
Chapter 1: Overview of the General and Social Sector

1.1 About this Report

This Report covers matters arising out of the audit of State Government Departments and Autonomous Bodies under the General and Social Sector. The primary purpose of this Report is to bring to the notice of the 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 of the organisations contributing to better governance.

The Report has been organized in three chapters as under:

- Chapter 1, in addition to explaining the authority, audit jurisdiction, planning and extent of audit, provides a brief analysis of the expenditure of the Departments under the General and Social Sectors for the last five years, response of the Government to draft paras/ Performance Audits and follow up action on Audit Reports.
- Chapter 2 of this Report contains observations of performance audit on Social/ General Sector activities. This year, performance audits on National Rural Health Mission, Schemes implemented by the Housing Department and Secondary Education in West Bengal have been included in the Report.
- Chapter 3 contains significant observations arising out of compliance audit of various Departments and their functionaries. Apart from individual paragraphs, this chapter includes reports on certain themes such as Preservation of Historical Monuments and Archaeological Sites, Implementation of Food Safety and Standards Act, 2006, Identification of Beneficiaries and Disbursement of Loans by State Corporations and Execution of Flyover Projects by Kolkata Metropolitan Development Authority (KMDA). Besides, a report on Information Technology (IT) based audit on e-enabled services offered by the Backward Classes Welfare Department has also been included in this chapter.

1.2 Profile of the General and Social Sector and audit jurisdiction

As per the Budget Publication, the Government of West Bengal releases 67 grants related to its various departments every year. The office of the Principal Accountant General (General & Social Sector Audit), West Bengal, is mandated to conduct audit of 2259 units of various levels related to 34 Grants under General and Social Sectors. Besides, this office conducts audit of 126 bodies/ authorities which are either substantially financed from the Consolidated Fund of the State or audit of which have been entrusted by the Government under various sections of the CAG's DPC (Duties, Powers and Conditions of Service) Act, 1971 under these two sectors. List of the departments, autonomous bodies and companies under the audit jurisdiction of the office of the Pr. AG (G&SS Audit), West Bengal is shown in ***Appendix 1.1***.

Audit Report (General & Social Sector), 2015-16

Trend of expenditures in major Departments under the audit jurisdiction of Pr. AG (G&SS Audit), West Bengal during 2011-16 is shown in **Table 1.1**.

Table 1.1: Trend of expenditures of the Departments under the audit jurisdiction of Pr. AG (G&SS Audit), WB with annual expenditure exceeding ₹ 100 crore (₹ in crore)

Name of the Department	2011-12	2012-13	2013-14	2014-15	2015-16
Backward Classes Welfare	798.86	917.58	914.16	645.44	1484.31
Child Development	\$	\$	2311.90	2376.33	2466.75
Correctional Administration	155.06	165.92	186.42	206.38	197.95
Development and Planning	368.89	284.24	271.87	294.00	343.36
Disaster Management	1367.55	478.17	493.58	530.63	759.57
Finance	55517.95	55038.79	66944.10	67013.18	57860.49
Fire & Emergency Services	180.41	194.33	225.29	199.19	282.25
Food & Supplies	2327.77	3004.44	2707.30	1288.35	3958.69
Health and Family Welfare	3831.58	3901.64	4723.99	6252.44	7727.98
Higher Education	2014.74	2016.97	2444.05	2488.52	2631.41
Home	3637.03	3815.12	4398.54	4961.14	5541.62
Housing	196.06	468.92	645.37	735.77	765.16
Information and Cultural Affairs	92.44	133.91	152.72	230.19	283.48
Judicial	412.39	454.32	466.78	517.09	533.17
Labour	369.85	383.48	505.42	706.38	652.11
Mass Education Extension and Library Services	126.77	202.36	198.82	224.60	241.25
Minority Affairs and Madrasah Education	808.56	1356.33	1746.10	1973.57	1814.35
Municipal Affairs	2600.56	3046.66	3265.59	4051.33	5039.45
Panchayats and Rural Development	3750.38	5091.40	6605.50	13897.12	16975.89
Public Health Engineering	630.76	1009.33	1354.22	1429.32	1879.02
School Education	12881.41	13849.86	14500.99	16592.53	16833.02
Self-Help Group & Self-Employment	135.48	164.80	198.71	237.91	455.17
Technical Education & Training	322.83	366.21	468.12	641.51	622.37
Tribal Development	-	-	-	493.94 [#]	494.26 [#]
Urban Development	1399.03	1526.7	1823.64	1520.33	1688.41
Women Development and Social Welfare	2174.16 [*]	2320.00 [*]	484.72	868.78	1178.11
Others ¹	560.47	691.41	795.98	860.36	968.57
Total	96660.99	100882.89	118833.68	131254.33	133678.17

^{*} Represents combined figures of Women & Child Development and Social Welfare Department. Child Development got separated w.e.f. 2013-14.

^s Subsumed in the figures of Women Development and Social Welfare Department.

[#] Came into being in November 2013, however, allotment made from 2014-15 onwards.

Source: Appropriation Accounts

1.3 Authority for audit

Authority for audit by the C&AG is derived from articles 149 and 151 of the Constitution of India and the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 (DPC Act). C&AG conducts audit of expenditure of State Government departments under Section 13² of the C&AG's

¹ Others include Civil Defence, Law, Parliamentary Affairs, Governor's Secretariat, Council of Ministers, Personnel & Administrative Reforms, Legislative Assembly Secretariat, Refugee Relief & Rehabilitation and Sports & Youth Services

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

DPC Act. C&AG is the sole auditor in respect of autonomous bodies, which are audited under sections 19 (2), 19 (3)³ and 20 (1)⁴ of the DPC Act. In addition, C&AG also conducts audit of other autonomous bodies which are substantially financed by the Government under Section 14⁵ of DPC Act. Principles and methodologies for various audits are prescribed in the Regulation of Audit & Accounts, 2007, Auditing Standards and Performance Audit guidelines issued by the Indian Audit & Accounts Department.

1.4 Planning and conduct of Audit

Compliance Audit is conducted as per the annual audit plan. Units for audit are selected on the basis of risk assessment, which involves issues of topicality, financial significance, social relevance, internal control systems of the units, past instances of defalcation, misappropriation, embezzlement, etc. as well as findings of previous Audit Reports. Apart from the above parameters, all departmental units as well as important directorates and district level units are audited annually, so that funds flow to their subordinate formations comes to the notice of Audit.

Inspection Reports are issued to the heads of units after completion of audit. Based on the replies received, audit observations are either settled or further action for compliance is advised. Important audit findings are processed further as draft paragraphs for inclusion in the Audit Report.

In case of performance audits, objectives and criteria are framed and discussed in entry conferences with the concerned organisation. After conducting audit, the draft report is issued to the concerned Department. Observations arising out of audit effort are also discussed with the Departmental heads in exit conference.

Formal replies furnished by the Department as well as views expressed by the Heads of Departments in exit conferences are carefully considered while finalising the materials for inclusion in the Audit Report. Audit Reports are laid before the State Legislature under Article 151 of the Constitution of India.

1.5 Lack of response of Government to audit

Principal Accountant General (General & Social Sector Audit), West Bengal, (PAG) arranges to conduct periodical inspection of Government Departments to test-check compliance to rules and regulations in transactions and to verify the regularity in maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) issued to the heads of offices inspected with copies to the next higher authorities. Important irregularities and other points detected

³ *Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations or as per request of the Governor of the State in the public interest.*

⁴ *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 C&AG and the Government.*

⁵ *Several non-Commercial Autonomous/ Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc. and substantially financed by the Government, are audited under Section 14.*

during inspection, which are not settled on the spot, find place in IRs. Serious irregularities are brought to the notice of the Government by the office of the PAG.

Under the Regulations on Audit & Accounts, 2007, the officer in charge of the auditable entity shall send the reply⁶ to an Inspection Report (IR) within four weeks of its receipt. On intimation of any serious irregularity by Audit, the Government shall undertake *prima facie* verification of facts and send a preliminary report to Audit confirming or denying the facts within six weeks of receipt of intimation. Where the fact of major irregularity is not denied by the Government in the preliminary report, the Government shall further send a detailed report to the Audit within three months of preliminary report indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

Besides above, the Finance Department of Government of West Bengal had also issued instructions (June 1982)⁷ for prompt response by the executive to IRs issued by the PAG to ensure timely corrective action in compliance with the prescribed rules and procedures and to ensure accountability for the deficiencies, lapses, etc. observed during inspections.

A six monthly report showing the pendency of IRs is sent to the Principal Secretary/ Secretary of the respective department to facilitate monitoring and settlement of outstanding audit observations in the pending IRs.

Inspection Reports issued up to March 2016 relating to 664 offices under four departments⁸ showed that 2115 paragraphs relating to 486 IRs had remained outstanding at the end of March 2016. It was observed that replies were received only in case of 21⁹ out of 204 IRs issued during the period from April 2015 to March 2016 to these four departments.

Department-wise and year-wise break-up of the outstanding IRs and Paragraphs are detailed in ***Appendix 1.2***.

The unsettled IRs contain 224 paragraphs involving serious irregularities like theft, defalcation, misappropriation, etc. of Government money, loss of revenue and shortages, losses not recovered/ written off amounting to ₹ 1043.49 crore. The Department-wise and nature-wise analysis of the outstanding paragraphs of serious nature showed the following position:

⁶ Even if it is not feasible to furnish the final replies to some of the observations in the audit note or inspection report within the aforesaid time limit, the first reply shall not be delayed on that account and an interim reply may be given indicating the likely date by which the final reply shall be furnished

⁷ Vide Memo No. 5703 (72)/ FB dated 29 August 1982

⁸ Correctional Administration Department: 54 offices; Labour & Employment Department: 175 offices; Mass Education Extension & Library Services Department: 55 offices and Panchayats & Rural Development Department: 380 offices

⁹ Correctional Administration: 11 IRs; Labour & Employment: 5 IRs; Mass Education Extension & Library Services: Nil IR and Panchayats & Rural Development: 5 IRs

Table 1.2: Analysis of outstanding paragraphs on serious irregularities (₹ in lakh)

Name of the department	Cases of theft/ defalcation/ misappropriation		Loss of revenue		Shortage/ losses neither recovered nor written off		Total	
	Para	Amount	Para	Amount	Para	Amount	Para	Amount
Correctional Administration	Nil	Nil	03	23.97	07	11.26	10	35.23
Labour & Employment	03	1.89	13	101275.54	04	0.65	20	101278.08
Mass Education Extension & Library Services	Nil	Nil	05	393.63	01	0.30	06	393.93
Panchayats & Rural Development	34	845.59	121	1668.10	33	128.33	188	2642.02
Total	37	847.48	142	103361.24	45	140.54	224	104349.26

Audit committees, comprising the Principal Secretary/ Secretary of the administrative departments and representatives of the Finance Department and Audit, were formed in 30 out of 34 Departments under the General and Social Sector for expeditious settlement of outstanding Inspection Reports/ paragraphs. Audit Committees were not formed by the remaining four Departments¹⁰ under the General and Social Sector. Of the 30 Departments where audit committees were formed, meeting was held by only one Department (Public Health Engineering) on two occasions¹¹ during April 2015 to March 2016 wherein 27 paragraphs and 10 Inspection Reports were settled. Though other 29 Departments had Audit Committees, they did not hold any meeting during this period.

It is recommended that Government should ensure that a procedure is put in place for (i) action against officials failing to send replies to IRs/ paras as per the prescribed time schedule, (ii) recovery of losses/ outstanding advances/ overpayments, etc. in a time-bound manner and (iii) holding at least one meeting of each audit committee every quarter.

1.6 Response of the departments to draft audit paragraphs

Regulation of Audit & Accounts, 2007 stipulates that responses to draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India should be sent within six weeks¹².

Draft paragraphs are forwarded to the Secretaries of the concerned Departments drawing attention to the audit findings and requesting them to send their response within prescribed time frame. It is also brought to their personal attention that in view of the likely inclusion of such paragraphs in the Audit Reports of the Comptroller & Auditor General of India which are placed before the Legislature, it would be desirable to include their comments on these audit findings.

Draft Paragraphs/ Performance Audits proposed for inclusion in this Report were forwarded to the Secretaries of the concerned departments between April 2016 and November 2016 through letters addressed to them personally.

¹⁰ Mass Education Extension & Library Services, Fire & Emergency Services, Self-Help Groups & Self Employment and Housing Departments.

¹¹ In July 2015 & October 2015

¹² State Government's Finance (Budget) Department, in its order dated June 1982, however, directed all the Departments to submit their responses to proposed draft paragraphs within one month.

The concerned Departments/ Directorates did not send replies to nine out of 19¹³ Paragraphs/ Performance Audits featured in Audit Report.

The responses of concerned Departments/ Directorates as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

1.7 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. Review of outstanding replies on paragraphs included in the C&AG's Reports on the Government of West Bengal up to 2014-15 showed that replies on 293 paragraphs pertaining to the period 1981-82 to 2014-15 involving 47 Departments (excluding omnibus paragraphs involving a number of Departments) remained outstanding as of December 2016 (***Appendix 1.3***). Out of 293 paragraphs, 40 paragraphs pertaining to 2005-06 to 2014-15 were selected for discussion by the Public Accounts Committee (PAC), while remaining 253 paragraphs pertaining to the period 1981-82 to 2012-13 have not been selected.

As stipulated in the Rules of Procedure of the PAC, the administrative Departments were required to take suitable action on the recommendations made in the Reports of PAC presented to the State Legislature and submit comments on the action taken or proposed to be taken on those recommendations within six months.

Action Taken Notes on 40 paras contained in 35¹⁴ Reports of the PAC, presented to the Legislature between 1991-92 and 2015-16 had not been submitted by 19 Departments¹⁵ to the Assembly Secretariat as of December 2016. Out of these, 35¹⁶ Reports of the PAC had suggested recovery, disciplinary action, etc. A few significant cases are elaborated in ***Appendix 1.4***.

Thus, actions taken by administrative Departments on the recommendations of the PAC were found to be inadequate and wanting.

¹³ Excluding paragraphs of general nature each involving a number of Departments

¹⁴ 48th Report of PAC 2005-06 contained observation on three paras(para 4.3.3, 4.4.7 and 4.4.8 of AR 2003-04) whereas 1st and 4th Report of PAC 2006-07 and 12th Report of PAC 2007-08 contained observations on two paras respectively

¹⁵ Agriculture; Finance; Finance (Taxation); Fisheries; Home(Constitution/ Police/ Election); Housing; Higher Education, Irrigation and Waterways; Municipal Affairs; Panchayats and Rural Development; Public Health Engineering; Public Works; Public Works (Roads); School Education; Women & Child Development and Social Welfare; Transport; Urban Development; Health & Family Welfare and Co-operation Departments

¹⁶ 1st PAC Report 1991-92, 14th PAC Report 1993-94, 23rd PAC Report 1998-99, 36th PAC Report 1999-2000, 37th PAC Report 1999-2000, 3rd PAC Report 2001-02, 4th PAC Report 2001-02, 14th PAC Report 2002-03, 18th PAC Report 2003-04, 29th PAC Report 2004-05, 48th PAC Report 2005-06, 1st PAC Report 2006-07, 4th PAC Report 2006-07, 9th PAC Report 2006-07, 10th PAC Report 2007-08, 12th PAC Report 2007-08, 15th PAC Report 2007-08, 16th PAC Report 2007-08, 19th PAC Report 2008-09, 21st PAC Report 2008-09, 27th PAC Report 2008-09, 32nd PAC Report 2010-11, 33rd PAC Report 2010-11, 34th PAC Report 2010-11, 36th PAC Report 2010-11, 38th PAC Report 2010-11, 29th PAC Report 2009-10, 2nd PAC Report 2012-13, 3rd PAC Report 2012-13, 4th PAC Report 2012-13, 5th PAC Report 2012-13, 6th PAC Report 2012-13, 9th PAC Report 2013-14, 12th PAC Report 2014-15 & 2015-16 and 13th PAC Report 2014-15& 2015-16.