

CHAPTER II

2 Reviews relating to Government companies

2.1 THE STATE FISHERIES DEVELOPMENT CORPORATION LIMITED & WEST BENGAL FISHERIES CORPORATION LIMITED

Highlights

The State Fisheries Development Corporation Limited (SFDC) and West Bengal Fisheries Corporation Limited (WBFC) were incorporated in March 1966 and March 1980 respectively to engage in pisciculture operation in the State. WBFC also took up construction of fishing harbours, minor ports and other projects on behalf of Government and other organisations.

(Paragraphs 2.1.1 & 2.1.2)

As on 31 March 2004 accumulated loss of Rs 10.03 crore (SFDC) and Rs 2.62 crore (WBFC) had completely eroded the paid-up capital of Rs 2.70 crore (SFDC) and rupees two crore (WBFC) due to poor productivity of fish farms, non-implementation of development programme of fish farms, high incidence of employees' cost (SFDC), inept implementation of World Bank aided project, underutilisation of facilities at harbours and poor performance of fish farms (WBFC).

(Paragraphs 2.1.13 & 2.1.14)

Due to underutilisation of hatchery and nursery ponds, SFDC had to procure fingerlings at an avoidable expenditure of Rs 1.41 crore.

(Paragraphs 2.1.18 & 2.1.27)

During 1999-2004, SFDC sustained loss of production of different types of fish amounting to Rs 371.35 crore as actual production fell short of standard production owing to operation of fish farms without assessing the suitability of soil and water, underutilisation of water bodies, absence of optimum stocking density and ratio, non-maintenance of feed requirement for prawns and high mortality of prawns.

(Paragraphs 2.1.22 - 2.1.26, 2.1.30 & 2.1.31)

Deployment of 373-399 staff in excess of staff to fishermen ratio in SFDC resulted in extra expenditure of Rs 12.06 crore during 1999-2004.

(Paragraph 2.1.33)

Due to inept implementation of World Bank Aided Projects (WBAP) and underutilisation of harbours constructed by WBFC, expenditure of

Rs 71.82 crore proved to be unfruitful, besides non-recovery of Rs 16.61 crore from beneficiaries to whom loans were granted under WBAP.

(Paragraphs 2.1.35 – 2.1.40 & 2.1.43)

Introduction

The State Fisheries Development Corporation Limited (**SFDC**) and West Bengal Fisheries Corporation Limited (**WBFC**) are engaged in pisciculture and infrastructural development for fishing activities in the State.

2.1.1 SFDC was incorporated in March 1966 as a wholly owned Government company with the objectives of :

- aiding, promoting, scientifically exploiting fisheries and other aquatic products in West Bengal and India;
- purchasing, leasing, or taking over rights over tanks, rivers, lakes, reservoirs, fresh/ salt water *bheries* etc.;
- carrying on business of fisheries development, any ancillary business and sale/ export of fish and other by-products;
- purchasing, leasing, hiring of boats, ships, fishing equipment etc.; and

setting up cold storages for storage of ice, ice-making factory and factory for extraction/ manufacture of fish by-products like fish body oil, fish liver oil, fish meal, frozen fish etc.

At present, **SFDC's** activities are confined to operation of inland fisheries. During 1999-2004, **SFDC** had 15 fish farms in seven districts¹ under sewage fed fish farming (two), brackish water fish farming (six), sweet water fish farming (six), reservoir fishery (one), a hatchery and a farm for producing carp fingerlings. Of six sweet water farms, only two[©] continued to be with **SFDC** while four farms were transferred to different co-operatives between January 2002 and March 2003. **SFDC** procured and produced fish and prawn seeds for liberation in fishing farms and sold fish/ prawn after harvesting by auction.

2.1.2 WBFC was incorporated in March 1980, as a wholly owned Government company with the objectives of :

- promoting and scientifically developing artificial breeding of cultivable species of fish to meet the seed requirement of West Bengal and India;
- setting-up modern hatcheries to produce and distribute quality carp fish seeds;

¹ Purba Midnapore (five), Paschim Midnapore, North 24 Parganas (two), South 24 Parganas (two), Burdwan (two), Bankura (two) and Birbhum (one)

[©] Norghat & Katnadighi

- purchasing or leasing tanks, rivers, lakes, reservoirs, fresh/ salt water *bheries*, tidal swampy areas etc.; and
- acting as agent for operation of World Bank aided inland fisheries project and providing tourism.

Subsequently, the objects were expanded (September 1985) to include construction of fishing harbours and minor ports etc. on behalf of Government organisations and other Government bodies.

The activities of **WBFC** are limited to construction and operation of fishing harbours, tourist lodges, dredging of harbours as well as operation of a fish farm. During 1999-2004, **WBFC** operated two fishing harbours at Sankarpur and Sultanpur and a brackish water fish farm (46.46 hectares) at Sankarpur.

Organisational set up

2.1.3 The management of **SFDC** is vested in a Board of Directors with the Minister of Fisheries, Government of West Bengal as the Chairman. As on 31 March 2004, all three directors were nominated by the State Government, of whom one was the President of SFDC Employees Union while the Managing Director (MD) was a retired officer of the Fisheries Department. The MD is the Chief Executive and is assisted in day to day management by an Assistant Project Director, the Company Secretary and Accounts Officer. The present MD has been holding the post since 15 May 1998.

2.1.4 Similarly, the management of **WBFC** is vested in a Board of Directors with the Minister of Fisheries, Government of West Bengal as the Chairman. As on 31 March 2004, all six directors were nominees of the State Government of whom three are civil servants, one is a retired State Government officer and the MD is a civil engineer on deputation from the State Government.

The MD is the Chief Executive and is assisted by the Project Engineer, Technical Advisor, Executive Manager, the Company Secretary and Manager (Finance) in the management of **WBFC**. Besides, there are two Special Officers to look after activities of fishing harbours. During 1999-2004, the State Government appointed five¹ MDs for duration of three to 27 months. The present MD has been holding the post since September 2002.

Scope of Audit

2.1.5 An appraisal on the working of **SFDC** featured in the Report of Comptroller and Auditor General of India (Commercial) 1986-87, Government of West Bengal which highlighted the deficiencies *viz.* erratic liberation of fingerlings causing steep fall in production, low yield in brackish water fish farms and non-cultivation of available water area in sewage fed fish farms etc. These deficiencies still persisted as **SFDC** failed to take corrective

¹ Shri D. K. Ghosal : 1-2-96 to 30-6-2001, Shri D. K. Maity : 2-7-2001 to 3-10-2001 and 1-9-2002 till date, Shri R. N. Chaudhury : 4-10-2001 to 31-5-2002, Shri D. P. Banerjee : 1-6-2002 to 31-8-2002

measures to overcome them, which are discussed in succeeding paragraphs. The Committee on Public Undertakings (COPU) did not discuss the appraisal so far (September 2004).

2.1.6 Similarly, an appraisal on working of **WBFC** featured in the Report of the Comptroller and Auditor General of India (Commercial)-1990-91, Government of West Bengal. COPU discussed the review and recommended (December 1997) to take adequate measures so that the brackish water fish farm project at Digha could attain a self-sustained growth. However, two brackish water fish farms at Digha, were yet to attain self-sustained growth.

The present review, conducted between December 2003 and March 2004, is the outcome of test check of records of 10³ out of 18 offices (SFDC) selected on the basis of volume of activities and all three offices of WBFC for the years 1999-2000 to 2003-04. The audit findings were reported to the Government/management in June 2004 with the request for attending the meeting of Audit Review Committee for Public Sector Enterprises (ARCPSE) so that the viewpoint of Government/management was taken into account before finalising the review. The meeting of the ARCPSE was held on 9 August 2004 where Government was represented by Joint Secretary, Fisheries Department and management was represented by Managing Directors of **SFDC** and **WBFC**. This review was finalised after considering the views of the Government/management.

Audit Objective

2.1.7 This review evaluates the performance of both **SFDC** and **WBFC** with regard to :

- utilisation of available water area for production of fish,
- capacity utilisation in hatcheries,
- production performance in fish farms,
- implementation of projects, and
- utilisation of infrastructure facilities.

The results of audit are discussed in the succeeding paragraphs.

Sources of fund

Capital structure

2.1.8 The authorised capital of SFDC was rupees three crore against which the paid up capital was Rs 2.70 crore as on 31 March 2004, wholly subscribed

³ Head office at Kolkata, six brackish water fish farms, two sewage water fish farms and Jamunadighi hatchery

by the State Government. Similarly, **WBFC** had paid up capital of rupees two crore, entirely subscribed by the State Government, against authorised capital of rupees five crore as on 31 March 2004. Both **SFDC** and **WBFC** did not receive any share capital during the last five years ending 31 March 2004.

Borrowings

2.1.9 Till 31 March 2004, **SFDC** received loans of Rs 3.19 crore from State Government (Rs 2.27 crore), **WBIDFC**^α (Rs 79.87 lakh), **WBSFCF**^β (Rs 10 lakh) and **WBFC** (rupees two lakh), for pisciculture operation, of which Rs 55.60 lakh was repaid. Due to **SFDC**'s failure to generate surplus for repayment of principal (Rs 2.63 crore) and payment of interest (Rs 2.45 crore), the total outstanding towards principal and interest stood at Rs 5.08 crore as on 31 March 2004.

Failure to avail OTS offered by banks resulted in additional interest burden of Rs 3.39 crore.

2.1.10 **WBFC** obtained (April 1984-March 1988) term loan of Rs 89.69 lakh from three^γ banks with Government guarantee for construction of three hatcheries. **WBFC** had not repaid the principal, but paid interest of rupees one lakh only till March 2002.

The banks agreed (August 2001-November 2002) to a one time settlement (OTS) of Rs 2.05 crore^δ against total dues of rupees eight crore. **WBFC** did not pay Rs 2.05 crore due to fund constraint. Meanwhile, Rs 1.20 crore was paid (February 2002) at the instance of the Government directly by **WBIDFC** to United Bank of India.

Due to failure to avail OTS, **WBFC** had to bear additional interest burden of Rs 3.39 crore as on 31 March 2004. In addition, **WBFC** failed to repay working capital loan (Rs 30 lakh) to State Government along with interest of Rs 56.40 lakh thereon till March 2004.

Grants

2.1.11 **SFDC** received revenue grants from the State Government aggregating Rs 14.09 crore during 1999-2004 towards salaries, wages, provident fund dues (Rs 8.32 crore) and pisciculture operations (Rs 5.77 crore). Similarly, **WBFC** received grants of Rs 1.83 crore for ways and means (Rs 1.63 crore) and agency charges (Rs 20 lakh) for executing deposit works on behalf of Government bodies during the same period.

Project fund of Rs 5.09 crore was parked in term deposit.

2.1.12 During 1999-2004, **WBFC** also received grants of Rs 44.72 crore from the State Government (Rs 38.35[⊕] crore) and Central Government (Rs 6.37 crore) for executing 18 projects/ schemes. **WBFC** had unspent balance of Rs 12.94 crore as on 01 April 1999.

^α West Bengal Industrial Infrastructure Development and Finance Corporation Limited

^β West Bengal State Fishermen Cooperative Federation Limited

^γ State Bank of India (SBI), Allahabad Bank (AB) & United Bank of India (UBI)

^δ SBI (Rs 72.00 lakh), UBI (Rs 1.20 crore), AB (Rs 13.10 lakh)

[⊕] Including Rs 11.20 crore for World Bank Aided Projects

WBFC spent Rs 48.14 crore on the schemes, while it diverted Rs 7.64 crore for other capital works (Rs 2.55 crore) and investment in term deposits (Rs 5.09 crore) till March 2004, thereby frustrating the objective of sanctioning fund. The management accepted (July 2004) the observation.

Financial position and working results

2.1.13 The financial position and working results of **SFDC** and **WBFC** for 1999-2004 are given in **Annexures-10 & 11**.

Some of the key physical and financial indicators in respect of **SFDC** are shown in the following table.

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
Production/ sale of fish (lakh kg)	10.52/ 10.52	7.47/ 7.95	7.75/ 7.39	11.92/ 12.00	14.19/ 12.08
	(R u p e e s i n c r o r e)				
Sales and other income	3.77	4.62	3.45	4.40	4.41
Operating expenditure ^o	5.59	6.75	6.99	7.91	7.94
Operating loss	1.82	2.13	3.54	3.51	3.53
Grants from State Government	1.26	1.41	2.63	3.36	3.21
Net loss for the year	0.56	0.71	0.91	0.15	0.32
Accumulated loss	8.62	8.56	9.48	9.71	10.03

It would be seen from the table that-

- ❖ **SFDC** sustained operating losses in all five years, which increased from Rs 1.82 crore in 1999-2000 to Rs 3.53 crore in 2003-04. Due to receipt of grants from the State Government, net loss, however, reduced from Rs 56 lakh to Rs 32 lakh during the same period.
- ❖ **SFDC** did not credit revenue grants of Rs 1.21 crore in the accounts which was shown as capital grant in the accounts for 2003-04. This had increased the accumulated loss by Rs 1.21 crore as on 31 March 2004. The accumulated loss of Rs 10.03 crore was more than thrice the paid up capital of Rs 2.70 crore as on 31 March 2004.

Operational loss reduced due to receipt of grant from Government.

The poor operating performance was attributable to low production performance of fish farms, non-implementation of developmental programmes of fish farms and high incidence of employees' cost, as discussed in paragraphs 2.1.15, 2.1.20 to 2.1.33 *infra*.

2.1.14 Some of the key financial indicators of **WBFC** are indicated below :

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04 (Provisional)
	(R u p e e s i n c r o r e)				
Operational Income	1.61	2.07	1.92	1.59	2.02
Expenditure	1.98	2.29	3.65	4.15	3.62
Operating loss	0.37	0.22	1.73	2.56	1.60

^o After adjustment of accretion/ decretion to stock

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04 (Provisional)
	(Rupees in crore)				
Income from interest on fixed deposit	0.49	0.20	0.62	0.41	0.32
Net profit (+)/ loss (-) after prior period	(+)0.12	(-)0.20	(-)1.76	(-)2.15	(+)3.33
Accumulated loss	1.83	2.03	3.80	5.95	2.62

It would be seen from the table that -

Non operational income from interest on fixed deposit reduced the operational loss.

- ▶ **WBFC** sustained operating losses of Rs 6.48 crore during 1999-2004. But, it earned net profit of Rs 12 lakh in 1999-2000, while it sustained loss of Rs 4.11 crore during 2000-03 despite non-operational income of Rs 1.23 crore from interest on investment. WBFC earned net profit of Rs 3.33 crore in 2003-04 by writing back interest provision of Rs 4.56 crore, no longer required.
- ▶ The accumulated loss of Rs 2.62 crore as on March 2004 was understated due to not writing off the capital work-in-progress (Rs 3.04 crore) for three hatcheries, subsequently transferred to different Zilla Parishads.
- ▶ The accumulated loss of Rs 2.62 crore as of 31 March 2004 had completely eroded the paid-up capital of rupees two crore due to underutilisation of facilities at harbours and poor productivity at brackish water fish farms, as discussed in paragraphs 2.1.39 – 2.1.44 *infra*.

Appraisal of activities - SFDC

Loss of production due to non-development of fish farms

Failure to develop fish farms despite availability of fund led to loss of potential production of 2,950.35 tonnes fish valuing Rs 10.11 crore.

2.1.15 With a view to increase annual fish production to 1,614 tonnes at two sewage-fed fisheries^φ and three brackish water fisheries[©] and to increase projected annual revenue (Rs 5.85 crore) during 2000-04, SFDC decided (October 1998) to renovate water bodies (390 hectares^π) at an estimated cost of Rs 3.43 crore including pond preparation of Rs 40.13 lakh. The cost was to be financed out of loan of rupees two crore from WBIDFC, while the source for funding the balance Rs 1.43 crore was yet to be identified. As per the sanction order (March 1999), SFDC was to draw loan from WBIDFC only on reimbursement basis after incurring the expenses. Works were to be completed by March 2000.

SFDC, without identifying water areas requiring reclamation, drew (April 1999-May 2000) loan of Rs 79.87 lakh from WBIDFC at interest rate of 17 per cent per annum. Thereafter, SFDC failed to draw the balance loan of

^φ Nalban and Goltala

[©] Alampur, Digha and Frasergunj

^π Brackish water bodies in Digha, Alampur, Frasergunj (140 hectares), Sewage water bodies in Nalban and Goltala (250 hectares)

Rs 1.20 crore as it defaulted in payment of interest of Rs 13.76 lakh up to March 2001.

Audit observed that without incurring any expenditure towards pond preparation, SFDC met the pisciculture expenditure out of loan and submitted bills of Rs 59.87 lakh (including outstanding bills of Rs 16.11 lakh prior to April 1999) to WBIDFC. Bills for balance expenditure (Rs 20 lakh) were neither submitted nor were on record.

Thus, failure to utilise loan for development of water bodies led to loss of potential production of 2,950.35 tonnes fish valuing Rs 10.11 crore during 2000-2004, besides adversely affecting the operating performance of fish farms.

Management stated (July 2004) that they had the impression that the loan along with interest would be squared up by the Fisheries Department from its subsequent budget provision. The reply is not relevant. It is, however, pertinent to mention that the Board had resolved (August 1999) that the loan would be repaid with interest from the Company's resources. Moreover, the Board directed (August 1999) the management to utilise the balance loan for improvement of pisciculture operation and also advised (March 2000) the management to take up the matter with WBIDFC for extension of time up to March 2001. Management did not, however, take any action.

Fish/ prawn cultivation process

2.1.16 During 1999-2004, SFDC operated 15 fish farms. These farms cultivated mainly Indian major carps[€] (IMC), exotic carps[®], prawns[♥] as well as brackish water fish like mullets[◇]. The production of carps commences in mid March and continues till July end by hormonally inducing the mature female brooder fish to lay one lakh eggs[◊] per kilogram of body weight for fertilisation at hatchery. During the entire breeding season, 18 breeding cycles per hatchery should be available for optimum utilisation.

The process flow charts are given at **Annexures 12 & 13**.

Under utilisation of Jamunadighi hatchery

2.1.17 SFDC took over (June 2001) Jamunadighi hatchery from WBFC on the direction of the State Government. The Jamunadighi hatchery, with two Chinese hatcheries of 400 litres[√] capacity each operable concurrently, has capacity of hatching two crore eggs per breeding cycle or 36 crore in a season, which requires 3.6 tonnes of female brooders in stock. The spawns[∞] of

[€] Rohu, Mrigela & Catla

[®] Silver carp, grass carp & cyprinous carp

[♥] Bagda and Galda

[◇] Bhangon & parsey

[◊] Machhchas- B. Jana, Antardasiya Mastyachas- S. N. Bandyopadhyay

[√] 1 litre= 25,000 eggs

[∞] Spawn means fertilised eggs

Jamunadighi are sent to other farms of SFDC for raising into fry and fingerlings as well as sold to outside parties at rates fixed by the management on prevailing market price.

Underutilisation of hatchery led to avoidable procurement of 98.53 lakh fingerlings at an extra cost of Rs 79.51 lakh.

2.1.18 As per norms of CIFRI^β, 80 per cent of eggs will hatch to yield spawn, 50 per cent of spawn will become fry, while 70 per cent fry will grow to fingerlings. SFDC did not, however, fix any target for production of spawns. Against annual achievable production of 28.80 crore spawns from 36 crore eggs, the actual annual production was as low as 13.04 crore spawns in 2002-03 and 7.45 crore in 2003-04. This led to shortfall in production of 37.11 crore spawns with consequential shortfall in production of 12.99 crore fingerlings (32.47 lakh kg), resulting in shortfall of revenue of Rs 21.58 crore (**Annexure-14**) after adjustment of cost of processing of Rs 25.97 lakh.

Audit observed that operation of 22 and 15 breeding cycles in 2002-03 and 2003-04 against 72 available cycles for both hatcheries led to shortfall of production of 28 crore spawns. Further, utilisation of only 1.34 tonnes of female brooder in 2002-03 against requirement of 2.2 tonnes led to shortfall of another 6.89 crore spawn. Management did not, however, take corrective measures to improve production. Rather, it preferred to procure 98.53 lakh fingerlings at an extra expenditure of Rs 79.51 lakh from outside sources to meet the requirement.

Management stated (July 2004) that most of the machinery was obsolete and required repair/ renovation which could not be undertaken and further added that demand for spawn was negligible. The reply is not acceptable since the Board had directed (May 1998/ July 2001) the management to maximise seed production so as to minimise seed cost. Further, during 2003-04 production of spawn in West Bengal was as high as 1,189 crore[∞], indicating vast scope for improving production.

Operational performance of fish farms

2.1.19 During 1999-2004, SFDC produced 4,975.11 tonnes of fish at 15 farms against standard production of 38,868.87 tonnes from the water area actually utilised and earned revenue of Rs 18.14 crore, the details of which are as follows.

	Nature of fish farm	No. of farms	Available water area (in hectares)	Actual water area utilised (in hectares)	Standard production (in tonnes)	Actual production (in tonnes)	Revenue on sale of fish (Rupees in lakh)	Summarised operating loss for 1999-2004 (Rupees in lakh)
1	Sewage fed	2	250.00	175.00	8,150.00	3,624.31	819.65	471.90
2	Brackish water	6	399.42	282.45	29,916.74 [†]	1,218.36 ^Ω	953.95	344.97

^β Central Inland Fisheries Research Institute

[∞] Economic Review (2003-04), Government of West Bengal

[†] For cultivated species viz. IMC, exotic carps, prawns and mullets

^Ω Includes production of cultivated species (763.80 tonnes) and non cultivated species viz. tilapia, cat fish (454.56 tonnes)

	Nature of fish farm	No. of farms	Available water area (in hectares)	Actual water area utilised (in hectares)	Standard production (in tonnes)	Actual production (in tonnes)	Revenue on sale of fish (Rupees in lakh)	Summarised operating loss for 1999-2004 (Rupees in lakh)
3	Sweet water	6	54.00	54.00	228.38	102.33	31.82	75.70
4	Reservoir	1	102.00	102.00	573.75	30.11	8.61	11.73
	Grand total	15	805.42	613.45 (76)	38,868.87	4,975.11 (13)	1,814.03	904.30

(Production and revenue is from catch-and-sale reports)
(Figures in the brackets represent percentages)

Audit observed that-

Targets/ budgets for production were not determined.

- No targets or budgets were specified by the Board of Directors for each fish farm. None of the farms prepared any calendar of activities. Management fixed minimum revenues as a multiple[♥] of expenditure on pisciculture only in May 2002 for sewage fed and brackish water fish farms. In 2002-04, only one brackish water farm (Alampur UNDP) achieved the target while both sewage fed and five brackish water farms fell short of target by 10 to 78 *per cent*, aggregating loss of potential revenue of Rs 4.89 crore.
- None of the farms, except Alampur Fish Project (1999-2001) and Alampur UNDP (1999-2001 and 2003-04), earned profit in any of the five years, as detailed in **Annexure-15**.

Low yield of sewage fed fish farms

2.1.20 Sewage fed fisheries are a low cost highly productive enterprise that can be developed on the fringes of urban agglomerations as an ecological way of recycling organic waste. Two sewage fed fish farms at Nalban (176 hectares) and Goltala (74 hectares) followed continuous liberation of fingerlings and daily harvesting of IMC and exotic carps. To achieve optimum production, the factors to be maintained are water quality, soil conditions, proper stocking density of fish, regular supply of sewage and prevention of poaching.

2.1.21 At Goltala, 96 *per cent* (71 hectares) of available water area (74 hectares) was utilised during 1999-2004, while at Nalban, against available water area of 176 hectares, only 152 hectares (86 *per cent*) and 104 hectares (59 *per cent*) was utilised in 1999-2000 and 2002-04 respectively. During 2000-02, utilisation was limited to 32 hectares since a substantial portion was handed over to West Bengal Housing Infrastructure Development Corporation Limited (HIDCO) for excavation of earth for land development of Rajarhat New Town, as discussed in paragraph 2.1.26 *infra*.

[♥] Three to seven times

2.1.22 The achievable production in sewage fed fisheries is 10-14 tonnes[‡] per hectare. During 1999-2004, against the minimum achievable production[©] at Goltala and Nalban of 3,550 tonnes and 4,600 tonnes in water area actually utilised (175 hectares), actual production was 1,895.13 tonnes (53 per cent) and 1,729.18 tonnes (38 per cent) leading to loss of potential revenue of Rs 9.61 crore, mainly due to failure to maintain optimum stocking density^{*} and stocking ratio[±] in respect of IMC and short/ non-harvesting by departmental catchers. In addition, there was shortfall in production by 486.62 tonnes valuing Rs 1.10 crore arising from underutilisation of water body at Nalban while there was revenue loss of Rs 6.35 crore attributable to less harvesting by share-catchers. These aspects have been discussed in paragraphs 2.1.23 to 2.1.26 *infra*.

Management attributed (July 2004) the low productivity to poor quality of sewage water - low in inorganic and organic particles and lacking in nutrients, presence of toxic chemicals in sewage. Despite this, management did not regularly monitor water and sludge samples nor undertook bioassay of fish tissues, as advised by Department of Environment, Government of West Bengal in September 1998. Moreover, management itself estimated (1998-99) that production rate of cultivated species could have been enhanced to eight tonnes per hectare had care been taken in stocking (quality, species ratio), water management and timely harvesting. But no action plan was prepared to achieve this production level.

Failure to ensure optimum stocking density and ratio

As per norms of the Company, liberation of Indian major carps (IMC) fingerlings of 543.40 kg per hectare per *annum* at the stocking proportion of 1 : 2 : 1[♠] for rohu, catla and mrigela gives annual production of 3,674.125 kg fish per hectare. In this connection following points were noticed in audit.

2.1.23 An analysis of release of IMC fingerlings at Nalban and Goltala *vis-a-vis* the corresponding production revealed that at Goltala, there was short liberation of 22.44 tonnes of fingerlings as compared to norms in 1999-2002, while liberation of 34.97 tonnes was in excess of norms in 2002-04, leading to fall in production aggregating 753 tonnes valuing Rs 2.20 crore.

Similarly, at Nalban, there was short liberation of 51.1 tonnes in 1999-2001, while liberation in excess of norms was 16.22 tonnes in 2001-04. Thus, production loss due to excess and short liberation compared to norms was 1,079 tonnes valuing Rs 3.23 crore.

Management failed to specify the optimum proportion of 1 : 2 : 1 for rohu, catla and mrigela in purchase orders for procurement of fingerlings nor regularly monitored the stock density before liberation. However, at Goltala

[‡] Mach Chas by Shri Bonbehari Jena

[©] at 10 tonnes per hectare

^{*} Stocking density means quantity of fingerlings liberated into ponds for production of fish

[±] Stocking ratio means proportion of different species at which fingerlings to be liberated

[♠] Fisheries of West Bengal by Dr. K. C. Saha

Low stocking density led to shortfall in production of 1,832 tonnes valuing Rs 5.43 crore.

the proportion was checked in audit for June and July 2000 and found to be extremely adverse with preponderance of mrigel fingerlings (39 to 87 per cent). Management stated (July 2004) that the producers did not supply in the requisite proportion. The contention is not tenable since the proportion was not specified in the purchase orders. Even then, management had not energised the operation of hatchery to overcome this constraint.

Loss of production due to short/ non-harvesting

2.1.24 Fish of marketable size are harvested daily by departmental fishermen as well as authorised sharecatchers on payment of harvesting charges at rupees two per kilogramme for total catch of IMC and exotic carps harvested and 50 per cent of the realised quantity of other species. At Goltala and Nalban, departmental fishermen failed to harvest other species of fish during 1999-2004, while sharecatchers harvested 896 tonnes of other species during the same period. On this basis, departmental catchers should have harvested 345 tonnes of other species valuing Rs 75.86 lakh. The possibility of connivance between departmental fishermen and sharecatchers could not be ruled out in audit. While admitting (July 2004) this fact, management confessed that the departmental fishermen were not fishermen by caste like sharecatchers and lacked the requisite fishing skills. However, the fact remains that no training programme was conducted to upgrade the fishing skills of the departmental fishermen.

Less harvesting by sharecatchers

2.1.25 SFDC paid the sharecatchers at the rate of rupees two per Kg of IMC and exotic carps harvested, while in respect of other species (mainly tilapia, nylon tika and catfish viz. Singhi, magur, sole, latha etc.) sharecatchers took 50 per cent of the harvest. The average selling price of other species ranged from Rs 18 to 50 per kg during 1999-2004 making it more lucrative for the sharecatchers to harvest other species compared to IMC and exotic carps.

Performance of sharecatchers was poor leading to shortfall of production of 2,736 tonnes valuing Rs 6.35 crore.

Sharecatchers were required to harvest IMC, exotic carps and other species on instructions from project management. At Goltala, five to six teams of 120 sharecatchers were engaged daily for catching 200 kg of IMC and exotic carps per team per day, whereas at Nalban five teams of 60 sharecatchers were engaged for netting 500-600 kg per team per day during 1999-2004. However, no target was fixed for other species. Analysis of harvest in comparison to targets fixed during 1999-2004 (**Annexure-16**) revealed that against target of 4,860 tonnes, sharecatchers harvested only 2,124 tonnes of IMC and exotic carps, while 896 tonnes of other species were harvested, leading to shortfall in production of 2,736 tonnes of IMC and exotic carps valuing Rs 6.35 crore.

These persistent deficiencies opened the system to malpractices and poaching. Management had not, however, analysed reasons to take remedial measures, which is indicative of the fact that internal control over the catching of fish was not effective. Management stated (July 2004) that a supervisor has now been deputed to each team to prevent poaching, pilferage and harvesting of under sized fish.

Production loss due to incomplete excavation of earth at Nalban

2.1.26 In terms of Government's decision (November 1999), HIDCO[□] was to excavate earth from Baradhhal stocking point (120 hectares) at Nalban on payment of compensation of rupees four lakh per month to SFDC towards idle labour cost during the entire period till June 2001.

Till September 2001, HIDCO completed excavation of 72 out of 120 hectares and abandoned the work leaving 48 hectares un-excavated. SFDC re-started pisciculture operation on 72 hectares from 2002-03. Balance 48 hectares was not utilised for pisciculture till March 2004.

Thus, due to incomplete excavation of earth by HIDCO, 48 hectares remained unutilised resulting in loss of potential production of 486.62 tonnes[§] of fish valuing Rs 1.10 crore during 2002-04. Management stated (July 2004) that the matter was taken up with HIDCO to excavate the balance area of 48 hectares. Further development was awaited (September 2004).

Underutilisation of nursery ponds

2.1.27 The Board had directed (May 1998/ July 2001) the management to maximise culture of fry/ fingerlings to reduce seed cost. Both sewage water fish farms are equipped with nursery ponds of 3.7 hectares (Nalban) and one hectare (Goltala) as well as rearing ponds of 3.99 hectares (Nalban) and two hectares (Goltala) for culture of spawn (IMC & exotic carp) to rear fingerlings up to 25 grammes weight before liberation into main stocking pond.

During 1999-2004, against the achievable production of 1.58 lakh kg (Goltala) and 5.83 lakh kg (Nalban) fingerlings, the nursery at Goltala was kept idle, while liberation of spawns drastically dropped from 27 *per cent* of capacity in 1999-2000 to three *per cent* in 2003-04 at Nalban. Consequently, SFDC had to procure 1.59 lakh kg fingerlings at an avoidable extra expenditure of Rs 61.02 lakh (after adjustment of expenditure of Rs 0.21 lakh for producing at own nursery). Management stated (July 2004) that sewage water was unsuitable for nursery and rearing and it was cheaper to purchase fingerlings.

The contention of the management is not tenable as the management itself decided (1998-99) to annually produce 50 tonnes fingerlings at its own nursery, but no action was taken. Further, cost of purchase (Rs 61.23 lakh) was higher than the own cost of production (Rs 0.21 lakh) as mentioned above.

Undue financial benefit to headload carriers

2.1.28 Fish harvested at Goltala used to be transported for sale at the nearest auction market (Chingrihata) through 118 authorised headload carriers at Rs 1.25 per kg. To ensure supply of live fish to the auction market at higher prices, SFDC transported (1999-04) live fish to auction market through hired

[□] West Bengal Housing Infrastructure Development Corporation Limited

[§] Based on actual production from 72 hectares during January 2002 to March 2004

Underutilisation of nursery ponds led to procurement of 1.59 lakh kg fingerlings at an extra expenditure of Rs 61.02 lakh.

vehicles at a cost of Rs 6.83 lakh and dispensed with headload carriage. Even then, SFDC continued to pay headload carriage charges of Rs 18.16 lakh without any work during the same period which tantamounts to undue benefit to headload carriers. Management confessed (July 2004) that had this payment been discontinued, the activities at Goltala would have collapsed and poaching would have increased to a great extent, which was indicative of lax internal control.

Brackish water fish farms

2.1.29 As mentioned in Paragraph 2.1.19 *supra*, SFDC operated since 1977-78, six brackish water fish farms, two at Digha and Alampur each and one at Frasersgunj and Henry's island each over an aggregate water area of 282.45 hectares.

SFDC, however, issued¹¹ guidelines and framed calendar of activities for farming only in July 1994. The guidelines *inter alia* provided that – (a) mixed culture of prawn with mullets, IMC and exotic carps was to raise minimum two crops[©] annually with stocking density of one lakh fish seeds per hectare per crop in the proportion of 1:2:2 for prawn, mullets and IMC; and (b) standard yield of prawn (size : 30 gm), mullets (size : 250 gm) and carp (size : 150 gm) for two crops should be aggregate of 23.3 tonnes per hectare, based on survival of 75 *per cent* for prawn, 70 *per cent* for mullets and 70 *per cent* for carp at the prescribed stocking density and proportion (1 : 2 : 2) under mixed culture.

Poor production performance

2.1.30 SFDC did not fix any targets with reference to standard yield for cultivated species. During 1999-2004, all six farms had resorted to mixed culture. Analysis of production performance during 1999-2004 revealed that-

Low production under mixed culture resulted in loss of production of 29,152.91 tonnes valuing Rs 315.08 crore.

- None of these fish farms had attained the standard yield per hectare (23.3 tonnes). Performance was as low as 0.605 and 0.166 tonne (Digha), 0.996 and 0.892 tonne (Alampur), 0.752 tonne (Frasersgunj) and (Henry) 0.134 tonne. Consequently, actual production of cultivated species represented only three *per cent* (763.80 tonnes) against the achievable production of 29,916.71 tonnes during this period, resulting in shortfall in production of 29,152.91 tonnes valuing Rs 315.08 crore.
- Underutilisation of available water bodies (116.97 hectares) by 29 *per cent* led to further shortfall in potential production of 556.82 tonnes valuing Rs 4.59 crore, even at present low level of actual yield during the same period. This shortfall was attributable to low growth rates, excess mortality arising from siltation of pond beds resulting in high temperature, inadequate feed, unmanageable size of water bodies due to inundation of dykes, absence of periodical drying

¹¹ Managing Director, SFDC

[©] Crop means harvesting cycle of three to four months

of ponds and regular exchange of water by mechanical means and lack of pre-liberation testing of the soil and water, as intimated by local fish-farm management in their annual progress reports to the MD. Management did not, however, take any corrective action.

Management stated (July 2004) that SFDC could not mobilise adequate resources to undertake repairs/renovations. The fact remains that despite receipt of plan grant of Rs 5.77 crore during 1999-2004 the Company did not draw any plan to undertake repairs/renovations.

- Under mixed culture, viability could have been ensured by producing 917.12 tonnes prawns of marketable size (30 grammes), which can fetch higher selling prices in comparison to other species (IMC and mullets) cultivated. But, only 178.64 tonnes prawns were produced during 1999-2004 due to following reasons :

Actual liberation of prawn seeds fell short of standard resulting in loss of potential revenue of Rs 11.74 crore.

- During 1999-2004, against the prescribed liberation requirement of 506.59[©] lakh prawn seeds, actual liberation was 341.36 lakh. This led to shortfall in liberation of 165.23 lakh prawn seeds, resulting in loss of production of 406.733 tonnes prawn valuing Rs 11.74 crore. Management stated (July 2004) that liberation was according to available facilities. The fact remains that the management did not plan to develop available facilities to increase production.

Low survival rate of prawns resulted in shortfall in production of 589.43 tonnes.

- The standard rates^φ of survival from prawn seeds (PL-20) to juvenile size (four to five cm each) was 70 *per cent* and from juvenile to marketable size was 75 *per cent*. During 1999-2004, the actual growth rate from juvenile to marketable size was, however, as low as five to 20 *per cent* (Digha), five to 61 *per cent* (Alampur), 10 to 19 *per cent* (Henry's Island) and 20 to 31 *per cent* (Frasergunj). Actual production of prawns was 178.64 tonnes against achievable production of 768 tonnes (**Annexure-17**), resulting in shortfall of production of 589.43 tonnes valuing Rs 18.32 crore.

Audit analysed that failure to assess the quality of prawn seeds^ζ, white spot disease (WSD), high incidence of stocking of bottom-dwelling carps (mrigela, mullets) causing space and food constraint for prawns and inadequate supplementary feed were responsible for poor growth of prawns. Indian Council of Agricultural Research had also recommended (December 1985) introduction of mullets at a stocking density of 500-1,000 per hectare, while actual density of mullets ranged between 1,285 and 4,660 per hectare in 1999-2004, which had an adverse effect on production of prawn.

[©] At 40,000 seeds per hectare per *annum*

^φ Mach chas by Banbehari Jana

^ζ Through requisite temperature, salinity and formalin test to ensure release of healthy seeds to prevent incidence of white spot disease

Lower quantity of feed applied caused low growth of prawns.

- During 1999-2004, against the standard application^δ of food of 1,508 tonnes in five farms (except Digha) to produce 754 tonnes prawns, actual feed applied was low at 231 tonnes (15 *per cent*). This led to low growth rate of prawns ranging from five to 32 *per cent*. Management stated (July 2004) that due to fund constraint low cost food with lower quantity was applied. However, despite receipt of Rs 5.77 crore from State Government for pisciculture operation, the application of poor quality food lacked justification.

Low productivity of sweet water fish farms

Actual production fell short of standard production leading to loss of production of 164.23 tonnes valuing Rs 57.40 lakh.

2.1.31 As mentioned in paragraph 2.1.19 *supra*, SFDC had six^Σ sweet water fish farms (water area : 54 hectares). The State Government fixed (1970) the standard of production of 1,125 kg fish per hectare per *annum*. During 1999-2004, only two farms (Pokabandh and Katnadighi) achieved the standard production of 5,390 kg and 1,248 kg respectively per hectare, while other four farms achieved production of 641 (Norghat), 137 (Durgapur), 86 (Rukminidaha), 149 (Krishnabandh) kg per hectare per *annum*. This led to shortfall in production of 163.23 tonnes fish valuing Rs 57.40 lakh at the four farms, which failed to achieve standard production. Audit could not analyse reasons for shortfall due to non availability of records relating to liberation of fish seeds, use of feed, fish stock, progressive activity reports.

Due to poor performance, SFDC sustained loss of Rs 75.70 lakh during 1999-2004. The State Government transferred four farms to different co-operatives between January and December 2002 for better management and maintenance.

Hinglow reservoir

2.1.32 As mentioned in paragraph 2.1.19 *supra*, Hinglow reservoir with a water area of 102 hectares was taken over (1979) for fish exploitation by SFDC from Directorate of Fisheries (DF). SFDC did not fix annual targets for catching fish. During 1999-2004, SFDC caught 30.11 tonnes IMC and exotic carps and sustained loss of Rs 11.73 lakh on operation. Management attributed (July 2004) low production to water depth, infestation of weeds and poaching and added that only a skeleton staff was now being maintained.

High incidence of employees' cost

2.1.33 In 1989, National Productivity Council had assessed staff requirement at 716 against water area utilised of 684.07 hectares. Subsequently, SFDC had not re-assessed its manpower requirement based on scale of operation nor identified its farm-wise staff complement.

^δ Standard feed to flesh conversion ratio for prawn is 2 : 1 with 40 *per cent* protein content

^Σ Krishnabandh, Pokabandh, Norghat, Katnadighi, Durgapur and Rukminidaha

High staff to fishermen ratio led to extra expenditure of Rs 12.06 crore towards wage cost.

As of 31 March 2004, actual staff strength was 646 (water area : 613.45 hectares) consisting of 607 permanent employees, 22 contractual staff/ labour and 17 daily rated labourers, of which 147 were fishermen. The percentage of employees' cost to total cost ranged between 64 and 71 *per cent* during 1999-2004 against the standard of 50 *per cent* of total cost fixed (January 1990) by the management. This was mainly due to adverse staff to fishermen ratio at 3 : 1 against the norm of 1 : 10 and continuance of services of 53 staff of fish farms which were already transferred (October 1988) to different authorities. This resulted in additional expenditure of Rs 12.06 crore towards salary of 373 to 399 staff in excess of norm during 1999-2004.

In October 2003, SFDC approached the Government to reduce staff strength by 257 by implementing an early retirement scheme at an expenditure of Rs 5.50 crore so as to reach break even level by 2005-06. The approval of the Government was awaited (September 2004).

Appraisal of activities of WBFC

Execution of projects

2.1.34 As mentioned in paragraph 2.1.12 *supra*, during 1999-2004 WBFC received fund of Rs 44.72 crore from State and Central Governments for undertaking 18 projects (**Annexure-18**) at an estimated cost of Rs 119.61 crore. A review of the implementation of four projects[†] led to following audit observations.

Inept implementation of World Bank aided project

2.1.35 In terms of an agreement (January 1992) between International Development Association (IDA) and GOI, shrimp culture at four[‡] locations (630 hectares) in West Bengal, development of shrimp ponds, installation of electro mechanical equipment, support services and credit/ financial assistance to beneficiaries was undertaken (January 1992) by WBFC with World Bank assistance for completion within December 1999. WBFC acted as the implementing agency.

Sluggish implementation of project led to unfruitful investment of Rs 58.63 crore.

Till 1999-2000, World Bank released Rs 65.69 crore and WBFC spent Rs 58.63 crore towards civil works and supply of equipment (Rs 44.65 crore), support services (Rs 3.73 crore), working capital loan/ assistance to beneficiaries (rupees five crore), project management cost (Rs 4.77 crore), training (Rs 41.60 lakh) as well as fish culture (Rs 6.05 lakh). The balance of Rs 7.06 crore was diverted to term deposits or utilised to meet WBFC's own expenditure. The execution of works is discussed below.

[†] World Bank aided projects, Sultanpur Fishing Harbour, Sankarpur Fishing Harbour (Phase-II), Harwood point

[‡] Digha, Dadanpatra, Canning and Dighirpur

Delay in completion of civil works

2.1.36 Ponds at four locations were to be developed by January 1995 and allotted to beneficiaries/ entrepreneurs by 1997. While development of 167.75 hectares at Digha and Canning was completed by 1997, 283.58 hectares at Dighirpar and Dadanpatra were completed only in 1999 and 2000 respectively resulting in time overrun of two to five years. Further, water area developed was only 72 *per cent* of the target (630 hectares) whereas actual expenditure (Rs 44.60 crore) was 169 *per cent* of estimate (Rs 26.42 crore). The time overrun and escalation of Rs 18.18 crore was attributed (July 2004) by the management to delays in preparation of estimates, survey, drawings, modification of design, finalisation of tender and extra works.

Failure of support services scheme

2.1.37 WBFC released (April 1995-January 2000) loans of Rs 3.46 crore to six entrepreneurs at 16 *per cent* rate of interest *per annum* for setting up small hatcheries, ice plant and quick freezer plant. Audit observed that till September 2004 only one entrepreneur (Rs 70.70 lakh) commenced production in hatchery, while others abandoned the projects without repaying loans of Rs 2.76 crore alongwith interest of Rs 2.21 crore.

Similarly, none of 724 beneficiaries to whom working capital loans of Rs 3.38 crore were released for pisciculture operation in the leasehold water area, repaid loans (Rs 3.38 crore) along with interest (Rs 1.89 crore) thereon and lease rent (Rs 6.37 crore) during 1999-2004. The basis of selection of entrepreneurs / beneficiaries could not be produced to audit. WBFC neither analysed the reasons for poor response of entrepreneurs nor took action to recover dues aggregating Rs 16.61 crore.

Shrimp culture operation - low production

2.1.38 For shrimp culture, shrimp farms were designed to replenish pond water by pumping sea water for which requisite electro mechanical equipment was also installed (March 1998) at four locations at a cost of Rs 9.31 crore. To commence shrimp culture operation from June 1998 onwards at all four locations, 11^k co-operative societies were constituted.

During June 1998 to September 2000, the actual production (15-51 tonnes) was as low as nine to 24 *per cent* of targets (143 – 396 tonnes), resulting in shortfall in production of 763.340 tonnes valuing Rs 12.53 crore. The poor production was attributable to failure to repair damaged dykes, white spot disease arising from poor quality of seeds and feed. WBFC did not monitor the performance of these fish farms and take corrective measures to make these farms viable. These farms sustained loss of Rs 1.52 crore till September 2000 and thereafter stopped production. Resultantly, electrical equipment (cost : Rs 9.31 crore) was dismantled during January 2001 to

^k Four each at Canning and Dadanpatra, two at Dighirpar and one at Digha

September 2003 and stored by WBFC at auction halls of Sankarpur and Sultanpur harbours.

World Bank attributed (February 2000) the failure of the shrimp culture project to delays in commencement, over-ambitious scale of operation, insufficient inputs on selection of locations as well as lack of transparency in selection of beneficiaries, ineffective role of WBFC/ State Government to take pro-active role in strengthening management of the farms as well as to ensure steps for arresting the effect of white spot disease. But WBFC/ State Government did not take action.

As none of the anticipated benefits had been achieved from shrimp culture project, expenditure of Rs 58.63 crore proved to be fruitless.

Construction of fishing harbours

Sankarpur fishing harbour (Phase-II)- underutilisation of facilities

2.1.39 WBFC constructed Sankarpur fishing harbour (Phase-II) at cost a of Rs 7.79 crore under centrally sponsored scheme. The harbour complex was designed to accommodate 400 vessels to take water, ice and fuel after payment of registration fees of Rs 1,900/ 2,100 per vessel to WBFC.

Actual number of vessels berthed rose from 285 in 1999-2000 to 305 in 2003-04. Similarly, against the annual attainable capacity of producing 12,000/ 18,240 tonnes of ice for 240 days at its ice plant, actual production stood at 6,600 to 11,655 tonnes during 1999-2004. This led to loss of production of 24,798 tonnes valuing Rs 1.90 crore.

Management's contention (January 2004) of underutilisation of berthing facilities and ice plant due to low harvest of fish at coastal belt was not tenable since due to increase in inflow of trawlers, sale of fuel increased by 41 per cent in 2003-04 over 1999-2000. Further, 1.35 lakh tonnes ice were supplied by other ice plants to vessel owners during 1999-2004 which was in excess of the shortfall in production (24,798 tonnes). Even then, management failed to enter into any binding arrangement with vessel owners to ensure optimum utilisation of facilities.

2.1.40 Auction hall constructed (December 2000) at a cost of Rs 46.11 lakh was not utilised as neither auction of sea fish was organised nor any binding arrangement entered into with vessel owners by WBFC to ensure sale of their catch at the auction hall. Consequently, WBFC failed to earn the projected commission (Rs 1.55 crore) and the purpose of constructing auction hall at a cost of Rs 46.11 lakh was frustrated. Management stated (July 2004) that as per environment norms no auction hall could be used in the harbour. The contention is not acceptable as the restriction was imposed for harbour projects implemented only after March 2003.

Thus, due to inaction on the part of the management to ensure optimum utilisation of facilities, the viability of the project set up at a cost of Rs 7.79 crore was in jeopardy.

Despite increase in inflow of trawlers, harbour complex was underutilised.

Auction hall was not utilised at all.

Sultanpur Fishing Harbour Project

2.1.41 To provide landing and other facilities to 228 fishing vessels, GOI approved (March 2000) construction of a minor fishing harbour at Sultanpur, at a cost of Rs 4.73 crore to be financed equally by State Government[⊗] and GOI. Between March 2000 and September 2001, both the State Government and GOI released funds aggregating Rs 4.74 crore. WBFC engaged (October 2000) BBJ³ for completion of construction by October 2001 at cost plus seven *per cent* towards incidentals, subject to a maximum of Rs 4.48 crore. The project was completed in April 2002 at a cost of Rs 5.40 crore which was not approved (September 2004) by GOI. Consequently, WBFC was saddled with liability of Rs 66.98 lakh against the pending bills of BBJ.

Underutilisation of infrastructure facilities

2.1.42 Auction hall constructed at a cost of Rs 33.21 lakh was not utilised at all. Instead, hall was utilised to store the dismantled equipment and machinery installed under World Bank aided shrimp and fish culture project (paragraph 2.1.40 *infra*), resulting in unfruitful expenditure of Rs 33.21 lakh. Consequently, the Company failed to earn the projected commission of Rs 1.78 crore on auction of fish. Management stated (July 2004) that as per environment norms auction hall could not be used in harbour area. The contention is not tenable as the restriction was imposed for projects implemented only after March 2003.

2.1.43 During July 2002 to March 2004, only 55 vessels were registered due to poor selection of site, siltation on the shore due to erosion of an unprotected islet and poor connectivity of project site to main road. Though these aspects had been pointed out earlier (April 2001) by NABARD⁴ which financed the project on behalf of State Government, WBFC took no action thereon. Consequently, WBFC earned only Rs 3.10 lakh against expenditure of Rs 15.47 lakh leading to a loss of Rs 12.37 lakh. Management stated (July 2004) that inflow of vessels was likely to increase shortly.

Thus, in view of gross underutilisation of facilities built up at a cost of Rs 5.40 crore, viability of the project was doubtful.

Performance of fish farms – low production

2.1.44 WBFC operated, since June 2001, a brackish water fish farm at Sankarpur. During 2001-04, WBFC produced prawn (golda and bagda), IMC and other species over an water area of 11.36 to 20.29 hectares against available area of 46.46 hectares. The performance of fish farms is given at **Annexure-19**. It would be seen from annexure that-

[⊗] On receipt of loan from NABARD

³ Braithwaite, Burn and Jessop Construction Company Limited

⁴ National Bank for Agriculture and Rural Development

Poor selection of site was responsible for gross underutilisation of infrastructure facilities.

Low production led to loss of potential revenue of Rs 6.77 crore.

- Against standard survival percentage of 75, 70 and 70 for prawn (golda, bagda), IMC and other species respectively, actual survival ranged from 7.36 to 21.61 *per cent*, 8.07 to 20.99 *per cent* and 6.82 to 18.36 *per cent* respectively during 2001-04.
- The stocking density of prawn, IMC and other species per hectare was 10,005, 38,070 and 20,306 during the same period against norm of one lakh per hectare fixed by WBFC. In view of the high mortality and lower stocking density, the yield per hectare was only 224 to 587 kg i.e. 0.96 to 2.52 *per cent* of the standard of 23,300 kg leading to loss of production of 998.18 tonnes valuing Rs 6.77 crore.

Management stated (July 2004) that the condition of tanks was miserable and unfit for suitable culture. Despite availability of fund, WBFC was yet to take up action plan for increasing productivity.

Internal control and internal audit

Internal control and internal audit was ineffective.

2.1.45 Internal control was deficient as both **SFDC** and **WBFC** failed to :

- ❖ prepare corporate plans, policies, procedures, budgets and introduce MIS reports as well as compile operational and functional manuals,
- ❖ oversee pisciculture operation with regard to soil and water quality, nutrition available and required, quality control in respect of seed and feed, reporting of pond-wise/ farm-wise activities indicating growth, survival, quantity and size of harvest as well as daily reconciliation of catch and sales, and
- ❖ monitor project implementation.

2.1.46 **SFDC** and **WBFC** appointed two firms of Chartered Accountants as internal auditors (IAs) during 1999-2004 at a fee of Rs 0.43 lakh (**SFDC**) and Rs 0.66 lakh (**WBFC**). The IAs submitted only one report in each year. Neither **SFDC** nor **WBFC** specified the areas/ aspects to be examined by the internal auditors nor indicated the time frame for submission of reports. IAs did not cover any area of operation. Action taken notes on reports were not prepared and submitted to the Board. The Statutory Auditors of **SFDC** commented (August 2004) that as the internal audit did not cover the major expenditure and income, possibility of fraud could not be ruled out. Management of **SFDC** agreed (July 2004) to strengthen internal control and audit.

Conclusion

Both SFDC and WBFC did not make any noticeable headway towards the achievement of objectives mainly due to poor productivity of fish farms, management's apathy to bring more water areas for farming, lack of internal control and monitoring over key areas of operation, non-implementation of development programmes of fish farms, high incidence of employees' cost (SFDC), inept implementation of different

projects and non-utilisation of infrastructure facilities (WBFC). In the process, these two companies together contributed a paltry share (0.11 per cent) in the State's production of fish.

There is an urgent need that SFDC should take effective steps to optimise the utilisation of hatchery and nursery ponds to minimise seed cost, increase production of different fish at the level of standard yield, strengthen internal control over catch and sale of fish by sharecatchers and departmental fishermen to eliminate the risk of poaching. Similarly, WBFC should chalk out the plan to ensure optimum utilisation of infrastructure facilities at harbours as well as to increase the production of fish for its sustenance.

The matter was reported to the Government (June 2004); their reply had not been received (September 2004).