

## **CHAPTER IV**

# **COMPLIANCE AUDIT State Public Sector Undertakings (Non-Power Sector)**



## CHAPTER - IV

### Compliance Audit of State PSUs (Non-Power Sector)

#### West Bengal Forest Development Corporation Limited and West Bengal Wasteland Development Corporation Limited

#### 4.1 Detailed Compliance Audit of West Bengal Forest Development Corporation Limited and West Bengal Wasteland Development Corporation Limited in plantation activity

##### 4.1.1 Introduction

The Forest Department (DoF), Government of West Bengal (GoWB) is responsible for management of forests and wildlife in West Bengal. The Directorate of Forests is an arm of DoF. In addition, two PSUs, viz. West Bengal Forest Development Corporation Limited (WBFDCCL) and West Bengal Wasteland Development Corporation Limited (WBWDCL) came into existence in 1974 and 1989 respectively, mainly to function as agencies of DoF.

##### *West Bengal Forest Development Corporation Limited (WBFDCCL)*

WBFDCCL was incorporated to expeditiously develop forests on lands belonging to it and to plant, re-plant, afforest and re-afforest such forest land, waste land or other land. At present, WBFDCCL harvests timber and firewood from the forests in North and South Bengal as an agent of the Directorate of Forests to sell them through e-auctions. It also runs timber saw mills, sells sawn timber, has joinery and carpentry units, and collects and sells non-timber forest produce. Besides, it operates eco-tourism lodges, undertakes greening of wasteland in South West Bengal and manages the forests in Kalimpong.

In West Bengal, there was short-supply<sup>129</sup> of 20 million cubic metres (mim<sup>3</sup>) of fuel-wood and 0.915 mim<sup>3</sup> of wood other than fuel wood as of September 2011. So, there was requirement for commercial plantation for fuel-wood and other wood.

WBFDCCL's operational revenue peaked in 2007-08 (₹ 97.61 crore). Thereafter, it declined at an annual compound rate of 7.27 per cent as of 2017-18 (₹ 45.87 crore). Thus, despite demand for fuel wood and other wood, and the envisaged objectives of WBFDCCL for plantation, its volume of activities kept shrinking.

##### *West Bengal Wasteland Development Corporation Limited (WBWDCL)*

WBWDCL was to develop wastelands by raising plantation and to plant, re-plant, afforest and re-afforest such wasteland. The activities presently undertaken by WBWDCL are limited to felling and disposal of roadside trees from highways/ roads, as well as compulsory plantation of trees. Further, it undertakes landscaping, beautifying and planting of trees for other entities, e.g., Eastern Coalfields Limited (ECL) and Damodar Valley Corporation (DVC).

WBWDCL was inactive till 2007-08. Thereafter, WBWDCL's revenue from operations rose from ₹ 46.37 lakh (2008-09) to ₹ 4.57 crore (2011-12) then

<sup>129</sup> Source : Minutes of Discussion - West Bengal Forest and Biodiversity Conservation Project - Between Japan International Cooperation Agency And West Bengal Forest Department, Government of West Bengal, 18 October 2011.

dipped to ₹ 1.65 crore (2013-14) and again rose to ₹ 6.86 crore (2017-18). Thus, WBWDCL's revenue from operations has been fluctuating over time. Subsequently, WBWDCL was amalgamated<sup>130</sup> with Wbfdcl with effect from April 2018.

The Detailed Compliance Audit of West Bengal Forest Development Corporation Limited and West Bengal Wasteland Development Corporation Limited in plantation activity were conducted covering the period between 2014-15 to 2017-18:

## Audit findings

### West Bengal Forest Development Corporation Limited (Wbfdcl)

#### Plantation in non-forest wasteland in South West Bengal

##### 4.1.2 Non-achievement of physical targets for plantation

From 2014-15, Wbfdcl took up projects for plantation of eucalyptus clones on privately-owned waste lands in rural Purulia, Bankura and Paschim Medinipur districts of South Bengal. This activity aimed at improving the socio-economic condition of poor land owners who were unable to derive benefits from their unused land and simultaneously to improve earnings of Wbfdcl. The entire investment for plantation and harvesting was to be borne by Wbfdcl and revenue of the produce was to be shared by Wbfdcl and the land owners in the ratio 3:1.

As per budget Wbfdcl planned to develop plantation over 4,490 ha from 2014-15 to 2017-18. Wbfdcl, however, achieved plantation over 2,616.63 ha only as detailed in the **Table 4.1**:

**Table 4.1: Plantation Target vis-a-vis Achievement (figures in Ha)**

	Purulia		Bankura		Medinipur		Total	
	Physical Target	Achievement	Physical Target	Achievement	Physical Target	Achievement	Physical Target	Achievement
2014-15	501.00	501.00	314.00	246.36	—	—	815.00	747.36
2015-16	1,000.00	1,099.00	1,000.00	64.20	1,000.00	204.73	3,000.00	1,367.93
2016-17	100.00	105.50	150.00	57.50	100.00	80.84	350.00	243.84
2017-18	150.00	152.40	125.00	105.10	50.00	—	325.00	257.50
<b>Total</b>	<b>1,751.00</b>	<b>1,857.90</b>	<b>1,589.00</b>	<b>473.16</b>	<b>1,150.00</b>	<b>285.57</b>	<b>4,490.00</b>	<b>2,616.63</b>

From the above table it may be seen that Wbfdcl could achieve only 58.28 per cent of the overall target for plantation. Although in Purulia the achievement exceeded the physical target by 6.11 per cent, for Bankura and Medinipur the achievement was 29.78 per cent and 24.83 per cent, respectively. Out of the above three divisions, records of two divisions were scrutinised and field inspections undertaken during audit. Deficiencies observed in implementation of the project in these two divisions<sup>131</sup> are detailed in **Paragraph 4.1.3**.

<sup>130</sup> MCA note no 24/2/2017-CL-III dated 21.05.2019

<sup>131</sup> Purulia and Bankura

### 4.1.3 Deficiencies in implementation of greening wastelands

WBFDCCL incurred expenditure of ₹ 17.88 crore<sup>132</sup> (till March 2018) for greening of wastelands. There were significant deficiencies in implementation of this project, which was to be done in conjunction with the landowners, which rendered expenditure of ₹ 3.74 crore infructuous as detailed below:

#### 4.1.3.1 Project commenced without preparing DPR

As per Project Implementation Manual of the Ministry of Statistics and Programme Implementation (June 2010), a DPR containing complete break up of all components of the project with specific time schedule and firmed up costs is required to be prepared in the first stage of a project. It is used as an instrument for controlling and monitoring the physical as well as financial progress of the project.

It was noted that the work of greening of wasteland in Purulia, Bankura and Medinipur districts, commenced from May 2014 without prior approval of the Board of Directors(BoD) and preparation of DPR. Preliminary approval was belatedly sought for and received in September 2015 *i.e.*, after 16 months of initiation of work. Further, in the BoD meeting of September 2015, it was decided to prepare a DPR. The DPR was finally prepared and approved (September 2016) after another 12 months. The delay of 28 months for preparation of DPR, which was to be done before initiation of work, indicated absence of planning.

In the DPR, plantation of “*Akashmoni*” trees was recommended for Purulia district, but because of unplanned implementation of plantation work, “*Eucalyptus*” trees had been planted on 1,857.90 ha of land. During physical verification by Audit in 118 ha of 10 patches, it was noticed that the survival rate was only 37.48 *per cent* compared to the target of 80 *per cent* survival. *Eucalyptus* is a hardy plant species. Despite that if the survival rate was poor, the reasons may need further investigation. GoWB needs to enquire into the reasons for selection of unsuitable species and should take up a study to ascertain the ecological impact of planting *eucalyptus*.

WBFDCCL stated (August 2018) that the work was undertaken without DPR due to insufficient time to prepare DPR. The fact, however, was the DPR had not been prepared even after lapse of more than two years, *i.e.*, two plantation periods.

#### 4.1.3.2 Global Positioning System (GPS) Mapping

WBFDCCL directed (September 2015) Division offices to map all planted areas (including plantation raised in 2014-15 and 2015-16) with global positioning system (GPS) for the actual measurement of the planted areas. This was reiterated in the DPR also.

Funds for survey and demarcation by GPS were first provided only in 2017-18. No provision of fund was made for GPS in two years of implementation of this project, *i.e.* 2015-16 and 2016-17.

With the help of ‘*Google Earth Pro*’, Audit identified 14 plantation sites (184.30 ha) in Bankura (nine: 66.30 ha) (*Annexure-6*) and Purulia (five: 118 ha) (*Annexure-7*) for which GPS data was available with WBFDCCL. Joint visits of Audit and WBFDCCL were conducted in May 2018. Audit findings were as follows:

<sup>132</sup> Purulia : ₹ 11.80 crore, Bankura : ₹ 3.66 crore and Medinipur : ₹ 2.42 crore

- The GPS images showed that the plantations on which planting was stated to have taken place included stretches of land with low survival (Bankura : 49 per cent, Purulia : 37 per cent). Besides, in nine<sup>133</sup> out of 27 patches over 46.76 ha there was no plantation.



- The plantation as stated to have been executed were found to be on land with water bodies (Deshra: 0.75 ha) etc. The presence of water bodies indicates low lying areas not recommended for plantation.

Pre-existing plantations, which were not planted by Wbfdcl, were shown as plantations developed on or after April 2014. These plantations spread over 9.65 ha were at Gosaidih (five ha) and Deshra (4.65 ha). Moreover, at Asrabad (3.50 ha) the plantation was taken up in areas where mature Palash trees already existed. The saplings sown were overshadowed by these matured trees, which hindered the growth of the new plantation.

- Test checked plantations at Gosaidih (two ha) and Jamthole (1.13 ha) had patches that overlapped with each other. Thus, overall plantation area as claimed by Wbfdcl was overstated.

**Gosaidih (2015)**



**Before Plantation (March 2014)**



**After Plantation (December 2016)**

Two patches overlapping each other and already having plantations (one patch) not planted by Wbfdcl

*(Pictures courtesy: Image©2018 CNES/ Airbus, Image©2018 Digital Globe)*

<sup>133</sup> (1) Chipida (one patch), (2) Gorsika (two patches), (3) Jamthole (three patches), (4) Penchra (one patch) and (5) Chhelia (two patches)

- Spontaneously growing *Akashmoni* trees overshadowed eucalyptus plantations due to lack of maintenance/ mulching.

In absence of GPS data in respect of the plantations executed during 2014-15 in Bankura Division, the monitoring of plantation work could not be done by Wbfdcl. Audit further noted that claims of plantation areas achieved were found to be overstated in both the divisions.

Wbfdcl stated (August 2018) that GPS mapping of all plantations will be completed shortly. Further, discrepancies in GPS with actual plantation were being verified.

#### ***4.1.3.3 Non-availability of agreements with beneficiaries/ landowners***

As per the DPR, the most important component of the project was land agreement with landowners/ beneficiaries. These agreements were required to be legally sound and fully respected by all stakeholders during the project period. Further, Wbfdcl was required to maintain an online list of beneficiaries. Moreover, Wbfdcl was to share 25 per cent of the sale proceeds on harvesting with the land owners/ beneficiaries.

During 2015-17, Wbfdcl had undertaken plantation work covering 121.70 ha in Bankura and 1,204.50 ha in Purulia. Audit test checked agreements in Bankura and Purulia. The following defects were observed –

- List of beneficiaries/ agreements was not maintained in Bankura or Purulia. Audit was, therefore, unable to determine the total number of agreements/ beneficiaries.
- In Bankura, agreements for 24.50 ha were not available.
- Further, in Bankura, the agreements for 54.20 ha were incomplete. They consisted of the first page (stamp paper) or last page (signature page) or first and last pages only.
- None of the agreements had been registered in either Bankura or Purulia. It was noticed that the cost of registration of the agreements was not included in the DPR or estimates.

Wbfdcl belatedly approached (August 2015) the Forest Department for clarification regarding the registration requirement of the agreements but received no response.

Non-existent, incomplete or unregistered agreements can render their enforcement doubtful. Moreover, at the time of sharing the sale proceeds with the beneficiaries/ owners as per agreements, there can be legal disputes with beneficiaries/ owners regarding their share of revenue.

Wbfdcl stated (August 2018) that some of the agreements were misplaced. Besides, the beneficiaries were not willing to register the agreements as they were apprehensive regarding the intent of Wbfdcl with respect to the right over their lands. Wbfdcl, however, remained silent about incomplete agreements and non-preparation of list of beneficiaries/ land owners.

#### ***4.1.3.4 Low survival of seedlings due to their poor quality and belated planting as well as damage to clonal seedlings***

According to the DPR, nursery work should start in January with planting materials to be ready by June/ July of the same calendar year. The requirement

was (a) 2,500 seedlings for each hectare, and (b) seedlings of at least, 18 inches in height. At the end of the first year, at least, 85 *per cent* of the seedlings should survive. Further, based on growth statistics of eucalyptus clones tested in South West Bengal, clones C3, C7 and C83 of ITC Bhadrachalam<sup>134</sup> had been found to be suitable for plantation in Bankura.

It was noticed that -

- During 2015-16, Wbfdcl had developed plantation on 1,070 ha in Purulia. It was noted that the Purulia division of Wbfdcl requisitioned (May 2016) for replacement seedlings to fill up the vacancies due to non-survival of seedlings planted. The percentage of non-survival after first year varied from 37.54 to 53.18 *per cent*. In addition, plantation on 29 ha at Durgapur was totally damaged within one year of plantation. Thus, after one year of plantation, the mortality exceeded the maximum of 15 *per cent* on account of factors which could have been avoided as mentioned below.

No information in respect of survival of seedlings planted by Bankura division of Wbfdcl was made available. From the records of the Purulia division of Wbfdcl, it was, however, noted that seedlings from the nursery were received in August 2015, which led to delayed planting. Further, the seedlings were stunted with height of 10 to 12 inches against the prescribed height of 18 inches. Such deficiencies led to the poor survival rates and resulted in rendering expenditure of ₹ 3.62 crore incurred on re-plantation of 530 ha in Purulia division infructuous.

Wbfdcl attributed (August 2018) low survival to prolonged extreme drought in Purulia. Their reply was not acceptable since annual rainfall data from the Indian Meteorological Department (IMD) for the years 2014 to 2017 indicated that in those years, there was no drought<sup>135</sup> in Purulia.

- Wbfdcl required 25 lakh seedlings (target: 1,000 ha) for plantation in 2015-16 at Bankura. Accordingly, it placed (July 2015) supply order for 25 lakh clonal seedlings on a private nursery in Andhra Pradesh. Wbfdcl received (July/ August 2015) seedlings which were not according to specifications, so after receipt of 5.11 lakh seedlings (₹ 36.97 lakh), the order was cancelled. The actual area planted was only 64.20 ha for which Wbfdcl could use only 1.60 lakh seedlings.

Remaining seedlings were kept in storage at Bankura and Chandrakona Nursery of Wbfdcl. Due to improper maintenance in storage at Bankura (lying in the open, without shade and watering) and transportation from Bankura to Chandrakona, 1.65 lakh<sup>136</sup> seedlings (value : ₹ 11.93 lakh) were damaged.

Wbfdcl replied (August 2018) that Bankura lacked storage facilities and trained staff. This indicated that the procurement was undertaken without creating the requisite infrastructure.

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<sup>134</sup> Different types of Eucalyptus Clone Species.

<sup>135</sup> Defined by the Indian Meteorological Department as seasonal rainfall of less than 75 per cent of its long term value.

<sup>136</sup> At Bankura, 0.77 lakh seedlings were damaged in storage and 0.88 lakh in transit to Chandrakona Nursery of Wbfdcl.

#### 4.1.3.5 Plantations damaged due to non-maintenance and improper protection

As per DPR, to ensure better survival of seedlings/ plantations (a) they required maintenance for two years following<sup>137</sup> their planting, and (b) proper fencing/ cattle trenching was to be erected for their protection. Moreover, their protection was the joint responsibility of Wbfdcl and beneficiaries. The seedlings which had not survived the first year were to be replanted in subsequent years. Further, if any trees were damaged due to negligence or default of the beneficiaries, Wbfdcl would recover the expenditure on replanting the patch, from the beneficiaries' share, i.e., 25 per cent of the sale proceeds on harvesting.



Animals grazing at plantation site

Audit inspection showed that records on expenses incurred for replanting the area (site-wise) were not maintained by the Divisions.<sup>138</sup> The Range Managers at Taldangra and Bishnupur had not submitted estimates for maintenance work to Divisional Manager of Wbfdcl at Bankura. This indicated that maintenance work of plantations following their planting for two years was not undertaken at Taldangra (145.22 ha in 2014-15) and at Bishnupur (18.20 ha in 2015-16).

Further, no cattle trenching was undertaken at any patch. During spot inspection, it was observed (May 2018) that the fencing at plantations was not robust.

Wbfdcl had not recorded status of plantation/ survival percentage in the plantation journal and not maintained records of expenditure on additional replanting. Hence, during audit, the impact of non-maintenance of/ grazing by cattle on plantation could not be arrived at. It had also been observed during spot inspection that due to poor fencing, livestock was grazing on plantations. This had led to lower survival of seedlings at Brindajam (45 per cent) in Bankura and Deshra (64 per cent) in Purulia.

Wbfdcl stated (August 2018) that plantations were damaged due to very low rainfall during the monsoon. The rainfall data from the IMD for the year 2014 showed that the average rainfall during monsoon (16 per cent less than long term average rainfall) was not "very low", with rainfall exceeding the long-term average rainfall<sup>139</sup> in two out of four months.

#### 4.1.4 Compensatory Afforestation (CA)

The Forest (Conservation) Act, 1980 along with rules and regulations made there under embody a framework regulating indiscriminate exploitation of forests and diversion of forest land/ forest eco-systems. Compensatory Afforestation (CA)

<sup>137</sup> Year 1 and Year 2 maintenance.

<sup>138</sup> Bankura and Purulia

<sup>139</sup> June 2014: 85.7 mm (-60 per cent), July 2014: 313.7 mm (+3 per cent), August 2014: 323.4 mm (+11 per cent), September 2014: 164.1 mm (-32 per cent). Deviation from long term average indicated in brackets.

is an important condition stipulated<sup>140</sup> by the Government of India (GoI) while approving proposals for de-reservation or diversion of forest land to non-forest uses. For all such proposals, a comprehensive scheme for CA is to be formulated and submitted along with the cost of CA to Ministry of Environment, Forest and Climate Change (MoEFCC), Government of India (GoI).

As per Para 3.2(i) of the guidelines issued under The Forest (Conservation) Act, 1980, CA was to be done over equivalent area of non-forest land (NFL). If the non-forest land is not available in proximity of the diverted forest land, then CA was to be done on twice the area of degraded forest land (DFL).<sup>141</sup> Forest Department (DoF), GoWB leased (November 1974) the management of forests under Kalimpong Division in North Bengal to Wbfdcl. According to the lease agreement (January 1976), Wbfdcl was to develop, extract forest produce and replant trees in Kalimpong, initially for 10 years. Thereafter, the agreement was renewed upto October 2011, with requests for extension up to October 2018. Scrutiny of records at Directorate of Forest, GoWB brought out diversion of 195.56 ha of forest land in Kalimpong for non-forest use<sup>142</sup> and the status of CA as on March 2018 was shown in **Table 4.2**:

**Table 4.2: Compensatory Afforestation by Wbfdcl**

Particulars of compensatory afforestation (CA)	Area diverted for non-forest use	CA required to be done	Achievement	Shortfall	Percentage of achievement
	In hectares				
Equivalent area over NFL	183.49	183.49	92.89	90.60	50.62
Twice the area over DFL	12.07	24.14	Nil	24.14	Nil
<b>Total</b>	<b>195.56</b>	<b>207.63</b>	<b>92.89</b>	<b>114.74</b>	<b>44.74</b>

It was further noted that:

- Afforestation was to be completed within a period of one year from the deposit of money in the CA Fund by the agencies proposing diversion of forest land to non-forest uses. Even after one to fourteen years from the dates of MoEFCC approval for the diversion, only 44.74 per cent of CA requirement was met. The areas for raising CA on 24.14 ha of DFL were identified (September 2006 to September 2016) but no CA was raised till date (March 2018). It was found from records of the Directorate of Forest, relating to diversion of forest land in Kalimpong division, that Wbfdcl had not approached DoF to release necessary funds for CA.
- Out of 183.49 ha of NFL which was selected for CA, 90.60 ha was unsuitable for raising CA as the land was either rocky, sinking, prone to landslides or *jhora* (mountain stream) area or covered with vegetation. Thus, selection of 90.60 ha NFL, which was inherently unsuitable for raising CA, was faulty.

<sup>140</sup> Para 3.1(i) of the guidelines issued under the Forest (Conservation) Act, 1980

<sup>141</sup> Degraded forest land (DFL) is formerly forested land severely impacted by intensive and/ or repeated disturbance like mining, repeated fires or overgrazing.

<sup>142</sup> Teesta Lower Dam Project-III (183.49 ha), Teesta Stage-IV (0.6935 ha), laying of pipeline by Oil India Limited (6.6 ha), improvement of roads (2.776 ha) and construction of border outpost (two ha)

- For CA on NFL of 183.49 ha, Directorate of Forests sanctioned funds of ₹ 126.61 lakh during 2003-04 to 2008-09. Till October 2010, CA could be raised only on 92.89 ha of land. Against an amount of ₹ 64.09 lakh (proportionate sanctioned amount for 92.89 ha) Wbfdcl had expended (till October 2010) ₹ 103.31 lakh for this work. The details of cost overrun by ₹ 39.22 lakh were not provided by Wbfdcl, though called for by the DoF, GoWB in January 2011.

The funds for CA implementation were received during the period 2004 to 2016 based on the rates applicable at that time. However, due to delay in execution of work there was increase in the cost of raising CA ranging between 74.88 per cent and 387.36 per cent. As a result, the cost of raising CA over the balance 114.74 ha of NFL (90.60 ha) and DFL (24.14 ha) escalated by ₹ 1.02 crore.

Thus, Wbfdcl could not achieve 55.26 per cent of the targeted CA due to wrong selection of land and delay in plantation. Further, such delay resulted in cost escalation for CA by ₹ 1.02 crore, which cannot be recovered from the user agencies.

Wbfdcl stated (August 2018) that the fact of shortfall in CA had been “reported and brought to the knowledge of all concerned”. The actual expenditure of ₹ 1.03 crore incurred was reported to the DoF. So there was no question of intimating cost overrun to the Department in January 2011. However, the reply does not address the issues of the incomplete CA and the fact that increased costs due to delayed plantation cannot be claimed from user agencies.

### West Bengal Wasteland Development Corporation Limited (WBWDCL)

#### 4.1.5 Compulsory plantation (CP) for National Highways Authority of India (NHAI)

In August 2012, WBWDCL was appointed as the designated agency for compulsory plantation<sup>143</sup> (CP) in West Bengal under the West Bengal Trees (Protection and Conservation in Non-Forest areas) Act, 2006. Accordingly, the Divisional Forest Officers (DFOs) of the Directorate of Forests, GoWB were nominated as *ex-officio* managers of WBWDCL for undertaking such work.

WBWDCL received ₹ 4.17 crore (2012-13 to 2017-18) from National Highways Authority of India (NHAI) for CP including their maintenance for three years. WBWDCL allotted these amounts<sup>144</sup> to two DFOs *viz* Durgapur and Raiganj to undertake CP. From 2014-15 to 2017-18, WBWDCL had taken up compulsory plantation (CP) on 282 ha<sup>145</sup> on behalf of NHAI.

Following deficiencies in implementation of the projects on behalf of NHAI were noted:

<sup>143</sup> Compulsory plantation is the mandatory planting of prescribed numbers of saplings to supplant those mature trees cut down in non-forest areas of West Bengal

<sup>144</sup> After realising administrative charges of 12.50 per cent as decided by WBWDCL's BoD in December 2014

<sup>145</sup> DFO, Durgapur : 60 ha (2015-16), 72 ha (2016-17), 50 ha (2017-18); DFO, Raiganj : 100 ha (2016-17)

#### 4.1.5.1 Compulsory plantation by DFO, Durgapur on 182 ha (2015-16 to 2017-18)

Between May 2015 and July 2017, WBWDCL released ₹ 137.04 lakh to DFO, Durgapur division, for creation and maintenance of 182 ha CP in Durgapur. This included 60 ha in 2015-16, 72 ha in 2016-17 and 50 ha in 2017-18.

It was noticed in audit from the records of WBWDCL that -

- The estimates submitted by WBWDCL to NHAI included cost of plantation and expenditure on three years' maintenance. For those plantations developed in 2015-16, WBWDCL released initial cost and the first-year maintenance cost for 60 ha of land. Thereafter, the DFO had not submitted requirement of fund towards maintenance cost for the second year, for reasons not found on record. WBWDCL had also not followed up with DFO.
- WBWDCL had excluded (April 2015) Eastern Coal Fields (ECL) area from CP, as plantation for ecological restoration on ECL land was covered under biological reclamation of mined out area through plantation activities for which ECL provided separate fund allotment. From the regeneration map of ECL plantation at Sonapur Bazari in Paschim Burdwan, it was noted that in 2015-16, DFO undertook CP plantation (five ha) in the overburden area<sup>146</sup> of ECL. Similarly, another five ha in 2015-16 was planted under CP at ECL's Kalidaspur area in Paschim Burdwan. Thus, out of total plantation of 60 ha under CP in 2015-16, 10 ha was on ECL land. WBWDCL stated (November 2018) that the failed plantation on 10 ha of ECL's land was restocked out of fund provided separately by ECL. The plantation journals for Sonapur Bazari (5 ha) and Kalidaspur (5 ha) maintained by WBWDCL however, showed that WBWDCL had taken up 10 ha of plantation in ECL land with NHAI fund.
- Of the balance 50 ha created in 2015-16, survival reports of plantation over 15 ha land at Kamalpur was not found on record.
- According to the joint inspection report (September 2017) of WBWDCL and DPL on plantation (2016-17) within command area of DPL, 65 ha plantation was undertaken at "Ash Pond (Piyali to Kalipur)" area of DPL. The report also stated that survival rate of plantation was at 90 per cent but the information on the number of saplings planted was left **blank**. Based on the GPS data, however, Audit observed that, between May 2015 and September 2018, location and dimensions of the ash pond area measuring 14.70 ha kept shifting. This indicated that no plantation was possible on 14.70 ha since the area comprised of a water body. An expenditure of ₹ 12.05 lakh<sup>147</sup> reportedly incurred thereon was, therefore doubtful. Management in their reply was silent about the reasons for leaving the sapling plantation information in the Joint Inspection Report as blank
- DFO initiated (June 2017) process of undertaking plantation (2017-18) on 50 ha at Sovapur but actual plantation was undertaken on 30 ha. WBWDCL stated (November 2018) that shortfall in plantation (2017-18) was due to

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<sup>146</sup> Overburden area is where overlying materials generally having no commercial value, that lies above the area of mining, are dumped.

<sup>147</sup> Creation of plantation ₹ 67,000 per ha plus first year maintenance ₹ 15,000 per ha for 14.70 ha

inability to arrange land. WBWDCL, however, neither requested for the status report on the plantation programme for 2017-18 nor was the same submitted by DFO, for reasons not found on record. Therefore, WBWDCL was unaware that an advance amount of ₹ 12 lakh for 20 ha had remained unutilised. On being pointed out by Audit (May 2018), DFO refunded (May 2018) the amount of ₹ 12 lakh to WBWDCL.

#### 4.1.5.2 Compulsory plantation of 100 ha at Raigunj during 2016-17

DFO, Raigunj proposed (July 2016) release of ₹ 85.30 lakh (including ₹ six lakh required additionally for mounting<sup>148</sup> against plantation in low lying area of 60 ha and purchase of tall seedlings) for plantation (2016-17) on 100 ha. During 2016, WBWDCL released ₹ 70 lakh in two instalments for CP. WBWDCL had, *inter alia*, not released ₹ six lakh required for mounting against plantation in low lying areas and purchase of tall seedlings.

It was noted that DFO submitted (August/September 2017) a report that mentioned damage of seedlings at Rupahar-Bangar check post (50 ha), Kalagochh to Nalbari (five ha) and Jamalgachi, Kasipur (five ha). The report further mentioned that 50 ha plantations at Rupahar-Bangar check post was completely damaged and maintenance amount was not sufficient to cover 50 ha towards infilling operation.<sup>149</sup> WBWDCL called for (October 2017) status report on survival of the plantations, hectare-wise and site-wise, after completion of maintenance and infilling work from the DFO. The status report was, however, not found on record.

WBWDCL concurred (November 2018) with the audit observation that the requisite mounting in low lying areas was not taken up for protection from flood. It added that the plantation site was selected after rejecting other sites as unsuitable during field inspection. Yet, damage occurred due to flood.

Thus, due to non-release of requisitioned fund required for mounting low-lying area and purchase of tall seedlings, 50 ha plantation valuing ₹ 35 lakh was completely damaged in flood.

This indicated that there was inadequate monitoring of CP by WBWDCL leading to non-achievement of target area for plantation and expenditure incurred on CP in unsuitable/ low-lying land becoming infructuous.

#### 4.1.6 Deposit works for plantation projects

WBWDCL was also engaged in taking up deposit works for creation and maintenance of plantation projects from Eastern Coalfields Limited (ECL) and Damodar Valley Corporation (DVC). WBWDCL implemented these projects through DFO and *ex-officio* manager of WBWDCL. During 2014-15 to 2017-18, WBWDCL recovered administrative charges of ₹ 90.94 lakh<sup>150</sup> from ECL and DVC for such work.

<sup>148</sup> Mounting is the job to raise the level of land in low lying areas to prevent water logging so that the water logging could not damage the plantation.

<sup>149</sup> Infilling operation is part of maintenance work for replanting seedlings in the same pit where the sapling planted earlier year got damaged. It is done to replace casualties and enhance survival percentage of plantations.

<sup>150</sup> ECL: ₹ 89.29 lakh and DVC ₹ 1.65 lakh

#### **4.1.6.1 Plantation at worked out collieries of Eastern Coalfields Limited**

Eastern Coalfields Limited (ECL) *suo motu* approached (October 2010) WBWDCL to take up plantations on the overburden dump (OBD) areas of the worked out collieries in Burdwan. Accordingly, ECL and WBWDCL executed (July 2014) an agreement for developing plantation over five years as required by ECL. The work also included four years' maintenance from 2014-15 to 2017-18, WBWDCL developed plantations of over 306.50 ha<sup>151</sup> and plantation for eight km on both sides of two<sup>152</sup> roads.

- **Short realisation of revenue from ECL**

Under the agreement, WBWDCL was entitled<sup>153</sup> to 15 per cent of the total allocation by ECL as overhead, monitoring and evaluation charges for execution of the work. It was, however, observed that WBWDCL recovered only 12.5 per cent instead of 15 per cent. During 2014-15 to 2017-18, WBWDCL received ₹ 8.04 crore from ECL towards creation of plantation and maintenance. Thus, due to short claiming of charges from ECL, WBWDCL had forgone revenue of ₹ 17.86 lakh.

WBWDCL replied (November 2018) that it had forgone charges of 2.5 per cent to enable ECL to make payment to the Monitoring and Evaluation Cell of the Directorate of Forests towards monitoring and evaluation of the plantations. The reply contradicts the agreement under which WBWDCL was required to monitor and evaluate the work. Moreover, WBWDCL was not aware if monitoring and evaluation was conducted by the Directorate of Forests and did not requisition the monitoring reports. Thus, clearly there was no co-ordination between WBWDCL and Directorate of Forests for monitoring and evaluation of plantation work.

#### **4.1.6.2 Damodar Valley Corporation (DVC)**

##### **Delays in raising plantation near ash ponds of Mejia thermal power station**

WBWDCL had entered (October 2014 and February 2016) into two Articles of Agreement (AoA) with DVC for the development of plantations on seven ha at Mejia Thermal Power Station (MTPS). Initially, WBWDCL was to complete the work near ash pond between November 2014 to October 2015. So, DVC released (March 2015) ₹ five lakh for the work. Instead of utilising the fund for plantation, WBWDCL diverted (September 2016) the fund for landscaping and beautification works at MTPS. This delay did not help reduce air pollution in time as the dry ash got carried away and was deposited on nearby buildings, vegetation and water bodies.

WBWDCL stated (November 2018) that DVC had agreed to the diversion. No documents, however, in support were produced to Audit, though called for (December 2019).

#### **4.1.7 Conclusion**

The plantation work of WBFDCCL was adversely affected due to delay in preparation of DPR, selection of unsuitable patches, non- maintenance of

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<sup>151</sup> 2014-15: 35 ha; 2015-16: 100 ha; 2016-17: 82 ha and 2017-18 : 89.50 ha

<sup>152</sup> Bankola (5.5 km) and Kunustoria (2.5 km)

<sup>153</sup> Clause 23 of the article of agreement with ECL

seedlings/ plantations, lack of protection of plantations and belated plantation. Plantation journals, where maintained, were incomplete and had not recorded data beyond the planting season. Defective agreements left scope for legal disputes with possibility of loss while sharing of revenue during harvesting. Despite passage of 14 years, WBFDC had not implemented compensatory afforestation (CA) in 114.74 ha due to selection of land inherently unsuitable for afforestation. The delay had led to cost escalation by ₹ 1.02 crore for raising CA.

WBWDCL had not released funds for development of lowlying areas to make them suitable for plantation. This had led to complete damage of compulsory plantation over 50 ha at Raiganj Division. Moreover, WBWDCL also delayed plantation work for DVC leading to shortfall in targeted plantation.

This matter was brought to the notice of the Government (July 2018); however, their reply was awaited (January 2019).

### **West Bengal Industrial Development Corporation Limited**

#### **4.2 Non-recovery of loan of ₹ 2.51 crore**

**West Bengal Industrial Development Corporation Limited disbursed loan without proper project appraisal which resulted in non-recovery of ₹ 2.51 crore advanced as loan.**

West Bengal Industrial Development Corporation Limited (WBIDCL) provided financial assistance to large and medium scale eligible units by way of both long and short term credit. Disbursement of loan was made after execution of an agreement between WBIDCL and the borrower. In the event of default by the borrower, action under Section 29 of the State Financial Corporations Act, 1951 (Act) is to be initiated under which the unit is taken over by WBIDCL and recovery of the outstanding amount is made through sale of assets.

During the audit of records of WBIDCL for 2015-16, it was observed (April 2017) that WBIDCL had taken over (April 2003) 3.33 acres of leased land<sup>154</sup> from SS Brickfields Private Limited (SSBPL), a defaulting borrower. WBIDCL gave (June 2008) the land on sub-lease to Halder Nettings Private Limited<sup>155</sup> (HNPL) for setting up a manufacturing unit. The sub-lease was for balance period of lease, *i.e.*, for 105 months up to March 2017.

Subsequently, WBIDCL sanctioned (May 2009) a term loan (TL) of ₹ two crore to HNPL. The security for this loan was the same land given on sub-lease to HNPL by WBIDCL for setting up the project. The project was scheduled to commence operations within four months of sanction of loan, *i.e.*, September 2009. The loan was to be repaid in 16 quarterly installments ending on November 2014 (including moratorium of 18 months).

<sup>154</sup> Land at village – Amarpur, Hooghly district, along with the plant and machineries standing thereon. Initially this land was jointly leased (March 1992) by its four owners, *viz.*, Jagai Pal, Madhai Pal, Nanda Lal Pal and Aparna Pal to Subrata Sen for 25 years up to March 2017. Subrata Sen, Managing Director, SSBPL immediately leased it to SSBPL for the same term of 25 years. SSBPL then took (April 1992) a loan from WBIDCL by pledging this land and subsequently defaulted on repayment. WBIDCL took over (April 2003) possession of the leasehold land of SS Brickfields.

<sup>155</sup> Incorporated on 18 July 2006

Thereafter, as per the demand for disbursement placed by HNPL, WBIDCL disbursed (November 2010) ₹ 0.48 crore towards the first instalment of the loan to HNPL. HNPL defaulted in its first re-payment commitment (May 2012) and applied to WBIDCL (August 2012) for second and final disbursement. Simultaneously, it sought for extension of the moratorium period. Against this request of HNPL, WBIDCL disbursed ₹ 0.60 crore (September 2012) and ₹ 0.40 crore (from October 2012 to December 2012) directly to the machinery suppliers of the project.

Further, it was also seen that HNPL started its commercial operations only in December 2012 and WBIDCL disbursed (May 2013) the final instalment of ₹ 0.31 crore to HNPL. The total loan disbursed was ₹ 1.79 crore,<sup>156</sup> while the balance ₹ 0.21 crore remained undisbursed for reasons not on record. Meanwhile, WBIDCL rescheduled (December 2012) the loan repayment commitments to 13 quarterly instalments, from December 2012 to February 2016.

Upto May 2013, HNPL had paid only ₹ 0.69 crore only towards principal (₹ 0.50 crore) and interest (₹ 0.19 crore). Thereafter, HNPL did not make any payment, either towards principal or interest. An amount of ₹ 2.51 crore (principal: ₹ 1.29 crore, interest ₹ 1.22 crore) remained outstanding till February 2016. Finally, in July 2018, WBIDCL waived the interest and wrote off the outstanding principal of ₹ 1.29 crore (72 per cent of total loan).

In this regard, it was observed (April 2017) as follows:

- HNPL had approached (May 2008) WBIDCL for term loan. It was seen from WBIDCL's loan sanction proposal of March 2009 that "no other institution or bank is agreeable to provide finance for the project as only subleased rights are available on the property, which would expire after nine years." Hence, WBIDCL was well aware of the *lacunae* in the deal.
- The continuity of the project was always at risk due to short tenure of sub-leased land (upto March 2017). Yet, WBIDCL's sanctioning of the loan to HNPL, without any commitment towards extension of the lease was not justified, as effectively HNPL had five years to repay the loan. WBIDC did not consider the probability of the project being delayed and HNPL being unable to repay the loan within the period of lease.
- For creation of interest and enabling recovery of dues on the pledged security under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), it was necessary to register the pledged property with Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI).<sup>157</sup> It was seen that the property pledged (May 2009) by HNPL was not registered by WBIDCL with CERSAI. Thus, WBIDCL was not in a position to enforce SARFAESI Act on HNPL for recovery.

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<sup>156</sup> November 2010: ₹ 48 lakh, September 2012: ₹ 60 lakh, October 2012 to December 2012: ₹ 40 lakh and May 2013: ₹ 31 lakh.

<sup>157</sup> CERSAI: The object of the company is to maintain and operate a Registration System for the purpose of registration of transactions of securitisation, asset reconstruction of financial assets and creation of security interest over property, as contemplated under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). CERSAI is providing the platform for filing registrations of transactions of securitisation, asset reconstruction and security interest by the banks and financial institutions.

- WBIDCL was aware of the short tenure of lease completion period (March 2017). Despite this, the repayment schedule was extended upto February 2016.
- Even though the commercial operation of the HNPL only commenced in December 2012, WBIDCL had disbursed the second loan instalment in September 2012. Thus, WBIDCL did not initiate any action against HNPL for delay in commencement of commercial operations and for recovery of outstanding dues towards principal and interest. It could have initiated actions like invoking personal guarantees, demanded additional securities against the loan *etc.*

Government replied (April 2018) that WBIDCL was not aware of the fact that HNPL had approached different banks for project finance and all of them had rejected it due to sub-leasing of land. The reply is, however, contrary to facts as documents of HNPL available with WBIDCL clearly mentioned this. Further, the reply does not adduce reasons for under securitisation of loan made to HNPL. Moreover, the promoters of HNPL had to create a lien on fixed deposit (FD) as 10 *per cent* of the restructured loan to WBIDCL for strengthening the security on the loan. Regarding the creation of FD, it was, however, noted that no such FD was actually pledged by HNPL in favour of WBIDCL

Hence, WBIDCL failed to safeguard its financial interests while advancing a loan, which resulted in non-recovery and subsequent write off of ₹ 2.51 crore towards principal and interest.

### **West Bengal Infrastructure Development Finance Corporation Limited**

#### **4.3 Excess interest burden of ₹ 1.25 crore due to imprudent decision of investing through overdraft**

**West Bengal Infrastructure Development Finance Corporation Ltd (WBIDFCL) invested in lower yielding portfolios out of debt funds carrying higher interest cost for which it had to incur excess interest of ₹ 1.25 crore, which was avoidable.**

West Bengal Infrastructure Development Finance Corporation Limited. (WBIDFCL) has been a forerunner in infrastructure financing in the State. It raises funds from the market and lends it to the State Government, State Public Sector Undertakings *etc.*, for development of various infrastructure activities in the State.

In order to carry out its operations, during 2016-17, WBIDFCL had maintained five Bank accounts (current accounts) offering overdraft facilities. During the compliance audit for 2016-17, it was observed that WBIDFCL had an overdraft account (OD) with the Punjab National Bank with interest rate of 9.60 *per cent* on overdrawn amount.

It was further observed that although WBIDFCL had an investment policy and Investment Committee that recommended on investments to be made by WBIDFCL, it had made two investment decisions (March 2016/ April 2016) out of funds from OD account that had resulted in excess burden of interest as stated below:

1. As on 31 March 2016, the balance of the OD account stood at ₹ 63 crore which was favourable to WBIDFCL. In order to meet its interest pay out obligation on the bonds issued, WBIDFCL decided (March 2016) to invest ₹ 250 crore in five fixed deposits of ₹ 50 crore each for seven days, which would yield interest at five *per cent per annum*. This increased the overdraft balance of ₹ 136.07 crore to ₹ 187.38 crore from the OD account, bearing interest at 9.60 *per cent*.
2. Though on 12 April 2016 the balance of the OD account stood at ₹ 136.10 crore (unfavorable), WBIDFCL invested<sup>158</sup> (April 2016) ₹ 148.22 crore for 91 days yielding 6.81 *per cent per annum*, thereby further increasing overdraft of ₹ 284.32 crore from the OD account.

The difference in rate of interest earned as against interest paid on overdraft for investments resulted in excess interest burden as depicted in the following table:

Period	Funds drawn from OD account for investment	Range of overdrawn balances in the OD account (₹ in crore) during the period		Interest on overdrawn balance		Interest on Investment made out of funds drawn from OD account		Excess of Interest paid over interest earned	
		Minimum	Maximum	Rate of Interest (in <i>per cent</i> )	Interest Paid (₹ in crore)	Rate of Interest (in <i>per cent</i> )	Interest earned (₹ in crore)	Rate of Interest (in <i>per cent</i> )	Interest Paid (₹ in crore)
31 March 2016 to 07 April 2016 (seven days)	250.00	136.07	187.38	9.60	0.38	5.00	0.22	4.60	0.16
12 April 2016 to 12 July 2016 (91 days)	148.22	192.45	437.36	9.60	3.59	6.81	2.50	2.79	1.09
<b>TOTAL</b>	<b>398.22</b>				<b>3.97</b>		<b>2.72</b>		<b>1.25</b>

Thus, due to lack of prudence on the part of WBIDFCL in making investments in lower yielding portfolios (five to 6.81 *per cent*) from borrowings carrying higher interest cost (9.60 *per cent*), led to it incurring excess interest burden of ₹ 1.25 crore<sup>159</sup>.

Management in its reply (May 2018) stated that these investments were made to meet the interest pay out obligations on the issued (March 2010) bonds<sup>160</sup> and also stated that funds created for bond redemption were deposited in the OD account from which it withdrew funds to make investments as per the recommendation of its Investment Committee.

The Management's reply is, however, unacceptable as -

- (i) The investment policy of WBIDFCL had stated that the investments made by WBIDFCL should be cost effective, generating optimum return without erosion of principal value having judicious mix of both loans and investments., WBIDFCL, however, deviated from its own policy by injudiciously withdrawing funds from the OD account having higher interest cost to invest in portfolios with lower interest income.

<sup>158</sup> T- bill through ICICI Securities Primary Dealership Ltd

<sup>159</sup> (₹ 1.09 crore + ₹ 0.16 crore) = ₹ 1.25 crore

<sup>160</sup> The bonds yielding half-yearly interest at 9.80 *per cent* were issued in March 2010 with maturity after 10 years, *i.e.*, March 2020.

(ii) The half-yearly interest on bonds was due on 30 June 2016 and 31 December 2016 respectively, whereas the investments out of OD were due to mature on 12 April 2016 and 13 July 2016; thus there was a mismatch with the timeline of interest pay outs. This mismatch led to lower yielding fixed deposits maturing 79 to 171 days prior to interest on bonds becoming due, thereby not supporting the Management's contention that lower yielding investments were created out of high cost overdraft to meet interest outgo.

The fact still remains that even though WBIDFCL had to payout its obligation, this does not justify investing in lower yielding fixed deposits (five to 6.81 *per cent*) with funds having higher cost (9.60 *per cent*). This resulted in avoidable interest burden of ₹ 1.25 crore by WBIDFCL.

This matter was brought to the notice of the Government/ Management; however, reply was awaited (January 2020).

### North Bengal State Transport Corporation

#### 4.4 Loss of revenue of ₹ 1.60 crore due to unwarranted delay in finalisation of tender and acceptance of lower offer for leasing out the advertisement space on bus bodies

**North Bengal State Transport Corporation (NBSTC) cancelled the tender for lease agreement for advertisement space on bus bodies without any justification. Moreover, when it finally accepted a bid after unwarranted delays of 64 months, the accepted rate was lower than the offer in the cancelled tender. As a result, NBSTC suffered a loss of revenue of ₹ 1.60 crore.**

North Bengal State Transport Corporation (NBSTC), a state transport undertaking, renders bus services for the socio-economic development of the remote rural areas mainly in North Bengal. In a bid to generate revenue from alternative sources, for the first time, NBSTC had entered (June 2006) into an agreement, with M/s Pal Unique Enterprise, Coochbehar (PUE) for leasing out advertisement space on bus bodies. The agreement was for ₹ 10.56 lakh *per annum* for 500 buses for five years (*i.e.* up to 14 June 2011)

It was noted that, PUE expressed its interest (February 2011) to continue for another four years beyond the agreement expiry date (June 2011) with an annual enhancement of 10 *per cent i.e.* ₹ 11.62 lakh. NBSTC did not accept (August 2011) the offer on grounds that the payment history of the agency was not satisfactory. NBSTC finally extended (August 2011) the agreement upto October 2011.

Three months after expiry of extended period of the agreement with PUE, NBSTC issued NIT in February 2012, which was cancelled subsequently. Further, NBSTC floated (between March 2012 and January 2017) the tender five more times, inviting agencies for leasing of the space on bus bodies for advertisements as detailed below:

NIT	Month & Year	No. of bids	Highest bid	Remarks
1	February 2012	3	₹ 26.40 lakh	Tender was cancelled (March 2012) by NBSTC as they presumed that the rates offered by bidders were below the prevailing market rates. The highest bid, however, was 1,150 per cent above the earlier lease rate.
2	March 2012	1	₹ 39.00 lakh	Tenders were cancelled due to receipt of single bid/no bid against each NIT
3	August 2012	1	₹ 22.32 lakh	
4	February 2013	No bidders	Not applicable	
5	December 2016	1	Price bid not opened	
6	January 2017	3	₹ 20 lakh	Lease awarded for three years to the highest bidder with effect from July 2017.

Audit findings were as follows (July 2018):

- NBSTC cancelled (February 2012) the highest bid of ₹ 26.40 lakh received in the first NIT stating that the rates were nowhere near the prevailing market rate. No information relating to the comparison of the bids received with the prevailing market rates were, however, found on record.
- In July 2017, the highest bid for the NIT of January 2017 was accepted and the lease was awarded at ₹ 20 lakh per year for three years which was 32 per cent lower than the highest bid (₹ 26.40 lakh per year) received for the first NIT in February 2012 that was cancelled without adequate justification.
- Further, Finance Department, Government of West Bengal had directed<sup>161</sup> (June 2012) that NITs valuing more than ₹ 10.00 lakh should be published in three daily newspapers, one each in Bengali (in case of hill areas of Darjeeling District in Nepali newspaper), English and Hindi for getting more prospective bidders. Except for the NIT dated 13 January 2017, NBSTC had, however, published its other five NITs in not more than two daily newspapers, thus restricting the scope of getting more number of prospective bidders.

The inordinate delay of five years in finalising the tender for leasing out the advertising space on buses resulted in NBSTC foregoing non-operating revenue. By not accepting highest bid of ₹ 26.40 lakh per year obtained in the first NIT, the loss of revenue over a period of five years and four months (from March 2012 to June 2017) amounted to ₹ 1.41 crore.<sup>162</sup> Moreover, by accepting bid at reduced price of ₹ 20 lakh per year, it was earning lower revenue of ₹ 6.40 lakh annually, aggregating to ₹ 19.20 lakh over the contract period from July 2017 to June 2020. Thus, due to unwarranted delay in finalisation of tender and acceptance of lower rate, NBSTC had forgone aggregate revenue of ₹ 1.60 crore.

Department in their reply accepted the observation and stated (November/

<sup>161</sup> Notification No.5400-F(Y) dated 25/06/2012 issued by Finance Department, GoWB.

<sup>162</sup> ₹ 26.40 lakh per annum x five years and four months (64 months) i.e., ₹ 140.80 lakh (from March 2012 to June 2017) or ₹ 1.41 crore

September/ September 2018) that the NITs were cancelled since only one bidder participated in NIT. The fact was that the first NIT, received three bids and the highest bid was 150 *per cent* more than the earlier lease rate, but was cancelled on an unconfirmed presumption. Further, the poor response to subsequent NITs was due to non-compliance with the Finance Department's instructions regarding wide circulation of NITs. Finally, the lease awarded in July 2017 was for a lower rate than the bid received in February 2012 and as a consequence, NSBTC earned lower revenue since 2017.

## West Bengal Transport Infrastructure Development Corporation Limited

### 4.5 Deficiencies in implementation of GATIDHARA scheme

**Inherent deficiencies in 'GATIDHARA' scheme and deficiencies in its implementation led to disbursement of subsidy/excess subsidy amounting to ₹ 10.07 crore to inadmissible beneficiaries in violation of the scheme guidelines. Further, disbursed amount of ₹ 51.90 crore was misutilised as the amount was retained by the beneficiaries or dealers without purchasing and registering the vehicles within the stipulated time, as prescribed under the scheme.**

To generate self-employment in transport services for unemployed youth of the State, the Labour Department, Government of West Bengal (GoWB) introduced (August 2014) a scheme<sup>163</sup> titled 'Gatidhara'. The scheme was transferred for implementation (November 2015<sup>164</sup>), with revised guidelines, to the Transport Department (Department), GoWB. Under the revised guidelines, West Bengal Transport Infrastructure Development Corporation Limited (WBTIDCL)<sup>165</sup> was made the executing arm for implementing and monitoring the scheme. The scheme guidelines were again revised by the Transport Department in July 2017<sup>166</sup>.

Under the scheme, unemployed youth with monthly income of less than ₹ 25,000 could avail of a subsidy to purchase a transport vehicle<sup>167</sup> for generating self-employment. The funds for the purchase of the vehicle was to be financed from (i) state subsidy/grant of 30 *per cent* of the project/vehicle cost,<sup>168</sup> subject to maximum limit of ₹ one lakh per unemployed youth<sup>169</sup> on application for purchase of vehicle (ii) initial down payment<sup>170</sup> to be made by an applicant to the dealer of the vehicle and (iii) the balance cost of vehicle to be provided as loan by the financier.<sup>171</sup>

<sup>163</sup> Vide notification no Emp./1M-9/2014 dated 18/08/2014 by Labour Department, GoWB.

<sup>164</sup> Notification no. 4001-WT/3M-15/2015 dated 2/11/2015 by Transport Department, GoWB.

<sup>165</sup> A State PSU under the Transport Department, GoWB responsible for sanctioning of the applications and disbursement of the subsidy.

<sup>166</sup> No. 3371-WT/3M-15/2015 dated 24/07/2017 by Transport Department.

<sup>167</sup> Transport vehicle as defined under section 2(47) of the Motor Vehicle Act, 1988.

<sup>168</sup> Project cost means price quoted by the dealer as total cost of the vehicle inclusive of all taxes and other charges but excluding registration charges, motor vehicle taxes, insurance premium, permit fees *etc.*

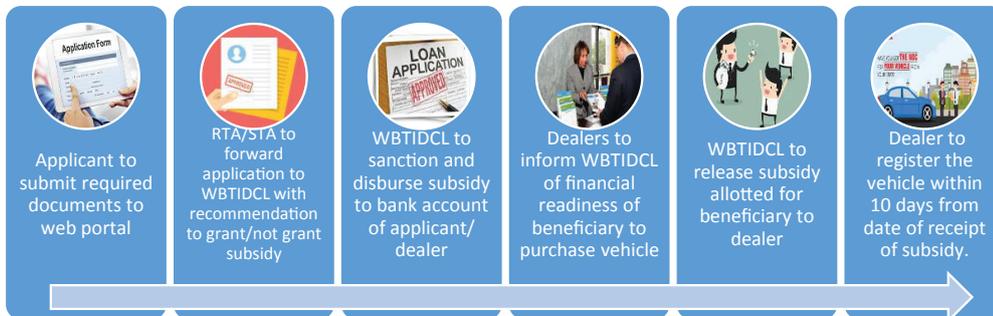
<sup>169</sup> Aged between 20 and 45 years.

<sup>170</sup> The initial down payment will be the difference of total vehicle cost less subsidy and loan to be provided by the financier.

<sup>171</sup> Banks and other financial institutions that finances the balance loan after adjustment of subsidy and down payment for the vehicle procured.

It was noted from the administrative approvals of GoWB that during 2015-18, GoWB sanctioned ₹ 219.94 crore under this scheme. Against this, WBTIDCL approved 24,112 applications and disbursed subsidy of ₹ 216.39 crore to unemployed youth in 23 districts of the State. The process/grant of subsidy is depicted in the Chart below.

**Chart 4.1: The process/grant of subsidy**



Audit sampled 15<sup>172</sup> out of the 23 districts of the State, covering 65 per cent (15,565 applications) of the total sanctions amounting to ₹ 138.89 crore made by the Department under this scheme. Further, in case of 6,875 sanctions, Audit also cross checked the vehicle registration data with those available in the Transport Department for seven<sup>173</sup> districts of the State.

Audit findings showed that there were some deficiencies in the scheme (November 2015) and also in the implementation of the scheme which led to non-achievement of the scheme objective. These deficiencies are detailed in the following paragraphs:

**1. Weakness/lacunae in guidelines leading to disbursement criteria being violated**

a) As per the guidelines of the Labour Department (August 2014) the applicants were required to submit income certificate issued by Member of Parliament / State Legislative Assembly or Municipal/Borough Chairperson or Zilla Parishad/ Panchyat Samity/ Gram Pradhan or any Group ‘A’ Government Officer. As per the revised guidelines (November 2015/ July 2017), however, the applicants were required to submit income certificate issued by Member of Parliament/State Legislative Assembly or Councillor / Zilla Parishad/ Panchyat Samity/ Gram Pradhan. The authority for certifying income certificate by Group ‘A’ Government Officer was omitted in the revised scheme and there was sole dependence on elected representatives to certify income of the applicants. This was at variance with the guidelines of financial institutions<sup>174</sup> (including Banks) which disburse car loans wherein income certificates are issued by District Magistrate/ Sub-Divisional Officer/ Block Development Officers/ Collector etc.

<sup>172</sup> Kolkata (including State Transport Authority at Kolkata), 24 Parganas(S), Howrah, Hooghly, Nadia, Bankura, Purba-Medinipur, Purulia, Burdwan, Birbhum, Darjeeling, Alipurduar, Coochbehar and 24 Parganas (N)

<sup>173</sup> Kolkata (including STA), 24 Parganas(S), Nadia, Burdwan, Birbhum, Coochbehar and 24 Parganas (N)

<sup>174</sup> Guidelines issued by IDBI for income certificate issuing authority dated 7 May 2013.

Government stated (February 2019) that the elected members are more keenly associated with the villagers/ citizens, thus the scheme was drafted in a manner wherein the elected members were empowered to certify income. Such variance of certification by different authorities at different stages of the same scheme made it more difficult to administer and monitor the scheme.

**b)** The initial guidelines of the scheme issued by the Labour Department, (August 2014) *inter alia*, stipulated that five *per cent* of the project cost (*viz.* cost of vehicle to be purchased) should be provided by the applicant to the vehicle dealer. Thereafter, the bank would provide the residual amount of the cost of the vehicle after adjusting 30 *per cent* subsidy (subject to a maximum of ₹ one lakh) as bank loan to authentic and eligible applicants. While the revised scheme guidelines (November 2015/ July 2017) issued by Transport Department required the applicant to deposit part of the cost of vehicle as initial down-payment to the vehicle dealer, but the amount to be paid was not specified. As a result, it was seen that in none of the 15,565 application forms test checked<sup>175</sup> under the revised schemes (November 2015/ July 2017), any document in support of initial down payment by the applicant was enclosed. Failure of the Transport Department to stipulate the quantum of beneficiary contribution had allowed the beneficiaries not to contribute at all for the vehicle to be procured.

Government stated (February 2019) that the revised scheme (2017) included a declaration from the applicant about the down payment made, which was to be certified by dealers. The fact was that WBTIDCL did not crosscheck the correctness of the declaration as the documents in support of initial down payment by the applicant were not enclosed.

**c)** The initial scheme of 2014, *inter alia*, stipulated that the beneficiaries required a commercial driving license as an eligibility criterion under the scheme. This criterion was, however, omitted in the revised scheme of 2015/2017. Omission of this clause in the guidelines resulted in failure of ensuring procurement of vehicles by beneficiaries for commercial use, thereby vitiating the very objective of providing self-employment to unemployed youth.

Government stated (February 2019) that the revised scheme (2015/ 2017) did not include the criteria as it was intended to widen the scope of the scheme to applicants who did not hold any commercial license to procure and operate a ‘Transport vehicle’. This reply, however, is contrary to the fact that for operating a transport vehicle, holding a commercial license is compulsory. Further, the fact remains that such omission was bound to result in fund diversion as noticed during test audit as depicted later in the paragraph.

**d)** Further, with the help of data analysis tool (IDEA) the data of WBTIDCL for seven<sup>176</sup> districts along with registration database (e-Vahan) of the Transport Department, GoWB was analysed in audit and it was found that out of 6,875 sanctions, on two occasions the subsidy (₹ one lakh each) had been utilised for procuring non - commercial vehicles, in violation of the scheme guidelines.

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<sup>175</sup> Out of 24,112 applications submitted by the applicants.

<sup>176</sup> Kolkata (including STA), 24 Parganas (South), Nadia, Burdwan, Birbhum, Coochbehar and 24 Parganas (North)

Transport Department may need to similarly examine all data for such incidence in other districts.

Government accepted (February 2019) the observation and assured to take appropriate steps.

Thus, above-mentioned deficiencies in the scheme predisposed the scheme for manipulation and illegal processes.

## **2. Deficiencies in Implementation**

Audit noted violations of the scheme guidelines in 1,273 out of 15,565 sanctions. These 1,273 cases involved subsidy of ₹ 10.07 crore during the period from 2015-16 to 2017-18 in 15 test checked districts. This led to grant of subsidy by WBTIDCL to inadmissible applicants as detailed below:

a) During 2015-18, sanctions were given to 1,134 applicants in 15<sup>177</sup> districts who had higher income than that stipulated in the guidelines (*i.e.* more than ₹ 25,000 *per* month). Subsidy of ₹ 8.79 crore was disbursed to these ineligible applicants.

Government accepted (February 2019) the observation and assured to take up the matter with Regional Transport Authority (RTA)/ State Transport Authority (STA) to verify the income certificates. It was, however, the responsibility of WBTIDCL, which was the implementing and monitoring arm for the scheme.

b) During 2015-18, sanctions of subsidy amounting to ₹ 38.76 lakh were disbursed to 45 applicants not falling within the eligible age group of 20 years to 45 years in 13<sup>178</sup> of the 15 districts test checked. WBTIDCL did not check the age criteria for eligibility scrupulously. Further, only 13 applicants utilised the subsidy for purchasing vehicles and in the balance 32 cases, subsidy was not utilised for purchase of commercial vehicle.

Government accepted (February 2019) the observation and assured to take up the matter with RTA/ STA and National Information Centre (NIC) to verify the age certificates.

c) During 2015-18, it was noted in eight<sup>179</sup> out of 15 districts test checked, that either no income certificates were furnished or the income certificates furnished were certified by authorities<sup>180</sup> not competent to certify the income. Subsidies amounting to ₹ 84.50 lakh were sanctioned and disbursed to 90 such ineligible certificate holders.

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<sup>177</sup> Bankura, Birbhum, Burdwan, Coochbehar, Darjeeling, East Midnapore, Hooghly, Howrah, Jalpaiguri, Kolkata, Nadia, North Dinajpur, West Midnapore, 24 Parganas (North) and 24 Parganas (South).

<sup>178</sup> Alipurduar, Bankura, Burdwan, Coochbehar, Darjeeling, East Midnapore, Howrah, Jalpaiguri, Kolkata, Nadia, Purulia, West Midnapore and 24 Parganas (South).

<sup>179</sup> Burdwan, Coochbehar, Darjeeling, Howrah, Hooghly, Jalpaiguri, Nadia and Purulia.

<sup>180</sup> Block Development Officers, Revenue Officer (BLRO), Head Master, Doctor, District Planning Officer, Asst. Professor *etc.*

Government accepted (February 2019) the observation and assured to take up the matter with RTA/ STA to verify the income certificates.

**d)** On vouching the application, in East Midnapore, Hooghly and 24 Parganas (South), subsidies amounting to ₹ four lakh were disbursed to more than one family member belonging to the same family in four cases. This was in deviation from eligibility criterion of rendering assistance to only one eligible member from a family.

Government accepted (February 2019) the observation and assured to take up the matter with RTA/ STA to verify the same and take corrective measures to stop occurrence of similar instances in future.

Therefore inadequate scrutiny of applications by WBTIDCL led to grant of inadmissible subsidy of ₹ 10.07 crore.

### 3. Non- achievement of intended scheme objectives

As a result of the deficiencies in the scheme guidelines as well as in implementation, the intended objective of the scheme of providing self-employment through government assistance to buy a commercial vehicle could not be achieved. The details are as discussed below:

**a)** The guidelines of the scheme (November 2015), *inter alia*, stipulate that WBTIDCL is required to monitor and verify that the sanctioned subsidy received by the applicant was actually deposited by the applicant with the dealer within seven days. WBTIDCL was also required to ensure that the vehicle was delivered and registration completed by the dealer within 30 days of payment of subsidy to the dealer. It was noted that during 2015-16 and 2016-17, these criteria were not adhered to across the 15 districts test checked, which led to retention of subsidy amount of ₹ 31.12 crore either with beneficiaries or with dealers. The year wise amount of subsidy retained is given in the table below:

Year	Total subsidy disbursement		Beneficiaries not purchasing/ registering vehicle	
	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
2015-16	3,826	34.00	1,460	14.56
2016-17	6,155	56.00	1,814	16.56
<b>Total</b>	<b>9,981</b>	<b>90.00</b>	<b>3,274</b>	<b>31.12</b>

The fact was that the subsidy amount of ₹ 31.12 crore retained with the beneficiaries or with dealers was susceptible to misappropriations either through diversion for other unintended purposes or to earn interest. Government assured (February 2019) to reconcile the issue in near future.

**b)** It was further noted in audit data analysis (mentioned above) that during 2015-16 and 2016-17 in 36 sanctions out of 6,875 sanctions the data of WBTIDCL showing vehicle registration did not match with the registration data

of Transport Department, GoWB (e-Vahan data). This confirmed mis-utilisation of subsidy amount ₹ 0.29 crore disbursed for these cases. Government did not offer any reply to this issue.

c) The revised guidelines of the scheme (July 2017) inter alia stipulate that WBTIDCL was required to monitor and verify that the dealer confirmed the delivery as well as registration of the vehicles within 10 days from the receipt of subsidy. The same was, however, not adhered to across 21 out of 23 districts. Test check revealed that 2,207 out of 5,584 beneficiaries (40 per cent) who applied through 17 dealers over 21 districts did not procure and register their vehicles (May 2018) even after disbursement of subsidy amounting to ₹ 20.49 crore (*Annexure-8*) during 2017-18.

Government stated (February 2019) that out of the 2,207 cases, 373 beneficiaries are in a process of completing registration and another 365 cases wherein subsidy allocated was cancelled and are in process of reallocation to fresh applicants. The management reply, however, implies that a complete reconciliation and recovery of subsidy disbursed is yet to be achieved.

d) Under the scheme guidelines (July 2017) the subsidy was being directly credited to the dealers and the unutilized subsidy wherein vehicles were not procured amounting to ₹ 20.49 crore was lying with dealers (May 2018). As per the scheme, this amount was required to be refunded to WBTIDCL within fifteen days from the date of disbursement of the subsidy. In case of non-refund, the dealer was liable to pay interest on the retained subsidy for the period of delay in making the refund at rates to be fixed by the State Government.

WBTIDCL/GoWB had, however, neither fixed any rate of interest nor charged any interest from the dealers for retaining the subsidy beyond 15 days in their corpus (May 2018). Thus, WBTIDCL/ GoWB extended undue benefit of ₹ 0.50 crore to the dealers by not charging any interest (*Annexure-9*), assuming interest at current Primary Lending Rate of SBI (April 2018) of 13.45 per cent. The Government did not offer any reply to this issue.

WBTIDCL failed to match the data regarding subsidy disbursed with database of Regional Transport Offices (RTO) which maintain the database of all registered vehicles. Since procurement and registration of the vehicles could not be ensured, it implied that the Department spent ₹ 51.90 crore<sup>181</sup> without meeting the objective of generating self-employment in the urban and rural areas of the State through extending financial assistance in procuring vehicles.

Thus, inherent deficiencies in 'GATIDHARA' scheme and deficiencies in its implementation led to disbursement of subsidy amounting to ₹ 10.07 crore to inadmissible applicants/ beneficiaries in violation of the scheme guidelines.

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<sup>181</sup> Non-utilisation of subsidy by not procuring vehicle: 2015-17: ₹ 31.12 crore + 2017-18: ₹ 20.49 crore = ₹ 51.61 crore and mismatch of registration data as per the records of WBTIDCL and Transport Department: ₹ 0.29 crore; Total: ₹ 51.90 crore.

Further, disbursement of ₹ 51.90 crore was misutilised by allowing the funds to be retained with the beneficiaries as well as dealers even without purchasing and registering the vehicles in the name of the applicant within the stipulated time. There was also no provision in the scheme for monitoring or assessing whether the vehicles were actually in use and generating self-employment as intended.

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