

CHAPTER IV

AUDIT OF TRANSACTIONS

- 4.1 Fraudulent drawal/Misappropriation/Embezzlement/Losses*
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4.1 Fraudulent drawal/Misappropriation/Embezzlement/Losses

HEALTH AND FAMILY WELFARE DEPARTMENT

4.1.1 Doubtful procurement and suspected leakage of chemicals

Failure of internal control resulted in doubtful procurement and suspected leakage of chemicals worth Rs 4.66 crore by way of fake entries and intentional omission of closing balance during 1996-2003.

The West Bengal Financial Rules provide that the expenditure should be kept within the limits of the authorised appropriation and that all purchases must be made in accordance with the definite requirements of the public service. In contravention of the aforesaid rules the Director, Institute of Post Graduate Medical Education and Research (IPGMER), Kolkata purchased chemicals and equipment during the period 1999-2004 in excess of budget provision incurring a liability of Rs 6.72 crore as of May 2006.

Test-check of vouchers against supply of chemicals alongwith the store ledger and store issue vouchers (SIV) during December 2005 and June 2006 showed the following gross irregularities :

(i) In IPGMER, the chemicals were received centrally in stores and issued among various departments through SIVs according to the indent/requisition placed by the respective department. As per practice, departments prepare two copies of indent and send the original copy to the store retaining the carbon copy in the department. Director, IPGMER procured four¹ high value chemicals at Rs 44.51 lakh from 24 suppliers between October 1996 and June 2002 without receiving any indent from any of its departments. None of the materials was issued during 1996-2002. All the items were, however, shown to have been issued to nine departments within a period of seven months between April 2002 and October 2002.

Cross-verification of SIVs in the store and its carbon copies in the respective departments disclosed that those items were neither requisitioned nor received by the departments concerned. The items of chemicals shown as supplied in store ledger were inserted in SIVs either in between the lines or in the blank space. However, the same entries could not be traced in the carbon copy. The physical verification of stock of stores carried out in December 2002 and April 2004 also testified the non-existence of those items in ground stock.

¹ Amylase kit, Cellulose Acetate, Factor- VIII substrate and Factor- IX substrate

Of Rs 44.51 lakh, Rs 8.88 lakh was paid to seven suppliers during 2000-2006 and payment particulars of the balance amount of Rs 35.63 lakh were not furnished to audit though called for (June 2006).

Similarly, fake issue of chemicals amounting to Rs 3.36 crore between January 2002 and October 2002 to eight departments was noticed. These chemicals had neither been requisitioned nor received by the concerned departments.

(ii) Director, IPGMER procured 40 items of chemicals at a cost of Rs 85.84 lakh during the years 1999-2001. Of these, seven chemicals valued at Rs 4.53 lakh received between May 1999 and August 1999 were entered in the stock ledger during 2000-2001. The entire purchase entered as receipt in stock ledgers, was not carried forward to the ledgers of 2001-2002 though there had been no issue from stock during 2000-2001. The physical verification of stores carried out in December 2002 and April 2004 also testified non-existence of those items in store. The very receipt of the said articles thus appeared doubtful.

Out of Rs 85.84, Rs 50.87 lakh was paid to the suppliers during 2001-2006 and payment particulars of the balance amount of Rs 34.97 lakh were not produced to audit, though called for (June 2006).

Thus, there were cases of doubtful procurement as well as suspected leakage of various chemicals worth Rs 4.66 crore by way of fake entries and intentional omission of closing balance during 1996-2003 indicating failure of the internal control over management of store. The matter calls for detailed investigation.

The department intimated (September 2006) that the matter was considered with utmost priority and after initial enquiry through an internal audit agency of the department, the matter was referred to Internal Audit Wing of Finance Department for fixation of responsibility.

HILL AFFAIRS DEPARTMENT

4.1.2 Shortage in stock of text books

Unjustified printing of excess number of text books coupled with absence of check over their receipt and stock resulted in shortage of stock of 1.40 lakh text books valuing Rs 37.85 lakh in Darjeeling Gorkha Hill Council area.

With a view to ensuring free distribution of text books to primary students (Class I-Class IV) in Darjeeling Gorkha Hill Council (DGHC) area, the Principal Secretary, Education Department, DGHC, accorded the work of

printing and supplying of 3.66 lakh text books to three private firms in March 2001.

According to the West Bengal Treasury and Subsidiary Rules, bills presented against purchases of stores should be accompanied by a certificate to the effect that the articles had been actually received and entered in the stock register. It was noticed that the President, ad hoc committee, District School Board, Darjeeling (DSB) received (May 2001) the consignment of 3.66 lakh text books from the suppliers and forwarded (July 2001) the bills for Rs 99.59 lakh to the Education Department, DGHC for payment without any stock entry certificate. The Education Department, DGHC, ignored the absence of stock entry certificate and paid the entire amount in July 2001 without ascertaining the veracity of the claim.

Scrutiny (December 2005) of records showed that based on the student strength of Class I to IV in DGHC area, requirement of number of books to be printed for the educational session of 2001-2002 could not exceed 2.25 lakh. It was further seen that during 2001-2003, 2.26 lakh books were handed over to the Sub-Inspectors of schools out of the newly printed stock for distribution in DGHC area. President, *ad hoc* Committee, DSB stated (December 2005) that his predecessor, who had received the text books, did not hand over either any stock account or any physical stock of residual books. The District Inspector of Schools (Primary Education), Darjeeling also confirmed (December 2005) that after completion of distribution of the 2.26 lakh text books there was no other physical stock of text books. Thus, not only printing 1.41 lakh text books in excess appeared to be unjustified but also un-disbursed stock of 1.40 lakh books worth Rs 37.85 lakh remained untraceable giving rise to serious doubts over the genuineness of the very supply of the said 1.40 lakh books.

Thus, unjustified printing of excess number of text books coupled with absence of check over their receipt and stock resulted in shortage of stock of 1.40 lakh text books worth Rs 37.85 lakh. The matter needs to be investigated.

The matter was referred to Government in July 2006; reply had not been received (January 2007).

4.2 Infertuous/Wasteful expenditure and Overpayment

AGRICULTURE DEPARTMENT

4.2.1 Loss of revenue and realisation of little value for money spent on research

Delay in communicating the Executive Council of Bidhan Chandra Krishi Viswavidyalaya's acceptance of marketing offer from the West Bengal Pharmaceuticals & Phytochemical Development Corporation Limited resulted in revenue loss of Rs 57.31 lakh during 2002-2006 besides realisation of little value against Rs 3.05 crore spent on the research project during the same period.

The project on 'Survey, Selection & Mass Production of Nodule Bacteria' came under the administrative control of Bidhan Chandra Krishi Viswavidyalaya (BCKV) from April 1979 alongwith all assets, liabilities and manpower. The main object of the project was to conduct research on nodule bacteria and production of bio-fertiliser for the improvement of pulse cultivation in West Bengal. The Nodule Research Laboratory of BCKV with its well equipped farms, animal house, laboratories (seven) and equipment (48) was manned by 34 staff including 13 scientists. The potential capacity of the laboratory for production of bio-fertiliser was 100 ton *per annum*. Ministry of Agriculture, Government of India while releasing (January 1992) non-recurring grant to bio-fertiliser production unit of BCKV, specified that minimum production *per annum* should be 75 Ton. Viswavidyalaya, however, produced 116 ton and sold 113 ton of bio-fertiliser during 1992-1999 to the State Government (against its indent) at Rs 20.55 lakh. But production during 1999-2002 was reduced to 0.37 Ton due to lack of indent from the Government. The production during 2002-2006 was 13.43 tones of bio-fertilisers. The BCKV spent Rs 3.05 crore (Rs 298.67 lakh on salary and Rs 5.92 lakh on contingency) for the Laboratory during 2002-2006. The sale price of bio-fertiliser was fixed at Rs 20000 per ton by the BCKV.

West Bengal Pharmaceuticals & Phytochemical Development Corporation Limited (WBPPDC), a State Government undertaking proposed (March 2001) to utilise the idle capacity of the Laboratory for bio-fertiliser production and to market the produce initially on their own. The Executive Council of the Viswavidyalaya accepted the proposal in November 2001 but the Viswavidyalaya failed to communicate the acceptance of Executive Council to WBPPDC as of March 2006. In reply, the Viswavidyalaya admitted the communication gap in this regard. The non-utilisation of production potential was due to lack of marketing arrangements which were assured by the WBPPDC on its own.

Thus, had the decision of the Executive Council been communicated to the WBPPDCL in November 2001, full potential of the production unit would have been utilised fruitfully and the profit from full capacity production of bio-fertiliser would have been utilised for the research work.

The Viswavidyalaya had to sustain a revenue loss of Rs 57.31 lakh during 2002-2006 due to its failure in communicating the acceptance to WBPPDCL regarding its offer to utilise the idle capacity of the laboratory for bio-fertiliser production and to market the produce. Besides, little value of Rs 3.05 crore spent on salary of the staff could be realised due to absence of any research work during the period.

The matter was referred to Government in May 2006. Government in reply (June 2006) admitted that the marketing of bio-fertiliser did not materialise in 2001-2002 on account of the communication gap with WBPPDCL and confirmed that available infrastructural and manpower facilities were sufficient for substantial production of bio-fertiliser.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.2.2 Excess payment made on cleaning and scavenging services

Failure in exercising proper check over measurement of service area and claims preferred by the contractor for cleaning and scavenging work, resulted in excess payment of Rs 26.12 lakh.

For ensuring better patient care and cleanliness of hospitals, Government decided (June 2001) to engage private agencies for cleaning, scavenging and provision of Group-D level services in five hospitals in Kolkata. Accordingly, the Superintendent, Kolkata Medical College and Hospital (MCH) engaged (July 2001) an agency² selected by Government, on contract basis for providing above services in all the four floors in MCH buildings.

Scrutiny (November 2005 and January 2006) of records of the Superintendent, MCH revealed that the total service area of the building was measured (October 2001) at 19350.34 sq. metres by a private survey agency engaged by the contractor itself. According to that measurement the ground floor and the first floor had 9599.08 sq. metres of area under cleaning contract. The hospital authorities accepted the measurement without any cross-verification and paid Rs 80.69 lakh during July 2001 to March 2005, on that basis to the contractor. However, the Superintendent subsequently got the area measured (December 2005) by the PWD at 16200 sq. metres, of which the ground floor and first floor accounted for 5800 sq. metres.

² M/s General Security & Information Services, Kolkata

The acceptance of incorrect measurement without verification and allowance of 3799.08 sq. metres in excess of actual service area in the ground floor and first floor resulted in excess payment of Rs 15.77 lakh³.

Further, it was ascertained from the reply (November 2005) of the Director, Hematology Department that during July 2003 to March 2005 cleaning and scavenging services in the third floor (4875.63 sq. metres as claimed and accepted) of the MCH building occupied by Hematology Department had been actually done by the hospital's own sweeping and cleaning staff. The contractor fictitiously claimed Rs 10.35 lakh for the third floor for same period which was also admitted and paid indicating failure on the part of the hospital authority in exercising proper check over claims of the contractor.

Thus, owing to failure in exercising proper check over measurement of service areas and claims preferred by the contractor, the Superintendent, MCH made excess payment of Rs 26.12 lakh.

Government stated (September 2006) that appropriate action would be taken on receipt of the enquiry reports from the hospital authorities.

HOUSING DEPARTMENT

4.2.3 Loss due to non-compliance of EPF Act

Due to non-compliance of the provisions of EPF Act 1952, West Bengal Housing Board had to sustain loss of Rs 1.17 crore and a further liability of Rs 0.94 crore.

West Bengal Housing Board (Board) came under the purview of Employee's Provident Fund (EPF) and Miscellaneous Provisions Act, 1952 (Act) with effect from October 1980. As per the Act, the Board was responsible to recover and deposit the monthly subscription from its employees to EPF alongwith its own contribution to the Regional Provident Fund Commissioner, West Bengal and the Andaman & Nicobar Islands (RPFC) within 15 days after the close of every month. Board, being engaged in construction of housing complex through contractors, was equally responsible to recover and deposit EPF dues in respect of the employees of unregistered (with EPF) contractors. Delay in deposit was to attract damage upto 100 per cent of the arrears and penal interest.

Test-check of records (October 2005) showed that the Board never recovered or remitted the EPF dues in respect of employees of unregistered contractors for the period of engagement. The Board admitted (May 2000) non-payment of dues for unregistered contractors' employees on being summoned (June 1999) by RPFC.

³ 12 months at the rate of Rs 7.53 per sq. metre per month and 32 months at the rate of Rs 9.31 per sq. metre per month; the rate of service tax varying between 5 per cent and 10.20 per cent.

RPFC issued a demand (May 2000) for Rs 88.60 lakh on account of EPF and allied dues for the period from November 1990 to April 1999 and interest of Rs 27.92 lakh payable within seven days for the delay in deposit of payment. The Board did not respond. RPFC then recovered the amount (Rs 1.17 crore) in July 2000 by attaching the Board's account with the Bank of Maharashtra. The Board, however, had no scope to recover the amount (Rs 1.17 crore) from the contractors as they were not being engaged by the Board and all their dues had been settled earlier. The writ petition, which had been filed by the Board challenging the action of RPFC, was turned down by the High Court in August 2000.

Despite this the Board had failed to incorporate a clause in the Notice Inviting Tender restricting the participation of unregistered contractors (with the EPF). Further liabilities of Rs 94.31 lakh also devolved on the Board as it failed to deposit EPF dues for the period from November 1990 to June 2002 as per demand issued by RPFC in December 2005.

Thus, non-compliance of the provision of the Act by the Board regarding employees of unregistered contractors resulted in loss of Rs 1.17 crore and further liabilities of Rs 0.94 crore.

The matter was referred to the Secretary of the Housing Department (May 2006). The Department, in turn, referred (July 2006) the matter to the Board which admitted (July 2006) non-payment of EPF dues for contractors' employees. The Board further stated that although it wanted to pay the dues in instalments but PF Authority recovered the amount by attaching the Bank Account.

4.2.4 Loss due to irregular transfer of Government land

Irregular acquisition of Government land at concessional rate by West Bengal Housing Board for a commercial enterprise led to loss of stamp duty of Rs 0.63 crore and loss of salami of Rs 3.71 crore.

West Bengal Housing Board (Board) moved (2001-2002) the Housing Department (HD) to acquire a vested land (18.62 acre) in mouza Chakgaria, District South 24 Parganas to execute a housing project on joint venture with a private company. The technical feasibility of the proposed social housing scheme in the area was ascertained by the Board in September 1999.

The Land and Land Reforms Department (L&LRD), on receipt of a land requisition proposal from HD, approved (February 2003) the transfer of land at a salami of Rs 14.18 crore with an annual rent of Rs 4 per decimal on a lease for 99 years. After getting the approval, the Board appealed (March 2003) to the L&LRD through HD to reduce the amount as the project was not a commercial one and the Board had a social obligation to provide shelter to the economically weaker sections (EWS) and low income group (LIG) at subsidised prices and to

the middle income group (MIG) at no profit no loss basis, which would constitute 50 *per cent* of the total flats of the proposed project. The L&LRD lowered (September 2003) the salami at Rs 10.47 crore.

Board, however, decided in December 2003 that the land was not suitable for the proposed housing scheme project and instead of surrendering it to the L&LRD, it decided (January 2004) to transfer the land to the joint venture company (A). The Secretary, HD in a letter (March 2004) to the Joint Housing Commissioner and Secretary of the Board, requested a clarification as to how the land had become unsuitable for Board but suitable for private company for the social housing scheme when the cost of the land was reduced by L&LRD on the proposal of the HD. The Board, however, did not furnish any reply to the queries made by the Secretary, HD as of March 2006. Instead, the Board realised the salami amount of Rs 10.47 crore from 'A' but deposited (October 2004) the same by cheque in its own name to the LA Collector, South 24 Parganas. L&LRD transferred the land to HD. The Board after taking over (January 2005) the land from HD handed over (February 2005) its permissive possession to 'A'.

This resulted in loss of Rs 3.71 crore to the public exchequer in the form of reduced salami at a concessional rate. Further, the Government also suffered loss of stamp duty of Rs 62.84 lakh which was payable had the land been directly procured by 'A' from L&LRD rather than being an inter departmental transfer of land.

Thus, the Board had played the role of an intermediary by first procuring the land from L&LRD at concessional rates on the plea of its social obligations and thereafter transferring it on permissive possession to 'A'.

The matter was referred to the Secretary, Housing Department (June 2006). The Department, in turn, referred (July 2006) the matter to the Board. The Board, however, in a reply (July 2006) stated that so far as Government policy is concerned Board and Joint Venture Company stand on the same footing and there was no loss to the Government as the purpose remained unchanged.

The reply was not tenable on the following grounds:

- (a) Board and 'A' are two separate entities. Board was formed to provide shelter at affordable price to EWS, LIG and MIG people while the 'A' was a commercial enterprise.
- (b) The handover of the land to 'A' by the Board on the plea of its unsuitability was also questioned by the Secretary, HD. However, Board without providing a response to the queries of the Secretary, HD, handed over the possession of the land to 'A'.
- (c) 'A' could have approached the L&LRD directly for such acquisition on lease. In that event, stamp duty had to be paid which was exempted for an inter departmental transfer and L&LRD could not reduce salami amount as per instant law.

SCHOOL EDUCATION DEPARTMENT

4.2.5 Wasteful expenditure on excess printing of nationalised text books

Printing of text books without proper assessment of requirement resulted in 62.50 lakh books becoming obsolete and rendering their printing cost of Rs 2.67 crore wasteful.

With a view to providing the students of class I to class V with nationalised text books free of cost, the School Education department arranged for printing of the books centrally. The number of such books to be printed were to be assessed district-wise on the basis of actual enrolment of students and number of undistributed books of previous years.

Scrutiny of records (between November 2005 and August 2006) of district inspectors of primary education of seventeen districts⁴ and Directorate of School Education disclosed that requirements of copies of text books were determined without any proper assessment.

During 2003-2006, the syllabi for class I to V were modified in phased manner. Consequent upon renewal and revision of text books, 62.50 lakh books on different subjects valuing Rs 2.67 crore turned obsolete in those districts due to improper assessment of requirement rendering the expenditure wasteful.

The matter was referred to Government in June and September 2006; reply had not been received (January 2007).

SPORTS AND YOUTH SERVICES DEPARTMENT

4.2.6 Infructuous grant and irregular exemption

The decision of staging a drama on a floating stage on river Hooghly without ensuring requisite safety and security measures rendered the expenditure of Rs 15 lakh incurred out of grants-in-aid infructuous and loss of revenue of Rs 10 lakh due to irregular exemption of rental charges.

For organising a drama festival⁵, the Sports and Youth Services Department constituted (June 2005) a Committee comprising of representatives of

⁴ Cooch Behar, Bardhaman, Purba Medinipur, Paschim Medinipur, Nadia, Jalpaiguri, Bankura, Kolkata, Hooghly, Birbhum, North 24 Parganas, Purulia, Dakshin Dinajpur, Howrah, Malda, Murshidabad and Siliguri (educational district)

⁵ Utpal Dutta Drama Festival, 2005

Government as well as private personalities. The Committee decided to hold a drama over a floating stage on river Hooghly in November 2005.

The West Bengal Surface Transport Corporation Limited, a Government of West Bengal undertaking, was assigned the work of construction of the floating stage with auditorium over barges/pontoons on river Hooghly. Subsequently as the competent authorities⁶ refused to accord permission on the ground of public safety, the Committee decided to shift the venue to Yuba Bharati Krirangan (YBK), a Government owned stadium. Ultimately, the drama was performed (November 2005) in YBK. On appeal from the Committee the State Government sanctioned grants-in-aid amounting Rs 20 lakh for meeting the expenses due to shifting of venue of the drama with the stipulation that the committee should submit an utilisation certificate for the grant and refund the unutilised amount to the department.

Audit scrutiny (April and July 2006) disclosed that out of Rs 20 lakh, expenditure of Rs 15 lakh was incurred for hire charges of barge, pontoon and buses construction of gangway and decoration of stage. The remaining unutilised amount of Rs 5 lakh was donated by the Committee to Chief Minister's Relief fund in contravention of the directives of the Government. The rental charges amounting Rs 10 lakh for use of the YBK stadium realisable from the Committee were also arbitrarily exempted by the Minister-in-charge (MIC) of the department, who was also the President of the Committee, depriving the State exchequer.

Thus, the injudicious decision of the committee for staging drama on river Hooghly without obtaining prior permission of the competent authorities rendered the expenditure of Rs 15 lakh infructuous. Further, the Government suffered loss of revenue of Rs 10 lakh due to irregular exemption.

Sports and Youth Services Department stated (August 2006) that the final decision not to stage the drama over river Hooghly on the ground of safety and security of the participants and public was communicated by the Police authorities at the last moment. Had the police authorities conveyed their decision earlier, the question of infructuous expenditure would not have arisen. Besides, the rental charges were exempted on the ground of difficulties to stage the drama at another venue and to mitigate the burden of expenditure to some extent.

The reply is not acceptable because it was mandatory to obtain permission of Kolkata Port Trust, Fire Services Department and police authorities before construction of the floating stage with auditorium on barges/pontoons over river Hooghly with due regard to public safety and security. Further, neither any Government order or rule empowered any authority to grant such exemption of rental charge of YBK nor was the concurrence of Finance department obtained in granting such exemption.

⁶ Dy. Commissioner of Police, Kolkata

TRANSPORT DEPARTMENT**HOOGLHY RIVER BRIDGE COMMISSIONERS****4.2.7 Inadmissible payment**

Extra payment of Rs 74.22 lakh was made against contractual provisions and for a work not actually done by the contractor. Further, profit of Rs 97.49 lakh was allowed in excess of entitlement.

Hooghly River Bridge Commissioners (HRBC) awarded (November 1999) Package II of Calcutta Transport Infrastructure Development Project (CTIDP) to a contractor at Rs 63.63 crore for completion by March 2002 and engaged (April 1997) a consultant, *inter alia*, for taking measurement of finished work and certifying contractor's claim for payment. The scope of work was modified (May 2002) on mutual agreement after deletion of some items and was to be completed at Rs 56.06 crore under the same terms, conditions and rates as of the original contract with the revised date of completion (November 2005). The work was completed and the contractor was paid Rs 66.62 crore as of January 2006.

Test-check of records (November 2005) showed inadmissible payment of Rs 1.72 crore to the contractor as detailed below:

As per the agreement, the contractor was to provide a permanent site office for use by HRBC's Engineer at a lump sum amount of Rs 48.11 lakh within 90 days from the date of issue of letter of acceptance by HRBC. A temporary site office at an additional amount of Rs 8 lakh was also to be arranged by the contractor for use by the Engineer during the period of construction of the permanent site office and Rs 0.40 lakh for its subsequent dismantling. The permanent site office was to be returned to the contractor within 60 days from the date of issue of taking over certificate by the Engineer.

In June 2002, HRBC paid Rs 47.57 lakh on account of permanent site office and equipment with marginal adjustment and Rs 8 lakh for the temporary site office to the contractor as per agreement. HRBC further paid (December 2005) Rs 73.82 lakh based on contractor's demand on account of permanent site office and equipment for the extended period from April 2002 to November 2005 and a sum of Rs 0.40 lakh for dismantling of temporary site office. The consultant, however, observed (April 2004) that no additional payment for the site office and equipment for the extended period was admissible to the contractor as per terms of the contract and Rs 0.40 lakh was also not admissible as the temporary site office itself was upgraded to permanent site office.

The scope of the work further provided for relocation of underground Filter Water Main 1200 mm dia at Gariahat Road at Rs 45.36 lakh inclusive of supervision fee (at 6.25 *per cent* of the value of the work) payable to the owner of the Utility Service (Kolkata Municipal Corporation/KMC) and contractor's profit (at 30 *per cent* on the supervision fee). But the contractor could not execute the work till April 2003 due to non-finalisation of working drawing and some objections raised by KMC. A Memorandum of Understanding signed in May 2003 (by HRBC, KMC and the contractor) entrusted the KMC to execute the entire work as sub-contractor at Rs 3.47 crore (including 15 *per cent* overhead expenditure and 5 *per cent* contingency) where the contractor had no role to play. There was no provision of any profit for the contractor on this specific item of work. The work was completed in May 2004. HRBC released advance payment of Rs 3.47 crore between February 2004 and September 2005 for payment to KMC as per agreement. But the contractor paid KMC Rs 2.97 crore only between February 2004 and January 2006 and unauthorisedly retained Rs 1.56 crore for 19 months and Rs 50 lakh till date (April 2006). Further, HRBC released a sum of Rs 1.04 crore on account of contractor's profit at 30 *per cent* of the value of sub-contract.

Thus, payment of Rs 1.04 crore on contractor's profit at 30 *per cent* of value of the sub-contract was not admissible since contractor could only have been allowed Rs 6.51 lakh at the rate of 30 *per cent* profit over the supervision fee (6.25 *per cent* of Rs 3.47 crore) on the value of the sub-contract.

Government stated (July 2006) that Rs 73.82 lakh was paid to contractor for extended period of 44 months at pro-rata basis and profit of Rs 1.04 crore was allowed at 30 *per cent* on the value of the sub-contract from provisional sum as per terms and conditions of the contract.

The reply was not tenable as Rs 1.72 crore (Rs 1.04 crore - Rs 0.06 crore + Rs 0.74 crore) was paid in violation of the contract agreement. Joint Secretary of the Transport Department had also observed (March 2003) that admissible supervision fee would be 6.25 *per cent* on the revised cost of the relocation work and therefore profit of the contractor should have been restricted to 30 *per cent* of the supervision amount as per agreement.

4.3 Violation of contractual obligations/Undue favour to contractors

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.1 Extra expenditure on disposal of bio-medical waste

The department allowed undue financial aid of Rs 23.49 lakh in 2004-2005 to a contractor for disposal of bio-medical waste in 32 Government hospitals/ blood banks by making payment on the basis of sanctioned bed strength instead of actual bed occupancy.

In accordance with the standards prescribed in the Bio-medical Waste (Management and Handling) Rules, 1998, the Department entered into an agreement with a private company for disposal of bio-medical waste (BMW) from 32 State run hospitals/blood banks in Kolkata during 2004-2005. The agreement *inter alia* provided for payment of Rs 2.45 *per bed per day* to the contractor as cost of transportation, treatment and final disposal of BMW subject to the condition that the total cost calculated at the aforesaid rate shall not, however, exceed the cost arrived at on the basis of total sanctioned bed strength. The agreement, however, did not include the specific term 'bed occupancy' although it transpired from clause 24⁷ therein that payment was to be made for occupied beds only.

Scrutiny (December 2005 to May 2006) revealed that payment till December 2004 was made on the basis of sanctioned bed strength which included payment for vacant beds also producing no BMW at all.

Subsequently, as the defects of the agreement came to the forefront, department decided (January 2005) that payment would be allowed for occupied beds only. The proposition was contested by the contractor citing a court case pertaining to small nursing homes. The court case, however, specifically dealt with small nursing homes with limited number of beds and where the amount charged by the contractor for BMW disposal vis-à-vis bed rent was insignificant. Further, the judgment ruled for expedition and efficiency rather than unnecessary paper work involved in fixing the rate on the basis of actual occupancy in small nursing homes. The department, however, continued to make the payment on the basis of sanctioned bed strength despite its clarification of January 2005. Thereafter, the

⁷ Clause 24 stipulated that the Health and Family Welfare Department shall pay the contractor Rs 2.45 per bed per day for BMW disposal but the total cost calculated at the aforesaid rate shall not exceed the calculation made on the basis of total sanctioned bed strength.

agreement for 2005-2006 was renewed and it *inter-alia* provided in clause 25⁸ for payment on the basis of total bed strength.

The department paid Rs 1.01 crore in 2004-2005 on the basis of bed strength against Rs 77.33 lakh payable on the basis of bed occupancy for which the contractor actually rendered services. Thus, the department incurred an extra expenditure of Rs 23.49 lakh for the year 2004-2005 in disposal of BMW extending an undue favour to the contractor in deviation from terms of agreement.

The matter was referred to Government in June 2006; reply had not been received (January 2007).

⁸ Clause 25 stipulated that the health and Family Welfare Department shall pay the contractor at the rate of Rs 2.45 per day per bed for BMW disposal on the total bed strength.

4.4 Avoidable/Excess/Unfruitful expenditure

FINANCE DEPARTMENT

4.4.1 Avoidable extra payment of interest

Mismanagement in retiring old high cost loans with new low cost loans resulted in extra expenditure of Rs 21.54 crore towards interest payment for the period from August 2004 to June 2006.

State Government took six loans totalling Rs 5105 crore from West Bengal Infrastructure Development Finance Corporation (WBIDFC) during 1999-2002 at rates of interest ranging between 23.85 *per cent* and 16.91 *per cent per annum*.

With a view to retiring old high cost loans with fresh loans with lower rates of interest, State Government and WBIDFC mutually agreed to re-schedule the repayment of the above loans. Outstanding balances of the above loans were treated as new separate loans scheduled to be repaid in five years in ten equal half yearly instalments of principal while interests were to be paid monthly.

The following was the position of original loans vis-à-vis their outstanding portion and conversion in new loans:

Amount of the loan (Rupees in crore)	Year of receipt	Rate of interest (in <i>per cent</i>)	Balance tenure (in months)	Month of conversion (in months)	Amount of new loan (balance principal) (Rupees in crore)	New rate of interest
450.00	1999-2000	18	28	July 2004	656.11	12.50
765.00	1999-2000	23.735	32	July 2004		
895.58	2000-2001	17.99	19	November 2005	771.90	10.50
658.00	2000-2001	18	25	November 2005		
336.42	2000-2001	23.85	28	November 2005		
2000.00	2001-2002	16.91	41	November 2005	1262.90	

The new loans were to be repaid over a period of five years in 10 equal half yearly instalments. Though it involved an extra liability of Rs 32.66 crore in terms of total outgo, the same conversions were approved to lessen the burden on the ways and means position of the Government and to gain more time for repayment.

It transpired (June 2006) from records of Finance Department that while re-scheduling the loans taken in 1999-2000, interest on plan-loan as prevailing in 1999-2000 was accepted as rate of interest of the new loan. It was, however, observed that in case of loans converted in November 2005, the rate of interest was negotiated to 10.5 *per cent per annum* though the rate of interest on plan-loan during 2000-2002 (i.e. when the original loans were taken) ranged between 12.5 and 12 *per cent*. Nothing was on record as to why the rates of interest on plan loans prevailing on the date of debt swap (nine *per cent* both in July 2004 and November 2005) were not considered. Moreover, the average effective rate of interest on the older loans had come down to only 10.56 *per cent* at the time of conversion.

Such failure in negotiating rates of interest led to acceptance of higher rate and Government had to bear an excess interest burden of Rs 21.54 crore⁹ on the new loan of Rs 656.11 crore for the period from August 2004 to June 2006 (as compared to 10.5 per cent as agreed upon in other cases).

Thus, failure of the State Government to negotiate judiciously the rate of interest while converting old high cost loans into new low cost loans resulted in extra expenditure of Rs 21.54 crore towards interest payment for the period from August 2004 to June 2006 besides shouldering additional interest liability towards future repayment.

The matter was referred to Government in July 2006; reply had not been received (January 2007).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.2 Avoidable expenditure on energy charges

Failure on the part of the authorities of six hospitals of Kolkata and North 24 Parganas in verifying the rates charged in the electricity bills resulted in avoidable expenditure of Rs 3.22 crore.

Energy tariff chargeable by the electricity suppliers viz. Calcutta Electric Supply Corporation Limited (CESC) and West Bengal State Electricity Board (WBSEB) to different categories of consumers (Domestic, Commercial, Industrial and Public Utility Services) in West Bengal is fixed by the West Bengal Electricity Regulatory Commission from time to time. In the said tariff order, Government hospitals are classified under Public Utility Services and hence to be charged at the rates of the prescribed category.

Scrutiny of records (July 2005 to April 2006) in six hospitals¹⁰ showed that both CESC and WBSEB preferred electricity bills at higher rate (domestic/commercial) of energy tariff than that applicable to Public Utility Services. Failure on the part of the concerned hospital authorities in verifying the rates charged in the electricity bills before payment resulted in avoidable extra expenditure of Rs 3.22 crore for the period from January 2002 to March 2006.

Health and Family Welfare Department while contending (July 2006) that Government hospitals did not come within the purview of public utility services because of high voltage bulk supply, however, added that the matter had been taken up with CESC and WBSEB for an amicable settlement. The reply was,

⁹ Rupees 134.64 crore (at the rate of 12.5 per cent per annum) minus Rs 113.10 crore (at the rate of 10.5 per cent per annum).

¹⁰ (i) Medical College and Hospital, Kolkata, (ii) SSKM Hospital, Kolkata, (iii) Director, School of Tropical Medicine, Kolkata, (iv) Calcutta National Medical College and Hospital, (v) NRS Medical college and Hospital, Kolkata and (vi) District Hospital, North 24 Parganas, Barasat.

however, not tenable as the notice issued by WBSEB clearly indicated that hospitals with 'High Voltage Bulk supply' were under the purview of public utility services.

HILL AFFAIRS DEPARTMENT

4.4.3 Avoidable expenditure due to injudicious decision

Injudicious decision, on the part of DGHC, for engagement of private drivers without considering gainful utilisation of departmental drivers led to an avoidable expenditure of Rs 36 lakh.

Scrutiny (December 2005) of the records of Darjeeling Gorkha Hill Council (DGHC) revealed that 19 drivers attached to eight offices/units¹¹ under the Council remained idle since April 2000 as either vehicles were not allotted to them or the available vehicles were not in roadworthy condition. DGHC, however, took no action for repairing the damaged vehicles. Efforts to provide other vehicles or judicious re-deployment of those drivers were also not made.

Despite these 19 departmental drivers remaining idle, DGHC engaged 56 to 64 private drivers at a cost of Rs 1.11 crore for running departmental vehicles of different offices during the same period.

Thus, injudicious decision on the part of DGHC, for engagement of private drivers without considering the deployment of 19 idle departmental drivers burdened the Council with an avoidable expenditure of Rs 36 lakh towards remuneration to private drivers.

The matter was referred to Government in June 2006; reply had not been received (January 2007).

HOME (POLICE) DEPARTMENT

4.4.4 Unfruitful expenditure on construction of a police hospital

Construction of a police hospital building at Darjeeling at Rs 56.63 lakh was unfruitful as no medical/para-medical staff was posted for more than five years.

Construction of a two storied 20-bedded police hospital was completed (March 2001) at Darjeeling at a cost of Rs 52.91 lakh. The Superintendent of Police,

¹¹ Out of 28 drivers (number of sanctioned post being 38) posted in those eight offices for 27 vehicles, of which only eight remained on-road.

Darjeeling further spent Rs 3.72 lakh on electrical/sanitary and plumbing works, furniture, clothing, etc. to make the ground floor of the building usable. The department, however, did not sanction medical and para-medical staff so far to run the hospital and the building was being used as a temporary barrack.

As per order of the Director-General and Inspector-General of Police, West Bengal, a doctor was appointed only in November 2004 on contractual basis to extend some medical facilities to the police personnel and their families till the posts of medical staff were sanctioned. The department, however, neither accorded approval to the contractual appointment of the doctor nor created posts of medical/para-medical staff as of March 2006. The medical officer rendered service for one year without any payment for want of Government order and discontinued his service (November 2005).

Thus, owing to non-posting of medical/para-medical staff for more than five years, Government's investment of Rs 56.63 lakh on the construction of the police hospital building remained unfruitful and the objective of extending medical facilities to the police personnel remained unfulfilled.

The matter was referred to Government in June 2006; reply had not been received (January 2007).

POWER DEPARTMENT

4.4.5 Avoidable payment of interest

Failure of the Power Department in getting the electrification work completed within the stipulated time frame led to avoidable expenditure of Rs 13.32 crore towards payment of interest on loan taken from Rural Electrification Corporation.

Rural Electrification Corporation Limited (REC), a Central Government Enterprise, agreed (February-March 2004) to provide loan of Rs 510 crore to State Government for implementing 155 schemes of various electrification projects of un-electrified villages, hamlets and dalit bastis (total 9698 locations) in the State. The schemes sanctioned earlier during 2000-2003 and taken up for implementation by the West Bengal Rural Energy Development Corporation limited (WBREDC) were identified for this purpose. As the works were already under various stages of implementation, it was expected that the same would be completed expeditiously.

Agreements were executed (February 2004) between REC and Power Department, Government of West Bengal which *inter alia* envisaged that the first instalment (10 per cent) of the loan was to be released on execution of loan documents and thereafter it would be released on reimbursement basis. The loan

was for 13 years including three years moratorium. State government would pay quarterly interest at the rate of three *per cent* for hamlet and village electrification and one *per cent* for basti electrification. REC would consider the waiver of interest if the schemes were completed within the stipulated time frame (March 2005) thereby rendering the loan interest free.

Audit scrutiny (May 2006) revealed that though REC released the loan amounts (Rs 403.56 crore) from time to time between March 2004 and April 2006, the department failed to execute the schemes within the stipulated time frame, thereby failing to fulfil the pre-condition for waiver of interest. The reminder (July 2004) of REC for expediting implementation of the schemes also proved futile. Even as of February 2006, works in 1435 locations remained incomplete.

Owing to its failure to avail of the opportunity of waiver of interest, State Government had to pay Rs 13.32 crore between July 2004 and March 2006 as interest on the amounts of loan drawn from time to time.

The department (September 2006) in reply attributed such non-completion of schemes within the stipulated period to various factors, like high target, delay in supply of materials by suppliers, flood and erosion in some areas, poor response of the prospective consumers, stoppage of works by the contractors in protest against PF registration, etc.

The contention of the department about high target or poor response among prospective consumers is not acceptable as only the ongoing schemes were taken up for implementation, that too only at the proposal of WBREDC, which had also been confident about their timely completion. Further, other factors should have been taken under consideration while fixing up the target.

4.5 Idle Investment/Idle Establishment/Blockage of Funds

BACKWARD CLASSES WELFARE DEPARTMENT

4.5.1 Non-functional Central Hostels for scheduled caste girls

Despite expenditure of Rs 42.72 lakh, two central hostels for scheduled caste girls of post-matric stage could not be made functional even after lapse of four years.

For accommodating female scheduled caste students of post-matric stage, two Central girls' hostels were constructed at Kalinagar and Bongaon in North 24 Parganas district in December 2001 at a cost of Rs 39.98 lakh. In addition, an expenditure of Rs 2.74 lakh was incurred for procurement of furniture. The hostel buildings were handed over by the Zilla Parishad, North 24 Parganas to the Project Officer cum District Welfare Officer (PO cum DWO), Backward Classes Welfare, North 24 Parganas in June/July 2002. Formal inauguration was made in September 2002.



Photograph showing the non-functional Kalinagar Central Hostel



Photograph showing furniture inside the Kalinagar Central Hostel

Scrutiny (March 2006) revealed that even after four years of completion the hostels could not be made functional as the department created the posts of two Superintendents and eight other staff only in January 2006 in spite of repeated requests of the PO cum DWO (to the Directorate) since July 2002. No fund was, however, provided for power connection, water supply, etc. till date (July 2006). The PO cum DWO, North 24 Parganas stated (March 2006) that due to prolonged non-utilisation, the roof, doors and windows of both the buildings were damaged. Renovation work was not undertaken for want of funds.

Thus, the hostels could not be made functional even after lapse of four years, despite spending Rs 42.72 lakh. Besides, the students of the backward community were also deprived of the projected facility.

At the instance of audit the department, under intimation to audit, instructed (June 2006) the District Magistrate, North 24 Parganas to fill up the newly created posts and to submit the estimates for power connection, water supply, etc.

PUBLIC WORKS (ROADS) DEPARTMENT

4.5.2 Blockage of funds and avoidable extra burden on State Exchequer

Release of Advance in one lump to Baranagar Municipality by Chief Engineer, NH Wing for relocation of utility services without ascertaining its jurisdiction resulted in blockage of MOST's fund of Rs 77.50 lakh and avoidable extra burden of Rs 66.27 lakh on the State Exchequer.

Chief Engineer, National Highway Wing (CE/NH), Public Works (Roads) Department (PWRD) was entrusted by Ministry of Surface Transport (MOST) to relocate the utility services (water, sewer, gas, electric lines, drains) falling on the proposed Kolkata side approach of Second Vivekananda Bridge at Dakshineswar on NH-2. MOST sanctioned (September 1998) Rs 7.38 crore for the purpose. CE/NH immediately decided to execute the work through the respective authorities and asked them to submit their cost estimates. Baranagar Municipality (BM) submitted (November 1998) estimates for construction of RCC Box drain at Rs 84.76 lakh and relocation of two Water Supply Mains at Rs 13.04 lakh. CE, NH Wing approved (November 1998) the estimates and Executive Engineer (EE), NH Division IV released (March 1999) Rs 97.80 lakh as advance to BM on instruction from CE (March 1999).

BM could not construct the Box drain till February 2004 due to non-availability of land. It was noticed in March 2005 that the work could not be taken up since one water main belonged to Public Health Engineering Department (PHED) and the other to Baranagar Kamarhati Joint Water Works. Besides, the size of the drain had to be truncated and length of relocation work of water main had to be increased due to change of the alignment of the bridge proper in February 2004. Construction of truncated RCC BOX Drain at Rs 26.13 lakh and relocation work

of extended Water Mains at Rs 66.27 lakh were finally completed by the department in September 2005 and by PHED in November 2005 respectively. BM, however, spent Rs 0.30 lakh out of Rs 97.80 lakh on emergent relocation of another water line. BM utilised the fund for its own use and had refunded only Rs 20 lakh as of March 2006. The State Government had to bear an extra expenditure of Rs 66.27 lakh during 2005-2006 to complete the relocation work while Rs 77.50 lakh remained blocked in the BM.

The idle retention of Rs 77.50 lakh irregularly by the BM for more than seven years could have been avoided, had the CE/NH released fund to the Municipality after ascertaining its jurisdiction. Besides, the State Exchequer had to shoulder the extra burden of Rs 66.27 lakh during 2005-2006 to complete the relocation work. The detection of actual ownership of the utility service after the lapse of six years was also indicative of lack of monitoring by the CE/NH Wing. The advance could have been recovered before the utilisation of fund by BM for its own purpose, had there been an effective system of monitoring by the department.

Thus, due to lack of financial control and monitoring on the part of CE/NH, Rs 77.50 lakh remained blocked in the Municipality for the last seven years and the State Exchequer had to bear extra burden of Rs 66.27 lakh during 2005-2006.

Government in reply (June 2006) admitted the irregular blockage of fund and stated that the advance in favour of BM was issued in one lump to book the amount in the corresponding financial year.

The reply is not tenable as the advance/deposit should have been given to the PHED, the actual owner of the utility services in the same financial year. Moreover, the hasty release of fund in 1999 was not justifiable since there were also subsequent changes made in the alignment of the bridge proper in February 2004.

REFUGEE RELIEF AND REHABILITATION DEPARTMENT

4.5.3 Unjustified decision leading to idle manpower and frustration of objective

Services of the newly absorbed workers of three production units remained severely underutilised due to outsourcing of production work though Rs 4.43 crore was spent towards their salary.

Refugee Relief and Rehabilitation Directorate had been running three garment production centres¹² by engaging weavers and tailors on piece rate basis for supply to different Government departments. Mention was made in para 3.21 of

¹² *Habra and Titagah in North 24 Parganas district; Uttarpara in Hooghly district*

the Report No. 3 (Civil) of the Comptroller and Auditor General of India for the year ended 31 March 1997 regarding poor performance of the production units. The Government in their reply (December 1997) stated that they would ensure continuous flow of fund for purchase of raw materials and try their best to get more orders from Government departments by ensuring timely supply of finished product. The Public Accounts Committee 2001-2002, in its sixth report also recommended (March 2002) for making the centres economically viable expeditiously.

With a view to minimising the loss of the units by enhancing productivity Government created (December 1998) 227 new posts in these units and absorbed 97 tailor-cum-cutters, 47 weavers and 83 workers retrospectively from July 1998.

Scrutiny (July-August 2005) of records of the production units, however, disclosed that though the centres continued to shoulder additional financial burden on account of the salary of the absorbed staff, the department started outsourcing the production works through some registered suppliers, instead of utilising the existing manpower absorbed, on the ground of shortage of money for procurement of raw materials. The production¹³ of these three units showed drastic fall during 2002-2006. During the period 2003-2006 total sale proceeds amounted to Rs 4.47 crore inclusive of Rs 44.29 lakh retained by the units as their own margin while during the same period Rs 4.43 crore was spent towards pay and allowances of those regular employees.

The decision of outsourcing, thus, lacked justification and the units continued to incur losses during 2002-2006 and the accumulated loss stood at Rs 7.85 crore as of March 2006 making the units economically unviable.

Thus, even after absorbing the daily rated workers as permanent staff and shouldering annual liability towards their salary, the department failed to utilise the manpower optimally due to outsourcing of production works. The objective of making the units financially viable by such outsourcing also remained unachieved and the units continued to incur heavy losses (Rs 1.27 crore to Rs 1.36 crore annually) during 2002-2006.

The matter was referred to Government in July 2006; reply had not been received (January 2007).

¹³ Rs 45.65 lakh in 2002-2003, Rs 13.66 lakh in 2003-2004, Rs 0.29 lakh in 2004-2005 and Rs 1.42 lakh in 2005-2006

4.6 Regularity issues and other points

GENERAL

4.6.1 Misappropriation and Misutilisation of cash

Non-adherence to the provisions of Treasury and Financial Rules by 15 DDOs in six districts including Kolkata resulted in shortage of cash of Rs 2.07 crore.

West Bengal Treasury & Financial Rules provides that no money is to be drawn from treasury unless it is required for immediate disbursement. All monetary transactions are to be entered in the cash book under proper attestation as soon as they occur. The cash book is to be closed everyday and the head of the office is to physically verify at the end of each month the cash balance in hand as per the cash book and record a certificate to that effect. Bill-wise analysis with dates of drawal in respect of closing cash balance was also required to be made at the end of each month.

In course of audit of 15 Drawing and Disbursing Officers¹⁴ (DDO) in six districts including Kolkata during April 2004 to August 2005, serious irregularities and non-observance of the provision of above rules by DDOs were noticed which resulted in misutilisation and misappropriation of Government money as would be evident from *Appendix 4.1*.

Shortage of cash

Physical verification of cash conducted at the instance of audit by 15 DDOs during April 2004 to August 2005, disclosed that against the total closing cash balance of Rs 27.61 crore as per cash books, only Rs 25.54 crore was physically found indicating a shortage of cash of Rs 2.07 crore. Out of Rs 2.07 crore, shortage of Rs 23.04 lakh (Column 9 of the Appendix) remained unexplained, Rs 0.60 lakh represented lapsed cheques (Column 10 of the Appendix) and Rs 1.83 crore was shown as advance from un-disbursed cash to different staff (Column 7 and 8 of the Appendix) which included Rs 9.01 lakh for which vouchers were submitted but remained unadjusted. As the amounts remained outside the cash chests, this practice tantamounted to temporary misappropriation.

Unexplained cash shortage

Physical verification of cash of three DDOs (Principal, Chittranjan Seva Sadan, Kolkata; BDO, Barasat-I, North 24 Parganas; BDO, Mirik, Darjeeling) revealed shortage of cash of Rs 23.04 lakh which remained unexplained by the concerned DDOs. These require investigation.

¹⁴ Health and Family Welfare, Animal Resources Development, Panchayat and Rural Development, Jails, Land and Land Reforms and Finance departments

Unauthorised advances from undisbursed cash

Three DDOs (Sl. 6, 9 and 13 of Col. 8 of Appendix) paid Rs 1.74 crore out of undisbursed cash irregularly as advance to different officials. Payment of advances out of undisbursed cash was contrary to the provisions of the rules. None of the DDOs including Accounts Officer (Finance), West Bengal Secretariat maintained any record to watch the recovery of such advances. Use of undisbursed cash in this manner for meeting expenses, without any supporting budget provision totally violated the system of budgetary and legislative control.

Vouchers shown as a part of cash balance

Rupees 9.01 lakh were held in vouchers by ten DDOs (Sl. No. 1, 3, 4, 5, 8, 10, 11, 12,14,15 of Column 7 of Appendix) which were irregular as “vouchers” could not be considered as cash balance. These disbursements were made from undisbursed cash against items of expenditure having no allotment and sanction. While in some cases, recovery of advances had not been made, in some other cases prospect of recovery was remote.

Lapsed cheques burdening the cash balance

Lapsed cheques/drafts for Rs 0.60 lakh were shown by two DDOs (Sl. No.1, 2 of Column 10 of Appendix) as a part of physical cash balance for a long period. Since these cheques/drafts had lost their currency, the same should not be considered as a part of cash balance. Steps need to be taken to get these lapsed cheques/drafts revalidated or cancelled as the case may be.

Other irregularities noticed during physical verification of cash

Principal, Chitranjan Seva Sadan (Sl. No. 2 of the Appendix) maintained a permanent advance of Rs 0.25 lakh which was kept out of Government Account irregularly by not routing it through the cash book.

Superintendent Bhatpara SG Hospital, North 24-Parganas (Sl. No. 4 of the Appendix) held vouchers worth Rs 0.86 lakh out of which Rs 0.78 lakh pertained to 1981-1982. Encashment of such vouchers after such a long time appeared doubtful. Moreover, Superintendent Alipore Special Correctional Home (Sl. No. 9) held 0.48 lakh in unadjusted vouchers, out of which vouchers of Rs 838 remained untraceable since November 1999.

Action taken by the Government

Cases of misappropriation and misutilisation of cash due to non-adherence to the provisions of Financial Rules by DDOs were mentioned repeatedly in the reports of C&AG of India since March 1997. Nevertheless, such irregularities were persisting due to inaction on the part of the DDOs of the Government Departments concerned. Even the Accounts Officer (Finance) of West Bengal Secretariat resorted to payment of inadmissible advances and incurring of expenditure on different counts unauthorisedly out of undisbursed cash balance.

Thus, inadequate and ineffective control over drawal and disbursement of cash by the government and non-observance of statutory rules by the DDOs led to serious irregularities including suspected misappropriation of cash.

The matter was referred to Government in August 2006; reply had not been received (January 2007).

4.6.2 Lack of response of Government to audit

Principal Accountant General (Audit) (PAG) arranges to conduct periodical inspection of Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs).

When important irregularities and other points detected during inspection are not settled on the spot, these find place in IRs and are issued to the heads of offices inspected with copies to the next higher authorities. Government of West Bengal, Finance Department Memo No 5703(72)/FB dated 29 August 1972 provides for prompt response by the executive to the IRs issued by the PAG to ensure rectificatory action in compliance with the prescribed rules and procedures and secure accountability for the deficiencies, lapses, etc. noticed during inspection.

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

Inspection Reports issued upto December 2005 relating to 473 offices of Land and Land Reforms Department, Technical Education and Training Department, Refugee, Relief and Rehabilitation Department, Fire Services Department, Excise Department, Public Works (Construction Board) Department, Irrigation and Waterways Department and 13 commercial undertakings¹⁵ disclosed that 3447 paragraphs relating to 1289 IRs remained outstanding at the end of June 2006. Of these, 317 IRs containing 506 paragraphs had been lying unsettled for more than 10 years.

Year-wise positions of the outstanding IRs and Paragraphs are detailed in *Appendix 4.2*. Even the initial replies, which were required to be received from the heads of offices within six weeks from the date of issue, were not received upto July 2006 in respect of 222 IRs (from 1985-1986).

¹⁵ Under Commerce and Industries, Cottage and Small Scale Industries, Animal Resources Development, Housing and Food & Supplies Departments.

A review of the IRs which were pending due to non receipt of replies, in respect of the aforementioned Departments revealed that the heads of the offices and the Government departments did not send any reply to a large number of IRs/Paragraphs indicating failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs. Though the position was brought to their notice regularly through six monthly reports, they failed to ensure prompt and timely action.

Audit committees, comprising the Principal Secretary/Secretary of the administrative department and representatives of the Finance Department and the PAG were formed in 50 out of 57 departments of Government for expeditious settlement of the outstanding inspection reports. Of the 50 departments where audit committees were formed, meetings were held only by 13 departments on 25 occasions from July 2005 to June 2006. As a result of the meetings of these committees, it was possible to settle 320 paragraphs and 47 inspection reports. No meetings were held by the other 37 departments. The matter was taken up with the Government for formation of audit committees in the remaining departments.

No information on follow-up action, if any, taken by the Finance Department to settle the paras/ IRs was available. This showed the lack of initiative by Government to ensure accountability.

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

The matter was referred to Government in August 2006; reply had not been received (January 2007).

4.6.3 Follow up action on earlier Audit Reports

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports from 1992-1993 to 2003-2004 of the Comptroller and Auditor General of India, Government of West Bengal revealed that Action Taken Notes on 278 paragraphs involving 42 departments remained outstanding as of June 2006. Details are given in *Appendix 4.3*.

The administrative departments were required to take suitable action on the recommendations made in the Reports of the Public Accounts Committee (PAC) presented to the State Legislature. Following the circulation of the Reports of the PAC, heads of departments were to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat.

It was observed that the Action Taken Notes on 26 Reports of the PAC, presented to the Legislature between May 1991 and December 2005 had not been submitted by 16 departments¹⁶ to the Assembly Secretariat as of June 2006. Thus, the fate of the valuable recommendations contained in the said reports of the PAC and whether they were being acted upon by the administrative departments could not be ascertained in audit.

¹⁶ *Agriculture, Commerce and Industries, Development and Planning, Fisheries, Higher Education, Hill Affairs, Housing, Municipal Affairs, Panchayats and Rural Development, Public Health Engineering, Public Works, Public Works (Roads), Refugee, Relief and Rehabilitation, School Education, Women and Child Welfare and Social Welfare and Transport.*