

CHAPTER IV

AUDIT OF TRANSACTIONS

- 4.1 *Fraudulent drawal/Misappropriation/Embezzlement/Losses*
- 4.2 *Infructuous/Wasteful Expenditure and Overpayment*
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4.1 Fraudulent drawal/Misappropriation/Embezzlement/Losses**HEALTH AND FAMILY WELFARE DEPARTMENT****4.1.1 Defalcation of Government money**

Failure on the part of BMOH, Pundibari in exercising the stipulated checks over preparation, presentation and realisation of bills resulted in defalcation of Rs 22.14 lakh.

West Bengal Treasury Rules provide that every officer receiving money on behalf of the Government should maintain a Cash Book and all monetary transactions should be entered therein as soon as they occur. Entries should be attested by the head of office as a token of check with respect to Bill Register, Bill Transit Register and paid vouchers. All claims shall be presented to the treasury by the Drawing and Disbursing Officer (DDO) in the prescribed printed bills prepared in indelible ink; erasures and overwriting in the bills are strictly forbidden. The DDO should compare both the office copy and the fair copy of the bill and certify on the face of the bill that both agree. Further, to prevent presentation of fraudulent bills to the Treasury, a Bill Transit Register is to be maintained by the DDO and cross-checked with the Bill Register. Moreover, the DDO should physically verify the closing balance of cash in each month.

Scrutiny of records¹ (June 2007) in the office of the Block Medical Officer of Health (BMOH), Pundibari, Coochbehar *vis-à-vis* payment schedule maintained in Coochbehar Treasury disclosed that in 43 cases though Rs 2.09 crore was drawn from treasury during April 2003 to April 2007 towards salary and contingent bills, only Rs 1.89 crore was entered in the Cash Book leading to defalcation of Rs 20.03 lakh. In six other cases involving Rs 2.11 lakh, amounts drawn from the treasury were not entered in the Cash Book at all. Details of these cases are given in *Appendix 4.1*

Further test-check of the office copies with reference to fair copies of some bills pertaining to the above cases disclosed disagreement in amounts as the amount in fair copy of the bills had been inflated by fraudulently including fictitious names. Moreover, figures entered in the Bill Transit Register were tampered with and manipulated subsequently to match its entries with corresponding entries made in the Bill Register and Cash Book. The DDO of Pundibari BPHC failed to detect the malpractice through cross-check of the said Registers thereby facilitating such defalcation. Further, the DDO did not regularly verify physically the closing cash balance of each month.

¹ Cash Book, bill register, bill transit register and acquittance roll/office copies of bills

Thus, failure on the part of BMOH, Pundibari in exercising the stipulated checks over preparation, presentation and realisation of bills resulted in defalcation of Government money amounting to Rs 22.14 lakh.

On the basis of the audit findings, CMOH, Coochbehar reported (July 2007) the matter to the Director of Health Services (DHS), West Bengal. The matter was investigated by the DHS and a FIR was lodged with Kotwali Police Station. The Department in its reply (March 2008) accepted the audit observation on suspected defalcation and stated that departmental proceedings had been initiated against the concerned officials.

HILL AFFAIRS AND SCHOOL EDUCATION DEPARTMENTS

4.1.2 Misappropriation of Sarva Shiksha Abhiyan funds

Sarva Siksha Abhiyan funds amounting to Rs 5.15 crore were misappropriated by Education Secretary & Council Project Officer, SSA Cell, Darjeeling Gorkha Hill Council between December 2004 and March 2005 in collusion with bank officials.

For providing useful and relevant elementary education to all children in the age group of six to 14 years, Sarva Shiksha Abhiyan (SSA) was introduced in 2001. In Darjeeling, the programme was being implemented by the Darjeeling Gorkha Hill Council (DGHC). Funds for SSA activities in Darjeeling were released by the State Project Director to the Principal Secretary and Council Project Director, SSA, DGHC. As per Government of India's (GOI) instruction, funds credited by GOI into the State Society's savings account was to be transferred to the district and deposited in separate joint signatory savings account opened with a nationalised or scheduled bank in the district. The block and village level SSA institutions were also required to open accounts in bank/Post Office for receiving funds from district authorities through banking channel. Release of fund was, however, to be made after ensuring satisfactory utilisation of the previous instalments.

In course of audit of the accounts of the Executive Officer (EO), Education Department, DGHC, it was observed (November 2005) that SSA funds amounting to Rs 9.15 crore were released to the Village Education Committees(VECs)/Ward Education Committees (WECs) in the district during 2002-05 for various civil works. Neither completion report nor utilisation certificate (UC) of those civil works was, however, obtained from any implementing agency for the released amount. The matter was enquired into by the DGHC authorities at the instance of audit and misappropriation of SSA funds of Rs 5.15 crore came to light as discussed below.

Records of the State Project Director, Paschim Banga Sarva Siksha Mission and Education Secretary and Council Project Officer (CPO), SSA Cell, Darjeeling disclosed (July 2006 and July 2007) that a current account (bearing number 641 C/A) was opened (October 2004) with Darjeeling District Central Co-operative Bank (DDCCB), Darjeeling Branch. The current account was opened in violation of GOI's instruction which stipulated opening of joint signatory savings account in this regard. Further, the CPO, instead of issuing Account Payee cheques to the concerned VECs/WECs, drew Rs 5.15 crore through thirty (30) self cheques between December 2004 and March 2005. The amounts were shown to have been disbursed to various VECs/WECs for construction of 102 new school buildings as well as additional class rooms in 90 schools. The concerned VECs/WECs, however, denied receiving such funds when UCs for the said amounts were called for by the Principal Secretary, DGHC, in response to the audit observations.

Further probe disclosed that as per request (October 2004) made to the Manager, DDCCB, Darjeeling branch, the said current account was to be operated 'jointly' by the Principal Secretary, DGHC and the CPO. It was, however, noticed that the mode of operation of the account was subsequently changed to "either and or" by tampering under the signature of the CPO. The specimen signature document available from the bank also showed that in deviation from the original intention of opening a "Savings Account", a "Current Account" was opened. Besides, the space earmarked for office use on the reverse side regarding verification and order for opening of account by the bank authorities was left blank indicating involvement of the bank officials in this act.

Thus, SSA funds amounting to Rs 5.15 crore were misappropriated by the then Education Secretary and CPO, SSA Cell in collusion with the bank officials.

The School Education Department in reply intimated (November 2008) that the accused persons had already been arrested and the case was pending for investigation. The Education Secretary and CPO, the prime accused in the case, was, however, absconding.

URBAN DEVELOPMENT DEPARTMENT

4.1.3 Loss of revenue from advertising due to mismanagement

Failure of Kolkata Metropolitan Development Authority to ensure timely finalisation of tenders for advertising resulted in a loss of minimum Rs 70.33 lakh.

Recognising the potential of the hoardings as a good source of revenue, Kolkata Metropolitan Development Authority (KMDA) decided (May 2001) to lease out

the street light poles for advertisement and issued licenses in January 2002 to two agencies for three years for Rs 1.09 crore² and to another agency in September 2002 for two years for Rs 8.92 lakh³. Audit scrutiny of the records of the KMDA revealed mismanagement of advertising leading to substantial loss of revenue, as detailed below.

As per agreement, the first two agencies deposited in advance the entire license fee for three years but the third agency deposited Rs 4.46 lakh for one year only. The KMDA (the SE, Electrical Circle-I) allowed the third agency to continue displaying the advertisements without paying the license fee for 17 months after the expiry of the first year, resulting in loss of Rs 6.32 lakh⁴. The license of this agency was cancelled in January 2005.

KMDA did not make adequate institutional arrangements for professional handling of the revenue generation from advertising. The process for fresh tendering was not started before the expiry of the licenses of the other two agencies in January 2005, but they were allowed (February 2005) to continue for another six months under the same terms and conditions. The agencies did not deposit the advance license fees and the contracts were terminated in March 2005; the process of re-tendering was initiated only thereafter. There was delay of one year in finalising the process, mainly due to the following:

- Three different units of the KMDA were assigned the task of contracting at different points of time. Thus, the responsibility was transferred from Electrical and Mechanical unit to Marketing and Management unit in March 2005 and then to Special Secretary in January 2006.
- The tenders were invited three times; in May 2005 (no response received); in September 2005 (cancelled due to deficiencies in the NIT); and in January 2006.
- There were delays in preparation and floating of the NIT at each level, due to lack of prior preparation and consultation. The first NIT was floated after 70 days from the date of expiry of initial contract period, the second 4 months thereafter and the third 3 months after that. The final NIT was prepared by a Task Force comprising officials of different units of the KMDA and other Govt. agencies with experience of advertising.

The new licenses were finally issued in March 2006, by which time about a year had passed without any advertising revenue. Thus, due to lack of preparedness, foresight and timely action, the KMDA had to forgo advertising revenue of

² at the rate of Rs 332 / pole / month for 519 poles under Gr.-II = 332 x 519 x 36 months = Rs 6203088
at the rate of Rs 359/ pole/ month for 360 poles under Gr.-I = 359 x 360 x 36 months = Rs 4652640
Total: 879 poles Total = Rs 10855728

³ at the rate of Rs 202 per pole per month for 184 poles under Gr.-III = 184 x 202 x 24 months = Rs 892032

⁴ at the rate of 202 X 184 X 17 months (from September 2003 to January 2005) = Rs 6.32 lakh

Rs 70.33 lakh (Rs 64.01 lakh⁵ plus Rs 6.32 lakh) at the old rates and Rs 145 lakh⁶ at the revised rates.

PUBLIC WORKS DEPARTMENT

4.1.4 Loss due to non-revision of recovery rate of electricity charges

Non revision of the recovery rate of electricity charges from the licensees of B. C. Roy Market Complex led to loss of Rs 53.94 lakh to the State exchequer.

The Executive Engineer, City Division, (EE), Kolkata, had leased out 456 stalls to private parties in the B. C. Roy Market Complex (Complex) in the Kolkata Maidan area for a period of two years. As per the lease agreement, monthly electricity charges would be recovered from the parties on the basis of meter reading for each stall at the rate fixed by West Kolkata Electrical Division, PWD.

Audit scrutiny (October 2007) revealed that the Calcutta Electricity Supply Corporation Limited (CESC), which was supplying electricity to the Complex at a special rate (applicable to Government offices and establishments), had informed (February 2004) the EE that tariff at commercial rate would be charged from April 2004. The EE brought the matter to the notice of the higher authorities but despite the fact that the matter was discussed with the CESC at the Chief Engineer level in May 2005, the department failed to get the rate of electricity charges revised and continued to recover the electricity charges at the old rate fixed in August 2002. During April 2004-March 2008, the EE recovered only Rs 35.20 lakh from the private parties but paid Rs 89.14 lakh to CESC.

Thus due to non revision of the recovery rate, the Government had to sustain a loss of Rs 53.94 lakh towards subsidising the electricity charges consumed by the private parties for commercial purposes.

The matter was referred to the Principal Secretary, Public Works Department in May 2008; the reply has not been received (October 2008).

⁵ 857 No. Poles at the rate of Rs 332x 13 months(from Feb 2005 to Feb 2006)=> Rs 36.99 lakh
579 No Poles at the rate of Rs 359 x 13 months(from Feb 2005 to Feb 2006)=> Rs 27.02 lakh
Total: Rs 64.01 lakh

⁶ 857 No. Poles at the rate of Rs 777 x 13 months => Rs 86.57 lakh
579 No Poles at the rate of 775 x 13 months=> Rs 58.33 lakh
Total: Rs 144.90 lakh

PUBLIC WORKS (ROADS) DEPARTMENT

4.1.5 Doubtful execution of excess quantity

Executive Engineer, Hooghly Highway Division II, allowed payment of Rs 47.49 lakh to an agency for excess work, the execution of which was doubtful.

As per Indian Roads Congress (IRC) specification, strengthening of a road has to follow the specified course consisting of the profile corrective course (PCC), the bottom layer on the existing surface⁷ followed by the middle layer, the Bituminous Macadam (BM) on the top of PCC⁸ and Semi-dense Bituminous Concrete (SDBC), the top layer⁹. The specifications also prescribe that the scope of work shall be restricted to the width and length shown in the approved drawings or as instructed by the Engineer¹⁰.

Audit of the records in the Office of the Executive Engineer, Hooghly Highway Division-II (EE) pertaining to the strengthening work¹¹ of the State Highway-13¹² in different stretches (total 25.2 KM)¹³ revealed that the EE had allowed, without justification, excess quantities in all the layers viz., PCC, BM and SDBC, in disregard of the quantities in the approved schedule of work (prepared on the basis of drawings and detailed estimate) put to tender for a total road surface area of 1.76 lakh square metre (7 metre width and 25.2 Kilometre length), as shown in the following table:

Particulars of items	Provision in the tender schedule	Actual execution	Excess quantity
50 mm thick BM as PCC	11908m ³	13435.639m ³	1527.6 m ³
75 mm thick BM as base/ binder course	176400 m ²	176690.47 m ²	290.47 m ²
25 mm thick SDBC as wearing course	176400 m ²	188559.95 m ²	12159.95 m ²

Audit analysis revealed that the execution of excess quantity of PCC and SDBC would have required additional road lengths of 3.23 KM and 1.74 KM¹⁴ respectively with the given width (7 m). Conversely, keeping the road length

⁷ Clause 501.8

⁸ Clause 504.3

⁹ Clause 508

¹⁰ Clause 501.8

¹¹ Negotiated value Rs 10.32 crore; completed (January 2006) for Rs 10.76 crore

¹² Earlier known as NH-2

¹³

615kmp to 627 kmp	5.60 km (Balance work was done previously)
628 kmp to 634 kmp	4.00 km
634 kmp to 639 kmp	5.00 km
639 kmp to 644 kmp	5.00 km
645 kmp to 646 kmp, 651 kmp to 654 kmp and 662 kmp to 663.60 kmp	5.60 km
Total	25.20 km

¹⁴ $1527.6m^3 / (.0675m \times 7m) = 3.233 km$ and $12159.95 m^2 / 7m = 1.737 km$.

constant at 25.2 KM, as given in the estimate, the consumption of the excess quantities would mean that the bottom layer (PCC) would be wider than the middle layer (BM), and the top layer (SDBC) would also be wider than the middle layer, resulting in an overhang and a structurally unstable and improbable profile.

Thus there was compelling audit evidence to indicate that the excess quantities recorded in the measurement book were fictitious and the EE had misused his power to allow the agency to claim payment for excess quantities in such width and length as were not available.

Even if the excess 290 m² of road work (implying a deviation of 0.16 *per cent*) in the middle layer (BM) is ignored, and the same margin of deviations is allowed for the other two layers as well, the net excess work would be 1508.5 cubic metre (PCC)¹⁵ and 11869 square metre (SDBC)¹⁶, involving excess payment of Rs 47.49 lakh¹⁷, which was doubtful and suspect.

The matter was reported to the Government (July 2008); reply has not been received (October 2008).

4.1.6 Loss due to unnecessary purchase

Unnecessary and injudicious procurement of Cationic Bitumen Emulsion in excess of actual requirement resulted in loss of Rs 30.92 lakh, as the bitumen became useless due to expiry of life.

The West Bengal Financial Rules (WBFR) provide that purchases must be made in most economical manner in accordance with the definite requirements of the public service and care should be taken not to purchase stores much in advance of actual requirement, if such purchase is likely to prove unprofitable to Government.

Audit scrutiny (June 2004 & February 2008) revealed that the Executive Engineer (EE), Diamond Harbour Highway (DH) Division, made advance procurement (April 2001 to September 2001) of 579.80 Metric Ton (MT) Cationic Bitumen Emulsion (emulsion) for Rs 74.55 lakh, including 200 MT in his capacity as Authorised Executive Engineer of South 24 Parganas Zilla Parishad (ZP), even though the contractors of ZP works were supposed to use their own supply of materials. The EE could utilise only 339.20 MT of emulsion in the departmental

¹⁵ 1527.6m³- 19.08 m³

¹⁶ 12159.95 m²-290.47 m²

¹⁷ Average rate of PCC allowed = Rs 2255.71+2294.50+2192.71+2222.71+2240.71+2255.71 = Rs 13462.05 / 6 = Rs 2243.67. Total= Rs 2243.67 X 1508.5 m³ = Rs 3384583.73

Average rate of SDBC allowed = Rs 115.35+116.75+113.10+114.15+114.80+115.35= Rs 689.5/6= Rs 114.916. Total= Rs 114.916 X 11869 m² =Rs 1363945.92.

Total= Rs 3384583.73+Rs 1363945.92 = Rs 4748528.

and ZP works up to July 2004; the balance 240.60 MT¹⁸ has been lying unused as of January 2008. The storage life of emulsion being limited to 18 months from the date of packing, the unused quantity had become useless and the Superintending Engineer, State Highway Circle-I, had requested (July 2006) the Chief Engineer, PW (Roads) Directorate, for its disposal.

Thus unnecessary and injudicious procurement by the EE in excess of requirement resulted in loss of Rs 30.92 lakh¹⁹ to the Government.

The matter was reported (May 2008) to the Principal Secretary, Public Works (Roads) Department; reply has not been received (October 2008).

TRANSPORT DEPARTMENT

4.1.7 Loss due to inefficient fund management

Due to inefficient fund management and not availing higher rate of interest from the bank, HRBC lost Rs 49 lakh of interest income.

As per Hooghly River Bridge Act 1969, the Hooghly River Bridge Commissioners (HRBC) is required to maintain a Hooghly River Bridge Fund for crediting the amounts received as grants, loans and toll from the vehicles plying over the bridges maintained by the HRBC.

Scrutiny (March 2008) of the records of the Vice-Chairman, HRBC revealed that even after nearly 40 years of the enactment of the Act, the HRBC had not established the Fund nor had the State Government prescribed the rules for investment, custody and disbursement from the Fund, as required by the Act. Pending creation of the Fund, the Government allowed HRBC to invest the toll collected in interest bearing term deposits with the nominated bank²⁰. It was seen that while investing the funds, the HRBC did not follow the practice of inviting bids from financial institutions to get the maximum possible return on investment of the Fund nor did it take advantage of the higher interest rates offered by the nominated bank, which resulted in a loss of Rs 49 lakh as detailed below:

- HRBC renewed (March 2007) three term deposits of Rs 41.37 crore²¹ on their maturity in March 2007 for a further period of 12 months at 7.5 *per cent* interest per annum, even though the bank offered 8.5 *per cent* interest on 12 months' term deposits of Rs 1 lakh to Rs 25 lakh. By not keeping the deposits in multiples of Rs 25 lakh each, the HRBC lost Rs 44 lakh of interest income as the entire amount was invested at lower interest rate of 7.5 *per cent*

¹⁸ (579.80 – 339.20) MT

¹⁹ (Rs. 12,849 X 179 MT) + (Rs 12,857 X 61.60 MT)

²⁰ Indian Overseas Bank

²¹ (Rs 38.44 crore + Rs 1.40 crore + Rs 1.53 crore)

- The HRBC renewed (June 2006 to November 2006) fourteen other term deposits worth Rs 20.08 crore for 12 months at the interest rate of 7 *per cent* per annum although the same bank offered during the same period interest rate of 7.5 *per cent* on term deposits of Rs 15 lakh and above. As a result, HRBC suffered a loss of rupees five lakh towards income on interest during 2007-2008.

Thus, due to inefficient fund management and not availing the higher rate of interest from the bank, HRBC had to sustain a loss of Rs 49 lakh during 2007-2008. After the matter was pointed out, HRBC reinvested the amount at the higher rate.

The matter was reported (May 2008) to the Principal Secretary, Transport Department; reply had not been received (October 2008).

FOREST DEPARTMENT

4.1.8 Doubtful and unauthorised expenditure

Deputy Conservator of Forest, Urban Recreational Forestry Division, Kolkata incurred unauthorised expenditure of Rs 50.42 lakh out of which expenditure of Rs 35.06 lakh is doubtful

Rule 45 of West Bengal Financial Rules provides that the Conservator of Forests (CF) exercises a strict control over the outlay of the Forest Department for conservancy and work.

The State Government accorded administrative approval of Rs 50 lakh for the Kolkata Greening Programme 2006, in July 2006. The Deputy Conservator of Forests (DCF) prepared an estimate for Rs 44.60 lakh which was approved by the CF for Rs 27 lakh in September 2006. Test check (February 2008) of the records of the DCF revealed several irregularities in the expenditure relating to the Programme as detailed below:

- (i) The DCF started the work even before the approval of the estimates by the CF, and incurred expenditure of Rs 77.42 lakh, much in excess of the amount approved by the Government and the CF. This was in clear violation of the Government rules and the orders (September 2006) of Additional Principal Conservator of Forests' (APCCF) to restrict the expenditure within the rates and allocation approved by CF.
- (ii) The item rates for the works executed were 43 to 166 *per cent* higher than the approved rates and even higher than some items in the Greening Programme of the following year (2007), while the quantities exceeded the approved quantities by 25 to 210 *per cent*, as shown in the following table:

Item of work	Quantities approved by CF (numbers)	Quantities claimed to have been executed by DCF (numbers)	Rates approved by CF (Rs./ number)	Rates claimed by DCF		Expenditure at approved rates (Rs.)
				As submitted to CF (Rs./ number)	As reported in March (Final) A/c. (Rs./ number)	
(1)	(2)	(3)	(4)	(5)	(6)	(7) [= (3)*(4)]
Avenue Plantation	10000	16367	112.59	239.78	130.00	1842761
City Forest	3000	9300	32.76	87.09	100.00	304668
Creation of Boulevard Plantation	10000	13952	37.99	70.52	89.93	530036
Road side garden hedges	30000	27385	15.32	21.98	15.00	419538
Climbers on Boulevard	2000	2752	38.76	30.16	80.00	106668
Block Plantations	20000	25084	26.48	38.90	60.00	664,224
Free distribution of seedlings	Nil	137061	Nil	Nil	5,48,224.00	Nil
Infrastructure support	Nil	Nil	Nil	368000.00	744411.00	368000 ²²
Total	75000	231901				4235895

- (iii) The DCF reported expenditure of Rs 12.92 lakh on free distribution of seedlings (Rs 5.48 lakh) and on publicity (Rs 7.44 lakh), for which there was no provision in the approved estimates.
- (iv) The proposal of the DCF to obtain post-facto approval of the CF for Rs 77.42 lakh of expenditure was rejected in December 2006. A comparison with the amounts of expenditure included in the March accounts also showed wide discrepancies. The plantation cost shown as Rs 73.74 lakh in December 2006 was later (May 2007) shown as Rs 64.49 lakh in the March Supplementary accounts and the utilisation certificate (UC); similarly, the expenditure on infrastructure support (for which there was no provision) was shown as Rs 3.68 lakh in December 2006 but later as Rs 7.44 lakh in the March Supplementary accounts and UC (May 2007).

Thus the expenditure of Rs 50.42 lakh (Rs 77.42 lakh - Rs 27 lakh) incurred by the DCF over and above the approved amount was unauthorised and irregular. At the approved rates of work, the entire plantation work reported to have been done by the DCF would cost Rs 42.36 lakh, as shown in col.(7) of the table above. Thus the expenditure of Rs 35.06 lakh (Rs 77.42 lakh - Rs 42.36 lakh) appeared doubtful in nature and needed investigation; this was also indicated by an inspection report (14 August 2006) by the PCCF stating that the plantations were being carried out in a sub-standard manner and at higher rates.

Audit analysis revealed that the financial irregularities by the DCF were aided by the fact that the DCF exercised the powers of both the Pay and Accounts Officer and the Drawing and Disbursing Officer, leaving no opportunity for checks and balances. This was an important control failure and contrary to international best practices and rendered the Rule 45 *ibid* ineffective. The Government needs to look into the said control failure.

The matter was brought to the notice of the Government (July 2008); no reply had been received (October 2008).

²² There was no provision of infrastructure support in the approved estimate. Rs 3.68 lakh is considered as per revised estimate submitted by the DCF.

4.2 Infertuous/Wasteful expenditure and Overpayment

ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.2.1 Infertuous Expenditure in procurement of piglets

Procurement of piglets without ascertaining their health condition led to death of most of the piglets within one month of their supply, thereby rendering the expenditure of Rs 30.76 lakh incurred on them infertuous.

Rashtriya Sama Vikash Yojna (RSVY), a centrally sponsored scheme, was introduced in April 2003 to develop the backward areas and to fill up critical gaps between physical and social infrastructure. Establishment of small units of piggery farms, a component under the Animal Resources Development sector of the Scheme, was taken up (May 2004) for implementation in Jalpaiguri district. The Deputy Director, Animal Resources Development (DD, ARD), Jalpaiguri was the project implementing agency.

Scrutiny (May 2008) of the records of DD, ARD, Jalpaiguri, showed that 400 units (each unit consisting one boar and three sows) of piglets were procured between November 2004 and January 2005 under this scheme at a cost of Rs 18.95 lakh from two local co-operative societies. An expenditure of Rs 19.50 lakh was also incurred in March 2005 towards their feed. The piglets were to be procured after ascertaining their health condition by a veterinary officer and a certificate to that effect was to be enclosed on the bill. However, neither any veterinary officer was engaged for the purpose nor was any certificate regarding receipt of piglets in healthy condition endorsed on the bills by the Block Livestock Development Officers receiving the piglets. Consequently out of 1600 piglets only 110 survived, while 80 *per cent* of the piglets died within one month of the supply; condition of the rest was not available on record. Moreover, no attempt was made to ascertain the cause of the death. Though the scheme had insurance coverage no insurance claim was preferred for want of necessary papers.

Thus, procurement of piglets without ascertaining their health condition led to death of most of the piglets within one month of their supply thereby rendering the expenditure of Rs 30.76 lakh²³ incurred on them infertuous. Besides, the purpose of scheme was frustrated as the beneficiaries were deprived of the benefits.

The matter was referred to Government in June 2008; reply had not been received (October 2008).

²³ Calculated on proportionate basis (80 per cent of the total expenditure of Rs 38.45 lakh)

CO-OPERATION DEPARTMENT

4.2.2 Infertuous expenditure on construction of rural godowns

Non-utilisation of first instalments of loans received from National Co-operative Development Corporation for construction of 258 rural agricultural godowns within the stipulated time frame led to non-release of the second instalments. As a result, the works were abandoned rendering Government assistance of Rs 3.03 crore infertuous.

With a view to rendering financial assistance for construction of rural agricultural godowns (at a cost of Rs 2.50 lakh each having a capacity of 100 MT) in the co-operative sector, the Department received first instalments of loans²⁴ aggregating Rs 2.46 crore from the National Co-operative Development Corporation (NCDC), a Government of India enterprise, between July 1996 and March 2005 for construction of 258 godowns. The second instalments would be drawn after utilisation of the available funds within one year from the date of release of first instalment. The loans along with interest at the rates varying from 8.5 to 10.75 per cent per annum were repayable to NCDC in eight equal annual instalments commencing from the first anniversary of disbursement of loans. The Department in turn released financial assistance of Rs 3.03 crore (loan: Rs 1.64 crore and share capital: Rs 1.39 crore) to 258 cooperative societies for construction of the godowns. The loans paid by the Department to the societies were recoverable from the societies under the same terms and conditions, while the share capital was to be redeemed within eight years.



The present condition of the godown at Jaluabathal (sanctioned in 1995-1996) as of February 2008



The present position of the godown at Dhamoir (sanctioned in 1995-1996) as of February 2008,

Scrutiny revealed that the Department did not monitor the physical progress of construction works; neither did it pursue the matter with the co-operative societies. As a result, there were delays of over two to five years in utilisation of the available funds by the societies even though the second instalment of loan was

²⁴ As per the scheme, 75 per cent of construction cost would be provided by NCDC as loan to the State Government

to be drawn by the Department from NCDC within one year from the date of release of first instalment. Further, none of the societies submitted the proof of the deposits of overdue instalments of loans, share capital and interest into Government account along with the audited accounts and utilisation certificates to the Department even though these documents were required to be submitted to the Department for release of second instalments of financial assistance. As a result, the second instalments of financial assistance were not released by the Department and consequently, construction works of all these 258 godowns remained abandoned for about eight to fourteen years. The Department also did not take any action for recovery of the loans and share capitals from the concerned societies due to non-completion of construction of the godowns. The NCDC also withdrew (August 2005 to May 2006) sanction for construction of these 258 godowns. The Department repaid the NCDC loan of Rs 2.46 crore up to July 2006.

Thus, due to non-utilisation of first instalment of financial assistance by the co-operative societies within the fixed time frame coupled with inaction on the part of the Department and consequential non-release of balance amount required for completion of construction, the construction works remained abandoned for eight to fourteen years resulting in an infructuous expenditure of Rs 3.03 crore.

FISHERIES DEPARTMENT

4.2.3 Infructuous expenditure on a Marine Food Park

Setting up a Marine Food Park at Shankarpur fishing harbour in Purba Medinipur without proper assessment of its viability led to an infructuous expenditure of Rs 6.86 crore.

To boost marine food production of the State, a Marine Food Park was taken up (January 2003) by the Fisheries Department at Shankarpur fishing harbour in Purba Medinipur for providing necessary handling and infrastructure facilities for auction and pre processing of marine catch to the fish traders at an estimated cost of Rs 7.16 crore. The entire scheme was to be implemented by the West Bengal Fisheries Corporation Limited (Corporation). For funding the project, the State Government provided Rs 2.21 crore; the Ministry of Food Processing Industries, Government of India, released a grant of Rs 1.34 crore till December 2006. Besides, National Bank for Agricultural and Rural Development (NABARD) released (August 2004 to January 2007) loan of Rs 3.13 crore²⁵ carrying an interest rate of eight *per cent per annum* which was to be repaid by the Government in seven years including grace period of two years.

The works of construction of stalls (48 for wholesale and 100 for retail) alongwith internal roads, parking areas, water supply, power supply, ice plant etc. were completed at a total cost of Rs 6.86 crore (including unpaid liability of Rs 0.18 crore) and the Food Park was inaugurated in January 2006.

²⁵ against sanctioned amount of Rs 3.16 crore

Audit scrutiny (December 2007) of the records of the Corporation disclosed that out of 148 stalls, applications were received only for 12 stalls (wholesale: three; retail: nine). A committee under the chairmanship of the Sabhadipati, Purba Medinipur had been formed (June 2006) to create interest among the fish traders for the stalls/space in the Food Park. In spite of holding several meetings with the fish traders/ association and advertising through newspapers, the committee failed to persuade them to apply for allotment. It was observed that the fish traders were reluctant to shift their business to the Food Park as a wholesale sea fish market run by private businessmen already existed in the vicinity²⁶. Moreover, the number of stalls in the Food Park was also insufficient to cater their needs. The Food Park, thus remained a non-starter as of December 2007. The Corporation, in view of bleak possibility of commencement of the Food Park, ultimately decided (June 2007) to refund the security deposits to the 12 applicants.

The Fisheries Department in its reply (July 2008) merely endorsed the Corporation's view that non-utilisation of food park was due to lack of interest amongst fishermen.

Thus, the decision of the Department to set up the Food Park at Shankarpur without proper assessment of its viability led to an infructuous expenditure of Rs 6.86 crore. Moreover, it also resulted in an additional burden of Rs 25 lakh *per annum* on the State exchequer towards interest on NABARD loan

INDUSTRIAL RECONSTRUCTION DEPARTMENT

4.2.4 Infructuous investment on a closed unit

Sanctioning of loan assistance of Rs 40 lakh for a revival project of a company ignoring its techno-economic non-viability led to bleak possibility of recovery of the said loan along with interest of Rs 22.31 lakh, thereby rendering the Government investment infructuous

Bengal Salt Company Limited (BSCL) at Dandapatra, Purba Medinipur under private management with marginal equity participation of 14 *per cent* of the State Government was engaged in salt production from sea-water. The unit had ceased its operations since 1995 due to non-viability of its operations. The Department approved (April 2000) a revival plan of BSCL at a cost of Rs 67 lakh. Accordingly, soft loan²⁷ of Rs 40 lakh was sanctioned by the Department in March 2001 (Rs 15 lakh) and March 2002 (Rs 25 lakh) for liquidation of the arrear dues of the employees as well as restoration of the closed unit. The interest on the loan was payable annually starting from the first anniversary of disbursement of the loan and the principal was repayable in eight years with a moratorium of three years.

²⁶ at Mohana, a site between Digha and Shankarpur

²⁷ Carrying rate of interest of 8.75 per cent per annum

Though the company commenced production in 2002, it was not able to compete in the market due to high production cost, lack of modernisation of its plants as well as low salinity of the region and finally suspended operations in October 2004. BSCL also did not repay any part of the loan or interest to the Government.

Scrutiny (June 2008) showed that the department considered availability of sea water, being the primary raw material, without assessing the salinity level in the region. It was observed that the salinity level of sea water in the region was comparatively lower than that of Arabian Sea and also other parts of Bay of Bengal which made the project economically unviable compared to other regions of the country. The Department finally admitted (December 2006) that there was hardly any chance of reviving the salt factory on long term basis.

Sanctioning of loan of Rs 40 lakh ignoring the techno-economic non-viability of a company owing to the low salinity level of the sea water and the present market condition was an injudicious decision. As a result, there is a bleak possibility of recovery of the loan together with interest of Rs 22.31 lakh²⁸ rendering the investment infructuous.

The Department in reply stated (August 2008) that the promoters/management of the company did not invest the requisite funds to run the unit commercially and thereby sustain its viability. The Department further stated that steps were being taken to set up a wind farm on the idle land of the company under the aegis of West Bengal Renewable Energy Development Agency. Further developments in this regard are, however, awaited.

URBAN DEVELOPMENT DEPARTMENT

4.2.5 Wasteful expenditure

The Kolkata Metropolitan Development Authority took up renovation of a road belonging to Irrigation & Waterways Department without consulting the latter. The road got completely damaged during the desiltation of the adjacent canal due to dumping and scraping of the excavated material rendering wasteful expenditure of Rs 71 lakh incurred on road renovation.

The Superintending Engineer (SE), Circle-I, Traffic & Transport Sector (T&T) of the Kolkata Metropolitan Development Authority (KMDA) awarded (February 2007) the renovation work of Chaulpatty Road²⁹ for Rs 1.20 crore.

²⁸

Rupees 15 lakh for seven years at the rate of 8.75 per cent = Rs 9.18 lakh
 Rupees 25 lakh for six years at the rate of 8.75 per cent = Rs 13.13 lakh

²⁹ from Eastern Metropolitan (EM) Bypass to Beliaghata Main Road

Audit scrutiny (March 2008) revealed that the road and the adjoining Beliaghata drainage canal belonged to the Irrigation and Waterways Department (I&WD), but the SE did not consult or inform the I&WD before awarding the work. The work started in March 2007 and while it was in progress, the I&WD took up the excavation of the adjoining Beliaghata canal for de-siltation before the onset of the monsoon season. The contractor dumped the excavated silt on the newly renovated surface of the road and subsequently removed the deposits by scraping with Pork Land Machine, totally damaging the renovated part of the road. It was only thereafter that the Chief Engineer (CE), T&T Sector took up the matter (April 2007) with I&WD and it was jointly decided (May 2007) to suspend the renovation work of the road and continue the de-silting in view of the forthcoming monsoon season. A payment of Rs 71 lakh had already been made to the contractor as of June 2007 and the contract was terminated in March 2008.

Thus, due to negligent and perfunctory manner in which KMDA took up the renovation of the road, without consulting or informing the I&WD, an expenditure of Rs 71 lakh was rendered wasteful. While the KMDA stated that the I&WD was duly informed, the I&WD confirmed that it was not informed of the renovation work; the KMDA's request to restore the damaged part of the road had not been responded to by the I&WD (June 2008).

When pointed out in Audit, the Government attributed it to the failure of the I&WD to finalise the de-siltation activities in time and stated (August 2008) that the entire expenditure could not be termed as wasteful. The reply was not tenable since the KMDA undertook the renovation work without consulting the I & WD and without waiting for the completion of the de-siltation of the canal. Further, it was evident from the minutes of the 23rd meeting of the Works & Tender Committee (February 2008) of KMDA that the entire work had been fully damaged for which thorough renovation work was again required.

4.3 Violation of contractual obligations/Undue favour to contractors

PUBLIC WORKS (ROADS) DEPARTMENT

4.3.1 Undue benefit to a contractor

Unjustified increase of rates by allowing longer road carriage for stones in spite of their availability at shorter distance, led to undue benefit of Rs 57.97 lakh to a contractor.

The West Bengal Financial Rules provide that every officer incurring or authorising expenditure from public funds should be guided by high standards of financial propriety, and should exercise in respect of such expenditure the same

vigilance as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The work, "Improvement of Riding Quality (IRQ) of National Highway (NH)-6"³⁰ was awarded by the Superintending Engineer, National Highway Circle I (SE) (June 2005) for Rs 2.91 crore. The contracted rates of Bituminous Macadam (BM)³¹ and Semi Dense Bituminous Concrete (SDBC)³² included road carriage of 152 Km for procuring stone aggregates from Dankuni Railway stack yard at the rate of Rs 889.80 (BM) and Rs 928.22 (SDBC) per m³.

Audit scrutiny (January 2008) revealed that the SE had allowed carriage for a longer distance (152 Km) from the Dankuni Railway stack yard, although the same variety of stone aggregates was available at Kalaikunda Railway stack yard, which was only 22 km away from the work site; this was evident from the fact that the same SE had awarded (December 2005) another IRQ work³³ on another stretch of the same road (161 kmp to 166 kmp) to the same agency wherein the road carriage for the same variety stone was considered from the Kalaikunda Railway stack yard.

Thus, due to imprudent decision of the SE to allow longer road carriage (152 km) in the tender estimate, the rates of BM and SDBC were artificially inflated by Rs 641.20 per cubic metre and Rs 668.89 per cubic metre respectively³⁴. No records were made available to substantiate the actual source of procurement by the agency. This resulted in undue benefit of Rs 57.97 lakh³⁵ extended to a contractor.

The matter was referred to the Government in July 2008; no reply had been received (October 2008).

³⁰ Km 150.00 to 161.00, Km 166.00 to 168.00 & Km 178.00 to 180.00 of NH-6

³¹ Rs 3826 per m³

³² Rs 5642 per m³

³³ Job no-006-WB-2004/2005-220

³⁴ Rs 889.80-Rs 248.60= Rs 641.20 per m³ for BM and (Rs 928.22 - Rs 259.33)= Rs 668.89 per m³ for SDBC.

³⁵

Reference of item	Tender no	Executed quantity in m ³	Excess carriage cost per m ³	Total excess amount	Contractual rate	Actual excess amount paid
BM	03 of 2005-06	9450.05 m ³	Rs 641.20/m ³	Rs 6059372	39.10 per cent less	Rs 3690158
SDBC	03 of 2005-06	1899.80 m ³	Rs 668.89/m ³	Rs 1270757	39.10 per cent less	Rs 773891
BM	01 of 2007-08	1340.33 m ³	Rs 641.20/m ³	Rs 859420	4.75 per cent above	Rs 900242
SDBC	01 of 2007-08	617.61 m ³	Rs 668.89/m ³	Rs 413113	4.75 per cent above	Rs 432736
Total						Rs 5797027

4.4 Avoidable/Excess/Unfruitful expenditure

CO-OPERATION DEPARTMENT

4.4.1 Delayed settlement of cash credit account leading to avoidable expenditure

Inaction on the part of the Co-operation Department to ensure timely settlement of the dues of BENFED relating to a cash credit account ultimately led to shouldering of an avoidable expenditure of Rs 33.82 crore by the Government as guarantor.

The cash credit facilities of West Bengal State Co-operative Bank Limited (Bank) availed of by the West Bengal State Co-operative Marketing Federation Limited (BENFED) since 1980-81 for its fertiliser business was guaranteed by the State Government up to June 1990. Though the cash credit account with an outstanding balance of Rs 4.70 crore (repayable by BENFED to the Bank) remained inoperative since June 1990 when the Government Guarantee expired, neither the BENFED nor the Government settled the dues. The Bank referred (June 1996) the matter to an Arbitrator and the Arbitrator delivered (May 1997) an award determining BENFED's dues to Bank as Rs 14.33 crore including interest up to 2 May 1997. BENFED paid Rs 3 crore in September 1997 and Rs 1 crore in July 1998 to the Bank.

Subsequently the Bank asked (December 2001) BENFED to pay the balance amount of Rs 19.83 crore including interest up to December 2001. The Co-operation Department extended (December 2001) further guarantee for payment of Rs 19.83 crore by BENFED to Bank.

BENFED, however, did not pay any part of Rs 19.83 crore to the Bank till March 2003, when Co-operation Department directed BENFED to clear the dues of Bank by obtaining loan under the guarantee of the Department from the West Bengal Infrastructure Development Finance Corporation Limited (WBIDFC), a State Government undertaking. Accordingly, WBIDFC paid Rs 25.61 crore directly to the Bank (Rs 4.96 crore in March 2003 and Rs 20.65 crore in March 2004) to clear the entire dues of BENFED (including interest up to the date of payment) and treated the same as loan³⁶ to BENFED.

This time also BENFED did not pay any instalment of loans to WBIDFC without assigning any reason; neither did the Co-operation Department persuade BENFED for repayment of the same. Ultimately, the Department, being the

³⁶ The loan of Rs 4.96 crore with the annual rate of interest of 10 per cent was repayable in ten annual instalments commencing from January 2005; the loan of Rs 20.65 crore carried an annual interest of 10.50 per cent was repayable in six annual instalments starting from March 2005

guarantor, itself paid Rs 33.82 crore to WBIDFC in March 2007 in order to settle the dues (including interest of Rs 8.21 crore).

Thus, in spite of reluctance on the part of the BENFED in meeting its own liabilities, the Department continued to guarantee the loans taken by BENFED and did not take timely action for ensuring settlement of the dues with Bank, but allowed the liability to accumulate through inaction. It ultimately led to an avoidable expenditure of Rs 33.82 crore from the State exchequer towards settlement of the dues of BENFED with WBIDFC.

The matter was referred to Government in April 2008; reply had not been received. (October 2008).

4.4.2 Extra expenditure towards payment of interest subsidy

By extending undue financial benefit to the West Bengal State Co-operative Marketing Federation Limited in the form of interest subsidy the Department shouldered an extra expenditure of Rs 51.64 lakh

(i) For procurement of paddy from farmers during the Kharif Monsoon Season (KMS) 2002-03 under the scheme of Minimum Support Price Operation, the West Bengal State Co-operative Marketing Federation Limited (BENFED) received (March 2003) a loan of Rs 10 crore from West Bengal State Co-operative Bank Limited (Bank) at 11 *per cent* rate of interest. The Department sanctioned (23 June 2003) Government guarantee as well as interest subsidy of Rs 35.86 lakh against the loan subject to the condition that the entire amount of the loan should be repaid by BENFED to Bank by 30 June 2003.

Scrutiny (June 2007) of records of BENFED showed that BENFED repaid the loan between 7 June 2003 and 2 April 2004³⁷. Accordingly, Bank claimed interest of Rs 73.26 lakh on the loan.

In terms of the sanction of Government guarantee and interest subsidy, the loan was repayable by BENFED before 30 June 2003 and accordingly the Department was liable to pay a maximum amount of interest of Rs 35.86 lakh up to 30 June 2003. Due to delayed repayment of loan by BENFED the amount of interest payable to Bank increased to Rs 73.26 lakh. The Department paid (April 2004) the entire amount of interest to Bank without recovering the interest amount of Rs 37.40 lakh (the additional quantum of interest accrued owing to delay made by BENFED in repayment of principal) from BENFED, thereby resulting in extra expenditure to that extent.

(ii) For procurement of jute during KMS 2003, BENFED obtained (September 2003) another loan of Rs 5 crore from Bank bearing interest at a rate

³⁷ Rs 4 crore on 7 June 2003, Rs 1.50 crore on 25 October 2003, Rs 3 crore on 26 December 2003, Rs 3.70 crore on 25 March 2004 and Rs 0.80 crore on 2 April 2004.

of 11 *per cent per annum*. This loan was not, however, guaranteed by the Department. This time also BENFED repaid (March 2004) the principal loan of Rs 5 crore to Bank without paying the interest of Rs 28.18 lakh accrued thereon.

Although this loan was not guaranteed by the Government, an interest of Rs 14.24 lakh was paid (November 2004) by the Department to Bank after adjusting the amount of profit of Rs 13.94 lakh earned by BENFED on sale of the jute procured during KMS 2003.

Thus, by extending undue benefit to BENFED, the Department incurred extra expenditure of Rs 51.64 lakh³⁸.

The matter was referred to Government in July 2008; reply had not been received (October 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.3 Avoidable expenditure in outsourcing the scavenging/cleaning work

The decision of contracting out the work of cleaning/scavenging of the total area of 13 hospitals of North 24 Parganas to private agencies, instead of utilising the services of the existing departmental sweepers for the area set aside for them, lacked justification and led to avoidable expenditure of Rs 44.34 lakh.

For ensuring better patient care and cleanliness of hospitals, Chief Medical Officer of Health (CMOH), North 24 Parganas, with the approval of the Director of Health Services, engaged (October 2004) private agencies for cleaning and scavenging of 13 hospitals (District Hospital, Sub-divisional Hospitals and State General Hospitals) in the district.

Based on measurement of hospital areas by the Public Works Department (PWD), the Tender Selection Committee apportioned the total scavenging area between the existing sweepers³⁹ and the private agencies. The private agencies, selected through tenders, were engaged for the period from October 2004 to March 2007 (subsequently extended upto September 2008) and per sq meter rates for that work were fixed for each hospital individually.

Scrutiny of records⁴⁰ of the CMOH, North 24 Parganas disclosed (September 2007) that despite clear demarcation of area (23370 sq meters) to be cleaned by the existing sweepers, the works of cleaning/scavenging of the total areas (45850 sq meters) of the hospitals were contracted out to the private agencies and payments were made on the basis of the whole area. This led to an

³⁸ Rs 37.40 lakh plus Rs 14.24 lakh

³⁹ Against the sanctioned strength of 317 sweepers in those 13 hospitals, 205 to 195 sweepers were in position

⁴⁰ Relating to apportionment of areas for cleaning, payments made to the cleaning contractors, etc.

avoidable expenditure of Rs 44.34 lakh during October 2004 to March 2008 towards cleaning and scavenging of areas earmarked for the existing sweepers.

The Government in reply stated (March 2008) that area to be cleaned by private agency was earmarked and rest of the area of the hospital was to be cleaned by the existing sweepers. It was further claimed that services of the existing sweepers were utilised alongwith the private agency. The reply was not acceptable as the Department engaged private agencies even for cleaning the areas earmarked for departmental sweepers. The decision thus lacked justification as not only the services of the departmental sweepers were under-utilised, but it also cost the State exchequer an avoidable expenditure of Rs 44.34 lakh.

4.4.4 Avoidable expenditure on excess drawal of power

Failure of the MSVPs of four Medical Colleges and Hospitals in arranging for enhancement of the contractual loads in spite of persisting excess consumption of power led to avoidable expenditure of Rs 1.61 crore.

Tariff orders issued by the West Bengal Electricity Regulatory Commission from time to time (2002-03 to 2007-08) stipulated that drawal of power by Government hospitals from High Tension connection in excess of sanctioned contract demand would attract additional energy charge in addition to energy charges payable as per tariff schedule. In pursuance of the above, Calcutta Electric Supply Corporation (CESC) levied additional charges through monthly bills in case of excess consumption of electricity.

Scrutiny⁴¹ of the records of the Medical Superintendents cum Vice Principals (MSVPs) of Seth Sukhlal Karnani Memorial Hospital (SSKM), Calcutta National Medical College and Hospital (CNMC&H), RG Kar Medical College and Hospital (RGKMC&H) and Calcutta Medical College and Hospital (CMCH) showed that the electricity consumed by these four hospitals during various periods between August 2004 and April 2008 exceeded the respective contractual loads by 76 per cent to 809 per cent. Consequently the MSVPs had to incur additional expenditure of Rs 1.61 crore⁴² on account of such excess drawals. Though such persistent excess drawal of energy by all the hospitals and medical

⁴¹ between February 2006 and May 2008
⁴²

Name of the Hospitals	Period	Contractual Load	Range of power drawn	Additional expenditure due to excess drawal
SSKM Hospital (two lines)	May 2006 to February 2008	90 KW	335 KW to 818 KW	Rs 70.63 lakh
	May 2006 to February 2008	200 KW	352 KW to 973 KW	
CNMC Hospital	August 2004 to September 2007	90 KW	285 KW to 500 KW	Rs 38.78 lakh
RGKar MC Hospital	June 2006 to November 2007	100 KW	399 KW to 662 KW	Rs 30.91 lakh
CMC Hospital	May 2006 to April 2008	250 KW	551 KW to 733 KW	Rs 20.56 lakh
Total				Rs 160.88 Lakh

colleges had been regularly pointed out by audit since February 2006, the authorities did not take up the matter with CESC to enhance the quantum of contractual load.

The Department, while accepting the facts, admitted (June 2008) that the load agreements were quite old and based on the then demand of power. It was further intimated that due to subsequent increase in various medical activities, the demand for electricity increased substantially and exceeded the contracted load, which indicated lack of timely initiative on the part of the MSVPs for upward revision of contractual load.

Thus, failure on the part of the MSVPs of those four Medical Colleges and Hospitals in upward revision of contractual load in spite of persisting excess drawal of power led to avoidable expenditure of Rs 1.61 crore.

4.4.5 Unfruitful expenditure due to non commissioning of X-ray machines

Non-adherence of the Atomic Energy Regulatory Board regulations while purchasing X-ray machines for four Medical College and Hospitals resulted in non-commissioning of the same rendering the expenditure of Rs 1.37 crore unfruitful.

Health and Family Welfare Department sanctioned (August 2005) Rs 1.37 crore for purchase of four 800 mA X-ray machines for four medical college and hospitals (MCHs)⁴³ from a Singapore based company through their Indian agent. Accordingly, the Director of Medical Education (DME) issued (August 2005) purchase order to the said company which would install the machines at the four MCHs and provide free training to the concerned technicians.

According to the regulations of the Atomic Energy Regulatory Board (AERB), Government of India, suppliers of imported X-ray machines shall obtain No Objection Certificates from the AERB before marketing their equipment; buying non-approved equipment for installation in the hospitals is a violation of AERB regulation. Displaying AERB approval certificate numbers on the X-ray unit and obtaining clearance of the room housing the X-ray machine from the AERB were also mandatory requirements. Nothing was, however, forthcoming from records whether the pre-conditions relating to AERB clearance had been considered by the DME at the time of selection of supplier and placement of purchase order.

Scrutiny of records (between December 2007 and February 2008) of four MCHs showed that payment for the machines were made in September 2005 and the same were received by the MCHs in April 2006. The machines were, however,

⁴³ North Bengal Medical College & Hospital (NBMC&H), Burdwan Medical College & Hospital (BMC&H), Bankura Sammilani Medical College & Hospital (BMC&H) and Medinipore Medical College & Hospital (MMC&H).

not installed and commissioned in any of the MCHs till February 2008 owing to failure on the part of the supplier in furnishing the requisite clearance certificate of Radiology Safety Division of AERB and consequent non-availability of site clearance certificates from AERB.

Thus, non-adherence of the AERB regulations while purchasing X-ray machines for the hospitals resulted in non-commissioning of the same rendering the expenditure of Rs 1.37 crore unfruitful.

The matter was referred to Government in July 2008; reply had not been received (October 2008).

HIGHER EDUCATION DEPARTMENT

4.4.6 Avoidable expenditure towards payment of compensation and penalty

Inaction of the Department in ensuring mandatory NCTE recognition of teachers training institutions led to avoidable expenditure of Rs 6.40 crore towards penalty/compensation/processing fees for retrospective recognition. Besides, Government loan of Rs 5.60 crore remained un-recovered even after expiry of the repayment tenure.

Under the National Council for Teacher Education Act, 1993 (Act), every institution offering course or training in teachers' education was required to apply to the concerned Regional Committee of National Council for Teachers Education (NCTE) for grant of recognition. Admission to the courses could be made only after such recognition had been granted. The qualifications in teacher education obtained only from the institutions recognised by NCTE were to be valid for the purpose of employment in any Government or Government-aided educational institution in India.

Scrutiny (August 2007) of the records of the Director of Public Instruction (DPI) showed that the Higher Education Department did not take any initiative to ensure that the colleges apply for and obtain such recognition. Instead, the Department allowed 81⁴⁴ such colleges to continue training courses (BEd, BPEd, MPed)⁴⁵ without obtaining necessary recognition of NCTE in violation of the Act. Though the qualifications of the students passing out of these colleges were not valid under the Act, the Department issued conditional "No Objection Certificates" to these colleges from time to time subject to certification by the DPI regarding fulfilment of NCTE norms.

⁴⁴ Government Colleges-11, Government aided Colleges-43 and Self-financed Colleges-27

⁴⁵ Bachelor of Education, Bachelor of Physical Education and Master of Physical Education

The NCTE (Amendments and Validation) Ordinance, 2006 provided for retrospective recognition of the unrecognised teachers training colleges on payment of penalty (an amount equal to double the amount received from the students against admission), compensation (only if directed by any court, tribunal, etc.) and processing fees (at the rate of Rs 30000 for each course except for Government colleges) with the applications. Consequently the Higher Education Department paid (November 2006) Rs 6.40 crore to 43 Government-aided colleges and 11 Government colleges for meeting the above mentioned expenses for their retrospective recognition and validation of qualifications of students (for various years from 1995-96 to 2005-06) by NCTE. Besides, Rs 5.75 crore was paid (November 2006) to 27 self-financed colleges on this count as interest-free loan refundable within one year. However, only four self-financed colleges repaid Rs 14.51 lakh as of July 2007.

Thus, failure of the Department to ensure mandatory NCTE recognition of the teacher training institutions for more than ten years after introduction of the NCTE Rules led to avoidable expenditure of Rs 6.40 crore towards penalty, compensation and processing for retrospective recognition of 43 Government-aided and 11 Government institutions. Besides, Government loan of Rs 5.60 crore⁴⁶ remained un-recovered even after expiry of the repayment tenure.

The matter was referred to Government in June 2008; reply had not been received (October 2008).

INDUSTRIAL RECONSTRUCTION DEPARTMENT

4.4.7 Unfruitful expenditure on a closed industrial unit

The Department extended financial assistance to a sick edible oil company ignoring its techno-commercial non-viability. As a result, Government assistance of Rs 1.50 crore became unfruitful as operations of the unit remained suspended.

M/s Kusum Product Limited (KPL), Rishra unit was engaged in manufacturing vanaspati/edible oil since 1948. KPL, however, started suffering losses continuously from 1999-2000 due to *inter alia*, steep competition from the unorganised sector and high overhead and manpower costs⁴⁷. As a result, the company turned sick and suspended operations from September 2001. The case was statutorily referred to the Board of Industrial and Financial Reconstruction (BIFR) in November 2001 for examining the prospect of its long term revival.

Though there was no possibility of financial viability of the unit, as admitted by the company, the management took steps for re-opening the unit without waiting

⁴⁶ Rs 5.75 crore minus Rs 14.51 lakh

⁴⁷ Reasons were quoted by the IR Department in reply to an Audit query

for the final outcome of BIFR proceedings. KPL resumed operations from May 2003 with a soft loan of Rs 2.56 crore⁴⁸ from the Department for liquidating the arrears of the sales tax dues of the company. The KPL, however, remained commercially unviable owing to the same reasons which had accounted for its earlier closing, and could use only 20 *per cent* of its production capacity. The department further released (November 2005) Rs 1.50 crore as capital investment subsidy under the West Bengal Industrial Renewal (WBIR) Scheme 2001. The KPL finally suspended operations in November 2005 immediately after receiving the subsidy. The BIFR declared the company sick in June 2006 and no part of the principal or interest of the said loans was repaid by KPL as of June 2008.

Scrutiny (May 2008) of the records of the department revealed that the investment subsidy of Rs 1.50 crore was sanctioned ignoring the techno-commercial non-viability of KPL under the prevailing market situation. Neither was any revival package finalised as of June 2008. The department also did not wait for the decision of BIFR regarding revival of KPL.

Thus, the Department extended financial assistance to KPL in spite of being aware that the same circumstances, which had accounted for its earlier closing still prevailed. This rendered the expenditure of Rs 1.50 crore unfruitful. The prospect of repayment of the loan of Rs 2.56 crore by KPL was also bleak.

The department in reply (July 2008) admitted that the unit was closed down due to uneconomic running.

INFORMATION AND CULTURAL AFFAIRS DEPARTMENT

4.4.8 Excess payment for telecasting advertisements

The Department made excess payment of Rs 1.46 crore for telecasting Government advertisements in electronic media by allowing advertisement charges at rates higher than the approved schedule of rates.

Information and Cultural Affairs Department (Department) arranges telecast of Government advertisements in electronic media through approved agencies. The agencies were to be paid on the basis of a rate card (channel-wise) of advertisement charges approved by the Department.

Scrutiny (May 2008) of the records of Department disclosed that during 2006-07 against telecast of advertisements in three private television channels, the Department paid Rs 2.06 crore to an agency 'X'. Further scrutiny of the bills showed that those payments were made at rates much higher than the

⁴⁸ *Soft loan of Rs 2.41 crore granted in November 2002 followed by another soft loan of Rs 0.15 crore in July 2005. The amounts were directly handed over to the Commissioner of Commercial Taxes for adjusting the arrears of Sales Tax. The loans carried an interest rate of 8.75 per cent and were repayable in 11 years with three years' moratorium on principal.*

corresponding rates approved by the Department for those channels⁴⁹ resulting in an excess payment of Rs 1.46 crore⁵⁰. Reasons for allowing such higher rates to the agency were not stated.

Thus, the Department, by allowing higher rates to an agency as compared to the approved schedule of rates for telecast of Government advertisements led to excess payment of Rs 1.46 crore.

The matter was referred to Government in June 2008, reply had not been received. (October 2008).

PANCHAYAT & RURAL DEVELOPMENT AND MUNICIPAL AFFAIRS DEPARTMENTS

4.4.9 Avoidable expenditure towards interest payment

Failure to adhere to the stipulated time schedule for release of the grants to Local Bodies as envisaged in GOI guidelines led to avoidable expenditure of Rs 1.11 crore towards interest on delayed release of fund.

In pursuance of the Twelfth Finance Commission (TFC) recommendations to supplement the resources of the rural and urban local bodies, Ministry of Finance, Government of India (GOI) issued (June 2005) guidelines for release and utilisation of grants recommended by TFC. These guidelines require that grants released by GOI to the States in two equal instalments every year have to be mandatorily transferred to Panchayati Raj Institutions (PRIs)/ Urban Local Bodies (ULBs) within fifteen days of its credit to the State Government account. In case of delayed transfer of the grants to PRIs/ULBs beyond fifteen days, the State Government is liable to pay interest on the amounts so released at Reserve Bank of India Bank rate to the PRIs/ULBs.

GOI released (October 2005) Rs 127.10 crore and Rs 39.30 crore to Panchayat and Rural Development Department (P&RD) and Municipal Affairs Department (MAD) respectively as the first instalment of the grant for the year 2005-06. As per the guidelines, the grants should have been transferred to eighteen districts across the State within the stipulated period of 15 days. Scrutiny (June 2008) of the records of P&RD and MAD, however, showed that the grants were released to

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<i>Name of Channel</i>	<i>Approved Rate</i>	<i>Rates allowed</i>
Channel 'A'	Rs 1075	Rs. 4000, Rs 5300, Rs 13300
Channel 'B'	Rs 4000	Rs 10000
Channel 'C'	Rs 200	Rs 400

⁵⁰ Payment made (Rs 2.06 crore) minus payment admissible as per approved rates (Rs 0.60 crore)

the districts after delays ranging from 32 to 64 days⁵¹. Due to such delay, the Government had to bear (May 2006) an additional interest burden of Rs 1.11 crore. While admitting the facts, the P&RD department stated (July 2008) that the order releasing the first instalment of TFC grant did not reach the department in time and there was no delay in release of subsequent instalments.

The contention of the P&RD Department was, however, not correct as further scrutiny (August 2008) of the records of Finance Department showed that though orders for release of subsequent instalments (second instalment of 2005-06 onwards) to PRIs/ULBs were issued by the executing departments within 15 days from the date of receipt of GOI funds, the transfer advices for crediting the grants to the accounts of the PRIs/ULBs were issued (in concurrence with the Finance Department) after delays up to 299 days. Consequently, additional interest burden of Rs 1.93 crore (ULBs: Rs 48.90 lakh and PRIs: Rs 144.16 lakh) became payable by the Government on the same accord.

Thus, failure of the Government in adhering to the stipulation of fifteen days for release of the grants to PRIs / ULBs as envisaged in the GOI guidelines led to avoidable expenditure of Rs 1.11 crore towards interest on delayed release of funds, while another amount of Rs 1.93 crore stood payable on the same accord.

PUBLIC WORKS DEPARTMENT

4.4.10 Avoidable interest liability and blocking of borrowed fund

Poor planning and co-ordination by Public Works Department resulted in blocking of borrowed fund of Rs 65.48 lakh outside Government account and an interest liability of Rs 27.01 lakh.

The Government of West Bengal took a loan of Rs 50.69 crore from the Housing and Urban Development Corporation Limited (HUDCO) in January 2002 at 13.75 *per cent* interest per annum for construction of a flyover at Taratala on the Diamond Harbour (DH) Road. The construction included laying of tram-lines on the flyover at an estimated cost of Rs 2.40 crore.

Audit scrutiny (April 2007 and April 2008) revealed that the Central Government had notified (February 2004) the highway as a National Highway. However, the Executive Engineer (EE), South Suburban Division (SSD), PWD released Rs 65.48 lakh to Calcutta Tramways Corporation (CTC) as advance payment in March 2004, for laying of the tramlines, without considering whether the tram-lines were permissible on a national highway. The cheque was not encashed by the CTC in time and was revalidated in March 2005. However, even at the time of revalidation, the matter of permissibility of tram lines on the flyover was not taken into account. Shortly thereafter, the Department took a decision in July 2005 to abandon the laying of tram-lines. The subsequent efforts of the

⁵¹For Panchayat and Rural Development Department the grant was released in November 2005 after delay of 42 days; for Municipal Affairs Department grant was released between November 2005 and May 2006 after delays upto 64 days

Department to get the amount back from the CTC did not succeed and the amount had not been returned by the CTC as of March 2008, implying a loss of Rs 27.01 lakh⁵² to the Government on account of loss of interest on the borrowed funds which remained outside the Government account.

On this being pointed out, the EE, SSD, stated (March 2008) that the decision at ministerial level to abandon the laying of tram track over the flyover was communicated only in July 2005 and the Department had acted thereafter to recover the advance amount from the CTC but failed as of March 2008.

The reply is not tenable since the Department should have decided whether the tram-lines should be abandoned before making advance payment to the CTC, especially when it was known that the funds were borrowed and carried high interest liability.

The matter was referred (May 2008) to the Principal Secretary, Public Works Department; reply had not been received (October 2008).

4.4.11 Additional expenditure due to non-compliance with Financial Rules

Non-acceptance of lowest valid bid, in disregard of the Financial Rules, by Superintending Engineer, Presidency Circle-I resulted in additional expenditure of Rs 51.95 lakh.

Rule 47 of West Bengal Financial Rules, Volume I provides that Mackintosh Burn Ltd (MBL) may be allowed 10 *per cent* preference in rate *vis-à-vis* other organisations. The rule was amended in November 2004 stipulating that the preference shall be given only for the purpose of selection, and once selected on the basis of preference, MBL shall have to execute the work at the lowest valid price bid received, failing which orders will be placed with the lowest valid bidder.

Audit scrutiny (June 2007 and June 2008) revealed that the Superintending Engineer (SE), Presidency Circle-I awarded (April 2005) the work of the construction of a ten-storied extension building of the Kolkata High Court to MBL at 10.06 *per cent* below the estimated cost (Rs 5.31 crore) without invoking the said rule and without asking the MBL to execute the work at the rate offered by the lowest bidder (17.98 *per cent* below the estimated cost).

The failure of the SE to follow the rules had resulted in additional expenditure of Rs 51.95 lakh⁵³ to the Government as of June 2008. Further, the estimate for the work had been revised (April 2007) upwards to Rs 6.95 crore, with distinct possibility of further upward revision, since only seven of the ten floors had been completed as of June 2008 for a measured value of work done of Rs.6.56 crore.

⁵² 65.48 lakh at the rate of 13.75% for 3 years (April 2005 to March 2008)

⁵³ 17.98-10.06 *per cent* of Rs. 6.56 crore spent as of June 2008.

In reply the Executive Engineer, West Kolkata Division (PWD) stated that the Notice Inviting Tender (NIT) had been issued by SE in May 2004 when 10 *per cent* price preference to MBL was in vogue. The reply was not acceptable as the agreement with MBL was made on 27th December 2004 and work order was issued on 12th April 2005, when the amended rule notified by the Government on 19th November 2004 was already in force and thus the agreement and the work order were in clear violation of the amended rule.

The matter was referred (July 2008) to the Principal Secretary, Public Works Department, the reply had not been received (October 2008).

PUBLIC WORKS (ROADS) DEPARTMENT

4.4.12 Avoidable expenditure due to non observance of IRC guidelines

Failure of the Executive Engineer, Jalpaiguri Highway Division to protect the newly laid Bituminous Macadam surface led to avoidable expenditure of Rs 1.25 crore due to damage to the road.

The Indian Roads Congress (IRC) specifications⁵⁴ provide that the Bituminous Macadam (BM) layer shall be protected either by laying next pavement course or wearing course within forty eight hours. In case of delay, the course shall be covered by a seal coat before opening the road to any traffic; the seal coat in such cases shall be considered incidental to the works and shall not be paid for separately.

Audit scrutiny (February 2007 and May 2008) of the records of the Superintending Engineer (SE), State Highway Circle IV (SHC-IV) and of the Executive Engineer (EE), Jalpaiguri Highway Division revealed that the work of strengthening and improvement of Dhupguri-Falakata Road (0-22 kmp) awarded (December 2003) to a contractor for Rs 4.90 crore included Bituminous Strengthening (BS) on the existing black top surface (Rs 3.75 crore) and improvement of the shoulders (Rs 1.15 crore). The BS work included two layers (each of 50 mm thickness) of BM and 20 mm thick Mix Seal Surfacing (MSS) as wearing course.

The contractor laid only the first layer of BM on the full length and the second layer of BM on a part (17.5 km) of the road without laying wearing course (MSS) to cover the BM. The measurement books (MB) revealed that the BM work was executed intermittently in a piecemeal manner (April 2004 to March 2006). In contravention of the IRC specifications, the EE and his subordinate Engineers not only allowed the contractor to continue the BM work without laying the protective wearing course but also let the traffic run on the newly laid BM layer, thus exposing it to damage. The EE also continued to measure the BM work and make payments to the contractor, knowing it well that the BM layer without the protective wearing course was vulnerable to damage.

⁵⁴(clause 504.5) for Road and Bridge works

The contractor left the work (September 2006) incomplete⁵⁵. The EE terminated the contract (April 2007) under the penal clause but could not forfeit the security deposit (Rs 31.58 lakh) as the contractor had filed a court case. As of December 2006, the contractor had been paid Rs 2.89 crore⁵⁶.

Due to exposure, the BM surface was damaged resulting in potholes and surface disruption. To keep the road traffic worthy, the EE had to spend⁵⁷ Rs 74.60 lakh on part restoration work and later Rs 50.41 lakh as part of a new contract awarded to another contractor in February 2008 for completing the balance work for Rs 2.86 crore.

Thus, due to neglectful and perfunctory supervision of the EE and his failure to enforce the IRC specifications, the Government had to incur avoidable expenditure of Rs 1.25 crore (Rs 74.60 lakh *plus* Rs 50.41 lakh).

In reply, the Department stated (September 2008) that most of the expenditure of Rs 74.60 lakh was related to flood damage repair work, and that the forfeiture of security money (Rs 31.85 lakh) will compensate to a large extent the subsequent expenditure of Rs 50.41 lakh.

The reply is not acceptable as the Department had failed to get the work executed as per the IRC specifications, exposing the work to damage; three out of five NITs in respect of the damage repair work had been issued before the reported date of flood (September 2007), and could not relate to the damage due to flood; and forfeiture of the security deposit was also uncertain due to the court case.

TOURISM DEPARTMENT

4.4.13 Avoidable expenditure on Income Tax liabilities of a departmental undertaking

Negligence of a departmental undertaking in complying with the statutory requirements coupled with lack of timely initiative on the part of the department led to avoidable expenditure of Rs 4.61 crore towards income tax liabilities.

According to the provisions of the Income Tax Act, 1961 (IT Act), a corporate assessee is liable to pay income tax in four⁵⁸ advance instalments at the prescribed rates on total taxable income for the financial year preceding the assessment year and submit the estimate of current income on which such advance tax was calculated. Further, the assessee is required to submit annual returns of its income for every financial year within the specified due dates along with audited accounts and Auditor's report thereon. The assessee is also liable to pay such amounts

⁵⁵ Only 58 per cent of the BS work and 62 per cent of the shouldering work was completed

⁵⁶ Rs 2.18 crore for BS work and Rs 0.71 crore for shouldering work

⁵⁷ between January 2007 and February 2008

⁵⁸ On or before 15 June, 15 September, 15 December and 15 March of the financial year preceding the assessment year according to Sections 207 to 211 of the Act.

claimed through notices of demand⁵⁹ raised by the Income Tax Authorities within 30 days of their serving. Failure to comply with these provisions of the Act would render the assessee liable for payment of interest and penalty.

Scrutiny of the records of the Department showed that the Great Eastern Hotel Authority (GEHA), a State Government Undertaking under the administrative control of Tourism Department, neither paid advance income tax nor filed annual returns along with requisite audit reports for the financial years from 1980-81 to 1991-92 within the due dates. A total tax of Rs 3.43 crore was, however, paid during the period from November 1985 to March 1993.

Due to non-submission of annual returns coupled with non-payment of income tax within the due dates, the Income Tax Authorities issued (July 1998) demand notice to GEHA for payment of outstanding dues for the financial years 1980-1992 amounting to Rs 2.82 crore⁶⁰. The outstanding demand was subsequently modified (March 2002) to Rs 2.45 crore and to Rs 2.09 crore in January 2004. GEHA, however, did not clear up the dues; nor did the Department pursue the matter with the GEHA towards settlement of the same. Income Tax Authorities ultimately claimed (March 2006) Rs 4.61⁶¹ crore including interest and penalty.

Following requests from GEHA, Tourism Department released (March 2006) grants-in-aid of Rs 4.61 crore to GEHA for payment against Income Tax liability and consequently, GEHA cleared the dues in April 2006.

Thus, negligence of GEHA in complying with the statutory requirements coupled with lack of timely initiative on the part of the Tourism Department cost the State exchequer an avoidable expenditure of Rs 4.61 crore towards income tax liabilities.

The matter was referred to Government in July 2008; reply had not been received (October 2008).

URBAN DEVELOPMENT DEPARTMENT

4.4.14 Avoidable expenditure and blocking of fund

Failure of the Additional Chief Engineer, Material Sector, KMDA, to avail the exemption of excise duty resulted in extra expenditure of Rs 61 lakh, while the projection of inflated requirement by the Chief Engineer, Water Supply Sector, resulted in blocking of Rs 1.03 crore in unused pipes.

Based on the indent placed (August 2002) by the Chief Engineer (CE), Water Supply (WS) Sector of Kolkata Metropolitan Development Authority (KMDA),

⁵⁹ Issued under Section 156 of the Act.

⁶⁰ Unpaid income tax: Rs 0.14 crore, interest: Rs 2.42 crore and penalty: Rs 26.03 lakh

⁶¹ Unpaid income tax: Rs 0.14 crore, interest and penalty: Rs 4.47 crore

the Additional CE-in-Charge, Material Sector, purchased (March 2003-June 2004) 3500 metre of 1100 mm dia DI pipe at a cost of Rs 4.88 crore for the Padamapukur Water Treatment Project at Howrah.

Audit scrutiny (September 2007) of the records of the Chief Engineer, Material Sector, KMDA revealed that the price of pipe paid per metre (Rs 13950) included central excise duty at the rate of 16 *per cent* on the basic price of Rs 10883.63 per metre despite the exemption from excise duty granted by Government of India (September 2002) on the pipes needed for carrying untreated water from its source to the plant and for supplying the treated water to the storage place from which it would be further supplied for consumption. The Additional CE, Material Sector, KMDA, failed to avail of the exemption resulting in avoidable extra expenditure of Rs 61 lakh.⁶²

Audit scrutiny further revealed that the WS sector had worked out the requirement for pipes based on the alignment of pipes through the Botanical Gardens. During the implementation, however, the Botanical Survey refused permission for the pipe lines to pass through the garden, necessitating re-alignment through a narrow street, rendering 741.5 metres of pipes surplus, as the street was too narrow for the 1100 mm dia pipes. Thus, preparation of estimate without considering the advisability of the laying pipelines through the Botanical Gardens and purchasing the pipes on the basis of such estimate, led to purchase of surplus pipes worth Rs 1.03 crore which had been lying idle in the store for more than four years since June 2004

In reply, the Government admitted (August 2008) that the KMDA was not aware of the availability of exemption from excise duty. The Department assured that the surplus pipes would be utilised in Kalyani phase-II project, under Jawaharlal Nehru National Urban Renewal Mission.

WOMEN AND CHILD DEVELOPMENT AND SOCIAL WELFARE DEPARTMENT

4.4.15 Excess expenditure in purchase of medicine kits

Allowance of higher rates for purchase of medicine kits in comparison with those approved by Health and Family Welfare Department resulted in excess expenditure of Rs 45.34 lakh.

With a view to provide essential health care services through different Anganwari Centres (centres) under the Integrated Child Development Services, Women and Child Development and Social Welfare Department started purchasing medicine kits from 2000-01 onwards, out of grant from Government of India, for

⁶² 3499 m at the rate of Rs 1741.38 per metre.

distribution among the centres. The tentative cost of each kit was fixed at Rs 600 and each centre was entitled to one medicine kit in a year.

Social Welfare Directorate, without inviting any tender, directly selected M/s Gluconate Health Limited (M/s GHIL), a State based public sector unit (PSU) for supply of medicine kits to the centres from 2000-01 onwards at the price ranging between Rs 578 and Rs 593 per kit. The rates were not verified with those approved by Health and Family Welfare (H&FW) Department.

Mention was made in paragraph No. 4.4.9 of the Comptroller and Auditor General's Audit Report (Civil) for the year ended 31 March 2004 regarding excess expenditure in purchase of medicine kit/medicines. Scrutiny (January 2008), however, showed that the Social Welfare Directorate did not take up the matter with M/s GHIL for supplying the medicines at rates approved by the Health and Family Welfare Department and continued procurement of medicine kits from M/s GHIL at higher rates.

Comparative study of the list of items in the kit and their rates approved by the Health and Family Welfare Department *vis-à-vis* the rates accepted by the Social Welfare Directorate disclosed that M/s GHIL charged higher rates (higher by Rs 23 to Rs 30 per kit) during 2004-05 to 2006-07 and consequently the Directorate incurred excess expenditure of Rs 45.34 lakh during 2004-07 as detailed below:

Year	Number of kits supplied by M/s GHIL	Supply price per kit charged by GHIL	Calculated supply price per kit at H&FW rates	Excess rate charged per kit	Total excess expenditure
(i n R u p e e s)					
2004-05	54185	590	560	30	1625550
2005-06	54744	590	560	30	1642320
2006-07	55064	590	567	23	1266472
Total					4534342

Thus, allowance of higher rates for purchase of medicine kits in comparison with those approved by Health and Family Welfare Department resulted in excess expenditure of Rs 45.34 lakh.

The matter was referred to Government in July 2008; reply had not been received (October 2008).

4.5 Regularity issues and other points

FOOD AND SUPPLIES DEPARTMENT

4.5.1 Shortage of subsidised food grains

Lax inspection and monitoring mechanism over the Targeted Public Distribution System led to shortage of 0.18 lakh quintal of subsidised food grains valued at Rs 0.90 crore targeted for the poor community.

The Targeted Public Distribution System (TPDS) introduced in 1997 aimed at providing foodgrains to the Below Poverty Line (BPL) families at specially subsidised rates. The State Government was responsible for distribution of foodgrains in a transparent and accountable manner.

As per the directives of the Food and Supplies (F&S) department, the monthly requirement of food grains is determined on the basis of ration card population and scale of distribution fixed for the beneficiaries. Each dealer submits monthly indent to the Inspector of F&S department who makes allotment of commodities for taking delivery from the authorised Modified Rationing (MR) distributors. The MR Distributors are required to lift the allotted quantity and ensure their delivery to the dealers. The weekly allotment is to be adjusted according to unsold stock with the distributors to prevent sale at open market by the distributors.

Scrutiny of records (February 2008) of the District Controller of Food and Supplies, Paschim Medinipur and two Sub-Divisional Controller offices at Barasat and Nadia revealed mismatch between the quantity of foodgrains distributed by the MR distributors and the corresponding quantity received by the dealers. Further, shortages were also noticed with the closing stock at distributors' and dealers' points. A total shortage of 11312.22 quintal of BPL rice (valued at Rs 63.91 lakh) and 6333.03 quintal of BPL wheat (valued at Rs 26.28 lakh) were detected during 2006-2007 indicating substantial possibility of diversion of the same to open market. Details of such shortage are given in the *Appendix 4.2*

For ensuring equitable distribution of subsidised food grains through the Public Distribution System, the (F&S) department directed that an official not below the rank of Sub- Inspector may inspect the shops and godowns of a dealer on any working day and may require production of books of accounts, stock of commodities, weighing devices, etc for verification. The shortages of foodgrains, however, indicated lack of effective control and monitoring on the distribution mechanism of Food and Supplies Department.

While admitting the audit observation, the Department stated (February 2008) that the problem of mismatch between the amount of commodities despatched by the wholesalers and the amount received by the dealers was alarming and prevalent in the State and attributed the same to the poor inspecting machinery to control

this. The department emphasised that responsibilities on the delinquent officials would be fixed. Further developments were, however, awaited (May 2008).

Thus, lax inspection and monitoring mechanism over the Targeted Public Distribution System led to shortage of 0.18 lakh quintal of food grains valued at Rs 0.90 crore targeted for the poor community, besides, frustrating the very objective of the scheme.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.5.2 Consumption of 'Non-Standard' quality drugs by patients

Non-formulation of a definite time frame for non-statutory drug testing and delayed communication or non-communication of test reports by the Deputy Director of Health Services (Equipment and Stores) to drug procuring units led to consumption of 'non-standard' drugs by the patients.

With a view to strengthening quality assurance of drugs utilised in healthcare system, the Health and Family Welfare Department (Department) decided (July 2003) to adopt a procedure for non-statutory quality control of Drugs procured and supplied through Central Medical Stores (CMS)/different District Reserve Stores (DRS)/Medical Colleges & Hospitals and other decentralised units alongside the system of statutory testing by the Director of Drug Control already in vogue under the Drugs and Cosmetics Act, 1940.

One Quality Control Section at Central Medical Stores (CMS) under Deputy Director of Health Services (Equipment and Stores) (DDES) was set up (July 2004) to conduct non-statutory testing with effect from October 2004. DDES was responsible for planning and implementation of the whole process⁶³. Suppliers were also required to send copy of delivery challans to DDES mentioning the various recipient units against each supply, so that test results might be communicated to all.

Relevant orders issued for this purpose by the Department stipulated a time limit of two days for collection of samples by CMS from the procuring authorities, but prescribed no time frame for completion of the whole process of testing and its communication to concerned units. Neither was any stipulation imposed for health institutions to withhold issue and consumption of the medicines before receipt of the relevant test report.

⁶³ Selection and collection of medical samples, coding, despatch to approved laboratories, receipt of test reports and transmission of the reports to the purchasing authorities/hospitals through approved courier/transport agents for taking necessary action

During test check of records (between October 2007 and February 2008) of DRS of three districts⁶⁴, three MCH⁶⁵ and DDES, it was noticed that DDES collected samples of drugs from the units at delay ranging from three days to 90 days; while delay in communicating detection of the non-standard drugs to the concerned health institutions ranged between two and 24 months. Further, such test reports on the samples drawn from one unit were also not communicated to other units receiving drugs of same batch number from the same supplier. Records showed that owing to such non-receipt or delay in receipt of test reports from DDES, drugs of 'non-standard' quality worth Rs 39.14 lakh had been consumed by patients between April 2005 and January 2008 (vide **Appendix 4.3**). This indicated utter indifference towards safety of the patients. No study was, however, conducted to analyse the adverse effects of consumption of the 'non-standard' drugs.

The Directorate of Health Services while admitting the fact stated (August 2008) that an order stipulating that drugs will not be supplied without testing and fixing the time frame for all phases of testing procedure will be issued. Further developments in this regard are, however, awaited.

The matter was referred to Government in June 2008; reply had not been received (October 2008).

HOME (POLICE) DEPARTMENT

4.5.3 Excess payment towards special pay

Payment of unauthorised 'additional remuneration' in lieu of 'special pay' to police personnel in circumvention of the Government directives led to excess payment of Rs 60 lakh from the State exchequer

Home (Police) Department granted special pay to different categories of police personnel from April 1981. The same was, however, discontinued from January 1999 and merged with pay in the revised scale under West Bengal Services (Revision of Pay and Allowance) Rules 1998. Moreover, the Finance Department in July 2000 rejected a proposal of the Home (Police) Department for considering restoration of the special pay/allowance. Accordingly, the West Bengal Police Directorate by order (November 2000) rejected retention of special pay in the form of additional remuneration under any nomenclature.

Audit (September 2007 to September 2008) of the accounts of the Superintendents of Police (SPs), South 24 Parganas, Nadia, Malda, Dakshin Dinajpur as well as the Additional Director General of Police, Intelligence Bureau (ADGP, IB) showed that payment of 'additional remuneration' in lieu of special

⁶⁴ DRS under CMOH Paschim Medinipur: Rs. 26.28 lakh, DRS under CMOH, Purba Medinipur: Rs. 3.16 lakh, DRS under CMOH Bardhaman: Rs. 2.46 lakh

⁶⁵ Bankura Sanmilani Medical College Hospital: Rs. 1.21 lakh, N.R.S. Medical College & Hospital: Rs. 3.78 lakh and R. G. Kar Medical College & Hospital: Rs. 1.85 lakh

pay was continued contravening the Government directives. During the period from August 2000 to May 2008, additional remunerations amounting to Rs 60 lakh⁶⁶ were allowed to police personnel in these offices.

Thus, payment of 'additional remuneration' to police personnel by the Superintendents of Police of South 24 Parganas, Nadia, Malda, Dakshin Dinajpur and the Additional Director General of Police, Intelligence Bureau in circumvention of Government directives led to excess payment of Rs 60 lakh.

The matter was referred to Government in June 2008; reply had not been received (October 2008).

GENERAL

4.5.4 Cash management in Government departments

Non-adherence to the provisions of Treasury and Financial Rules by 16 DDOs in five districts including Kolkata resulted in serious financial irregularities including theft/unexplained cash shortage of Rs 4.90 lakh.

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

Scrutiny (October 2006 to April 2008) of the records pertaining to 16 DDOs under seven⁶⁷ departments in five districts⁶⁸ including Kolkata disclosed serious financial irregularities due to non-compliance of the above provisions. In course of physical verification of cash conducted by 16 DDOs at the instance of audit during October 2006 to April 2008, against the closing balance of Rs 11.82 crore as per cash book, only Rs 9.51 crore was physically found, indicating a shortage of Rs 2.31 crore (*Appendix 4.4*). Of the above shortage, theft and unexplained shortage of cash constituted Rs 4.90 lakh; advance from undisbursed cash to

⁶⁶

<i>Name of the Office</i>	<i>Additional remuneration granted</i>
<i>SP, South 24 Parganas</i>	<i>Rs 22.83 lakh</i>
<i>SP, Nadia</i>	<i>Rs 9.14 lakh</i>
<i>SP, Dakshin Dinajpur</i>	<i>Rs 1.26 lakh</i>
<i>SP, Malda</i>	<i>Rs 1.21 lakh</i>
<i>ADGP, IB</i>	<i>Rs 25.56 lakh</i>

⁶⁷ *Animal Resources Development, Finance (Accounts), Health and Family Welfare, Higher Education, Jails, Judicial, Land & Land Reforms Departments.*

⁶⁸ *Murshidabad, North 24 Parganas, South 24 Parganas, Paschim Medinipur and Kolkata*

different staff amounted to Rs 1.72 crore, unadjusted vouchers accounted for Rs 11.66 lakh and lapsed cheques or demand drafts aggregated to Rs 42.34 lakh.

Thus, non-adherence to the provisions of Treasury and Financial Rules and inadequate internal control over drawal and disbursement of cash by the DDOs led to serious financial irregularities including suspected misappropriation of cash.

4.5.5 Recovery at the instance of Audit in Co-operation Department

Scrutiny (October 2007) of the records of Co-operation Department revealed that 28 short-term loans⁶⁹ aggregating Rs 24.64 crore were released to West Bengal State Co-operative Marketing Federation Limited (BENFED) between November 1983 and January 1990 for procurement of agricultural inputs to be distributed amongst the farmers. The interest rates on such loans varied between 7.75 and 9.50 *per cent per annum*. The loans were released without considering the repayment capacity of BENFED.

BENFED did not repay any of the loans received till March 2008 and the overdue interest on such loans accumulated to Rs 53.42 crore as of September 2007.

At the instance of audit, the Department took up the matter with BENFED only in July 2008 and the latter agreed to repay 50 *per cent* of the principal loan amounting to Rs 12.32 crore by March 2009. The proposal of BENFED for waiver of 50 *per cent* of the principal loan and the entire amount of interest was under consideration of the Finance Department. Further development in this regard is awaited (October 2008).

4.5.6 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 which 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

⁶⁹ *Repayable in single instalment within six months from the date of drawal*

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 2007 relating to 501 offices of Panchayat & Rural Development, Fisheries, Commerce & Industries, Hill Affairs, Jails, Public Works (Roads), Public Health Engineering, Food & Supplies Departments and five commercial undertakings⁷⁰ disclosed that 2836 paragraphs relating to 1111 IRs remained outstanding at the end of June 2008. Of these, 387 IRs containing 610 paragraphs had been lying unsettled for more than 10 years.

Department-wise and year-wise break-ups of the outstanding IRs and Paragraphs are detailed in *Appendix 4.5*

Even the initial replies, which were required to be received from the respective heads of offices within six weeks from the date of issue of the IRs, were not received upto June 2008 in respect of 142 IRs.

Those unsettled IRs contained 285 paragraphs involving serious irregularities like, theft/defalcation/misappropriation of Government money, loss of revenue and shortage/losses not recovered/written off amounting to Rs 11.93 crore. Department-wise and nature-wise analysis of those outstanding paragraphs of serious nature showed the following position:

Name of the Department	Cases of theft/defalcation/misappropriation		Loss of revenue		Shortage losses not recovered/written off		Total	
	Para	Amount	Para	Amount	Para	Amount	Para	Amount
	(R u p e e s i n l a k h)							
Panchayat and Rural Development	48	340.26	36	131.01	06	66.52	90	537.79
Fisheries	01	1.32	01	0.73	08	310.52	10	312.57
Commerce and Industries	00	00	03	96.62	00	00	03	96.62
Hill Affairs	2	15.81	03	153.71	03	19.83	08	189.35
Jails	3	1.2	-	-	07	7.78	10	8.98
Public Works (Roads)	-	-	-	-	80	35.49	80	35.49
Public Health Engineering	-	-	-	-	84	12.53	84	12.53
Total	54	358.59	43	382.07	188	452.67	285	1193.33

Audit committees, comprising of the Principal Secretary/Secretary of the administrative department and representatives of the Finance Department and the PAG were formed in 51 out of 56 departments of Government for expeditious settlement of the outstanding Inspection Reports. Of the 51 departments where audit committees were formed, meetings were held only by 11 departments on 31 occasions from July 2007 to June 2008. As a result of the meetings of these

⁷⁰ Under Food Processing Industries & Horticulture, Micro and Small Scale Enterprises and Textiles, Animal Resources Development Departments.

committees, it was possible to settle 231 paragraphs and 48 Inspection Reports. No meetings were held by the other 40 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 lack of initiative by Government to ensure accountability.

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

The matter was referred to Government in July 2008; reply had not been received (October 2008).

4.5.7 Follow up action on earlier Audit Reports

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India, Government of West Bengal upto 2006-2007 revealed that Action Taken Notes on 292 paragraphs (selected: 47 from 1997-1998 to 2006-2007 and not selected: 245 from 1981-1982 to 2006-2007) involving 47 departments remained outstanding as of June 2008. The names of the departments are given in *Appendix 4.6*.

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 within six months.

It was observed that the Action Taken Notes on 30 Reports of the PAC, presented to the Legislature between May 1991 and March 2008 had not been submitted by 19 departments⁷¹ to the Assembly Secretariat as of June 2008. Out of these, 13⁷² Reports of the PAC suggested recovery, disciplinary action, etc. A few significant cases are elaborated below:

⁷¹ Agriculture, Commerce and Industries, Development and Planning, Finance, Fisheries, Hill Affairs, Home, Housing, Irrigation and Waterways, Jails, Municipal Affairs, Panchayats and Rural Development, Public Health Engineering, Public Works, Public Works (Roads), School Education, Tourism, Women and Child Development and Social Welfare and Urban Development.

⁷² 20th PAC Report 1990-1991, 36th PAC Report 1999-2000, 3rd PAC Report 2001-2002, 29th PAC Report 2004-2005, 34th PAC Report 2004-2005, 48th PAC Report 2005-2006, 6th PAC Report 2006-2007, 8th PAC Report 2006-2007, 9th PAC Report 2006-2007, 1st PAC Report 2007-2008, 10th PAC Report 2007-2008, 12th PAC Report 2007-2008 and 4th PAC Report 2006-2007.

Year of Audit Report with para number	PAC Report number and year	Name of the department(s)	Gist of the Audit Para	Recommendation of PAC
4.3.3 of AR 2003-2004	48 th PAC Report 2005-2006	PWD and PWD (Roads)	Payment of price escalation by the Executive Engineers ignoring contract provision led to inadmissible payment of Rs 5.47 crore to contractors	The Department should make due efforts in respect of recovery of the excess payments on account of price escalation from the contractors as quickly as possible and report to the Committee within six months positively
4.1.2 of AR 2002-2003	8 th PAC Report 2006-2007	Home (Police)	Government incurred loss of Rs 28.33 lakh due to failure to collect stitched uniforms and extra expenditure of Rs 2.37 crore due to non acceptance of lowest rates. Besides, there was doubtful utilisation of cloth valuing Rs 51.71 lakh	The Department should take actions against the persons responsible for such irregularities according to rules.
4.9 of AR 2001-2001 Vol-I	10 th PAC Report 2007-2008	Public Works (Roads)	Though initial technical bid of March 1995 was cancelled and fresh technical bid was opened in August 1996, the EE, 24 Parganas Highway Division paid price escalation with reference to March 1995 (Base month) resulting in excess payment of Rs. 62.29 lakh to the contractor	The department should investigate the matter thoroughly in order to find out the person/persons responsible for excess payment of Rs. 62.29 lakh and recover the same from the contractor
2.16 of AR 2000-2001 Vol-2	4 th PAC Report 2006-2007	Municipal Affairs	Lack of accountability in Kolkata Municipal Corporation	The Municipal Affairs department and KMC should undertake a joint enquiry about the financial mismanagement of KMC to identify the persons responsible for the situation and to take punitive actions against them as per the extant rules. The department should inform the Committee about the actions taken against the identified persons both in service and/or retired from service.

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.

The matter was referred to Government in July 2008, reply had not been received. (October 2008)