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

AGRICULTURE AND CO-OPERATION DEPARTMENTS

4.1.1 Loss due to procurement of sub-standard potatoes

Procurement of inferior quality potatoes towards the end of marketing season, improper storing and delay in disposal of the stock by BENFED resulted in avoidable loss of Rs 74.69 lakh.

With a view to protecting the potato growers of the State from falling prices, Agriculture Department, Government of West Bengal decided (March 2003) to implement Market Intervention Scheme (MIS). West Bengal State Co-operative Marketing Federation Limited (BENFED) was nominated to execute the scheme and Rs 2 crore was released (March 2003) as interest-free loan for procurement of 10000 tonnes Fair Average Quality (FAQ) potatoes from the farmers of Hooghly and Medinipur districts. Accordingly, BENFED procured a total of 8275.05 tonnes potatoes during April 2003 at a total cost of Rs 2.04 crore.

Scrutiny in audit (June 2004) revealed the following:

- Decision of the department for implementation of MIS towards the end of marketing season resulted in procurement of residual/downgraded qualities of potatoes which were reported as not of storable standard.

- As the cold storages were fully loaded and virtually closed (March 2003), the procured potatoes were kept in passages between rows of racks of cold storages in Medinipur (West) in violation of the provisions of West Bengal Cold Storage (Licensing and Regulation) Rules, 1967.

As per guidelines of MIS, potatoes were to be sold within three months from the date of procurement. BENFED, however, retained the potatoes in cold storage even when the market rate (July 2003) was highest (Rs 200 per quintal at storage point) in disregard of the guidelines on the ground that no committee was formed for disposal. In fact, no new committee was required to be formed for disposal as the existing procurement Committee itself was competent for fixation of the disposal price. BENFED also ignored the advice of Agriculture (Marketing) Department (September 2003) to dispose of the stored potatoes. Co-operation department also failed to ensure timely disposal of the stock.

The delay in disposal of potatoes alongwith improper storage resulted in further deterioration of their quality. The potatoes were ultimately disposed of in

October 2003 at the cold storage points by sale at rates varying between Rs 73 and Rs 93 per quintal resulting in loss of Rs 0.75 crore[1].

Co-operation department (Controlling Department of BENFED) admitted the facts of dearth of space in cold storages, non-availability of FAQ potatoes because of delayed procurement and retention of stored potatoes for a long time but claimed (January 2005) that BENFED disposed of the potatoes at market rates prevailing at the time. This was not acceptable as average sale price of FAQ potatoes in those districts in October 2003 was much higher (Rs 145 to Rs 185 per quintal at storage point) as per records of Agricultural Marketing Directorate indicating that the low sale price was attributable to inferior quality.

ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.1.2 Avoidable loss on hiring of delivery vans

Hiring of private vans for milk distribution at a cost of Rs 1.01 crore during 2000-2004 could have been dispensed with, had the departmental vans been deployed more rationally and even 50 *per cent* of their carrying capacity utilised.

The Central dairy (dairy) at Belgachia, Kolkata delivered 1.17 lakh litres of milk on an average per day during 2000-2004 to consumers of Greater Kolkata area. For transportation of milk, it deployed 59 to 66 departmental delivery vans and 6 (upto October 2001) to 10 hired vans during the period and paid Rs 1.01 crore to three transport contractors towards hiring charges.

Although each departmental van had a carrying capacity of 3900 litres to 10490 litres, scrutiny of records (May 2004) revealed that on an average nine vans carried less than 1000 litres milk (690 litres to 950 litres) per trip covering a distance of only 16 km to 52 km (including return journey) while 26 vans carried 1000 litres to 1500 litres covering distance of only 15 km to 58 km. The remaining vans carried 1500 litres to 3000 litres while only two vans carried more than 3000 litres all covering distances between 15 km and 75 km.

Scrutiny revealed that Government could have dispensed with the practice of hiring private vans for milk distribution by reorganising the routes of delivery vans a bit more rationally and enforcing even 50 *per cent* capacity utilisation of

1

Loss on MIS as per certified accounts	*Rs 133.07 lakh*
Difference between cost price and sale price of FAQ potato in October 2003 (Rs 165.50-131.94) lakh i.e. permissible loss	*(-) Rs 33.56 lakh*
Over head (8275.05 tonnes X Rs 300 per tonne)	*(-)Rs 24.82 lakh*
Net loss	***Rs 74.69 lakh***

the existing departmental vans. Instead the department continued to hire private vans and incurred an expenditure of Rs 1.01 crore during the last four years ending March 2004 which was altogether avoidable. The hired vans were also greatly underutilised as out of ten vans only one van carried more than 2000 litres (2090 litres), while the remaining vans carried between 850 and 1840 litres on an average against the carrying capacity of 3000 litres.

Thus, due to low utilisation of carrying capacity of departmental vehicles, an avoidable loss of Rs 1.01 crore was sustained by the dairy. Admitting the fact, the Department stated (January 2005) that hiring of private delivery vans had since been dispensed with and steps were being taken for clubbing of certain routes for optimal utilisation of the carrying capacity of the departmental vans.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.1.3 Loss of Government revenue due to supply of free diet to patients of APL category

Non-realisation of prescribed diet charges from APL indoor patients by Bankura Sammilani Medical College and Hospital and District Hospital, Purulia in disregard of Government order led to loss of revenue of Rs 1.02 crore.

In order to improve the quality of diet supplied in Government hospitals by optimum utilisation of available resources, Health and Family Welfare Department decided (November 2001) to realise 50 *per cent* of the cost of diet from all indoor patients other than those falling under Below Poverty Line (BPL) category and to supply diets free of charge to BPL patients with effect from April 2002.

Audit scrutiny (December 2003 and July 2004) revealed that the Superintendent, Bankura Sammilani Medical College and Hospital (BSMCH) and Superintendent, District Hospital, Purulia failed to realise 50 *per cent* of diet charges realisable from April 2002 from Above Poverty Line (APL) patients. As a result, 7.14 lakh diets were supplied free to APL patients leading to loss of Rs 1.02 crore[2] as of May 2004. Hospital authorities could not offer any reason for non-implementation of the Government order till date.

2

Name of the Hospital	*Period of diet supplied*	*Number of diets*	*Amount recoverable at the rate of Rs 14.25*
Superintendent, BSMCH	*April 2002 to May 2004*	*556502*	*Rs 7930154*
Superintendent, District Hospital Purulia	** November 2002 to May 2004*	*157455*	*Rs 2243734*

** Figures not available prior to November 2002*

Thus, inaction on the part of the hospital authorities to implement the Government order led to loss of revenue of Rs 1.02 crore as of May 2004.

The department in its reply (January 2005) stated that as the patients under emergency treatment or under different national programmes (namely antenatal, postnatal, blindness control programme, etc.) were entitled to get free diet and since pre-operative and post-operative patients are often restricted from taking diet, the number of APL patients would be lesser than worked out by audit. The hospital authorities, however, did not produce any record showing the number of patients exempted from paying diet charges or entitled to free diet as claimed by them. The department, however, assured that utmost importance would be attached in future in collection of diet charges from non-BPL patients by necessary segregation of records.

HOUSING DEPARTMENT

4.1.4 Injudicious sanction of interest subsidy

Government's decision to subsidise the interest payable for the period from June 1999 to October 2002 on a loan taken by the West Bengal Housing Board, for the New Town Project at Rajarhat to the extent of Rs 27.07 crore lacked justification and was avoidable.

In order to prevent congestion in the city, State Government decided (1994-1995) to set up a New Town Project (Project) at Rajarhat in close proximity to Kolkata. Initially (January 1999) West Bengal Housing Board (Board) was entrusted with the work of acquiring land and providing key infrastructural facilities for the project. In April 1999, the State Government transferred the entire project activities to the West Bengal Housing Infrastructure Development Corporation Limited (HIDCO).

Against a maximum amount of loan of Rs 100 crore for the project, authorised by the State Government, the Board and HIDCO drew loan of Rs 87.36 crore from West Bengal Infrastructural Development Finance Corporation (WBIDFC) with interest at the rate of 16.25 *per cent* per annum.

As all direct and indirect costs including the interest payable on borrowed funds were to be taken into account for computing the selling price of land, the interest on the said loan was also to be factored into the computation. It was, however, noticed in audit that an interest of Rs 27.07 crore on the said loan was not capitalised and the State Government met the same separately through payment of subsidy to the Board between June 1999 and October 2002. It was further noticed that all other interest on the said loan as well as subsequent loans drawn by HIDCO from other sources for the same project was charged to the project.

The payment of subsidy of Rs 27.07 crore by Government, thus, lacked justification and was avoidable.

Government stated (August 2003) that the interest on the loan was not charged to the project to provide land at reasonable prices. The contention was not acceptable since interest on all other loans obtained for the purpose was charged to the project and land was allotted to weaker sections and lower income groups at a lower price balanced by allotment of plots to middle and high income groups and for commercial use at higher prices involving cross subsidisation.

RELIEF DEPARTMENT

4.1.5 Loss due to failure of contractors to return tarpaulin cut pieces

Failure to return 2.66 lakh kg of remnants of poly tarpaulin by 12 fabricators resulted in loss of Rs 99.03 lakh to Government during April 1999 to December 2003.

With a view to distributing poly tarpaulins to flood victims, Director of Relief, West Bengal supplied 100659 rolls of poly agri films (tarpaulin) each measuring 48 mtr. x 4 mtr. with an average weight of 45.865 kg each to 12 selected contractors for fabrication of poly tarpaulin sheets between April 1999 and December 2003 as per the following specifications and conditions:

Each tarpaulin roll would produce 10 pieces of completely finished ready poly tarpaulin sheets of size 4.57 mtr x 3.76 mtr with 3.81 cm hemmings on all sides and reinforcement with triangular agri film pieces (22.86 cm square film single fold).

- Remnants from each piece of tarpaulin roll not below 125 gms would have to be returned to the Government relief stores immediately on completion of the job at the cost of the fabricators.
- Tarpaulin rolls were required to be cut in presence of the Relief Inspectors (RI) and daily account of agri film fabricated was to be maintained by the fabricators duly countersigned by the RI.

According to the specifications, out of available 192 sqm. (48 mtr x 4 mtr) in each poly tarpaulin roll, 180.33 sqm. was to be used for fabrication of 10 pieces of tarpaulin leaving 11.67 sqm weighing 2.788 kg as remnants, which was to be returned by the fabricators at the Government Relief Stores. Thus, out of 100659 rolls (weighing 46.17 lakh kg) of poly tarpaulin issued to 12 firms for fabrication into poly tarpaulins, 2.81 lakh kg (2.788 kg x 100659) poly tarpaulin remnants were to be returned by the fabricators to the Relief Directorate.

Scrutiny in audit (January 2004) revealed that only 0.15 lakh kg (5 *per cent*) of returnable quantity of remnants were actually returned by the fabricators.

Thus, failure on the part of the Relief Directorate to effectively monitor the actions of the contractors and to enforce correct return of remnants resulted in loss of Rs 99.03 lakh being the sale value of 2.66 lakh kg of remnants at the tendered rate of Rs 37.23 per kg.

Government while accepting the audit finding contended that as per findings of a review team set-up, the returnable poly film remnants would be 1.31 lakh kgs instead of 2.81 lakh kg. Government considered two fold hemmings on all sides contrary to single fold hemming, thus reducing returnable quantity; the contention was not tenable as one fold hemming was specified in work order. However, even on the basis of Government's contention the loss would be Rs 43.13 lakh.

SPORTS DEPARTMENT

4.1.6 Loss due to exemption of Government revenue

The Minister-in-charge, Sports Department granted exemptions to private individuals, non-Government organisations, etc. from payment of rental charges and electricity duty for hiring of Netaji Indoor Stadium and Yuba Bharati Krirangan leading to loss of revenue of Rs 92.21 lakh during April 2000 to August 2003.

Netaji Indoor Stadium

Mention was made in para 3.24 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1997 regarding arbitrary exemption of hall rent and electricity charges granted by the Minister-in-charge in respect of Netaji Indoor Stadium (NIS), a fully Government-owned sports complex, to private parties and consequential loss of Government revenue of Rs 48.15 lakh during January 1994 to June 1996.

Subsequent audit revealed that the Sports Department, instead of taking any action to arrest such loss of revenue, went on granting exemptions of Rs 38.43 lakh to private parties and organisations in 65 more cases during April 2000 to March 2003 despite there being no provision for such exemption in the existing orders of the Government.

Yuba Bharati Krirangan

It was seen that during July 2002 to August 2003 rental charges amounting to Rs 53.78 lakh for use of the Yuba Bharati Krirangan (YBK) stadium by private parties (130 cases) in connection with holding wedding parties, exhibitions, commercial shows, cultural and fashion shows, etc. were exempted without assigning any reason. It was also noticed that Rs 92.40 lakh were realised as rental charges for functions of similar nature from some other private parties during the said period. The exemptions were granted under the orders of the Minister-in-charge. As there was no provision for such exemption, granting of such exemption was irregular.

Thus, irregular exemption to private individuals/organisations for NIS and YBK led to loss of revenue of Rs 92.21 lakh between April 2000 and August 2003 for the State Government.

The Minister-in-charge stated (April 2004) that such exemptions were extended "to promote sports, socio-economic, socio-cultural and academic scenario in the State". The reply was not acceptable since no Government orders or rules empowered any authority to grant exemption from paying rent/charges.

URBAN DEVELOPMENT DEPARTMENT

HALDIA DEVELOPMENT AUTHORITY

4.1.7 Loss due to unauthorised investment in mutual funds

Haldia Development Authority suffered a loss of Rs 1.27 crore due to unauthorised investment of Rs 2 crore in mutual funds in contravention of the Act.

Section 107(2) of West Bengal Town and Country (Planning and Development) Act, 1979 envisages that every development authority shall maintain its own fund received in the form of loans, grants, advances, development charges, fees from Government or any other source by keeping it in current account of State Bank or any other bank approved by the State Government. Any surplus fund shall be invested in such manner as may be approved by State Government.

Consequent upon reduction in interest rates of fixed deposits at nationalised banks, the Chief Executive Officer (CEO) Haldia Development Authority (HDA) proposed (December 1994) to invest the surplus fund in mutual fund schemes which was approved by the Chairman, HDA without obtaining approval of the Government. Accordingly, HDA invested (December 1994) surplus fund of Rs 1 crore with GIC Asset Management Company Limited under the GIC Fortune-1994 Scheme and Rs 1 crore (February 1995) with Canbank Investment Management under the CANGANGA Scheme. Audit scrutiny revealed (June 2004) that from the dates of such investment the Net Asset Value (NAV) remained less than the face value of the units throughout the period of investment and, as a result, HDA could neither redeem the units nor utilise the blocked fund for any development venture considering the loss on long term investment.

After a period of 105 months in case of GIC Fortune-1994 Scheme and 51 months in case of CANGANGA Scheme, HDA redeemed the units in August 2003 and May 1999 respectively at a total value of Rs 2.03 crore. The net return on investment was thus only Rs 2.80 lakh against minimum assured return of Rs 1.30 crore[3] which would have been accrued had investment been made in nationalised banks during the corresponding periods.

Comments of the department have not been received though called for (August 2004). CEO, HDA, however, stated (September 2004) that the intention of such investment was to earn more interest, but unforeseen market fluctuation led to the loss. The reply was not acceptable since investment in mutual fund schemes without Government approval, not being permissible as per provisions of the relevant Act, was irregular even though it could have turned out to be profitable. Besides, not only were Rs 2 crore blocked up for four to eight years preventing its utilisation for development works, but also, HDA had to sustain a loss of at least Rs 1.27 crore on interest.

4.1.8 Loss of revenue due to incorrect billing rates

Failure of HDA in getting defective water meters repaired/replaced promptly and charging abnormally low water rates during the period when water meters were non-functional resulted in loss of revenue of Rs 2.29 crore.

Haldia Development Authority (HDA) had been supplying water to industrial, commercial and domestic consumers of Haldia through its water treatment plant at Geonkhali since December 1992. For such supply, HDA realised water charges at different rates as revised from time to time on the basis of reading of meters installed by Haldia Water Supply Division, Public Health Engineering (PHE) Directorate, Haldia at consumer points.

Scrutiny of records revealed that since 1999-2000 the meters installed at the premises of two industrial consumers viz. Haldia Refinery of Indian Oil Corporation Limited (IOCL) and Kolkata Port Trust (KPT) remained non-functional for a considerable period[4]. Nothing was on record as to whether HDA took up the matter with the concerned division of PHE to get the defective meters repaired or replaced. The defective meters were replaced only in February-March 2003.

[3] *Calculated at the minimum rate of 10 per cent per annum although the corresponding rates in the nationalised banks varied between 10 per cent and 13 per cent at the time of investment*

[4]

Unit	*Period of meter non-functioning*	*Duration*
IOC	*July 2001 to February 2003*	*20 months*
KPT	*January 2000 to March 2001*	*15 months*
	September 2001 to February 2003	*18 months*

During the said spells HDA preferred water charges at a constant rate, the basis of which was not ascertainable in Audit. Audit scrutiny (June 2004) revealed that water charges claimed from IOCL and KPT were much lower[5] as compared to average consumption pertaining to the period prior to the meters becoming non-functional and also after repair or replacement of meters.

HDA also, for reasons not on record, did not claim even the minimum contractual demand from KPT during September 2001 to October 2002. Aggregate of such short claim amounted to Rs 1.58 crore for IOCL (July 2001 to November 2002) and Rs 70.86 lakh for KPT (two spells between January 2000 and October 2002).

Thus, failure of HDA in getting the non-functioning meters repaired or replaced promptly coupled with preference of claims at abnormally low rates led to loss of revenue of Rs 2.29 crore.

The matter was referred to the department in August 2004. The department, in turn referred (August 2004) the matter to Haldia Development Authority for its comments. The HDA, though accepting (November 2004) the fact of non-functioning of meters, did not offer any comments on the reasons behind delay in repairing the same or preferring such low water charge.

KOLKATA METROPOLITAN DEVELOPMENT AUTHORITY

4.1.9 Loss of revenue

There was short and non-collection of toll revenue on the Barrackpore-Kalyani Expressway resulting in loss of revenue of Rs 1.46 crore.

Government of West Bengal approved (October 1998) levy of toll tax on vehicles plying over Barrackpore-Kalyani Expressway constructed and maintained by the Kolkata Metropolitan Development Authority (KMDA). KMDA engaged agencies to collect toll tax at the rates approved by the Government from November 1998.

Audit scrutiny revealed (April 2004) that KMDA suffered a loss of toll revenue of Rs 1.46 crore due to delay in Government's approval and short and non-collection of toll in different phases as under :

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Unit	*Average monthly consumption*		*Monthly consumption charged*
	Prior to meters becoming non-functional	*After repair/ replacement of meters*	
IOCL	*181808 KL*	*396117 KL*	*146075 KL*
KPT	*8601 KL*	*39398 KL*	*3324/6201 KL*

For ensuring proper maintenance of the expressway, the KMDA sent (December 1996) a proposal to the Government for levy of toll tax on different categories of vehicles with effect from 1 January 1997. The Government took 22 months to accord approval and issue necessary notification (October 1998). Considering a period of six months to be adequate for taking a decision in the matter, this delay cost authorities Rs 59.29 lakh (from July 1997 to October 1998) at the daily rate of Rs 12125 per day at which the first toll collector was subsequently engaged (November 1998).

KMDA invited (May 2000) fresh quotations for the next spell in May 2000 without fixing any reserve price. The highest offer of Rs 12400 per day was not accepted by the KMDA on administrative ground. KMDA did neither retender nor negotiate with the existing agency for extension of the term of his engagement nor deployed departmental staff to collect toll tax from 29 May 2000 till 1 March 2001. As a result, KMDA sustained a loss of toll tax of at least Rs 34.22 lakh worked out at the offered rate of Rs 12400 per day for 276 days.

KMDA engaged North 24-Parganas Zilla Parishad to collect toll for two years from 1 March 2001. The daily rate payable by Zilla Parishad to KMDA on this account was fixed at Rs 15500 per day. As per agreement, the Parishad was not authorised to enhance the toll rate without prior approval of the Government/KMDA. If, however, the Government revised the toll rate, the daily rate payable to KMDA would also be revised on pro-rata basis. However, the Parishad enhanced the toll rates from 1 July 2001 without extending the pro-rata benefit to KMDA and without approval of the Government or KMDA. Subsequently, KMDA asked the Parishad to raise the daily rate from Rs 15500 to Rs 20000, but it was not entertained by the Parishad. In spite of that KMDA extended the agreement with the Parishad for another term of two years. This involved a loss of Rs 52.10 lakh (Rs 4500 x 1158 days from 1 July 2001 to 31 August 2004) towards toll revenue.

Total loss of revenue to KMDA on the above accounts amounted to Rs 1.46 crore as of August 2004.

The matter was referred to the Principal Secretary, Urban Development Department demi-officially in August 2004 and followed up with a reminder in October 2004 ; reply had not been received (December 2004).

4.2 Infructuous/Wasteful expenditure and Overpayment

ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.2.1 Wasteful expenditure on import of virus infected bulls

Due to failure of the Government to incorporate a specific warranty condition in the agreement, virus infected imported animals could not be deported rendering the expenditure of Rs 83.05 lakh on import of animals wasteful.

Under the National Project for Breeding of Buffalo and Cattle, the Andhra Pradesh Livestock Development Agency (the agency) entered into an agreement (February 2002) with a firm in Australia[6] to import 220 bull calves/pregnant heifers including 45 bull calves for the Government of West Bengal (GOWB). GOWB tied up with the agency to avail of concession of Rs 20000 per animal offered against such bulk purchase.

While according (December 2001) permission, Government of India warned the agency and GOWB not to import such large number of animals in a single cargo in apprehension of possible health problems due to overcrowding of animals at the quarantine station at Chennai. Such warning was ignored on the plea of availing of the price concession. An expert selection committee[7] visited Australia (February/March 2002) and selected 220 animals without conducting any independent enquiry or test before selection.

Of the 220 animals selected, 19 animals were not cleared by the Australian quarantine authorities and 201 animals including 41 bulls meant for West Bengal were received (April 2002) at Chennai airport and put in some makeshift quarantine shed at Chennai.

Tests conducted by the High Security Animals Disease Laboratory, Bhopal within three days of arrival of the consignment disclosed that many of the imported animals tested positive for Bovine Viral Diarrhoea and Malignant Catarrhal Fever. Ministry of Agriculture, GOI held (August 2002) that the animals had been exposed to these infections in Australia itself[8]. The animals were not released from the quarantine station as of June 2004 to avoid possible infection in indigenous stock.

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[6] *M/s RAB Australia Animal Genetics Limited, Australia*
[7] *The committee included two officers from West Bengal*
[8] *concluded by the experts based on the test results from OIE Reference Laboratory, Way Bridge, United Kingdom and HSADL*

In the meantime, 15 out of 41 animals meant for West Bengal died in quarantine. Attempts of the agency and GOI for deportation/replacement of the animals or refund of the cost of animals did not materialise in the absence of warranty clause in the agreement.

Thus, collaboration with the Government of Andhra Pradesh for import of bulls to avail of concession of merely Rs 9 lakh[9] in disregard of GOI warning not to import such huge number of animals in a single cargo coupled with reliance on the suppliers for selection of animals without conducting independent tests and the absence of any warranty clause in the agreement rendered the expenditure of Rs 83.05 lakh[10] wasteful.

Accepting the audit observation, Government stated (January 2005) that the tie-up with the agency had to be resorted to for procuring exotic bulls at a subsidised rate. The reply was not acceptable as the department failed to protect Government interest by not incorporating warranty clause in the agreement.

COMMERCE AND INDUSTRIES DEPARTMENT

4.2.2 Infructuous payment of salaries

Cancellation of appointment of newly appointed copyholders by the Superintendent, West Bengal Government Press, Alipore, without serving notice, non-compliance of High Court's judgment to reinstate them and inordinate delay in appealing to Supreme Court led to infructuous payment of salary of Rs 62.65 lakh between May 1990 and March 2002.

West Bengal Government Press (WBGP), Kolkata appointed fifteen copyholders (between March 1989 and April 1989) after conducting tests of 129 candidates sponsored by eight employment exchanges. Following press reports questioning the genuineness of their appointment, the Director, Employment on being requested by the department, reported that the names of the candidates were fake and not sponsored by the employment exchanges. Subsequently, the Superintendent, West Bengal Government Press cancelled their appointments in June 1989 without serving any show cause notice on the ground that these

[9] *Concession for 41 bull calves at the rate of Rs 20000 per bull calf*

[10]

Cost of bulls including customs duty, etc.	:	*Rs 74.61 lakh*
Insurance Premium	:	*Rs 03.78 lakh*
Cost of fodder and other charges	:	*Rs 05.06 lakh*
Expenditure towards 2 experts' visit to Australia	:	*Rs 01.24 lakh*
Total		***Rs 84.69 lakh***
Less insurance claim received	:	***Rs 01.64 lakh***
Outstanding liability	:	***Rs 83.05 lakh***

candidates had committed fraud on the Memo of the employment exchange forwarding their names. An FIR was lodged (June 1989) by the Superintendent against the accused copyholders and a criminal case initiated against them in the Court of Sub-Divisional Judicial Magistrate (SDJM), Alipore.

The candidates challenged (July 1989) the order of the Superintendent in Kolkata High Court. The High Court quashed (10 May 1990) the order passed by the Superintendent but allowed two months time for initiation of departmental proceedings against the candidates. During pendency of the departmental proceedings the criminal case against the candidates was dismissed by the SDJM, South 24 Parganas in January 1992 in the absence of any objection from the complainant (i.e. the superintendent). The High Court also reiterated (December 1992) its order for reinstating the candidates. The superintendent, however, did not permit them to join. Instead, on conclusion of the departmental proceedings the Superintendent declared (January 1993) them as unfit to join the press. The aggrieved candidates filed contempt of Court cases three more times in February 1994, January 1995 and September 1997 and the High Court on each occasion upheld its previous order of May 1990 instructing the authorities to reinstate the petitioners with all arrears.

Instead of complying with the High Court's order, the State Government preferred (January 1998) an appeal to the Supreme Court of India and the Apex Court disposed of (October 2001) the appeal upholding the High Court's decision. In compliance, the Superintendent reinstated the twelve petitioners in March 2002 and had to pay (March 2003) arrear salary of Rs 62.65 lakh for the period from May 1990 to March 2002.

Thus, cancellation of appointment without serving notice, failure to raise objection in the court of SDJM, non-compliance of High Court's judgment for twelve years and inordinate delay of eight years in appealing to Supreme Court led to infructuous payment of salary of Rs 62.65 lakh.

The Department in its reply stated (May 2004) that in order to prevent the wrongful act committed by persons in getting their appointments it all along contested the case. The reply, however, failed to offer any cogent reason behind the department's failure in proving its point before court of law and its repeated inaction in dealing with the Court's directive culminating in infructuous expenditure.

FOOD AND SUPPLIES DEPARTMENT

4.2.3 Loss due to procurement of rice unfit for human consumption under mid-day meal scheme

Decision of DM, Howrah for lifting of 5629.69 quintals of rice, declared unfit for human consumption, under mid-day meal scheme resulted in loss of Rs 34.54 lakh besides depriving the students from the benefit of the scheme.

Mention was made in paragraph 3.5.9 in the Audit Report No 2 (Civil) of the Comptroller and Auditor General of India for the year ended March 1999, about lifting of damaged and inferior quality of foodgrains for distribution among primary students under the Mid-Day Meal Programme (the Scheme), funded by GOI. For implementation of the scheme in Howrah, District Magistrate (DM) appointed the District Controller of Food and Supplies, Howrah as nodal officer for lifting of foodgrains from the godowns of Food Corporation of India (FCI) and distribution of the same through distributors and storing agents. To ensure 'fair average quality' of foodgrains, as envisaged in the guidelines of the scheme, inspections of the foodgrains were to be conducted periodically.

Directorate of Inspection and Quality Control, Food and Supplies Department drew (August 2001) samples of rice allotted for the Scheme for the month of September 2001 from FCI godowns during inspection and declared (September 2001) the quality as not acceptable for Public Distribution System (PDS). Audit scrutiny (September 2003) revealed that though the consignment was declared unfit for human consumption, DM Howrah took the view (September 2001) that foodgrains unfit for PDS might be fit for distribution among children under mid-day meal scheme. The reasons for such decision were, however, not on record. Accordingly, 5629.69 quintals of rice valuing Rs 33.31 lakh out of 5733 quintals allotted, was lifted by the distributors from the FCI godowns during September 2001.

Concerned Block Development Officers did not take delivery of the rice for distribution to students and the rice remained stored in twenty different godowns in Howrah district till the same was again declared (February 2002) unfit for human consumption by the Directorate of Quality Control, Food and Supplies Department. Ultimately DM decided (December 2002) with necessary permission from Food and Supplies Department to dispose of the foodgrains as cattle feed. During the period from September 2001 to February 2002 no alternative arrangement was made for supply of rice to students under the mid-day meal scheme.

Thus, decision of DM for procurement of rice declared as 'unfit for human consumption' for distribution among students under mid-day meal scheme resulted in loss of Rs 34.54 lakh inclusive of transportation and storage cost of Rs 1.23 lakh and deprivation of students from benefit of the scheme.

The matter was referred to Food and Supplies Department in May 2004. The Food and Supplies Department referred (January 2005) the case to School Education Department who assured (January 2005) to clarify the position within a short time.

PUBLIC WORKS (ROADS) DEPARTMENT

4.2.4 Overpayment to contractor

Allowance of carriage cost for longer distance than actual in computation of item rates by Superintending Engineer, State Highway Circle-V led to overpayment of Rs 94.58 lakh to the contractor.

Superintending Engineer (SE), State Highway Circle-V awarded (January 2002) the work of widening and strengthening of Kusumgram-Nandanghat-Samudragarh road from 32 km to 52 km to a contractor at a negotiated price of Rs 18.14 crore for completion by January 2003. Extension of time was allowed up to March 2004. The work was not completed and the contractor was paid Rs 18.68 crore as of March 2004.

Actual road distance from the quarry at Panchami to one end of the work site was 154 km and the average distance to which the stone dust was to be transported worked out to 164 km (154 km + 20 km/2), the length of the road stretch under work being 20 km. Further, in case of stone metal, the actual distance should have been 154 km, as according to tender, rate for stone metal included carrying of materials for 10 km. SE, however, considered the distance as 203 km while preparing estimates and allowed excess carriage for 39 km for stone dust and 49 km for stone metal.

Thus, inclusion of higher carriage charge during fixation of item rates for tendering led to overpayment of Rs 94.58 lakh to the contractor.

Admitting the fact, Executive Engineer, Burdwan Highway Division-I stated (February 2003) that longer carriage distance was not corrected at the time of acceptance of the tender. Government stated (July 2004) that during preparation of the estimate a considerable stretch of the approach road was weak and not in a condition to withstand the load of heavy traffic, for which SE considered the distance of 203 km for carriage.

The reply is not acceptable as by the time the work was awarded (January 2002), the road was well in use by all kinds of vehicles since July 1998.

4.3 Violation of contractual obligations/Undue favour to contractors

HIGHER EDUCATION DEPARTMENT

4.3.1 Non-fulfilment of objective of sale of gifted land

The Calcutta University invited open tenders for sale of a piece of gifted land but instead of acting on the offered bids, subsequently sold the land against an unsolicited offer. No scholarship fund was created out of the sale proceeds of Rs 2.01 crore as originally required under the gift deed nor the revised objective of construction of a technology campus achieved.

A plot of land measuring 950.55 sq meters (14.21 cottahs) at Rowland Road, Kolkata had been gifted (1949) by a lady to the Calcutta University with the condition that the University should create a fund out of the sale proceeds of the property and pay scholarship(s) to the students out of the income from the fund. Contrary to the above stipulation, the Syndicate of the University decided in September 2000 to sell the land and utilise the proceeds for construction of Information Technology Campus at Salt Lake.

Tenders were invited (January 2001) through newspapers for sale of the land without mentioning the minimum price or the last date of submission of tender. In response, only four offers were received as of February 2001, the highest one being for Rupees two crore. The University did neither finalise the deal nor pursue the matter with the highest bidder for a better bargain till May 2001, when a group of three private companies offered Rs 2.01 crore.

Scrutiny revealed that these companies had offered the price on their own accord and not in response to the advertisement of the University. The offer, though only marginally higher than the highest offer received earlier through newspaper advertisement, was accepted by the University hastily within four days of its receipt. The land was sold to the group of companies in January 2002. The University attributed (February 2003) its decision to the fact that no confirmation from the highest bidder had been received and it was in pressing need for fund for fulfillment of its avowed objective to construct an Information Technology Campus of the University at Salt Lake.

There were no records to support the stand of the University that it had indeed pursued with highest bidder of February 2001 for confirmation.

The University, however, did not prepare any plan for construction of the Information Technology Campus for approval of the Syndicate/Senate. The objective was still at the discussion stage (July 2004); the amount of Rs 2.01 crore had meanwhile been invested in fixed deposit with a bank in February 2002.

Thus, neither the original objective of payment of scholarship to students was fulfilled nor the alternative decision of constructing a technology campus implemented. The hasty sale of the land through an unsolicited offer at a price which was virtually the same as the highest bid received shortly earlier, raised a question about the transparency of the earlier action to invite open bids. The plea of immediate need of fund also did not hold good in view of further investment of the sale proceeds in fixed deposit. The University stated (September 2004) that they had acted as per the decision of the Syndicate regarding utilisation of the sale proceeds of the land.

The matter was referred to Government in July 2004; reply had not been received (December 2004).

HILL AFFAIRS DEPARTMENT

DARJEELING GORKHA AUTONOMOUS HILL COUNCIL

4.3.2 Excess expenditure owing to deviation from work order

Darjeeling Gorkha Autonomous Hill Council (DGAHC) not only violated the financial rules by awarding a contract without tender but also incurred extra expenditure of Rs 31.43 lakh by allowing use of costlier materials outside the scope of the work order.

Darjeeling Gorkha Autonomous Hill Council (DGAHC), as per direction of Chairman and Chief Executive Councillor, awarded (January 1999) addition, alteration and renovation work of Gorkha Rangamanch Bhawan, Darjeeling to a contractor without inviting any competitive tender in contravention of Rule 177 of West Bengal Financial Rule (WBFR). It was stipulated *inter alia* in the work order that the work was to be executed strictly in accordance with the specifications in force in Northern Circle, Public Works Department (Roads), Darjeeling schedule of rates. As per the said schedule, all the cement concrete works were to be done with North Bengal variety of stone chips and sand only.

Scrutiny of records of DGAHC (June 2004) revealed that the contractor had done cement concrete works with expensive varieties of stone chips and sand procured from Birbhum and Bardhaman districts respectively. These varieties were not only dearer but involved higher transportation cost. The contractor claimed higher rates for these varieties. Accepting the claim, DGAHC paid Rs 31.43 lakh in excess towards the difference in rates of both the varieties.

Thus, DGAHC not only violated the financial rules by awarding the work to a contractor without inviting any tender but also allowed extra payment of Rs 31.43 lakh for use of costlier materials of different varieties in deviation from the work order.

The Government stated (January 2005) that the dearer varieties were used in view of better quality of the materials as well as seismic nature of the area. The reply was not acceptable as the departmental schedule has been prepared after considering all these aspects.

PUBLIC WORKS AND PUBLIC WORKS (ROADS) DEPARTMENTS

4.3.3 Inadmissible payment of price escalation

Payment of price escalation by the Executive Engineers ignoring contract provision led to inadmissible payment of Rs 5.47 crore to contractors.

(1) Government of West Bengal (GWB) approved (January 2000) strengthening and improvement of 764.40 km stretch of 18 important roads maintained by Public Works Department (PWD) in 18 districts of the State at a cost of Rs 287.34 crore. The work was to be carried out in such a manner that no maintenance and repair of the improved roads would be required in next three years. It was also specified in the Government approval that no price escalation clause should be included in the contracts.

Superintending Engineers (SEs) of Central Circle, Western Circle I & II, Northern Circle and North Bengal Construction Circle II awarded (February 2000 and March 2000) the works of strengthening and improvement of eight roads for an aggregate length of 323.40 km in eight districts at a total cost of Rs 99.52 crore to individual contractors for completion by January 2001. The works were completed between March 2001 and January 2002 at a cost of Rs 102.72 crore inclusive of price escalation of Rs 3.38 crore.

Scrutiny revealed that contrary to the Government order of January 2000, the SEs incorporated a price escalation clause for bitumen and diesel in the contracts, by which the contractors were entitled to price variation due to change in tax structure by legislation. But concerned Divisional Officers actually allowed price escalation on account of price hike of the commodities during the period of construction although there was no change in tax structure. Such payment of price escalation was entirely inadmissible.

At the instance of audit, Chief Engineer, PWD issued (March 2004) a circular instructing the EEs to recover the amount of price escalation paid to the contractors. No recovery was, however, effected till June 2004.

(2) Government of West Bengal approved (January 2000) strengthening and improvement of 442.58 km stretch of 18 important roads maintained by Public Works (Roads) Department (PWRD) in 18 districts of the State at a cost of Rs 156.65 crore with the condition that no maintenance and repair of the improved roads would be required in next three years. Government also instructed that no price escalation clause should be included in the contracts. The works were to be financed out of loan assistance from HUDCO.

Audit scrutiny revealed that price escalation had been paid in five cases ignoring instructions of Government as stated below :

Superintending Engineers (SEs) of State Highway Circle I and V awarded (February 2000 and January 2001) the works of strengthening and improvement of five roads and balance portion of Kalna-Katwa Road for an aggregate length of 144.10 km in five districts at a total cost of Rs 59.78 crore to individual contractors for completion between January 2001 and February 2002. The works were completed between March 2001 and July 2002 at a cost of Rs 63.67 crore inclusive of price escalation of Rs 2.09 crore.

Though prohibited in Government order of January 2000, a price escalation clause for bitumen and diesel had been incorporated in the contracts by the SEs, by which contractors were entitled to price variation due to change in tax structure by legislation. But concerned Divisional Officers allowed price escalation on account of price hike of the commodities during the period of construction although there was no change in tax structure. Payment of the price escalation was entirely inadmissible.

At the instance of audit, Chief Engineer, PWRD issued (October 2003) a circular instructing the EEs to recover the amount of price escalation paid to the contractors. EEs failed to recover any amount from the contractors as of June 2004.

The unauthorised inclusion of a price variation clause in the contracts by SEs in the first instance and secondly, allowance of price escalation due to price hike of the commodities by the Executive Engineers (EEs) led to inadmissible payment of Rs 5.47 crore.

The matters were referred to the Principal Secretary of Public Works Department demi-officially in August 2004; reply had not been received (December 2004).

4.4 Avoidable/Excess/Unfruitful expenditure

DEVELOPMENT AND PLANNING DEPARTMENT

4.4.1 Unfruitful expenditure due to stalling of embankment work

Commencement of construction work for flood protection and prevention of erosion in forest areas initiated by Uttarbanga Unnayan Parshad (UUP) without obtaining prior permission from GOI resulted in stalling of work midway rendering expenditure of Rs 66.43 lakh on the work unfruitful.

Following the prioritisation proposed (August 2000) by the District Planning Committee, Jalpaiguri towards river bank protection works, Uttarbanga Unnayan Parshad (UUP), as a part of anti erosion and flood protection work, accorded (December 2000) administrative approval of Rs 1.12 crore to the project "stabilisation of bank slope and preventing of spilling of river Choto Sankosh on its right bank at villages Sahebpara and Bangdoba in Kumargram" for an estimated cost of Rs 1.15 crore. To protect an area of 1200 hectares (forest area of 600 hectares and village area of 600 hectares), the project envisaged construction of 3500 metres embankment including 2700 metres within the reserved forest land (Buxa Tiger Reserve). The construction of embankment in forest area involved utilisation of 7.976 hectares of forest land for which prior permission of GOI was required under the Forest Conservation (amendment) Act, 1988. UUP placed fund of Rs 1 crore with the District Magistrate, Jalpaiguri during 2000-2001 for reimbursement of the claims to be preferred by the executing agency (Executive Engineer, Alipurduar Irrigation Division).

For obtaining permission from the concerned authority for execution of non-forestry work within the reserved forest area, proposal in the prescribed format was submitted to the Deputy Field Director, Buxa Tiger Reserve in March 2001 by the executing agency. After pursuing the case at various levels,[11] the matter was referred (May 2001) to the GOI, Ministry of Environment and Forests by the Forest Department, Government of West Bengal.

However, without obtaining prior approval from the concerned authority the executing agency tendered for the work and work orders were issued to two contractors splitting it into phase I and II to commence in January 2001 and February 2001 respectively. The contractors continued the work up to June 2001 and completed the construction of embankment to the extent of 1100 metres (300 metres in public area and 800 metres in forest land) at a cost of Rs 66.43 lakh[12]. Thereafter the work was stalled (June 2001) by Forest

[11] *North Bengal Flood Control Commission.*
DM Jalpaiguri, Pr. Secretary Forest Department

[12] *Rupees 41.79 lakh paid in August 2001 and Rs 24.64 lakh paid in March 2002*

Department for want of permission for diversion of forestland for non-forestry work.

In April 2003, the Conservator of Forest and Field Director (FD), Buxa Tiger Reserve sought some urgent clarifications from environmental point of view from the executing agency. In July 2003, FD while communicating the rejection of the proposal by GOI due to non-submission of the necessary clarifications, advised the executing agency to take up the matter with GOI afresh. However, the Commissioner, Jalpaiguri Division being the Ex-officio Member Secretary of UUP, decided (July 2003) not to pursue the case. Hence the matter reached a dead end.

Thus, failure of UUP to obtain approval of the competent authority for making use of forest land prior to commencement of work rendered the expenditure of Rs 66.43 lakh unfruitful as the very purpose of the project was not achieved even after four years from commencement of work.

Commissioner, Jalpaiguri Division and Member Secretary, UUP stated (October 2004) that UUP had not abandoned the idea of pursuing the project and added that as the project involved protection of vast chunk of forest land, it had been presumed that Forest Department, Government of West Bengal would themselves take interest in execution of the project. Development and Planning Department also endorsed the views of UUP (December 2004).

The reply is not acceptable as approach of the UUP seemed not to be proactive and inaction on its part in pursuing the matter ultimately stalled the project for almost four years leaving the incomplete construction costing Rs 66.43 lakh vulnerable to erosion.

4.4.2 Unfruitful expenditure on a sanitary sewerage scheme

Revision of the comprehensive drainage and sewerage scheme at Digha without assessing the availability of funds and failure of the department in timely execution of the project resulted in unfruitful expenditure of Rs 4.63 crore and the objective of averting pollution of sea-water and environment remained unfulfilled.

With a view to protecting a population size of 7000 to 17000 from pollution hazards at Digha and preventing pollution of sea-water adjacent to the shore, a comprehensive drainage and sewerage scheme, known as "sanitary sewerage scheme" was sanctioned (September 1996) by the Development and Planning Department at an estimated cost of Rs 4.09 crore. Executive Engineer (EE) Tamluk Division of Public Health Engineering (PHE) Directorate, being the executive agency, started execution of work in 1996-1997. The target date for commissioning of the project was March 2003. After laying about 22 *per cent* of the sewer line, the work was suspended in 1997 due to severe sand boiling and heavy seepage of water in some locations. Consequently, after redesign of sewer line (July 1999) the work was resumed in March 2000 and continued up to March 2003. An amount of Rs 4.09 crore, released by the Department between September 1996 and March 2003, was spent besides incurring further liability of Rs 0.54 lakh. By that time, merely 20 *per cent* of the total target area was covered by the sewerage line.

To complete the project as well as to cover a larger population, a revised project, to be completed in three phases, was proposed (June 2003) by PHE Department and a new estimate was drawn up for Rs 6.10 crore for first phase including Rs 4.09 crore already spent and Rs 2.22 crore for second phase on the ground of price escalation on account of labour and material, revision of sewer design, etc. The estimate for the third phase was to be prepared later. The estimate was, however, not vetted or administratively approved so far.

As there was hardly any scope for provisioning of further funds from Government, the department proposed for taking up the matter with the Housing and Urban Development Corporation (HUDCO) for financing the scheme. Till July 2004 no further development towards either completion of the project or arrangement of funds was noticed and pollution hazards at Digha persisted due to non-commissioning of the project.

Thus, the objective of averting pollution of sea-water was not achieved due to failure of the department in timely execution and drawing up a revised project without assessing fund availability. The expenditure of Rs 4.63 crore on the incomplete project remained unfruitful affecting both tourism and environment.

Government stated (February 2005) that the sewerage scheme would be put to use after the funds were available.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.3 Non-functioning of Public Information System on Bed Availability (PISBA) in referral hospitals in Kolkata

Electronic display boards installed in seven referral hospitals in Kolkata at a cost of Rs 42.87 lakh remained inoperative since October 2002 due to failure in providing post-warranty annual maintenance, necessary staff for operating the system and telephone lines for on-line connectivity.

With a view to facilitating admission of patients referred by primary and secondary level hospitals to hospitals of tertiary level, Health and Family Welfare (H&FW) Department decided (January 2000) to instal electronic display boards (EDBs) showing updated position of bed availability in seven referral[13] hospitals

[13] *Nil Ratan Sircar Medical College and Hospital, Kolkata Medical College and Hospital, Calcutta National Medical College and Hospital, RG Kar Medical College and Hospital, SSKM Hospital, Sambhu Nath Pundit Hospital and MR Bangur Hospital*

through a Local Area Network interconnected over dial-up telephone lines. This work was awarded to West Bengal Electronics Industry Development Corporation Limited (WEBEL) in January 2001 at a cost of Rs 42.87 lakh. The contract *inter alia*, included the cost of operation and maintenance of EDBs with warranty period of one year (Rs 5.88 lakh) and imparting training to selected staff (Rs 0.64 lakh) of all the seven user hospitals.

After installation the system, Public Information System – Bed Availability (PISBA), was made functional in January 2001 (six hospitals) and September 2001 (one hospital).

Scrutiny in audit disclosed that training of staff attached to five hospitals only was conducted between August 2002 and September 2003 i.e. after expiry of the warranty period. The department did not arrange for post warranty maintenance and operations either. The EDBs became non-functional in all the seven hospitals due to withdrawal of operators by WEBEL from 1 October 2002. On-line connectivity of EDBs was also disconnected due to non-provision of fund and non-payment of telephone charges. Neither any post of EDB operator was created nor any trained staff was deployed for operation of EDBs.

As a result all the display boards in seven hospitals went out of order rendering the entire expenditure of Rs 42.87 lakh on PISBA project unfruitful.

Government stated (May 2004) that the required manpower had been trained during 2003-2004 at seven hospitals under the project for operation of the EDBs and those could not be operated due to non-completion of on-line connectivity. The contention of the Government is not acceptable because personnel of two out of seven hospitals were not trained as of October 2004. Further, lack of initiative of the department was also apparent from the fact that on-line connectivity commissioned earlier had been disconnected due to non-payment of telephone bills.

4.4.4 Avoidable expenditure due to non-selection of lowest tender

Rejection of lowest tender on the flimsy ground of spelling mistake resulted in excess expenditure of Rs 43.13 lakh towards cost of diets during November 2002 to March 2004.

The Superintendent, Nil Ratan Sircar Medical College and Hospital invited (September 2002) tenders for supplying six categories[14] of cooked diet to its indoor patients for the period from November 2002 to October 2003 based on category-wise estimated costs fixed by the Health and Family Welfare Department. As per the terms and conditions of the notice inviting tender, the

[14] *Category 'B' : Full diet/Salt free; Category 'C' : Boiled/Soft rice; Category 'D' :Diabetic; Category 'E' : Vegetarian; Category 'U' : Ureamic and Category 'FF' : Full Fluid/Convalescent*

rates were to be quoted for each category of diet separately specifying whether above, below or at par with the estimated cost. The terms and conditions of the tender *inter alia* provided that erasing, overwriting or deletions in the tender form would not be accepted.

In response to the tender notice, ten tenderers offered their rates separately for each category of diet. However, six bidders withdrew their offers before opening of the tenders on 28 October 2002. Out of the remaining four, the bidder offering the lowest average rates for six categories was not considered by the Tender Evaluation Committee (TEC) on the grounds that in respect of category 'B' diet, there was overwriting and spelling mistake. Audit scrutiny (November 2003) of the tender papers disclosed that in the bid papers submitted by the lowest bidder, the word 'BELOW' was once wrongly spelt as 'BELOE' in respect of 'B' category of diet though in the 'in words' column it was correctly written leaving no room for doubt. Instead of taking up the matter with the lowest bidder for necessary rectification and clarification, TEC awarded the contract to the second lowest bidder for the period from November 2002 to October 2003 which was subsequently extended upto March 2004.

Such outright cancellation of the lowest bid on the inconsequential ground of spelling mistake resulted in an excess expenditure of Rs 43.13 lakh[15] towards cost of cooked diet for the period from November 2002 to March 2004.

Thus, due to non-acceptance of the lowest offer Government had to incur excess expenditure of Rs 43.13 lakh.

The department while admitting the facts, stated (January 2005) that corrective measure by way of inviting fresh tender has been taken and disciplinary action against the delinquent officers was being contemplated.

JAILS DEPARTMENT

4.4.5 Data storage system remaining inoperative for more than seven years since its installation

Failure of the department in providing training to the staff resulted in the data storage system installed in three Correctional Homes at a cost of Rs 32.96 lakh remaining inoperative for over seven years.

Under the scheme of 'Modernisation of Prison Administration', Jails Department sanctioned Rs 32.96 lakh (March 1997) for installation of Historic Data Storage

[15]

Amount paid for supplying 582945 adult and 57940 child diets of six categories	*Rs 168.45 lakh*
Amount that would have been payable to the lowest tenderer for the same	*Rs 125.32 lakh*
Excess expenditure	*Rs 43.13 lakh*

System (the system) in three central correctional homes (Dum Dum, Medinipur and Berhampore), with a view to facilitating necessary data storage in respect of the inmates of the three central correctional homes as well as other districts and subsidiary correctional homes under their jurisdiction.

For implementation of this scheme the Superintendent, Dum Dum Central Correctional Home being the Nodal Officer, drew the entire amount of Rs 32.96 lakh by transfer credit (March 1997) to his Personal Ledger Account and placed order (March 1997) to M/s WEBEL Informatics Limited (a State Government Undertaking) for supply and installation of the system at the three central correctional homes. Equipment for the systems was supplied and installed by M/s WEBEL at the three central correctional homes in June 1997.

Scrutiny of records revealed that no effort was made by the Jails Department during June 1997 to August 2003 to arrange for the requisite training. Instructions were issued in August 2003 by Deputy Inspector General of Prison to the superintendents of the central correctional homes to take up the matter with the Technical Director of the National Informatics Centre for developing the software and imparting necessary training to their staff for implementation of the system. In all the three correctional homes, the system remained inoperative as of December 2004, even after seven years of the date of installation.

The Prisons Directorate, in reply, attributed (December 2004) such non-functioning to non-availability of software and trained personnel for operating the systems. However, the Prisons Directorate failed to cite any reason behind such inaction. The department stated (January 2005) that necessary training would be imparted to the officials of correctional homes in February 2005 to make the system operational.

Thus, failure on the part of the department to develop the required software and impart necessary training to its staff for more than seven years rendered the system installed at a cost of Rs 32.96 lakh inoperative depriving the central correctional homes of the intended benefits of the scheme.

MUNICIPAL AFFAIRS DEPARTMENT

4.4.6 Additional burden on State's exchequer

Government had to bear additional expenditure of Rs 4.22 crore on conversion of dry latrines into sanitary latrines under phases I and II of the Integrated Low Cost Sanitation Scheme due to its failure to complete the work within time.

The Municipal Affairs Department (MAD), Government of West Bengal decided (February 1992) to implement Integrated Low Cost Sanitation Scheme (ILCS), a

Centrally sponsored scheme in phases on cost sharing basis[16] for conversion of dry latrines to sanitary latrines in the urban areas and appointed the State Urban Development Agency (SUDA) as the nodal agency for implementation of ILCS through Urban Local Bodies (ULBs).

Against a proposal of the State Government, GOI sanctioned construction of 34557 latrines for phase-I (September 1992) and 77659 latrines for Phase-II (December 1993) at a unit cost of Rs 2500 (25 *per cent* extra cost for hill areas) with the stipulation to complete the works within one year from the date of sanction.

For implementation of this scheme, SUDA received subsidy of Rs 9.47 crore and Rs 3.75 crore during 1992-1995 from GOI and the State Government respectively. Inspite of availability of such funds, SUDA did not commence work till December 1994 due to lack of preparedness amongst the ULBs and non-finalisation of suitable model of latrine. Meanwhile, GOI introduced phase-III (October 1994) with enhanced unit cost of Rs 4500 (25 *per cent* extra for hill areas) for each latrine with the same funding pattern. As the works already sanctioned for both phases (I and II) could not be completed within the scheduled time, SUDA requested (December 1994) GOI to extend the enhanced rate for the remaining works under phases I and II which was turned down.

However, during the years 1998-2004, SUDA continued the construction of the remaining units of phases I and II without any target date of completion and completed 19833 units in plain areas and 1885 units in hill areas at the enhanced rate. As GOI did not provide the excess subsidy necessary for enhanced cost, State Government subsidised the entire cost-difference on this scheme to SUDA during the said period thereby incurring an excess expenditure of Rs 4.22 crore (excess subsidy of Rs 1900 per unit for plain areas and Rs 2375 per unit for hilly areas). Considering the poor performance of the scheme and non-extension of time and non-enhancement of cost of unit rate, SUDA closed the work (January 2004) of the said two phases.

Thus, due to failure to start and complete phases I and II of the work within the scheduled time-frame and decision to execute work at enhanced rate without being entitled to enhanced subsidy from GOI, Government had to bear the additional expenditure of Rs 4.22 crore.

Government while admitting (October 2004) additional expenditure, held factors like people’s reluctance to accept new system of latrine, problem of identification of beneficiaries, formulation of methodology for release of fund, etc. responsible for delayed start and consequent price rise. This is not valid as Government on its part was not able to create timely awareness among the people for acceptance of new system of latrine causing delayed start resulting in additional expenditure.

[16] *Government of India 45 per cent, State Government 50 per cent and Beneficiary contribution 5 per cent.*

PUBLIC WORKS DEPARTMENT

4.4.7 Irregular expenditure on unauthorised hiring of vehicles

Executive Engineer City Division, Public Works Department unauthorisedly hired 24 private vehicles violating Government instructions, which resulted in irregular expenditure of Rs 1.08 crore.

Finance (Budget) Department (FD) adopted certain economy measures to cut down avoidable revenue expenditure of the Government and issued (July 1999) instructions for their strict observance. The restrictions on hire and use of vehicles were that no vehicles would be hired without prior approval of FD and vehicles already hired unauthorisedly by the department must be released immediately and that no vehicles would be used on holidays without prior written permission of the departmental Secretaries. Officers up to the rank of Special Secretary were entitled to use separate vehicles; one pool car was to be used by three Joint Secretaries and if any officer of the rank of Joint Secretary or Deputy Secretary was to be provided with a vehicle for his exclusive use for the special nature of work performed by him, specific concurrence of FD was to be taken in each case even in cases where such concurrence was accorded earlier.

Scrutiny revealed that Executive Engineer (EE), City Division, Public Works Department (PWD) had 14 Government vehicles for its day to day activities within a radius of 15 km from its headquarters at Writers' Buildings, Kolkata. Officers belonging to the Division's roll strength used three Government vehicles while eight vehicles were used by the officers outside the roll strength of the division. Remaining three vehicles were under repair. Nevertheless, EE, City Division continuously hired 24 cars on monthly rental basis during 2000-2004 (upto December 2003) of which extra divisional officers used 20, three were used by Divisional Officers and one vehicle was kept stand-by. EE, City Division during 2000-2004 (upto December 2003) incurred an expenditure of Rs 1.08 crore towards hire charges (Rs 79.66 lakh), fuel and lubricants (Rs 23.87 lakh) and overtime allowance (Rs 4.32 lakh) of drivers without any approval from FD as stipulated in the instructions. Actual places travelled by the extra divisional officers using Government and hired vehicles of city division could not be ascertained owing to non-production of the log books to audit.

The hiring of the vehicles by the EE without approval of FD was unauthorised and the expenditure incurred thereon irregular.

Scrutiny further revealed that (i) the vehicles were exclusively used by the officers who were not entitled to use separate vehicles. Approval of the Departmental Secretary was not obtained in such cases; (ii) 15 hired cars were used on holidays during 2000-2004 without obtaining prior written permission of the Secretary of the PWD; (iii) EE debited the hire and fuel charges to the minor head “Repair and Carriage of Machineries and Equipment” (RCME-052) though this head of account is not meant to cover cost of operation and maintenance of hired vehicles. Thus, to meet the irregular expenditure, the EE misclassified it under the head 052-RCME. The irregular expenditure incurred over years points to lack of internal control in PWD and failure of the departmental Secretary to exercise proper financial control over departmental expenditure. This frustrated the move of FD to curtail avoidable revenue expenditure of the Government.

The department stated (May 2004) that the Government reply to the para would be sent within the prescribed period. No reply was received from Government (December 2004).

PUBLIC WORKS (ROADS) DEPARTMENT

NATIONAL HIGHWAY WING

4.4.8 Unauthorised and idle investment

Chief Engineer, National Highway Wing of Public Works (Roads) Department without conducting any survey of demand purchased 2.51 acre of land at Rs 1.15 crore for rehabilitation of persons whose land was acquired for National Highway work and this resulted in idle investment of Rs 1.15 crore.

Executive Engineer (EE), National Highway Division-IV acquired (November 1998) 5.76 acre of private land in Bally Municipal Area of Howrah district under National Highway Act 1956 for construction of approaches to second Vivekananda bridge over river Hooghly at km 670 of National Highway 2. Possession of the land was taken between January 2000 and December 2003 on payment of full compensation of Rs 11.90 crore, as determined under Section 3G of the Act, to the land owners (232 in number).

Government of West Bengal, before finalisation of the process of land acquisition, decided (October 1998) to provide rehabilitation to the affected persons, whose land was to be acquired, after adjustment of cost from the amount of compensation payable to them though there was no such provision in the NH Act. Accordingly, Chief Engineer (CE), National Highway Wing, through newspaper publication (October 1998) offered 138 residential flats at Konnagar and Dankuni as well as 28.45 acre of land at Dakshin Nimta, Bellur and Bally for development of housing complex. The offer, however, did not materialise and the department purchased (March 2000) a plot of land measuring 2.51 acre within

Bally Municipal Area at a cost of Rs 1.15 crore out of works funds for the same purpose without conducting any survey of demand from the affected persons. Approval of the Ministry of Road Transport and Highway (MORTH), Government of India was not obtained for the purchase of land made beyond the scope of the Act, even though the payment was made from the funds released by the MORTH for the work. The Department, however, invited (May 2000) applications from Housing Co-operatives and Co-operatives for Market Complex to be formed exclusively by the affected persons for allotment of the land. But no response was received and the land remained unused for the last four years.

Thus, unauthorised and unplanned purchase of land without any demand survey resulted in idle investment of Rs 1.15 crore.

Government stated (May 2004) that the land could be disposed of at the present market price so that the Government would not suffer any financial loss. But the land was not disposed of as of August 2004.

WOMEN AND CHILD DEVELOPMENT AND SOCIAL WELFARE DEPARTMENT

4.4.9 Excess expenditure in purchase of medicine kits/medicines

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 32.67 lakh.

With a view to providing essential health care services through different Anganwadi Centres (centres) under the Integrated Child Development Scheme the department of Women and Child Development and Social Welfare, Government of West Bengal started purchasing medicine kits from 2000-2001 onwards, out of grants from Government of India, for 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.

The Social Welfare Directorate, without inviting any tender, directly selected M/s Gluconate Health Limited (M/s GHL), a state based Public Sector Unit (PSU) for supply of medicine kits to centres from 2000-2001 onwards at prices ranging between Rs 578 and Rs 593[17] per kit. The rates were not verified with those of other PSUs approved by the Health and Family Welfare (H&FW) Department.

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2000-2001	*Rs 583.44 per kit*
2001-2002	*Rs 578 per kit*
2002-2003	*Rs 583 per kit*
2003-2004	*Rs 593 per kit*

Comparative study of the list of items and their rates approved by the H&FW department vis-a-vis the rates accepted by the Social Welfare Directorate disclosed that out of eight items of medicines contained in the kits supplied by M/s Gluconate Health Limited to the Anganwadi Centres, three items were procured by H&FW Department from other PSUs at rates lower than those offered by M/s Gluconate Health Limited. M/s Gluconate Health Limited also charged higher rates on some medicines in the kit, but supplied them to the H&FW Department at lower rates. As a result, the Social Welfare Directorate had to incur excess expenditure of Rs 32.67 lakh on 1.95 lakh kits supplied to centres during 2000-2004 as shown below:

Year	**Number of kits supplied by GHL**	**Supply price per kit charged by GHL**	**Supply price per kit including three medicines at H&FWD rates**	**Excess expenditure per kit**	**Total excess expenditure**
		(in rupees)			
2000-2001	47161	583.44	568.55	14.89	702227
2001-2002	45731	578.00	550.97	27.03	1236109
2002-2003	49466	583.00	573.61	09.39	464486
2003-2004	52330	593.00	576.48	16.52	864491
Total	**194688**				3267313 i.e. **Rs 32.67 lakh**

The Social Welfare Directorate took no initiative to take up the matter with M/s Gluconate Health Limited for supplying medicines at rates offered to the Health and Family Welfare Department.

Government attributed (September 2004) acceptance of higher rate to Hon'ble Supreme Court's judgment ordering for price preference in favour of PSUs. The contention of the Government was not valid as the price paid was higher in comparison with that charged by other PSUs only.

4.5 Regularity issues and other points

HIGHER EDUCATION DEPARTMENT

4.5.1 Transactions of Centres functioning in different departments irregularly kept out of University accounts

Transactions of University Centres kept out of University accounts and examination by Statutory Auditor.

The Executive Council of the Jadavpur University from time to time permitted faculty members of different departments to set up teaching centres in the departments. The status of the centres with the University were, however, not specified by the Executive Council in their resolutions. The centres, on realisation of fees, offered different courses using the buildings, infrastructure and name of the University. Twenty two such centres were functioning in 2003-2004 in different departments run by the Administrative Committee or Organising Committee formed for each centre with some faculty members and officials of the University. The Committees themselves fixed the course fees, collected them from participants and paid remuneration to the teachers and staff of the centres for their services at rates determined by them in addition to their regular pay and allowances that they received from the University. Certificates using the name and symbol of the University were issued over the signature of the Director or the Coordinator of the centre to the participants on completion of courses. The University did not exercise any superintendence over the functioning of these centres. Thus, these centres enjoyed all the privileges of being part of the University without any accountability to the University authorities whatsoever.

Receipts and Payments Accounts of three centres alone for the years 1998-2002, made available to Audit, revealed that these centres received Rs 60.27 lakh from various sources including Rs 52.44 lakh as course fees and spent Rs 57.16 lakh during above period. The accounts of the centres were signed by the Registrar or Finance Officer and the concerned Director or Coordinator of the centre in their official capacity under the University. However, the Director/ Coordinator of the concerned centre(s) did not deposit the receipts to the University Fund as required under the Jadavpur University Act nor did the payments made by centre pass through University's Finance department in due observance of financial norms. The University had not yet framed any financial/ accounting rules. Thus, the above receipts and expenditure of the centres (Rs 1.17 crore in total for three years alone) as also those of the remaining 19 centres, since their establishment, were kept out of the University accounts and remained unaudited. Besides, according to agenda notes of the Registrar to Executive Council, remunerations received by the University teachers and staff from the centres were mostly not taken into account by the University for incidence of Income Tax.

The Executive Council, vide its resolution of 10 May 2000, laid down guidelines for functioning of the centres. The guidelines stipulated that the centres should deposit the receipts to the Registrar of the University in cheques or demand drafts and after necessary deduction of overhead charges, the University would transfer the collected amounts to the account of the respective centre. The Registrar of the University stated (October 2004) that the above decisions of the Executive Council were already implemented. However, the cash book of the University revealed that receipts were not deposited by any centre upto 2001-2002. In 2002-2003 and 2003-2004 (upto September 2003), only eight out of twenty two centres deposited Rs 47 lakh and Rs 57.70 lakh respectively. Thus, the decision of the Executive Council was not implemented by most of the centres even after a lapse of four years. Further, even after introduction of the guidelines, the actual expenditure of the centres would not pass through the required financial scrutiny of the University as well as of the Auditors appointed under the Act.

The matter was referred to Government in August 2004; reply had not been received (December 2004).

4.5.2 Huge rent and electricity charges remaining unrealised

Rent and electricity charges of Rs 94.46 lakh were not realised by the Jadavpur University from the Regional Computer Centre since 1977.

The Jadavpur University allowed Regional Computer Centre (RCC), Kolkata, a scientific society, to run a computer centre in the ground floor and first floor of the Computer Centre Building of the University on payment of monthly rent and electricity charges on actual basis with effect from January 1977. Formal agreement with the above terms was, however, entered upon in August 1988 which remained valid upto July 31, 1993. Further, RCC was allowed by the University, as per Executive Council's decision of April 1981, to use the 3rd floor of the building also at an additional monthly rent without any agreement as yet. The actual date of occupation of the third floor by the Centre was not found on records.

Since occupation of the building from 1977, RCC did not pay any rent. Records showed that after adjustment of Rs 60.73 lakh towards charges for Computer Systems availed of by the University upto May 1997, rent of Rs 28.73 lakh remained outstanding from RCC for the years from 1977-78 to 2003-04 without any annual break up. The University did not prefer any bill for rent to the society after May 1997.

The University did not maintain any record regarding electricity consumed by RCC for the periods from June 1997 to March 1999 and April 2000 to March 2001 (i.e. 2 years 10 months) and did not issue any bill for the same. For the remaining months of 1977-78 to 2003-04, RCC paid only Rs 7.70 lakh and Rs 65.73 lakh remained outstanding towards electricity charges.

Thus, inaction by the executives of the University led to accumulation of dues of Rs 94.46 lakh as of March 2004. In the absence of any agreement, realisation of the above dues from the society was a remote possibility. Realisation of the aforesaid dues would have helped the University to reduce its burden of bank overdraft, which rose to Rs 4.87 crore in March 1999 (upto which accounts were finalised), and reduce the payment of interest on overdraft.

The matter was referred to Government in July 2004; reply had not been received (December 2004).

MUNICIPAL AFFAIRS DEPARTMENT

STATE URBAN DEVELOPMENT AGENCY

4.5.3 Unauthorised diversion and misutilisation of programme funds

In violation of guidelines of National Slum Development Programme, State Urban Development Agency (SUDA) diverted Rs 6.29 crore of programme funds.

For implementation and monitoring of different Centrally sponsored programmes in urban areas, Government of West Bengal set up (May 1991) State Urban Development Agency (SUDA). SUDA was to meet its administrative and operational expenses (A&OE) out of the programme funds as would be permitted in terms of the programme guidelines.

Test-check (June 2004) of records of different programmes revealed that during 2000-2003, SUDA unauthorisedly deducted Rs 2.52 crore from National Slum Development Programme (NSDP) funds and credited it to administrative and operation expenses (A & OE) fund account, although no such provision was made in the guidelines for NSDP. Further, interest of Rs 3.77 crore[18] earned during that period on investment of programme funds was also unauthorisedly retained in bank without approval of Government, instead of crediting the same to the respective programme funds.

The Government, accepting the audit observations, stated (January 2005) that apportionment of funds under NSDP had been discontinued since 2003-2004.

[18] *Interest earned on unspent programme funds under Basic Minimum Service Programme, Bidhayak Elaka Unnayan Prakalpa, Integrated Low Cost Sanitation Schemes (ILCS), etc.-Rs 3.77 crore*

SPORTS, INFORMATION AND CULTURAL AFFAIRS AND TOURISM DEPARTMENTS

4.5.4 Retention of Government revenue outside Government Account and unauthorised expenditure therefrom

In contravention of West Bengal Treasury Rules, departmental receipts of Rs 1.59 crore were not remitted into Government account and Rs 1.04 crore were spent unauthorisedly therefrom by three drawing and disbursing officers.

West Bengal Treasury Rules provide that all monies received as revenue of the State shall without undue delay be deposited in the Government Account and such receipt shall not be appropriated for departmental expenditure. Scrutiny of records of the following three Drawing and Disbursing Officers (DDOs) of three departments revealed that in gross violation of the said Rule, Rs 1.04 crore were spent out of departmental receipts.

Chief Executive Officer, Yuba Bharati Krirangan

Scrutiny (October 2003) of records of Chief Executive Officer, Yuba Bharati Krirangan revealed that departmental revenue of Rs 92.40 lakh received by letting out the stadium complex during the period from July 2002 to August 2003 was irregularly kept in the bank account[19] of West Bengal State Council of Sports, a State Government undertaking in terms of an existing order dated May 1992 of the Miniter-in-charge, Sports instead of remitting the same to Government Account. Further, out of the revenue receipt, Rs 56.65 lakh were spent towards entertainment, donation, grants, loans, etc. to different individuals, organisations and private parties.

The Principal Secretary while admitting the fact of lapse on the part of the department, assured (April 2002) audit to regularise the matter shortly by depositing the revenues into government account. The matter was not regularised as of May 2004. The department stated (October 2003) that the existing practice was being followed for meeting urgent expenditure on repair and maintenance of the stadium since fund flow from the Finance Department was irregular. The reply was not valid as the department could not even utilise the budget provision during 2002-2003[20].

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[19] *Originally opened for depositing membership renewal fees only, but for all practical purposes used exclusively for YBK activities*

[20]

Year	*Budget provision under the relevant head (other charges) (Rupees in lakh)*	*Sanctioned and actual expenditure (Rupees in lakh)*
2002-2003	*122.50*	*84.69*

Chief Executive Officer, Nandan

Records of Chief Executive Officer, Nandan revealed that during 2002-2003 sale proceeds of tickets and other revenue receipts of Rs 51.04 lakh were deposited in the Current Bank Account of the West Bengal Film Development Corporation, a State Government undertaking instead of remitting to Government Account and Rs 33.82 lakh were spent unauthorisedly from the deposit during that period.

Director of Films, Nandan stated (May 2004) that Government had been moved for re-introduction of Personal Ledger Account where receipts of Nandan could be deposited. The contention of Nandan authority was not acceptable as departmental receipts could not be deposited directly into Personal Ledger Account.

Deputy Director of Tourism (Regional Tourist Officer)

Scrutiny (May 2003) of records of Deputy Director of Tourism (Regional Tourist Officer), Kolkata revealed that Rs 68 lakh were collected as departmental receipts between November 2001 and April 2003, out of which Rs 52.76 lakh were remitted into Government Account, Rs 13.22 lakh was appropriated unauthorisedly towards contingent expenses and balance of Rs 2.02 lakh was retained in hand.

The Tourism department stated (January 2005) that the balance had been deposited and steps would be taken to deposit the unadjusted amount.

Thus, non-remittance of departmental receipts of Rs 1.59 crore into Government Account by three drawing and disbursing officers and incurring unauthorised expenditure of Rs 1.04 crore therefrom led to violation of Treasury Rules and contravened the basic tenet of actual expenditure conforming to appropriation made by law.

General

4.5.5 Lack of response of Government to audit

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

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

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

Inspection Reports issued upto December 2003 relating to 347 offices of Mass Education Extension Department, Backward Classes Welfare Department, Tourism Department, Women and Child Development and Social Welfare Department, Co-operation Department, Housing Department, Public Works (Roads) Department and 12 commercial undertakings[21] disclosed that 2489 paragraphs relating to 806 IRs remained outstanding at the end of June 2004. Of these, 102 IRs containing 188 paragraphs had been lying un-settled for more than 10 years.

Year-wise position of the outstanding IRs and Paragraphs are detailed in ***Appendix 36***. Even the initial replies, which were required to be received from the heads of offices within six weeks from the date of issue, were not received upto August 2004 in respect of 145 IRs of 100 offices (from 1985-1986)**.**

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

Audit committees, comprising the Principal Secretary/Secretary of the administrative department and representatives of the Finance Department and the PAG were formed in 48 out of 56 departments of Government for expeditious settlement of the outstanding inspection reports. Of the 48 departments where audit committees were formed, meetings were held only by eight departments on 12 occasions from July 2003 to June 2004. As a result of the meetings of these committees, it was possible to settle 201 paragraphs and 60 inspection reports. No meetings were held by 40 other departments. Matter was taken up with the Government to form audit committees in the remaining departments.

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[21] *Under Commerce and Industries, Cottage and Small Scale Industries, Animal Resources Development, Housing and Food & Supplies Departments.*

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

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

The matter was referred to Government in September 2004; reply had not been received (December 2004).

4.5.6 Misappropriation and Misutilisation of Cash

Non-adherence to the provisions of Treasury and Financial Rules by 21 Drawing and Disbursing Officers in Kolkata and five districts resulted in shortage of cash of Rs 2.71 crore.

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 and 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 and date-wise analysis in respect of closing cash balance are also to be recorded.

Scrutiny (March 2003 to April 2004) of records pertaining to 21 DDOs in five districts and Kolkata revealed serious financial irregularities due to non-compliance of the above provisions resulting in misutilisation of undisbursed cash, theft and suspected misappropriation of huge sum of Government money (Rs 2.71 crore) as detailed in ***Appendix 37***.

Shortage of cash

In course of physical verification of cash conducted at the instance of audit by 21 DDOs during March 2003 to April 2004, against the closing cash balance of Rs 14.40 crore as per cash books, only Rs 11.69 crore was physically found, indicating a shortage of cash of Rs 2.71 crore. Out of Rs 2.71 crore, physical shortage of cash and theft constituted Rs 0.09 crore (as detailed in ***Appendix 38***); while Rs 1.66 crore was shown as advance from undisbursed cash to different staff, unadjusted vouchers accounted for Rs 0.16 crore and Rs 0.80 crore represented fake notes and lapsed cheques/demand drafts. As the amounts remained outside the cash book, this practice tantamounted to temporary misappropriation.

Counterfeit Notes

Counterfeit notes amounting to Rs 1000 were included in the physical cash by one DDO (Sl. No. 3 of col-10 of the ***Appendix 37***) which needs an enquiry.

Misutilisation of undisbursed cash balance

Kutcha receipt against payment of Rs 16.16 lakh out of undisbursed cash for various purposes (such as procurement of oxygen, nitrous oxide, life saving drugs, purchase of kerosene oil, carrying cost of medicine/instruments, payment of wages for casual labours and telephone bills and on account of Pujali Municipal election) which had been incurred without any allotment and approval of the fund sanctioning authority, were treated as vouchers by 13 DDOs (Sl. Nos. 2 to 4, 8, 10 to 13, 15, 17, 19 to 21 of col-7, ***Appendix 37***) but adjustment of the same by drawing bills from treasury was awaited. As these vouchers did not constitute cash balance, these amounts could be construed as temporary misappropriation. Of the above expenditure, Rs 2.41 lakh were made out of hospital receipt by two DDOs (Sl Nos 8 and 13 of the ***Appendix 37***) in contravention of rule 7 (1) WBTR Volume I.

Unauthorised advances from undisbursed cash

Five DDOs (Sl Nos 5,6,9,12 and 15 of Col 8, ***Appendix 37***) paid Rs 1.66 crore out of undisbursed cash irregularly as advance to different officials. Payment of advances out of undisbursed cash was entirely contrary to the provisions of the rules. None of the DDOs maintained any advance register to watch the recovery of such advances. Out of Rs 1.66 crore, unauthorised advances made by the Accounts Officer (Finance), West Bengal Secretariat alone amounted to Rs 1.64 crore. Use of undisbursed cash in this manner for meeting expenses, without any supporting budget provision totally vitiated the system of budgetary and legislative control.

Lapsed cheques burdening the cash balance

Lapsed cheques/drafts for Rs 0.80 crore were shown by four DDOs (Sl Nos 6, 10, 15 and 18 of Col. 11 of ***Appendix 37***) as a part of physical cash balance. Since these cheques/drafts had lost their currency, the same should not be considered as a part of cash balance. Steps need be taken to cancel the lapsed cheques/drafts after observing prescribed procedure.

Physical cash balance of one DDO (Sl No 10 of ***Appendix 37***) included bank balance of Rs 0.39 lakh which remained in-operative since August 1981. Despite repeated comments in earlier inspection reports, no action was taken to close the Bank Account.

Action taken by Government

Cases of misappropriation and misutilisation of cash due to non-adherence to the provisions of Financial Rules by DDOs were mentioned repeatedly in the reports of the Comptroller and Auditor general of India for the years ended March 1997 to 2002. Nevertheless such irregularities were persisting due to inaction on the part of the concerned Government Departments. Even the Accounts Officer (Finance) of West Bengal Secretariat resorted to payment of indiscriminate advances and incurring expenditure on different counts unauthorisedly out of undisbursed cash balance.

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

4.5.7 Follow up action on earlier Audit Reports

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports from 1992-1993 to 2002-2003 of the Comptroller and Auditor General of India, Government of West Bengal revealed that Action Taken Notes on 318 paragraphs (selected: 90 from 1992-1993 to 2002-2003, not selected: 228 from 1981-1982 to 2002-2003) involving 39 departments[22] remained outstanding as of December 2004. Out of 90 selected paragraphs involving 29[23] departments, some important paragraphs have been listed in ***Appendix 39***.

The administrative departments were required to take suitable action on the recommendations made in the Report 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.

[22] *Agriculture, Animal Resources Development, Backward Classes and Welfare, Commerce and Industries, Commercial Taxes, Consumers Affairs, Co-operation, Cottage and Small Scale Industries, Development and Planning, Excise, Fisheries, Food process and Horticulture, Food and Supplies, Forest, Health and Family Welfare, Higher Education, Hill Affairs, Home (Const. and Elec.), Home (Political), Home (Police), Industrial Reconstruction, Irrigation and Waterways, Judicial, Labour, Land and Land Reforms, Mass Education Extension, Municipal Affairs, Panchayats and Rural Development, Public Health Engineering, Public Works, Public Works (Roads), School Education, Sports and Youth Services, Technical Education and Training, Transport, Urban Development, Water Investigation and Development, Women & Child Welfare & Social Welfare and Finance*

[23] *Agriculture, Animal Resource Development, Backward Classes Welfare, Commerce and Industries, Co-operation, Cottage and Small Scale Industries, Development and Planning, Fisheries, Food and Supplies, Health & Family Welfare, Higher Education, Home (Cons. & Election), Home (Police), Industrial Reconstruction, Judicial, Land & Land Reforms, Municipal Affairs, Panchayat & Rural Dev., Public Health Engineering, Public Works, Public Works (Roads), School Education, Sports and Youth Services, Technical Education and Training, Transport, Urban Development, Water Investigation and Development, Women & Child Welfare & Social Welfare and Finance*

It was observed that the Action Taken Notes on 18 Reports of the PAC, presented to the Legislature between May 1991 and March 2004 had not been submitted by 14 departments[24] to the Assembly Secretariat as of December 2004. 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 apex committee headed by the Chief Secretary of the State held its last meeting on 29 September 2004 to review the position of outstanding replies on selected paragraphs in the earlier Audit Reports and ATN on PAC recommendations wherein most of the grossly defaulting departments agreed to submit outstanding ATNs within one month or two.

The matter was referred to Government in November 2004; response had been received from 13[25] out of 43 departments (January 2005).

[24] *Agriculture, Fisheries, Home (Police), Housing, Municipal Affairs, Panchayats and Rural Development, Public Health Engineering, Public Works, Public Works (Roads), Refugee, Relief and Rehabilitation, School Education, Women and Child Welfare and Social Welfare, Transport and Urban Development*

[25] *Backward Classes and Welfare, Commerce and Industries, Home (Police), Housing, Jails, Municipal Affairs, Relief, School Education, Sundarban Affairs, Sports & Youth Services, Transport, Tourism and Finance*