Chapter II

Performance Audit relating to Government Company

West Bengal Housing Infrastructure Development Corporation Limited

2 Allotment and sale of plots/ flats

Executive Summary

West Bengal Housing Infrastructure Development Corporation Limited (Company) took up development of New Town Project for construction of houses for a population of 7.50 lakh from all income groups with emphasis on housing for economically weaker sections and lower income groups as well as developing a new business centre. The Company developed 1,224.89 hectares land, of which 765.23 hectares were sold till 31 March 2009. The performance audit relating to allotment and sale of plots/ flats by the Company for the period from 2004-05 to 2008-09 was conducted to assess effectiveness of its long terms plan for development and allotment/ sale of land, efficiency in devising pricing policy and its implementation, recover dues and effectiveness of the management in monitoring different activities of the Company.

Planning

The Company had no strategic plan leading to frequent changes in time schedule, break even cost and lack of synchronisation between different activities. The high incidence of unsold land was attributable to delay in creation of infrastructural facilities and basic amenities and lack of aggressive sale strategy. This led to huge slippages in handing over the possession of 8,134 plots to individuals/co-operatives.

Land pricing policy

The Company belatedly ascertained the break even cost of saleable land in March 2008 after identifying total saleable land and estimating the total project cost of New Town Project as a whole. Consequently, the Company could not recover shortfall in break even cost. Further, higher income group was extended more financial relief than the lower income group while fixing price structure. Consequently, the higher income group got additional financial relief of Rs. 41.48 crore.

Allotment/ sale of plots

The Company did not fix any annual target for sale of land to different categories of allottees. Due to sale of plots in deviation from the allotment and sale policy, below the market price and break even cost, the Company sustained a loss of Rs. 371.75 crore in allotment of bulk plots to 24 companies /firms /developers. Moreover the Company extended undue advantage of Rs. 19.96 crore to West Bengal Housing Board, due to recovery of less escalation on cost of development and double payment of overhead. Due to fixing of unrealistic sale price of residential plots without reference to total cost of the project the Company failed to realise Rs. 179.47 crore from 8,573 allottees. No guidelines and procedure was framed for allotment under Special quota. 147 plots were allotted to different individuals without assigning reasons on records. Further, the Company lost Rs. 2.28 crore due to sale of these plots below sale prices.

Non-recovery of debts

The Company failed to recover dues of Rs. 33.61 crore from nine debtors as on March 2009 and did not invoke penalty of Rs. 23.11 crore for delayed payment of dues from eight debtors.

Conclusion and Recommendations

The Company deviated from its own allotment policy, belatedly fixed the break-even cost and delayed development of land and infrastructural facilities. Consequently, there were losses in sale/ allotment of land and non-recovery of dues. The Company should lay greater emphasis on infrastructure development. The pricing policy should be bench marked in accordance with market prices and Company's objectives.

Introduction

2.1 The State Government conceived the development of the New Town Project (NTP) at Rajarhat in the early nineties. Land was to be provided for construction of houses for a population of 7.50 lakh from all income groups with emphasis on housing for economically weaker sections and lower income groups as well as developing a new business centre. It had entrusted (April 1996) the work of land acquisition to the West Bengal Housing Board. Subsequently, West Bengal Housing Infrastructure Development Corporation Limited (Company), incorporated (April 1999) as a wholly owned Government Company, took up the development of NTP. The work of NTP was proposed (May 1999) to be implemented in four Action Areas covering 3,075 hectares (ha) at an estimated cost of Rs. 2,000 crore. Subsequently, the NTP was projected (March 2008) to be implemented in four Action Areas[1] over 3,087 ha by 2014-15 at an estimated cost of Rs. 7,429.57 crore.

As of 31 March 2009, the Company had acquired 2,844.89[2] ha land, of which 1,224.89 ha was developed in Action Area-I, II and III, while development of another 935.55 ha in the same Action Areas was in progress (June 2009). Till March 2009, the Company sold / allotted 765.23 ha land (commercial sector: 189.05 ha, residential purposes: 518.34 ha and different social/ judicial/health institutions: 57.84 ha) through negotiation /tenders. It disposed of 47.90 ha land to individuals, co-operatives and economically weaker section through lotteries and under the 'Chairman's discretionary Quota' and 'Special Quota[3]'.

The management of the Company is vested in a Board of Directors (BoD) with the Minister-in-charge of the Housing Department as the part time Chairman and ten other Directors as of 31 March 2009. The day-to-day operations are overseen by the Managing Director (MD), who is the Chief Executive, with the assistance of Director General (Engineering), Director General (Quality Control and Engineering), Financial Advisor and General Manager (Administration). The allotment of land /plot / flats is handled by the Chief Engineer (Estate Management) and the Additional General Manager (Marketing). Except MD and the General Manager (Administration), the other posts mentioned are being managed by retired State Government employees.

A Performance Audit on Development of Rajarhat New Town Project was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007, (Commercial) - Government of West Bengal. The Report was not discussed by the Committee on Public Undertakings (COPU) (July 2009).

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[1] AA-I, AA-II, AA-III, Central Business District (CBD) including roads and ancillary infrastructure.

[2] 2743 .65 ha of land acquired through Land Acquisition Collectors and 101.24 ha purchased directly from the landowners.

[3] Plots reserved for the high officials/ eminent personalities from various fields who had extended much needed help and guidance in giving shape to New Town.

Scope of Audit

2.2 The present performance audit, conducted between March 2009 and June 2009, examines the performance of the Company in regard to allotment and sale of land /plots /flats in New Town Project for five years from 2004-05 to 2008-09. The audit findings were arrived at after test check of the records of the Company[4], Public Health Engineering Department[5], New Town Kolkata Development Authority and New Town Electric Power Supply Company Limited, all in Kolkata. The sample selected in audit was based on area of land sold, type of allottees and sales value realised and represented 39 *per cent* (301.07 ha) of total land sold (765.23 ha) till 31 March 2009.

Audit Objectives

2.3 The performance audit was undertaken to assess whether:

- an effective long term strategic plan for development and allotment / sale of land was devised and implemented;
- land pricing policy was in place and operational;
- the Company had implemented an effective allotment /disposal policy ;
- the system of recovery of dues from allottees /purchasers towards land cost and action taken in case of default was effective; and
- an effective monitoring mechanism exists.

Audit Criteria

2.4 The performance of the Company with regard to allotment and sale of land was assessed against:

- objectives of development of NTP;
- project report (May 1999);
- land disposal and allotment policy (February 2000) ;
- land pricing policy;
- project viability reports;
- prescribed mechanism for recovery of dues and

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[4] At head office, Executive Director's (Engineering) offices at site.
[5] Office of Superintending Engineer, New Town Water Supply Circle.

- MIS system and internal audit reports.

Audit Methodology

2.5 The audit methodology adopted included:

- scrutiny of agenda notes and minutes of the meetings of the Board of Directors;
- scrutiny of records relating to computation of total Project Cost estimates and break-even cost of plots;
- examination of disposal and allotment policy;
- scrutiny of records relating to sale of land to different allottees;
- examination of dues statement /claims and collection files and review of defaulters' list;
- examination of MIS and internal audit reports; and
- interaction with the management and issue of audit queries.

Audit Findings

2.6 Audit discussed the audit objectives with the Company during an entry conference held on 16 March 2009. Subsequently, the audit findings were reported to the Company and to the Government in September 2009 and discussed in an 'exit conference' held on 12 November 2009, which was attended by the Secretary, Housing Department, Government of West Bengal. The views expressed by them have been considered while finalising this review. The audit findings are discussed below.

Planning

2.7 The Project Report (May 1999) envisaged the development of the township on 3,075 ha land, of which 51 *per cent* (1,555 ha) was earmarked for housing 10 lakh people, with gross residential density of 482 persons per hectare. 1.50 lakh dwelling units were scheduled to be constructed in the township, of which one lakh would be allotted under group housing of different income groups. The New Town Project aimed at ensuring 'low-rise high-density settlement pattern' with dwelling units affordable to low income group of people with scope of incremental development[6].

[6] Extended floor area allowed for building upon in future.

Absence of strategic plan leading to frequent change in time schedule, break-even cost and lack of synchronisation between different activities.

No strategic plan to achieve this objective was formulated by the Company. Instead, it went for implementing the project in four action areas. However, the project reports (October 1999/ August 2003) indicated the scheduled dates of completion of Action Area I by 2003-04 and Action Area II by 2006-07. No time frame was set for Action Areas-III and Central Business District (CBD). Subsequently, in March 2008 the Company increased the project area to 3,087 ha to be developed by 2014-15. However, no revised time schedule or milestone for completion of each Action Area was fixed.

The Management stated (July 2009) that preparation of strategic plan of action was not understandable in the context of massive work programme on both on-site and off-site works undertaken and land allotted for various purposes. This contention is not acceptable since preparation of strategic plan is imperative to ensure the scheduling and completion of different activities in the project in a time bound manner. The absence of such a plan resulted in delay in creation of infrastructure, lack of synchronisation between development and allotment of land, frequent changes in break-even cost and selling prices of plots, as discussed in succeeding paragraphs.

2.8 To ensure economy in developmental activities in the township and timely handing over of land to the allottees, it is imperative to make annual targets for sale of land in consonance with the development of land with infrastructure. As analysed in audit, there were inadequate planning, inordinate delays in handing over plots owing to lack of infrastructure, piecemeal revision of cost estimates for the action area with consequential delays in computing break even cost and sale price, allotment in deviation of land disposal policy, sales below its own determined price/ market price, as discussed below.

Sale of land

2.9 The Company did not fix any annual target for sale of plots. It was observed that percentage of sale of land to saleable area in different Action Areas ranged between 8 and 74 while that of handing over of possession after full payment to saleable area was as low as 4 to 59 as shown below:

Name of Action Area	Saleable area	Sale under residential purposes	Sale under commercial sector	Sale under institutional purposes	Total sale	Possession handed over
	(In acre)					
Action Area-I	975.38	522.05	137.95	59.47	719.47 (74)	576.79 (59)
Action Area-II	1455.15	320.05	256.15	35.95	612.15 (42)	219.35 (15)
Action Area-III	1176.10	438.72	50.00	47.50	536.22 (46)	406.29 (35)
CBD and others	295.80	--	23.05	--	23.05 (8)	11.00 (4)
Total	3902.43 i.e. 1579.30 ha	1280.82 i.e. 518.34 ha	467.15 i.e. 189.05 ha	142.92 i.e. 57.84 ha	1890.89 i.e. 765.23 ha	1213.43 i.e. 491.07 ha

(Figures in brackets represent percentage of sale/ possession of land to saleable land)

The Company had not, however, analysed the reasons for high incidence of unsold land. Audit found that the same was mainly attributable to delay in development of infrastructural facilities, basic amenities and lack of aggressive sales strategy, as discussed below.

Creation of infrastructure

2.10 In order to attract prospective customers to any township, creation of proper infrastructure and basic amenities is essential. However, even after 10 years, the construction of roads, drainage and sewerage system, water supply, power distribution and provision of basic amenities[7] were inadequate, as discussed below.

2.11 In terms of the project report (1999), 210 kilometers (kms) of internal roads were required to be constructed in the New Town Project. But the Company had not fixed a time schedule for completion of roads in different Action Areas. As against the physical requirement of 43.624 lane kms of internal roads to be constructed by 2000-03 for Action Area-I, only 28.36 kms (65 *per cent*) road was completed by March 2009 after a slippage of time for six years. While construction for Action Area-I commenced in November 2002, the same for Action Area-II was taken up in 2007-08. The work for Action Area-III was yet to commence (June 2009). Till March 2009, against the projected 210 kms of internal roads for all action areas, only 31 *per cent* (65.64 kms) was completed. This delay, in turn, hindered the construction of drainage and sewerage system.

2.12 The construction of drainage and sewerage system in AA-I (660 ha) was scheduled to commence in 1999-2000 and be completed in 2003-04. Till January 2007, 98 *per cent* of the work was completed as was mentioned in the report of Comptroller and Auditor General of India for the year ended 31 March 2007, (Commercial) – Government of West Bengal. However, the major progress was achieved during 2004-05 to 2006-07 i.e. after the scheduled date of completion (2002-03/2003-04). Against 1,363 ha for Action Area–II, the Company awarded (March 2006 - January 2009) work for 636.78 ha. Till March 2009, 28 to 95 *per cent* of sewerage system and 38 to 83 *per cent* of drainage system was completed in different areas[8] of Action Area-II. For Action Area-III, administrative approval was obtained in October 2007 /November 2008. 22.76 *per cent* of sewerage system and 3.04 *per cent* of drainage system of that area was completed (June 2009).

2.13 To meet the requirement of water for the New Town Project, the Company decided (March 2007) to install 100 million gallon per day (MGD) capacity water treatment plant (WTP) at an estimated cost of Rs 840 crore. Subsequently, the Company proposed (March 2008) to construct a 40 MGD capacity WTP (Phase-I) at an estimated cost of Rs. 291 crore, for supplying surface water from the river Hooghly. However, keeping in view the requirement for the next two to three years, the Company took up the work for installing 20 MGD capacity WTP. No target date was fixed for completion.

[7] Hospital, Post-Office, Medicine shops, Bus terminus.
[8] Action Area-IIA, IIB, IIC, IID, IIE, IIF, IIG & CBD

Till 31 March 2009, only 20 *per cent* of the work had been completed. Against the projection of laying of 1.03 lakh metre water distribution lines, 99,136 metre lines were laid, 14 out of projected 36 tubewells sunk and seven out of proposed 10 overhead reservoirs completed for Action Area-I till 31 March 2009, though these works were scheduled to be completed by 2003-04.

For Action Area-II, the construction of six out of projected 11 overhead reservoirs was taken up and seven out of proposed 34 tubewells were under construction so far, with 31 to 97 *per cent* of water distribution line laid. Similarly, in Action Area-III, progress achieved in laying of distribution line, installation of tubewells and overhead reservoirs was only four to eight *per cent* till March 2009. Thus, installation of water supply system was lagging behind, even after expiry of original scheduled period of completion of Action Area-I (2003-04) and Action Area- II (2006-07). Consequently, the Company had to arrange interim water supply from ground water in these two areas. But it neither analysed availability nor potability of ground water to ensure continued safe water supply.

2.14 To meet power requirements of 200 MW for all Action Areas, 21 substations (33/11 KV) were to be erected. New Town Electric Supply Company Limited[9] (NTESC), responsible for supplying power in the NTP, applied for obtaining distribution license from West Bengal Electricity Regulatory Commission (Commission). However, the application was rejected. Subsequently, the erstwhile West Bengal State Electricity Board engaged the Company as its franchisee for providing new service connections, collecting revenue from customers and rendering service towards development of electrical infrastructure in the New Town Project. Till June 2009, NTESC provided service connections to only 4,707 low and medium voltage consumers and 22 high voltage consumers against demand of 4,905 and 53 consumers of the two categories respectively. Further, only two 33/11 KV sub-stations were commissioned, while construction of another three was in progress (June 2009), as against the projected completion of electrical infrastructure for Action Area-I by 2003-04. Consequently, to meet requirement in Action Area–I, temporary arrangement was made through three 11/0.4 K.V. distribution sub-stations. Thus development of electrical infrastructure and provision of connections were deficient.

6233 plots could not be handed over due to non-completion of infrastructural works/facilities.

2.15 The New Town Project aimed at providing modern civic amenities to its population. Till June 2009, the Company had not established any hospital, post office or even a single medicine shop. There is only a temporary bus terminus and a make-shift market in the township.

[9] A Joint Venture Company of West Bengal Housing Infrastructure Development Corporation Limited and the erstwhile West Bengal State Electricity Board

2.16 As a result of lack of infrastructural facilities and civic amenities, there were major slippages in handing over possession of 8,134 plots to individuals / co-operatives through open lottery, as detailed in the table below:

Area	Number of plots allotted as of June 2009	Scheduled date of handing over possession	Possession handed over after delays of			Possession not handed over as of June 2009 (in numbers)
			16-23 months (in numbers)	25-36 months (in numbers)	37-70 months (in numbers)	
Action Area-I	3,483	March 2003-July 2003	100	123	1,678	1,582
Action Area-II	2,723	March 2004	-	-	-	2,723
Action Area-III	1,928	June 2009	-	-	-	1,928
Total	**8,134**		**100**	**123**	**1,678**	**6,233**

The Company was liable to pay penalty of Rs 72.91 crore due to delayed possession.

Bulk allottees in IT (25) and social (18) sectors had not yet submitted their building plans due to lack of infrastructure though they were allotted land at subsidised rates for their role in construction of “Knowledge Corridor” or social amenities in the field of health, education, training etc. As a result of delays, the Company was liable to pay penal interest of Rs. 72.91 crore to the allottees till 31 March 2009.

Despite spending Rs 1304.48 crore only 3 *per cent* of projected population could start living at NTP.

Thus, even after expenditure of Rs. 1,304.48 crore (March 2009) on the NTP, only 4,707 families moved into the New Town Project as of 30 June 2009 against projected 7.5 lakh people.

While accepting the facts the Management stated (July 2009) that the development of infrastructural facilities in Action Areas-II and III was delayed on account of non – availability of land, haulage path, considerable earth required for land filling *etc.* Consequently, plots had not been allotted to individuals and co-operative housing societies as promised. Steps were being taken to expedite the works in hand to achieve the progress in the next one to two years. However, the reply did not mention the expected dates by which pending works would be completed. In the exit conference Government stated (November 2009) that greater emphasis is required on infrastructure development in NTP.

Land pricing policy

2.17 The Company devised (February 2000) a land pricing policy based on the principle of cross-subsidisation *i.e.* lower prices for weaker/lower income group (LIG) and essential social amenities, break-even prices for medium income group (MIG) and social /institutional use and higher market prices for higher income group (HIG) and commercial use.

The entire project cost was to be apportioned according to the saleable area available in NTP. It was, therefore necessary to identify the saleable land and estimate the total project cost for the entire NTP so as to arrive at the sale price of developed land. The Company had, however, analysed financial viability of only Action Area-I (February 2000-January 2004) and Action Area-II (January 2004) and ascertained the break-even cost per cottah of land of those areas. After a lapse of four years, the Company identified (March 2008) 1,579.30 ha saleable land in the NTP as a whole and estimated the project cost at Rs. 7,429.57 crore for completion of NTP (after considering escalation at the rate of eight *per cent per annum*). The estimated project cost, discounted at 10 *per cent per annum*, was arrived at Rs. 5,466.18 crore as of 31 March 2008. Analysis in audit considering estimated project cost of Rs. 5466.18 crore indicated that the company, while estimating the project cost for Action Area – I, did not consider the proportionate cost of major items of expenditure i.e. 13 bridges, 15 flyovers and 906.10 lane km of roads, surface water supply from Hooghly river, electrical and telecom infrastructure, drainage, sewerage and outfall system, parks, gardens, water bodies etc. required for the entire NTP. Instead, it provided lump sum amount in the estimates which resulted in under provision of the project cost for major works by Rs. 381.13 crore as detailed in **Annexure** 7. The Company sold 765.23 ha of land at a price of Rs. 2,455.01 crore upto December 2007. Accordingly, the break-even cost of balance saleable land (814.07 ha) was worked out (March 2008) by the Management at Rs. 2.50 lakh per cottah[10] to recover the balance project cost of Rs. 3,011.17 crore as on March 2008.

The Company belatedly ascertained the break-even cost of saleable land in March 2008. Consequently, the Company could not recover the short fall of break even cost.

It was observed that upto December 2007, the Company allotted 765.23 ha of land at the average rate of Rs. 2.15 lakh per cottah as against the break-even cost of Rs. 2.32 lakh[11] per cottah. Consequently, shortfall in recovery of break even cost would be set off by way of realising higher rate based on the break even cost of Rs. 2.50 lakh per cottah and future escalation thereon from all allottees including lower income groups after March 2008.

The Management stated (July 2009) that the Company's policy to recover full project cost (less already recovered) from balance saleable land fits well in the logic since people who came late in the scene of project development when the project has reached a take-off stage i.e. after considerable value addition to land should obviously pay more for the plots and the over all project viability is thereby maintained. In the exit conference Government endorsed the views of the Management. The reply does not address the facts that (a) the Management failed to incorporate in its viability studies (February 2000-January 2004) the total cost estimates for the NTP to arrive at realistic break even cost and sale price of plots accordingly. Instead, it opted for piecemeal revision of break even cost and sale price of plots for Action Area-I and Action Area-II. Consequently, the initial land allottees were offered preferential rate in comparison to future allottees, in spite of the fact that the infrastructural facilities and amenities for water treatment plant, roads, flyovers, water bodies, open space and other social /ecological facilities would be common to all; (b) since the Company decided to recover the cost of the project through cross subsidisation from lower income group, middle income group, higher income group and other commercial /social organizations, it should have ascertained the total project cost since the beginning, otherwise unnecessary burden would have to be borne by future allottees, and (c) in the initial years there were huge applications (5.65 times more than the available plots) for allotment through lotteries which indicated sufficient demand of plots in NTP even in its formative years.

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[10] One cottah equal to one acre divided by 60.5

[11] Rs. 5466.18 crore divided by 1579.30 ha x 2.471x60.5 (multiplication factor for converting hectare to cottah)

Allotment and sale policy

2.18 The Company formulated (February 2000) allotment and sale policy, which envisaged following methods for allotment of plots:

Sl. No.	Nature of plot	Mode of allotment
1	Individual /co-operative plot	Against public advertisement at pre-determined price and allotment through lottery
2	Commercial and industrial	Through inviting competitive price bid against the public advertisement, except in case of WBIDC[12], WBIIDC[13], WBIDFC[14] and other Government Organisations
3	Bulk allotment to Government Departments, Joint Sector Companies in the Housing Sector	On selection basis
4	Bulk allotment to other organistions / institutions	Through lottery, at a predetermined price

Further, two and three *per cent* of residential plots are reserved for ex-servicemen/ war widows/ physically handicapped and project affected persons respectively. Another five *per cent* was earmarked for the 'Chairman's discretionary quota'. The company considered the break even cost of land while fixing the sale price of plots to different categories of allottees based on the principle of cross subsidization.

Sale of bulk- plots

2.19 Till March 2009, the Company sold 719.50 acres of land to 101 allottees (information technology sector: 180.45 acres, commercial sector: 157.60 acre and bulk commercial housing sector: 381.45 acres). In terms of the disposal and allotment policy, the Company was to allot plots for commercial and industrial purposes after inviting competitive price bid against public advertisement. After scrutiny of expression of interest (EOI) received from bidders, the Company had to call for financial bids from pre-qualified bidders and allot plots to the highest bidders. The Company, in deviation of disposal and allotment policy, allotted-

- 408.97 acres of land to 47 allottees through negotiation;
- 310.53 acres of land to 54 allottees through tenders, of which financial bids were not invited from 50 allottees (278.96 acres).

[12] West Bengal Industrial Development Corporation Limited
[13] West Bengal Industrial Infrastructure Development Corporation
[14] West Bengal Infrastructure Development Finance Corporation

The table below gives the details.

Sl. No.	Name of the sector	Total area sold (acre)	Nos. of allottees	Tender invited		Financial bid called for against tenders invited		Financial bid not called for against tenders invited		Allotment through negotiation	
				No. of cases	Area (acre)	No. of cases	Area (acre)	No. of cases	Area (acre)	No. of cases	Area (acre)
1.	I/T Sector	180.45	45	42	125.45	02	20.00	40	105.45	03	55.00
2.	Commercial Sector	157.60	36	09	67.06	02	11.57	07	55.49	27	90.54
3.	Bulk Commercial Housing	381.45	20	03	118.02	-	-	03	118.02	17	263.43
	Total :	719.50	101	54	310.53	04	31.57	50	278.96	47	408.97

The Company sustained loss of Rs 371.75 crore due to allotment of land to 24 parties in deviation from its pricing policies.

2.20 A review of the bulk allotment of 508.79 acres of land to 55 Companies/Firms/Developers indicated that the Company sustained a loss of revenue of Rs. 371.75 crore due to **(i)** violation of allotment and sale policy by offering discount (Rs. 66.71 crore) against sale of 181.02 acres to four parties as discussed in Paragraphs 2.21 to 2.23, **(ii)** fixation of price lower than the market price realised through tender (Rs. 270.74 crore) for sale of 115.71 acres to 10 parties as discussed in Paragraphs 2.24 to 2.28 and **(iii)** sale of land (105.25 acres) to 10 parties below the break even cost (Rs. 34.30 crore) as discussed in paragraphs 2.29 and 2.30.

Violation of allotment and sale policy by offering discount

2.21 Against the press-tender invited (May 2004) for bulk- sale of 150 acres land in Action Areas–I and III for information technology (IT) (50 acres), and housing (100 acres) purposes, 15 parties submitted expression of interest in June 2004. Of 15 parties, three were pre-qualified. Bengal Unitech Universals Infrastructure (P) Limited (Party) was found (August 2004) to be technically suitable. However, the Company did not call for any financial bid from the Party. A three-member Committee was appointed on the direction of the Chairman, to assess the market price. The Committee, without ascertaining the market price, fixed (September 2004) the selling price of 150 acres at rupees four lakh per cottah, based on average selling price realised (December 2003 / September 2004) by the Company from sale of three plots[15]. Though the land pricing policy did not allow any discount for bulk allotment, the Committee recommended reducing the rate to Rs. 3.60 lakh (IT purpose) and Rs. 3.20 lakh (bulk housing) per cottah after allowing discount at 10 *per cent* for IT and 20 *per cent* for bulk housing as a 'promotional measure'. The Board approved the reduced rates in September 2004 and 150 acres were allotted (October 2004). Till 31 March 2009, 126.70 acres (78.32 acres for bulk housing and 48.38 acres for IT) were handed over to the Party.

[15] Two plots to Bengal Peerless, Bengal Ambuja (Joint Venture Companies floated by West Bengal Housing Board) in September 2004 and one plot to DLF Infocity Developers (Kolkata) Limited (DLF) in December 2003.

The sale of the plot at lower rate of Rs 3.60 and Rs 3.20 lakh per cottah after allowing discount was not justified. This led to loss of revenue of Rs. 49.61 crore[16] on sale of 126.70 acres of land.

The Management stated (July 2009) that the discount was allowed keeping in view the bulk nature of plots and locational disadvantage. However, the land pricing policy neither fixed the price of the bulk plots location - wise for commercial use nor did it provide for discounts to the bulk allottees. Besides, as per the Company's records the plots were situated in a prominent location. The reply did not state as to why the financial bid was not obtained from the Party and as to why the Committee did not ascertain the market price of plots in the area, before recommending the selling price.

2.22 Subsequently, the Company, without inviting tenders, allotted (December 2004) 38 acres land for IT purposes to DLF Limited and Magus Bengal Private Limited, both of whom had also participated in May 2004 tender, discussed earlier. Though the entire tendered quantity of plot against May 2004 tender was allotted in October 2004, plots (38 acres) were sold at the same rate of Rs. 3.60 lakh (rupees four lakh less 10 *per cent* discount) per cottah as a 'promotional measure'. Not only is this contrary to the land pricing policy as discussed in Paragraph 2.21, but also the tenets of financial propriety were violated since the tender formalities for EOI was already concluded consequent upon offering the entire plot to Bengal Unitech Universal Private Limited and therefore fresh tendering should have been resorted to.

Thus, sale of 38 acres land to two bulk allottees without following tendering process in violation of allotment policy, allowing discount resulted in loss of revenue of Rs. 9.20 crore[17].

2.23 Against a *suo-moto* application, the Company allotted (December 2004) 16.32 acres in Action Area-III in favour of the proposed Rosedale Garden NRI Co-operative Society Limited for non- resident Indians (NRIs). Against the average sale price realised (2004-05) by the Management in Action Area-III at rupees four lakh per cottah, the Company sold the plot at Rs. 3.20 lakh per cottah (after allowing a discount of 20 *per cent*) at which a plot was allotted to Bengal Unitech Universals Limited. However, the proposed society was not formed. Instead, a company called Rosedale Developers Private Limited (RDPL) was incorporated (October 2004) with the objective of constructing a residential complex, where 75 *per cent* allottees would be the NRIs.

The Company allotted (October 2005) the said land to RDPL at Rs. 3.20 lakh per cottah after allowing a 20 *per cent* discount in violation of its land pricing

[16] For bulk housing – Rs. 4 lakh per cottah minus Rs. 3.20 lakh per cottah = Rs. 0.80 lakh per cottah X 78.313 acres X 60.5 (conversion factor from acre to cottah) = Rs. 37.90 crore.
For IT purposes – Rs. 4 lakh per cottah minus Rs. 3.60 lakh per cottah = Rs. 0.40 lakh per cottah X 48.383 acres X 60.5 = Rs. 11.71 crore

[17] For DLF and Magus Bengal = Rs 4.00 lakh per cottah minus Rs 3.60 lakh per cottah
= Rs 0.40 lakh per cottah x 38 acres x 60.5 = Rs 9.20 crore.

policy. Consequently, the Company suffered a loss of revenue of Rs.7.90 crore[18].

The Management stated (July 2009) that, as the plot was undeveloped and inaccessible, it was allotted at the same rate of Rs. 3.20 lakh *i.e.* after allowing a discount on rupees four lakh. The reply is not tenable as the area was not inaccessible because of its proximity to 59 metre wide east- west corridor and 24 metre wide road on both sides. Thus, allowing a discount is contrary to the pricing policy and not justified.

Fixation of price lower than the market price

2.24 In response to a *suo-moto* request (August/ September 2005) from Bengal Ambuja Housing Development Limited (BAHD) for allotment of 20 acres land for IT purposes, the Company, without inviting fresh tenders, decided (September 2005) to allot five acres at the same rate of Rs 3.60 lakh per cottah. Land was allotted (February/ March 2006) at the junction of 90 metre wide road in Action Area-II. Subsequently, on the request (June 2006) of BAHD, the location of the plot was shifted (July/ September 2006) to the west of a IT plot allotted (December 2005) to Millenium Realters. It was observed that the Company, through open tender of 2005-06, had earlier realised (October/ November 2005) an average rate of Rs. 7.66 lakh per cottah on sale of four plots[19] (two for IT purposes in the same area including plot allotted to Millenium Realters). Thus, the sale of plot to BAHD at much lower rate of Rs 3.60 lakh per cottah was not justified.

Hence, sale of five acres land without following tendering process in violation of allotment policy and resultantly much below the market price led to loss of revenue Rs. 12.28 crore[20].

The Management stated (July 2009) that the plot allotted to BAHD was located in undeveloped zone and was inaccessible; so the same rate (Rs. 3.60 lakh per cottah) was realised at which land was allotted to DLF and Magus Bengal. The reply is factually incorrect because this reason was not recorded while allotting five acres to BAHD at Rs 3.60 lakh per cottah. Further, despite realisation of higher rates from allotment of two adjacent IT plots, sale of plot to BAHD at previous year's rate is not acceptable.

2.25 In response to a *suo-moto* request (July 2006) of Tata Consultancy Services Limited (TCS) for allotment of 50 acres land for IT purposes, the Company, without inviting tenders and ascertaining market price, offered (September 2006) 40 acres at a rate of rupees three lakh per cottah. The basis of fixing the rate at rupees three lakh was not on record. Subsequently, TCS approached (October 2006) the Company to reduce the rate to Rs. 2.50 lakh per cottah on the ground that this price was indicated to them by the Chief

[18] Rs. 4 lakh minus Rs. 3.20 lakh X 16.32 acres X 60.5 = Rs. 7.90 crore

[19] Millenia Infrastructure Pvt. Ltd., Udayan Vanijja Pvt. Ltd., Salarparia Properties Ltd. and Shristi Infrastructure Development Corporation Ltd.

[20] For Bengal Ambuja=Rs 7.66 lakh per cottah minus Rs 3.60 lakh per cottah. = Rs 4.06 lakh per cottah X 5 acres X 60.5 = Rs 12.28 crore.

Minister during a discussion. The Company agreed (December 2006) to that rate for allotment of 40 acres.

It was observed that the Company through open tender had earlier realised (October/ November 2005) an average rate of Rs. 7.66 lakh per cottah on allotment of 31.57 acres to four parties[21] for IT and commercial purposes. Thus, the Company allotted land to TCS at a much lower price leading to loss of revenue of Rs. 124.87 crore[22].

The Management stated (July 2009) that the rate of Rs. 2.50 lakh per cottah was not comparable with the rate of Rs. 7.10 lakh per cottah which was realised from a real estate developer, who was not the final user. TCS, however, would construct the entire complex for its own use. The reply is not tenable because the Company had realised Rs. 7.80 lakh/ Rs. 7.11 lakh per cottah from two parties in the same area, who would also construct IT complexes. Hence, allotment of land at Rs. 2.50 lakh per cottah compromised interest of the Company.

2.26 The Company, without inviting tenders, allotted 39.707 acres of land for bulk housing against request received (November 2005 /August 2005) from Magus Estates & Hotels Private Limited (subsequently changed to Magus Bengal Developers Private Ltd) and DLF Universal Ltd. A four member Committee was constituted (February 2006) to fix the sale price. While allotting land to Bengal Unitech Universals Limited (Paragraph 2.21), the Company had considered the average price actually realised from sale of plots. The Committee recommended (February 2006) the rate at Rs. 5.90 lakh per cottah, based on five financial bids received for one plot of land against the tender of 2005-06. Subsequently, the Committee recommended reduction of the rate to Rs. 4.72 lakh, allowing a discount of 20 *per cent* on the ground of "remote /disadvantageous location" which was also accepted (February 2006) by the Board. In this case also, based on the price realised against sale of plots against the tender of 2005-06, the average rate was worked out in audit at Rs. 7.86 lakh[23] per cottah. All areas of NTP had been developed as an integrated project, extending standard infrastructural facilities to all plots. The pricing policy had no provision for allowing discount on sale price on the ground of locational disadvantage. Thus, allowing 20 *per cent* discount was not justified.

Thus, selling of plots at a much lower rate of Rs. 4.72 lakh per cottah instead of Rs. 7.86 lakh per cottah resulted in a loss of revenue of Rs. 75.43 crore[24].

2.27 The Company, on the direction (October 2006) of the State Government, decided (December 2006) to allot 50 acres of land (20 acres for commercial and 30 acres for residential use) at a rate of Rs. 4.13 lakh and

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[21] Millenia Infrastructure Private Limited (10 acre) and Udayan Vanijja Private Limited (10 acre), Salarparia Properties Limited (3.57 acres), Shristi Infrastructure Development Corporation Limited (8 acres)
[22] Rs. 7.66 lakh minus Rs. 2.50 lakh × 40 acres × 60.5 = Rs. 124.87 crore.
[23] Salarparia Properties Limited and Shristi Infrastructure Development Corporation Limited – Rs. 10.76 lakh plus Rs. 4.96 lakh divided by 2 = Rs. 7.86 lakh
[24] Rs. 7.86 lakh minus Rs. 4.72 lakh X 39.707 acres X 60.5 = Rs. 75.43 crore

Rs. 4.96 lakh per cottah respectively to a proposed joint venture company (JVC) of WBIDC[25] and THDC[26]. The State Government communicated (October 2006) to the Company that this land along with another 600 acres proposed to be taken from BRADA[27] area would be utilised by JVC for a composite IT-cum-Residential project. It further intimated that the revenue to be earned by WBIDC out of JVC would enable WBIDC to meet the State Government's commitment of providing infrastructural assistance to TML[28] for its proposed small car project in West Bengal 'without having to resort to budgetary support'. However, WBIDC intimated (May 2007) the Company that the agreement which it proposed to enter with THDC did not envisage setting up a JVC and requested the Company to directly allot the land to THDC.

In a meeting between the State Government and the Company, it was decided (August 2008) that (i) TSL, the holding company of THDC, would implement the JVC; (ii) 200 acres land would be allotted to TSL in BRADA area and after completion of third year from the date of possession of 200 acres land, TSL would pay Rs 30 crore to WBIDC per annum which would part with Rs 10 crore annually to the Company for which a separate agreement would be entered between the Company and WBIDC; and (iii) there would be no profit element for WBIDC in the 50 acres allotted by the Company. Ultimately, on the direction (August 2007) of the State Government, the Company allotted (28 September 2007) 26 acres (eight acres for commercial and 18 acres for residential) at same rates of Rs. 4.13 lakh and Rs. 4.96 lakh per cottah respectively aggregating Rs 69 crore. Immediately after allotment, WBIDC entered into (October 2007) an agreement with TSL. In terms of the agreement, TSL paid Rs 69 crore to the Company towards land cost as well as Rs 100 crore to WBIDC as 'premium for infrastructure development'. It was not, however, clear as to why WBIDC would provide infrastructure facilities to Tata Sons Limited, since it was the responsibility of the Company to provide infrastructure facilities in the allotted land in terms of the allotment. WBIDC did not do any infrastructural work, but it credited Rs 100 crore to their Profit and Loss Account. Instead the amount of Rs. 100 crore should have accrued to the Company.

It was observed that neither land was allotted to TSL in the BRADA area for setting up JVC nor was an agreement entered into with WBIDC for parting with Rs 10 crore by WBIDC annually to the Company (June 2009). Thus, the Company had no chance of getting a share of revenue from WBIDC.

Thus, on the one hand, WBIDC earned Rs. 100 crore without any work, on the other hand, the Company sold (September 2007) 26 acres land to TSL at rates lower than the average rate of Rs 7.86 lakh per cottah realized (2005-06) by it. Consequently, it sustained loss of revenue of Rs. 49.63 crore[29] on sale of 26 acres land.

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[25] West Bengal Industrial Development Corporation Limited.

[26] Tata Housing Development Corporation.

[27] Bhangore Rajarhat Area Development Authority, out side the New Town Project Area.

[28] Tata Motors Limited.

[29] For commercial purposes– Rs. 7.86 lakh minus Rs. 4.13 lakh X 8 acres X 60.5 = Rs. 18.05 crore. For Residential purposes – Rs. 7.86 lakh minus Rs. 4.96 lakh X 18 acres X 60.5 = Rs. 31.58 crore.

The Management stated (July 2009) that as agreed upon between WBIDC and Tata Sons Limited, the Company would be entitled to a minimum additional sum of Rs. 10 crore per annum for eight consecutive years from the proposed joint venture in the adjoining BRADA area. There was no need to mention this clause in the offer letter or in the conveyance deed. The reply is not factually correct because (i) the agreement between WBIDC and TSL did not provide for payment of Rs 10 crore annually to the Company; (ii) no land was allotted in the BRADA area to TSL for setting up the JVC; and (iii) in terms of the decision of the meeting held on 1 August 2007, the Company did not attempt to execute an agreement with WBIDC for enforcing its entitlement to share of revenue. Therefore, allotment of land to TSL in September 2007 much below the market price was not justified.

2.28 The Company invited (February/ May 2006) applications for allotment of five acres of land for opening showrooms for light vehicles and setting up a food plaza at pre-determined rates of Rs. 5.40 lakh and Rs. 3.60 lakh per cottah. Though the Company was to sell land for commercial purposes through competitive price bidding, it did not follow the same and disposed land at these predetermined rates to five commercial organizations[30] (June/ July 2006). However, the same were much below the prevailing average sale rate[31] (Rs. 7.86 lakh per cottah) realised (August /October 2005) by the Company. This led to a loss of revenue of Rs. 8.53 crore[32].

The Management stated (July 2009) that to set up a complex for auto mall plots were allotted to premier car manufacturers at the then estimated market rate of Rs 5.40 lakh per cottah fixed by the three-member Committee. The reply indicates that the estimated market price was determined by the Committee without considering the average sale price realised by the Company in August/ October 2005.

Sale of land below the break even cost

2.29 The Company sold (May 2004 to October 2005) 69.84 acres land (23.19 acres to WBHB and 46.65 acres land to eight Joint Venture Companies, floated by WBHB) at rates ranging from Rs. 75,000 to rupees two lakh per cottah. The sale prices were, however, not fixed with reference to the total project cost estimates for New Town Project. Based on the Company's own principle of cross-subsidisation, the price of land for low, middle and high income group housing should have been fixed at 1.26 times higher than the break-even cost, to be calculated based on total project cost for sale to the joint venture companies. With reference to the break-even cost of Rs 2.32 lakh per cottah for 2007-08, the rates worked out in audit were in the region of Rs. 2.19 lakh and Rs. 2.42 lakh per cottah (considering discount factor at the rate of 10 *per cent per annum*) for the year 2004-05 and 2005-06. Thus, due

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[30] Dewar's Garage Limited, J.J. Automobiles Limited, Lexus Motors Limited, Austin Distributors Private Limited and Speciality Restaurants Private Limited.

[31] From S.S.P.L. Hotels Private Limited and Shristi Infrastructure Development Corporation Limited.

[32] For showroom of light vehicles – Rs. 7.86 lakh minus Rs. 5.40 lakh X 4 acres X 60.5 = Rs. 5.95 crore

For Food Plaza – Rs. 7.86 lakh minus Rs. 3.60 lakh X 1 acre X 60.5 = Rs. 2.58 crore to failure to fix the rates at Rs. 2.19 lakh /Rs. 2.42 lakh per cottah the Company sustained a loss of Rs. 17.19 crore on sale of 69.84 acres land.

The Company suffered loss of Rs 17.11 crore due to sale of land to its financier below the cost.

2.30 Between February and December 1999, West Bengal Industrial Development Finance Corporation (WBIDFC) released a loan of Rs. 67.36 crore to West Bengal Housing Board (WBHB) at an interest rate of 16.25 *per cent per annum* for development of New Town Project. Interest was to be paid quarterly. After its formation (April 1999), the Company took over the entire liability of the loan, alongwith assets thereagainst in terms of an agreement (March 2002) between the Company, WBHB and WBIDFC. Subsequently, on WBIDFC's request, the Company decided (December 2001) to allot 57.79 acres land in Action Area-I to WBIDFC for residential and commercial use when the break-even cost of plots was rupees one lakh per cottah. As per the land pricing policy, rates for bulk residential and commercial use should have been fixed at rupees two lakh per cottah. But the Company fixed the rates at Rs. 0.80 lakh (bulk residential) and Rs. 1.50 lakh (commercial use) per cottah after allowing a discount of 60 and 25 *per cent* on rupees two lakh contrary to its pricing policy. Consequently, the Company sustained loss of Rs 17.11crore[33] on sale of 35.41 acres of land till March 2009.

The Management stated (July 2009) that since WBIDFC had readily provided initial finance for development of the project, a discount of 25 *per cent* in price was consciously given with approval of the Board for the bulk commercial plot. The reply indicates that the Company, in violation of its own pricing policy, allowed discount to WBIDFC for releasing 'initial finance' for the project. The reply was, however, silent as to why plot for bulk housing was sold at a rate even below the break-even cost, extendable to only low income group allottees jeopardizing the viability of the project itself.

Undue advantage to West Bengal Housing Board

2.31 Before incorporation of the Company, the West Bengal Housing Board (WBHB) monitored the land acquisition activities in New Town Project (NTP) through Land Acquisition Collector (LAC) and also directly purchased land from land owners. After incorporation of the Company (April 1999), its Board decided (November 2000 /December 2001) to allot 115.13 acres land "in compact lay out condition" in Action Area–I to WBHB against land purchased on direct piecemeal basis (202.47 acres) by WBHB in NTP, which was handed back to the Company. The Board directed (November 2000) the management to recover from WBHB Rs. 31.34 crore (Rs. 45,000 per cottah) towards development cost of land plus additional charges for supply of surface water on *pro-rata* basis and equal share of escalation based on actuals.

[33] For commercial purposes – Rs. 2 lakh minus Rs. 1.50 lakh X 20.278 acres X 60.5 = Rs. 6.13 crore
For residential purposes – Rs. 2 lakh minus Rs. 0.80 lakh X 15.1276 acres X 60.5 = Rs. 10.98 crore

Between October 2001 and December 2003, the Company received Rs. 14.19 crore from WBHB. It adjusted Rs. 17.15 crore against the claim of WBHB towards expenditure incurred (1994-2001) by it towards land procurement.

The Company failed to recover Rs 17.55 crore due to its inability to work out cost escalation accurately.

Besides, in deviation from the direction of the Board, the Company, without determining the actual cost of the project, accepted (July 2003) rupees three crore towards escalation and additional charge for supply of surface water. While revising (December 2003) the project cost estimates for Action Area–I, the cost of development escalated to Rs. 1.04 lakh per cottah. By considering the development cost at Rs. 1.04 lakh per cottah, the Company should recover Rs. 20.55 crore[34] from WBHB on account of escalation. However, the Company, without assessing the revised cost estimates, accepted rupees three crore, thereby resulting in loss of Rs. 17.55 crore.

The Management stated (July 2009) that the Board after considering all aspects had approved the rate of Rs. 45,000 per cottah subject to a few other conditions such as additional charges in future for surface water supply scheme on prorata basis and payment of escalation. The fact, however, remains that the Company neither recovered escalation as per the revised project cost (December 2003) nor did it calculate the pro-rata additional charge for surface water supply, which is yet to be completed.

2.32 Further, Rs. 17.15 crore so adjusted against the development cost of land included Rs. 2.30 crore incurred by WBHB towards its overhead[35] during 1994-2001. WBHB, without furnishing details, claimed further Rs. 2.41 crore towards overhead at the rate of 12.50 *per cent* on expenditure, net of land cost for the same period. The said amount was included in Rs 17.15 crore so adjusted. Though the Company had already paid Rs. 2.30 crore towards overhead, acceptance of Rs. 2.41 crore on the same account, without calling for details of overhead, lacked justification.

The Management stated (July 2009) that the Board after careful consideration, had agreed to provide Rs. 2.41 crore as overhead charges as duly vetted by the audit firm engaged by the Company for preparation of the reconciliation statement account. However, the reconciliation statement included both Rs. 2.41 crore as overhead charges as lump sum and Rs. 2.30 crore towards overhead under different heads for each year. The Company paid both of them without verification.

Allotment of residential plots for individual and Co-operative housing

2.33 To provide houses/flats to different sections of society at an affordable cost, the Company allotted 4,982 individual housing plots and 3,591 co-operative plots at predetermined prices to applicants of different income groups (LIG/MIG/HIG) through open lottery, Chairman's Discretionary Quota and Special Quota as shown in the following table:

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[34] Rs. 1.04 lakh minus Rs. 0.45 lakh = Rs. 0.59 lakh divided by two into 115.13 acres x 60.5 (conversion factor from acre to cottah)

[35] Salary and allowances, advertisement and publicity, telephone charges, car running expenses, maintenance of office buildings etc.

Particulars	Open Lottery	Chairman's Quota	Special Allotments Quota	Additional Reserve	Total
Plots available (in numbers)	8,167	391	Nil	758	9,316
Plots advertised (in numbers)	8,167	391	Nil.	Nil	8,558
Applications received (in numbers)	92,081	3,630	147	Nil	95,858
Allotment made (in numbers)	8,134	292	147	Nil	8,573

The following points were noticed in audit:

Due to fixation of lower sale price the Company failed to recover Rs 179.47 crore from 8573 allottees.

2.34 The Company allotted plots in Action Area-I at rates of Rs. 0.55 lakh to Rs. 1.60 lakh per cottah (February 2000), revised (January 2004) to Rs. 0.92 lakh to Rs. 1.84 lakh based on the revised cost estimates (January 2004) of the area. Similarly, the rates for Action Area–II was fixed (January 2004) at Rs. 0.75 lakh to Rs. 2.25 lakh per cottah. However, these rates were fixed without considering total project cost estimates which the Company finalised only in March 2008. Based on total project cost estimates and the cross-subsidisation policy, the rates were worked out by audit in the region of Rs. 0.73 lakh to Rs. 2.16 lakh (Action Area-I) and Rs. 1.17 lakh to Rs. 3.48 lakh per cottah (Action Area-II and III) for plots allotted till March 2008. Thus, failure to determine the rates after considering total project cost deprived the Company from earning additional revenue of Rs. 179.47 crore from 8,573 allottees.

In fixing price structure the Company extended additional financial relief of Rs 41.48 crore to HIG than LIG.

2.35 As per the land pricing policy (February 2000), lower price was to be charged for weaker/lower income group (LIG), break even price for middle income group (MIG) and higher market price for higher income group (HIG). Review of selling prices fixed for different categories of allottees revealed that the Company fixed (February 2000) selling price at 150 to 200 *per cent* of break even cost for HIG and at 68 to 125 *per cent* of break even cost for LIG and MIG for plots allotted up to December 2003 . Thereafter, contrary to the suggestion of the consultant appointed for the purpose, the Company revised (January 2004) the selling price at 110 to 150 *per cent* of the break even cost for HIG and 67 to 117 *per cent* of the break even cost for LIG and MIG. Thus, the selling price was revised at 67 to 40 *per cent* less for HIG group, while the same was only one to 13 *per cent* less for LIG and MIG group, despite enough demand for LIG and MIG plots. Thus, HIG group was extended more relief by Rs. 41.48 crore than the LIG and MIG group, thereby frustrating the objective of cross- subsidisation policy.

The Management stated (July 2009) that land prices charged on small retail plots allotted to individuals and co-operative societies within prescribed income limits were reasonable and affordable to people and by any standard not unduly low or high as made out to be. The reply is factually incorrect. The Company, in deviation of its pricing policy, extended more relief to HIG than the LIG and MIG groups, despite enough demand for plots of all categories.

Allotment of plots through open lottery

2.36 Against the press advertisement for allotment of plots to applicants of different income groups (LIG/MIG/HIG) through open lottery, the Company received applications for eight lottery schemes[36] through its bankers along with application money. In this connection the following deficiencies were noticed in audit:

- In respect of lotteries for the first four schemes and bulk co-operatives, the Company did not document the category-wise details of applications received and considered in the lotteries, allotments made and refunds given to unsuccessful applicants in respect of each advertisement.

- To accommodate the unsuccessful applicants, the Company reserved 10 to 25 *per cent* plots of subsequent lotteries, provided they had kept the application money of the previous lottery with the Company's Bank. It was observed that 176 unsuccessful applicants in Action Area-I and Action Area-I/2 schemes were allotted plots in subsequent lotteries for Action Area-II, and Action Area-II/2 even though they had already withdrawn application money from the bank before the lottery. Subsequently, the allotments were cancelled by the Company and these plots were allotted under "special quota[37]" without conducting any further lottery.

- In respect of lottery for three schemes,[38], the Company did not reject 1,129 applicants, although they did not deposit the requisite application money within the specified period. Instead, it allowed them to deposit a part of requisite application money, after a delay of three to five months, so as to enable them to participate in the lottery. Of these applicants, 137 were successful in the subsequent lottery.

- Review of details of lottery conducted (May–July 2005) for the schemes (AA-II/3 and III/1) revealed that there were variations in the number of applications received as recorded in the Accounts Section of the Company and that documented by the Administrative Wing and reported to the Board. The reasons of such variations were not documented. 256 applicants were not considered in the lottery though they had deposited the requisite application money. On the other hand, 215 applicants who had not submitted applications along with application money, were allowed to participate in the lottery.

- The results of the lottery did not contain the number of plots available in a category and number of applicants who had qualified in the lottery for draw. In the absence of this information, it was not clear whether all applicants who qualified in terms of the brochure were considered for the lottery or not.

[36] AA-I, AA-I/2, AA-II, AA-II/2, AA-II/3, AA-III/1, AA-III/2 and bulk Co-operatives
[37] Plots reserved for the high officials/ eminent personalities from various fields who had extended much needed help and guidance in giving shape to New Town
[38] AA-I, AA-II/3 and AA-III/1

Allotment under the Chairman's discretionary quota

2.37 As per the Disposal and Allotment Policy (January 2000), five *per cent* of the plots /flats was reserved for allotment under the Chairman's Discretionary Quota (Quota). Accordingly, the Company framed (July 2001) the guidelines envisaging allotment of plots /flats to 16 categories[39] of people to encourage distinguished persons from all walks of life as well as to address the specific needs of certain sections of society, particularly those who were economically weaker and socially deprived. A Committee was formed (July 2001) to scrutinise the applications and forward its recommendation to the Chairman for final decision. The Committee was to issue proper receipts and to record the salient features of the applications on a broad sheet. The Company received 3,630 applications against which it allotted 292 plots under the quota till 31 March 2009.

In this connection the following points were noticed in audit:

- The Company did not indicate the number of plots to be allotted among each of the 16 categories of applicants to allow equitable representation of people from different sections of society.

- The Committee did not prepare the broadsheet with the details of category under which the eligibility was claimed by the applicant, requisite documents submitted in support of applicant's claim and its recommendation.

- Scrutiny of records of 172 allottees (Individuals–83, Co-operatives–89) revealed that six allottees did not submit their applications, while 90 allottees did not mention the category under which they were eligible. Further, 167 allottees did not submit the requisite supporting documents[40], in support of their claim. On the other hand, 95 applicants[41] were not considered, though they had submitted their applications along with requisite documents. The reasons for such anomalies were not recorded.

Allotment under Special Quota

2.38 The Company identified (September 2005) about 300 individual housing plots /a few co-operative plots in Action Area–I that remained vacant

[39] Land losers in NTP, Gallantry and other award winners, freedom fighters, social workers, eminent persons in established profession /art /literature, persons with record of valuable service in NTP etc.

[40] Proof of award /compensation received, proof of gallantry award, recommendation of the State President /Secretary political party, affidavit from the person indicating his contribution to NTP and letter from the concerned directorate /corporation etc.

[41] comprising land losers, doctors, chartered accountants, freedom fighters, Padmashree Award winners, social workers, advocate, architects, journalists etc.

due to refusal of allotments and surrender of plots by allottees, addition of some plots on finalisation of survey in Action Area-I etc. The area and number wise details of plots, though called for (April 2009), were not produced to audit.

The Board decided (September 2005) to resume 50 *per cent* of such plots reserved for "the high officials/eminent personalities from various fields who had extended much needed help and guidance in giving shape to New Town". A three-member Committee[42] was also formed (September 2005) to recommend *suo-moto* applications after scrutiny for final approval of the Chairman. No documentary evidence in support of the applications were required to be submitted. During December 2005 to May 2009, the Company allotted 147 plots under individual housing plots (HIG-I: 65, HIG-II: 60, MIG: 6) and co-operatives plots (16) under Special quota.

The following points were noticed in audit:

No guideline and procedure framed for allotment under special quota.

- The Company neither framed any guidelines and procedures for allotment nor did it issue any public notice for distribution of plots contrary to the opinion of Advocate General, Government of West Bengal that when public property is distributed, every citizen has right to compete and so public advertisement should be made.

- The Company had already allotted 27 individual and Co-operative plots under the Chairman's Discretionary Quota to different applicants on grounds of their valuable contribution in the development of NTP. Thus, creation of a further quota on the same grounds was inappropriate.

147 plots were allotted to different individuals without recording reasons.

- Out of 147 plots, the Company allotted
  - 57 plots to All India Service Officers (IAS-34, IPS-19, IFS-4) including two Directors of the Company as members of the Committee;
  - 25 plots to serving officers including State Civil Service Officers;
  - 13 plots each to doctors/engineers and teachers/ players/ singers;
  - 12 plots to judges /advocates, 7 to army officers and pilots and four to businessmen; and balance 16 plots to co-operative societies.

It was observed that the Committee forwarded the applications for allotment in a routine manner, without its specific recommendations and without recording the special contribution made by each of the applicant towards development of the project. However, the Management intimated to (May 2009) audit that All India Service Officers were allotted plots for "Administrative help" and the rest were allotted mostly for "Public awareness", while doctors were allotted for "Medical help". However, the information was not supported by any documentary evidence. Further, two Directors of the Company, as Members of the Committee recommended (November 2005) their own names for allotment of plots. This indicated lack of transparency and objectivity in the allotment process. In the exit

[42] Consisting of the Managing Director, Director and Officer on Special duty to Chairman.

conference the Government agreed that allotment out of Chairman's discretionary quota and special quota called for greater transparency.

- The Board was apprised that the applicants had already approached either the Chairman or the Managing Director for allotments. But scrutiny of records of 135 allottees indicated that only 87 allottees applied to the Chairman /Managing Director, while the Board allotted plots to balance 37 allottees without applications.

Disregarding its pricing policy the Company lost Rs 2.28 crore on sale of 147 plots below sale price.

- As per the pricing policy, sale prices for HIG and MIG/HIG co-operative plots so allotted under the quota, should have been fixed at 1.5 and 1.25 times higher than the prevailing break-even cost of Rs. 1.65 lakh (December 2005) and Rs. 2.50 lakh (March 2008) respectively. But the Company adopted the cost in arbitrary fashion without regard to the pricing policy. Consequently, against the sale price realisable of Rs. 14.72 crore, the Company realised Rs. 12.44 crore, thereby leading to a loss of Rs. 2.28 crore.

Construction of dwelling units

Contrary to the objective more emphasis was given on HIG housing.

2.39 As per the Project Report, 30,896 dwelling units (Units) were to be constructed for economically weaker section (EWS), low income group (LIG) and middle income group (MIG) and 10,672 units built for high income group (HIG) in Action Area-I by 2003-04. Till 31 March 2009, 27,819 Units were actually constructed for EWS /LIG /MIG, and 22,168 Units were constructed for HIG. Contrary to the project report, more emphasis was given on construction of HIG housing, reasons for which are not on record.

Construction of flats for economically weaker section

2.40 To provide accommodation for economically weaker section (EWS), the Company constructed (2003-04) 928 flats under Phase-I at a cost of Rs. 15.05 crore. It was observed that of 758 flats allotted through lottery against receipt of full payment, possession was handed over for 651 flats. The balance 107 flats were yet to be handed over due to allottees' failure to get the flats registered. However, no action was taken to organise lottery for allotting balance 170 flats (June 2009).

Despite 170 flats remaining vacant under Phase-I, the BoD approved (June 2003) the construction of another 736 flat to meet the requirement of EWS people under Phase-II. Accordingly 736 flats were constructed (2006 -07) at a cost of Rs. 13 crore, of which 517 flats were allotted through lottery (May 2007). However, no possession was handed over so far (March 2009) as the allottees had not paid the full payment towards cost of flats and had not got the flats registered. The remaining 219 flats were yet to be allotted.

23 *per cent* of flats built for economically weaker section remained vacant.

Thus, even after expenditure of Rs. 28.05 crore, 23 *per cent* flats remained vacant, thereby indicating lack of initiative on the part of the Management to popularise the scheme among EWS people.

Recovery of dues

2.41 The Company hands over plots to allottees through issue of Memorandum of Possession (MOP) only on receipt of full payment towards cost of land from allottees as per the schedule indicated in the allotment order. Before handing over, the allottees are to complete the registration of land. In case of default or delayed payment, penalty at the rate of 12.50 to 17 *per cent* is imposed on allottees.

In case of allotment of land to individuals /co-operatives, the payment is to be made either by down payment within 60 days from the date of offer or within a maximum period of 60 days from the scheduled date of payment of each instalment for allottees who opted for instalment payment; or else their allotment would be automatically cancelled. The following irregularities were noticed in recovery of dues from allottees under these allotments.

- The Company allowed 1319 allottees to pay their dues of Rs. 19.28 crore after delays ranging from 61 to 2649 days. No action was taken to cancel the allotment. The Management stated (July 2009) that the Company on receipt of written request extended the date of payment with delayed payment charge. The action was contrary to the Management's policy decision.

- The Company, not only failed to cancel the allotment of 145 allottees who did not make down payment within the prescribed period of 60 days from the date of offer, but also allowed them discount of Rs. 43.72 lakh. The Management stated (July 2009) that the Company, on receipt of written request, extended the date of payment with delayed payment charge. The action is contrary to the policy of the Management that discount would be allowed only in case of down payment within the prescribed time limit.

- The Company fixed the sale price of corner plots at 10 *per cent* higher than the price of other plots. It did not claim escalation of Rs. 31.06 lakh on this account from the allottees of corner plots in Action Areas I and I/2. The Management accepted (July 2009) the audit observation. However, the reply did not indicate the corrective action taken to recover the amount from the allottees.

- No action was taken by the Company against 243 allottees who made no subsequent payment after their allotment in violation of Company's allotment order.

The Company, in deviation from its allotment policy and method of collection of sale proceeds, handed over the land to WBHB and its JVCs without obtaining full payment against the allotted plots. As a result, Rs. 41.62 crore was recoverable from them since 2004-05. The dues from these allottees reduced from Rs. 41.62 crore (WBHB: Rs. 21.14 crore, JVCs: Rs. 20.48 crore) in 2004-05 to Rs. 33.61 crore (WBHB: Rs. 1.84 crore, JVCs: Rs. 31.77 crore) in 2008-09. The following deficiencies were noticed in audit.

- WBHB was to pay the cost of 23.20 acres of land aggregating Rs. 28.07 crore before January 2005. The said land was handed over in January 2005. However, WBHB paid (March /June 2004) only Rs. 6.92 crore. Of the remaining amount of Rs. 21.14 crore, WBHB paid rupees five crore in 2005-06, while another Rs. 14.30 crore was paid in 2008-09 and the balance amount of Rs. 1.84 crore was still outstanding as on 31 March 2009. Thus, the Company received Rs. 19.30 crore after delay of more than four years. However, in the absence of any enabling provision in the allotment order, the Company failed to recover any penalty.

Despite non-recovery of Rs 31.77 crore from eight parties the Company failed to impose penalty of Rs 23.11 crore on them.

- Similarly, against handing over (January 2005-April 2006) 86.62 acres[43], land, eight Joint Venture Companies (JVCs) were to pay Rs. 130.83 crore before January 2005–April 2006. It was observed that full payment of Rs. 67.30 crore for 51.62 acres was received after delay of six to 28 months, while against dues of Rs. 63.53 crore for 35 acres only part payment (Rs. 31.76 crore) was received after a delay of three years. The amount of Rs. 31.77 crore was still outstanding (March 2009). The Company neither recorded reasons for its failure to recover dues of Rs. 31.77 crore nor did it pursue the matter with the JVCs seriously. Despite an enabling provision for recovering penalty for delayed /non-payment of dues in the allotment order, the Company did not invoke the same to recover penalty of Rs. 23.11 crore.

Thus, handing over land without receiving full payment and failure to recover penalty from defaulting parties were indicative of serious failure of internal control.

The Management stated (July 2009) that there had been correspondence for over a year on the issue of land price and delayed payment charge for 87.80 acre land allotted to WBHB and its eight JVCs. Ultimately full payment was made by September 2006, without delayed payment charge. The reply is not tenable since the Company, in its turn, had paid Rs. 1.91 crore to WBHB as interest due to delay in adjustment of its dues towards WBHB. In the case of other bulk allottees full payment (as per schedule) was to be made before handing over of plots, otherwise delayed payment charge was imposed on the amount of default. Thus, non recovery of penalty from WBHB and its JVCs for delayed payment /non-payment was not appropriate. In the exit conference the Government assured to look into the lacunae in recovery procedures pointed out by audit.

[43] Bengal Park Chambers: 9.81 acres, Bengal United Credit Bilani: 10.18 acres, Bengal Shelter: 9.80 acres, Bengal Green Field: 14 acres, Bengal Shrachi: 13.20 acres, Bengal Ambuja: 9.94 acres, Bengal Peerless: 9.75 acres, Bengal DCL: 9.94 acres

Monitoring

No Project Management Information System in vogue leading to lack of co-ordination between different activities.

2.42 The Company did not devise any Project Management Information System (PMIS) to report on works under execution, delays, period of delays, revisions to the scheduled completion dates and comparative data of physical and financial achievement so as to take remedial action. This led to lack of co-ordination between land development and creation of infrastructural facilities, which in turn resulted in slippages in handing over the possession of land to allottees. Despite this, the Board did not monitor the slippages effectively for taking corrective action. Though recovery of project cost was largely dependent on fixation of correct break-even cost, monitoring mechanism was not in place to ensure computation of realistic break-even cost till 2007. This led to non recovery of break-even cost of plots allotted up to December 2007.

The matter was reported to the Government (September 2009); their reply was awaited (November 2009)**.**

Conclusion

Thus, the Company's policies relating to allotment and sale of plots / land were deficient with respect to

- **adherence to time schedules,**
- **delayed development of land and infrastructural facilities,**
- **delayed assessment of project cost led to fixation of selling price of plots erroneously on lower side causing either revenue or operational loss to the Company thereby affecting viability of the project itself**
- **deviation from its own land disposal and allotment policy,**
- **non-pursuance of policy of selling plots through competitive price bidding and**
- **lack of transparency in allotment from discretionary quota.**

Consequently, the Company

- **suffered loss in allotment of plots for individual, commercial entities and co-operative housing schemes,**
- **extended undue advantage to joint venture companies of West Bengal Housing Board,**
- **incurred penal interest due to delayed handing over of possession of land,**

- **frustrated its own objective of cross-subsidistion between allottees in HIG, MIG and LIG categories in violation of its land pricing policy, and**
- **had to bear an adverse working capital position due to non-recovery of full payment despite handing over of possession.**

Recommendations

It is recommended that the Company should

- **Prepare a strategic plan incorporating stage wise completion schedule of different activities in a time bound manner.**
- **Invest in infrastructure upfront instead of waiting for critical mass to inhabit the township so that NTP can blossom in accordance with its objectives.**
- **Pricing policy should be benchmarked at regular intervals with reference to the market dynamics and in consonance with the objectives of the Company**
- **Policies governing grant of subsidies / rebates should be clearly documented so as to minimise the scope of subjective interpretations and specify avenues of making good such subsidies / rebates.**
- **Adhere to the pricing policy so fixed.**
- **Strengthening its monitoring mechanism.**