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## 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 Sectors. 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 Drug Control in West Bengal, Integrated Child Protection Scheme and Distribution of Superior Kerosene Oil through Public Distribution System have been included in the Report. Besides, a performance audit report on Information Technology (IT) based audit on Integrated Online Examination System of West Bengal Central School Service Commission has also been included in this chapter.
- 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 working of Digha Sankarpur Development Authority and Implementation of Rashtriya Swasthya Bima Yojana in West Bengal.

### 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 2,259 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 Comptroller and Auditor General'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*.

Trend of expenditures in major Departments under the audit jurisdiction of office of the Pr. AG (G&SS Audit), West Bengal during 2012-17 is shown in **Table 1.1**.

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

(₹ in crore)

Name of the Department	2012-13	2013-14	2014-15	2015-16	2016-17
Backward Classes Welfare	917.58	914.16	645.44	1,484.31	1,068.11
Child Development	\$	2,311.90	2,376.33	2,466.75	2,713.08
Correctional Administration	165.92	186.42	206.38	197.95	232.73
Development and Planning	284.24	271.87	294.00	343.36	323.23
Disaster Management	478.17	493.58	530.63	759.57	1,603.93
Finance	55,038.79	66,944.10	67,013.18	57,860.49	53,899.43
Fire & Emergency Services	194.33	225.29	199.19	282.25	246.64
Food & Supplies	3,004.44	2,707.30	1,288.35	3,958.69	8,156.28
Health and Family Welfare	3,901.64	4,723.99	6,252.44	7,727.98	8,124.24
Higher Education	2,016.97	2,444.05	2,488.52	2,631.41	2,960.22
Home	3,815.12	4,398.54	4,961.14	5,541.62	5,979.40
Housing	468.92	645.37	735.77	765.16	783.29
Information and Cultural Affairs	133.91	152.72	230.19	283.48	318.75
Judicial	454.32	466.78	517.09	533.17	620.01
Labour	383.48	505.42	706.38	652.11	753.50
Mass Education Extension and Library Services	202.36	198.82	224.60	241.25	277.99
Minority Affairs and Madrasah Education	1,356.33	1,746.10	1,973.57	1,814.35	1,579.78
Municipal Affairs	3,046.66	3,265.59	4,051.33	5,039.45	6,196.70
Panchayats and Rural Development	5,091.40	6,605.50	13,897.12	16,975.89	14,988.96
Public Health Engineering	1,009.33	1,354.22	1,429.32	1,879.02	1,947.16
School Education	13,849.86	14,500.99	16,592.53	16,833.02	18,599.25
Self-Help Group & Self-Employment	164.80	198.71	237.91	455.17	450.15
Technical Education & Training	366.21	468.12	641.51	622.37	699.19
Tribal Development	-	-	493.94 <sup>#</sup>	494.26 <sup>#</sup>	588.67 <sup>#</sup>
Urban Development	1,526.70	1,823.64	1,520.33	1,688.41	1,608.69
Women Development and Social Welfare	2,320.00 <sup>*</sup>	484.72	868.78	1,178.11	1,253.31
Others <sup>1</sup>	691.41	795.98	860.36	968.57	1,052.30
<b>Total</b>		<b>1,00,882.89</b>	<b>1,18,833.68</b>	<b>1,31,254.33</b>	<b>1,37,024.99</b>

Source: Sub-Head Accounts 2012-13 to 2016-17 and Appropriation Accounts.

<sup>\*</sup> Represents combined figures of Women & Child Development and Social Welfare Department. Child Development got separated w.e.f. 2013-14.

<sup>s</sup> Subsumed in the figures of Women Development and Social Welfare Department.

<sup>#</sup> Came into being in November 2013, however, allotment made from 2014-15 onwards.

### **1.3 Authority for audit**

Authority for audit by the CAG 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). CAG conducts audit of expenditure of State Government departments under Section 13<sup>2</sup> of the CAG's DPC Act. CAG is the sole auditor in respect of autonomous bodies, which are audited under sections 19 (2), 19 (3) and 20 (1) of the DPC Act. In addition, CAG also conducts audit of other autonomous bodies which are substantially

<sup>1</sup> 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.

<sup>2</sup> 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.

financed by the Government under Section 14 of DPC Act. Principles and methodologies for various audits are prescribed in the Regulations 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 fund flow to their subordinate formations come 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 conference 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 head 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 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 reply<sup>3</sup> 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

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<sup>3</sup> 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.

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, Finance Department of Government of West Bengal had also issued instructions (August 1982)<sup>4</sup> 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 2017 relating to 241 offices under four departments<sup>5</sup> showed that 1463 paragraphs relating to 416 IRs had remained outstanding at the end of March 2017. It was observed that replies were received only in case of nine<sup>6</sup> out of 81 IRs issued during the period from April 2016 to March 2017 relating 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 270 paragraphs involving serious irregularities like theft, defalcation, misappropriation, etc. of Government money, loss of revenue and shortages, losses not recovered/ written off amounting ₹ 768.08 crore. The Department-wise and nature-wise analysis of the outstanding paragraphs of serious nature showed the following position:

**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	
	No. of paras	Amount	No. of paras	Amount	No. of paras	Amount	No. of paras	Amount
<b>Disaster Management</b>	10	29.81	02	63.25	06	34.99	18	128.05
<b>Home (Police)</b>	02	37.23	67	3,389.20	44	38,436.02	113	41,862.45
<b>Urban Development</b>	17	3,862.50	89	29,754.03	05	242.50	111	33,859.03
<b>Technical Education &amp; Training</b>	06	32.84	04	177.63	18	747.61	28	958.08
<b>Total</b>	<b>35</b>	<b>3,962.38</b>	<b>162</b>	<b>33,384.11</b>	<b>73</b>	<b>39,461.12</b>	<b>270</b>	<b>76,807.61</b>

Source: Inspection Reports of respective units

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

<sup>4</sup> Vide Memo No. 5703 (72)/FB dated 29.08.1982, effective from June 1982.

<sup>5</sup> Home (Police) Department: 102 offices; Disaster Management Department: 57 offices; Technical Education & Training Department: 75 offices and Urban Development Department: 7 offices.

<sup>6</sup> Home (Police) Department: 4 IRs; Disaster Management Department: 2 IRs; Technical Education & Training Department: Nil and Urban Development Department: 3 IRs.

four Departments<sup>7</sup> under the General and Social Sector. Of the 30 Departments where audit committees were formed, meetings were held by only four<sup>8</sup> Department during April 2016 to March 2017 where 68 paragraphs and 25 Inspection Reports were settled. Though other 26 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) sending 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***

Regulations of Audit & Accounts, 2007 stipulate 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 weeks<sup>9</sup>.

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 January 2017 through letters addressed to them personally. The concerned Departments/ Directorates did not send replies to eight out of 14<sup>10</sup> 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***

Audit Reports were not being laid before the Legislature in a timely manner as Audit Reports pertaining to the years 2011-12 and 2012-13 were laid together in July 2014. Similarly, Audit Reports of 2013-14 and 2014-15 were laid together in July 2016. The pattern indicates that in violation of the spirit of Constitutional and Legislative provisions, the State Government had made the laying of Audit Report, a biennial exercise.

Audit Report for the year 2015-16, which was submitted to the Governor in February 2017, was laid in March 2018.

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<sup>7</sup> Mass Education Extension & Library Services, Fire & Emergency Services, Self-Help Groups & Self Employment and Tribal Development Department.

<sup>8</sup> Public Health Engineering Department- 2 meetings, Health & Family Welfare Department-1 meeting, Food & Supplies Department-1 meeting and Home Department-1 meeting.

<sup>9</sup> State Government's Finance (Budget) Department, in its order issued in August 1982, however, directed all the Departments to submit their responses to proposed draft paragraphs within one month.

<sup>10</sup> Excluding paragraphs of general nature each involving a number of Departments.

After tabling of the Reports of the CAG 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 CAG's Reports on the General and Social Sector of the Government of West Bengal up to 2015-16 showed that replies on 217 paragraphs pertaining to the period 1981-82 to 2014-15 involving 28 Departments (excluding omnibus paragraphs involving a number of Departments) remained outstanding as of December 2017 (**Appendix 1.3**). Out of 217 paragraphs, 36 paragraphs pertaining to 2005-06 to 2014-15 were selected for discussion by the Public Accounts Committee (PAC). The remaining 181 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 18 paras contained in 15<sup>11</sup> Reports of the PAC, presented to the Legislature from 1993-94 to 2015-16 had not been submitted by 10<sup>12</sup> Departments to the Assembly Secretariat as of January 2018. These 15 Reports of the PAC had suggested disciplinary action, non-recurrence of incidents, 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.

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<sup>11</sup>14<sup>th</sup> PAC Report 1993-94, 36<sup>th</sup> PAC Report 1999-2000, 14<sup>th</sup> PAC Report 2002-03, 18<sup>th</sup> PAC Report 2003-04, 29<sup>th</sup> PAC Report 2004-05, 1<sup>st</sup> PAC Report 2006-07, 4<sup>th</sup> PAC Report 2006-07, 9<sup>th</sup> PAC Report 2006-07, 32<sup>nd</sup> PAC Report 2010-11, 33<sup>rd</sup> PAC Report 2010-11, 29<sup>th</sup> PAC Report 2009-10, 2<sup>nd</sup> PAC Report 2012-13, 3<sup>rd</sup> PAC Report 2012-13, 12<sup>th</sup> PAC Report 2014-15 & 2015-16 and 13<sup>th</sup> PAC Report 2014-15 & 2015-16.

<sup>12</sup> Finance, Health & Family Welfare, Higher Education, Home, Municipal Affairs, Panchayat & Rural Development, Public Health Engineering, School Education, Social Welfare and Urban Development Departments.