Chapter 3

Compliance Audit

Chapter 3 : Compliance Audit

Fisheries, Aquaculture, Aquatic Resources and Fishing Harbours Department

3.1 Unproductive expenditure on a fish landing center

A fish landing centre constructed at an expenditure of ₹ 3.80 crore remained inoperative for more than three years as the facilities like ice plant and diesel pump could not be constructed. As a result, the objective of providing fish landing facilities to fishermen remained unachieved.

Maya Goalini Ghat at Sagar Island in South 24-Parganas is situated at the confluence of river Hooghly and the Bay of Bengal and has been a traditional fish landing centre without permanent fish landing infrastructure and shore based facilities. With a view to facilitate easy berthing of mechanised fishing vessels, landing of fish catches, cleaning and hygienic maintenance of catches and providing shore based facilities under 50 *per cent* centrally sponsored scheme of "Development of Marine Fisheries, Infrastructure and Post Harvest Operations", Government of India[63] (GOI) accorded administrative approval (December 2005) for establishment of a Fish Landing Centre (FLC) at Maya Goalini Ghat at an estimated cost of ₹ 3.46 crore. West Bengal Fisheries Corporation Limited (WBFCL) under Fisheries Department was the implementing agency. Construction of the FLC was completed (August 2008) at a cost of ₹ 3.80 crore but remained un-operational (December 2012).

Scrutiny of the records of the department (June 2011) and WBFCL (December 2011) revealed that the local fishing communities desired (August 2008 to February 2009) to utilise the FLC immediately. However, the FLC could not be utilised as WBFCL had not provided the requisite infrastructure like ice plant, fuel pump and staff required for its operation. Being unable to operationalise the FLC, WBFCL subsequently with the approval of Fisheries Department, handed over (June 2009) the possession of the FLC without building the requisite infrastructure to a local fishermen's Co-operative[64] without making provision of any financial obligation and control.

Audit conducted joint physical verification of the site with the WBFCL authorities in November 2011 and found that the fish landing activities could not be commenced since inauguration of FLC in the absence of infrastructure. Moreover, the traditional use of the site for trawler service and net repairing got disrupted due to silt deposition in the approach canal connecting FLC with the main river. It was also noticed that one of the jetties (the lower one, which was to accommodate vessels during low tide) had become unusable due to prolonged non-utilisation and siltation. Moreover, in the absence of maintenance, physical condition of the remaining part of the FLC also deteriorated.

[63] *Ministry of Agriculture, Department of Animal Husbandry, Dairying and Fisheries*
[64] *Sagar Samudrik Samabai Samity*

This indicates that the department did not take any concerted effort to remove the infrastructural bottlenecks to operationalise the FLC and shrug off its responsibility by handing over of the entire project to a co-operative agency. Thus, the failure of the Fisheries Department in providing basic facilities like ice plant and fuel pump resulted in non-functioning of the Fish Landing Centre for more than three years rendering the expenditure ₹ 3.80 core unfruitful and unproductive and deferred the purpose of the project.

Fig 1:-FLC compound of Maya Goalini Ghat

Fig 2:-Lower and upper jetty of FLC

The department stated (December 2012) that ice plant and diesel pump were prohibitory activities as per Coastal Regulation Zone-I (CRZ-I) Rules 1991 and also not essential for running a FLC as the same was used only for berthing of vessels and resting place for fishermen. It also added that dredging for de-siltation was not feasible as it would bear huge cost.

The reply is not tenable as Ministry of Environment and Forest (MOEF), GOI while approving the project categorised the site as CRZ-III area where construction of ice plant and fuel pump was not prohibited. Thus, the project which *inter alia* envisaged promotion of fishing activities was yet to be commenced inspite of incurring expenditure of ₹ 3.80 crore due to infrastructural bottlenecks resulting the created assets unfruitful.

Housing, Irrigation & Waterways, Water Resources Investigation and Development, Municipal Engineering, Public Health Engineering, Public Works, Public Works (Roads), Public Works (Construction Board), Sundarban Affairs and Urban Development Departments

3.2 Expenditure out of tax receipts without authorisation

Tax receipts of ₹ 207.17 crore during 2009-11 deducted at source from the contractors' bills and the salary bills of the work charged establishment by the departments were utilised without valid authorisation.

Appendix 5 of Rule 3.15 and 4.023 of West Bengal Treasury Rules (WBTR) provides that all moneys received by or tendered to the Government on account of revenues of the state shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Government account save as otherwise provided in the WBTR. Letter of credits (LOCs) issued for execution of works to the Executive Engineers (EEs) by the respective departments in consultation with Finance Department equals to gross value of the works including Income Tax (IT), Value Added Tax (VAT)/Sales Tax (ST) and Profession Tax (PT). While executing various works, all the divisions maintaining accounts under the Public Works accounting system deduct three types of taxes IT, VAT/ST and PT from the contractors' bills and salary bills of Work Charged Establishment (WCE).

During audit it was observed that 10 Departments[65] under public works accounting system deducted ₹ 207.17 crore towards three tax receipts (IT, ST/VAT and PT) from the contractors' bills and salary bills of WCE during 2009-10 and 2010-11 as detailed in the table below:

Table 3.1: Deductions of IT, VAT/ST and PT at source

(₹ in crore)

Sl. No	Name of the Department	Income Tax		VAT/Sales Tax		P. Tax		Total
		2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	
1.	I & W	10.58	7.51	5.58	4.41	0.23	0.19	28.50
2.	WRID	0.99	0.99	1.26	1.00	0.00	0.00	4.24
3.	PHE	14.56	12.89	13.84	13.60	0.03	0.02	54.94
4.	CB	1.56	1.70	1.64	1.91	0.09	0.00	6.90
5.	PW	15.20	10.07	15.27	11.15	0.13	0.06	51.88
6.	Housing	1.27	1.38	0.52	0.61	0.03	0.02	3.83
7.	M.E.	0.27	0.37	0.27	0.41	0.00	0.00	1.32
8.	PW (Roads)	13.11	12.82	11.60	11.88	0.15	0.12	49.68
9.	SA	1.68	1.18	1.47	1.15	0.00	0.00	5.48
10.	UD	0.13	0.14	0.07	0.05	0.01	0.00	0.41
Total		**59.35**	**49.05**	**51.52**	**46.17**	**0.67**	**0.41**	**207.17**

(Source: VLC data)

Scrutiny revealed that surplus LOC to the extent of above TDS from contractors'bills and salary bills of the WCE have been utilised by the EEs for the purposes other than which the gross LOC was issued.

The matter was taken up (June 2012) with all the departments including the Finance Department, of which reply of only the Public Works Department was received. The department (July 2012) accepted the audit contention that money deducted from the contractors' and WCE bills should not be utilised for any other purpose and should be remitted to the Government account and issued order accordingly.

Thus, it is evident that Tax revenue of ₹ 207.17 crore (IT-₹ 108.40 crore + VAT/Sales Tax-₹ 97.69 crore + P. Tax-₹ 1.08 crore) deducted at source from the contractors' bills and the salary bills of WCE during 2009-11 were utilised by the Engineering Divisions without any valid authorisation and against the purpose for which it was meant.

[65] *Irrigation and Waterways(I&W), Water Resources Investigation and Development (WRI&D), Public Health Engineering (PHE), Public Works (PW), Public Works Roads (PW Roads), Public Works Construction Board (CB), Housing, Municipal Engineering (ME), Sundarban Affairs (SA) and Urban Development (UD)*

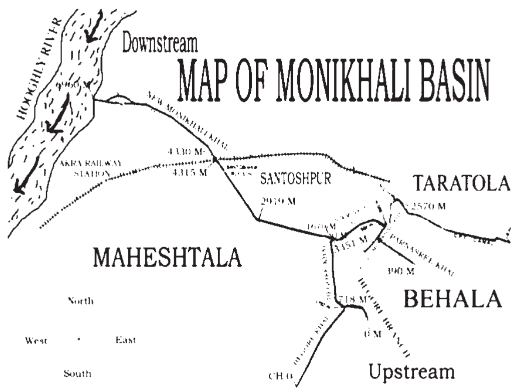
Irrigation and Waterways Department

3.3 Unfruitful expenditure

The objective to provide relief to the inhabitants from drainage congestion and flooding during monsoon remained largely unachieved as the excavation work could not be completed due to improper planning, frequent change in work methodology, non-completion of resettlement of canal bank dwellers resulting in unfruitful expenditure of ₹ 4.35 crore on canal excavation work.

Kolkata Environmental Improvement Project (KEIP) financed by Asian Development Bank (ADB) loan is being executed by Kolkata Municipal Corporation and Government of West Bengal jointly to arrest the environmental degradation and improve the quality of life in the outer boroughs of Kolkata Metropolitan Area. One of the main components of the project was rehabilitation of the canal systems. The Project Director, Project Management Unit, Irrigation and Waterways Department (PD, PMU, I&WD), KEIP was responsible for executing the works.

With an objective to provide relief to the inhabitants of the Behala and localities under Maheshtala Municipalities in Monikhali basin by effective drainage of storm water to river Hooghly, excavation works of the New Monikhali Canal (NMC) (6960 metre in length) along with its tributaries[66] in the upstream as well as downstream was to be executed. The work of upstream was completed (April 2009) at a cost of ₹ 9.61crore.



Further, the work at downstream reach was awarded (March 2007) to a contractor at a contract value of ₹ 7.67 crore for completion by October 2008. The work was, however, terminated in March 2010 after excavation of 1490 metre out of 5250 m i.e. 28 *per cent* in intermittent stretches and construction of 350 metre lining after payment of ₹ 1.14 crore. In this regard audit made the following observations:

- Technical specification of the contract of the work in the downstream portion stipulated excavation to be carried out by dry method through construction of cross bundh across the canal. However, during execution it was found that excavation of the canal by dry method was not feasible due to encroachment and insufficient space for diversion of huge discharge of the canal. As a result, it was decided (November 2008) to change the methodology and wet excavation was resorted to. The contractor was not willing to continue the work with the modified scope of work and the

[66] *Upper Monikhali (1700 m), CPT (2570 m), Begore Khal (3351 m), Begore Branch (716 m), Defunct Monikhali (568 m) and Parnashree (400 m) canals*

contract had to be foreclosed (March 2010). ADB attributed poor design and planning for the foreclosure of the contract. Subsequently, an estimate of ₹ 11.64 crore was prepared (August 2010) for completing the balance work in revised methodology by wet excavation. The department, however, decided (May 2011) not to implement the balance work under ADB fund as it did not consider feasible to execute the work on the conditions laid down by the ADB authority[67].

- Excavation of upstream canal stretch without excavation of downstream stretch would result in obstruction of free flow of water through the unexcavated downstream stretch which would result in impounding of water in the upstream of the canal stretches with consequent re-siltation especially in portion excavated earlier. Thus, the upstream and downstream stretches (intermittent stretches) of the canal excavated between December 2006 and March 2010 would be silted up soon due to obstruction of free flow of discharge of the canal for non excavation of full stretch of the downstream portion of the canal. The department also reported (January 2009) that the expenditure incurred towards the rehabilitation of NMC under KEIP would be of no use and would be a total wastage of public money because the rehabilitated portion of canals would be re-silted very soon.

The department while admitting (November 2012) the fact stated that canal rehabilitation work was taken up before resettlement of canal bank dwellers. They also stated that the competent authority was being pursued to arrange funds for the balance work in the downstream stretches from other sources and in such case funds spent on excavation of upstream portion would be fruitful. The reply is not tenable as the department was yet to take up the balance work even after almost four years of completion of the upstream work (November 2012).

Thus, the objective to provide relief to the inhabitants from drainage congestion and flooding during monsoon remained largely unachieved; besides expenditure of ₹ 4.35[68] crore remained unfruitful.

Power and Non-Conventional Energy Sources Department

3.4 Irregularities in installation of biogas plants and drawal of central subsidy

Even after eight years of commencement of the programme, 27 *per cent* of the biogas plant for which an advance of ₹ 2.43 crore had been paid to the NGOs remained incomplete. Further, status of 25566 completed plants installed at a cost of ₹ 11.50 crore was not verified as per project guidelines. Besides, ₹ 59.74 lakh of central subsidy was irregularly drawn by the NGOs due to lack of monitoring and supervision by the nodal agency.

[67] *not to start work without resettlement of dwellers or to carry out work without disturbing the dwellers*

[68] *Cost of excavation of canal : ₹ 3.96 crore in the upstream work and ₹ 0.39 crore in the downstream work*

Introduction

National Biogas and Manure Management Programme (NBMMP) is a 100 *per cent* centrally sponsored scheme introduced in 1989 by the Ministry of New and Renewable Energy (MNRE), Government of India. The main objective of the programme was to provide fuel for cooking purposes, organic manure to rural households through family type biogas plants, to mitigate drudgery of rural women and reduce pressure on forest and accentuate social benefits. Till 2005-06, West Bengal Renewable Energy Development Agency (WBREDA) under the Department of Power and Non-Conventional Energy Sources, Government of West Bengal was implementing the programme through Cottage and Small Scale Industries Department (C&SSID). Since 2005-06, WBREDA has taken over the entire activity to get the NBMMP implemented through non government organisations (NGOs) after C&SSID relinquished the responsibility. The programme was implemented under old subsidy pattern till October 2009 and thereafter on an enhanced subsidy pattern.

NBMMP under old subsidy pattern included Central Subsidy (CS) ranging between ₹ 2100 and ₹ 4500, additional subsidy at the rate of ₹ 500 for latrine link (ASLL) plants and at the rate of ₹ 700 (₹ 800 for hilly districts) for Turn Key Job Fee (TKJF)[69] available to the implementing agency for three years warranty for trouble free functioning of the plants set up on turn-key basis.

During the course of audit (November 2011 to February 2012) the following observations were made:

Financial outlay vis a vis expenditure and Programme status

MNRE placed (between March 2007 and April 2011) ₹ 21.63 crore under the disposal of the Director, WBREDA for construction of 46076 biogas plants through NGOs for the programme years 2005-06 to 2009-10 (under old subsidy pattern) which were to be completed by March 2012.

The physical and financial progress of NBMMP during the period was shown in table below:

Table 3.2: Physical and financial progress of NBMMP during 2005-06 to 2009-10

Programme Year	Plants allotted to NGOs	Plants completed	Plants not yet completed	Subsidy amount received	Amount released to agencies on completed plants	Unadjusted advance with the agencies	Fund lying with WBREDA
				₹ in crore			
2005-06	7578	4378	3200	3.32	1.96	0.61	0.75
2006-07	8500	8150	350	3.81	3.64	0.06	0.11
2007-08	11000	9000	2000	4.86	3.91	0.33	0.62
2008-09	15000	9650	5350	6.53	4.25	1.11	1.17
2009-10	3998	1903	2095	1.72	0.83	0.32	0.57
Total	**46076**	**33081**	**12995**	**20.24**	**14.59**	**2.43**	**3.22**

(Source: records of WBREDA)

[69] *The Turn-key Job Fee is linked with three years' warranty for trouble-free functioning of biogas plants set up on turn-key basis subject to the condition that the turnkey worker would visit the plants twice in a year at least during the warranty period.*

Scrutiny of records, however, revealed that 12995 plants were yet to be completed (December 2012) even after a lapse of more than one to four years after the scheduled date of completion. Advance subsidy of ₹ 2.43 crore released to C&SSID and NGOs remained unadjusted for one to four years. Further, it was noticed that WBREDA furnished statement of expenditure and Utilisation Certificates (UCs) to MNRE against the subsidy of ₹ 20.24 crore although a sum of ₹ 3.22 crore have remained un-utilised in the bank account.

The department stated (August 2012) that the accumulation of ₹ 3.22 crore was due to withholding balance payment to C&SSID and NGOs in respect of advance from WBREDA.

Monitoring

As per the scheme guidelines (December 2004), WBREDA was required to maintain a database of the beneficiaries. A photograph of the beneficiary and its biogas plant were also required to be kept in the subsidy disbursement registers. Further, to avoid duplication in payment of subsidy and TKJF, it was obligatory on the part of NGOs to provide time to time information to WBREDA about the biogas plants set up by them. In order to ensure that incomplete/non-commissioned plants were not included in the monthly report and for claiming subsidy by the NGOs, it was mandatory that all the plants set up by the NGOs during each quarter were to be physically verified by WBREDA and a certificate to that effect was to be recorded. State Nodal Department and Programme Implementing Agency were also required to engage an independent organisation or reputed NGO for monitoring and evaluation of the programme.

Audit observed lack of supervision and monitoring on the part of the WBREDA as discussed below:

WBREDA was to disburse the central subsidies to the NGOs in installments. On submission of complete list of beneficiaries with photographs of plants installed and UCs, the balance amount was to be released after physical verification of plants. Scrutiny of records, however, revealed that WBREDA verified only 7515 out of 33081 completed plants through different agencies i.e IIT, Khargapur and Manoranjan Roy Energy Education Centre (MREEC) though they were appointed for 100 *per cent* verification. Physical verification for the remaining plants constructed at a cost of ₹ 11.50 crore[70] and reported to be completed, was not done by WBREDA.

It was further observed that the agencies could not verify the completed plants as WBREDA failed to provide the complete list of beneficiaries to the agencies. Thus, the objective of physical verification of plant remained unfulfilled.

---

[70] *25566X ₹4500*

Further, it was also noticed that WBREDA could not update the database of all the beneficiaries under the scheme and database of 30867 beneficiaries against 33081 was completed till August 2012.

Irregularities in payment of subsidy

Audit scrutiny of the beneficiary database of the completed plants prepared by WBREDA revealed irregularities in disbursement of central subsidy to the tune of ₹ 59.74 lakh as discussed below:

- Beneficiaries were not eligible to obtain a second subsidy within seven years from sanction of the first subsidy. Scrutiny of database of beneficiaries prepared by WBREDA alongwith joint physical verification by audit and WBREDA officials revealed that 538 unique beneficiary names were replicated (frequency of replication was two to six) in the beneficiaries-list resulted in additional payment of ₹ 28 lakh central subsidy and TKJF to 606 fictitious beneficiaries.
- Names of 20 other beneficiaries were replicated with slight modification of middle name or spelling of the village and subsidy was paid in 41 cases. As a result, 21 beneficiaries were paid ₹ 0.88 lakh towards central subsidy and TKJF.
- The photographs of the beneficiaries alongwith completed biogas plants were repeatedly used by 15 NGOs in 246 claim forms resulting in additional payment of ₹ 10.33 lakh towards central subsidy and TKJF.
- In 15 cases subsidy worth ₹ 0.71 lakh was withdrawn by manipulation of names in claims forms.
- Though as per scheme guidelines subsidy was to be granted to only one member of family, however, in 419 cases subsidy was drawn simultaneously in the name of daughter and father/wife and husband without ascertaining their family status resulting in irregular release of subsidy of ₹ 17.85 lakh.
- In 23 cases WBREDA allowed central subsidy of ₹ 1.97 lakh in the name of three generations of a family without verifying the existence of separate establishment.

WBREDA while admitting the observation stated (February 2012) that recovery would be effected. The department also assured (August 2012) recoveries and framing of stringent policies.

Public Works Department

3.5 Arbitrary and unauthorised appropriation

Chief Engineer, Public Works Department arbitrarily issued LOC to the divisions for the Work Charged Establishment resulting in huge unspent balance. The unspent balance of ₹ 4.11 crore was utilised for the purposes against which there was no authorisation

West Bengal Financial Rules (WBFR) provides that each head of the department is responsible for observance of all financial rules and regulations by his office. The controlling officer must see that the total expenditure is kept within the limits of the authorised appropriation as well as the fund allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Chief Engineer (CE) being the controlling officer of the Public Works (PW) Directorate is authorised to issue LOC to the PW Divisions for salaries of Work Charged Establishment (WCE) specifying the Head of Account against which the expenditure to be debited. Scrutiny of the monthly accounts of 28 PW Divisions revealed that during 2010-11, the CE had released LOC of ₹ 8.24 crore ***(Appendix-3.1)*** to meet the expenses towards WCE. However, gross expenditure on WCE in these divisions was only ₹ 4.13 crore (50.12 *per cent*) during the same period. Besides, the net payment towards WCE from LOC was even less to the extent of statutory deductions from the bills (like GPF, P Tax and recovery of loans and advances, if any) as the same was not paid but only book adjustment entry was effected in this regard.

However, these 28 PW Divisions instead of surrendering the savings of ₹ 4.11 crore had arbitrarily utilised the same on object head under which funds were not provided and there was no authorisation for such diversions/expenditure. Besides the controlling officers neither assessed the actual requirement nor exercised any monitoring over the expenditure incurred by the divisions.

The department while admitting (August 2012) the facts stated that the savings from WCE fund were utilised on items where there was no budget provision. They further stated that a circular has been issued to all the divisions to check such expenditure.

Public Works and Public Works (Roads) Department

3.6 Loss of government revenue on toll

Public Works and Public Works (Roads) Department suffered loss of revenue of ₹ 73.80 crore due to irregularities in toll collection, non-approval of reserve bid price and non-finalisation of tenders for collection of toll.

The Indian Tolls Act 1851 enables the State Government to levy toll at such rates as it thinks fit, upon vehicles plying on any road or bridges under its jurisdiction. Toll levied under the Act shall be deemed as public revenue (non-tax revenue) and the net proceeds thereof shall be utilised for the construction, repair and maintenance of roads and bridges. Public Works (Roads) Department (PWRD) issued notification (31 January 2003) to introduce (w.e.f. 1 March 2003 or after entering into contract with private agency, whichever is later) toll charges on 15 recently constructed bridges and to enhance toll charges in respect of the five existing bridges after expiry of existing contract. Selection of private agency for toll collection was to be finalised through competitive bidding after fixing reserve bid price on the basis of traffic census report.

Records relating to collection of toll on these 20 bridges revealed that four bridges[71] had since been handed over to the National Highway Wing between February 2004 and May 2007. In Five bridges toll is being collected through private agencies and in other 11 bridges toll is not being collected. The deficiencies noticed in audit are as under:

3.6.1 Loss of ₹ 3.16 crore due to irregularities in collecting toll

During the period 2008-09 to 2011-12, the department could generate revenue worth ₹ 12.90 crore by leasing out toll collection of five[72] bridges to private agencies on the basis of competitive bidding. However, in two out of the above five bridges the department sustained a loss of revenue ₹ 3.16 crore due to the following irregularities:

Loss due to inaction of the department

Agency X has been collecting toll from "Nalini Bagchi Setu" at the rate of ₹ 6001 per day since April 2000. In August 2007 the department approved a reserve bid price of ₹ 19930 per day on the basis of traffic survey conducted for three days in March 2006 against the stipulated seven days survey. Subsequently to engage agency for toll collection, the EE, Berhampore Division-II, PWD, invited two Notice Inviting Bids (NIBs) in July 2008 and September 2008; but in both instances no eligible agency applied. The division again invited NIB in December 2009 and the highest bid was offered by agency X at the rate of only ₹ 6700 per day. It was rejected because it was well below the reserve bid price of the department. Again, the division invited NIB in July 2010 and the same agency X offered the highest bid at the rate of ₹ 6701 per day. The division turned down the offer again. The EE in November 2010 attributed this to "formation of ring among the participating bidders". However, agency X was allowed to collect toll over the period at the rate of ₹ 6001 per day.

Audit observed that no measures were taken by the authority to break down the "ring formation among the participants" so as to obtain competitive rate as per approved reserve price. Further, the NIBs were circulated in only one local Bengali newspaper having limited circulation as against the prescribed guidelines to publish in at least three leading dailies in English, Hindi and Bengali for a wide circulation. As a result, competition could not be generated and favourable rates for toll collection was not received through bidding resulting in loss of revenue of ₹ 2.51 crore[73].

---

[71] *Tilparabarrage (May 2007), Pandaveswar Bridge (April 2007), Mahananda Bridge (February 2004) and Sil Torsa Bridge (July 2004)*

[72] *Gouranga Setu, Kashiram Das Setu, Lochan Das Setu, Iswar Gupta Setu and Nalini Bagchi Setu.*

[73] *01.09.2007 to 30.04.2012 i.e 1804 days @ (₹19930-₹6001) =₹2,51,27,916*

The EE stated (May 2012) that wide circulation of the bid notice would be made henceforth to break the ring and obtain competitive rates.

Loss due to delay in finalisation of bid

The PWRD had been collecting toll from the Iswar Gupta Setu since January 1990 through private agencies.

Audit observed that in order to invite fresh bid after expiry of the existing contract (20 May 2009) the department conducted (November 2008 and April 2009) a traffic survey and approved (June 2009) the reserve bid price at ₹ 57188 per day. Accordingly, NIB was invited (June 2009) for selection of agency. The highest bid of ₹ 41751 per day was offered by the existing agency which was below the reserve bid price. The department allowed (August 2009) the existing agency to continue on their offered rate for six months from 21 May 2009 with the condition that the agency would be retained for further six months (December 2009 to May 2010) if it agreed to pay the reserve bid price for the extended six months; otherwise fresh tender was to be invited.

Scrutiny, however, revealed that the agency was awarded the contract without execution of the lease deed. As a result, when the agency denied to pay the reserve bid price for the extended period, the department could not enforce any action against the agency. After revaluation of the reserve bid price, fresh NIB was floated in July 2010. However, due to delay in finalisation of the bid, the agency was allowed to realise the toll at their offered rate of ₹ 41751 per day till finalisation of the bid process (January 2011).

Thus, due to non-execution of lease deed and delay in finalisation of the bid, the agency was allowed to realise the toll at the rate of ₹ 41751 per day instead of ₹ 57188 per day upto 12 January 2011 which resulted in revenue loss of ₹ 0.65 crore (₹ 15437 X 421 days).

3.6.2 Loss of ₹ 70.64 crore due to failure in introduction of toll collection on bridges

Though PWRD notified in January 2003 to introduce toll on eleven newly constructed as well as existing bridges, audit scrutiny revealed that in respect of nine bridges the divisions could not introduce toll as on May 2012 due to non approval of the reserve bid price. The respective divisions calculated the reserve bid price on the basis of traffic survey data and forwarded (between February 2003 and March 2009) the same to the department for approval. The department, however, had not initiated any action to accord approval even after a lapse of a period ranging between 39 and 112 months. As a result,the divisions could not introduce any toll and the Government had to sustain loss of revenue of ₹ 66.40 crore detailed in ***Appendix-3.2.*** In the remaining two bridges the department also sustained loss of revenue of ₹ 4.24 crore as discussed below:

Government revenue kept in the Local fund Account of Zilla Parishad. Besides, loss of revenue due to inaction of the department

After opening of the Harekrishna Koner Bridge at Karlaghat over river Damodar in Burdwan district in July 2002, Burdwan Zilla Parishad (BZP) was assigned by the department for collection of toll on temporary basis and deposit the proceeds to the appropriate receipt head at regular intervals. PWRD was to introduce toll under the administrative control of the department by November 2002. BZP started collection of toll from the bridge since August 2002 through an agency and continued to collect toll from the bridge upto 13 May 2011. During this period BZP collected ₹ 89.35 lakh and kept the fund in their local fund account without remitting to the receipt head of PWRD in violation of the Government order.

The department, though, assessed (November 2004) the reserve price of ₹ 4575 per day considering the traffic census data but was yet to be approved (February 2012). Non-approval of reserve bid price had resulted in continuation of toll collection by BZP and an amount of ₹ 89.35 lakh so far collected by BZP had not been deposited in the department's accounts. Further, due to non finalisation of the reserve bid price, there was short collection of revenue to the extent of ₹ 65.34 lakh[74].

Revenue loss of ₹3.59 crore due to failure in finalisation of tenders for toll collection.

Para 4.1.2 of the Comptroller and Auditor General's Audit Report (Civil) for the year 2004-05 highlighted the loss of revenue of ₹ 1.26 crore during March 2003 to August 2005 due to delay in approval of collection of toll on Netaji Subhas bridge over river Damodar at Dishergarh in Purulia district on Purulia-Barakar Road. Accordingly, in order to take corrective action the department instructed (June 2005) the concerned EE to take appropriate steps for inviting bid for collection of tolls.

Audit scrutiny (February 2012), however, revealed that the reserve bid price of ₹ 13823 per day was fixed on the basis of the traffic survey and was approved in June 2005, after a lapse of more than two years. Sealed bids, though, invited twice (July 2005 and August 2005) for selection of the agency to collect toll; but were cancelled due to non observance of tendering formalities. PWRD decided (July 2007) to conduct fresh traffic survey in order to determine realistic reserve bid price as the previous reserve price was fixed five years back. Revised reserve bid price of ₹ 16763 was approved (March 2009) and contract for collection of toll was awarded (August 2009) to a private agency at rate of ₹ 24663 per day for a period of one year with effect from 4 September 2009. However, PWRD could not introduce toll collection of the bridge on the pretext of agitation by some local miscreants and terminated the contract in April 2010. Meanwhile, the bridge was handed over (November 2009) to Public Works Department (PWD) and the respective division of PWD also did not introduce toll collection (as on February 2012). On being enquired, the division, stated (February 2012) that no instruction had been received from the higher authority in this regard.

Thus, due to lack of initiative, PWRD and PWD could not introduce collection of toll over the bridge even after 10 years of opening of the bridge leading to a loss of revenue of ₹ 3.59 crore[75] during the period during September 2005 to February 2012.

The above matter was reported to the department in June 2012; reply has not yet been received (January 2013).

---

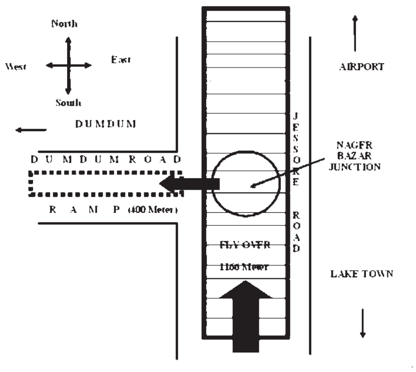
[74]*Reserve bid price of ₹4575 per day for the period between 01.01.2004 to 31.12.2012 (₹1.35 crore)- actual collection by BZP during this period (₹69.66 lakh)*

[75]*₹ 13825X 1297 days (September 2005 to 22 March 2009) + ₹16763X 1069 days (23 March 2009 to February 2012).*

Transport Department

3.7 Loss due to lapses in tendering process

HRBC shouldered huge financial burden due to acceptance of tender at abnormally higher rate for a flyover construction project. Besides, the project inordinately delayed due to deficiencies in preliminary survey and investigations which resulted inavoidable expenditure to the tune of ₹ 3.38 crore. HRBC also unauthorisedly allowed ₹ 1.64 crore extra to the contractor on third party quality control and supervision.



SKETCH OF NAGERBAZAR JUNCTION

Entry ramp of Dum Dum Road not yet constructed

To reduce traffic congestion and facilitate through movement of vehicles in the busy crossing of Jessore Road and Dum Dum Road at Nagerbazar, the Department decided (October 2006) to construct a two lane flyover of 1166 metre length on Jessore Road alongwith a 400 metre long entry ramp on Dum Dum Road. The project was administratively approved in December 2007 at an estimated cost of ₹ 61 crore on the basis of a preliminary estimate prepared in November 2007. It was also decided that the project was to be completed within 12 months by Hooghly River Bridge Commissioners (HRBC) under the administrative control of the Transport Department. Subsequently, Ministry of Urban Development, Government of India decided (October 2008) for funding the project under Jawharlal Nehru National Urban Renewal Mission (JnNURM) at a revised estimated cost of ₹ 48.09 crore (GOI's share- ₹ 16.83crore and State Government share ₹ 31.26 crore) after disallowing some of the items like cost on survey, traffic management, barricading, quality control, consultancy charges, price adjustment and supplementary items.

The HRBC awarded (February 2009) the construction work to a private agency at a cost of ₹ 107.08[76] crore for completion by August 2010 against revised estimate of ₹ 68 crore. The fly-over on the Jessore Road portion was completed and opened to traffic in March 2012. The work of entry ramp on Dum Dum Road was given extension upto June 2013 as the land required for construction was not yet provided to the contractor; thereby traffic congestion of the junction remained chaotic as before. The contractor was paid ₹ 82.62

[76] *Including Provisional Sum-1 for third party quality control, Provisional Sum-2 for supplementary works and Provisional Sum-3 for price adjustment of ₹5.68 crore*

crore upto November 2012. Audit scrutiny revealed deficiencies in the preliminary survey, tendering and execution as discussed below.

3.7.1 Avoidable expenditure of ₹3.38 crore

HRBC, to avoid delay, engaged a consultant (November 2006) for preparation of Feasibility Study Report (FSR), Detailed Project Report (DPR) and tender documents for construction of Nagerbazar flyover on negotiation basis without calling for competitive tender violating the provision of West Bengal Financial Rule to avoid the delay. The Consultant was to submit the reports in February 2007. However, it had submitted the FSR in May 2007, Preliminary Project Report in June 2007 and the DPR and the tender documents in May 2008, after a delay of more than one year. The consultant was paid ₹ 62.70 lakh till March 2012.

As per the contract the consultant was required to conduct sub-soil investigation and locate underground utilities along with preparation of engineering drawings. Audit scrutiny, however, revealed that the contractor engaged for the construction of the fly-over later on prayed for extension of contractual period several times mainly on the grounds like "difficulties in locating underground utilities" and "changing design and alignment" and thereby more than 10 months was lost in initial probing. This indicated deficiency in preliminary survey and investigation carried out by the consultant which was one of the main reasons for delay in completion of the project. Audit further noticed that substantial delay also took place due to failure of HRBC to provide obstruction free site. All these factors attributed to a delay of over three years leading to avoidable expenditure as discussed below:

Contract for construction of the fly-over *inter alia* provided for reimbursement of expenditure for conducting survey, traffic management, provision of site office, hire charges of field laboratories and vehicles, telecommunications etc. for a period ranging from 19 to 57 months with a total provision of ₹ 2.31 crore. However, as the contract had already been delayed for more than three years the contractor was paid an amount of ₹ 3.86 crore upto November 2012 for the period ranging between 31 months and 83 months resulting in extra avoidable expenditure of ₹ 1.54 crore. Further, escalation amounting to ₹ 1.84 crore has already (November 2012) been paid to the contractor.

The department stated (July 2012) that the procedure of locating existing underground utilities of the road was based on available drawings and data of the owning agencies[77] which was usually adopted to finalise foundation locations and preparation of DPR of the project. HRBC further stated that during actual execution, some more uncharted utility pipes were found for which no information could be made available earlier by the owning agencies. This implied that drawings and designs prepared by the consultant were based merely on the information supplied by the owning agencies and no preliminary survey and investigations were performed by the consultant as required in the agreement.

[77] *Utility service provider of electricity, telephones, water etc.*

3.7.2 Irregularities in tendering process

Immediately on the decision (October 2006) of the Transport Department for the construction of the fly-over, HRBC issued (16 November 2006) the Notice Inviting Prequalification (NIP) for selection of eligible contractors before preparing any FSR and DPR. It was published in three newspapers[78] of Kolkata edition only. Besides, details of work to be undertaken were neither described in the notice nor were uploaded on the website as per guidelines of the Central Vigilance Commission. No specific date for declaration of selected applicants in NIP was mentioned because HRBC considered fixing the date after obtaining administrative approval.

HRBC stated (July 2012) that as per direction of the Transport Department considering urgency of the work, HRBC issued NIP as the first step of the tender process so that the process of selection of pre-qualified bidders would be completed by the time of preparation of the DPR and Tender document.

Scrutiny revealed that after obtaining administrative approval in December 2007 HRBC invited (April 2008) three agencies (A, B & C)[79] to purchase the bid documents in May 2008. However, only two agencies A and B purchased the bid documents. HRBC could not produce any document to audit regarding the number of bidders applied for NIP and the process of selection of prequalified bidders. In absence of records, veracity of prequalification of bidders could not be ascertained. Meanwhile, Transport Department proposed (May 2008) that the project was to be funded under JnNURM. Accordingly, all the correspondences between June to August 2008 were made only to A and B. Accounts wing of HRBC objected (August 2008) the bidding process on the ground of violation of West Bengal Financial Rule (WBFR)[80] which *inter alia* stipulated that financial offer of at least three bidders should be considered to avail competitive rate for selection of an agency. HRBC then insisted C (September 2008) to purchase the tender document by extending the date of purchase up to 26 September 2008. C purchased the tender document on 23 September 2008. HRBC again extended the date of submission of tender document twice to facilitate participation of C in the tendering process. Finally, C submitted the bid document in November 2008 and all the three bidders were declared technically qualified. 'A' was selected as the lowest bidder and the department accepted its offer of ₹ 107.08 crore.

The department stated (July 2012) that in every stage of the tender process except in regard to purchase of tender document all the three agencies participated in responsive manner.

The reply is, however, not tenable as HRBC in order to regularise the tendering process after objection raised by the accounts wing included C which was non responsive. This indicates that the whole process of awarding contracts was done in contrary to the Rules.

---

[78] *Ajkal (Bengali), The Statesman (English) and The Times of India (English).*
[79] *A-Senbo Engineering Ltd, B-Tantia Construction Ltd, C-ITD Cementation India Ltd*
[80] *Rule 47 read with G.O no- 10500-F*

3.7.3 Acceptance of tender at abnormally high rate.

Audit noticed that though the lowest offer was 57 *per cent* higher than the revised estimate of ₹ 68 crore, the Transport Department accepted (December 2008) the offer.

The department stated (July 2012) that there was abnormal price hike of construction material between preparation of the estimate (November 2007) and submission of financial bid (November 2008).

The reply is not tenable as it may be seen from the table below that the price of major construction items viz. iron and steel, cement and basic metal alloys and metal products was stable between the period of preparation of the estimate and submission of financial bid as per Whole Sale Price Index published in the Reserve Bank of India (RBI) Bulletin (Base-1993-94-100).

Table 3.3: Comparison of Whole Sale Price Index of May 2008 and November 2008

Name of the item	Whole Sale Price Index in the month of May 2008 (at the time of preparation of estimate)	Whole Sale Price Index in the month of November 2008 (at the time of submission of financial bid).
Iron and Steel.	352.4	328
Cement	219.2	225.2
Basic metal alloys and metal products	315.9	305

(Source: Bulletin of Reserve Bank of India)

3.7.4 Unauthorised expenditure of ₹1.64 crore on quality control beyond the terms of contract.

The contract amount of ₹ 107.08 crore included a provision of ₹ 18 lakh as Provisional Sum No. 1 for engaging third party consultant for quality control. General condition of the contract provided that HRBC would select third party quality control agency but all fees and expenses on engagement of third party consultant would be paid by the contractor from the provisional sum. In violation to the contractual agreement, HRBC engaged (June 2009) an agency at a contract fees of ₹ 74.19 lakh for third party quality control and paid ₹ 1.54 crore directly to the agency as on February 2012. Audit observed that the Management of HRBC not only engaged the agency for third party quality control without any approval from the department but also incurred an expenditure of ₹ 80.00 lakh in excess of the tendered provision.

Besides, the contract (technical specification-Volume-II) stipulated engagement of Inspection Authority for structural steel to inspect, examine, test materials, workmanship/and performance of any part of the works. All fees and expenses for the inspection work shall be the responsibility of the contractor. No separate measurement shall be done and payment will be considered incidental to the works. Vice Chairman, HRBC, however, substituted the above provision by issuing an addendum (October 2008) to the tender documents which stipulated that all fees and expenses for the work would be paid by the contractor from provisional sum No 1. This modification to the clause of tender documents was carried out without the approval of

HRBC Board. However, during execution HRBC engaged an inspection authority in February 2010 for steel fabrication works and paid (March 2012) ₹ 27.93 lakh from the provisional sum.

The department stated (July 2012) that excess expenditure had to be made to cater the entire construction period including extended period which was granted to the contractor and final approval of the Board and the Government would be taken after completion of the work.

The reply is not tenable because engagement of third party quality control consultant and inspecting authority was within the scope of the contract and as per the contract all fees and expenses for the services were to be paid by the contractor from the provisional sum provided in the contract. Thus, expenditure of ₹ 1.64 crore[81] paid to the consultants beyond the scope of the contract, was unauthorised.

(MAUSUMI RAY BHATTACHARYYA)
Accountant General
(Economic and Revenue Sector Audit)
West Bengal

Kolkata
The

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The

[81] *[₹1.54 crore + ₹ .28crore] – ₹0.18 crore*