
OVERVIEW

This Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of West Bengal for the year 2006-2007 and three others comprising seven reviews and 39 paragraphs dealing with the results of performance audit of selected programmes and schemes, internal control system as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. The specific audit methodology adopted for programmes and schemes has been mentioned in the respective reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit findings on the performance of the Government in implementation of certain programmes and schemes as well as internal control mechanism in Irrigation and Waterways Department is given below:

FINANCIAL POSITION OF THE STATE GOVERNMENT

The fiscal position of the State viewed in terms of the key fiscal parameters – revenue, fiscal and primary deficit – showed slight deterioration in 2006-2007 over the previous year. In the absence of FRBM Act, yet to be enacted by the State, the state government had foregone the relief in interest payments on Government of India loans as well as debt relief and other benefits linked to the fiscal performance of the State during 2005-2006 and 2006-2007.

Revenue expenditure as a percentage to total expenditure hovered around 90 *per cent* during the period 2002-2007 leaving inadequate resources for expansion of services and creation of assets as a result of which only 32 *per cent* of fiscal liabilities of the State has asset backup up during 2006-2007. Moreover, within the revenue expenditure, four components – salary expenditure, pension liabilities, interest payments and subsidies – constitute about 76 per cent of the revenue expenditure during 2006-2007. The continued prevalence of revenue, fiscal and primary deficits in the finance accounts of the State indicates the increasing reliance on the borrowed funds to meet the current expenditure. The increasing fiscal liabilities accompanied with negligible rate of return on government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable debt situation unless measures are initiated to compress the non plan revenue expenditure and to mobilise the additional resources in ensuing years.

Abbreviations used in this overview have been listed in the Glossary (page 233)

Against the total provision of Rs 46230.40 crore including the supplementary budget, the expenditure was Rs 41621.81 crore. The overall savings of Rs 4608.59 crore was the result of excess of Rs 293.31 crore in 12 grants and eight appropriations offset by the savings of Rs 4901.90 crore in 58 grants and 22 appropriations. The excess expenditure of Rs 293.31 crore required regularisation under Article 205 of the Constitution of India.

Rupees 63.62 crore drawn in Abstract Contingent Bills between April 1987 and March 2006, by 59 test-checked DDOs remained unadjusted for want of detailed contingent bills. During 2006-2007, out of Rs 5.09 crore drawn in AC Bills by these DDOs, Rs 1.47 crore remained pending for adjustment.

PERFORMANCE AUDIT

URBAN HEALTH SERVICES

Performance audit of the Urban Health Services showed that during 2002-2007, the Department could not spend budgeted funds of Rs 357.13 crore. User charges amounting to Rs 9.40 crore, collected by the hospital authorities during 2006-2007 were irregularly appropriated to create a corpus fund for development of hospitals. Out of GOI grants of Rs 13.70 crore received during 2002-2007 for improvement of cancer treatment facilities in hospitals and upgradation of mental hospitals, Rs 10.39 crore remained parked in the bank accounts of State Health and Family Welfare Samity. Two Sub-divisional hospital buildings constructed in May 2002 and June 2003 at a total cost of Rs 2.53 crore remained unutilised as of March 2007 due to defective construction and non-deployment of required staff. Besides, the basic objective of providing modern treatment facilities to the people of urban areas remained largely unachieved owing to non-availability of required equipment in hospitals/diagnostic centres, non-availability of specialist doctors and irrational deployment of manpower. The doctor patient ratio was much higher than the All India average. Besides, there were instances of administering substandard/ untested medicines to patients. In absence of required infrastructure, there was inordinate delay in pathological/radiological tests, investigation and surgical operations, etc, indicating poor provision of health care services

EDUCATIONAL DEVELOPMENT OF SCHEDULED CASTES AND SCHEDULED TRIBES

Performance audit of the implementation of schemes for educational development of Scheduled Castes (SCs) and Scheduled Tribes (STs) showed that the objectives of the schemes remained unachieved due to non-release/ delayed release of funds by the Backward Classes Welfare Department, failure in providing scholarships to the targeted beneficiaries, non-achievement of physical targets, high drop-out rate and non-evaluation of the performance of the students benefited under the schemes. The scheme of pre-matric scholarship was not at all implemented in most of the 97 blocks of the test-checked districts; while 0.31 lakh students were deprived of the benefit of pre-matric and post-matric scholarships during

2001-2006 due to non-release of funds. Construction of seven central hostels remained incomplete due to delay in selection of sites and release of funds, whereas, eight hostels remained vacant for want of Matron/ Superintendent/other staff and required infrastructure facilities. Hostel grants were paid to the school authorities on the basis of sanctioned strength of boarders, instead of actual occupancy. Due to deficient fund management, instances of inadmissible payments, irregular expenditures, parking of scheme funds in local fund/personal ledger/deposit accounts, etc, were also noticed. The schemes also suffered from lack of supervision and monitoring due to non-maintenance of required records, inadequate visits to the institutions by the Inspectors and non-formation of district level monitoring committees.

WORKING OF ASANSOL DURGAPUR DEVELOPMENT AUTHORITY

The objective of integrated planning and development of Asansol-Durgapur Planning Area was adversely affected owing to non-preparation of Land Use and Development Control Plan and annual budgets. Out of four lakh acres of planning area notified in March 1980, the Land Use and Development Control Plan (Plan) for 3.62 lakh acres of planning area was yet to be prepared. In absence of the Plan, the development work suffered to a considerable extent. Besides, out of 1544 acres of land acquired by ADDA for infrastructure development, 1271 acres of land remained unutilised. The performance of ADDA also suffered from inept financial management as it failed to fruitfully invest its surplus funds resulting in loss of interest of Rs 1.93 crore. ADDA did not repay State Government's dues of Rs 75.87 crore despite having accumulated surplus of Rs 89.26 crore. Absence of effective action for realisation of its revenue cost ADDA Rs 27.01 crore as unrealised rent/water charges, out of which chances of recovery of Rs 11.73 crore were remote. Due to lackadaisical approach and unplanned acquisition of land without assessing viability of schemes, ADDA incurred an extra expenditure of Rs 1.33 crore on acquisition of land. ADDA extended undue benefit of Rs 6.42 crore to private entrepreneurs by lowering the price of land, and allowing inadmissible rebate on lease premium. By entrusting the land development work to a firm at much beneficial terms coupled with its failure to evict the unauthorised occupants of the land, ADDA sustained a loss of revenue of Rs 29.22 crore.

THE WORKING OF UTTARBANGA UNNAYAN PARSHAD

Uttarbanga Unnayan Parshad (Parshad) was constituted in May 2000 with the objective of ensuring comprehensive and integrated development of six districts in North Bengal. The Parshad suffered from inefficient financial management owing to non-preparation of perspective plan, annual action plan and accounts. Out of Rs 166.67 crore available for various development works during 2002-2007, Rs 73.45 crore remained in Local Fund/Personal Ledger Account. Out of 1540 works involving Rs 190.43 crore taken up during 2000-2007, 537 works (Rs 63.71 crore) were incomplete, of which 229 works (Rs 31.03 crore) remained incomplete for over one to six years as of March 2007. In four test checked

districts, execution of 42 works was not started even after six to 42 months from the date of release of funds due to non-finalisation of tenders, preparation of faulty estimates, delay in selecting executing agencies, etc. Unplanned investment on works without ascertaining prospective sources of funds, required to complete them, led to unfruitful investment of Rs 3.45 crore. Absence of any guidelines for functioning of Parshad also resulted in investment in small sized sectoral schemes and assistance to private institutions and co-operatives in deviation from its objectives.

IMPLEMENTATION OF INDUSTRIAL DISPUTES ACT, 1947 AND CONTRACT LABOUR (ABOLITION AND REGULATION) ACT, 1970

The main objective of speedy settlement of industrial disputes envisaged in the Industrial Disputes Act, 1947 was largely defeated due to inordinate delay in settlement of disputes through conciliation proceedings and adjudication. Out of 1223 cases test-checked in audit, only 420 were settled within the stipulated period of six months during 2002-2006. In the test-checked units, 2003 cases were pending for one to five years. During this period, the Labour Courts and Industrial Tribunals disposed of one to 30 *per cent* and eight to 21 *per cent* of cases handled during each of the years respectively.

In absence of any planned survey, insufficient coverage of establishments under inspection and inadequate monitoring over the functioning of inspectors, the implementation of Contract Labour (Abolition and Regulation) Act, 1970 in the state remained ineffective.

ASSISTANCE TO STATES FOR DEVELOPING EXPORT INFRASTRUCTURE AND ALLIED ACTIVITIES (ASIDE)

The ASIDE scheme, which was intended to create appropriate infrastructure for development and growth of exports, largely failed to create the desired impact owing to various shortcomings in planning, operational deficiencies and ineffective monitoring. A large number of projects sanctioned under the scheme did not have any direct linkage with exports, whereas Rs 7.95 crore were spent on inadmissible projects and projects not approved by the State Level Export Promotion Committee. Further, three projects were held up midway even after spending Rs 2.85 crore, while one project was abandoned leaving Rs 2.50 crore parked with Public Works Deposits. The mechanism for monitoring over execution of the schemes at various levels was also inadequate.

INTERNAL CONTROL MECHANISM IN IRRIGATION AND WATERWAYS DEPARTMENT

Evaluation of internal controls in Irrigation and Waterways Department revealed deficiencies in budgetary control, stores management and inventory control, administrative and operational control. Expenditure control mechanism was non-

functional and non-observance of budgeting procedure resulted in 21 to 58 *per cent* savings on Capital Account during 2002-2007. The Department spent Rs 12.41 crore to collect revenue of Rs 25.40 lakh for the year 2005-2006 indicating absence of fair balance between expenditure and collection of revenue. No updation of the Departmental Code had been undertaken since its preparation in 1960. The management was unaware of the actual status of the assets at its disposal as none of the test-checked Divisions maintained the property register. In violation of codal provision, annual physical verification of stores was not conducted in any of the test-checked Divisions since 1983-1984. Investigation and disposal of vigilance cases were also poor and monitoring system ineffective. The Department did not have an effective internal audit system, in the absence of which the extent of compliance with the existing rules, procedures and instructions could not be monitored on a regular basis.

AUDIT OF TRANSACTION

Audit of financial transactions, subjected to test-check of various departments of the Government and their field functionaries, showed instances of losses, excess payment, unfruitful expenditure of about Rs 165.98 crore as mentioned below:

There were cases of suspected defalcation of mid day meal rice worth Rs 4.34 crore and suspected fraud involving payment of Rs 1.13 crore in Public Works (Roads) Department. Besides, there were losses sustained by Urban Development (Rs 4.23 crore), Public Works (Rs 3.11 crore), and School Education (Rs 1.68 crore) Departments.

Instances of infructuous/wasteful expenditure and overpayment of Rs 22.68 crore were noticed in Co-operation (Rs 1.62 crore), Disaster Management (Rs 7.69 crore), Housing (Rs 0.74 crore), Irrigation and Waterways (Rs 2.59 crore), Power (Rs 0.60 crore), Public Enterprise (Rs 1.15 crore), Public Works (Rs 0.46 crore) and School Education/Land & Land Reforms (Rs 7.83 crore) Departments.

Undue financial benefits worth Rs 106.01 crore were extended by Co-operation (Rs 50.68 crore), Food and Supplies (Rs 53.26 crore), Information Technology (Rs 0.47 crore), Public Works (Rs 1.31 crore) and Urban Development (Rs 0.29 crore) Departments.

Expenditures aggregating Rs 8.11 crore incurred by Agriculture (Rs 0.87 crore), Development and Planning (Rs 0.36 crore), Forest (Rs 0.75 crore), Health and Family Welfare (Rs 0.37 crore), Home(C&E)(Rs 0.85 crore), Home (Police) (Rs 0.27 crore), Jails(Rs 1.38 crore), Labour(Rs 0.31 crore), School Education (Rs 1.83 crore) and Transport (Rs 1.12 crore) Departments proved either excess or avoidable.

Parking of scheme funds by Home (Police) Department in a non-operative Government corporation cost the State exchequer an avoidable interest burden of

Rs 2.42 crore; while encroachment of Government acquired land valuing Rs 4.50 crore was noticed under School Education Department.

Non-adherence of Government rules and orders resulted in irregular exemption and unauthorised appropriation of Government revenue, inadmissible payments, diversion, irregular expenditure, shortage of cash totalling Rs 7.77 crore under Sports & Youth Services (Rs 3.70 crore), Labour (Rs 0.64 crore), Panchayat & Rural Development (Rs 0.34 crore), Urban Development (Rs 0.70 crore) Departments and 14 Drawing and Disbursing Officers under eight departments.

Some of these audit observations are mentioned below:

Lack of monitoring by DM Coochbehar led to suspected defalcation of 0.32 lakh quintals of Mid Day Meal rice valuing Rs 4.34 crore. Moreover, excess allowance of conversion cost of rice by four DMs resulted in excess expenditure of Rs 7.83 crore.

(Paragraph 4.1.1)

Executive Engineer, National Highway Division-IV allowed payment of Rs 1.13 crore to the agencies for laying the additional layer of bituminous macadam and tack coat, the execution of which was doubtful.

(Paragraph 4.1.2)

Kolkata Metropolitan Development Authority extended undue favour to a private company sustaining a loss of Rs 4.23 crore while objective of the development of an International Social Infrastructure Project for the West Bengal Information Technology industry and related ancillaries remained unachieved.

(Paragraph 4.1.3)

Executive Engineer, Resources Division-I under Public Works Department failed to recover the cost 1302 MT of bitumen short supplied by the Indian Oil Corporation Limited which resulted in loss of Rs 3.11 crore to the Government at current prices.

(Paragraph 4.1.4)

The Directorate of School Education declared (November 2006) existing text-books obsolete owing to only a few minor mistakes/defects/without any reason, which resulted in wastage of 23.99 lakh text-books worth Rs 1.68 crore

(Paragraph 4.1.5)

Co-operation Department extended financial assistance to a co-operative society for construction of a cold storage in the proximity of an aerodrome ignoring restrictions imposed by the Ministry of Civil Aviation resulted in infructuous expenditure of Rs 1.62 crore

(Paragraph 4.2.1)

The Disaster Management Department incurred an extra expenditure of Rs 3.43 crore on procurement of fabricated tarpaulins; while tarpaulins worth Rs 0.78 crore were damaged due to delayed issue of release order. Further, muster

rolls in support of disbursement of cash relief of Rs 29.29 lakh and distribution of relief materials/wheat worth Rs 1.84 crore were not produced to audit.

(Paragraph 4.2.2)

Inclusion of inflated item rate in the Schedule of Rates of Greater Calcutta Drainage Circle resulted in excess payment of Rs 2.59 crore to a contractor.

(Paragraph 4.2.4)

Co-operation Department released undue subsidy of Rs 50.68 crore to the West Bengal State Co-operative Marketing Federation Limited towards reimbursement of extra financial benefits extended by that co-operative to the rice millers/transporters, etc.

(Paragraph 4.3.1)

Non-adjustment of price of by-products by the Food and Supplies Department while releasing payments against procurement and milling of paddy and supply of rice resulted in undue aid worth Rs 42.12 crore to procurement agencies.

(Paragraph 4.3.2)

Lack of monitoring by District Controller of Food and Supplies, Darjeeling in monitoring over milling of specially subsidised wheat and supply of whole meal atta meant for Public Distribution System resulted in undue benefit of Rs 11.14 crore to two flour mills.

(Paragraph 4.3.3)