

# Overview



## OVERVIEW

The Report contains three sections:

**Section A** deals with results of audit of Departments and Entities under Economic Sector of the Government of West Bengal. This section contains significant result of the Compliance Audit of 22 Departments of Government of West Bengal under the Economic Sector. Departments which are not included in this Report, have, however, been covered in separate Report on General and Social Sector.

**Section B** deals with results of audit of Departments and Entities under Revenue Sector of the Government of West Bengal. This section contains significant results of the compliance audit of the Departments of the Government of West Bengal under the Revenue Services.

**Section C** deals with the results of audit of 84 Public Sector Undertakings, namely, Government Companies and Statutory Corporations of the Government of West Bengal, comprising six in the Power Sector and 78 in the Non-power Sector.

A synopsis of the important findings contained in the Report is presented below:

### Economic Sector

#### 1. Introduction

This section of the Report covers matters arising out of audit of State Government Departments and Autonomous Bodies under the Economic Sector in the state of West Bengal. Out of 54 Departments, this section of the Report covers functioning of 22 Departments.

*(Paragraph 1.1)*

#### 2. Compliance Audit Observations

##### 2.1 Infrastructure Development under North Bengal Development Department

Certain critical regional gaps in physical infrastructure like deficit in rural housing, road connectivity and rural electrification, had been identified in the Socio Economic Perspective Plan (SEPP). It also identified critical gaps in social infrastructure, including schools and health facilities. Out of 14 sub-sectors, prioritised under SEPP, no projects were taken up by NBDD in 11 of those sub-sectors in the two selected districts.

*(Paragraph 2.1.2.1)*

NBDD provided unwarranted item of Bituminous Macadam course on low volume rural roads and incurred an excess expenditure of ₹ 12.48 crore. Similarly, excess expenditure of ₹ 1.16 crore was incurred due to unnecessary widening of road having low traffic.

*(Paragraphs 2.1.3.1 & 2.1.3.2)*

Three of the four test checked market complexes remained idle for more than two years blocking capital of ₹ 10.07 crore. Picnic spot at Ambari developed at

a cost of ₹ 1.18 crore remained idle for more than three years as the electrical works had not been finalised.

*(Paragraphs 2.1.4.1 & 2.1.4.2)*

## **2.2 Long Draft Paragraph on Prevention and Control of Animal Diseases in the State**

The biggest impediment to growth of the livestock sector is the large scale prevalence of different type of diseases which resulted in both morbidity and mortality, and adversely affect animal productivity. The audit was conducted with the objective to assess whether the provisions of the applicable rules, policies, guidelines and regulations made there under and various orders and instructions issued were being complied by the Department in respect of implementation prevention and control of animal diseases. Scope of audit was limited to the activities of the Department during the period 2015-16 to 2018-19 for prevention and control of animal diseases in seven selected districts.

- Immunisation protocol regarding potency testing, intervals between two vaccinations, use of separate disposal needle were not adhered to. Vaccines were distributed to the blocks without mentioning the batch number in the challans, absence of which, it was not possible to monitor the efficacy and effectiveness of the vaccines used. Out of the 12 outbreaks in Eastern India in 2017-18, eight were reported from the State. During 2018-19, 62 outbreaks leaving 54,573 animals at risk of which 19,903 (36.47 per cent) were affected with 368 reported deaths. The objective of prevention of morbidity and mortality due to Foot and Mouth Disease (FMD) by 100 per cent vaccination of eligible cattle and buffalo population was largely defeated even after an expenditure of ₹ 56 crore.

*(Paragraph 2.2.2)*

- The Department did not take any prompt action to control the spread of Bovine Brucellosis though there was risk of infection to the animals. Reports of Serological examination in Haringhata Farm in 2015, 2017 and 2018, showed that 124 (65.60 per cent), 37 (50.68 per cent) and 142 (47 per cent) animals were infected out of total tested 189, 73 and 302 animals, respectively. This was despite the budgetary allotment from GoI prioritising Brucella Control Programme and Establishment of Veterinary Hospitals and Dispensaries in July 2018.

*(Paragraph 2.2.3)*

- Report of National Animal Disease Referral Expert System (NADRES) of July 2019 categorised 14 districts of the State as high risk for Peste des Petits Ruminants (PPR). However, against the target of 100 per cent coverage of vaccination against PPR disease, as of March 2019, the coverage was 61.83 per cent. Proper infrastructure and consumables viz. deep freezers, disposable syringes and needles were not ensured as a result of which effectiveness of the vaccines being adversely affected. Reports of serum samples taken from vaccinated goats in the test checked districts showed that serum samples were found PPR negative implying that necessary antibodies had not developed after vaccination. During the

period of audit, a total 214 PPR outbreaks were reported in the State in which 2,378 goats were infected causing 486 deaths.

**(Paragraph 2.2.4)**

- Health care facilities for animals were severely incapacitated due to lack of functional infrastructure and severe manpower shortages. Health centres were operating under acute infrastructural shortages. Surgeries were being conducted in open air, which increased the risks of post-operative infection. Essential Medical/ Surgical equipment were not available. Emergency power back-up system was not present in any of the animal health centres. In the test checked districts, out of 963 Animal Development Aid Centres (ADACs), Livestock Development Assistants (LDAs) were posted only in 172 ADACs and remaining 791 ADACs were without any LDAs. Further, out of total 72 test checked animal health centres, there were no Veterinary Officers (VOs) posted in 23 centres and eight centres were functioning under additional charge of VO holding dual charge. This has deprived extension of various medical facilities like surgeries of animals, Artificial Insemination (AI) of cattle, vaccinations *etc.*

**(Paragraph 2.2.5)**

The Public Works Department, in violation of Indian Roads Congress Guidelines, provided unnecessary extra bituminous layers in different road works which led to an avoidable expenditure of ₹ 4.78 crore.

**(Paragraph 2.3)**

Public Works Department, in construction of two concrete roads, executed an unnecessary extra sub-base layer and extra thickness of concrete layer in violation of the Indian Roads Congress Guidelines which resulted in excess expenditure of ₹ 1.36 crore.

**(Paragraph 2.5)**

Irrigation and Waterways Department in violation of the Indian Standard (IS) Code provided excess quantity of stone boulders/ cement concrete blocks in launching apron of bank protection works which resulted in extra expenditure of ₹ 4.88 crore.

**(Paragraph 2.8)**

The Agriculture Department did not put due diligence in applying appropriate Schedule of Rates for arriving at the rate of excavation of earth, thus, had to bear an extra expenditure of ₹ 5.79 crore on construction of 1,664 number of Water Harvesting Structures.

**(Paragraph 2.10)**

Steps taken by the Transport Department to preserve the historical monument-Victoria Memorial Hall from the menace of vehicular pollution as per the order of Hon'ble Calcutta High Court proved unfruitful as the two nearby bus termini responsible for causing vehicular pollution could not be relocated. The lackadaisical approach of the Department resulted in unfruitful expenditure of ₹ 24 crore on Satragachi bus terminus and blockage of ₹ 10.61 crore and loss of interest of ₹ 3.18 crore on Goragacha bus terminus.

**(Paragraph 2.11)**

## Revenue Sector

### Chapter I: General

This Report contains 30 paragraphs relating to under-assessment/ non-realisation/loss of revenue *etc.* of ₹ 898.71 crore. The Government accepted audit observations of ₹ 153.17 crore, of which ₹ 6.54 crore was recovered. Some of the major audit findings are mentioned below:

#### Trend of Revenue Receipts

Total receipts of the Government for the year 2018-19 increased to ₹ 1,45,975.25 crore from ₹ 1,31,270.39 crore in the previous year. Forty four *per cent* of the total revenue collected in 2018-19 was raised by the Government through tax revenue (₹ 60,732.28 crore) and non-tax revenue (₹ 3,657.59 crore). The balance 56 *per cent* was received from the Government of India as State's share of net proceeds of divisible Union taxes (₹ 55,775.72 crore) and Grants-in-aid (₹ 25,809.66 crore).

*(Paragraph 1.1.1)*

#### Response of the Departments to the draft audit paragraphs

Thirty compliance Paragraphs were sent to the Additional Chief Secretary/ Principal Secretaries/ Secretaries of the respective Departments between February and September 2020. However, the Government concerned did not send replies, except for two draft paragraphs relating to 'Mines and Minerals'. As such, these Compliance Paragraphs have been included in this Report without response of the Government. Replies of the heads of the audited units, wherever furnished, have been taken into account.

*(Paragraph 1.6.4)*

#### Position of local audit conducted during the year

Test check of the records of 174 units related to Sales Tax/ Value Added Tax, State Excise, Motor Vehicles tax, Land & Land Reforms and Refugee Relief and Rehabilitation Department, Stamp Duty and Registration Fees and other Departmental offices conducted during the year 2018-19 showed under assessment/ short levy/ loss of revenue aggregating ₹ 560.74 crore in 1,871 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 171.54 crore involved in 1,072 cases pointed out in audit during 2018-19. The Departments collected ₹ 9.67 crore in 233 cases during 2018-19 on the basis of findings of local audit.

*(Paragraph 1.10.1)*

#### Analysis of arrears of revenue

The Directorate of Commercial Taxes, Electricity Duty, West Bengal stated (July 2019) that the arrears of revenue as on 31 March 2019 amounted to ₹ 82.17 crore in 367 cases, of which ₹ 1.39 crore in 269 cases was outstanding for more than five years.

Other principal revenue generating Departments/ Directorates namely, Directorate of Registration and Stamp Revenue, Land & Land Reforms and Refugee Relief and Rehabilitation Department and Transport Department did not furnish any information on arrears of revenue (December 2020) though requested (June 2019) and followed by reminders.

*(Paragraph 1.2)*

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**Chapter II: Value Added Tax and Goods and Services Tax****Value Added Tax (VAT)****Compliance audit observations**

The Assessing Authorities (AAs) incorrectly determined turnover of sales at ₹ 2,487.61 crore instead of ₹ 2,775.09 crore in 52 cases. This resulted in short determination of Turnover of Sales (TOS) of ₹ 287.48 crore with consequent short levy of VAT of ₹ 20.79 crore.

*(Paragraph 2.4)*

In 59 cases of 57 dealers, the AAs allowed Input Tax Credit (ITC) of ₹ 35.17 crore instead of ₹ 13.43 crore admissible to the dealer. This resulted in irregular allowance of ITC of ₹ 21.74 crore.

*(Paragraph 2.5)*

The AAs incorrectly determined Contractual Transfer Price (CTP) of ₹ 223.43 crore instead of ₹ 501.33 crore in 255 cases. This resulted in short determination of CTP of ₹ 277.90 crore with consequent short levy of tax of ₹ 16.29 crore.

*(Paragraph 2.6)*

In 14 cases, the AAs allowed excess deduction towards payment to sub-contractors and labour, services and other like charges. This resulted in short determination of taxable CTP by ₹ 16.55 crore with consequent short levy of tax of ₹ 1.73 crore.

*(Paragraph 2.7)*

The AAs did not initiate proceedings to levy penalty despite evasion of tax by dealers in 120 cases. Penalty to the extent of ₹ 52.09 crore was not levied for such evasion of tax/ ineligible claims of ITC.

*(Paragraph 2.8)*

**Goods and Services Tax (GST)**

In 12 Charge Offices, 33,020 taxpayers migrated to GST without verification of information and documents furnished by the taxpayers with the application. Migration of taxpayers without proper verification frustrates the basic objective to restrict tax evasion under GST.

*(Paragraph 2.11.1)*

In 11 Charge Offices, 196 taxpayers, eligible for registration under GST were not registered. The Charge Offices neither conducted any survey/ enquiry to ensure the status of taxpayers' business nor assigned any reasons for their non-migration to GST.

*(Paragraph 2.11.2)*

In 14 Charge Offices, 421 Goods and Services Tax Identification Number (GSTIN) cancelled taxpayers, liable to furnish their final return within three months of the date of cancellation or the date of order of cancellation, whichever is later, did not furnish the returns.

*(Paragraph 2.12)*

In 10 Charge Offices, 263 taxpayers claimed excess transitional credit of ₹ 10.75 crore. The proper officers neither verified nor initiated proceedings under Section 73 or 74 against taxpayers for such irregular claims.

*(Paragraph 2.13.1)*

Twenty eight taxpayers in six Charge Offices did not pay interest for excess/irregular claim of transitional credit. No action was taken by the proper officers for realisation of interest of ₹ 0.72 crore.

*(Paragraph 2.13.2)*

In 11 Charge Offices, 737 refund cases of ₹ 15.72 crore filed online by the taxpayers remained undisposed due to lack of action on the part of the proper officers.

*(Paragraph 2.14.1)*

In 19 cases of six taxpayers in two Charge Offices, inadmissible claims of refund of ₹ 97.72 lakh were allowed by the proper officers.

*(Paragraph 2.14.2)*

### **Chapter III: Land Revenue**

#### **Compliance audit observations**

There was non/ short realisation of rent, cess and surcharge of ₹ 26.49 crore in 10,192 cases pertaining to land used for commercial purpose.

*(Paragraph 3.4)*

The Department failed to settle 47 cases of long-term leases involving 63.30 acres of land with the unauthorised occupants within the prescribed time limit; Revenue of ₹ 4.90 crore (salami-₹ 4.10 crore and rent-₹ 0.80 crore) was realisable in these cases.

*(Paragraph 3.5)*

### **Chapter IV: Motor Vehicles Tax**

#### **Compliance audit observations**

Tax, additional tax and penalty of ₹ 319.27 crore was not realised from owners of 1,22,995 vehicles.

*(Paragraph 4.4.1.1)*

Registering Authorities did not realise permit fees and late fees of ₹ 12.58 crore from owners of 14,771 transport vehicles plying with expired permits.

*(Paragraph 4.4.1.2)*

Registering Authorities realised fee for conducting test of fitness at normal rates instead of 150 *per cent* of the fee for delayed production of vehicles. This resulted in short realisation of fitness fee of ₹ one crore in case of 75,583 transport vehicles.

*(Paragraph 4.4.1.3)*

Incorrect mapping in VAHAN software resulted in short realisation of tax of ₹ 30.53 lakh.

*(Paragraph 4.4.1.4)*



## Chapter V: Stamp Duty and Registration Fees

### Compliance audit observations

Short determination of lease period by the Registering Authorities (RAs) resulted in short levy of stamp duty and registration fees of ₹ 6.96 crore.

*(Paragraph 5.4)*

The RAs misclassified deeds of conveyance as lease deeds resulting in short levy of stamp duty and registration fees of ₹ 1.41 crore.

*(Paragraph 5.5)*

The RAs misclassified deeds of settlement as gift deed to family members. This resulted in short levy of stamp duty of ₹ 0.84 crore.

*(Paragraph 5.6)*

## Chapter VI: Mines and Minerals

### Compliance audit observations

Dues of ₹ 34.60 crore towards price of earth against extraction of 37.93 crore cubic feet (cft) of earth without valid permits were not recovered/ short recovered in 2,027 cases.

*(Paragraph 6.4)*

Penalty of ₹ 2.20 crore was not realised for shortfall in the extraction of sand in 34 cases.

*(Paragraph 6.5)*

## Chapter VII: Other Tax and Non-Tax Receipts

### Compliance audit observations

#### *Profession Tax (PT)*

Information available with other departments and permit/ license issuing authorities was not collected for detection of enrolled persons. This resulted in non-realisation of PT of ₹ 0.85 crore in 2,011 cases.

*(Paragraph 7.3)*

#### *Interest and commission receipts from loans and guarantees*

In seven cases of three loanees, two Departments sanctioned loans of ₹ 357.44 crore without fixation of terms and conditions of repayment which resulted in non-realisation of principal and interest of ₹ 157.87 crore and ₹ 23.90 crore respectively.

*(Paragraph 7.4.1)*

In one case, Industry, Commerce & Enterprises Department, Government of West Bengal did not realise interest of ₹ 3.42 crore against the loan of ₹ 50 crore in the absence of specific instructions by the Department.

*(Paragraph 7.4.2)*

Inaction of the loan sanctioning authority resulted in non-realisation of principal and interest of ₹ 1,241.32 crore and ₹ 361.55 crore, respectively.

*(Paragraph 7.4.3)*

In three cases, the Government of West Bengal provided guarantees against loans of ₹ 1,797.78 crore. However, Guarantee commission of ₹ 17.98 crore, was neither paid by the loanees concerned nor realised by the Departments.

*(Paragraph 7.4.4)*

## Public Sector Undertakings

### 1. Functioning of State Public Sector Undertakings (Power & Non-power Sector)

As on 31 March 2019, there were 84 State Public Sector Undertakings (PSUs) in West Bengal, which comprised of 65 working PSUs (including 8 Statutory Corporations) and 19 inactive PSUs (including one Statutory Corporation).

During 2018-19, the working PSUs registered a total turnover of ₹ 52,953.14 crore constituting 4.50 per cent of Gross State Domestic Product (GSDP) for the year 2018-19 (₹ 11,77,586 crore).

The investment (equity plus long-term loans) in 84 PSUs was ₹ 40,009.68 crore, which included investment of ₹ 29,663.63 crore (74.13 per cent) in Power Sector PSUs. This total investment consisted of 41.02 per cent towards paid-up capital and 58.98 per cent in long-term loans.

*(Paragraphs 1.1 and 1.5)*

### 2. Functioning of Power Sector PSUs

As of 31 March 2019, there were six power-sector PSUs in West Bengal. The name of DPL Coke Oven Limited, the only inactive power-sector PSU as on 31 March 2018, was struck off from the Register of Companies on 21 January 2019. Hence, there was no inactive power-sector PSU as of 31 March 2019.

*(Paragraph 2.1)*

#### Performance of Power Sector PSUs

As per their latest finalised accounts (September 2019), the Power Sector PSUs incurred an overall loss of ₹ 131 crore. Three out of six Power Sector PSUs earned profits of ₹ 505.46 crore, while three PSUs incurred loss of ₹ 636.46 crore. The top profit earning company was West Bengal State Electricity Transmission Company Limited (₹ 404.72 crore) while the maximum losses were incurred by the Durgapur Project Limited (₹ 591.22 crore).

*(Paragraph 2.7.2)*

### 3. Functioning of State PSUs (Non-power Sector)

As on 31 March 2019, West Bengal had 78 State Public Sector Undertakings (PSUs) in the Non-power Sector. These State PSUs included 69 Government Companies and nine Statutory Corporations, of which 59 were working PSUs and 19 inactive. In respect of one Statutory Corporation *i.e.*, Great Eastern Hotel Authority, C&AG conducts only compliance audit under Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

The working State PSUs (Non-power) registered a turnover of ₹ 19,642.38 crore as per their latest finalised accounts received up to September 2019. In 2018-19, the turnover of PSUs relative to State GDP was 1.67 per cent.

*(Paragraphs 3.1, 3.6 and 3.7.1)*

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**Performance of State PSUs (Non-Power Sector)**

As on 31 March 2019, the total investment (equity and long-term loans) in these 78 State PSUs (Non-power Sector) was ₹ 10,346.05 crore. The investment consisted of 39.99 *per cent* (₹ 4,137.67 crore) equity and 60.01 *per cent* (₹ 6,208.38 crore) as long-term loans. The overall profit earned by the 58 working State PSUs was ₹ 741.14 crore in 2018-19, 30 PSUs earned profit of ₹ 1,314.22 crore while 28 PSUs incurred losses of ₹ 573.08 crore as seen from their latest finalised accounts.

*(Paragraphs 3.2 and 3.7.2)*

**4. Compliance Audit Observations relating to State PSUs****Compliance audit observations:**

- Lack of monitoring over management of funds by Calcutta State Transport Corporation resulted in idling of ₹ 3.04 crore in non-interest bearing current account for more than four years, thereby foregoing interest income of ₹ 0.74 crore.

*(Paragraph 4.1)*

- West Bengal Financial Corporation issued bonds of ₹ 25.06 crore carrying interest at higher rate despite having commensurate fixed deposits in Banks earning interest at lower rates. This resulted in avoidable payment of interest on bonds issued amounting to ₹ 1.81 crore.

*(Paragraph 4.3)*

- Non-compliance of One Time Settlement (OTS) guidelines by West Bengal Industrial Development Corporation Limited resulted in extending undue benefit to borrower by way of accepting a below par OTS proposal, thus foregoing recovery of loan of ₹ 6.87 crore.

*(Paragraph 4.4)*

