# Chapter 3: Compliance Audit

## 3.1 Audit of non-compliance with Rules and Regulations

For sound financial administration and financial control it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authorities. This not only prevents irregularities, misappropriation and frauds, but also helps in maintaining financial discipline.

In the course of audit of State Government Departments and their functionaries, various cases of non-compliance with departmental codes and manuals, Government orders/rules as well as non-adherence to the stipulations imposed by various scheme guidelines etc. were noticed. Some major cases of deviations from norms/rules are discussed in the succeeding paragraphs. As these were arising only out of test-check of some offices, the Government should ascertain occurrence of similar cases in other departments/districts and evolve adequate mechanism to arrest these irregularities.

## PUBLIC WORKS (ROADS) DEPARTMENT

### *3.1.1 Unfruitful and avoidable expenditure*

**Failure to adhere to technical norms in road construction and lacunae in prior investigation resulted in unfruitful expenditure of ₹ 2.13 crore and avoidable expenditure of ₹ 0.92 crore**

Specifications for roads and bridges works of Indian Road Congress (IRC) and Schedule of Rates of Public Works (Roads) Department[1] (PWRD) stipulate that laying of Water Bound Macadam (WBM) over an existing bituminous layer should be avoided since it may cause internal drainage of the pavement at the interface of the two layers. However, in case laying of WBM is absolutely necessary, it is desirable to pick out the existing bituminous layers completely before laying of WBM. Furthermore, before undertaking any strengthening work it is essential to conduct detailed investigations to find out the profile of the existing crust and design the proposed crust thickness.

Scrutiny revealed (February 2011) that the Superintending Engineer, State Highway Circle-VI awarded (July 2007) the work of strengthening of Barjora-Maliara-Durlavpur Road (18.20 km stretch) to two agencies at the tendered amount of ₹ 5.29 crore for completion by November 2007. The scope of work *inter alia* included laying of two layers of 75 mm WBM with stone metal consolidation, 50 mm Bituminous Macadam (BM) as base course and 20 mm mix seal surfacing as wearing course. The work was completed in April 2008 at a cost of ₹ 6.11 crore. Departmental inspection revealed (June 2008) that the road was severely damaged within two months of the completion of the work *i.e* within the defect liability period of one year. The contractors initially started (June 2008) repairing of the damages but later refused (September 2008) to repair stating that the damages were due to failure of sub grade and presence of rigid pavement underneath the WBM layers. An

[1] *Section 404.3.1 of IRC and clause B 7.3.1 of general specification of the Schedule of Rates, Public Works (Roads) Directorate.*

Enquiry Committee headed by the Chief Engineer, Planning and Quality Assurance (the Committee) to investigate the premature damage of the road work attributed (September 2009) it to the existence of underneath hard bituminous layer of average thickness of 100 mm which were not taken into consideration at the time of project preparation. As per the recommendations of the Committee an estimate of ₹ 8.59 crore was prepared (November 2009) in phase-I for special repair of the entire road. The estimate proposed for picking out the entire hard crust of 6.35 km (200 metre to 700 metre of each kilometre of the entire stretch) of the severely damaged stretches of the road. The estimate was yet to be approved (August 2011) by the Department.

Audit also observed that the Executive Engineer, Bankura Highway Division did not carry out the required detailed investigations to find out the existing crust composition and design the pavement accordingly before taking up of the strengthening work. The WBM was laid without picking up the underneath bituminous layer. Consequently, the entire stretch (18.20 km) of the newly strengthened road surface got damaged. Pending approval of the said special repair work, the division incurred an expenditure of ₹ 0.92 crore on patch repair of the entire stretch of the road between January and December 2010 to make the road trafficable.

Thus, Department's failure to adhere to IRC and PWRD specifications regarding conduct of detailed investigation before strengthening work rendered the expenditure of ₹ 2.13 crore[2] on strengthening work unfruitful besides avoidable expenditure of ₹ 0.92 crore on repairs of 6.35 km stretch. The Department stated (October 2011) that action was being taken on the basis of recommendations of an Enquiry Committee constituted to investigate the matter.

## PUBLIC WORKS AND PUBLIC WORKS (ROADS) DEPARTMENTS

### *3.1.2 Avoidable expenditure in works under RIDF Scheme*

**In disregard of the RIDF guidelines two Departments incurred an avoidable expenditure of ₹ 1.47 crore on road repair within the defect liability period, allowed price escalation of ₹ 0.33 crore in a bridge work and extended undue favour of ₹ 0.43 crore to the contractors by allowing longer road carriage and use of costlier bitumen.**

National Bank for Agriculture and Rural Development (NABARD) sanctions loans under Rural Infrastructure Development Fund (RIDF) for improvement of rural roads and bridges. Twenty seven divisions in the Public Works Department (PWD) and Public Works (Roads) Department (PWRD) responsible for maintenance of rural roads were audited during 2010-11 to examine whether the works under RIDF loan were executed in accordance with the prescribed guidelines. The results of audit are enumerated below:

#### *3.1.2.1 Non-inclusion of performance guarantee clause in work agreement*

Revised guidelines for schemes under RIDF issued (May 2002) by the Finance Department, Government of West Bengal stipulated that performance

[2] *₹ 6.11 crore / 18.20 X 6.35*

guarantee for three years after completion of work should be obtained from the agencies for the schemes worth ₹ 1 crore and above. Accordingly, the Department was required to incorporate suitable clauses relating to the performance guarantee in the contract agreement as a safeguard against the defaulting contractors.

Superintending Engineer, Eastern Circle, PWD (SE/EC) awarded (February 2006) the strengthening and shouldering work of Barasat- Basirhat Road (26.40 km stretch) under RIDF-XI to a contractor at ₹ 6.11 crore for completion by August 2007. The work was completed in August 2007 at a cost of ₹ 5.28 crore. The terms and conditions of the contract included a defect liability period of three years from the date of completion of the work. In case of any defect detected during this period, the agency would be liable to rectify the defect at its own cost. The contract, however, did not include any performance guarantee clause for submission of bank guarantee by the contractor for recovery of the cost towards repairing of defective works from the defaulting contractor as envisaged in the RIDF guidelines.

Audit scrutiny revealed (June 2010) that the road was damaged within March 2008 within the defect liability period. But, the agency did not take up any repair work. Consequently, the Division incurred ₹ 1.63 crore on patch repair and special repair work to maintain the road trafficable between April 2009 and February 2010 on the same stretch of the road.

The Department served (June 2010) a notice to the contractor to deposit the cost of repair, but did not initiate further legal action. However, it forfeited the earnest money of ₹ 0.12 crore and credited (February 2011) to the Government account. The final bill valuing ₹ 0.04 crore had been lying with the division. The chances of recovery of the balance amount of ₹ 1.47 crore from the contractor remained bleak due to non-incorporation of any enabling provision of "Performance Guarantee" in the tender agreement in violation of the RIDF guidelines.

The Department stated (July 2011) that the Division was compelled to take up the repair work due to non-trafficable condition of the road and it was not possible to realise the cost from the agency due to hike in cost of bitumen. The reply was not tenable as the Department failed to recover the cost of repair for want of any performance guarantee.

### *3.1.2.2 Inclusion of cost-escalation clause beyond the ambit of RIDF guidelines*

Para 17 of revised guidelines (May 2002) of RIDF schemes stipulate that time and cost over-run and the consequent cost escalation will not be permitted.

Superintending Engineer, State Highway Circle-III (SE/SHC-III), PWRD, Siliguri awarded (November 2002) construction of bridge over Kalindri river at Madiaghat under RIDF-VII to an agency at a cost of ₹ 8.18 crore for completion by May 2005. The work was completed in February 2006 at a cost of ₹ 8.46 crore including payment on cost escalation to the tune of ₹ 32.52 lakh.

Audit scrutiny (December 2010) revealed that even though the RIDF guidelines prohibit payment of cost escalation, the SE/SHC-III included cost

escalation clause in respect of labour, material and POL in the Notice Inviting Tender (NIT) issued in June 2002. The NIT also stipulated that admissibility of such cost escalation was subject to the approval of the Government. The SE, however, entered into (September 2002) an agreement with the contractor including the clause of escalation without obtaining Government's approval. The Government accorded *post-facto* approval (February 2003) towards acceptance of the tender subject to the condition that no payment due to escalation would be allowed. However, the contractor on completion of the work claimed (March 2006) escalation based on the relevant clause of the NIT forming part of the contract and the Joint Secretary, PWRD paid (November 2010) ₹ 32.52 lakh to the agency on account of price escalation.

Thus, in violation of RIDF guidelines and the conditions of Government sanction, SE/SHC-III had irregularly included escalation clause in the tender document, which led to an avoidable expenditure of ₹ 32.52 lakh on account of undue payment of price escalation to the agency.

### *3.1.2.3 Undue favour to contractors by allowing longer road carriage and use of costlier bitumen in the tender*

Superintending Engineer, State Highway Circle-IV (SE/SHC-IV), Siliguri PWRD awarded (April 2007) widening and strengthening work of two roads[3] in North Bengal to two contractors at a total cost of ₹ 13.95 crore for completion by October 2008. The estimate was technically sanctioned by the Chief Engineer, PWRD. The works were completed (April and June 2008) at a total cost of ₹ 13.95 crore.

Audit scrutiny revealed (December 2010) that the contracted rates of Bituminous Macadam (BM) and Mix Seal Surfacing (MSS) in the two tenders included longer road carriage for procuring packed bitumen of 60/70 grade from the Indian Oil Corporation (IOC) depot at Uluberia which is located at the southern part of the State. The SE had allowed carriage for a longer distance (705 km and 677 km) from the Uluberia depot, although the same was available at Siliguri depot (located in North Bengal) of Hindustan Petroleum Corporation Limited (HPCL), which was only 52 km and 59 km away from the work sites. Scrutiny of delivery challans of 735 MT bitumen produced to Audit (out of 1109 MT of bitumen used in these two works), however, revealed that the bitumen was purchased from the HPCL depot at Siliguri. Delivery challans of the balance 374 MT of bitumen used in the work was not produced to Audit. Further scrutiny of another reach (0 kmp to 6 kmp and 8 kmp to 10 kmp of the GMS road), in the same road, revealed that during the same period the Division considered carriage of bitumen from Siliguri depot in the estimate.

Furthermore, the rates of the bituminous items in the estimates included cost of carriage and 60/70 grade bitumen. However, as per Appendix-4 of IRC guidelines on selection of the grade of bitumen, penetration grade 80/100 having lower viscosity should be used in high altitude. Moreover, use of

[3] *Peshoke- Mungpoo road (0 to 17 km) and Garidhutra- Mirik- Simanabusti (GMS) Road (from 30 to 45 km)*

80/100 bitumen is also cost effective[4]. Scrutiny of records also revealed that 200 MT of 80/100 bitumen was purchased and utilised in the work out of available challan of 735 MT of bitumen supplied from the Siliguri depot.

In view of availability of the required bitumen at Siliguri Depot, the Department was required to frame estimates considering road carriage from Siliguri instead of longer carriage distance from Uluberia. Besides, considering the suitability and economy, the Department could have considered 80/100 grade bitumen instead of 60/70 grade. Thus, due to imprudent decision of the CE to allow longer road carriage and consideration of costlier grade bitumen in the tender estimate, the rates of BM and MSS were inflated, which resulted in undue benefit of ₹43.28 lakh[5] extended to the contractors.

The Department stated (October 2011) that action was being taken on the basis of recommendations of an Enquiry Committee constituted to investigate all the three cases.

## HOUSING DEPARTMENT

### *3.1.3 Avoidable expenditure in housing project*

**Lack of monitoring and non-adherence to the BIS specification in testing of concrete by the West Bengal Housing Board led to avoidable payment of ₹ 1.87 crore as compensation to a contractor on a housing project.**

Bureau of Indian Standards (BIS) code stipulates that samples from fresh concrete shall be collected, cured and be tested on 28 days in accordance with IS:516-1959 for testing the strength of concrete. In all cases, the 28 days comprehensive strength shall alone be the criterion for acceptance or rejection of the concrete. Samples of at least three test specimens should be collected for testing. Additional cubes may also be collected to determine the duration of curing and checking the testing error.

West Bengal Housing Board (WBHB), an autonomous body under the Housing Department entrusted with construction and outright sale of flats, awarded (June and July 2005) construction of five HIG[6] buildings to an agency through two separate tenders at a total cost of ₹ 26.87 crore for completion by March 2008. As of May 2011, the work was in progress and the contractor was paid ₹ 27.75 crore up to May 2011 including compensation of ₹ 1.26 crore. As per agreement the contractor was required to carry out the required tests conforming to the BIS at his own cost. The Engineer-in- charge (EIC) of the project was responsible for collection and testing of cubes as per BIS code.

Audit scrutiny (October 2010) of the cube register maintained by EIC for monitoring and supervision of the test of cubes revealed that mandatory tests on concrete as per BIS code was not conducted by the agency in 26 out of

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[4] *As per schedule of rates of PWRD applicable to these works the rate of bitumen of 60/70 grade and 80/100 grade at Siliguri Depot were ₹ 25062 and ₹ 23114 per metric tonnes*

[5] *₹ 21.35 lakh on account of extra carriage and ₹ 21.93 lakh for use 60/70 grade of bitumen.*

[6] *Three number of ground+ Underground+ eleven storied buildings and two number of ground+ Under-ground+ fifteen storied High Income Group (HIG) buildings of Eastern High at New Town.*

129 columns in three towers. Further, when concrete in 14 columns (out of 102 columns for which mandatory test on concrete was conducted) in those towers could not achieve the desired strength as per BIS specification on 28 days, rechecking of testing errors, if any, could not be conducted due to inadequate collection of concrete samples. As a result, the work had to be suspended in December 2005.

Consequently, the agency engaged (January 2006) two testing organisations[7] to ascertain the quality of the concrete. As sufficient number of concrete cube blocks was not preserved for retesting, non-destructive rebound hammer test was conducted, which brought out contradictory and inconclusive results of concrete strength. Meanwhile, with a view to examine the structures in question and suggest remedial measures, the WBHB constituted (February 2006) a Technical Committee headed by the Vice Chairman, WBHB which recommended (May 2006) demolition of columns where either cube crushing strength was not available (26 columns) or fell short of the design strength (14 columns) on 28 days. The WBHB again entrusted (September 2006) the Civil Engineering Department of the Indian Institute of Technology, Khargapur to carry out the test on the structures in question to be sure about the structural safety of the columns, which also could not give (November 2006) any conclusive result.

Finally, the agency was instructed (April 2007) to resume work on those Towers after dismantling the columns as suggested by the Technical Committee. The columns were re-constructed by the contractor at their own cost. Audit observed that due to lack of technical supervision and monitoring on the part of EIC regular testing and collection of adequate samples of concrete could not be ensured. As a result, the work remained suspended for 15 months and the WBHB had to pay ₹ 1.87 crore[8] to the agency for rise in price of building materials, compensation towards damages on tools and plants, shuttering materials and cost of steel jacketing[9]. The suspension of work by 15 months and consequent extra expenditure could have been avoided had there been adequate monitoring for collection and testing of concrete as per BIS code.

Thus, poor monitoring coupled with non-adherence to the BIS code resulted in avoidable expenditure to the tune of ₹ 1.87 crore.

### *3.1.4 Undue benefit to the contractors*

**WBHB paid compensation on variation of cost of building material in contravention to the terms of the agreement resulting in undue benefit of ₹ 2.93 crore to the contractors.**

WBHB had taken up (between December 2006 and January 2008) construction of three[10] housing projects at a total cost of ₹ 29.76 crore. The

[7] *Civil Engineering Department of the Jadavpur University and National Test House.*

[8] *₹ 1.35 crore (for the works executed post 31.01.2008 in the enhanced rate of few items)+₹ 0.25crore (for damages and depreciation on tools and plants and shuttering materials) + ₹0.27 crore extra expenditure on steel jacketing.*

[9] *In tower 9, where floor slab above the concerned columns had already been cast steel jacketing with epoxy grouting were carried out by WBHB*

[10] *Matkal Nimta Housing Project (phase-II) at Birati, East Horizon Housing Project (Moon Beam) at New Town and Eastern Grove project at New Town.*

terms and conditions of the agreements *inter alia* stipulated that the agencies had to procure building material on their own and no claim on account of enhanced rates due to price fluctuations would be entertained during the period of the contract.

Audit scrutiny however, revealed that the project execution was delayed as the contractors refused to carry out the works and appealed for compensation due to abnormal price hike of building material. WBHB allowed compensation of ₹1.59 crore with effect from February 2008 and April 2008 based on the variation of cost of material as per current Schedule of Rate. It also decided to supply (February and April 2008) steel material departmentally to the agencies in respect of Matkal Nimta and Moon Beam projects at subsidised rates[11]. Audit scrutiny revealed that in the above two projects total 923.61 MT of steel material was issued departmentally at a subsidised rate with financial benefit of ₹ 1.34 crore.

Audit observed that the benefit of compensation was extended to the agencies on the condition that the works would be completed expeditiously within the stipulated time. However, only Moon Beam project was completed with a delay of 18 months and other two projects were yet (May 2011) to be completed defeating the very purpose for extending the benefit of compensation. Thus, the payment of compensation of ₹ 2.93 crore on variation of cost of the building materials in contravention of the terms of the agreements led to undue aid to the agencies.

The matter was referred to the Government in June 2011; no reply had been received (November 2011).

## HOME (POLICE) DEPARTMENT

### *3.1.5 Improper deployment of police personnel*

**In violation of Police Regulation of Bengal and Government orders to take economic measures, the Superintendents of Police in North 24 Parganas and South 24 Parganas Districts unauthorisedly deployed Home Guard and National Volunteer Force at the residences of retired IPS officers for the services not related to security. Police cost of ₹ 0.70 crore was also not recovered during December 2006 to June 2011.**

Police Regulation of Bengal (PRB) lays down the rules for deployment of police guards on permanent or temporary basis to Government organisation / private parties. According to the rules, the Superintendent of Police (SP) may at his discretion depute temporary police guards to private parties, provided that, such guards should be in excess of the sanctioned allotment of the district and proper sanction of Government for such deployment has been obtained. To economise Government expenditure the Finance (Budget) Department issued (June 2008) instructions against posting of Home Guard (HG)/National Volunteer Force (NVF) in the residence of any officer, except where it is specifically needed for security reasons and approval of Chief Secretary of the State has been obtained. Further, in October 2009, Department of Civil Defence decided in principle that no HG should be attached with any officer

[11] *Steel materials were issued departmentally at a recoverable rate of ₹28500 against the prevailing market rate of ₹43000*

after his superannuation. Accordingly necessary instructions were issued (January 2011) to all district SPs for withdrawal of HGs attached to any superannuated officer.

Test check (February and July 2011) of the records (December 2006 to June 2011) of the SPs, North 24 Parganas and South 24 Parganas revealed that police personnel/ HG/NVF were unauthorisedly deployed in the residences of retired IPS officers/ higher officers in North 24 Parganas and South 24 Parganas Districts. However, no approval of the Chief Secretary was obtained for such deployment. Besides, police cost was also not recovered from them. The SPs in reply stated that officers of the rank of DIG and above either in service or retired are entitled to have a security guard for protection of his life. Scrutiny of disposition register, however, revealed that 37 HG/NVF were deployed in the residences of retired IPS officers as Residential Telephone Operator cum Messenger (RTCM)/ Official Telephone Operator cum Messenger (OTCM) during December 2006 and June 2011. Deployment of the HGs/NVFs as telephone operator and messenger for retired officers can not be attributed to security reason. Police cost of ₹ 0.70 crore[12] in respect of 37 HG/NVFs for the period of their deployment was also not recovered from those retired officers. Moreover, there were shortages in HG and NVF cadres in two districts[13].

Consequent upon audit observations, SP, South 24 Parganas directed (July 2011) the retired officers to release the NVF personnel attached with them with immediate effect.

Thus, improper deployment of HG/NVF by the SPs of North 24 Parganas and South 24 Parganas at the residence of retired IPS officers for reasons not related to security led to unauthorised diversion of force from their primary objective of maintaining law and order. Cost to the State exchequer, due to non-realisation of police cost was ₹ 0.70 crore.

The matter was referred to the Department in July 2011; reply is, however, awaited (November 2011).

## HOME (POLICE) AND HEALTH & FAMILY WELFARE DEPARTMENTS

### *3.1.6 Purchase of stationery at rates higher than maximum retail price*

**Procurement of stationery and other articles at prices higher than the maximum retail prices under Home (Police) Department and Health & Family Welfare Department in violation of financial norms resulted in excess expenditure of ₹ 57 lakh by 14 Drawing and Disbursing Officers.**

Clauses 4.121 and 4.122 of West Bengal Treasury Rules (WBTR) stipulate that every Government officer shall exercise the same vigilance in respect to petty contingent expenses as a person of ordinary prudence may be expected

[12]

| *Districts* | *No. of HG/NVFs* | *Police cost (Rupees in lakh)* |
|---|---|---|
| *North 24 parganas* | *28* | *45.13* |
| *South 24 parganas* | *09* | *24.82* |

*Of ₹ 0.70 crore, including ₹ 66.31 lakh pertaining to the period June 2008 to June 2011*

[13] *North 24 Parganas: 18 per cent in HG cadre and 44 per cent in NVF cadre as of January 2011; South 24 Parganas: 63 per cent in NVF cadre as of July 2011*

to exercise in spending his own money. The rules also stipulate that the rates of items included in a contingent bill should be fair and reasonable. Further, the Standard of Weights and Measures (Packaged Commodities) Rules, 1977 *inter alia* provides that no retail dealer or other person including manufacturer, packer or wholesale dealer shall make any sale of any commodity in packaged form at a price exceeding the retail sale price thereof.

Scrutiny (between February 2008 and June 2011) of the records of 13 DDOs[14] under the Home (Police) Department and one DDO[15] under Health & Family Welfare Department pertaining to the period 2007-08 to 2010-11, however, revealed that the above Rules were being flouted while making purchase of various stationery and other items. It was noticed that during 2007-08 to 2010-11, the DDOs purchased various articles at prices higher than the maximum retail prices (MRP) printed on the packages. Test check of purchase price[16] of various articles available in the stores of those offices *vis-a-vis* the MRP printed on the packages revealed that the 14 DDOs incurred extra expenditure of ₹ 57 lakh ***(Appendix 3.1)*** between April 2007 and March 2011 on this count.

While 11 DDOs admitted the audit observation and stated that the aspect would be taken into consideration during future purchases, the SP, Howrah contended (August 2010) that the contracts were made for a year and the rates were quoted by the suppliers considering enhancement of cost price of each item in future. The SP, Howrah further stated that suppliers offered rates above MRPs considering the delays in making payments due to shortage of funds. The contention, however, is not tenable as Financial Rules do not authorise such enhancement of price. Besides, delayed payment due to shortage of funds indicates financial mismanagement on the part of the Department. Two other DDOs[17] did not furnish reply.

Thus, purchase of various articles at rates higher than the MRPs by 14 DDOs under Home (Police) Department and Health & Family Welfare Department in violation of financial norms led to extra expenditure of ₹ 57 lakh.

On being referred to by Audit, West Bengal Police Directorate instructed (March 2011) all subordinate offices not to purchase articles at rates higher than the MRP. Formal responses of the two Departments are, however, awaited (November 2011).

[14] *Superintendents of Police (SP) Bankura, Dakshin Dinajpur, Howrah, Malda, North 24 Parganas, Nadia, Paschim Medinipur, Purulia, South 24 Parganas, Jalpaiguri, Hooghly and Inspector General of Police (Training), Police Training College, Barrackpore, Additional Director General & Inspector General of Police (Intelligence Bureau)*

[15] *Superintendent, Pavlov Hospital, Calcutta*

[16] *As ascertained from copies of bills, challans and stock register*

[17] *Additional Director General & Inspector General of Police (Intelligence Bureau) and SP Nadia*

## 3.2 Audit against propriety/ expenditure without justification

Audit against propriety/ expenditure without justification endeavours to bring to light every matter which appears to involve improper expenditure or waste of public money or stores even though the accounts themselves may be in order and no obvious irregularity has been committed. The objective is to support a reasonably high standard of public financial morality and sound financial administration and devotion to Government's financial interests.

However, in many occasions instances came to notice where decision of the Department or functionaries was questionable from the point of view of propriety. In the succeeding paragraphs some major instances of Government expenditure becoming either unfruitful or wasteful or were tantamount to undue benefit to some outside agencies are discussed.

## HOME (POLICE) DEPARTMENT

### *3.2.1 Procurement of unsuitable police vehicles for extremist affected areas*

**The Department procured two troop carriers worth ₹ 91.73 lakh without considering their suitability resulting in the vehicles not being used in anti-terrorist operations for more than two years and consequent blockage of funds.**

M/s Ural India Limited (Company), a joint venture company[18] of West Bengal Industrial Development Corporation, is a heavy vehicle manufacturing company at Haldia. On being approached by the Company, the Chief Secretary instructed (February 2007) Director General & Inspector General of Police (Police Directorate), Kolkata Municipal Corporation (KMC) and Fire and Emergency Services Department to assess the suitability of vehicles for use in those Departments. While both KMC and Fire Services Department opined (August 2007) that the vehicle was unsuitable[19] for their purpose, a troop carrier vehicle was demonstrated (April 2007) by the Company in the police lines of Superintendent of Police (SP), Paschim Medinipur.

In his reports (April and December 2007), the SP, Paschim Medinipur intimated that the vehicle had no bomb blast proof technology. Moreover, the vehicle was too big to be used along the narrow roads. It was also pointed out that field trials of the vehicle could not be completed as the company had not agreed to keep the vehicle with SP for seven days. The SP opined that the vehicle should be procured only if found effective against land mine explosion, as the same was to be used in extremist affected areas. Similarly, the Police Directorate expressed (March 2009) reservation about the efficacy of the vehicle on account of high cost, inconclusive field trials and non-availability of technical certificate regarding the vehicle being

[18] *Between URALAZ of Russia, Motijug Group and WBIDC*

[19] *KMC intimated that the vehicle was not suitable for its purpose owing to high price, lesser volumetric capacity, higher operational and maintenance cost, difficulties in driving in normal city condition; while Fire Services Department opined that the vehicle was too big to maneuver on Kolkata road.*

mine-proof, and the fact that the vehicle could be repaired only by the supplier. Further, neither were the vehicles under DGS&D Rate Contract nor was open tender called for procurement. Despite the reservations expressed by the SP, Paschim Medinipur and Police Directorate, the Additional Chief Secretary, Home Department viewed (April 2009) that suitability of the vehicles could be assessed after their procurement on a trial basis.

With the approval of Home (Police) Department, Police Directorate procured (April 2009) two vehicles at a cost of ₹ 91.73 lakh for use in anti-terrorist operations in affected districts and deployed those vehicles with SP Paschim Medinipur and SP Purulia. Scrutiny (December 2010) of records of SP Paschim Medinipur revealed that the vehicle was not utilised for a single operation since its deployment (May 2009) as it did not have bomb blast proof technology and due to its low fuel economy and inability to move in narrow roads and forests due to its large size.

SP, Purulia stated (May 2011) that the vehicle allotted to Purulia could not be utilised in operation against extremists due to enormity of its size and consequent inability to move along narrow roads in the hilly terrain. He further intimated that the back of the vehicle being open, it was unsuitable for use in operations and was being utilised for shifting of camps and movement of force necessitated during major law and order problems in the district.

Thus, procurement of two unsuitable troop carrier vehicles worth ₹ 91.73 lakh ignoring the opinion of district police authorities, resulted in the vehicles not being used for anti-terrorist operations for more than two years since their procurement and blockage of funds.

The Department in its reply (July 2011) stated that no irregularities had been found in procurement of MPVs, as these had been procured directly from manufacturers. The reply, however, failed to justify purchase of vehicles unfit for the avowed purpose.

## PUBLIC WORKS (ROADS) DEPARTMENT

### *3.2.2 Avoidable expenditure owing to overlapping of works*

**Superintending Engineer, State Highway Circle-VI undertook the 'Improvement of Riding Quality of Panskura Durgachak Road' immediately before taking up of the Widening and Strengthening work on an overlapping stretch to utilise the fund available under the Twelfth Finance Commission, which resulted in avoidable expenditure of ₹ 1.38 crore on bituminous items of earlier work.**

Superintending Engineer (SE), State Highway Circle (SHC)-VI, Medinipur awarded (14 November 2008) the work of Improvement of Riding Quality[20]

[20] *Smooth riding capability of road by mending depressions, maintaining lines and grades and then covering the road with wearing course.*

(IRQ) on 10 kilometres (km) stretches (35 km to 41 km and 44 km to 48 km) of Panskura Durgachak Road at a cost of ₹ 2.49 crore to four contractors for completion by March 2009 under fund from the Twelfth Finance Commission grant. The work *inter alia* mainly consisted of repairing of pot holes and laying of bituminous courses like Bituminous Macadam (BM), Premixed Carpet and Premixed Seal Coat on that stretch of the road. The work was completed by February 2009 and the agencies were paid ₹ 2.61crore in January and February 2009.

Scrutiny of records, however, revealed (February 2010) that the same SE awarded (February 2009) the work of Widening and Strengthening (W&S) of 32.20 Km (29.90 km to 62.10 km) of the same road to an agency at a cost of ₹ 46.55 crore for completion within 24 months. The estimate of the work was prepared in April 2008 and the administrative approval was obtained (12 November 2008) from Government of India under Central Roads Fund. The work *inter alia* mainly consisted of Stone Metal Consolidation (SMC), laying of BM as base/binder course and Semi Dense Bituminous Concrete (SDBC) or Mastic asphalt as wearing course on the entire stretch of the road including 10 km stretches in which IRQ was completed only in February 2009. The work was in progress (November 2011) with an expenditure of ₹ 16.43 crore.

Audit observed that there was no justification for awarding (14 November 2008) the IRQ work on the overlapping stretches of the road even after obtaining the administrative approval of W&S work (12 November 2008) which resulted in superimposition on bituminous courses of the earlier work by the latter. If any delay was apprehended for commencement of the W&S work, the pot holes and depression could have been made good by executing routine repair and maintenance works[21]. This indicated that the Department did not have any necessity or justification for taking up the IRQ work just before W&S work and could have kept the road traffic worthy between November 2008 and February 2009 by undertaking routine repair and maintenance works.

Scrutiny also revealed that the fund received (August 2008) by the division under the Twelfth Finance Commission Grant for the IRQ work was to be utilised within March 2009. To utilise the above fund within the financial year the division hastily undertook the IRQ work.

Thus, deficiency in planning by the Department led to avoidable expenditure of ₹ 1.38 crore on bituminous courses of the earlier work (IRQ) which were being superimposed by the latter work (W&S) on the same road stretches.

The Department stated (October 2011) that action was being taken on the basis of recommendations of the enquiry committee constituted to investigate the matter.

[21] *This work includes repairing of pot holes and patching of the distressed road surface as was done between July 2007 and September 2008 by incurring an expenditure of ₹ 33.82 lakh.*

## PUBLIC HEALTH ENGINEERING DEPARTMENT

### 3.2.3 *Infructuous expenditure in sinking of Rig Bored Tubewells*

**Four Public Health Engineering Divisions sunk rig bored tube wells in the hard rocky parts of the State without ascertaining the availability of suitable aquifer from the concerned authorities. This led to an infructuous expenditure of ₹ 6.37 crore.**

In the hard rocky parts of the Districts of Purulia, Bankura, Birbhum and western part of Bardhaman, ground water is accumulated in *restricted and limited*[22] manner due to heterogeneity in aquifer system. The Public Health Engineering Department (PHED) is entrusted with the function of supplying safe potable water to the people living in that part by sinking of rig bored tube wells (RBTWs). Though aquifers in these districts were rare and scarce[23], the PHED did not assess beforehand the availability of aquifer at the sites selected by the Zilla Parishads for successful sinking of RBTWs.

Audit scrutiny revealed that during 2004-11 the PHE Divisions[24] sunk 13049[25] RBTWs in those four districts at the sites selected by the respective Zilla Parishads without assessing the availability of potable ground water through the State Water Investigation Directorate (SWID), the authority competent to assess the quality and quantity of potable ground water in the State. Consequently, sinking of 1640[26] RBTWs failed due to non-availability of suitable aquifer. These also included 137 cases of repeat borings at the same selected sites although suitable aquifer was not available earlier. As a result, the Department incurred an expenditure of ₹ 6.37 crore on men and material on unsuccessful boring of RBTWs.

All the four divisional authorities accepted (April-June 2011) that the incidence of unsuccessful sinking of RBTWs could have been avoided had the sites been selected after obtaining technical guidance and support from the SWID.

Thus, due to failure in obtaining technical assistance from SWID to ascertain the availability of suitable aquifer before sinking of RBTWs, the Department had to incur an infructuous expenditure of ₹ 6.37 crore.

The matter was referred to the Government in June 2011 but reply has not yet been received (November 2011).

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[22] *Source: Information furnished by State Water Investigation Directorate*
[23] *Source: Published materials of Central Ground Water Board, Government of India*
[24] *Purulia Mechanical Division (Purulia District), Bankura Mechanical Division (Bankura District), Bolpur Mechanical Division (Birbhum District) and Central Mechanical Division (Bardhaman District)*
[25] *2004-05=1444, 2005-06=2129, 2006-07=1679, 2007-08=2055, 2008-09=2034, 2009-10=1667 and 2010-11=2041*
[26] *2004-05−195, 2005-06−236, 2006-07−183, 2007-08−257, 2008-09−245, 2009-10−206 and 2010-11−318*

## INDUSTRIAL RECONSTRUCTION DEPARTMENT

### *3.2.4 Loss due to imprudent release of loan*

**Industrial Reconstruction Department extended loan assistance to a sick private industrial unit ignoring non-viability of its revival plan and absence of any asset for collateral security. The unit was closed down in November 2006. The Department took no action for recovery of its dues. Resultantly, not only Government sustained loss of ₹ 1.10 crore, but the basic objective of revival of the unit did not fructify.**

M/s Adhesive and Chemicals[27] (A&C), a sick small scale industrial (SSI) unit under private ownership, started suffering losses from 1989-90 onwards; the accumulated loss increased to ₹ 5.37 crore, the net worth stood at *minus* ₹ 4.96 crore and total liabilities stood at ₹ 5.47 crore in 2000-01. Value of fixed assets (₹ 0.44 crore) of A&C, which had already been mortgaged with Allahabad Bank, was far below its total borrowings of ₹ 4.81 crore as of March 2001. In April 2001, A&C approached Industrial Reconstruction (IR) Department with a revival scheme under 'West Bengal Industrial Renewal Scheme, 2001' (WBIRS).

Eligibility conditions for acceptance of any revival proposal under WBIRS *inter alia* mandated the support of financial institutions / banks. It was also stipulated that any soft loan granted by the State Government under the scheme had to be appropriately secured.

Records of IR Department showed that while communicating its view on the revival plan, Allahabad Bank had informed (September 2000) Government that given the financial assistance of over ₹ 2.60 crore already extended to A&C, it would not be in favour of any further exposure to A&C. The Bank further intimated (May 2001) that it would extend its help by way of re-schedulement of its earlier loan subject to arrangement of long term finance by A&C. Thus, there was no commitment from the Bank for releasing further loan to A&C. The cash flow for seven years from the year 2001-02 included in the revival plan, however, envisaged receipt of bank loans for sustaining business. The IR Department in concurrence with the Finance Department sanctioned (October 2001) a soft loan of ₹ 1.10 crore to meet the gap of resources followed by another loan of ₹ 0.10 crore[28] (March 2002) for liquidating the arrear sales tax dues of the unit as per provisions of WBIRS. The principal amount of the loans was repayable in eight years with a moratorium period of three years for the principal, while the interest (8.75 *per cent per annum*) had no moratorium period. Though A&C had no unencumbered assets to provide for reasonable collateral security, both the

[27] *Manufacturer and exporter of printing inks, reducers and thinners under the proprietorship of M/s. Alirhoma Chemicals Private Limited.*

[28] *The loan of ₹0.10 crore was not disbursed to A&C; rather it was directly adjusted in its commercial tax account*

loans were stated to have been secured by a *pari-passu* charge of an adequate amount of unencumbered assets ranking next to the charge in favour of Allahabad Bank.

A&C, however, failed to achieve the performance level envisaged in the revival plan owing to non-availability of need based working capital loan[29] from Bank and it was finally closed down in November 2006. Nothing was on record to show whether the Department had monitored the implementation of the revival plan. Though no part of the Government loan was repaid till closure, the Department took no legal action for recovery of its dues. Allahabad Bank, being the major stake holder, however, filed (August 2007) a case in Debt Recovery Tribunal for recovery of its dues (₹ 7.73 crore as of July 2007). Subsequently, the Government became (August 2009) an added party to the recovery proceedings. The Bank and A&C came to an out of the court settlement in May 2011, thereby leaving no scope for realisation of the dues of the Government with interest thereon.

Thus, despite being aware of the fact that bank had not been interested in providing loan assistance, essential for revival of A&C, and that the Government loan would not be secured in absence of any encumbrance free asset of the unit, Government released loan of ₹ 1.10 crore. The Department did not take any action for recovery of the loan given. This resulted in loss of Government money.

The Government stated (June and August 2011) that the loan had been sanctioned considering the views expressed by the bank regarding viability of the scheme. However, the reply was not acceptable as the bank expressed its inability to extend further loan required as per the revival plan of the unit. Release of Government loan was, therefore, against the tenets of financial prudence since without securing bank loan, success of the revival plan was remote.

[29] *Fund flow statement envisaged following incremental bank borrowings: ₹64.34 lakh in 2001-02, ₹28.83 lakh in 2002-03, ₹36.43 lakh in 2003-04, ₹33.18 lakh in 2004-05, ₹21.63 lakh in 2005-06, ₹1.03 lakh in 2006-07 and ₹0.02 lakh in 2007-08*

## 3.3 Persistent/ Pervasive irregularities

An irregularity is considered persistent if it is of continuing nature and occurs year after year. On the other hand, it becomes pervasive when it is prevailing in the entire system. The scope of this section is to bring to light certain irregularities of recurrent nature which have been noticed on several occasions during earlier audits as well as in many departments. Recurrence of such irregularities is not only indicative of lack of responsiveness of the Government, but also testifies absence of effective monitoring. Such lack of seriousness on the part of the Executive leads to deviations from the rules and regulations culminating in weakening of the quality of administration.

## GENERAL

### *3.3.1 Irregularities in management of cash by Drawing & Disbursing Officers*

**Non-adherence to the provisions of Treasury and Financial Rules by 23 DDOs of six departments in nine districts resulted in financial irregularities including unadjusted vouchers, unauthorised advances from undisbursed cash, unexplained cash shortage, etc. amounting to ₹ 2.69 crore and retention of lapsed cheques amounting to ₹ 79.83 lakh**

As per West Bengal Treasury Rules (WBTR), no money is to be drawn from the treasury unless it is required for immediate disbursement[30]. All financial transactions are to be recorded in the Cash Book of the respective units as soon as they occur, under proper attestation by the Drawing and Disbursing Officer (DDO). The cash book is required to be closed every day, while the head of the office is required to physically verify the cash balance at the end of each month and record a certificate to that effect. Bill-wise and date-wise analysis in respect of closing balance is also to be recorded[31].

Scrutiny of the records of 23 DDOs of six departments[32] in nine[33] districts disclosed financial irregularities due to non-compliance with the above provisions as shown in ***Appendix 3.2.*** Physical verification of cash conducted by these DDOs at the instance of Audit during July 2010 to May 2011 revealed actual total cash balance of ₹ 42.60 crore on the day of verification, against the aggregate cash book balance of ₹ 45.29 crore, indicating a shortage of ₹ 2.69 crore ***(Appendix 3.2).*** The shortages of cash was due to unadjusted vouchers (₹ 1.36 crore), advances from undisbursed cash (₹ 1.07 crore) and unexplained shortage / theft (₹ 0.26 crore).

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[30] *Subsidiary Rules 229 under Treasury Rule 16*
[31] *Subsidiary Rules 31 under Treasury Rule 10*
[32] *Finance Department, Health & Family Welfare Department, Correctional Administration Department, Home (Police) Department, Land & Land Reforms Department & Agriculture Department.*
[33] *Bankura, Cooch Behar, Howrah, Jalpaiguri, Kolkata, Murshidabad, Nadia, North 24 Parganas and Uttar Dinajpur.*

It was noticed that ₹ 1.36 crore was paid by 12 DDOs[34] against cash receipts of purchases/expenses[35] which were termed as 'vouchers' and recorded in cash book. No bills were prepared / drawn for these expenses. These 'unadjusted vouchers' did not constitute cash balance.

Further, 13 DDOs[36] paid ₹ 1.07 crore out of undisbursed cash irregularly as temporary advances on account of travelling allowance, office expenses, VIP duties, buying Rail/Air tickets, etc. to different officials/staff, though such advances were to be made against regular budget provisions and through bills drawn from treasury.

During physical verification, 11 DDOs[37] failed to explain shortages of ₹ 24.71 lakh. There was also theft of ₹ 1.06 lakh in CMOH, Coochbehar which occurred on 26 September 1997. The amount is yet to be recovered/waived by the Department.

Cases of misutilisation of cash due to non-adherence to the provisions of WBTR by DDOs were mentioned repeatedly in the reports of the Comptroller and Auditor General of India for the years ended March 1999 to March 2010[38]. Nevertheless, irregularities in management of cash continued due to lack of internal controls by the DDOs. The major defaulters were Principals of Kolkata Medical College (₹ 1.29 lakh) and R G Kar Medical College (₹ 3.13 lakh), Superintendent of Presidency Correctional Home (₹ 5.52 lakh), DMs of Jalpaiguri (₹ 4.69 lakh) and Nadia (₹ 2.32 lakh), MSVPs of Calcutta National Medical College and Hospital (₹ 0.72 lakh), NRS Medical College and Hospital (₹ 1.79 lakh) and R G Kar Medical College and Hospital (₹ 4.55 lakh) who unauthorisedly made temporary advances and incurred expenditure on different counts out of undisbursed cash balance.

Further, physical verification of cash of the Accounts Officer, West Bengal Secretariat, Finance (Accounts) Department revealed that 875 lapsed cheques amounting to ₹ 79.83 lakh, pertaining to various dates since 1976-77, were not delivered and were retained as cash as on 04 May 2011. These lapsed cheques reflected inflated expenditure, since, the amount had been drawn and shown as expenditure in treasury under respective Heads of Account, whereas, the same were still lying with the bank account of the DDO. Since these cheques had lost their currency, steps need to be taken either to revalidate the lapsed cheques for those which can be revalidated or attempts to be made to remit or refund the amount to the respective Heads of Account.

Thus, non-adherence to the provisions of Treasury and Financial Rules and inadequate internal controls over drawal and disbursement of cash by DDOs led

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[34] *Sl. No. 1,3,4,5,6,7,9,10,12,15,16 & 17 of* **Appendix 3.2**

[35] *Office expenses, refreshment, contingencies, photocopying, automobiles, loading & unloading, medicines, etc.*

[36] *Sl. No. 1,3,5,10,12,13,14,16,17,18,20,22 & 23 of* **Appendix 3.2**

[37] *Sl. No. 2,3,4,9,10,11,16,17,19,20 & 21 of* **Appendix 3.2**

[38] *Para no. 3.31 of 1999-2000, Para no. 3.28 of 2000-01, Para no. 3.16 of 2001-02 , Para no. 4.5.6 of 2003-04, Para no. 4.6.1 of 2005-06, Para no. 4.6.5 of 2006-07, Para no.4.5.4 of 2007-08, Para no. 3.3.2 of 2008-09 & Para no. 3.3.1 of 2009-10.*

to serious financial irregularities and exposed the departments concerned to the risk of misappropriation of public money.

### *3.3.2 Lack of response of Government to audit*

Principal Accountant General (Audit) (PAG) arranges to conduct periodical inspection of Government Departments to test-check transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) issued to the heads of offices inspected with copies to next higher authorities. Important irregularities and other points detected during inspection, which are not settled on the spot, find place in IRs.

Finance Department of Government of West Bengal, issued instructions (June 1982) for prompt response by the executive to the IRs issued by the PAG to ensure rectificatory action in compliance with the prescribed rules and procedures and secure accountability for the deficiencies, lapses, etc. noticed during inspection.

The heads of offices and next higher authorities are required to comply with observations contained in the IRs and rectify defects and omissions promptly and report compliance to PAG. Serious irregularities are also brought to the notice of the Government by the office of the PAG. A six monthly report showing the pendency of IRs is sent to the Principal Secretary/Secretary of the department to facilitate monitoring settlement of outstanding audit observations in the pending IRs.

Inspection Reports issued up to June 2011 relating to 428 offices in six departments (Land and Land Reforms, Agriculture, School Education, Technical Education and Training, Public Works and Housing Departments) disclosed that 1965 paragraphs relating to 611 IRs remained outstanding at the end of June 2011. Of these, 75 IRs containing 84 paragraphs had been lying unsettled for more than 10 years.

Department-wise and year-wise break-up of the outstanding IRs and Paragraphs are detailed in ***Appendix 3.3.***

These unsettled IRs contain 113 paragraphs involving serious irregularities like theft/defalcation/misappropriation of Government money, loss of revenue and shortage/losses not recovered/written off amounting to ₹ 47.15 crore. Department-wise and nature-wise analysis of the outstanding paragraphs of serious nature showed the following position:

**Table No. 3.1 Analysis of outstanding paragraphs**

| Name of the department | Cases of theft/defalcation/ misappropriation | | Loss of revenue | | Shortage losses not recovered/ written off | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Para | Amount | Para | Amount | Para | Amount | Para | Amount |
| | (Rupees in lakh) | | | | | | | |
| Land and Land Reforms | 14 | 549.19 | 15 | 2476.22 | 12 | 277.03 | 41 | 3302.44 |
| Agriculture | 08 | 11.86 | 04 | 3.02 | 02 | 1.17 | 14 | 16.05 |
| School Education | 07 | 559.41 | 03 | 17.90 | 01 | 0.56 | 11 | 577.87 |
| Technical Education and Training | 11 | 37.82 | 05 | 4.21 | 07 | 11.75 | 23 | 53.78 |
| Public Works | - | - | - | - | 18 | 479.00 | 18 | 479.00 |
| Housing | - | - | - | - | 06 | 286.00 | 06 | 286.00 |
| Total | 40 | 1158.28 | 27 | 2501.35 | 46 | 1055.51 | 113 | 4715.14 |

Audit committees, comprising of the Principal Secretary/Secretary of the administrative department and representatives of the Finance Department and the PAG (Audit), were formed in 50[39] out of 58 Departments of Government for expeditious settlement of the outstanding Inspection Reports/paragraphs. Of the 50 Departments where audit committees were formed, meetings were held only by sixteen Departments on 37 occasions from July 2010 to June 2011. As a result of these meetings, 301 paragraphs were settled. Meetings were not held by the other 34 Departments. Among the departments tabulated above, Public Works and Housing Departments held three and one meetings respectively and settled six paragraphs, while other four departments did not hold any meeting.

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

### *3.3.3 Follow up action on earlier Audit Reports*

After tabling of the Reports of the Comptroller and Auditor General of India in the State Legislature, the State Government Departments are required to submit *suo motu* replies to the audit observations relevant to them within one month. Review of outstanding replies on paragraphs included in the C&AG's Reports on the Government of West Bengal up to 2009-2010 revealed that replies on 298 paragraphs (selected for discussion by PAC: 33 from 1997-1998 to 2009-2010 and not selected: 265 from 1981-1982 to 2009-2010) involving 40 Departments remained outstanding as of September 2011 as detailed in ***Appendix 3.4.***

The administrative Departments were required to take suitable action on the recommendations made in the Reports of the Public Accounts Committee (PAC)

[39] *In absence of any auditable unit, question of formation of Audit Committee in two departments does not arise*

presented to the State Legislature. Following the circulation of the Reports of the PAC, heads of Departments were to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat within six months.

It was observed that the Action Taken Notes on 35 Reports of the PAC, presented to the Legislature between 1991-92 and 2009-10 had not been submitted by 18 Departments[40] to the Assembly Secretariat as of September 2011. Out of these, 16[41] Reports of the PAC had suggested recovery, disciplinary action, etc. A few significant cases are elaborated in ***Appendix 3.5***.

Thus, the follow up on the recommendations of the PAC and action taken by the administrative Departments could not be ascertained in audit.

The matter was referred to Government in July 2011; reply had not been received (November 2011).

[40] *Agriculture, Commerce and Industries, , Finance, Fisheries, Home, Housing, Irrigation and Waterways, Municipal Affairs, Panchayats and Rural Development, Public Health Engineering, Public Works, Public Works (Roads), School Education, Social Welfare, Transport, Urban Development, Health and Family Welfare and Co-operation Departments*

[41] *36th PAC Report 1999-2000, 3rd PAC Report 2001-02, 29th PAC Report 2004-05, 48th PAC Report 2005-06,, 9th PAC Report 2006-07, 1st PAC Report 2007-08, 10th PAC Report 2007-08, 12th PAC Report 2007-08, 4th PAC Report 2006-07, 15th PAC Report 2007-2008, 19th PAC Report 2008-09, 21st PAC Report 2008-09 and 27th PAC Report 2008-09, 28th PAC Report 2009-10, 30th PAC Report 2009-10; 34th PAC Report 2010-11*

## 3.4 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people. Proper oversight on the part of Government would ensure that public money is put to good use and the desired outcome of the same is derived.

The objective of this section is to bring to light cases of failure of oversight and governance at various levels of administration. Resultantly, funds released by Government for creation of assets for benefit of public remained unutilised / blocked or expenditure incurred thereon became unfruitful/ unproductive/infructuous.

Some major cases of laxity in governance resulting in avoidable/ unfruitful/ additional expenditure from the Government exchequer are discussed in this section.

## HEALTH AND FAMILY WELFARE DEPARTMENT

### *3.4.1 Wasteful expenditure on revival of a hospital*

**The objective of reviving the Mayo Hospital, Kolkata did not fructify owing to inaction and indifference of the Health and Family Welfare Department. Resultantly, Government had to shoulder wasteful/unfruitful expenditure of ₹ 10.25 crore for meeting liabilities of the joint venture company.**

With a view to revive Mayo Hospital[42], Kolkata, Government decided (July 1994) to form a joint venture company namely, Eastern India Institute of Medical Sciences and Research Hospitals Limited (EIIMS). An agreement to that effect was executed (June 1994) between Government and Emergency Doctors Service Private Limited (EDS), promoter of the Joint Venture Company. It was agreed that the Government, the Promoter[43] and the Public would have equity shareholding of 26 *per cent*, 25 *per cent* and 49 *per cent* respectively. In the event of the project not materializing, EDS was to bear all pre-operative expenses[44].

The Department handed over (November 1994) land and buildings of the hospital to EIIMS on lease for a period of 30 years with the right to mortgage the same to any Financial Institution. It was agreed (November 1994) that the EIIMS would pay a premium of ₹ 1.52 crore in the form of 1,52,400 equity shares of ₹ 100 each. The EIIMS was to pay lease rent of ₹ 10 lakh *per annum* starting from the first week of January 1995. Through a subsequent rectification deed (October 1999) signed by Joint Secretary, the Department agreed to convert the

[42] *The hospital, situated at Strand Road, Kolkata was taken over by Government in August 1982. The Department could not furnish the total cost of revival project.*
[43] *Emergency Doctors Private Ltd, Private Health Plan (P) Ltd and Others*
[44] *Not estimated at the time of execution of the agreement.*

total lease rent payable (₹ 3.048 crore less ₹ 5.27 lakh already paid) over thirty years into equity shares of the company deliverable to the Government. This resulted in 65 *per cent* share being transferred to State Government, as against 26 *per cent* initially agreed upon making the joint venture company a Government Company. The reasons for converting the lease rent as equity share have not been stated to Audit.

For construction of the outpatient department (OPD) of the hospital, EIIMS acquired a loan[45] of ₹ 5.34 crore from HUDCO between January and October 1999 by mortgaging the property of the hospital. It was observed that EIIMS defaulted in repayment and HUDCO moved (September 2003) the Debt Recovery Tribunal for realisation of outstanding sum of ₹ 6.39 crore[46]. The realisable amount increased to ₹ 17.10 crore as per demand (May 2009) of HUDCO, against which the Government paid (May 2009) ₹ 8.60 crore in an out of court settlement to get back the mortgaged property from HUDCO.

The EIIMS engaged (February 1999) an agency 'A'[47] for construction of OPD and diagnostic unit for which it was liable to pay ₹ 1.48 crore[48] (as of February 2002). The agency filed (2003) a winding up petition in the High Court for recovery of its outstanding dues against EIIMS. As per High Court's order, Government paid (June 2009) ₹ 1.65 crore to the agency 'A'.

The Department ultimately cancelled the lease with EIIMS in June 2010 through a gazette notification and transferred back the land and building of the Mayo Hospital to the Department, which was subsequently handed (October 2010) over to Kolkata Medical College & Hospital for serving as its second campus.

Audit scrutiny (January 2011) of the records of the Director of Health Services revealed that the Department did not recover any amount from the promoter, though as per the agreement, the promoter (EDS) was to bear all pre-operative expenses in case the project did not materialise. Department also expressed (April 2011) ignorance about the balance funds lying with the EIIMS out of the loan funds or capital invested by it as well as about physical progress of work made by EIIMS in revival of the hospital. This was indicative of negligent approach of the Government, considering the fact that Government had equal representation in the Board of Directors of EIIMS and was in possession of 65 *per cent* of shares.

Thus, Government was forced to bear wasteful expenditure of ₹ 8.60 crore towards repayment of HUDCO loan, while ₹ 1.65 crore paid (June 2009) to the contractor remained unfruitful, leaving the promoter (EDS) unaccountable. The basic objective of reviving the Mayo Hospital did not fructify.

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[45] *at a rate of 16.5* per cent *and repayable in 35 quarterly instalments between June 2000 and December 2008.*

[46] *Principal ₹ 4.96 crore, interest and penal interest ₹ 1.40 crore and loss of rebate ₹ 0.03 crore.*

[47] *M/s Larsen and Tubro Limited*

[48] *Over and above ₹ 1.82 crore already paid by EIIMS to agency A*

In reply, the Department failed to give any cogent reason for failure of the project. The Department stated (June 2011) that the clause in the agreement about the right to mortgage the property by the company was made in good faith to revive the Hospital. Regarding conversion of the lease rent for 30 years into equity shares, it was stated that the decision was taken by the Board of Directors of the Company without any concurrence of the Government. The reply was not factually correct as the Board of Directors had equal representation from the Government and the Department itself entered into the rectification deed (October 1999), which led to accrual of additional shares to Government. Evidently, the Department due to inaction and failure to monitor the activities of the joint venture company and invoke the clause in the agreement with the promoter to bear all pre-operative expenses in case of the project not materialising, compromised the interest of the Government.

### *3.4.2 Non-functioning of newly constructed health centres*

**Newly created health services infrastructure and medical equipments/ furniture worth ₹ 2.05 crore under Basic Health Project remained unused for two to five years due to non-posting of additional manpower and locational disadvantages. Resultantly, the objective of improvement of health services remained unachieved, besides possibility of damage of the infrastructure due to non-use.**

With a view to improve the health conditions in the State through quantitative and qualitative improvement of health services, Health & Family Welfare (H&FW) Department had taken up (May 2001) implementation of KFW[49] Funded Basic Health Project. Eight districts[50] were selected[51] for implementation of the scheme at a total cost of ₹ 214 crore. The components of the project *inter alia* included civil works, including construction of additional buildings, for upgradation of health facilities and supply of equipment and furniture to the upgraded facilities. The Project was managed and implemented by the Programme Director and Ex-Officio Special Secretary, H&FW Department. Under phase I[52] of the project, total 215 works[53] (upgradation of 38 Block Primary Health Centres, 91 Primary Health Centres and 86 Sub-Centres) were completed between August 2005 and November 2008 at a total cost of ₹ 60.44 crore.

Scrutiny (May-June 2011) of the records relating to 52 works in the CMOsH of Jalpaiguri, Siliguri Mahakuma Parishad (SMP) at Darjeeling and Coochbehar

[49] *German Development Bank*
[50] *Bankura, Birbhum, Coochbehar, Darjeeling (SMP), Jalpaiguri, Paschim Medinipur, Purba Medinipur and Purulia*
[51] *Selection was based on joint survey by the Consultant and Project officers,* vis-à-vis *availability of the Project Fund.*
[52] *Out of total 236 works under the project, Phase I of the Project envisaged 215 works, while Phase II envisaged 21 works*
[53] *For BPHCs: Indoor wards, residential quarters, generator room, pump house etc.;*
*for PHCs: Indoor ward, residential quarters, generator room , pump house etc. and*
*for SCs: new buildings.*

along with records of the relevant Health Centres (52 out of 56 covered under the project) revealed that the newly upgraded infrastructure[54] created between May 2006 and October 2008 at a cost of ₹ 1.24 crore at 11 Health Centres (six PHCs and five SCs) remained unutilised as of June 2011 ***(Appendix 3.6).*** It was seen that though the buildings/wards were handed over to the Department between August 2005 and November 2008, the same could not be put into operation either due to non-posting of additional medical and para-medical personnel or owing to locational disadvantages.

Scrutiny showed that there were large vacancies in medical and paramedical cadres[55] in six[56] PHCs. The CMOH, Jalpaiguri intimated (May 2011) that demand for additional manpower was placed with the Government from time to time for smooth running of the facilities. However, no such correspondence except one made in June 2011 was shown to Audit.

Moreover, the Programme Director centrally procured (November 2007 to September 2008) medical equipment and furniture worth ₹ 2.77 crore for the Districts of Jalpaiguri and Coochbehar for utilisation in the newly upgraded Health Centres. Out of this, equipment[57] and furniture worth ₹ 38.41 lakh were found unutilised in packed condition in the above mentioned health centres for two to four years as of June 2011 ***(Appendix 3.6),*** as the centres were not functional.

Besides, generator rooms were constructed between May 2006 and November 2008 in 18 Health Centres (four BPHCs and 14 PHCs) in these three districts along with generators installed therein at a cost of ₹ 42.64 lakh. These, however, remained unutilised for two to five years since taking over possession ***(Appendix 3.7).*** The concerned MOs attributed non-utilisation to non-availability of operators and fuel.



Unused furnitures in Dhumpara PHC, Jalpaiguri



Cracks developed in the walls of Barnesh PHC, Jalpaiguri

[54] *Six Indoor wards, five buildings, staff quarters and pump house at one PHC*

[55] *Medical Officer: Five posts were vacant out of 12 sanctioned; Medical Technologists: All the sanctioned posts were vacant; General Nursing Midwife: Six posts were vacant out of 22 sanctioned*

[56] *Mathachulka, Dhumpara, Barnesh and Kharija Berubari PHCs in Jalpaiguri District; Gopalpur and Nayarhat PHCs in Coochbehar District*

[57] *Total 144 types of medical equipment which include Radiant Warmer, Autoclave, Labour Table, Stretcher with trolley, Ice-lined Refrigerator etc.*



Unused building of Tarbandha Sub Centre, Darjeeling



Unused furniture dumped in Nayarhat PHC, Coochbehar

Signs of damages (cracks in ceiling and walls, broken window glasses, damaged water tank, etc.) were noticed during inspection (May 2011) of the newly constructed buildings. During joint inspection by Audit and Block Medical Officers of Health concerned, Health Centre authorities also expressed concerns (May-June 2011) regarding safety of medical equipment against theft/damage due to non-construction of boundary walls. The issue was, however, not formally taken up by them with concerned CMOH.

Thus, newly created infrastructure and medical equipment/furniture worth ₹ 2.05 crore (₹ 1.24 crore *plus* ₹ 0.43 crore *plus* ₹ 0.38 crore) in Jalpaiguri, Darjeeling and Coochbehar remained unused due to non-posting of additional man-power and locational disadvantages, thereby frustrating the objective of quantitative and qualitative improvement of health services, besides rendering the infrastructure to risk of substantial damage.

Accepting the audit observations, the Programme Director and Special Secretary, H&FW Department, acknowledged (June 2011) that shortage of Medical Officers was a matter of concern and intimated that earnest efforts were being made to deploy additional manpower for optimum utilisation of upgraded infrastructure. As regards non-utilisation of generators in the backdrop of acute power shortage in the health centres, it was stated that the matter would be taken up with district authorities.

## INFORMATION & CULTURAL AFFAIRS AND PUBLIC WORKS DEPARTMENTS

### *3.4.3 Wasteful expenditure on construction of Kolkata Kala Kendra*

**Construction of Kolkata Kala Kendra remained at the foundation level even after lapse of 11 years from its initiation. Repeated change in scope of work coupled with failure of the Department to expedite the progress of work not only led to steep enhancement in estimated cost, but rendered foundation piling work worth ₹ 1.01 crore wasteful.**

Information and Cultural Affairs (I&CA) Department, on the occasion of tercentenary of Kolkata, entered into an agreement (January 2003) with Agency

"A"[58] for construction of a cultural complex[59] named Kolkata Kala Kendra[60] (KKK) at Rowdon Square, which had a water body. The work aimed at environmental preservation and enrichment and beautification of the water body. The Public Works (PW) Department was to supervise the construction work. The agency placed (June 2004) an estimate of ₹ 15.87 crore[61] for making KKK of international standards, particularly in respect of stage with hydraulic lifting system, back stage, digital lights and sound system along with most modern greenroom facilities and soundless AC system. However, detailed drawings and specifications were not submitted by the agency to Government. The Secretary, KKK intimated (June 2011) that as the proposal had been initiated by the Principal Secretary, I&CA Department and endorsed by the Chief Engineer, Public Works (PW) Department, Detailed Project Report and Working Drawings were not prepared. The Secretary, KKK issued (November 2004) work order to Agency "A" for plinth level work[62]. As the whole complex was to rest on pile foundation, Agency "A" constructed (November 2004 to June 2006) 267 Reinforced Cement Concrete Bored piles.

Audit Scrutiny (May 2011) of the records of I&CA Department revealed that Department of Civil Engineering, Jadavpur University (JU) assessed (June 2006) the quality of pile-foundation and found that about 36 *per cent* of the piles were defective either in the form of deformed shafts or short in effective length, affecting the actual pile capacity *vis-à-vis* designed capacity. Inspection by JU further revealed that defective pile construction was mainly attributable to deficient examination of sub-soil condition in the pool area by the Agency and inappropriate technique adopted for piling; and laxity in quality control.

Based on remedial measures suggested (June 2006) by JU, Agency "A" constructed 75 additional piles and handed over (June 2008) the site to I&CA Department. Agency "A" was paid ₹ 2.71 crore up to November 2008 for the work, as per valuation made by PWD. No payments were made for construction of the 75 additional piles.



**Present condition of the site for Kolkata Kala Kendra**

[58] *Balmer Lawrie and Co. Ltd*
[59] *Which included a 1200 capacity auditorium, convention centre, exhibition hall, VIP lounge, guest rooms, car parking area, office space and other relevant facilities*
[60] *Formerly known as Calcutta Cultural Complex (CCC)*
[61] *Revising its earlier estimate of ₹ 7.30 crore.*
[62] *Kolkata Municipal Corporation had given provisional work permit up to plinth level*

In June 2008, PWD was entrusted with construction of the remaining work of KKK, which prepared (December 2008) an estimate of ₹ 42.03 crore. The reasons cited (December 2008) for the increase in the estimated amount were escalation in price of basic material as well as incorporation of all possible items of work intended to build KKK as a modern cultural complex of state-of-the-art nature. I&CA Department accorded (September 2009) administrative approval for ₹ 42.03 crore. As of March 2011, piling work was completed by PWD, while process of tendering for construction of superstructure was in progress. Executive Engineer (EE), PWD, West Kolkata Division intimated (September 2011) that only a part of the old foundation work worth ₹ 1.70 crore executed by Agency 'A' could be made use of. EE further stated (November 2011) that this was due to change in foundation design on account of revised architectural drawing.

Thus, not only work worth ₹ 1.01 crore[63] executed by Agency "A" became wasteful, but construction of the Kolkata Kala Kendra remained at the foundation level after lapse of 11 years from initiation. I&CA Department failed to expedite progress of the work, which was further compounded by subsequent change in the scope of work. Supervision by PW Department of the quality of work executed by the agency was inadequate.

The Joint Secretary, I&CA Department while admitting the wasteful expenditure, stated (September 2011) that the project could not materialise due to procedural formalities. He further added that delay in getting clearances from various authorities, frequent alteration of original plan and other consequential issues by different technical bodies were the major reasons for delay.

## PASCHIMANCHAL UNNAYAN AFFAIRS DEPARTMENT

### *3.4.4 Unfruitful expenditure on employment generation scheme*

**A goat rearing scheme introduced by Paschimanchal Unnayan Parshad (PUP) in Birbhum and Purulia Districts did not succeed, as the PUP, District Magistrates and Zilla Parishads had not ensured supply of goats by a private agency. Resultantly, expenditure of ₹ 2.06 crore on construction of 752 unused sheds remained unfruitful.**

With the aim of generating self-employment among poor rural women in Birbhum and Purulia Districts through introduction of goat rearing scheme, Paschimanchal Unnayan Parshad (PUP) under the Paschimanchal Unnayan Affairs Department entered into separate agreements[64] with a private agency (Ascon Agro products exporter and Builders Private Limited) in November 2006 (Birbhum) and June 2007 (Purulia). Under the scheme, Self Help Groups (SHG)[65] were to be created, who were to breed and rear Black Bengal Goats. The scheme

[63] *₹ 2.71 crore* minus *₹ 1.70 crore*
[64] *Signed by respective Sabhadhipati, Zilla Parishad and District Magistrate on behalf of PUP.*
[65] *SHGs were created under the scheme Swarnajayanti Gram Swarojgar Yojana.*

envisaged round the year supply of marketable goats to a mutton and chevon production unit proposed to be set up in the State by the agency.

The scheme further envisaged that Zilla Parishad (ZP) would be responsible *inter alia* for arrangement of covered area for housing the goats and proper co-ordination and care in the project. They were also responsible for arrangement of subsidy for SHGs through District Rural Development Cell (DRDC) for infrastructure support and providing cooperation in implementation of the project.

According to the agreements executed between the agency and ZP/PUP, the agency was to provide breedable Black Bengal Goats to SHGs for the project period of five years and help them in development of superior breeding stock, provide medicines, vaccines, veterinary services and insurance for breeding stock and the kids. The agreements with the agency were, however, silent about schedule of supply of goats to co-ordinate with the construction of goat sheds. There was no penal provision in case of non-supply of goats by the agency.

Audit scrutiny (March and June 2011) of the records of District Magistrates (DMs), Birbhum and Purulia, DRDC under the ZP as well as nine Panchayat Samitis (PSs) (five in Birbhum and four in Purulia) revealed that the PUP released ₹ 2.23 crore[66] to the DMs, who in turn released the amounts to the PSs during 2006-07 for construction of 848 sheds. As of March 2011, 755 sheds[67] were constructed at a cost of ₹ 2.12 crore. It was noticed that goat rearing had started only at three sheds[68] from 2009-10, while 752 completed sheds remained unused owing to non-supply of goats by the agency. The district authorities, PUP or the ZPs did not take up the matter with the agency to ensure supply of goats as per agreements or to ascertain reasons for non-supply. The objective of generation of self employment was, thus, not achieved as of June 2011 despite incurring an expenditure of ₹ 2.06 crore[69] for construction of sheds.



**Unused sheds at Basanti and Manadpara under Jhalda I Block in Purulia**

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| Name of the District | Fund received from PUP | Sheds to be constructed | Sheds constructed | Fund Utilised |
|---|---|---|---|---|
| Purulia | 9360000 | 780 | 685 | 8340000 |
| Birbhum | 12982135 | 68 | 70 | 12907135 |

[67] *Purulia: 525 sheds in 2008-09, 160 sheds in 2009-10;*
*Birbhum: 60 in 2007-08 and 10 in 2008-09.*

[68] *3 sheds with 85 goats in Suri I Panchayat Samiti in Birbhum District constructed at a cost of ₹0.06 crore*

[69] *₹2.12 crore **minus** ₹0.06 crore spent on construction of three functional sheds.*

Thus, failure of the DMs, ZPs as well as the PUP to take up the matter of non-supply of goats with the agency, after spending ₹ 2.12 crore on development of infrastructure resulted in the objective remaining unachieved and expenditure becoming unfruitful. Sheds continued to be constructed throughout the four years period despite non-supply of goats by the agency, which indicates lack of planning and co-ordination on the part of the Department.

The Chief Executive Officer, Paschimanchal Unnayan Parshad accepted (June 2011) the audit observation and intimated that the matter was being pursued with other departments for alternate use of the sheds in other income generation programmes.

The matter was referred to the Department in July 2011; reply is, however, awaited (November 2011).

## POWER AND NON-CONVENTIONAL ENERGY SOURCES DEPARTMENT

### *3.4.5 Implementation of hydel power projects in Darjeeling*

**Even after lapse of seven to eight years from approval, all six hydel power projects in Darjeeling District remained either non-starters or defunct owing to failure of WBREDA to address primary ground level issues. Resultantly, ₹ 1.25 crore spent on these projects was rendered unfruitful/wasteful; while ₹ 1.23 crore remained parked in WBREDA's current bank account for three to eight years.**

West Bengal Renewable Energy Development Agency (WBREDA), an organisation under the Power and Non-conventional Energy Sources (P&NES) Department of Government of West Bengal, is the nodal agency *inter alia* responsible for setting up small power projects using alternative sources of energy. Proposals for implementation of such projects are initiated by the WBREDA. After the same is approved techno-commercially by the P&NES Department, financial sanction is accorded by the Ministry of Non-conventional Renewable Energy (MNRE) [70], Government of India. It is the responsibility of WBREDA to assess availability of encumbrance-free land and viability of the project and identifying beneficiary committees before initiating the draft proposals.

For providing electricity in remote villages of Darjeeling District, MNRE sanctioned[71] (between March 2003 and August 2004) six hydel power projects

[70] *Earlier known as Ministry of Non-conventional Energy Sources*

[71] *Naxal Small Hydel Power Project 3x200 kw (2002-03), Dudhia Small Hydel Power Project 2x200kw (2002-03), Pacheng Khola shifted to Rabeng Khola Micro Hydel Power Project 50 kw (2004-05), Daray Khola Micro Hydel Power Project 50 kw (2004-05), Reaing Khola Micro Hydel Power Project 50 kw (2004-05), Rangbul khola Micro Hydel Power Project 50kw (2004-05)*

(four micro hydel and two small hydel projects) with a total capacity of 1200 kilowatt (kw) at a total project cost of ₹ 11.18 crore. Government of India was to contribute ₹ 6.31 crore, while ₹ 4.87 crore was to be borne by WBREDA/ State Government (GoWB). For implementing these six projects, WBREDA received a sum of ₹ 2.48 crore from MNRE (₹ 1.03 crore between March 2003 and August 2004) and GoWB (₹ 1.45 crore during February 2004 to March 2008).

Scrutiny (June 2011) of the records of WBREDA in respect of implementation of these projects revealed that three of these projects remained non-starter, one was dropped after partial implementation, while another, though commissioned, failed to deliver the intended benefits and was ultimately closed down. Out of ₹ 2.48 crore released by GoI and GoWB, ₹ 1.25 crore was spent on three of these projects during April 2005 to September 2009, while ₹ 1.23 crore was parked in bank current account of WBREDA for more than three to eight years. The Financial and physical status of six hydel power projects implemented by WBREDA in Darjeeling is shown in the table below:

**Table No. 3.2 Implementation status and funds utilised in the six Hydel Power Projects**

*(Rupees in lakh)*

| | Name of the Project | Project Cost and date of approval of GoI | Fund released by MNRE | Fund released by the State | Amount spent | Amount lying unused | Implementation Status |
|---|---|---|---|---|---|---|---|
| **Micro Hydel Power Projects approved under Remote Village Electrification Programme of MNES** | | | | | | | |
| 1 | Pacheng Khola Micro Hydel Project subsequently shifted to Rabong Khola (50 KW) | 246.00 approved in August2004 | 60.00 (August 2004) | 15.00 (December 2004) 40.00 (March 2005) | 43.11 | (-) 2.98 (additional funds spent from other MNRE projects) | Project was abandoned mid-way |
| 2 | Rangbul Khola Micro Hydel Project (50 KW) | | | | nil | | Project did not take off; no recorded reasons |
| 3 | Daray Khola Micro Hydel Project (50 KW) | | | | 74.87 | | Project was commissioned, but closed down due to dis-satisfaction of the Beneficiary Committee over limited period of supply |
| 4 | Reaing Khola Micro Hydel Project (50 KW) | | | | nil | | Project did not take off; no recorded reasons |
| **Small Hydel Power Projects approved under Capital Subsidy[72] project of MNES** | | | | | | | |
| 5 | Naxal Small Hydel Power Projects | 443.00 approved in March 2003 | 25.10 (March 2003) | 15.00 (February 2004) 75.00 (March 2008) | 7.40 | 107.70 | Project was not completed |
| 6 | Dudhia Small Hydel Project | 429.00 approved in March2003 | 18.00 (March 2003) | nil | nil | 18.00 | No development after pre-construction survey |
| **Six projects** | | **1118.00** | **103.10** | **145.00** | **125.38** | **122.72** | |

*Source: Records of WBREDA*

WBREDA ultimately dropped (June 2010) all small, mini and micro hydel power projects attributing the decision to law and order problems in Darjeeling District. Scrutiny of records of WBREDA, however, revealed various instances of

[72] *Subsidy was restricted to cost of electro mechanical equipment and 50* per cent *cost of civil works.*

deficiencies in ground level planning and preparedness which had culminated in stoppage of the projects midway or project not taking off at all, as discussed in subsequent paragraphs.

### i) Pachengkhola Micro Hydel power project

WBREDA started (August 2005) the work at Pachengkhola through a private contractor A[73] at a project cost of ₹ 55.95 lakh. However, a private tea company raised objection in October 2005 on the ground that the construction site was on the land belonging to the tea company and the company had one defunct hydel power project awaiting overhauling in that area. WBREDA decided (June 2006) to shift the project to Rebongkhola with same technical specifications and rate. The same contractor 'A' conducted a pre-survey (July 2006) at Rebongkhola and took up the work (June 2007). Subsequently, Contractor A stated that the project site at Rebangkhola was different in character[74] and as such, estimated cost should be revised. WBREDA revised the project cost to ₹ 63.58 lakh and issued work order in June 2007. The Project cost was further revised to ₹ 105.25 lakh (July 2009) taking into account additional cost for purchase of material through Sikkim. The contractor executed part of civil work and was paid ₹ 43.11 lakh[75] during August 2005 to September 2009.

However, in consideration of factors *viz.* cost escalation, locational disadvantages, demand from villagers for grid power and inability to form beneficiary committee, rising number of beneficiaries etc. WBREDA decided (June 2010) to drop the Rebongkhola hydel power project.

Thus, improper selection of site and lack of groundwork namely, identification of encumbrance free land, formation of beneficiary committee, assessment of cost escalation of the project at the relocated site, resulted in wasteful expenditure of ₹ 43.11 Lakh.

### ii) Daraykhola Micro Hydel power project

The work order of the Daraykhola project was issued (March 2005) to a contractor A at an estimated cost of ₹ 55.65 lakh, which was revised (September 2005) to ₹ 69.82 lakh. The work started in March 2005 concluded in July 2006 and the plant was inaugurated in September 2006. The contractor was paid (between April 2005 and October 2008) ₹ 74.87 lakh. Though Project Report envisaged supply of 140 watt electricity to 300 households for eight hours per day, WBREDA stated that a commitment for un-interrupted power supply under favourable conditions had been made, subject to proper operations and maintenance. However, the plant could supply power for three to four hours in a day and WBREDA attributed the same to failure of the beneficiary committee.

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[73] *M/s AN Sharma & Co.*

[74] *The site of Rabengkhola could be approached only from Sikkim side and all material purchased attracted additional taxes and duties. Besides there was additional cost for carriage of construction materials by head load. These resulted in increase in cost of Civil Works. Besides, Construction of road was essential for running the power station after commissioning*

[75] *On account of cost of construction material, labour charge*

The beneficiary committee demanded (August 2007) 24 hours power supply through grid power from WBSEDCL[76] or Remote Electricity Development Corporation/ Darjeeling Gorkha Hill Council, indicating lack of agreement and co-ordination with the beneficiary committee. Though WBREDA claimed that the project was capable of generating electricity for 24 hours a day, the beneficiary committee closed down the power house (September 2007).

Thus, the project failed in delivering its objectives as it could not meet the expectations of the beneficiaries.

**(iii) Naxal Small Hydel Power project**

WBREDA handed over the work of execution of the Naxal project on turnkey basis (May 2003) to West Bengal State Electricity Board (later renamed as WBSEDCL), which awarded the works to contractors during December 2004 to June 2007. Scrutiny revealed that no work, apart from pre-project survey (cost: ₹ 1.30 lakh) could be started, as the site was in the midst of various plantations[77], residential huts, burial ground etc. WBSEDCL and WBREDA decided (July 2008) to terminate the contracts. WBREDA on field inspection (November 2009) observed that the areas remained under private occupation despite release of ₹ 6.10 lakh (February 2008) to the DM, Darjeeling for payment of compensation to the Project affected persons. Moreover, it was also observed that water in the river where the project was to be constructed was available only for four to five months in a year.

WBREDA resolved (March 2009) to appoint West Bengal Green Energy Development Corporation Limited for supervision and execution of the work. However, no development in the matter was recorded as of October 2011.

WBREDA admitted (June 2011) that hydrology and meteorology of the site had changed and fresh study would be required. In these circumstances the prospect of implementation of this project seemed bleak.

While accepting the facts (June 2011), WBREDA attributed non-execution of the projects to law and order problems in the Darjeeling. The reply, however, did not address the issues of deficiencies in ground level planning and preparedness on its part to implement the projects.

Thus, after lapse of seven to eight years from approval, none of these six hydel projects in Darjeeling have fructified. This was mainly attributable to failure of WBREDA to address primary issues like, identification of encumbrance free land, assessment of viability of projects, formation of beneficiary committee and taking into account their expectations from the projects etc. Resultantly, expenditure of ₹ 1.25 crore either became wasteful or unfruitful, while Government funds of ₹ 1.23 crore remained parked in WBREDA's current bank account for three to eight years.

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[76] *West Bengal State Electricity Distribution Company Limited*
[77] *Plantation of rubber, betel nut, cardamom, etc.*

In a reply endorsed by the Department, WBREDA stated (November 2011) that it had social obligation to implement renewable energy projects as technology demonstration projects and that operation and maintenance of these projects did not come under its purview of work. It was further stated that the local administration was responsible for development of adequate infrastructure facilities.

As regards Pachengkhola (shifted to Rebangkhola) project, it was intimated that being encouraged by the effort of one individual, who had been generating electricity for local people by tapping water from a nearby stream, WBREDA had undertaken the project. His dissociation from the effort, compounded by lack of infrastructural development and erratic availability of water at the stream, led to failure of the project.

Regarding Daraykhola project, WBREDA attributed the failure to non-co-operation from the local bodies.

The reply, however, indicates lack of careful assessment of infrastructural deficiencies in concerned areas by WBREDA. Further, failure of a project due to dissociation of a certain individual indicates that the project had been taken up without proper viability study and finalisation of modalities of operation and maintenance.

## COMMERCE AND INDUSTRIES AND FOOD PROCESSING INDUSTRIES AND HORTICULTURE DEPARTMENTS

### *3.4.6 Infructuous and idle expenditure under ASIDE scheme*

**Objective of creation of export auction infrastructure for a flower market was not achieved owing to failure of a Government Corporation and Food Processing Industries and Horticulture Department in ensuring temporary relocation of flower vendors. This resulted in idling of expenditure of ₹ 1.84 crore, while expenditure of ₹ 0.78 crore became infructuous.**

A project for setting up an export auction centre with modern infrastructure facilities at Mallickghat Flower Market, Kolkata was taken up (March 2006) by the State Level Export Promotion Committee (SLEPC)[78] at a total cost of ₹ 25.43 crore[79] under the scheme of Assistance to States for Developing Export Infrastructure and Allied activities (ASIDE)[80], for completion in 48 months. Ministry of Commerce and Industry, Government of India accorded approval of Central assistance of ₹ 10 crore and released (March 2006) first instalment of ₹ 5 crore to West Bengal State Food Processing and Horticulture Development

[78] *Chaired by the Chief Secretary and Director of Industries being the Convener*

[79] *Revised to ₹ 20 crore, of which Central assistance was ₹ 10 crore*

[80] *ASIDE was launched by Government of India in March 2002 for creating appropriate infrastructure for development and growth of exports. Director of Industries (DI), Government of West Bengal was the nodal officer for implementation of ASIDE projects in the State. Assistance under ASIDE project is fully borne by the Central Government and released for implementation of Export oriented projects. Administrative expenses under such works are not to be incurred out of GoI funds and to be borne by the State Government.*

Corporation Limited (Corporation)[81], the implementing agency. The Director of Industries (DI) under the Commerce and Industries Department, the nodal officer for implementation of ASIDE projects, released (July 2006) ₹ 1 crore to the Corporation as State component. The project envisaged construction of 284 shops, sitting arrangement for 2000 to 3000 flower vendors, cold storage, sorting, grading, auction hall, conference hall, lodging facilities for auctioneers, bank, administrative office, basement parking area, etc.

Availability of land was one of the criteria for taking up a project under ASIDE. The land for Mullickghat flower market, which originally belonged to Kolkata Port Trust (KPT), was transferred in favour of Government of West Bengal in June 2002. In order to facilitate construction of infrastructural facilities, temporary relocation of flower vendors was necessary, for which another KPT-owned space at Jagannathghat was identified. The Food Processing Industries and Horticulture Department paid (June 2010) ₹ 1.22 crore[82] (₹ 78.37 lakh as licence fees, municipal and other taxes for 22 months from April 2008 to August 2010 and ₹ 43.48 lakh as security deposit) to KPT through the Corporation for the land, for temporary relocation of flower vendors.

Out of ₹ 6 crore, the Corporation spent ₹ 1.84 crore between August 2006 and June 2010 on the project towards fees for sanctions and approvals from statutory authorities[83] (₹ 113.15 lakh), project management consultancy fees (₹ 29.40 lakh), construction of temporary infrastructure for relocation of flower vendors (₹ 38.18 lakh) and miscellaneous/administrative expenses (₹ 3.21 lakh). However, utilisation certificate for the entire Central assistance of ₹ 5 crore was furnished in September 2007.

Audit scrutiny (January 2011) of the records of the Director of Industries revealed that poor response among the vendors of the Mallickghat flower market for shifting to a temporary relocation was a major impediment in execution of the project. Moreover, it took more than two and half years for the Corporation to obtain clearances for the Project from different authorities including KPT. In view of slow progress of implementation, GoI cancelled the project in July 2009 and demanded (June and August 2009) refund of the entire GoI assistance of ₹ 5 crore with interest[84] at the rate of 10 *per cent* from the date of release of fund. The Corporation refunded (December 2009) ₹ 3.16 crore (₹ 5 crore *minus* ₹ 1.84 crore utilised) to GoI. No penal interest has, however, been paid by the State till November 2011. The State contribution of ₹ 1 crore was retained by the Corporation as of August 2011.

Thus, failure of the Corporation in ensuring temporary relocation of vendors, and lack of initiative, coordinated effort and ineffective monitoring on the part of the FPI&H Department to provide a favourable condition for implementation of the project coupled with delay in obtaining clearances from the appropriate

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[81] *Under the Department of Food Processing Industries & Horticulture.*
[82] *Over and above ₹6 crore released to the Corporation*
[83] *Kolkata Municipal Corporation, Kolkata Improvement Trust, Fire Services*
[84] *Simple interest at the rate of 10 per cent on ₹5 crore for the period from March 2006 to November 2009 comes to ₹1.88 crore*

authorities resulted in idling of expenditure of ₹ 1.84 crore, while expenditure of ₹ 78.37 lakh[85] became infructuous. Besides, the State Government incurred a liability of penal interest of ₹ 1.88 crore. The objective of creation of modern export infrastructure facilities for the flower market was not achieved.

The FPI&H Department stated (August 2011) that a lot of time and effort had gone into mobilizing different agencies for obtaining clearances; moreover, prospect of starting the project work at the site has brightened as the ambience around the market has improved. The structure constructed for temporary relocation of the vendors is partially being utilized for storing goods. It was further added that fresh proposal for the project has been sent to the GoI Ministry for reconsideration. Notwithstanding the reply, the fact remains that the Department and the Corporation failed to resolve the issue of relocation of vendors for more than four years leading to cancellation of the project by GoI.

## URBAN DEVELOPMENT DEPARTMENT

### *3.4.7 Delay in construction of a bus stand*

**Even after lapse of 10 years from its initiation, a bus stand at a popular tourist destination (Digha) remained a non-starter resulting in idle expenditure of ₹ 1.08 crore, besides frustrating the intended benefits to commuters concerned.**



Incomplete Central Bus Stand at Digha (October 2011)



Incomplete terminus building (October 2011)

Digha Sankarpur Development Authority[86] (Authority) under Urban Development (UD) Department decided (October 2000) to construct a Central Bus Stand at Digha to reduce traffic congestion and parking problem in the lone vehicular road of Digha and thereby arrest road accidents. The land identified for construction belonged to Digha Development Scheme (DDS) under Development and Planning (D&P) Department. The Authority had neither got the title of the land transferred in its name, nor obtained necessary permission from the D&P Department before commencement of the work. The Authority started the work in July 2001 at an estimated cost of ₹ 35.54 lakh through an agency "A" with the target of completion by January 2002. Subsequently, the Authority enhanced (March 2003) the scope of work[87] and signed (November 2004) a Memorandum of Understanding (MoU) with the same agency "A" for construction of the bus stand within 24 months in Public Private Partnership model at an estimated cost of ₹ 1.90 crore.

[85] *Licence fee and other taxes paid up to February 2010*

[86] *Known as Digha Development Authority prior to September 2003*

[87] *Incorporating therein construction of boundary wall, stalls, bus-bay, bus terminal building, rest room, bathing units, lavatory complex, convenience shops, etc.*

However, considering non-transfer of title of the construction site from D&P Department, UD Department cancelled (May 2005) the MoU and the work was stopped. Before stoppage of work, the Agency had completed works[88] worth ₹ 60.09 lakh (as of May 2005) against which full payment was released by March 2008.

Subsequently, the UD Department notified (December 2006) the merger of DDS with Authority transferring all its assets and liabilities to the latter. The work of construction of the Bus Stand was re-started in April 2007. As of December 2010, eight works[89] of construction for ₹ 1.36 crore were executed in piecemeal manner against which ₹ 1.08 crore[90] was paid (including ₹ 60.09 lakh paid earlier) up to January 2011. Slow progress of the work was attributed (July 2010) by the Executive Officer (EO) of the Authority to funds constraints. The EO further intimated (July 2011) that absence of any permanent EO and non-holding of any board meeting for near about one year had also delayed matters. Meanwhile, the bus stand was formally inaugurated in November 2010 for use.

Scrutiny of the records of the Authority along with joint physical verification of the site, however, revealed (June 2011) that in spite of formal inauguration, the bus stand remained unused with construction works of south boundary wall, balance works for 36 stalls, finishing work of the first floor of terminal building and remaining part of concrete pavement were yet to be completed. Due to non-commencement of operations of the bus stand, the objective of solving the acute parking problem and minimising traffic congestion in the lone vehicular road in Digha was not achieved. The local police authority expressed concern (May 2011) over increased traffic congestion in Digha, which is supported by continuing trend in occurrence of accidents. The Authority in its reply (October 2011) stated that the bus operators were unwilling to use the bus stand for non-construction of bus bays, etc and non-introduction of one way traffic movement through a bye pass road (Northern bye- pass), which would provide inward traffic to the bus stand. The Authority also acknowledged the requirement of widening and strengthening of the bye-pass road, before putting the bus stand in use.

Thus, after 10 years from initiation of construction work and more than eight years from finalisation of composite plan, the Central Bus Stand at Digha, a popular tourist destination, remained a non-starter with idle investment of ₹ 1.08 crore. Resultantly, traffic congestion in Digha remains a matter of concern as continuing trend of accidents constitutes definite risk to human life.

The matter was referred to Government in July 2011; reply had not been received (November 2011).

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[88] *namely, earth filling, morrum boulder spreading, surface drain and civil works for 36 stalls*

[89] *Construction of Ground floor terminal Building (phase-I), Construction of Bathroom, changing room with toilet facilities, Construction of tourist reception centre with lounge and left luggage room and tourist information centre, Land Development with two side Barbed wire fencing, Construction of Ground floor terminal building (phase-II), Sinking of shallow tube well 100 mm dia, Construction of 1st floor phase-I (structured works) terminal building, Patch repairing of bus bay by Bats and Moorum*

[90] *₹2.17 lakh in 2002-03, ₹17.82 lakh in 2003-04, ₹20 lakh in 2006-07, ₹28.78 lakh in 2007-08, ₹7.65 lakh in 2008-09, ₹1.45 lakh in 2009-10 and ₹31.10 lakh in 2010-11*

### 3.4.8 Undue financial aid to contractor

**The main objective of the PPP project remained unachieved. Besides, KMDA could not avail the competitive rate due to change in land use pattern after acceptance of bid and also extended undue aid of ₹ 2.57 crore by under valuing the rate of land.**

Kolkata Metropolitan Development Authority (KMDA) invited (March 2005) expression of interest for development of Kolkata Logistic Hub at Kona, Howrah under Public Private Partnership (PPP). With a view to relocate the wholesale trading from the heart of the city the project envisaged construction of logistic services such as truck parking, wholesale trading, warehousing and residential accommodations for the site and ancillary staff. After evaluating the bids a consortium[91] was selected (October 2005) for implementation of the project on 106.35 acres of land (approximately) on 99 years' lease in consideration of ₹ 103 crore. Audit scrutiny revealed irregularities in the transaction as well as deviations in project objectives as detailed below:

- Development agreement (November 2005) executed between the two parties *inter alia* stipulated that the parties would undertake a joint survey immediately after signing the agreement to assess the quantum of land actually handed over. In case the total area of the land was found to be more or less than 106.35 acres, the consideration amount would be adjusted accordingly. Audit scrutiny revealed that 108.43[92] acres of land was found during the joint measurement and the same was handed over (November 2006) to the consortium in consideration of ₹ 103.41 crore. KMDA charged only ₹ 0.41 crore for additional 2.08 acres (108.43 acre minus 106.35 acre) of land handed over to the agency against ₹ 2.01 crore[93] calculated at the agreed rate. Thus, undervaluation of land rate in contravention of the agreement rendered in an undue benefit of ₹ 1.6 crore to the consortium.

- KMDA had no policy on transfer of land to the allottee where constructional activities were prohibited. However, since 1999, KMDA was charging 50 *per cent* of the existing land premium in respect of any land falling under high tension zone where no construction was permitted. Scrutiny revealed that an additional land of 2.0173 acres surrounded by the allotted land (108.43 acres) was also handed over (November 2006) to the agency free of cost as there was an underground IOC pipeline where no construction activities were allowed. Subsequently, the Pricing Committee of KMDA resolved (June 2008) that the principle of pricing pattern for the land falling under high tension zone would be adopted in

[91] *Havelock Properties Limited a consortium comprising of Unitech Limited, Salim Group, Jurong Consultants Private Limited and Universal Success Enterprises Limited.*
[92] *73.6451 acre in the north parcel and 34.7843 acre in the south parcel which are half a km apart*
[93] *₹ 103 crore/106.35 X2.08*

respect of land over gas pipelines. Thus, KMDA could have generated additional revenue of ₹ 0.97 crore[94] had the Pricing Committee taken the resolution before handing over the land (2.0173 acres) free of cost.

- Contract agreement of the PPP envisaged construction of temporary residential accommodation for shopkeepers and truck drivers and permanent residential accommodation for workers/supporting staff along with commercial activities in the entire south parcel of the land. In case of any deviation, the KMDA would have the right to cancel the agreement. Scrutiny, however, revealed that after acceptance of the bid, KMDA allowed the change in land use pattern of the south parcel of the land and approved (December 2007) the master plan for development of four clusters each consisting of six 15 storeyed high rise residential towers on the entire south parcel of the land. First phase of construction of 12 towers has been at the completion stage.



**Residential high-rise in the South Parcel**

The construction of high rise building for residential accommodation, which was no way related to the project objective. The possibility of undue benefit extended to the consortium cannot be ruled out as the Department could not avail the competitive rate due to change in the land use pattern after acceptance of the bid.



**Only completed warehouse in North Parcel**



**Condition of truck parking bay**

- On the north parcel of the land only one warehouse has been constructed out of proposed 16 after more than four and a half year of handing over of the land to the consortium. Other proposed activities related to wholesale and retail trading, commercial and ancillary facilities and truck parking

[94] *50 per cent of (103.00 crore/106.35) X 2.013*

have not yet been commenced. The only warehouse constructed was of single storeyed against the provision of three storeyed warehouse.

The bid document envisaged that the timeline for the project implementation and monitoring mechanism should be laid down in the lease agreement. KMDA, however, did not provide any timeline for completion of the project in the agreement which encouraged the developer to pace the work as per their convenience, frustrating the major objectives of the project. KMDA did not enforce submission of bank guarantee for delay in work of the consortium as per agreement.

In reply, Chief executive Officer, KMDA stated (June 2011) that the delay in implementation of the project was primarily due to economic recession. The reply was, however, not tenable because knowing fully well of the recession, the consortium proposed (December 2007) for six warehouses and completed the construction of residential towers. Besides, as per the lease agreement the lessee was to commence the construction within six months from the approval (September 2008) of the building plans.

Thus, the main objectives of the PPP to facilitate relocation of the wholesale trading from the heart of Kolkata city remained largely unachieved and restricted to construction of private luxurious flats.

The matter was referred to the Principal Secretary, Urban Development Department in June 2011; the reply has not been received (November 2011).

## BACKWARD CLASSES WELFARE DEPARTMENT

### *3.4.9 Idle expenditure on SC/ST Hostels*

**Three hostels for SC/ST students remained non-functional for three to nine years due to deficient planning and non-recruitment of staff, leading to unproductive expenditure of ₹ 1.07 crore on their construction and furnishing.**

The Backward Classes Welfare (BCW) Department decided (December 1999) to set up hostels for accommodation of Scheduled Caste (SC) and Scheduled Tribe (ST) students under a Centrally sponsored scheme[95]. According to the guidelines issued by BCW Department (December 1999) to all district level authorities[96], Project Officer cum District Welfare Officer (PO cum DWO) was the nodal authority to receive and process applications for setting up SC/ST hostels in the respective district. Proposals for setting up of hostels were to be examined by a district level committee[97], convened by PO cum DWO on the basis of total SC/ST

[95] *Centrally Sponsored Scheme for Hostels for SC Girls and Boys, since renamed as Babu Jagjivan Ram Chatrawas Yojana with effect from January 2008; fifty* per cent *of the cost was to be received as Central assistance*

[96] *Project Officers cum District Welfare Officers (POs cum DWOs) of each district*

[97] *PO cum DWO is the Convenor of the Committee; other members being District Inspector (Primary), DI (Secondary) and a nominee of District Magistrate.*

population in the block/mouza concerned, list of schools to be attended by the students of the hostels and their location, distance from proposed hostel, transport arrangements, etc. As of April 2011, in 19 districts, 63 SC/ST hostels were constructed under the Scheme.

Mention was made in paragraph 4.5.1 of Civil Audit Report for the year 2005-06 regarding non-functioning of two Central Hostels[98] (CHs) in North 24 Parganas District. The Department, in reply, stated (May 2007) that arrangements were being made to make the hostels functional by July 2007. Audit scrutiny (April and July 2011) of the records of the Commissioner, BCW Department, however, revealed that one of those hostels (at Bongaon, North 24 Parganas) has not started functioning as of July 2011, owing to non-availability of students.

Scrutiny (April and July 2011) further showed that three hostels for SC/ST students in two districts[99] including the one at Bongaon in North 24 Parganas, constructed between June 2002 and June 2008, have not started functioning as of July 2011 since their construction. In two cases (Kurseong and Bongaon), concerned PO cum DWO intimated (July 2011) that they had not received any proposal for setting up of the hostels and no assessment of availability of students, availability of schools, locational and communicational factors, etc. was done by them. In the third case, proposal was initiated by the Siliguri Mahakuma Parishad directly to the Department. In all three cases, PO cum DWO intimated that they had not been involved at any stage of setting up of hostel. Details of Government expenditure in these hostels and reasons for their non-functioning are as under:

**Table No. 3.3 Expenditure incurred and reasons for non-functioning of the hostels**

**(Rupees in lakh)**

| Name of the hostels | Constructed for (bed capacity) | Date of completion | Cost of construction | Cost of furniture/ utensils | Reasons for non-functioning |
|---|---|---|---|---|---|
| Bongaon CH, North 24 Parganas | Scheduled Castes girls (60) | June 2002 | 16.81* | 1.58 | • Locational disadvantage as the hostel was situated at the far end of the town in a low lying area with problem of water logging.<br>• Lack of interest among students<br>• Non-posting of staff; |
| Kurseong CH, Darjeeling | Scheduled Tribe girls (60) | June 2008 | 62.43 | 9.73 | • Problem of approach road, which had not been considered before construction. The road has, however, been constructed in March 2010;<br>• Non-posting of staff. |
| North Bengal Medical College CH, Darjeeling | Scheduled Castes girls (80) | March 2004 | 16.18 | nil | • The hostel was occupied by the students of North Bengal Dental College and taken back in July 2010;<br>• The hostel needs repairs for making it habitable;<br>• No staff has been recruited. |
| **Three CHs in two districts** | | | **95.42** | **11.31** | **Total: ₹ 1.07 crore** |

* *inclusive of repairing cost of ₹0.63 lakh*

[98] *At Kalinagar and Bongaon*

[99] *Chanchal CH in Malda district, Asansol CH in Bardhaman district, Bongaon CH in North 24 Parganas district and Kurseong CH and NBM College SCG in Darjeeling district.*



SC/ST Hostel at Bongaon, 24 Parganas (North) (August 2011)



No approach road in SC/ST Hostel at Kurseong, Darjeeling (August 2011)

Thus, due to deficient planning leading to inaccessibility of hostels/hostels being situated in remote locations, non-availability of staff; and unauthorised occupation, three SC/ST hostels constructed and furnished at an expenditure of ₹ 1.07 crore remained non-functional for three to nine years.

The matter was referred to Government in June 2011; reply had not been received (November 2011).

## AGRICULTURE (MARKETING) DEPARTMENT

### *3.4.10 Avoidable loss under support price scheme*

**Lacunae in the Government order coupled with delay of the Department in communicating its decision to BENFED regarding disposal of potato led to avoidable loss of ₹ 5.59 crore in five districts under potato support price scheme 2008.**

To protect the interests of the farmers in the State as a result of large production of potato in the season of 2008, the Agriculture Department (Marketing Branch) decided, through a Government order of March 2008, to operationalise a 'support price scheme' for immediate redressal of the anticipated distress sale of potatoes. Under this scheme the Department sanctioned and released ₹ 30 crore (₹ 20 crore in March 2008 and ₹ 10 crore in April 2008) in favour of the West Bengal State Co-operative Marketing Federation Limited (BENFED)[100] as interest free working capital loan for procurement of potato from common farmers at the rate of ₹ 250 per quintal. No condition for repayment of this loan by BENFED was, however, laid down in the sanction orders. The orders operationalising the scheme were silent about modalities of procurement of potato and their disposal, neither was it clear whether further Government order was necessary to allow BENFED to dispose off the potatoes.

[100] *State level apex body of the Primary Agriculture Marketing Societies*

Accordingly, BENFED procured (April 2008) 8.28 lakh quintals of potato from farmers of ten districts[101] through primary level Co-operative Societies and stored the procured potato in cold storages at an expenditure of ₹ 25.03 crore.

BENFED, after three months from introduction of the scheme, moved only in June 2008 the Agriculture Marketing Department for issue of instructions regarding disposal of potato. The same was pursued by another communication in August 2008. The Agriculture Department, after 49 days from the date of first communication from BENFED, clarified (August 2008) that BENFED had to take its commercial decision to dispose of the potato based on market price. BENFED disposed (between August 2008 and January 2009) off the potato through sale of bonds[102] at ₹ 9.64 crore (average rate ₹ 117.27 per quintal) thereby incurring a loss of ₹ 15.39 crore. BENFED submitted (March 2009) an utilisation certificate and requested Government for remission of loan liabilities to the extent of ₹15.32 crore[103] and deposited (August 2009) ₹ 14.61 crore in Government account. The decision of the Government regarding remission of ₹ 15.32 crore was awaited (October 2011).

Scrutiny (April-May 2011) of the records of five[104] district offices of BENFED (out of ten) and the Directorate of Agricultural Marketing revealed that 7.74 lakh quintals of potato procured in these districts under the scheme was disposed of between August 2008 and January 2009 at prices ranging between ₹ 30[105] and ₹ 160[106] per quintal generating a sale value of ₹ 9.06 crore. Scrutiny further revealed that in June 2008, when BENFED moved the Government for instruction for disposal, the average monthly bond price in five districts was in the range of ₹ 165.88 and ₹ 202.50 per quintal. Had the Department clarified its stand in the original GO to state that BENFED had to take commercial decision in disposing off the potato, BENFED would have sold the potatoes on time which would have led to generation of sale proceeds of ₹ 14.65 crore (based on the average bond price of June 2008) and thereby minimising the loss by ₹ 5.59 crore ***(Appendix 3.8).***

Agricultural Marketing Directorate stated (July 2011) that as no specific guidelines were formulated by the Department for procurement operation, BENFED had prepared their own guidelines to implement the scheme. The Department also endorsed the reply, which indicates laxity of the Department in determining policy and modalities of such price support scheme for ensuring proper co-ordination among the Departments and various agencies.

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[101] *Bankura, Birbhum, Bardhaman, Cooch Behar , Dakshin Dinajpur, Hooghly, Howrah, Jalpaiguri, Paschim Medinipur and Murshidabad.*

[102] *The cold storages, on receipt of potato, issue Cold Storage Receipts (referred as Bond) to the owner of the potato. The owner of the potato may sell the bond to others. Anyone who purchases the bond will have the ownership of the potato stored in the cold storage. Agricultural Marketing Directorate records the price of bond, at which they are sold/purchased, from time to time.*

[103] *After adjusting ₹ 0.07 crore receivable as compensation for damaged potato in Murshidabad*

[104] *Bankura, Bardhaman, Birbhum, Hooghly and Paschim Medinipur*

[105] *Sale price in Birbhum in December 2008*

[106] *Sale price in Hooghly in November 2008*

Thus, absence of modalities for support price scheme and lacunae in the Government order coupled with delay of the Department in communicating its decision to BENFED led to avoidable loss of ₹ 5.59 crore (approximate) in five districts under potato support price scheme 2008.

BENFED while reiterating the absence of clear departmental directives on this issue, intimated (June 2011) that it was not feasible to find buyers of cold storage receipts in June as potatoes stored in cold storage are released in late July/August. The same is not acceptable as test check showed that cold storages in Hooghly started releasing potato in the first week of May 2008. Further, it was evident from the records of Agriculture Marketing Officers of the districts that buyers of bonds were available even in June 2008.

It was further argued by BENFED that given the regulatory framework and social accountability of its functioning, BENFED could not practice speculation for harnessing higher sale price of potato. While appreciating the reply, the point still remains that after safeguarding the potato-growers against distress sale of their produce, efforts should have been made to protect the interest of Government by minimizing the quantum of loss involved in the process. Moreover, the department had acknowledged this fact since BENFED had been advised belatedly to take action for disposal of potato, in keeping with commercial interests.