '28-Payment of Professional and Special Services', '31-01-Salary Grants' and '32-Contribution' have been deducted



**Table 2.5: Position of Development Expenditure**

(₹ in crore)

Components of Development Expenditure		Net Grant	Actuals	Savings (Percentage of savings)
Development Revenue Expenditure	Social Services (SS)	40,830	32,866	7,964 (19.51)
	Economic Services (ES)	25,961	24,269	1,692 (6.52)
	<b>Total</b>	<b>66,791</b>	<b>57,135</b>	<b>9,656 (14.46)</b>
Development Capital Expenditure	Social Services(SS)	9,140	7,606	1,534 (16.78)
	Economic Services (ES)	12,682	10,743	1,939 (15.29)
	<b>Total</b>	<b>21,822</b>	<b>18,349</b>	<b>3,473 (15.92)</b>
<b>Total Development Expenditure</b>		<b>88,613</b>	<b>75,484</b>	<b>13,129 (14.81)</b>

Source: Finance Accounts of Government of West Bengal (2017-18) & VLC data

The table showed that there was savings of ₹13,128 crore (14.81 per cent) in respect of Development Expenditure of which the share of Revenue and Capital Expenditure was ₹9,655 crore and ₹3,473 crore, respectively.

Further, it was noticed that savings ranged between 25 and 100 per cent in 2,250 schemes. The category-wise position is indicated in **Table 2.6** below.

**Table 2.6: Category-wise savings in different schemes**

Range of savings	Revenue Expenditure (SS)	Revenue Expenditure (ES)	Capital Expenditure (SS)	Capital Expenditure (ES)
	Number of Schemes			
From 25 to 49%	225	243	37	54
From 50 to 74%	156	127	24	64
From 75 to 99%	153	114	28	39
100%	481	349	57	99
<b>Total</b>	<b>1,015</b>	<b>833</b>	<b>146</b>	<b>256</b>

Source: VLC data

From **Table 2.6**, it was observed that in 1,691 cases, savings were 50 per cent or above and in 986 cases, allotted budget was not used at all. Thus, the financial targets envisaged in Budget could not be achieved.

### 2.2.7 Rush of expenditure at the end of the financial year

According to Rule 389A of West Bengal Financial Rules (WBFR), rush of expenditure in the closing month of the financial year should be avoided.

During the year 2017-18, ₹23,933 crore (17.08 per cent of total Revenue and Capital Expenditure) was expended in March 2018, of which ₹3,200 crore was expended on 31 March 2018.

High percentage of expenditure in March and especially on the last working day of the financial year indicates that uniform flow of expenditure during the year, a primary requirement of budgetary control, was not maintained.

**Recommendation 10: The Government should establish a framework to ensure that budget provisions do not remain unutilised and the practice of rush of expenditure during fag end of the financial year is prevented.**

## 2.3 Review of Selected Grants

A detailed scrutiny of two grants, viz., (i) **Grant No. 15: School Education Department** and (ii) **Grant No. 25: Public Works Department**, was conducted in audit. At an aggregate level, there were savings under both grants. The supplementary provision made for School Education Department remained unspent (**Table 2.7**) and proved unnecessary.

**Table 2.7: Budget Provisions, Expenditure and Savings under selected Grants**

(₹ in crore)

Section	Original	Supplementary	Total	Expenditure	Savings (-)	Withdrawal/Surrender
<b>Grant No. 15: School Education Department</b>						
Revenue	25,134.71	0.00	25,134.71	20,093.81	(-) 5,040.90	0.00
Capital	196.00	238.12	434.12	52.59	(-) 381.53	9.12
<b>TOTAL</b>	<b>25,330.71</b>	<b>238.12</b>	<b>25,568.83</b>	<b>20,146.40</b>	<b>(-)5,422.43</b>	<b>9.12</b>
<b>Grant No. 25: Public Works Department</b>						
Revenue	1,411.36	14.60	1,425.96	1,407.13	(-)18.83	8.02
Capital	3,836.65	3,029.99	6,866.64	4,310.20	(-)2,556.44	296.44
<b>TOTAL</b>	<b>5,248.01</b>	<b>3,044.59</b>	<b>8,292.60</b>	<b>5,717.33</b>	<b>(-)2,575.27</b>	<b>304.46</b>

Source: Appropriation Accounts

Test check of schemes/programmes under the above grants revealed the following:

- (i) **School Education Department:** Revenue Section of the grant registered a savings of 20.06 per cent during 2017-18 mainly due to unutilised provision/saving of (i) ₹ 1,908 crore (77.86 per cent) under Sarva Shiksha Abhiyan (Central Share) and (ii) ₹ 933 crore (66.62 per cent) in National Programme for Nutritional Support to Primary Education (Mid-Day Meal-Central Share). The Capital Section of the grant also registered savings at 87.89 per cent during 2017-18 mainly due to unutilised provision/saving of (i) ₹ 138 crore (**100 per cent**) in upgradation of 300 schools from Secondary to Higher Secondary and (ii) ₹ 100 crore (**100 per cent**) in upgradation of 200 schools from Elementary to Secondary.
- (ii) **Public Works Department:** Revenue Section of the grant registered a savings of only 1.32 per cent. Capital Section of the grant registered a saving of 37.23 per cent during 2017-18 mainly due to unutilised provision/saving of (i) ₹ 348 crore (**100 per cent**) meant for lump provision for settlement of outstanding balances under PWR- Head (III) b for Public Works (Roads) Department, (ii) ₹ 220 crore (68.75 per cent) in West Bengal Compensatory Entry Tax Fund (WBCETF) and (iii) ₹ 177 crore (78.45 per cent) in development of State roads and bridges by WBCETF.

Reasons for non-utilisation of entire budget fund had not been intimated to audit as of February 2019.

## 2.4 Major Policy Initiatives

Government introduced several Major Policy Initiatives/ flagship schemes reflecting its Socio-Economic priorities. The major policy Initiatives/ schemes prioritised in 2017-18 budget are detailed in the **Table 2.8**.

**Table 2.8: Major policy announcement in the Budget**

Sl. No.	Policy announcement details
1.	Provision of ₹ 250 crore for assistance to 50,000 workers, who were forced to return from different parts of the Country to the State during demonetisation.
2.	Creation of a Special Assistance Fund of ₹ 100 crore to mitigate the sufferings of the farmers, affected due to demonetisation.
3.	Introduction of a Comprehensive Group Health Insurance Scheme “Swasthya Sathi” at a cost of ₹ 1,364 crore.
4.	Raising the retirement age of college and university teachers from 60 to 62 years.
5.	Enhancing the threshold limit of VAT from ₹ 10 lakh to ₹ 20 lakh to provide relief to the small businesses.
6.	Extension of the exemption on payment of primary education and rural employment cess to the tea industry for a further period of one year.
7.	Commencement of ‘Sech Bandhu’ scheme for access to power for all households as well as to improve the overall distribution infrastructure for 24×7 power supply in rural areas of West Bengal.
8.	Reduction of registration fee of properties by 9 per cent for all registrants. Incentivising early registration of properties by reducing the registration fee by 20 per cent in respect of registrations done within one year from the date of completion of property.

Source: Budget Statement 2017-18, Government of West Bengal

These initiatives/reforms required follow up in the budgetary forecast of the fiscal 2018-19 to assess the actual extent of implementation. The budget of the fiscal 2018-19, however, did not disclose any specific details about their implementation.

## 2.5 Deficiencies in Budgeting

### 2.5.1 Misclassification of Expenditure

As per Budget Publication 10 of Government of West Bengal (GoWB), expenditure of the category of ‘Grants-in-Aid’ are to be booked under the detailed head “31”. During 2017-18, expenditure in the nature of “Grants-in-Aid” aggregating ₹ 578.39 crore, were booked under “01-Salaries”, “02-Wages”, “04-Pensionary Charges”, “11-Travel Expenses”, “12-Medical Reimbursement under WBHS, 2018”, “13-Office Expenses”, “14-Rent, Rates and Taxes”, “27-Minor Works”, “28-Professional Services”, “32-Contributions” and “50-Other Charges” instead of ‘31-Grants in Aid’.

#### Box 2.3

##### Case Study: Procurement and Distribution of Bicycles amongst students

Rule 26 of Government Accounting Rules stipulates that major heads of account generally corresponds to functions of the Government. During 2017-18, demand no. ‘7-Backward Classes Welfare’ was irregularly used to accommodate expenditure of ₹ 165.91 crore each for procurement and distribution of bicycles amongst students of ‘General’, ‘Minority’ and

‘Tribal’ categories. As per the rule referred *ibid*, expenditure on these accounts were to be booked under the demands meant for ‘74 Women & Child Development and Social Welfare’, ‘15-School Education’, ‘38-Minority Affairs and Madrasah Education’ and ‘65-Tribal Development’.

Such erroneous booking of expenditure not only contravened the extant rule but also distorted its depiction in the annual accounts.

### **2.5.2 Opening of new Sub-Heads without concurrence of Principal Accountant General (Accounts and Entitlements)**

Article 150 of the Constitution mandates the prescription of the form of accounts by the President on the advice of the Comptroller and Auditor General of India (CAG). Accordingly, the State Government has to take prior concurrence of the Principal Accountant General, Accounts and Entitlements (PAG (A&E), West Bengal before opening any new sub-head.

The Government, however, opened 17 new Sub-Heads in 2017-18 without prior concurrence of the PAG (A&E). Total provision under these sub-heads was ₹ 167 crore. Against this provision, an expenditure of ₹ 1,887 crore was incurred under four Grants, disregarding the statutory provision.

### **2.5.3 “New Service”/ “New Instrument of Service”**

In 19 cases under 11 grants, expenditure aggregating ₹ 254.73 crore, which should have been treated as “New Service”/“New Instrument of Service”, was met without obtaining the requisite approval of the Legislature (*Appendix 2.11*).

## **2.6 Integrated Financial Management System (IFMS)**

Government of West Bengal, introduced IFMS from 1 April 2014 for online real time management, monitoring and control of all fund allocation and financial transactions in different departments and their subordinate offices under the State Government. The modules included in IFMS are (i) e-Bantan, (ii) e-Billing, (iii) Centralised Treasury System (CTS), (iv) e-Pradan, and (v) Centralised Budget Monitoring System (CBMS).

### **2.6.1 Relaxation of Treasury Rules**

Rule 4.008 of West Bengal Treasury Rules, 2005 stated that no bill shall be entertained by any Treasury/PAO unless there is allotment of fund. The Administrative Departments and Controlling Officers are expected to sub-allot the fund released by Finance Department immediately to the DDOs through e-Bantan module of IFMS. Therefore, necessity may not arise for drawal in anticipation of allotment of fund, if sub-allotment is done through the system by the Departments and Controlling Officers timely. In very rare cases, however, in which allotment of fund could not reach DDOs and Treasuries/PAOs electronically in time and/or re-appropriation process had not been completed, the State Government vide circular No. 3261-F(Y) dated 25.5.2017 decided to allow acceptance of 14 categories of bills<sup>82</sup> by Treasuries/PAOs in anticipation of allotment of funds from May to September 2017.

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<sup>82</sup> Salary, Honorarium, Stipend, Telephone, Electricity, Diet and Oxygen, Washing Charge, Funeral Expenses, Scavenging Charges, Pension of Freedom Fighters, Medical Reimbursement

## 2.6.2 Deficiencies in IFMS

Following deficiencies were noticed in IFMS module:

- (i) **Budget Management:** IFMS was introduced in the State with the aim of monitoring expenditure with reference to approved budget provision for better financial management. Ideally, in IFMS environment, it should not be feasible to incur expenditure without budget provision. IFMS provides real time monitoring of fund position. It was envisaged that this would help in reducing the surrender and savings by DDOs at the fag-end of the financial year, by timely re-appropriation to those DDOs in need of fund. It was, however, observed during audit for the year 2017-18 that:
  - (a) Excess expenditure over budget provision of ₹ 2,618 crore was incurred (*Para 2.2*).
  - (b) Expenditure of ₹ 2,870.25 crore was incurred without budget provision (*Para 2.2.2.1*).
  - (c) Supplementary provision of ₹ 3,179 crore proved unnecessary as the actual expenditure (₹ 43,142 crore) incurred was less than the original budget provision (₹ 50,302 crore) (*Para 2.2.3*).
  - (d) There was a short surrender of savings of ₹ 11,842.32 crore (*Para 2.2.5.1*).
  - (e) Few DDOs had surrendered (₹ 198 crore), whereas there was an excess expenditure (₹ 431 crore) (*Para 2.2.5.4*).
  - (f) Savings of ₹ 33,620.92 crore remained un-surrendered even at the end of the financial year (*Para 2.2.5.5*).
- (ii) **Non-reconciliation of Accounts:** Accounts reconciliation between treasury and office of the Principal Accountant General (A&E), West Bengal and compilation of treasury accounts was envisaged under CTS module. Despite this, receipts amounting to ₹ 12,920 crore (7.29 per cent of total receipts of ₹ 1,77,227 crore) and expenditure amounting ₹ 37,330 crore (20.13 per cent of total expenditure of ₹ 1,85,425 crore) were not reconciled by State Government during 2017 18.
- (iii) **Personal Deposit Accounts:** IFMS environment did not provide for inclusion of department-wise details regarding PD Accounts. Hence, the department-wise details of ₹ 4,282 crore lying in PD Accounts as on 31 March 2018, were not captured in the IFMS environment.

Real time monitoring for effective budget management was possible through IFMS. The above deficiencies, however, clearly indicate that there was sufficient scope for improvement in implementation of IFMS.

**Recommendation 11: The Government should ensure efficient and effective implementation of IFMS with adequate internal controls for a sound and robust financial management and budgetary control.**