सत्यमेव जयते

Report of the
Comptroller and Auditor General of India

Compliance Audit
for the year ended March 2021

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of West Bengal
Report No. 2 of 2022

Report of the
Comptroller and Auditor General of India

Compliance Audit

For the year ended March 2021

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Preface

This Compliance Audit Report for the year ended March 2021 has been prepared for submission to the Governor of West Bengal under Article 151 of the Constitution of India for being laid before the Legislative Assembly of West Bengal.

This Report contains significant results of Detailed Compliance Audit on certain topics as well as individual paragraphs arising out of Compliance Audit of Departments and its functionaries of the Government of West Bengal.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2020-21 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2020-21 have also been included wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Chapter 1

Overview

Chapter 1: Overview

1.1 Introduction

This Report covers matters arising out of the Compliance Audit of some State Government Departments and their Autonomous Bodies. The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised in eight chapters as under:

- **Chapter 1** contains the profile of the Auditee Departments with a brief profile of the receipt/ expenditure for the last five years, the Authority for audit, audit jurisdiction, planning and conduct of audit, response of the Government to various audit products namely Inspection Reports, individual observations/ paragraphs, Detailed Compliance Audit (DCA), follow up action on Audit Reports, *etc*., and significant audit observations included in this Audit Report.
- **Chapter 2** contains observations relating to Compliance Audit on Implementation of Crop Insurance Schemes in West Bengal.
- **Chapter 3** contains observations relating to Compliance Audit on Procurement of Paddy and Supply of Custom Milled Rice.
- **Chapter 4** contains observations relating to Compliance Audit on Functioning of West Bengal Police Housing & Infrastructure Development Corporation Limited.
- **Chapter 5** contains observations relating to Compliance Audit on Loan Management by West Bengal Financial Corporation.
- **Chapter 6** contains observations relating to Subject Specific Compliance Audit (SSCA) on Processing of refund claims under Goods and Services Tax.
- **Chapter 7** contains observations relating to SSCA on Transitional Credits under Goods and Services Tax.
- **Chapter 8** contains 12 individual observations/ paragraphs relating to Compliance Audit.

1.2 Profile of the Auditee Departments and Audit Universe

I) As per the Budget, the Government of West Bengal released 79 grants (during 2020-21), of which 58 are active[1], related to its various Departments. The audit universe under the Principal Accountant General (Audit-I), West Bengal (PAG), comprises 3,256 units of various levels related to 32 Grants. There are 32 Departments under audit jurisdiction of PAG. It also includes 120 bodies/ authorities which are either substantially financed from the Consolidated Fund of the State or audit of which has been entrusted by the Government under various sections of the Comptroller & Auditor General's

[1] *Against the remaining 21 grants there was no budgetary allocation*

(CAG's) DPC (Duties, Powers and Conditions of Service) Act, 1971. List of Departments and Autonomous Bodies/ Authorities/ Corporations under the audit jurisdiction of the PAG is shown in ***Appendix 1.1***.

Trend of expenditure in major Departments under the audit jurisdiction of the PAG during 2016-21 is shown in **Table 1.1**.

Table 1.1: Trend of expenditure of Departments with annual expenditure exceeding ₹ 100 crore

(₹in crore)

Sl. No.	Name of the Department	2016-17	2017-18	2018-19	2019-20	2020-21
1	Agriculture	1,649.40	1,705.16	6,080.13	3,046.24	2,969.84
2	Agricultural Marketing	107.00	117.20	198.36	131.70	59.86
3	Animal Resources Development	666.63	672.14	730.25	654.31	716.54
4	Backward Classes Welfare	1,068.11	1,664.12	1,755.41	557.64	2,046.36
5	Cooperation	492.49	352.38	333.25	433.06	411.90
6	Correctional Administration	232.73	270.66	327.81	339.19	275.35
7	Finance	53,899.43	68,868.68	92,973.76	91,309.92	84,435.69
8	Fisheries	287.17	311.41	155.71	243.95	211.48
9	Food & Supplies	8,156.28	9,316.91	10,971.79	7,193.13	9,621.18
10	Health and Family Welfare	8,124.24	8,772.55	9,560.69	10,734.22	12,651.69
11	Higher Education	2,996.61	3,024.43	3,638.28	3,570.42	4,670.37
12	Home and Hill Affairs	6,639.84	6,789.94	7,994.64	9,167.02	10,974.79
13	Irrigation & Waterways	1,720.01	1,716.09	1,966.88	1,856.68	1,845.53
14	Judicial	620.01	630.85	818.57	807.76	839.50
15	Labour	753.50	841.86	820.43	821.67	771.31
16	Mass Education Extension & Library Services	277.99	249.75	279.85	235.19	201.89
17	Minority Affairs & Madrasah Education	1,579.78	2,035.40	2,896.44	2,647.05	1,943.35
18	North Bengal Development	423.02	503.72	680.37	461.60	274.44
19	Panchayats & Rural Development	14,988.96	21,001.77	19,055.96	18,828.66	20,993.91
20	Planning, Statistics and Programme Monitoring	370.78	395.88	281.53	251.30	320.21
21	School Education	18,599.25	20,103.68	23,017.59	26,720.35	30,076.27
22	Self Help Groups & Self Employment	450.15	612.22	505.86	683.56	596.74
23	Sunderban Affairs	300.91	326.76	511.20	406.95	319.94
24	Technical Education, Training & Skill Development	699.19	480.54	782.75	675.49	755.24
25	Tribal Development	588.67	562.96	706.73	572.83	624.83
26	Water Resources Investigation & Development	962.49	922.87	1,054.93	1,008.27	928.92
27	Women and Child Development and Social Welfare	3,966.39	4,293.77	6,021.09	9,654.02	4,357.82
28	Others[2]	1,153.19	960.04	1,255.24	519.55	450.71
Total		**1,31,774.22**	**1,57,503.74**	**1,95,375.50**	**1,93,531.73**	**1,94,345.66**

Source: Sub-Head Accounts and Appropriation Accounts 2016-17 to 2020-21.

[2] *Others include (i) Consumer Affairs Department (ii) Food Processing Industries & Horticulture Department (iii) Law Department (iv) Paschimanchal Unnayan Affairs Department and (v) Youth Services & Sports Department.*

II) Under receipt audit (tax revenue), there are 500 auditable units under Finance Department. Details of the actual receipts in respect of the tax revenue raised during the period 2016-17 to 2020-21 are given in **Table 1.2** below:

Table 1.2: Details of the actual receipts in respect of the tax revenue raised during the period 2016-17 to 2020-21 *(₹in crore)*

Sl. No.	Heads of Revenue	2016-17	2017-18	2018-19	2019-20	2020-21
1.	State Goods & Service Tax	0.00	14,963.74	27,067.00	27,308.00	26,013.41
2	Taxes on Agricultural Income	6.57	7.14	0.92	0.65	0.44
3	Taxes on Professions, Trade	509.09	529.20	560.78	588.72	596.64
4	Stamp & Registration Fees	4,382.73	5,260.77	5,620.01	6,025.79	5,527.57
5	State Excise	5,226.16	9,340.05	10,622.45	11,232.29	10,665.96
6	Central Sales Tax	2,436.13	1,036.94	705.48	387.10	464.97
7	State Sales Tax	7,231.33	5,754.12	6,971.38	6,890.42	8,896.27
8	West Bengal Value Added Tax	18,315.16	6,209.55	136.15	-116.35	32.60
9	Taxes & Duties on Electricity	1,318.87	2,333.55	610.06	369.42	2,213.51
Total		**39,426.04**	**45,435.06**	**52,294.23**	**52,686.04**	**54,411.37**

Source: Finance Accounts of the respective year

Regarding non-tax revenue, details of the actual receipts raised during the period 2016-17 to 2020-21 are given in ***Appendix 1.2***.

1.3 Authority for audit

Authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers & Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of State Government Departments under Section[3] 13 of the CAG's DPC Act. CAG is the sole auditor in respect of Autonomous Bodies, which are audited under sections 19 (2), 19 (3)[4] and 20 (1)[5] of the DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section[6] 14 of DPC Act. Section 16 of the CAG's DPC Act authorises CAG to audit all receipts (both revenue and capital) of the Government of India and of Government of each state and of each Union territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit & Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit & Accounts Department.

1.4 Planning and conduct of Audit

Compliance Audits are conducted as per the Annual Audit Plan (AAP). Units for Compliance Audit are selected on the basis of risk assessment of the Apex

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[3] *Audit of (i) all expenditure from the Consolidated Fund of State, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets & other subsidiary accounts.*

[4] *Audit of accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations or as per request of the Governor of the State in the public interest*

[5] *Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government*

[6] *Several non-Commercial Autonomous/ Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14*

units, Audit Units and Implementing Agencies involving matters of financial significance, social relevance, internal control systems, past instances of defalcation, misappropriation, embezzlement, *etc*., as well as findings of previous Audit Reports.

Inspection Reports are issued to the heads of Units after completion of audit. Based on replies received, audit observations are either settled or further action for compliance is advised. Important audit findings are processed further as individual observations/ paragraphs for inclusion in the Audit Report. Detailed Compliance Audit paragraphs are prepared on issues of significance, selection of issues are done following the analogy explained above.

Formal replies furnished by Departments are carefully considered while finalising the materials for inclusion in the Audit Report. Audit Reports are laid before the State Legislature under Article 151 of the Constitution of India.

1.5 Lack of response of Government to Audit

Response of the Government to Inspection Reports

Principal Accountant General (Audit-I), West Bengal, conducts audit of Government Departments to check for compliance to rules and regulations in transactions and to verify the regularity in maintenance of important accounting and other records as per the prescribed rules and procedures. After these audits, Inspection Reports (IRs) are issued to the Heads of Offices inspected with copies to the next higher authorities. Important irregularities and other points detected during inspection, which are not settled on the spot, find place in IRs. Serious irregularities are brought to the notice of the Government by the Office of the PAG.

As per the Regulations on Audit & Accounts (Amendments), 2020, the Officer in charge of the auditee entity shall send the reply to an Inspection Report (IR) within four weeks of its receipt. On intimation of any major irregularity[7] by the PAG, the Government shall undertake *prima facie* verification of facts and send a preliminary report to the PAG confirming or denying facts within three weeks of receipt of intimation. Where the fact of major irregularity is not denied by the Government in the preliminary report, the Government shall further send a detailed report to PAG within two months of preliminary report indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

Besides the above, Finance Department of Government of West Bengal had also issued instructions (June 1982) for prompt response by the executive to IRs issued by the PAG to ensure timely corrective action in compliance with the prescribed rules and procedures and to ensure accountability for the deficiencies, lapses, *etc*., observed during inspections.

A six monthly report showing the pendency of IRs is sent to the Principal Secretary/ Secretary of the respective Department to facilitate monitoring and settlement of outstanding audit observations in the pending IRs.

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[7] *Major irregularity means (a) an instance of suspected material fraud or collusion or corruption coming to notice in audit, or (b) an irregularity of serious nature involving public funds, particularly that relating to mismanagement, loss, waste, nugatory expenditure or loss of revenue, serious breakdown/violation of internal controls, etc.*

Inspection Reports issued up to March 2021 relating to 186 offices under four departments[8] showed that 811 paragraphs relating to 314 IRs remained outstanding to the end of December 2021. Department-wise and year-wise break-up of the outstanding IRs and Paragraphs are detailed in ***Appendix 1.3***.

The unsettled IRs contained 61 paragraphs involving serious irregularities like theft, defalcation, misappropriation, *etc*., of Government money, loss of revenue and shortages, losses not recovered/ written off amounting ₹ 18.25 crore. The Department-wise and nature-wise analysis of the outstanding paragraphs of serious nature are detailed in ***Appendix 1.4***.

Audit Committees, comprising of the Principal Secretary/ Secretary of the Administrative Departments and representatives of the Finance Department and Audit, were formed in 26 out of 32 Departments under purview of the Principal Accountant General (Audit-I), West Bengal for expeditious settlement of outstanding Inspection Reports/ Paragraphs. Audit Committees for the remaining six Departments were not formed[9]. Of the 26 Departments where Audit Committees were formed, no meeting was held by any of the Department during April 2020 to March 2021.

It is recommended that Government should ensure that a procedure is put in place for (i) action against officials failing to send replies to IRs/ paragraphs as per the prescribed time schedule, (ii) recovery of losses/ outstanding advances/ overpayments, *etc*., in a time-bound manner and (iii) holding at least one meeting of each Audit Committee every quarter.

1.6 Response of Departments to Draft Audit Paragraphs and Detailed Compliance Audit Paragraphs

Regulations on Audit & Accounts (Amendments), 2020 stipulate that responses to Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller & Auditor General of India should be sent within six weeks[10].

Draft Paragraphs and Detailed Compliance Audit Paragraphs are forwarded to the Principal Secretaries/ Secretaries of the concerned Departments as well as to the Finance Department, drawing attention to the audit findings and requesting them to send response within prescribed time-frame. It is also brought to their personal attention that in view of the likely inclusion of such paragraphs in the Audit Reports of the Comptroller & Auditor General of India which are placed before the Legislature, it would be desirable to include their comments on these audit findings.

Draft Paragraphs, Detailed Compliance Audit Paragraphs and Subject Specific Compliance Audit paragraphs proposed for inclusion in this Report were forwarded to the Principal Secretaries/ Secretaries of the concerned Departments and to the Finance Department between October 2021 and March 2022 through official/ Demi-official letters addressed to them by name. The concerned Departments had sent reply to three out of the 18 Individual/

[8] *Animal Resources Development Department; Water Resources Investigation & Development Department; Mass Education Extension & Library Services Department and Technical Education, Training &Skill Development Department*

[9] *Food Processing Industries & Horticulture Department; Mass Education Extension & Library Services Department; North Bengal Development Department; Paschimanchal Unnayan Affairs Department; Self Help Group & Self Employment Department and Tribal Development Department*

[10] *State Government's Finance (Budget) Department, in its order dated June 1982, however, directed all the Departments to submit their responses to proposed Draft Paragraphs within one month*

Detailed/ Subject Specific Compliance Audit paragraphs featured in the Audit Report. Responses of the Department/ Directorate/ Auditee units as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

1.7 Follow-up on Audit Reports

Audit Report (AR) for the year 2015-16, which was submitted to the Governor in February 2017, was laid on the floor of the State Legislature in March 2018, while the AR for the year 2016-17 was laid in July 2019. ARs for the years 2017-18, 2018-19 and 2019-20 have been laid (25 March 2022) in the State Legislative Assembly. A mechanism to ensure promptness in tabling of Audit Reports should be put in place.

After tabling of the Reports of the CAG of India in the State Legislature, the State Government Departments are required to submit *suo-motu* replies to the audit observations within one month. Review of outstanding replies on paragraphs included in the CAG's Audit Reports on the Government of West Bengal, between 2008-09 and 2016-17, showed that replies relating to 384 paragraphs involving 32 Departments (excluding omnibus paragraphs involving a number of Departments) remained outstanding as of March 2021 ***(Appendix 1.5)***. Out of 384 paragraphs, 34 paragraphs pertaining to 2008-09 to 2016-17 were selected for discussion by the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU).

As stipulated in the Rules of Procedure of the PAC and the Committee on Public Undertakings (COPU), Administrative Departments were required to take suitable action on recommendations made in the Reports of PAC/ COPU presented to the State Legislature and submit comments on the action taken or proposed to be taken on those recommendations within three months.

Action Taken Notes on 51 paragraphs contained in 30 Reports of the PAC/ COPU, presented to the State Legislature between 1991-92 and 2018-19, had not been submitted by 12 Departments to the State Legislative Assembly as of March 2021. These Reports of the PAC/ COPU had suggested recovery, disciplinary action, *etc*. A significant case is elaborated in ***Appendix 1.6***.

Action taken by administrative Departments on the recommendations of the PAC/ COPU were, however, found to be inadequate and wanting.

1.8 Significant Audit Observations in this Report

The present Report contains four Detailed Compliance Audit Paragraphs, two Subject Specific Compliance Audit Paragraphs and twelve individual observations/ paragraphs arising out of Compliance Audits.

The significant observations contained in this Report are discussed in brief in the following paragraphs.

Detailed Compliance Audit Paragraphs

Implementation of Crop Insurance Schemes in West Bengal

Audit was conducted covering Pradhan Mantri Fasal Bima Yojana and *Bangla Shasya Bima* schemes relating to the period from 2016-17 to 2020-21 (*i.e.*, Kharif 2016 season onwards), which revealed the following findings:

- Though there has been increasing trend of coverage of area since introduction of the scheme in 2016-17, however, only 31 and 36 *per cent* of cultivated land in the State has been brought under the coverage of insurance scheme in 2020-21 Rabi and Kharif seasons respectively.
- There were wide variations between the test-checked districts in coverage of area under the Insurance scheme, which ranged between nine *per cent* in South 24 Parganas and 60 *per cent* in Birbhum district.
- A comparison of amounts of compensation received by farmers *vis-à-vis* premium paid showed that amounts of compensation paid was in the range of 21 to 77 *per cent* of the corresponding premium amounts. During 2016-20 in an aggregate, the amount of compensation received by farmers was ₹ 2,077.27 crore as against the total premium amount of ₹ 2,397.87 crore.
- Similar crops grown in contiguous districts within the same agro-climatic zone attracted highly divergent premium rates (the reasons thereof were not explained to audit), which resulted in avoidable excess payment of premium of ₹ 106.65 crore towards premium for Aman Paddy and ₹ 71.99 crore for Potato.
- The Scale of Finance, a parameter for determination of actuarial premium rate, was not exactly as approved by the District Level Technical Committee in six test-checked districts, which led to an excess premium payment of ₹ 23.79 crore.
- A Technical Support Unit for calculating *inter alia* approximate Acturial Premium Rate was not formed in the State which resulted in non-verification of justifiability of rates quoted by the Implementing Agencies.
- The Implementing Agencies did not upload the list of beneficiaries and details of compensation paid in the Crop Insurance portal. Therefore, the verification of compensation paid to the farmers could not be carried out by audit. Further, most of the farmers interviewed (71 *per cent*) were not aware of the claim amount due.
- During 2016-19 there was variation in data maintained by the Blocks/ Districts and the Department as remitted to the Implementing Agency relating to Crop Cutting Experiments for determining the actual yield. This adversely affected the chances of claim payment of 2.53 lakh farmers of six blocks.
- There was no specific mapping of weather stations to the Insurance Units. This allowed the Insurance Companies to evade responsibility by refusing compensation to the farmers in case of prevented sowing conditions, mid-term calamities or post-harvest losses.

(Paragraph 2)

Procurement of Paddy and Supply of Custom Milled Rice

A Compliance Audit on 'Procurement of Paddy and Supply of Custom Milled Rice' covering Kharif Marketing Seasons from 2016-17 to 2020-21, was taken up, findings of which are enumerated below:

- During 2016-21, a total quantum of 205.19 LMT (lakh metric tonnes) of paddy (worth ₹ 35,089.04 crore) was procured in West Bengal from the farmers. Centralised Procurement Centres (CPCs) of the Food & Supplies Department procured 48 *per cent* of paddy and the remaining 52 *per cent* was made indirectly through different agencies like West Bengal Essential Commodities Supply Corporation Limited (33 *per cent*), West Bengal State Cooperative Marketing Federation Limited (13 *per cent*) and West Bengal State Consumer's Co-operative Federation Limited (three *per cent)* and other miscellaneous agencies.
- Audit observed the instances of procurement of paddy from individual farmers beyond stipulated limit without obtaining necessary documents and also procurement of disproportionately high quantities of paddy as compared to land holding of the sellers.
- Examination of 8,84,670 cases of payment to farmers revealed that in 8,60,862 cases (97 *per cent*), the payment was not made in the prescribed period.
- The District Authorities/ Department failed to recover any rice/ cost of paddy worth ₹ 99.17 crore from defaulting rice millers due to dishonour of undated cheques received in security deposits.
- Moisture meter, an important equipment for purchase of Fair Average Quality (FAQ) paddy, was not available causing non-verification of moisture content of the paddy procured which further resulted in unverified discount claims by the Rice Millers.

(Paragraph 3)

Functioning of West Bengal Police Housing & Infrastructure Development Corporation Limited

Compliance Audit on 'Functioning of West Bengal Police Housing & Infrastructure Development Corporation Limited', covering the period from 2016-17 to 2020-21, disclosed the following findings:

- Of 414 works awarded, 253 works were found incomplete. Of these 253 works, 192 works were pending completion beyond their scheduled date of completion for various periods ranging up to 1,406 days.
- Delay in initiation of the work 'Construction of the Kolkata Police Training Academy (KPTA) at Kamardanga, Howrah' led to non-receipt of 13^{th} Finance Commission grant of ₹ 72.00 crore.
- Compensation of ₹ 1.04 crore was not realised from contractors, though extension of time was allowed in seven projects (15 occasions) on grounds attributable to contractors or without assigning any reasons.
- The management of services of the Consultants was deficient and resulted in instances of excess expenditure on consultancy and projects being affected by delays/ under-performances by Consultants.
- The Corporation did not comply with various norms of planning/ drawing/ documentation/ record maintenance, *etc.*, as provided for in the National Building Code and Tender documents.

(Paragraph 4)

Loan Management by West Bengal Financial Corporation

Audit on 'Loan Management by West Bengal Financial Corporation' covering the period from 2016-17 to 2020-21 brought out the following observations:

- The physical and financial performance of the Corporation over the five years declined.
- The Corporation did not have flexibility to adjust the interest rates corresponding with the market and at times, it resulted into loss of business as against the commercial banks.
- The role played by the Corporation in providing finances as against the total quantum of loans disbursed by Commercial Banks in the State was only 0.19 *per cent*.
- Non-performing Assets as a percentage of total loan assets increased from 26 *per cent* in 2016-17 to 82 *per cent* in 2020-21, which was far above the desired level of 10 *per cent*.
- Deficiencies in sanction of loans by not adhering to the laid down parameters led to instances of grant of loans to ineligible borrowers, loan sanctioned in deviations from its own loan policy, *etc*.
- The loans were rescheduled frequently without any limit on the number of rescheduling which indicated that there were lacunae in the assessment process considered for rescheduling of loan accounts.

(Paragraph 5)

Subject Specific Compliance Audit Paragraphs

Processing of refund claims under Goods and Services Tax

A Subject Specific Compliance Audit (SSCA), covering the period from July 2017 to July 2020, on processing of refund claims under Goods and Services Tax (GST) was conducted and audit findings emerged, in course of the audit, are as follows:

- Due to non-maintenance/ non-updation of liability register, the Department failed to adjust the outstanding dues/ liability by the assessees as against the refunds due to them and thus, it failed to recover/ adjust the total amount of ₹ 5.39 crore in 16 test-checked cases as against the refunds made to these assessees. There was post-refund realization of ₹ 15.01 lakh against seven cases.
- There was case of excess refund of ₹ 21.96 lakh due to incorrect calculation of input tax credit related to zero-rated supplies. There were many more instances of excess refunds on account of similar kind of lapses.
- Manual refund case records relating to 109 cases involving refunds of ₹ 19.69 crore were not made available to Audit for examination.

(Paragraph 6)

Transitional Credits under Goods and Services Tax

A Subject Specific Compliance Audit (SSCA), covering the period from July 2017 to July 2020, on transitional credits under GST was conducted and audit findings are as follows:

- Examination of legacy returns revealed a case of incorrect carried forward closing balance of West Bengal Value Added Tax (WBVAT) input tax credit of ₹ 6.02 crore and availed the benefit of the same. The recovery of such incorrect benefit extended to the GST Assessee was made at the instance of audit.
- Examination of legacy returns further revealed that in 29 cases, the GST Assessees claimed and availed input tax credit in excess of credit available in the closing balance of WBVAT involving ₹ 2.82 crore. Amount of ₹ 19.95 lakh in two cases was recovered.
- The audit observed several lapses in adjustment of transitional WBVAT credits such as claim of the credit was made twice, claim of credit without filing legacy returns, irregular benefit taken of credit on capital goods, credit taken without filing supporting documents, non-levy of interest on irregular claims of transitional tax credits and so on. All these lapses caused financial loss of ₹ 23.21 crore to the public exchequer against which an amount of ₹ 2.85 crore has been recovered.

(Paragraph 7)

Individual observations/ Paragraphs

- Lack of proper planning and administrative supervision led to selection of landlocked and disputed plots of land in Chengail, Howrah for construction of an Industrial Training Institute. Consequently, expenditure incurred of ₹ 4.46 crore remained unfruitful as the Institute could not be made functional and the purpose of providing the training to the residents of the area remained unachieved, even after eight years from its inauguration.

(Paragraph 8.1)

- The Food & Supplies Department failed to enforce the provision of the West Bengal Urban Public Distribution System (Maintenance & Control) Order, 2013 regarding safe storage of 6,317.51 quintals of public distribution foodgrains and also ensure the distribution of such foodgrains by the Authorised Wholesaler. This led to the PDS foodgrains becoming unfit for human consumption. Loss to the state exchequer, based on the cost of procurement, worked out to ₹ 1.34 crore.

(Paragraph 8.2)

- Contractual Transfer Price (CTP) amounting ₹ 36.36 crore was suppressed by twenty-two dealers in their returns. Such suppressions could not be detected by the Assessing Authorities (AAs). This led to short levy and consequent non-realisation of tax of ₹ 2.04 crore.

(Paragraph 8.6)

- Failure of the AAs to detect irregular claims of ITC by dealers in 18 cases resulted in irregular allowance of ITC of ₹ 4.67 crore.

(Paragraph 8.7)

- The AA, in one case, levied tax of ₹ 3.36 crore on Turnover of Sales of ₹ 67.32 crore instead of ₹ 16.95 crore due to application of incorrect rate of tax. This resulted in short levy of tax of ₹ 13.59 crore with consequent non-realisation.

(Paragraph 8.9)

Chapter 2

Implementation of Crop Insurance Schemes in West Bengal

Chapter 2: Implementation of Crop Insurance Schemes in West Bengal

AGRICULTURE DEPARTMENT

2.1 Introduction

To adequately indemnify the farmers from crop losses due to unforeseen calamities, *viz.* flood, cyclone, hailstorm, drought *etc.*, and to keep them motivated towards farming, Government of India (GoI) introduced (February 2016) a crop insurance scheme, *viz.* Pradhan Mantri Fasal Bima Yojana (PMFBY) replacing the National Agricultural Insurance Scheme (NAIS)[11] which was started in 1999. As per the guidelines of PMFBY, 1.5 *per cent* to 5 *per cent* of sum insured was to be borne by the Farmer and balance share of premium was to be borne by GoI and State equally.

Agriculture is the main source of livelihood of about 70 *per cent* population of West Bengal. There are about 72 lakh operational holdings in the State, of which 96 *per cent* belongs to the small and marginal category[12]. The cultivable area is about 56 lakh hectare (LHa), out of which 52 LHa is under the plough. West Bengal is the leading producer of paddy and jute and second largest producer of potato in the country. The Government of West Bengal participated in the scheme from Kharif (July to October) 2016 crop season. In the State, Government of West Bengal decided[13] to pay the farmers' share of insurance premium as additional subsidy. The State Government continued with the GoI scheme upto December 2018 (*i.e.* middle of Rabi (October to March) 2018-19 crop season). Thereafter, the State implemented the same scheme upto January 2019 with 100 *per cent* State assistance. In February 2019, the State Government introduced 'Bangla Shasya Bima' (BSB), a 100 *per cent* State sponsored scheme. Under the BSB scheme, premium for all crops except potato and sugarcane were to be borne by the Government, whereas for potato and sugarcane, farmer was to bear upto 4.85 *per cent*[14] of Sum Insured.

2.1.1 Coverage of the scheme

For implementation of the scheme, the coverage area has been divided into smaller pre-defined areas called Insurance Units (IU). All farmers including sharecroppers and tenant farmers growing the notified crops (four crops[15] during Kharif season and 11 to 12 crops[16] during Rabi season) in the notified areas (IU) were eligible for coverage under the schemes. The scheme envisaged

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[11] *Government of India introduced Comprehensive Crop Insurance Scheme (CCIS) since 1985-86 with General Insurance Corporation of India was the Implementing Agency. In 1999, the CCIS was replaced by National Agricultural Insurance Scheme (NAIS)*

[12] *The different categories of farmers in terms of land holdings in West Bengal are (1) marginal (0.5 to 1 ha) (2) small (1-2 ha) (3) semi medium (2-4 ha) (4) medium (4-10 ha) and (5) large (10 ha & above)*

[13] *Government of West Bengal decided to bear the farmers' share from 2012-13 in addition to its own share.*

[14] *Maximum insurance charges payable by farmers for potato and sugarcane was 4.85 per cent of the Sum Insured or the actuarial rate whichever is less. Remaining portion of premium if any was to be paid by the State.*

[15] *Aush Paddy, Aman Paddy, Jute & Maize*

[16] *Potato, wheat, mustard, Maize, Lentil (Mug), Gram, Groundnut, Sugarcane, etc.*

providing indemnity to small and marginal farmers through insurance coverage against:

- **Prevented Sowing/ Planting Risk** caused by deficit rainfall or adverse seasonal conditions prior to/ during sowing season.
- **Standing Crop** (end of season) *i.e.*, yield losses due to non-preventable risks, *viz.*, Drought, Dry spells, Flood, Inundation, Pests and Diseases, Landslides, Natural Fire and Lightening, Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane and Tornado.
- **Post-Harvest Losses** caused by cyclonic/ unseasonal rains to crops requiring drying in "cut and spread" condition in the field after harvesting (up to a maximum period of two weeks from harvesting). From Kharif 2020 the coverage of risks for post-harvest losses was discontinued (with adoption of technology based approach using remote sensing techniques and use of meteorological data).
- **Localized Calamities** like hailstorm, landslide and inundation.

Implementing Agencies (IAs), *i.e.* Insurance Companies, were selected through tendering procedure upto season Rabi 2019-20. From Kharif 2020 season, Agricultural Insurance Company of India Ltd. (AICIL)[17] was selected as the IA for the whole State on the basis of proposal from AICIL itself at the time of introducing technology based BSB scheme.

2.1.2 Modalities of Premium and Claim calculations

The premium payable was equal to the product of Actuarial Premium Rate (APR) with Area Insured and Scale of Finance (SOF).

Premium Payable =	(Area insured) X (APR) X (Scale of Finance)

The APR was derived by the IAs based on statistical evaluation/ actuarial premium analysis, loss cost, historical payout, *etc*. The premium is claimed by the IAs from the Department on the basis of land area insured and the Scale of Finance (SOF) as decided by the District/ State Level Technical Committee (DLTC/ SLTC).

For end of season claim, Yield data (Actual Yield) was determined by the Departmental officials and furnished to Insurance Companies for crops and areas notified based on Crop Cutting Experiments[18] (CCE). The Threshold yield of the notified crop was equal to Average Yield multiplied by Indemnity level. The Average Yield of a notified crop in Insurance Unit (IU) was the average yield of best five years out of last seven years. This was calculated from data on Crop Cutting Experiment (CCE) conducted by the Departmental functionaries. The Limit of Indemnity (LOI)[19] is the maximum amount the insurer will pay under a policy during the policy period. The LOI is decided by the State Level Coordination Committee on Crop Insurance (SLCCCI) and notified by Government before the start of the crop season.

If Actual Yield per Hectare of insured crop for the Insurance Unit falls short of threshold yield, all insured farmers growing that crop in the notified area shall

[17] *a nationalised insurance company under the ownership of Ministry of Finance, GoI*

[18] *Crop Cutting Experiments or CCE is an assessment method to accurately estimate the yield of a crop or region during a given cultivation cycle*

[19] *There are three levels of indemnity viz. 70, 80 and 90 per cent of the sum insured and it is fixed before the start of the season by the SLCCCI*

be deemed to have suffered shortfall in yield of similar magnitude and the farmers would receive claim payments from the IAs according to the formula.

$$\text{Claim} = \frac{\text{(Threshold Yield)} - \text{(Actual Yield)}}{\text{(Threshold Yield)}} \times \text{Sum Insured (SI)}$$

Where Sum Insured = Area Insured x Scale of Finance (SOF)[20]

For the scenarios of prevented sowing conditions, mid-term losses and post-harvest losses, the trigger for evaluation for each IU was weather based data to identify excess rainfall, drought and intimation by the Department to the IAs. In those cases the Actual Yield was to be determined on the basis of joint survey by the Department and IAs.

2.1.3 Roles and Responsibilities of various Functionaries, Committees

The roles, responsibilities of the State Government, Insurance Companies and farmers, functions of the portal are illustrated in the diagram below:

State Government:

- To constitute State Level Coordination Committee to decide the Budget, notification, fixation of Insurance unit IU, indemnity level, seasonality discipline ***(Appendix 2.1)*** and coverage of risks.
- Issue of Notification including the details of insured crops, scale of finance, sum insured, threshold yield at IU level, premium rates for farmers, cut-off date for each activity.
- To notify weather stations for claims of prevented sowing *etc*., and design an insurance portal.
- To pay the premium on the basis of calculations of the IAs.
- To upload Yield data and weather data in the portal.
- Joint Committee of State Govt. and IA to be formed for assessment of crop damage.
- To Issue order of Loss intimation.
- To publicise the scheme in consultation with IAs.
- To form a State Level Review and Monitoring Committee (SLRMC) for review of premium rates, product benchmarking and performance of IAs.
- Formation of State/ District level Monitoring Committees.

Insurance Companies(IAs):

- To collect land records, particulars of acreage, sum insured, crop sown from farmers and upload it in the portal.
- To ensure coverage of risks against the identified four scenarios.
- To finalise business data for claiming premium from the Govt.
- To release claim amount directly to the farmers based on yield data or loss assessment report by the Joint Committee.
- Take steps for effective publicity in consultation with the State Govt.
- To upload the list of beneficiaries on the portal. Provide provisions for grievance redressal/ feedback.
- To verify the beneficiaries (5%) by the Regional Officers of the IAs and to send the list to the DLMC and SLMC who shall in turn verify 10% of the list.

Portal

- To contain all the data from the notifications.
- To contain data of the insured farmers.
- Weather and CCE data to be uploaded by Government.
- To contain data pertaining to the claims paid.

Farmers:

- Fill up proposal forms, submit it and deposit premium (for potato and sugarcane) within prescribed date.
- Provide documentary evidence with regard to possession of land.
- Furnish area sown certificate getting the same countersigned by block level ADAs
- Give information of any loss due to localized loss, post-harvest loss, *etc*., within 48 hours.

[20] *Scale of Finance is decided for each crop at each district by the District Level Technical Committee as the approximate cost of growing the crop taking in all factors like cost of seeds, fertilisers, labour, etc.*

The Agriculture Department, with a network of District (headed by Dy. Directors of Agriculture) and block level (headed by Asst Directors of Agriculture) offices, is the nodal Department responsible for implementation of crop insurance schemes. There are some important committees at the State and District level (apart from the monitoring committees, *which are discussed in paragraph 2.5.1*) which are mandated with various roles in implementation of the schemes.

- The ***State Level Coordination Committee on Crop Insurance (SLCCCI)*** was responsible for crucial functions like deciding Guidelines of the scheme, budget for implementation of the scheme, notification of crops for insurance, fixation of unit for crop insurance (area based), fixation of the indemnity level, coverage of risks and exclusions, providing 10 years' historical yield data to IAs before bidding, *etc*.
- The ***District/ State Level Technical Committee (DLTC/ SLTC)*** decides the Scale of Finance per Acre basis for different cropping seasons taking into account different agro-climatic zones, cropping practices, *etc*., for all important crops grown in the district. The proposals of the DLTCs are reviewed by the SLTC constituted by the Agriculture Department with the HoD of Agriculture as its Chairman.

2.1.4 Audit Objective and Criteria

In view of materiality of expenditure involved in Crop Insurance Schemes (accounting for 56 *per cent* of Plan expenditure under Agriculture Department) and its potential impact on the majority of the population of the State having Agriculture as the main source of livelihood, this detailed compliance audit was conducted with the following objectives:

- Coverage of intended beneficiaries was adequate and services catered to the beneficiaries fulfilled the intended objectives of crop insurance schemes;
- Financial resources were utilised economically and funds were provided in a timely manner to ensure optimum utilization and
- Internal Control mechanism, monitoring and supervision were adequate and effective.

Apart from West Bengal Financial Rules and Treasury Rules, audit comments were framed after comparing various functional aspects with Operational Guidelines of PM Fasal Bima Yojana and Bangla Shasya Bima and orders, circulars issued by the Agriculture Department, Government of West Bengal.

2.1.5 Scope, coverage and methodology of audit

Audit was conducted during July to September 2021 covering the period from 2016-17 to 2020-21 (*i.e.*, Kharif 2016 season onwards). The records of Agriculture Department, Offices of the Dy. Directors of Agriculture (District level) and Asstt. Directors of Agriculture (Block level) were checked in audit. Audit test-checked records in six[21] districts, three blocks from each district selected using Simple Random Sampling without Replacement (SRSWOR) method (list of sampled offices is given in ***Appendix 2.2***). A beneficiary survey was also conducted jointly with representatives of Departmental functionaries among 892 farmers in the selected blocks for detailed checking ***(Appendix 2.3)***;

[21] *South 24 Parganas, Hooghly, Purba Bardhaman, Purba Medinipur, Jalpaiguri and Birbhum*

the areas that emerged from the survey which call for attention of the Department, are shown in *paragraph 2.5.5*.

The responses of the Department on the draft audit observations were received in April 2022, which have been duly factored in at the appropriate places of the Report.

Audit Finding

2.2 Coverage of the schemes in terms of cultivated area

The Crop Insurance schemes aimed to bring all the small and marginal farmers (covering 96 *per cent* of the total operational land holdings in the State) under the Insurance Scheme. Therefore, a time series data on season-wise coverage of the scheme in terms of insured area would provide an indication of impact of the scheme. The same is discussed in the following paragraphs.

2.2.1 Overall coverage in terms of area of land

As per the district-wise operational holdings 2015-16 (Agricultural Census 2015-16), the total cultivable area was 56 LHa. Area covered under crop insurance and sum insured during the period from 2016-17 to 2020-21 is shown in **Table 2.1**.

Table 2.1: Area covered (including comparison with respect to total State) and Sum Insured under Crop Insurance schemes

Year	Insurance coverage	Kharif season *(percentage)*	Rabi season *(percentage)*	Total
2016-17	Area (in Ha)	15,02,097 (27)	5,32,921(10)	--
	Sum Insured (₹ in crore)	7,811.18	4,534.75	**12,345.93**
	Premium paid (₹ in crore)	196.15	226.12	**422.27**
	Compensation paid **(₹ in crore)**	104.10	317.56	**421.66**
	Farmers benefitted	2,91,195	2,88,855	**5,80,050**
2017-18	Area (in Ha)	9,61,262 (17)	6,69,637 (12)	--
	Sum Insured (₹ in crore)	5,259.70	5,630.73	**10,890.43**
	Premium paid (₹ in crore)	190.30	201.16	**391.46**
	Compensation paid (₹ in crore)	219.40	41.70	**261.10**
	Farmers benefitted	4,44,260	1,06,260	**5,50,520**
2018-19	Area (in Ha)	10,21,222 (18)	10,21,222(18)	--
	Sum Insured (₹ in crore)	6,366.72	8,431.04	**14,797.76**
	Premium paid (₹ in crore)	169.52	274.44	**443.96**
	Compensation paid (₹ in crore)	96.09	444.13	**540.22**
	Farmers benefitted	1,99,681	5,16,546	**7,16,227**
2019-20	Area (in Ha)	17,26,470 (31)	12,03,710 (21)	--
	Sum Insured (₹ in crore)	11,508.68	5,353.84	**16,862.52**
	Premium paid (₹ in crore)	546.87	593.31	**1,140.18**
	Compensation paid (₹ in crore)	423.14	431.15	**854.29**
	Farmers benefitted	13,11,167	11,14,375	**24,25,542**
2020-21	Area (in Ha)	19,99,266 (36)	17,29,715 (31)	--
	Sum Insured (₹ in crore)	Not available	12,592.19	**NA**
	Premium paid (₹ in crore)	667.65	602.57	**1,270.22**
	Compensation paid (₹ in crore)	NA	NA	**NA**
	Farmers benefitted	NA	NA	**NA**
Total	**Sum Insured (₹ in crore)**	**30,946.28**	**36,542.55**	**67,488.83**
	Premium paid (₹ in crore)	**1,770.49**	**1,897.60**	**3,668.09**
	Compensation paid (₹ in crore)	**842.73**	**1,234.54**	**2,077.27**
	Farmers benefitted	**22,46,303**	**20,26,036**	**42,72,339**

Source: Data provided by the Agriculture Department; The figures in the brackets represent percentage figures in respect of total cultivable land area in the State.

- During 2016-21, percentage of area brought under Insurance scheme during Kharif seasons varied between 17 and 36 *per cent*, while for Rabi seasons, it was from 10 to 31 *per cent*.
- During 2016-21, total ₹ 3,668.09 crore was spent as premium of Crop Insurance Policies for a total sum insured of ₹ 67,488.83 crore; against the same, total 42.72 lakh farmers received compensation for ₹ 2,077.27 crore during 2016-20 (data in respect of 2020-21 was not made available by the Department).
- It may be further observed that the total premium amount as a percentage of sum insured increased from 2019 Kharif onwards, as the State Government started shouldering the total premium with introduction of BSB from February 2019.

Table 2.2: Premium paid as a percentage of Sum Insured

Year	Kharif	Rabi	Total
2016	2.51	4.99	**3.42**
2017	3.62	3.57	**3.59**
2018	2.66	3.26	**3.00**
2019	4.75	11.08	**6.76**
2020	NA	4.79	**NA**

Source: Records produced by the Agriculture Department

- A comparison of amounts of compensation received by the farmers *vis-à-vis* premium paid showed that out of eight crop seasons during 2016-20, in five seasons (three kharif seasons and two Rabi seasons), amounts of compensation were substantially less than the premium and stood at 21 *per cent* to 77 *per cent* of the corresponding premium amounts. On an aggregate, during 2016-20, 87 *per cent* of total premium amount (₹ 2,397.87 crore) was received by farmers as compensation (₹ 2,077.27 crore).

Evidently, even after four years of implementation of insurance schemes, in 2020-21 Rabi season, only 17.3 LHa (31 *per cent*) of land in the State has been brought under the coverage of insurance scheme. In the test-checked districts, it stood at 31 *per cent* (6.65 LHa covered out of 18.09 LHa of cultivable land) during the same season.

2.2.2 Position in test-checked districts

Position of coverage in test-checked districts indicated inter district imbalances as shown in the **Table 2.3** below:

Table 2.3: Coverage of Area under Insurance scheme in Rabi season 2020-21

District	Total area (in Ha) as per Agricultural Census 2015-16	Area Insured (in Ha)	Percentage
Birbhum	3,20,610	1,92,776	60.13
Hooghly	2,10,824	96,053.42	45.56
Jalpaiguri	1,45,850	23,771.10	16.30
Purba Bardhaman	3,16,992	2,26,833.47	71.56
Purba Medinipur	2,92,590	782,72.81	26.75
South 24 Parganas	5,22,410	47,326.87	9.06

Source: Records produced by the Dy. Directors of Agriculture

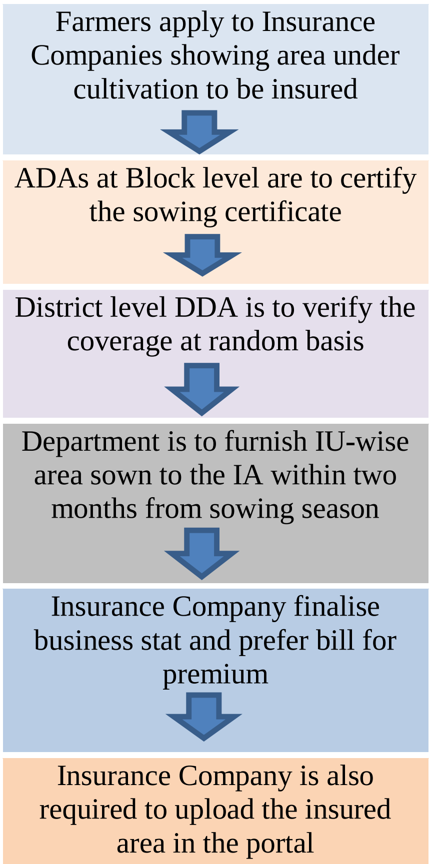
It is seen from the table above that the land insured in the test-checked districts of Jalpaiguri (Land:16.30 *per cent*) and South 24 Parganas (Land: 9.06 *per cent*) were inadequately covered under the scheme. Such low coverage was attributable to the facts that all the blocks in these districts were not notified for insurance. Moreover, vegetable cultivation was mainly done in these districts which was not covered under insurance.

As regards insufficient coverage of areas, the Department stated (April 2022) that after publication of notifications by the Department in daily newspapers, the Insurance Companies were to do all the publicity campaigns. It was also claimed that the farmers were quite aware of the insurance scheme; but, pointed out that insurance is a matter of solicitation and through concerted efforts of the IAs and Departmental functionaries, the coverage has improved.

The fact remains that there is further scope of improvement in awareness generation efforts. A beneficiary survey conducted by Audit threw lights on lack of awareness among the farmers regarding insurance, with 38 *per cent* of the farmers surveyed not being aware of the risk covered (*vide paragraph 2.5.5 read with* ***Appendix 2.3***), premium rate and premium subsidy, documents required for submission of proposals and cut-off dates for submission of proposals, *etc.*

2.3 Deficiencies in governance of the schemes

Flow Chart showing process of determination of insured area



2.3.1 Control over quantum of premium payable

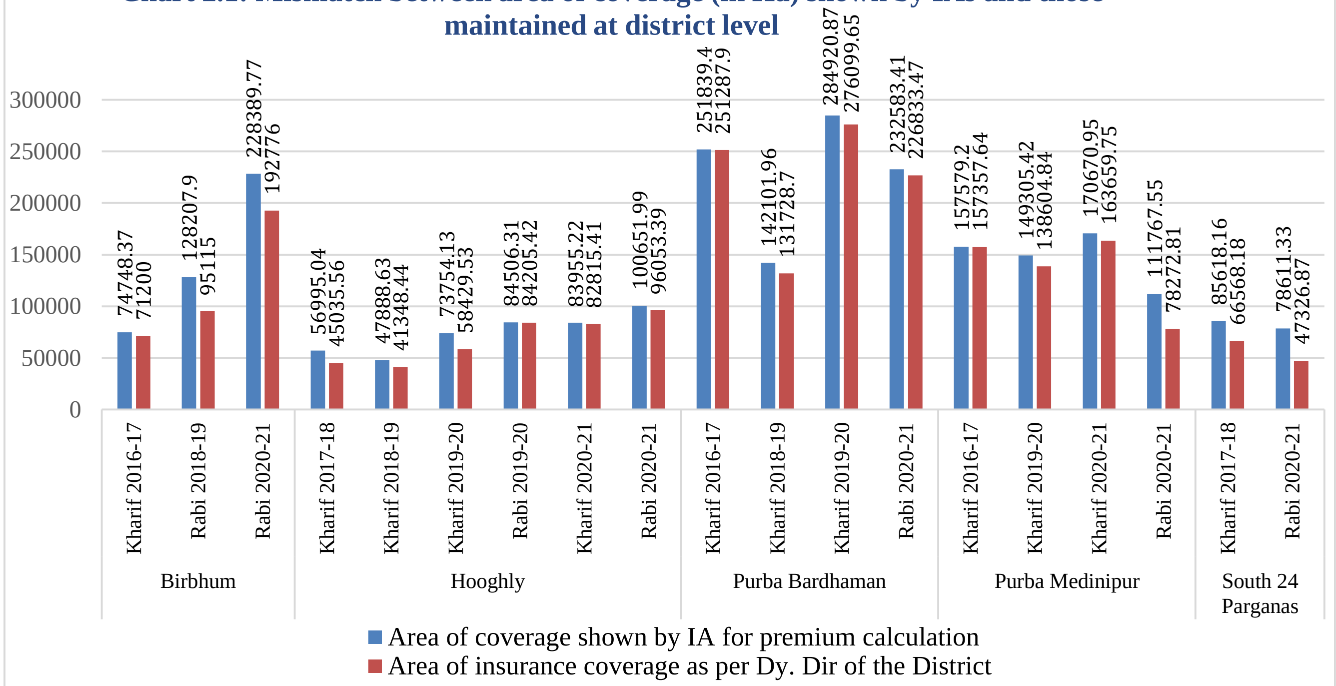
As total premium payable by the Department is a product of three multiplying factors (APR *multiplied by* Area Insured *multiplied by* Scale of Finance), control on determination of these components was crucial for ensuring reasonableness in premium economy in implementation of the insurance scheme.

2.3.1.1 Mismatch in figures of areas insured: The **flow chart** depicts the various steps and responsibility centres in the process for arriving at the area to be insured. The Dy. Directors of Agriculture (District level functionary) reports season-wise areas covered under insurance to the Department. On the other hand, for calculation of premium amounts, the Insurance companies (*i.e.*, the IAs) collect applications from farmers and obtain sowing certificate from the Assistant Director of Agriculture in the Blocks (ADA) on the body of the application forms. Insurance companies submit bill (for premium) to the department on the basis of these sowing certificates. While processing the premium payment to the IAs, the Department did not compare the total insured area shown by the IAs with corresponding district figures reported by the Dy. Directors[22]. Absence of cross-verification of these two sets of coverage area assumed significance as in following cases insurance areas quoted by IAs for premium calculation were more than the corresponding district level figures reported by Dy. Directors. Season and district-wise comparison is shown in ***Appendix 2.4***.

[22] *The figures provided by the Deputy Director of Agriculture of each district were on the basis of fortnightly crop coverage reports. These reports were not drawn up on the basis of sowing certificates issued.*

The ADAs of test-checked 18 blocks, stated that there was no record of the total area for which the sowing certificates were issued for each crop-season combination. The area sown appearing in the portal was uploaded by the Insurance companies and there was no scope for online validation.

Chart 2.1: Mismatch between area of coverage (in Ha) shown by IAs and those maintained at district level



Source: Records produced by the Dy. Directors of Agriculture and Agriculture Department

Thus due to lack of coordination between the Dy. Director of Agriculture and the Department, correctness of the payment made by the Department could not be ensured in audit. However the amount of excess premium could not be quantified in absence of the crop-wise excess area insured.

In its reply (April 2022) the Department was unable to explain the reasons behind such differences and stated that the IAs were the custodian of all the records related to sowing areas under insurance. Evidently, appropriate Departmental check over the area claimed to have been insured by the IAs, was absent. The Department, however, claimed that since Rabi 2020-21, it has brought in a modification to ensure co-ordination among the ADA of the block, DDA (Admn) of the district and the Department to ensure correctness of premium subsidy, thereby corroborating the observation of Audit that there was excess payment due to lack of reconciliation by the Department.

2.3.1.2 Fixation of Actuarial Premium Rates (APR): Actuarial rates are estimates of future losses, generally based on historical loss. It is used to determine the lowest premium that meets all the required objectives of an insurance company. APR is charged by IAs. As per PMFBY Guideline, ceiling of premium rate may be derived based on statistical evaluation/ actuarial premium analysis, loss cost, historical pay out, *etc*. The guidelines further stipulated that a Technical Support Unit (TSU) was required to be formed to provide support and advice on risk classification and rating, methodology for loss assessment, *etc*. It would calculate Loss Cost (LC) i.e. claims as percentage of Sum Insured (SI) along with approximate Actuarial Premium Rate (APR) of the crops proposed to be notified for the season.

It was observed that no such TSU was formed in the State as of September 2021. Instead, the State Government appointed (August 2016) Agriculture Insurance Company of India Limited (AICIL) to act as TSU for providing technical support in connection with preparation of bid documents by the Department for one year only. This had given rise to a situation with conflict of interest as the same Insurance Company was also one of the Implementing Agencies (IA) in BSB (Kharif 2016). Moreover, for Kharif 2020 onwards, AICIL was selected as sole IA. However, there was no such assignment of TSU functions from 2017 onwards. As noted from reply furnished by the Department that AICIL was selected as the sole IA, based on a proposal submitted by AICIL. AICIL had submitted a proposal, in terms of which, the yield loss was proposed to be assessed through an approach, based on satellite/ weather data and without much manual intervention. The reply indicated that the Department considered the proposal owing to imposition of nation-wide lockdown/ restrictions in view of COVID 19 outbreak, as the proposal of AICIL did not involve much physical movement or social gatherings.

In course of audit scrutiny it was observed that with the assignment of IA functions to AICIL, the CHF was to be determined by AICIL. However, as a result of this, the Department had no control in determining the claim settlement and power of settlement of claim was vested only with the AICIL and that the control over Satellite data also rested with AICIL. This has been subsequently discussed in *paragraph 2.3.1.5 (ii)* of the Report.

For Kharif 2020 and Rabi 2020-21, no claim data was made available by the Department to Audit, though the same had been requisitioned (in July 2021).

The department, in its reply (April 2022), stated that there was no scope for the State Government to fix any ceiling on premium rate under the PMFBY Guidelines. The reply was, however, silent on reasons for non-formation of TSU to calculate LC and approximate APR before going into tender. As a result, the Department was not in a position to assess the justifiability of the higher APR values[23] quoted by the IAs.

2.3.1.3 Acceptance of different APR for adjacent districts in same Agro Climatic Zone: It was also observed that there were instances of wide variations in APR of contiguous districts in same Agro Climatic Zone during Kharif 2017 to Kharif 2020 and Rabi 2018-19 to Rabi 2020-21, which could not be explained to Audit.

Table 2.4.1: Variations in APRs of adjacent districts in same Agro Climatic Zone

Crop season	District having lower APR (APR)	Adjacent district having higher APR (APR)	Lower APR in the pair
Kharif 2017/ Aman Paddy[24]	Murshidabad (1.29)	Nadia (4.24)	1.29
	Coochbehar (0.85)	Jalpaiguri (1.48)	0.85
	Burdwan(1.50)	Hooghly(3.5)	1.50
Kharif 2018/ Aman Paddy	Jalpaiguri (4.0)	Coochbehar (15.78)	4.00
	Burdwan (1.7)	Hooghly (5.14)	1.70
Kharif 2019/ Aman Paddy	Murshidabad (2.30)	Nadia (6.80)	2.30
	Purba Bardhaman (5.00)	Hooghly (7.90)	5.00

[23] *At least 50 such cases were noticed, where the APR ranged from 20 per cent to 38.61 per cent of sum insured*

[24] *Aman Paddy is sown in July-August and harvested in winter.*

Crop season	District having lower APR (APR)	Adjacent district having higher APR (APR)	Lower APR in the pair
Kharif 2020/ Aman Paddy	Murshidabad (2.07)	Nadia (6.12)	2.07
	Purba Bardhaman (4.50)	Hooghly (7.11)	4.50
Rabi 2017-18/ Potato	Jalpaiguri (5.20)	Coochbehar (12.0)	5.20
	Hooghly (15.00)	Purba Bardhaman (17.71)	15.00
Rabi 2018-19/ Potato	Murshidabad (10.87)	Nadia (17.30)	10.87
	Purba Bardhaman (11.90)	Hooghly (15.43)	11.90
Rabi 2019-20/ Potato	Nadia (5.15)	Murshidabad (11.96)	5.15
	Purba Bardhaman (13.09)	Hooghly (16.97)	13.09

Source: Season-wise notifications issued by the Agriculture Department

Such variation led to calculation of higher premium for adjacent districts within the same Agro Climatic Zone with higher APR as illustrated below:

Table 2.4.2: Effect on quantum of premium for adoption of higher APR

Crop season	District having lower APR	District having higher APR	Lower APR in the pair (in *per cent*)	Area Insured (in Ha)	SOF (in ₹)	Premium should have been (in ₹) considering lower APR	Premium actually paid due to higher APR (in ₹)	Excess premium (in ₹)
				of the district having higher APR				
1	2	3	4	5	6	7 = 4 X 5 X 6	8	9 = 8 - 7
Kharif 2017/ Aman	Murshidabad (1.29)	Nadia (4.24)	1.29	30,265.51	55,575	2,16,97,874	7,13,17,048	4,96,19,174

Source: Season-wise notifications & data furnished by the Agriculture Department

Appendix 2.5 shows a comparison of divergent APRs for sets of adjacent districts within the same Agro Climatic Zone for a particular crop in a particular season. It would show that adoption of lower APRs could have led to a savings of ₹ 106.65 crore towards premium for Aman Paddy and ₹ 71.99 crore for Potato.

In its reply (April 2022) the Department claimed that under PMFBY guidelines there was no scope for the State Government to fix any ceiling on premium rate even if different rates were quoted for districts in same agro climatic zone. However, this was not in conformity with the facts, as there was a specific para in the PMFBY guideline (Para 7.1.6[25] provided that depending on the risk profile, historical loss cost and cost benefit analysis, if the State Government feels that the premium rate likely to be offered by bidding Insurance Companies would be abnormally high, then the State Government can fix a ceiling on premium rates for bidding evaluation).

2.3.1.4 Discrepancy in Scale of Finance leading to payment of excess premium: As per the guidelines, the sum insured per hectare for farmers would be equal to the Scale of Finance (SOF) which is to be decided by the District Level Technical Committee (DLTC) and would be notified by the Department. Sum Insured for individual farmer should be equal to the SOF per hectare multiplied by the area of the notified crop proposed by the farmer for insurance.

However, scrutiny revealed that the SOF notified by the State was not exactly as approved by the DLTC in six test-checked districts. There were variations in almost all crops for all seasons and in most cases the SOF notified by the Department was higher than that approved by the DLTC. As a result an excess

[25] *"Depending on the risk profile, historical loss cost and cost benefit analysis for the proposed crop(s) in district(s) of any cluster, if the State Government feels that the premium rate likely to be offered by bidding Insurance Companies would be abnormally high, then the State Govt. can fix a ceiling on premium rates for such crop(s) proposed to be included in the bidding evaluation for the bidding period"*

premium of ₹ 23.79 crore was paid by the State Government during the period 2016-21 as detailed in ***Appendix 2.6***.

In its reply (April 2022) the Department claimed that there were separate SOF for a particular crop for irrigated and un-irrigated areas and only the values approved by the DLTC were notified. However, this was not borne out by the facts as Audit compared the highest SOF notified by the DLTC for a particular crop with the State notification and there was still a considerable gap which affected the final premium amount.

2.3.1.5 Assessment of loss/ shortfall in yield

(i) Crop Cutting Experiment (CCE) until 2020: For end of season claim, the scheme operates on the basis of area approach, *i.e.* defined areas for each notified crop and insurance unit. Yield data was to be determined by the Departmental officials and furnished to Insurance Companies for crops and areas notified based on total number of Crop Cutting Experiments[26] (CCE) for calculation of Actual Yield. If actual yield per Hectare of insured crop for the Insurance Unit falls short of threshold yield, all insured farmers growing that crop in the notified area shall be deemed to have suffered shortfall in yield of similar magnitude.

Scrutiny of CCE records for the period from 2016-19 provided by test-checked Blocks of Purba Bardhaman and Jalpaiguri districts and CCE data of those particular blocks forwarded to the IAs by the Department revealed that in 70 (Potato: 60 and Paddy: 10) out of 303 (Potato: 100 and Paddy: 203) cases, the CCE value forwarded by the Department was higher than the block level test-checked records. This adversely affected the chances of claim payment for 2.53 lakh farmers of six blocks.

In its reply (April 2022), the Department claimed that yield estimation was done by a third party namely the Bureau of Applied Economics and Statistics (BAES) under the Department of Planning and Statistics, Government of West Bengal on the basis of CCE conducted by them. Hence, the Department had no role to play. However, it was contrary to the notification by the State where both the Department of Agriculture (for Aman Paddy) and the BAES were responsible for conducting CCEs. Besides, all the figures cited by Audit from the test-checked blocks were sourced from the records of the ADAs of the Department of Agriculture.

(ii) Crop Health Factor (CHF) from 2020: As per the revised BSB guidelines, 2020, Threshold Yield had been replaced with threshold CHF from Kharif 2020 onwards, the responsibility of determining the CHF was transferred to AICIL from the Department. As a result of shifting of responsibility the Department had no control in determining the claim settlement and power of settlement of claim was vested only with the AICIL.

The Department stated (April 2022) that the responsibility of claim calculation under crop insurance was always that of the IA and the same was done on the basis of yield data provided by a third party (in this case ISRO-NRSC). However, unlike in the case of claim calculation on the basis of CCE where the

[26] *Crop Cutting Experiments or CCE is an assessment method to accurately estimate the yield of a crop or region during a given cultivation cycle*

data on whose basis claims were calculated was lying with the Department, in case of CHF the Satellite data was lying with a third party.

2.4 Insurance claims and settlement

As per data furnished by the Department, during 2016-21 (*i.e.*, from Kharif 2016 season), there was a total crop insurance claim (fully admitted) of ₹ 2,078.28 crore, of which ₹ 2,077.28 crore was paid to 42.72 lakh farmers.

This position, however, does not include any data in respect of Kharif 2020 and Rabi 2020-21, as the same was not furnished by the Department as of February 2022, though called for (July 2021).

2.4.1 Deprival of farmers from claim against prevented sowing conditions, mid-term losses and post-harvest losses

For the scenarios of prevented sowing conditions, mid-term losses and post-harvest losses, the trigger for evaluation for each IU was weather based data to identify excess rainfall, drought and intimation by the Assistant Director of Agriculture of the block. For this purpose, with each notification, a list of weather stations was notified.

Scrutiny, however, revealed that there was no specific mapping of weather stations to the Insurance Units (IUs). It was observed that out of 18 test-checked Blocks, no weather stations were notified in five blocks. Though there were weather stations in 13 test-checked Blocks, 11 Blocks did not receive weather reports from the designated weather stations as the automatic weather stations were defunct. The manual rain gauge stations were also not sending the required weather reports for triggering the prevented sowing, mid-term loss and post-harvest loss conditions.

Further, in violation of the guidelines, the DLMC and District Agriculture Office in test-checked districts never functioned as Joint Assessment Committee for assessing crop loss in case of prevented sowing conditions, mid-term calamities and post-harvest losses.

As a result, no notification for prevented sowing conditions, mid-term calamities or post-harvest losses in five (all excluding Hooghly[27]) out of six test-checked districts was noticed. This allowed the insurance companies to evade responsibility by refusing compensation to the farmers in case of prevented sowing conditions, mid-term calamities or post-harvest losses. In reply, all the 18 test-checked Blocks stated that there were no cases of prevented sowing, mid-term calamity or post-harvest losses during the audit period. This fact was, however, contradicted by the beneficiary survey (conducted jointly with departmental officials), where 443 (50 *per cent*) of the farmers surveyed lodged claims of such losses.

In its reply (April 2022), the Department admitted that some of the weather stations were inactive. However, it claimed that weather data for all IUs were available from one source or the other. The reply did not address the Audit's observation, which was not only about the availably of the weather data, but also on the non-receipt of the weather reports at the ADA level and consequent non-formation of the joint assessment committee. The picture at the block level

[27] *Mid-season adversity notification was issued in Hooghly district for kharif 2017 for three blocks (Aman paddy) and Rabi 2018 19 for all blocks (Potato). Besides post-harvest loss notification was issued for kharif 2017 in all blocks for Aman Paddy.*

was further substantiated at the whole state level from the fact that only ₹ 100.90 crore (quoted by the Department in its reply) were distributed as claims on these accounts during the period 2016-21 to 1,63,848 farmers by all the IAs throughout the State.

2.4.2 Assessment of Claims

The process of assessment of Insurance claims and their settlements in different scenarios of crop loss is summarised in the following diagram:

End of season losses	**Prevented sowing/ Mid season losses**	**Losses from local disaster/ post-harvest losses**
✓ Deptt. to conduct CCE to determine actual yield ✓ If Actual Yield < Threshold Yield, then End of season Loss will be accepted for claim ✓ The farmers do not know details of Threshold yield, though actual yield data is available in the portal ✓ The calculation of claim is done by the Insurance Companies (Govt. has no control) ✓ The IA will transfer the claim amounts to the farmers. Govt. has no means to verify the payment of claims.	✓ It is based on Weather data reported by weather Stations ✓ Govt. is to intimate the same to the Insurance Companies (showing prevented sowing, *etc.*) ✓ A Joint Assessment Committee is to be formed with representation of both Deptt and IAs ✓ The farmers have no say in putting forth any claim or quantum of claim ✓ The IA will transfer the claim amounts to the farmers	✓ Farmers are required to give information of any loss due to localized loss, post-harvest loss, *etc.*, within 48 hours. ✓ Either to the local ADAs ✓ Or to the Insurance Companies ✓ A Joint Assessment Committee is to be formed with representation of both Deptt and IA to assess the loss ✓ The calculation of claim is to be done by the Insurance Companies ✓ The IA will transfer the claim amounts to the farmers

Source: Guidelines of the scheme

- From the procedures, it is evident that Government has little control on settlement/ calculation of claim.
- Actual payment of claim to farmers is not monitored by the Department as data was not uploaded in the portal by the IAs.

In case of end of season claims, once yield data was received from the Department, claims would be worked out by the IAs for each notified area and crop. In case of claims under prevented/ failed sowing, localized calamities, post-harvest losses, IAs will process the claims after joint assessment (by IAs and Departmental functionaries) and shall release the claims as per procedure given in the guidelines. After finalization of claims, the Insurance Company shall transfer the claim amounts online directly into the bank accounts of farmers. The list of the beneficiaries (Bank-wise and insured area-wise) shall also be uploaded on the crop insurance portal and website of the concerned insurance companies.

It was observed that the IAs only supplied the list of the Banks and the amounts remitted as claim amounts to the Department. However, there was no verification mechanism by the Department to ensure whether the amounts actually reached the bank accounts of the farmers. The list of beneficiaries was also not uploaded in the crop insurance portal.

The season-wise amounts of claims, claims admitted, claims paid and number of farmers receiving insurance amounts are shown in ***Appendix 2.7***.

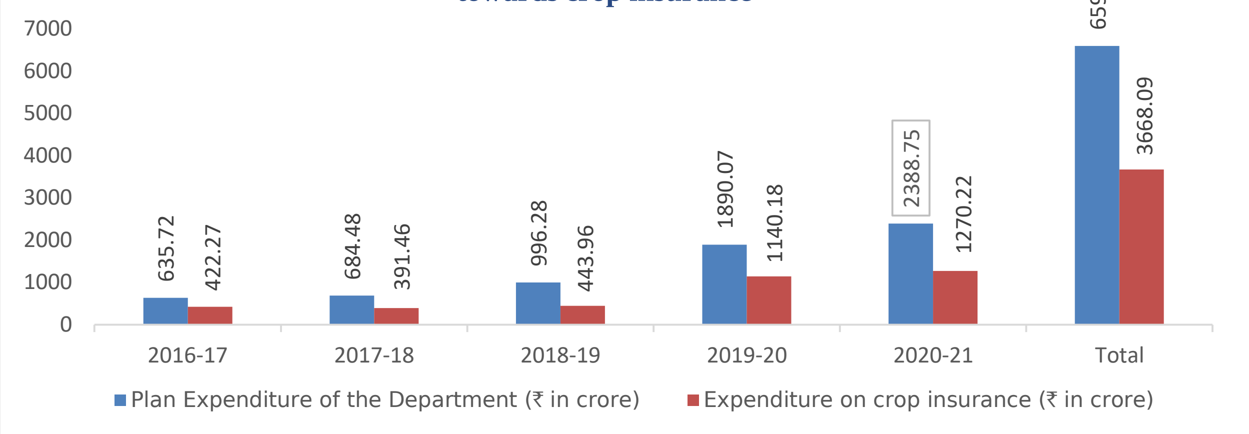
The Department did not provide claim data from Kharif 2020 onwards.

Viewed with the fact that the mechanism of submission of beneficiary verification reports by the IAs and cross-verification by monitoring committees, was not followed (*vide paragraph 2.5.1*), the aspect of actual percolation of benefits call for active intervention of the Government.

2.4.2.1 Instance of turning down of claim by IA: In test-checked district of Jalpaiguri, 34,165 farmers had applied for PMFBY during Kharif 2017 within cut-off date, *i.e.*, 31 July 2017. Though the natural calamity occurred during 10.08.2017 to 13.08.2017, district authority failed to identify insured farmers due to non-uploading of data by the Insurance Agency. As a result, the farmers were deprived of the benefit of the scheme. However, the financial implication could not be quantified as the application for mid-term loss was turned down by the Insurance Company. No penal action against the IA was forthcoming from records.

2.4.2.2 Increase in premium payment without achieving intended benefits to the farmers: The Department incurred ₹ 3,668.09 crore during the period from 2016-17 to 2020-21 towards payment of crop insurance premium as shown in **Chart 2.2**:

Chart 2.2: Total Plan expenditure of the Department *vis-à-vis* expenditure towards crop insurance



Source: State Budget document, sub-head account and data furnished by the Department. For the year 2020-21 the State Development schemes were only considered.

Table 2.5: Budget Estimates and Releases

Year	Budget Estimate for Crop Insurance	Released to IC
	(₹ in crore)	
2016-17	416.57	422.27
2017-18	260.00	391.46
2018-19	450.00	443.96
2019-20	398.20	1,140.18
2020-21	450.00	1,270.22

Source: Reply furnished by the Agriculture Department

It was observed that the crop insurance premium entailed a large burden on the Departmental budget, which was about 57 *per cent* of the Plan Expenditure of the Agriculture Department during 2016-21.

It was observed from the available records that there was excess expenditure every year except in 2018-19 in comparison to the budget allocation on crop insurance as shown in **Table 2.5**. This was mainly due to delay in finalization of the bills by the IAs. As per guidelines, all admissible claims based on yield data/ post-harvest losses shall be settled by the IA on receipt of 2nd instalment of premium subsidy on the basis of tentative business statistics generated. There were consistent delays in submission of bills by the IAs as detailed in ***Appendix 2.8***. This hampered the timely payment of claim amount by the IAs.

2.5 Monitoring and Supervision

2.5.1 Monitoring of the scheme

There was a two-level monitoring mechanism in the guidelines- a State Level Review and Monitoring Committee (SLRMC) at the State level and District Level Monitoring Committee (DLMC) at district level. Further, the State Level Coordination Committee for Crop Insurance (SLCCCI) was authorised to oversee the overall implementation of the schemes.

The activities of these Committees are compared with the corresponding mandates in the following table:

Table 2.6: Activities of District and State level committees *vis-à-vis* mandate

Composition and mandate	Activities performed
District Level Monitoring Committee (DLMC) under the Chairmanship of District Magistrate; Dy. Director of Agriculture being the Convener.	
To ensure proper coverage under the scheme, the DLMC was *inter alia* mandated with the following roles: • Verify the coverage on random basis, • Monitor conduct of CCEs in districts, • Provide fortnightly crop condition reports and periodical reports on seasonal weather conditions, *etc*., to the concerned insurance company. • Further, the DLMC was to furnish to the insurance companies the IU-wise area sown of insured crops within two months from the sowing period. • The DLMC would also assist the insurance companies for assessment of crop loss of individual insured farmers caused by localized perils and also assist in assessment of post-harvest losses • Besides, about five *per cent* of the beneficiaries were to be verified by the Insurance Companies; DLMC was to obtain the feedback from IAs and cross verify at least 10 *per cent* of the beneficiaries verified by the insurance company and send the feedback to State Government.	• Records of test-checked district offices did not show any documentary evidence in support of carrying out of these functions. • In six test-checked districts, DLMC meetings were held at the beginning of the two cropping seasons each year. It was, however, a routine affair without any specific issues as envisaged in the guidelines. • Though various generalised decisions[28] taken and directions issued, there was no follow up on record. The DLMCs did not review the compliance to the decisions/ directions issued in earlier meetings. • As regards verification of beneficiaries by IAs and cross verification by DLMC, it was observed in audit that the IAs submitted a certificate stating that they had complied with this condition without appending any details. The DLMC did not ask for the details for cross verification.
SLRMC under the chairmanship of the HoD of Agriculture Department	
• SLRMC was responsible for Periodical review (preferably monthly) of implementation of the scheme. • It shall Review and monitor the implementation of BSB including premium rates, product-benchmarking. Review performance of participating insurance companies and suggest modifications/ improvements wherever required.	It was observed that there were only four SLRMC meetings during the period of audit. It was noticed from the Minutes of Meeting that the issues like late uploading of farmer details by the IAs in the portal, non-payment of claims by the IAs, delayed payment of end of season claims, portal related issues came up for discussion, compliance of the directions was, however, not followed up as observed during audit.

Source: Guidelines of the scheme

Hence, the monitoring system as envisaged in the guidelines were not being implemented properly.

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[28] *Illustrative list of common type of decisions: Direction to the IA to increase publicity for the scheme, direction to the IA to keep close coordination with the Assistant Director of Agriculture of the blocks, direction to the IA to maximise the number of enrolled farmers, direction to the IA to deploy adequate manpower and open offices at the District/ subdivision level*

Such under performance of DLMC, especially non-intimation of area sown of insured crops to the IA within two months from the sowing period, may be viewed with the mismatch of area coverage quoted by the IAs while claiming premium with set of data compiled by the Dy. Director of Agriculture (Convener of the DLMC) at district level (*discussed in paragraph 2.3.1.1 read with* ***Appendix 2.4***). It also contributed to the non-payment of compensation due to the prevented sowing/ mid-term/ post-harvest losses in the test-checked districts except in Hooghly.

2.5.2 State Portal for BSB – shortcomings therein

As per the operational guidelines of BSB, the Department shall endeavour to integrate all the stakeholders, *viz.* Government agencies, insurance companies and farmers on a single IT platform to ensure better co-ordination and transparency for getting real time information and monitoring. The idea behind developing a web-based, integrated IT solution is to speed up service delivery, unify fragmented databases, achieve a single view of data, eliminate manual processes and thus provide faster insurance services to farmers. The portal had to provide the following services as per the guidelines.

- ***Farmer's enrolment and premium remittance:*** The portal only provided individual farmer's data containing details like name, land details, crop insured, bank account, *etc*. The block/ district/ state-wise details about the total number of farmers enrolled and the land insured was available. However, the portal does not capture the APR and SOF for a particular crop-district combination, though envisioned in the guidelines. As a result, the portal could not calculate the total premium incorporating the APR and SOF. Hence an overall view of the total premium payable by the State and farmers (for potato and sugarcane), district-wise and crop-wise was not available in the portal.
- ***Information and reports regarding mid-term/ preventive sowing/ individual/ localized claims:*** No information was uploaded from the weather stations attached to each IU regarding the weather parameters for prevented sowing, mid-term, individual/ localized claims.
- ***Average Yield (AY)/ Threshold Yield (TY) data for final claim calculation and remittance of claims into farmer's bank account:*** The CCE data was available in the portal. However CHF data was not available from Kharif 2020 onwards. Threshold yield for the IU and claim amount remitted into the farmers' bank accounts could not be checked from the portal. This has substantially restricted the utility of this portal both for the farmers and the Government.

The Department stated (April 2022) in reply that continuous development and upgradation of the portal was going on and provisions were being made for registering claim disbursement data also.

2.5.3 Publicity and awareness generation

As per the guidelines of the schemes, adequate publicity was to be given in all the villages of the notified districts. All possible means of electronic, print media, farmers fair, *etc*., were to be utilised to create and disseminate awareness about the benefits and provisions of the scheme among the farmers. It was the responsibility of the IAs for creating awareness and generate publicity about the Insurance schemes.

Actual efforts taken by IAs for publicity and awareness among farmers were not forthcoming from records at the District/ block level. Concerns were expressed in DLMC meetings regarding inadequate publicity. However, compliance to the directives of the committee was not pursued as already discussed in *paragraph 2.5.1* above.

During beneficiary survey, 335 (37 *per cent*) farmers stated that they were not aware of the risk covered, premium rate and premium subsidy given by GoI and the State Government, documents required for submission of proposals and cut-off dates for submission of proposals.

2.5.4 Other areas of governance

- ***Grievance redressal:*** The BLMC, DLMC and the SLRMC were also tasked with grievance redressal. No records were maintained regarding the number of complaints received and redressal there-against.
- ***Assessment of performance of IAs:*** No assessment of the performance of the IAs as mentioned in the guidelines was conducted. Mentions were made regarding poor performance of the individual IAs in the SLMC meetings. However, no concrete redressal plans were discussed, neither was any penalty[29] imposed for poor performance.

2.5.5 Areas with scope of improvements arising out of Beneficiary survey conducted jointly with departmental officials

Audit conducted a survey covering 892 farmers covered under the Insurance Scheme to assess the actual status of percolation of benefits and farmers' experiences. Detailed outcomes of the survey are tabulated in ***Appendix 2.3***. The major areas with further scope of improvement are depicted in the following charts.

Chart 2.3: Whether the farmers were aware of the risk covered, premium rate and premium subsidy given by GoI and the State government, documents required for submission of proposals and cut-off dates for submission of proposals

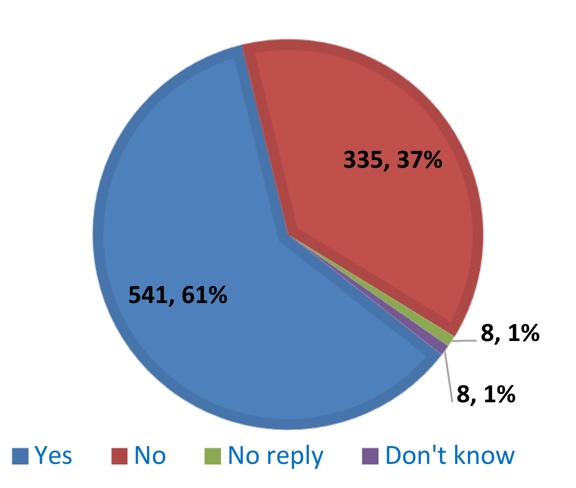
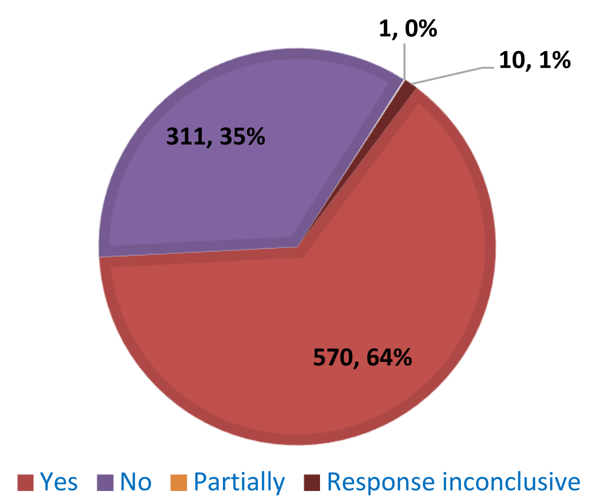


Chart 2.4: Whether the farmer has been informed about insurance of his crop. Whether any insurance policy is available with the farmer



[29] *Penalties for shortcomings in implementation and delivery of the scheme included penal interest for delayed payment of claims, forfeiture of a percentage of premium for deficiency in services and also debarment from participation.*

Chart 2.5: Whether the farmer was aware of the claim amount due.

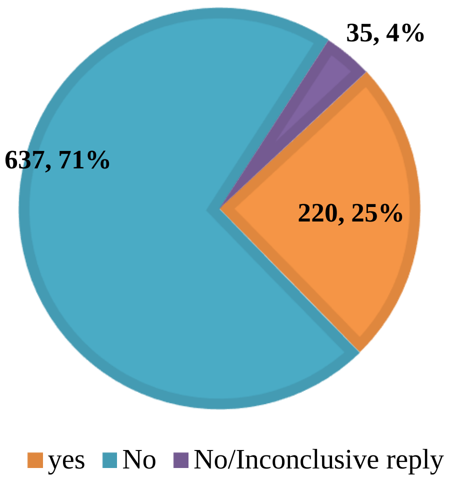
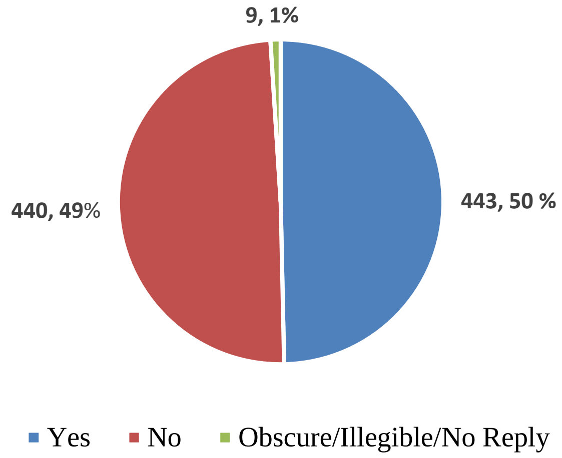


Chart 2.6: Whether the farmer applied for compensation for prevented/ failed sowing or mid-term calamities or post-harvest loss in previous years.



Source: Beneficiary survey

- As per provisions of the Guidelines, both Government and Insurance Company were responsible for publicising the scheme among the farmers so that they were aware of the features of the scheme. Though the number of farmers covered under the scheme has increased over the years, it surfaced from the beneficiary survey that 37 *per cent* of the farmers surveyed were not aware about the features of the scheme as brought out in ***Chart 2.3***.
- The survey also brought out the fact ***(Chart 2.4)*** that once the farmers had applied for insurance cover to the IAs, substantial number of famers (35 *per cent*) were not informed by the IAs about acceptance of the application (in the form of policy documents or through any confirmatory message).
- A majority of the farmers interviewed (71 *per cent*) were not aware of the claim amount due.
- ***Chart 2.6*** shows that almost half of the farmers surveyed had applied for compensation in respect of the claim for prevented sowing or mid-term calamities; however, payment in respect of these claims were low (out of total compensation of ₹ 2,077.27 crore paid by the IAs during 2016-20, compensations on these three counts accounted for less than five *per cent* as discussed in *paragraph 2.4.1*).

2.6 Conclusions and Recommendations

Conclusions:

Even after four years of implementation, only 31 per cent of cultivated land in the State has been brought under the coverage of insurance scheme in 2020-21 Rabi season.

There were instances of lax governance on various crucial aspects of the Insurance schemes. There were discrepancies in the area brought under insurance coverage. The Department did not compare the area shown by the

Insurance Companies with the District level figures. The APR quoted by the IAs were accepted by the Department in the absence of independent assessment through formation of TSU in the State. Appointment of AICIL to perform tasks mandated for TSU (in kharif 2016) gave rise to a situation of conflict of interest.

Similar crops grown in contiguous districts within the same agro-climatic zone attracted highly divergent premium rates, which resulted in avoidable excess payment of premium. Variations in SOF in almost all crops for all seasons resulted in payment of excess premium. Adoption of Higher CCE value adversely affected the chances of claim payment. Further, with the transfer of responsibility of determining CHF to AICIL the Department lost control in determining the claim settlement.

Lack of information of weather report, threshold yield, claim report, *etc*., in the portal hampered the real time monitoring of the scheme. Farmers were not aware of the risk covered, documents required for submission of proposals and cut-off dates for submission of proposals, *etc.*

The mechanism for assessment of claims and payment thereof allows little control of the Department on the decisions of the Insurance Companies. The situation was compounded by lack of monitoring and cross checking on actual percolation of benefits to the farmers.

The aim of the State Government to extend hassle free benefits of crop insurance to all the farmers of the state and to ensure timely claim settlement following transparent and simplified procedures in event of crop loss was not achieved. There was no verification mechanism by the Department to ensure that the amounts actually reached the bank accounts of the farmers.

Recommendations:

- ***Government should revisit the process of acceptance of rates offered by the IAs. There should be more oversight on premium payment mechanism.***
- ***The Department should create a permanent database of the farmers' of the State so that entry of data individually for each season is not repeated. This would shorten the timeline for scheme thereby improving the claim payment process. Government should review the premium rates on the basis of the parameters stated in the guidelines.***
- ***Government should ensure that individual farmers are aware about the features of the scheme including process of lodging.***

Chapter 3

Procurement of Paddy and Supply of Custom Milled Rice

Chapter 3: Procurement of Paddy and Supply of Custom Milled Rice

FOOD & SUPPLIES DEPARTMENT

3.1 Introduction

For distribution of rice through the Public Distribution System (PDS), the Food & Supplies (F&S) Department arranges to purchase paddy at Minimum Support Price[30] (MSP) directly from farmers through designated agencies *viz.*, West Bengal Essential Commodities Supply Corporation Ltd. (WBECSC), West Bengal State Cooperative Marketing Federation Ltd. (BENFED), West Bengal State Consumer's Co-operative Federation Ltd. (CONFED), *etc*[31]. The designated agencies engage Paddy Procuring Co-operative Societies (Societies) for procuring paddy from farmers at MSP. After procurement, the paddy is converted into rice (referred as Custom Milled Rice – CMR) by empanelled rice mills. From the Kharif Marketing Season (KMS) 2016-17, the Government of West Bengal (GoWB) introduced direct procurement of paddy through F&S Department. Under the new system, the F&S Department procured paddy from the farmers at the notified Centralised Procurement Centres (CPCs) managed by District Controller of Food & Supplies (DCF&S). Paddy was also procured through the designated agencies (also referred as CMR agencies) directly or by engaging Cooperative Societies/ Self Help Groups (SHGs)/ Farmer Producer Organisations (FPOs). The new scheme of Procurement through CPCs and designated Agencies was strengthened by West Bengal Custom Milled Rice (Obligation & Control) Order 2015 and subsequent amendments thereof. This audit was taken up to assess the level of compliance to Government orders/ guidelines issued regarding the process of Procurement of Paddy and Delivery of CMR, availability & utilization of funds and internal control, monitoring & supervision of the entire process.

The procurement operations are managed by the Directorate of District Distribution, Procurement & Supply (DDPS).

3.1.1 Functioning of the Scheme

3.1.1.1 Registration of farmers: At the beginning of each KMS in October, willing farmers have to register their names in the online portal through CPC or CMR agency. From 2020-21, farmers were allowed to use their previous year's registration.

Initially, in 2016-17 KMS, the Purchase Officer or Person-in-charge of the procurement was to register the names of the farmers who turn up to sell their produce through Desktop/ Tab based application software after verification of mandatory documents submitted by them *viz.*, Record-of-Right on cultivable land, Bank Pass Book, Electoral Photo Identity Card, Aadhaar Card and/ or other documents bearing photograph of the farmer accepted as proof of Identity. On completion of registration of farmers, they were provided with a system

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[30] Minimum Support Price means support price of paddy, as fixed by the Government of India, to be paid to farmers while procuring paddy from farmers either by designated agencies or Food Corporation of India for a particular Kharif Marketing Season

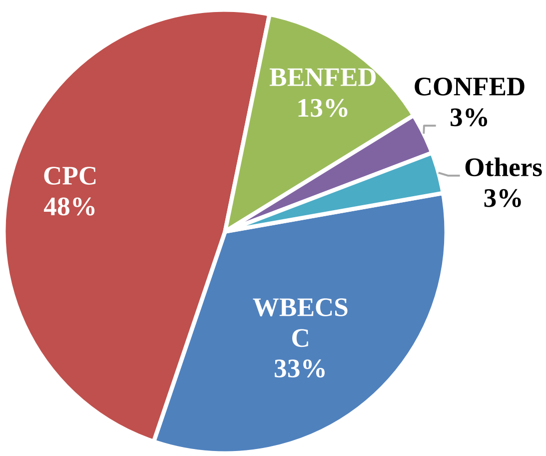
[31] Other agencies include National Agricultural Co-operative Marketing Federation of India (NAFED), National Federation of Farmers' Procurement, Processing and Retailing Cooperatives of India Ltd. (NACOF), National Co-operative Consumer's Federation of India Ltd. (NCCF) and Paschim Banga Agri Marketing Cooperation Ltd. (PAMCL)

generated Farmer's Registration Certificate bearing a unique number (registration number) in case of CPCs having desktop. In Tab-based CPCs, a pre-printed Registration Certificate was to be filled up on the basis of documents provided by the farmer. It was mandatory on the part of the farmer to bring the Farmers' Registration Certificate with his photo pasted along with a photo identity card at the time of sale of paddy at the Purchase Centre. Further, during KMS 2019-20, farmers registered by the Agriculture Department under '*Krishak Bandhu*' scheme, were required to produce only Voter ID card.

In 2020-21 KMS, the registration of farmers was done mandatorily at any Purchase Centre through online paddy procurement module of F&S Department and farmers who had earlier registered in KMS 2019-20 were allowed to continue with their previous registration.

3.1.1.2 Standard Operating Procedure of procurement: The registered farmers are required to bring their paddy to CPC or camp site on the scheduled date. There, the paddy is weighed up and based on MSP for the respective KMS, the sale proceeds are deposited to farmer's bank account through National Electronic Funds Transfer (NEFT) within three days. The paddy so procured is then dispatched to tagged Rice Mill[32] for milling. After milling, Rice Millers offer to deliver the resultant Custom Milled Rice[33] to concerned DCF&S directly in case of CPC procurement or through CMR agency in case of procurement through Societies/ SHG, *etc.* On receiving the offer, district authority issues the delivery order to the Miller mentioning the name of the godown and Rice Receipt Order (RRO) to the respective godown. After analysing the sample, the Weight Quality and Stock Certificate (WQSC) is issued to the Rice Miller by Quality Control Inspector posted in the Godown. On the basis of WQSC, the concerned Rice Millers submit the claim for incidental charges[34] to DCF&S or CMR agency and receive admissible payments in their respective Bank accounts.

Chart 3.1: Share of procurement of paddy during KMS 2016-17 to 2020-21



3.1.1.3 Agencies involved: During 2016-21, a total quantum of 205.19 LMT (lakh metric tonnes) of paddy (worth ₹ 35,089.04 crore[35]) was procured in West Bengal. **Chart 3.1** depicts the share of different agencies in total procurement of 205.19 lakh MT (LMT) of paddy in the State during KMS 2016-17 to KMS 2020-21.While F&S Department procured directly 48 *per cent* (97.76 LMT) of the total procurement during 2016-21, the balance (107.43 LMT) was procured by other CMR agencies, of which West Bengal Essential Commodities Supply Corporation Ltd. (WBECSC) and West

[32] having bi-partite agreement with Food & Supplies Department and/ or tri-partite agreement in case of CMR agencies
[33] 67 per cent for Raw Rice and 68 per cent for par boiled Rice
[34] Milling charge, Mandi labour charge, transportation charge, etc.
[35] ₹5,843.59 crore in 2016-17, ₹4,985.46 crore during 2017-18, ₹6,864.87 crore during 2018-19, ₹8,868.24 crore during 2019-20 and ₹8,526.88 crore during 2020-21

Bengal State Cooperative Marketing Federation Ltd. (BENFED) were most significant ones with shares of 33 and 13 *per cent* respectively.

3.1.2 Audit objectives, criteria and scope

The Audit aimed to assess the level of compliance to

- Government orders/ operational guidelines issued for decentralised procurement of paddy and delivery of Resultant Custom Milled Rice;
- Availability and utilization of financial resources were in conformity with requirements of the guidelines;
- Orders/ guidelines on internal control, monitoring and supervision on the procurement operations and payment of MSP.

The audit observations were framed with reference to benchmarks provided by the following:

- West Bengal Custom Milled Rice (Obligation & Control) Order 2015 and subsequent amendments thereof;
- Procurement guidelines/ orders of the State Government for each KMS;
- Operational guidelines framed by the Department;
- Agreements entered with the Rice Millers;
- MSPs fixed by GoI from time to time; and
- Instructions issued by the GoI and State Government from time to time.

Audit test-checked records of F&S Department/ Directorate, WBECSC, BENFED and CONFED covering a period of five years from 2016-17 to 2020-21. Apart from the State level offices, audit coverage also encompassed offices of the DCF&S and district level functionaries of the above agencies of six randomly selected districts (*viz.*, Howrah, Purba Bardhaman, Birbhum, Nadia, Hooghly and Dakshin Dinajpur) out of 23 districts. Details of audit coverage have been shown in ***Appendix 3.1***.

Apart from scrutiny of records and analysis of data for ascertaining level of compliance to scheme guidelines, the methodology adopted included joint site visit with an aim to assessing the adherence to norms of handling and storage of paddy and CMR.

Audit Findings

3.2 Achievement against target

At the beginning of each KMS, the State Government provisionally fixes the target of procurement of paddy based on requirements. During the year, KMS targets are also revised. It was observed that during 2016-21, total 89 *per cent* of targeted (revised) quantity of paddy was procured **(Table 3.1)**.

Table 3.1: Achievement against target of paddy procurement

KMS	Target (in LMT)	Procurement (in LMT)	Achievement (*percentage*)
2016-17	52	39.60	76
2017-18	35	32	91
2018-19	46	39.64	86
2019-20	52.34	48.58	93
2020-21	46	45.37	99
Total	**231.34**	**205.19**	**89**

Source: Data Provided by the Department; LMT: Lakh Metric Tonnes

The Department of F&S GoWB had procured 205.19 LMT of paddy at an estimated cost of ₹ 35,089.04 crore from farmers at the notified Centralised Procurement Centres (CPCs) managed by DCFS of concerned district and also through the designated CMR agencies during KMS 2016-21. It may be seen from above table that there was upward trend in achievement since 2018-19 *vis-à-vis* targets. Achievements during KMS 2016-17 to 2019-20 fluctuated from 76 *per cent* to 93 *per cent*; however, it reached 99 *per cent* during KMS 2020-21. Though the Department was silent on the reasons for short procurement, BENFED (*West Bengal State Co-operative Marketing Federation Limited*– a CMR Agency) attributed the same to reasons like incapacity of the Co-operative Societies to arrange for huge number of procurement camps in a short period of time, lack of manpower on the part of BENFED to attend camps, non-availability of advance funds (60 *per cent* of MSP was to be advanced by the Department) at the right time coupled with delays in disbursement of loans (for meeting remaining procurement expenses) from the lending institutions. It was also stated that BENFED had difficulty in arranging funds since the average cycle of rotation of funds was one and half years and BENFED had to bear the opportunity cost and the cost of interest. The matter, being perpetual in nature, calls for attention of the F&S Department. The process of funding needs to be re-examined by the Government.

3.3 Irregularities in procurement of paddy

One of the primary objectives of the procurement of paddy was ensuring percolation of Minimum Support Price (MSP) to small and marginal farmers. To maximise the coverage of farmers and to do away with involvement of middlemen, the guidelines for procurement operation envisaged certain built in checks and measures, namely,

- Occasional fixation of a ceiling limit of quantity of paddy that can be sold by a farmer in a KMS.
- In the case of excess quantity being brought by any farmer for sale, production of land holding documents to justify such excess sale.

Test-check of records of six selected districts, however, showed instances of deviations from the norms/ stipulations as discussed in the following paragraphs.

3.3.1 Irregular procurement process of paddy through repeated entries of same farmer

In gross violation of Government orders and procurement guidelines for the KMS 2018-19, in one CPC[36] at Singur Block in Hooghly, there were 59 repeated entries of 10 names who had collectively sold 2,568.13 quintal (qtl) of paddy valuing ₹ 44.94 lakh (@₹ 1,750 per qtl). Enquiry by the Assistant District Controller (Food & Supply), Arambagh, Hooghly revealed that the those 10 persons were owners of two (M/s Shree Krishna Rice Mill and M/s Joyguru Rice Mill Private Limited) Rice Mills of Arambagh, Hooghly and their family members and associates, some of whom belonged to other blocks of Hooghly and even to other districts. The enquiry further revealed that there was 97 more entries of 21 other names (involving total purchase of 3,893.71 qtl paddy) merely shared their Account details and other documents to the millers

[36] *Tapashi Malik Kishan Mandi (CPC)*

and had not actually sold any paddy in the said CPC. The District Level Monitoring Committee (DLMC) constituted (December 2019) a five-member advisory committee to look into the matter. The committee confirmed wilful irregularities made by three[37] Rice Mills in selling of 1,476.33 MT paddy at the said CPC and imposed penalty of ₹ 46,85,817, ₹ 4,02,472 and ₹ 1,45,800 against those owners respectively. Owners of all three Rice Mills had paid the penalty. Merely on the basis of their undertaking, they were also allowed to participate in procurement process of following KMS. Thus, flaw in the system (absence of adequate control against duplicate entry and entry of quantities in excess of stipulated limits against a single name) allowed repeated entries of same person resulted in this irregular procurement of Paddy to tune of 2,568.13 qtl of paddy valuing ₹ 44.94 lakh. Moreover, involvement of the owner of the Rice Mills in irregular sale of paddy deprived the small and marginal farmers from getting the benefit of MSP thereby defeating the purpose of the scheme.

3.3.2 Sale of Paddy by individual farmers beyond stipulated limit

Under the guidelines for procurement of paddy read with subsequent orders/ notifications for 2016-17 to 2020-21, a farmer was allowed to sell paddy only upto a stipulated quantity limit without producing any document regarding ownership/ possession of land. For KMSs 2016-17 and 2017-18, such upper ceiling was subsequently lifted. In 2018-19, the maximum quota for each farmer was initially fixed at 90 qtl; but later reduced to 45 qtl.

Further scrutiny showed that in the case of excess sale by any farmer, the software exhibited "exception[38]" at the time of payment. In those cases, fund was not to be transferred to the farmer's account, unless it was approved by the competent authority; who in turn would approve it only after checking the land details of the concerned farmer.

Audit observed that there were instances of procurement of paddy in excess of the stipulated limit without submitting requisite documents and even instances of multiple registration of farmer using a single savings bank account to bye-pass the stipulation. This had often resulted in delays in release of payments as discussed later in this report (*vide paragraph 3.5.1*).

In two districts[39], 284 farmers fell under exception category due to sale of paddy in more than one centre (CPC/ DPC/ Society) or sold paddy beyond the stipulated limit during KMS-2018-19 without producing any documents. The Competent Authority (*i.e.*, DCF&S, WBECSC) cleared payments to the farmers in 241 cases after enquiry. However, 77 cases of payment were released without production of requisite land records. It was not ascertainable as to how the DCF&S or procurement agencies satisfied themselves about adherence to the Government stipulations.

The system of allowing a person to sale paddy at MSP in excess of prescribed limit (of quantity) without producing any document regarding land holding/ land cultivated would encourage the intermediaries to sell paddy at the cost of small and marginal farmers.

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[37] M/s Shree Krisnha Rice Mill, M/s JoyguruRice Mill Pvt Ltd. and M/s Shyama Ma Rice Mills

[38] In case of (i) multiple registration of farmer using a single savings bank account and (ii) selling more than 90 qtl of paddy in a KMS, the software will show the paddy in "Exception" and the fund will not be entered into the farmer's account, unless it is being approved by the DCF&S. DCF&S will approve only after checking the land details of the concerned farmer.

[39] Purba Bardhaman and Hooghly

3.3.3 Procurement not proportionate to land holdings/ land cultivated

It was observed that the procurement policies in different KMS(s) did not envisage any mandatory check to verify whether the quantity sold by a farmer was in proportion to his/ her land holding/ land cultivated, as long as sale was limited to the quantity fixed by the Department.

During (KMS 2019-20 and 2020-21 the checking of stipulated quantity (45 to 90 qtl per farmer per KMS) was introduced in the online system at entry level to restrict quantity of paddy sold by individual farmers. However, the fact remained that paddy procurement from eligible farmers proportionate to his/ her land holdings/ land cultivated in the respective block area was not made mandatory**.** In notifications, district-wise productivity was annexed and the same was to be considered as the benchmark while procuring paddy, offered by individual farmers in the CPCs. The paddy production in different districts varied from 48.84 qtl to 31.45 qtl per hectare and average was 40.98 qtl/ hectare. This benchmark was, however, neither considered during framing of the guidelines nor at the time of procurement. Variations noticed across the test-checked districts are mentioned in **Table 3.2** below:

Table 3.2: Statement showing disproportionately higher quantity procured from farmers compared to landholdings

Name of Procurement centre (All cases pertaining to KMS 2020-21)	Number of sellers selling disproportionately higher quantum of paddy	Productivity based maximum quantum for their land holding (qtl)	Paddy actually sold in Procurement Centres (qtl)	Percentage of excess sale
Nari CPC (Bardhaman-I block), Purba Bardhaman	68	650	2751.55	323
Ranaghat II CPC and Hanskhali CPC under Nadia district	21	380	941.49	148
In Hooghly district at Adisaptagram CPC	17	200	400.88	100
Singhal Patan SKUS empanelled under BENFED, Hooghly	11	160	471.86	195

Source: Data obtained from CPC

Such multiple instances of sale of paddy by individuals in excess of stipulated limit and in quantities disproportionate to their land holding/ land cultivated were indicative of inadequate control in the procurement process. This indicated sale of paddy produced in larger areas using land documents of a small farmer, representing possibilities of involvement of middle men in the process. The District Manager, BENFED Hooghly stated that there was no general or specific instruction from the F&S Department to link the quantity of paddy procured to the land-holding size of the farmers as long as the sale quantity was within the stipulated ceiling.

3.3.4 Questionable means of transportation of paddy

Scrutiny of records of test-checked CPC/ Societies alongwith corresponding Delivery Challan of paddy showed that out of total 1,70,429.32 quintal of paddy transported during KMS 2020-21, 4,211.89 qtl was shown to have been transported by 19 number of vehicles which were not registered with RTOs for goods carriage as shown below:

- Six vehicles (shown as transporting 1,159.03 qtl of paddy) were registered as three wheeler passenger vehicle;

- Two vehicles (used to transport 1,764.61 qtl of paddy) were registered as ambulances;
- Two vehicles (reportedly transporting 138.39 qtl of paddy) were registered as Bus and Luxury Cab and
- Registration numbers in respect of nine vehicles (transported quantity: 1,149.86 qtl) were not found in the Web portal of Ministry of Road Transport & Highways, Government of India.

Therefore, transportation means of 4,211.89 MT quintal paddy from the procurement centre to the premises of the rice miller appeared to be of fraudulent nature.

In reply, BENFED, Hooghly attributed the same to unintentional errors in entering vehicle numbers into the online portal.

The matter calls for investigation as such instances represented control weaknesses in the form of lack of trail on quantum of paddy on transit.

3.3.5 Non-maintenance of records/ registers at Purchase Centres

Government orders/ guidelines stipulated that the procuring society should maintain purchase register, stock register, gunny bag register, muster rolls and other documents concerning or relating to purchase of paddy on behalf of CMR agencies. These documents are to be properly preserved for verification by officials of CMR agencies and any other Government official at any point of time. Out of total 10 Societies (under WBECSC & BENFED) in the five test-checked Districts:

- In six societies[40], such documents were not properly maintained.
- In two societies[41] in Nadia Districts, copies of the muster rolls in support of Paddy Procurement from the farmers were not preserved by the societies.
- Separate registers for Farmer Registration and stock of paddy were not maintained in six societies in three districts[42]. In the absence of the records of farmer registration it could not be ascertained by Audit whether "First Come First Serve" method was followed for procurement of paddy from farmers.

All these represented laxity in the desired level of monitoring on these societies by the respective CMR agencies/ DCF&S.

3.3.6 Paddy procured without uploading in online portal

Though, the procurement process was to be mandatorily uploaded in the online portal, three societies in Purba Bardhaman empanelled under WBECSC had procured paddy to the tune of 1,831.15 qtl during KMS 2019-20 without

[40] *(i) Nazirpur Samabay Krishi Unnayan Samiti (SKUS) Ltd., Blolck-Ranaghat-I, Nadia; (ii) Chapra Dhantala SKUS Ltd., Block-Ranaghat-II, Nadia; (iii) Sangra Cooperative Agricultural Credit Society (CACS) Ltd, Block-Sainthia, Birbhum; (iv) Paduma SKUS Ltd., Block-Dubrajpur, Birbhum; (v) Trimohini Krishi Samabay Seva Samity (KSSS) Ltd., Trimohini, Dakshin Dinajpur and (vi) Ramkrishnapur UCACS Ltd., Block-Chopra, Dakshin Dinajpur*

[41] *(i) Nazirpur Samabay Krishi Unnayan Samiti (SKUS) Ltd., Blolck-Ranaghat-I and (ii) Chapra Dhantala SKUS Ltd., Block-Ranaghat-II;*

[42] ***Nadia:** (i)Nazirpur SKUS Ltd., Blolck-Ranaghat-I, (ii) Chapra Dhantala SKUS Ltd., Block-Ranaghat-II; **Birbhum:** (iii) Sangra CACS Ltd, Block-Sainthia, (iv) Paduma SKUS Ltd., Block-Dubrajpur; **Dakshin Dinajpur:** (v) Trimohini KSSS Ltd., Trimohini and (vi) Ramkrishnapur UCACS Ltd., Block-Chopra*

uploading the information in the online portal or reporting the same to the WBECSC.

Table 3.3: Societies procuring paddy without uploading in online portal

Procured by	Sent to	Date of procurement	Quantity (in qtl)
Susunia SKUS Ltd.	Kalimata Agro products	02.03.2020	781.04
BhagraDakshinpara SKUS Ltd.	Virtual Rice Mill	25.02.2020	289.18
Bondutia SKUS Ltd.	Amin Rice Mill	07.02.2020	123.28
		10.02.2020	637.65
Total			**1,831.15**

Source: Data obtained from SKUSs

In reply, the District Manager, WBECSC, Purba Bardhaman stated that the matter was regularised later but no such documental evidence was provided to audit. However, such instances affect the assurance on veracity of procurement data available with the Department.

As the procurement of paddy at SKUS/ CPCs were to be monitored by the representatives of procurement agencies/ officials of DCF&S, such instances represented lack of vigilance at procurement-centre level.

3.3.7 Misappropriation of Paddy

Records of DCF&S, Hooghly showed that in an incidence in KMS 2017-18, the concerned Purchase Officer, Ghoshpara Khanakul-I CPC fraudulently misappropriated 1,923.01 MT of paddy. The said quantity of paddy although was shown in the online portal, as despatched to Rice Mill, but actually the same was not sent to the tagged two Rice Mills. On being pointed out by District Authority {Assistant District Controller (Food & Supplies) Arambagh} in February 2018, the concerned Purchase Officer confessed[43] the wrong doing and later arranged for the delivery of said quantity of paddy to the Rice Millers[44]. Rice Millers had also acknowledged the same. However, in later part of the KMS one (M/s Haragouri Rice Mill) of these two Rice Millers, lodged an FIR stating that he had not received the pending quantity of Paddy and also filed a writ petition before the Hon'ble High Court. The matter remained *sub-judice*. It was revealed from the record that delivery of 520.70 MT of CMR equivalent to 765.74 MT of paddy[45] valuing ₹ 1.19 crore was pending from the concerned Rice Miller as of March 2022. Nothing was on records to show any further investigation by the Department in this matter.

3.4 Quality of paddy procured

As per procurement Guidelines, paddy only conforming to uniform specification as prescribed by the F&S Department was to be procured. As per uniform specification spelt out in guidelines, Paddy shall be in sound merchantable condition, dry, clean, wholesome of good food value, uniform in colour and size of grains and free from moulds, weevils, obnoxious smell *etc.* Under the guidelines, CMR Agencies (DCF&S in case of centres managed by it) were responsible for ensuring that the procured paddy conformed to the specified quality.

[43] The Purchase Officer was initially suspended, later dismissed
[44] Kapsit Rice Mill (P) Ltd.: 736.98 MT Paddy and M/s Haragouri Rice Mill: 1,186.03 MT Paddy
[45] With normative conversion rate of 68 per cent, 765.74 MT of Paddy would be converted into 520.70 MT CMR

3.4.1 Doubtful quality check at purchase centres

During visit to different CPCs and Societies, neither any quality report of paddy procured during 2016-17 to 2020-21 KMS nor any evidence of quality test was observed. It appeared that department had not adopted any system for documentation of quality analysis report of Paddy brought in by the farmers. In absence of any such report, Audit could not ascertain whether paddy of uniform specification had been procured.

Such lack of documentation assumed significance in view of the fact that the rice mills imposed substantial quantity cut (Dhalta/ Butta)[46] based on moisture content, presence of organic and inorganic matters, *etc*. Justifiability of such quantity cut (which was not provided for in the guidelines) was not assessable in the absence of quality check documents.

Table 3.4: Depriving the farmers by arbitrary quantity cut per quintal of paddy by the rice millers

Sl. No	Name of the CPC	Arbitrary quantity cut in kg per quintal was imposed by the Rice Mills.	Remarks/ Sources
1	Memari-I (block in PurbaBardhaman) 1st CPC, Bagila	Five to eight	As reported by the farmers in their joint petition to the district authority.
2	At Nari (Bardhaman-I block)1st CPC	One to four	Arbitrarily deducted under signature of the representative of the Rice Mill (on Tare slip[47]) without recording any quality test report by the respective P.O. and/ or D.O.
3	ERAL UCACS Ltd, (empanelled for paddy procurement under WBECSC Ltd for the KMS 2020-21)	One to four	It was also mentioned in the respective tare slip.
4	Brahmanpara SKUS Ltd (empanelled under BENFED for procurement of Paddy for the KMS 2020-21)	One to three	No record was available with the society in this regard.
5	Singhal Pathan SKUS Ltd, Singur, (empanelled under BENFED, Hooghly)	5.5 to 6.5	Reason/ basis for such cut was not mentioned
6	Hili CPC in Dakshin Dinajpur District	Five (approx.)	Reported by Purchase Officer

Source: Data obtained from CPC/ SKUs/ UCACS

Such arbitrary deduction is fraught with the possibility of undue loss to the farmers unless transparency in this matter is ensured by installation of quality testing equipment at the procurement centres.

3.4.2 Non-availability of equipment for quality testing of paddy at Purchase Centre

In terms of guidelines related to procurement of paddy issued from time to time, the CMR Agencies shall ensure availability of equipment like Mini Grader, Moisture Meter, Analysis Kit and Weighing Scale at each of the procurement centres. However, during visit (conducted by Audit jointly with DCF&S officials) to 10 number of societies in test-checked districts the following were noticed:

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[46] *Deductions made while procuring paddy from farmers due to presence of moisture, mud, etc.*
[47] *Printed measurement slip generated from Weigh Bridge attached to Procurement Centre*

- Seven of the ten test-checked societies did not possess moisture meter which is one of the important equipment for purchase of Fair Average Quality (FAQ) paddy. In all these centres, it was reported that the respective Rice Miller provided those equipment(s) at the time of procurement of paddy.
- In two cases, equipment (*e.g.*, *parkhi*, siever, sample divider, *etc.*) other than moisture meter were also not found at CPC (both run by the DC&FS).

In their reply, the WBECSC, Purba Bardhaman authority and BENFED, Hooghly authority stated that as per clause of the Tripartite Agreement the Rice Miller should keep the equipment like Mini Grader, Moisture Meter, Analysis Kit and Weighing Scale available at each procurement centre. Thus, the clause of the agreement was not in conformity with the guidelines which had vested this responsibility on the procurement agencies.

3.4.3 Unscientific stacking of Paddy in Rice Mills

Para 10 (3) of West Bengal Custom Milled Rice (Obligation & Control) Order, 2015 made it mandatory that the bags of Custom Milled stock of Paddy should be clearly identifiable and arranged in a countable position. Guideline (KMS 2018-19) further stated that the rice miller must keep gunny bags containing paddy and rice relating to CMR operation separately. He/ she shall be liable to maintain stock account of un-milled paddy and CMR on day-to-day basis with due intimation to the purchase officer of the CMR agencies. The miller shall also be responsible in maintaining proper books and records to facilitate physical verification by CMR agencies or any authorized officer of the GoWB/ GoI. However, during joint inspection of 11 rice mills by Audit alongwith representatives of DCF&S, the following deviations were observed:

- Violation of orders, *ibid*, in stacking of gunny bags containing paddy were noticed in the following six rice mills involving 5,273.49 MT of paddy.

Table 3.5: Perfunctory stacking of gunny bags containing paddy observed during joint inspection

Sl. No.	Name of the Rice Mills	Instances of perfunctory stacking of gunny bags containing paddy	Quantity of paddy involved (qtl)
1	Basundhara Rice Mill, Bejoyram, Purba Bardhaman	Not found arranged in countable position	1,897.78
2	Sri Durgamata Rice Mill (P) Ltd., Kalsi	-do-	1,612.21
3	Annadatri Rice Mill, Nadia	Stored in a heap without any scientific stacking arrangement	3,3192.20
4	Ma Laxmi Modern Rice Mill, Nadia	-do-	11,922.68
5	MatriMandir Rice Mill Pvt. Ltd., Hooghly	Not found arranged in countable position	1,264.90
6	Balagarh Rice Mill Pvt. Ltd., Hooghly	-do-	2,845.09
		TOTAL	**52,734.86**

Source: Joint Inspection of Rice Mills

- Further, in six rice mills, the 'Government procured paddy' and 'own account (Rice Mill) paddy' could not be differentiated as stack card for distinction of ownership of paddy was not maintained at the rice mill.
- Physical verification certificate from Inspector-in-charge of the respective Rice Mill was not found recorded in relevant registers/ files in four Rice Mills visited in Nadia and Hooghly.

Evidently, there were lacunae in inspections conducted by the authorised officers to ensure availability of actual quantity of paddy with the millers.

Pic 3.1 & 3.2: Irregular stacking of paddy at Annadatri RM, Nadia

3.5 Irregularities in payment of MSP to farmers

Under De-centralised Procurement (DCP) operation the State Government through Food and Supplies Department purchased paddy directly from farmers at Minimum Support Price (MSP). The process of payment to farmers has undergone various modifications as under.

Table 3.6: KMS-wise process adopted for payment of MSP

KMS	Process adopted
2016-17 & 2017-18	Directly to their bank accounts through NEFT
2018-19	Payments to farmers must be made within three working days of sale of paddy. It was decided that cheques would be issued to the farmers at the CPC/ camps. It was decided that the cheque distribution would start from 03.01.2019 so that farmer received cheque immediately after selling paddy at the APCs/ Camps.
2019-20	Initially it was decided that the payment to farmer would be made by account payee cheque under the "Dhan Din Cheque Nin"[48] programme on the same day of receipt of paddy. However, due to outbreak of COVID-19 it was declared (29.04.2020) that payment to a farmer would be made through Online/ NEFT/ DBT.
2020-21	Payment to the farmers would be made directly to their individual accounts through NEFT within three working days from the date of purchase.

Source: Guidelines respective KMS

3.5.1 Delay in release of payment of MSP to farmers

During test-check of records, Audit noticed that there was considerable delay in release of payment to farmers by the CMR Agencies. It was observed in audit that out of total 8,84,670 test-checked cases, in 8,60,862 cases (97 *per cent*) payments were delayed as detailed in **Table 3.7** below.

Table 3.7: Delay in release of payment of MSP to farmers

Name of the Procurement agency	Total number of test-checked cases of payment	No. of payment made within due date	Number of payments delayed by			
			Upto 15 days	15 days to 1 month	More than one month upto two months	More than two months
CONFED	4,439	0	3,088 (70)	907 (20)	368 (8)	76 (2)
BENFED	17,032	1,136 (7)	6,108 (36)	3,198 (19)	1,478 (8)	5,112 (30)
WBECSC	8,63,199	22,672 (3)	4,98,361(58)	2,25,648 (26)	1,03,502 (12)	13,016 (1)
Total	**8,84,670**	**23,808 (3)**	**5,07,557 (57)**	**2,29,753 (26)**	**1,05,348 (12)**	**18,204 (2)**

Source: Information furnished by CMR agencies
Figures in the brackets represent percentage with respect to total cases under test-checked districts.

[48] Means instant payment through cheque to farmers on delivery of paddy (by farmers to CPC/ CMR agencies)

Thus, in 40 *per cent* and 14 *per cent* of the cases, payments were delayed by more than 15 days and more than one month respectively. Such delays were especially glaring under WBECSC and BENFED.

It was also observed that the quantum of delays showed a downward trend[49]. Such delays were attributable to delay in processing of records by the CMR agencies. Moreover, it was observed that period of delay increased in the later part of the KMS(s) which was stated to be due to shortage of funds in the hand of the CMR agencies. Reply of the Department is awaited (February 2022).

Such delays in payment of MSP to the farmers compromised the scheme objective of expeditious payment to farmers and may lead to financial hardship**.**

3.6 Irregularities in handling & milling of paddy and delivery of CMR

Before commencement of each KMS, empanelled Rice Millers signed a Bi-partite or Tri-partite agreement with the DCF&S and/ or CMR Agencies and deposited Performance Guarantee. The paddy procured through CPCs or camps was custom milled by the selected rice millers as per contractual agreement with the CMR agency and Directorate of DDP&S under F&S Department on behalf of Government of West Bengal and resultant rice (CMR) was delivered (by the Rice Miller) to F&S Department with 68 *per cent* out-turn ratio[50] in case of par boiled rice[51] and with 67 *per cent* in case of raw rice.

3.6.1 Improper Performance Guarantee

During 2016-17 to 2020-21 undated/ post-dated cheques were accepted as security. As per guidelines (2019-20 onwards), the amount of performance guarantee/ security deposit should depend on the paddy holding limit of the Rice Miller. In 2020-21 KMS (order dated November 2020), different slabs were fixed for compulsory submission of Post-Dated Cheque (PDC)/ Bank Guarantee (BG) by the empaneled Rice Millers for receiving different quantities of paddy.

However, it was observed that during 2016-20, there were 30 instances where concerned Rice Millers had failed to deliver requisite CMR and Department/ CMR agencies could not recover any cost against non-delivery of CMR as the undated cheque taken as security deposit were dishonored at the time of encashment by the respective banks. The matter has been further discussed later in the report *vide paragraph 3.6.2*.

Thus, there is ample scope for tightening up of the management of security deposits from the CMR agencies to ensure desired level of deterrence against under performances by millers.

3.6.2 Non-delivery of CMR worth ₹99.17 crore

Records of F&S Department showed that at the end of each KMS, some Rice Millers failed to deliver the CMR to Department. A synopsis of number of defaulter Rice Millers is given in **Table 3.8**.

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[49] Maximum period of delays decreased steadily from 155 days in 2016-17 to 29 days in 2020-21

[50] Quantum of rice receivable from milling of 100 units of paddy; 68 per cent out turn ratio signifies receiving of 68 qtl of rice from milling of 100 qtl of paddy

[51] Partially boiled in the husk. Three Basic steps of Par-boiling are soaking, streaming and drying.

Table 3.8: Non-delivery of CMR

Sl. No.	KMS Year	Number of Defaulter Rice Mill	Quantity of par boiled Rice due (in MT)	Quantity of Raw Rice due (in MT)	Proportionate Quantity of Paddy (in MT) for par boiled rice	Proportionate Quantity of Paddy (in MT) for raw rice	Total Quantity of Paddy (in MT)	Value (₹ in crore) (considering MSP* only)
1	2016-17	08	8,972.50	160.61	13,194.86	239.71	13,434.57	19.75
2	2017-18	15	21,601.00	4,459.00	31,766.18	6,655.22	38,421.40	59.55
3	2018-19	06	6,569.52	0	9,661.06	0	9,661.06	16.91
4	2019-20	01	1,108.26	0	1,629.79	0	1,629.79	2.96
	Total	**30**	**38,251.28**	**4,619.61**	**56,251.89**	**6,894.93**	**63,146.82**	**99.17**
MSP per MT : 2016-17:₹14,700; 2017-18:₹15,500; 2018-19:₹17,500; 2019-20:₹18,150								

Source: Information supplied by the Department

Thus, the Department failed to recover 42,870.89 MT of CMR against 63,146.822 MT of paddy (worth ₹ 99.17 crore at MSP**)** during KMS 2016-17 to 2019-20 from 30 millers of 10 districts[52]. As per Government Order and agreements, penalty should have been imposed at the rate of acquisition cost of paddy (MSP + Market Fee + Transportation Charge) along with interest of 10.50 *per cent* per annum.

Though FIR was lodged in all 30 cases, the Department/ CMR agencies were unable to recover any cost against non-delivery of CMR as the undated cheques taken as security deposit were dishonored at the time of encashment by the respective banks. Since, the CMR worth ₹ 99.17 crore remained undelivered for one to four years and no part of the cost could be recovered owing to dishonour of security deposit cheques, this amounted to loss to the Government exchequer. Further, it transpired from record that out of those 29 cases (KMS 2016-17 to KMS 2018-19), police investigation against FIR lodged had been completed and charge sheet submitted in 17 cases and in rest of the cases (seven for 2017-18 KMS and five for the 2018-19 KMS) investigation had not been completed (September 2021).

3.7 Deficiencies in storage of CMR

3.7.1 Non-utilisation of godowns constructed for procurement operations

For the purpose of creating storage spaces for paddy so that the local farmers do not resort to distress sale during peak harvesting season for lack of space, F&S Department, GoWB undertook capacity building by way of construction of Paddy Storage Godowns (PSG) under Rural Infrastructure Development Fund (RIDF) since 2012-13. The Department implemented these works with loan assistance from the Warehousing Infrastructure Fund (WIF) under National Bank for Agriculture and Rural Development (NABARD) Warehousing Schemes and work was entrusted to Public Works Department (PWD).

During test-check (July-September 2021) of records of five districts (Purba Bardhaman, Birbhum, Hooghly, Nadia and Dakshin Dinajpur) it was observed that out of 25 PSGs (administrative approval accorded in December 2015):

- Eleven remained incomplete as of September 2021.

[52] *Paschim Medinipur, Purba Medinipur, Dakshin Dinajpur, Uttar Dinajpur, North 24 Parganas, Hooghly, Bankura, Purba Bardhaman, Jhargram and Jalpaiguri*

- Only 14 godowns (seven godowns in Purba Bardhaman, three each in Hooghly and Nadia and one in Dakshin Dinajpur district) were handed over by PWD to respective DCF&S till September 2021.
- Of these 14 godowns ***(Appendix 3.2)***, only two at Ranaghat-II were used for storage of CMR, while the remaining 12 were either non-functional for nearly two to three years since their handing over or utilised for purpose other than storage of Paddy/ Rice.

Such low utilisation of the godowns may be viewed with the following further facts:

- As per Guidelines for procurement of Paddy and supply of Custom Milled Rice for KMS 2016-17 to 2020-21, paddy procured at a CPC/ purchase centre on a scheduled date of procurement should be delivered to the tagged Rice Miller who will turn up at the CPC on the same day for lifting of paddy without any failure. This arrangement did not require any storage facilities at CPC level. Thus, the prospect of utilisation of these godowns was questionable.

Therefore, prospect of utilisation of these 14 godowns (constructed at an expenditure of ₹ 18.09 crore**)** is remote.

3.7.2 Deficiencies in Quality Control of CMR

As per uniform specification for Grade 'A' & 'Common' Rice, rice shall be in sound merchantable condition, sweet, dry, clean, wholesome of good food value, uniform in colour and size of grains and free from molds, weevils, obnoxious smell, admixture of unwholesome poisonous substances[53] in any form, or colouring agent and all impurities except to the extent as mentioned in the Schedule of Specification. In terms of the schedule of specification the maximum limit of 'De-husked Grains' (Rice kernels whole or broken which have more than one fourth of the surface area of the kernel covered with bran) is 13 *per cent* along with other admissible refractions.

3.7.2.1 Incomplete analysis of CMR samples*:* In course of joint visit to 11 godowns (where CMR were stored after procurement from Mills) by Audit in selected districts, it was observed that there was no set up for performing chemical analysis of CMR samples in any of the Godowns which was a must for finding out percentage of De-husked Grains in a CMR sample. This led to arbitrary fixation of De-husked Grains contents at different test-checked godowns as observed from available test reports.

- It was noticed that in all analytical reports 'De-husked grain' was shown as 0.0 in Nari RIDF (East Bardhaman), SWC Ranaghat Godown, RIDF Hanskhali Godown (both in Nadia) whereas at Memari RIDF Godown (Purba Bardhaman) the same was arbitrarily shown between 7.2 and 7.6 without conducting any chemical analysis at all.
- There was no mention of percentage of "De-husked Grains" in analytical reports in any of the Godowns visited in Hooghly District (*e.g.,* Dhaniakhali RIDF Godown and RIDF Balagarh Godown).

Thus, due to lack of infrastructure, the procuring agencies/ DCF&S had to accept CMR from millers with incomplete analysis of the CMR samples.

[53] *Argemone mexicana and Lathyrus sativeus (Khesari)*

Thus, there is substantial scope for improvement in the quality of storing of CMR both at the millers' end and DCF&S's end. Instances of unscientific stacking of CMR coupled with lack of desired level of quality check on procured CMR call for immediate attention of the Government. All these deficiencies in handling and storage of paddy/ CMR were facilitated by weak internal control exercise by the Department as discussed in the following paragraphs.

3.8 Deficiencies in internal control

3.8.1 Insufficient number of inspections

As per Government order, Quality Control trained Inspectorate staff shall be posted at procurement godowns and shall be responsible for proper quality checking of the CMR before accepting delivery of the same. They shall be responsible for acceptance of CMR which conform to uniform specification of Government of India.

In terms of F&S department order (March 2018), the Sub Divisional Controller (F&S) should pay a visit to all the godowns within their jurisdictions at least once in three days and record their findings of quantity and quality, observations regarding FIFO, required fumigation, *etc.*, in the Inspection Register to be maintained in each godown with effect from March 2018. DCF&S should visit all such godowns at least once a week and record their inspection notes in the Register. Further, F&S department stipulated (June 2019) that all District Controllers, F&S Deptt, must ensure mandatory Physical Verification of quality and quantity of stock in each godown once in every six months. Against the normative requirement, the following were observed:

- In SWC Ranaghat Godown and RIDF Hanskhali Godown (both in Nadia district) no such remarks/ noting was found in the inspection registers.
- In SWC Ranaghat Godown, mandatory half yearly physical verification report was also not found.
- In five other visited Godowns, it was noticed that observations of the departmental inspecting authorities were found noted in the concerned registers of the Godown in a few occasions during last three/ four KMS, as mentioned in **Table 3.9** below:

Table 3.9: Visit of godowns by the Inspecting authorities

Sl. No.	Name of the Godown	Number of visit stipulated		Actual Number of visits since 2017-18	Date of visit
		By SCFS officials	By DCFS Officials		
1	Dhaniakhali RIDF, Hooghly	at least once in three days, *i.e.*, twice a week or 104 times in a year	at least once a week or 52 times in a year	3	All visits in April 2018, *i.e.*, in KMS 2017-18 only.
2	RIDF Balagarh, Hooghly			9	KMS 2017-18: three; KMS 2018-19: two; KMS 2019-20: four
3	Mollarpur GFD, Birbhum			7	KMS 2017-18: three; KMS 2018-19: two; KMS 2019-20:one; KMS 2020-21: one
4	Balurghat RIDF, Dakshin Dinajpur			5	KMS 2017-18:two, KMS 2018-19: two; KMS 2020-21: one
5	Tapan RIDF, Dakhin Dinajpur			7	KMS 2018-19: four; KMS 2019-20: one; KMS 2020-21: two

Source: Inspection register kept in the Godowns

Evidently, district authorities were not visiting the godowns regularly in contrary to existing Government order.

3.8.2 Irregularities in Monitoring

In terms of para 11(4) of the West Bengal Custom Milled Rice (Obligation & Control) Order 2015, a District Level Monitoring Committee (DLMC) shall be constituted for the purpose of discharging the functions and duties to procure Fair Average Quantity (FAQ) paddy and the decision of DLMC in this regard shall be binding on the Custom Mill Rice agencies. The DLMC shall meet at least once in a month to review the procurement operations in the district and suggest appropriate measures.

Scrutiny of records in five districts revealed that there was shortfall in meeting of the DLMC ranging between 63 to 82 *per cent* ***(Appendix 3.3)*** every year during the KMS 2016-17 to 2020-21.

3.9 Inordinate delay in preparation of PDS account leading to non-accrual of GoI subsidy

On the basis of Memorandum of Understanding (MoU) signed between the GoI and GoWB for procurement and distribution of rice under TPDS (Targeted Public Distribution System) in the state under the Decentralized Procurement Scheme of procurement of food grains and pending submission of its final and audited accounts of the relevant year by the agencies (*e.g.*, WBECSC, BENFED, CONFED, *etc.*) of the State Government, the GoI had agreed to release provisional subsidy to the states allowing 100 *per cent* of fixed cost and 95 *per cent* of the variable costs[54] of economic cost. Balance five *per cent* of variable cost would be released after finalization of the economic cost on the basis of the audited accounts. During audit it was observed that Director of Finance had prepared proforma accounts of PDS only up to 2014-15. Thus, due to this delay in preparation and finalization of accounts, State Government could not submit the claim for balance five *per cent* of variable cost for years together. Further, details of provisional subsidy claimed (full quantum of fixed cost and 95 *per cent* of variable cost) by the State Government and subsidy received there-against during KMS 2016-17 to 2020-21 are shown in **Table 3.10** below:

Table 3.10: Non-receipt of GoI Subsidy

KMS	Total Subsidy claimed from GoI (₹ in crore)	Subsidy received from GoI (₹ in crore)	Difference (₹ in crore)
2016-17	2,741.83	2,363.22	378.61
2017-18	3,386.16	3,279.69	106.47
2018-19	4,097.28	3,508.73	588.55
2019-20	4,385.26	4,385.25	0.01
2020-21	4,459.09	3,195.12	1,263.97
Total	**19,069.62**	**16,732.01**	**2,337.61**

Source: Information furnished by the Directorate of Finance, F&S Department

Thus, the State Government not only failed to get five *per cent* of the variable cost from GOI due to non-finalisation of PDS accounts for years together, but also did not receive remaining subsidy (provisional) claim to the tune of ₹ 2,337.60 crore (out of total claim of ₹ 19,069.62 crore) during 2016-17 to

[54] *Economic cost of CMR= Acquisition cost + Distribution Cost;*
Fixed Cost = MSP + Taxes + Driage + Milling Charges;
Variable Cost = Economic cost-Fixed cost after OTR (Out turn ratio); and
Net Variable Cost= Variable cost – Storage & Transit Loss

2020-21 due to reasons like non-updation of State data in the Annavitaran Portal[55].

3.10 Conclusions and Recommendations

Conclusions:

The compliance audit on procurement of paddy and supply of Custom Milled Rice covering Kharif Marketing Seasons from 2016-17 to 2020-21 has reflected various instances of non-compliance to Government Guidelines, which were largely facilitated by management and operational deficiencies on the part of District level functionaries of the F&S Department as well as procurement agencies.

There were instances of procurement of paddy from individual farmers beyond stipulated limit without obtaining necessary documents, procurement of disproportionately high quantities of paddy as compared to land holding of the sellers, *etc.* These represented possibilities of involvement of middlemen in the procurement process.

Deficient maintenance of records in paddy procurement centres indicated absence of desired level of monitoring by inspecting staff. Instances of misappropriation of paddy, procurement of paddy by-passing the online portal indicated that there is further scope for strengthening of the inspection and monitoring.

The unscientific stacking of paddy resulted in the principle of 'First In First Out' (FIFO) not being followed. This along with non-availability of quality testing equipment leads to a high probability of quality check not taking place at the purchase centres. Also, arbitrary quantity cut (Dhalta/ Butta) by millers may subject the farmers to loss in sale proceeds.

There were delays in percolation of the financial benefits of the procurement operation to the small farmers, as payments were often not made within the stipulated period.

In spite of having enabling clause in the agreements, the district authorities failed to recover any rice/ cost of paddy from defaulting rice millers, which was largely attributable to lacunae in management of performance guarantee. This diluted the deterrence mechanism in the process against under performance or default by rice mills. This calls for careful review by the Department in respect of effectiveness of the practice of accepting post-dated/ undated cheques as security (which involves higher risks of being dis-honoured as compared to demand draft or maintenance of Escrow Account).

All these deficiencies in handling and storage of paddy/ CMR were facilitated by weak internal control exercised by the Department.

The aspect for regular inspection of godowns both at the millers' end and post-procurement storage remained neglected. Substantial shortfall in holding of meetings of DLMC was also an area calling for attention.

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[55] *Annavitran Portal has been implemented by the Ministry of Consumer Affairs, Food & Public Distribution to display electronic transactions made through ePoS devices for distribution of subsidised foodgrains to beneficiaries.*

Recommendtations:

- ***There is an urgent need to frame an appropriate mechanism to ensure that the procurement process duly adheres to the established norms.***
- ***The Department should ensure adequate controls in the procurement process to prevent multiple instances of sale of paddy disproportionate to the land holding/ land cultivated.***
- ***The monitoring mechanism may be strengthened on maintenance of records, uploading of data in online portal and quality of storage of paddy/ CMR by fixing accountability of Inspecting staff. Availability of quality testing equipment at procurement centres should also be ensured.***
- ***The aspect of management of performance guarantee from Millers should be strengthened with priority; the practice of accepting post dated/ undated cheques as security should be reviewed.***

The matter has been referred to the Government in January 2022; reply was awaited (April 2022).

Chapter 4

Functioning of West Bengal Police Housing & Infrastructure Development Corporation Limited

Chapter 4: Functioning of West Bengal Police Housing & Infrastructure Development Corporation Limited

HOME & HILL AFFAIRS DEPARTMENT

(West Bengal Police Housing & Infrastructure Development Corporation Limited)

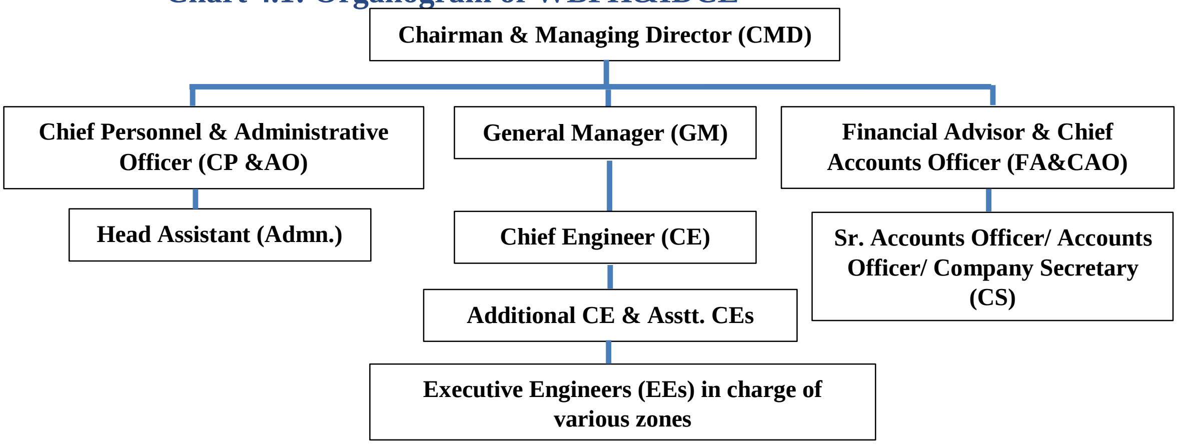
4.1 Introduction

West Bengal Police Housing & Infrastructure Development Corporation Limited (WBPH&IDCL), formerly West Bengal State Police Housing Corporation Limited, was incorporated under the Companies Act, 1956, in March 1993, under the administrative control of the Home & Hill Affairs Department, Government of West Bengal (GoWB). WBPH&IDCL was formed with the objective of construction of buildings for residential and non-residential purposes including offices for Police, Home Guards, Prisons, Vigilance and Fire & Emergency Services Department or any other Department/ Directorate/ Undertaking/ Corporation of GoWB or Government of India (GoI) or any other local body or any other duly incorporated Private/ Public enterprise. Being the Nodal Agency for construction works of different departments, the WBPH&IDCL received construction requisitions from different departments and carried out construction activities *viz*., award, execution and monitoring of the works. On completion, the works are handed over to the requisitioning department/ directorate. Later, in April 2015, Kolkata Police Housing & Infrastructure Development Corporation Limited, another organization working under the same department to undertake the works under Kolkata Police, was also merged with WBPH&IDCL.

WBPH&IDCL (Corporation) is headed by Chairman & Managing Director (CMD). The management of the Corporation is vested in a Board of Directors (BoD) comprising eight Directors including CMD. The CMD, being the Chief Executive Officer, looks after everyday activities of the Corporation.

CMD is assisted by Chief Personnel & Administrative Officer (CP&AO), General Manager (GM) and Financial Advisor & Chief Accounts Officer (FA&CAO). CP&AO looks after the administrative part of the organization. The responsibility of the engineering part of the organization is vested upon the GM assisted by Chief Engineer and other engineering personnel. The brief organogram is shown in **Chart 4.1**.

Chart 4.1: Organogram of WBPH&IDCL



4.2 Audit objective, criteria, coverage and methodology

The audit aimed to assess

- the level of compliance to the relevant rules and regulations in the functioning of the Corporation and
- its resource managements to achieve the objective of the projects assigned to it.

Audit comments were framed with reference to:

- Memorandum of association/ Articles of association of the Corporation, BoD minutes, agenda notes and resolutions, Delegation of Powers (DoP) and circulars;
- Orders and instructions issued by Government of West Bengal/ Government of India;
- West Bengal Public Works Department Code, Central Vigilance Commission's (CVC) guidelines, National Building Code (NBC) 2005;
- West Bengal Financial Rules (WBFR), West Bengal Treasury Rules (WBTR);
- The Companies Act, 1956 and 2013, Income Tax Act, Goods & Services Tax (GST) Act, Central Public Works Department (CPWD) manual 2014; and
- West Bengal Works Department manual.

The compliance audit covered a period from 2016-17 to 2020-21. Apart from scrutiny of records of the Corporation, Audit also performed joint physical inspection of the works/ materials alongwith representatives of the Corporation.

During 2016-21, 161 projects valuing ₹ 231.69 crore were completed by the Corporation. Out of the 161 completed projects, 13 projects valuing ₹ 133.89 crore (58 *per cent* of the total completed project cost) were selected[56] for scrutiny in audit. The financial position and working results of the Corporation are shown in ***Appendix 4.1***.

Audit Findings

In course of assessment of the level of compliance in the functioning of the Corporation in utilising its resources, adherence to the norms for construction works and achievement of targets assigned to it by requisitioning Departments, the following observations were made as discussed in the subsequent paragraphs.

4.3 Status of physical and financial progress of assigned works

4.3.1 Delays in completion of projects

The construction activities were assigned to the Corporation mainly by Home & Hill Affairs (H&HA) and Correctional Administration (CA) Departments, on behalf of whom the Corporation executes construction works. A brief outline of the number of such works undertaken and fund position during 2016-17 to 2020-21 is given below:

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[56] *Through statistical sampling (Simple Random Sampling without replacement method after stratifying the completed works in two strata, i.e. above ₹ 2.00 crore and below ₹ 2.00 crore)*

Table 4.1: Number of works undertaken and status thereof *(₹in crore)*

Year	Works awarded during the year			Status of works as of October 2021		Expenditure incurred on works as of October 2021
	Number	Sanctioned cost	Amount released to Corporation	Number completed	Number of works pending for completion	
2016-17	47	439.51	145.44	33	14 (42 %)	19.40
2017-18	38	472.49	191.12	16	22 (58 %)	72.78
2018-19	185	626.61	257.58	71	114 (62 %)	145.69
2019-20	135	124.49	289.76	39	96 (71 %)	36.17
2020-21	9	18.68	120.73	2	7 (78 %)	48.72
Total	**414**[57]	**1,681.78**	**1,004.63**	**161**[58]	**253**[59] **(61 %)**	**322.76** *(32 % of amount received)*

Source: Records furnished by the Corporation

As would be evident from the table, during 2016-21, 414 works with total sanctioned cost of ₹ 1,681.78 crore were awarded to the Corporation of which 253 works were pending completion. Among the 253 incomplete works, 192 works were pending completion beyond their scheduled date of completion for various period ranging up to 1,406 days. Further analysis of delays showed the following position:

Table 4.2: Range of delays in incomplete works

Total number of delayed works	Number of works delayed by period									
	Less than three months	Physical progress *(per cent)*	Three to six months	Physical progress *(per cent)*	Six months to one year	Physical progress *(per cent)*	One year to two years	Physical progress *(per cent)*	More than two years	Physical progress *(per cent)*
192	16	0 to 50	16	0 to 50	37	0 to 50	28	0 to 50	09	0 to 50
	03	>50	04	>50	44	>50	21	>50	14	>50
Total	**19**		**20**		**81**		**49**		**23**	

Source: Records furnished by the Corporation

It would be evident from **Table 4.2** that 106 projects (55 *per cent)* were lying incomplete, with the physical progress being upto 50 *per cent* for varying periods extending beyond two years even. Thus, as many as 72 projects have been lying unfinished even after passage of more than one year from the target date of completion, which is a matter of concern. Such delays in completion were mainly attributable to delay in acquisition of land, initiation of work without ensuring availability of clear site, slow disbursement of payment due to inadequate fund flow, non-availability of raw materials and skilled labour, pandemic, *etc.*

It was observed that of the 192 incomplete works, 17 projects sanctioned during 2016-17 to 2017-18, remained incomplete and consequently ₹ 11.17 crore was lying with the Corporation, as of March 2021. Further, there were 59 projects (29 incomplete projects), in respect of which, ₹ 30.96 crore was spent in excess of funds received, as of November 2021, rendering the entire expenditure requiring regularisation through receipt of funds from requiring bodies.

It was further observed that of above mentioned 192 incomplete works

- There were 35 numbers of works with physical progress of 1 to 25 *per cent* involving expenditure of ₹ 8.92 crore. In nine numbers of cases though physical progress was shown as 1 to 25 *per cent*, but expenditure involved was not available.

[57] *H& HA: 403 and CA: 11*
[58] *H& HA: 156 and CA: Five*
[59] *H& HA: 247 and CA: Six*

- There were 44 numbers of works with physical progress of 26 to 50 *per cent* involving expenditure of ₹ 114.87 crore. In 10 numbers of cases though physical progress was shown as 26 to 50 *per cent*, but expenditure involved was not available.
- There were 44 numbers of works with physical progress of 51 to 75 *per cent* involving expenditure of ₹ 169.63 crore. In three numbers of cases though physical progress was shown as 51 to 75 *per cent*, but expenditure involved was not available.
- There were 28 numbers of works with physical progress of more than 75 *per cent* involving expenditure of ₹ 31.05 crore. In 10 numbers of cases though physical progress was shown as more than 75 *per cent*, but expenditure involved was not available.

Further, in respect of remaining nine numbers of works there was no physical progress. However, in respect of one such work there was an expenditure of ₹ 1.42 lakh.

4.3.2 Accumulation of funds received from requisitioning bodies

Such delayed progress in construction works resulted in gradual accumulation of unspent balance of lump sum advance funds received from requisitioning bodies (mostly H&HA Department and CA Department) from ₹ 419.35 crore in 2016-17 to ₹ 708.34 crore in 2020-21 as given in **Table 4.3** below:

Table 4.3: Accumulation of advance funds received from requisitioning bodies *(₹in crore)*

Year	Opening Balance	Advance received during the year	Fund surrendered	Funds available during the year	Expenditure on construction during the year	Closing Balance
A	B	C	D	E=(B+C)-D	F	G=E-F
2016-17	293.31	145.44	0	438.75	19.40	419.35
2017-18	419.35	191.12	53.41	557.06	72.78	484.28
2018-19	484.28	257.58	111.51	630.35	145.69	484.66
2019-20	484.66	289.76	54.17	720.25	36.17	684.08
2020-21	684.08	120.73	47.75	757.06	48.72	708.34
Total		**1,004.63**			**322.76**	

Source: Records furnished by the Corporation

However, such delay was also a factor behind loss of Finance Commission grant to the State Government as discussed in the next paragraph.

4.3.3 Delayed execution of project leading to non-receipt of Central Assistance of ₹72.00 crore

Records showed that GoI had recommended ₹ 253.00 crore as grant-in-aid under 13th Finance Commission (award period 2010-15) for up-gradation of Police Administration in West Bengal which included creation of Police training facilities both for West Bengal Police (₹ 91 crore) and Kolkata Police (₹ 72 crore) and for creation of Police Housing facility (₹ 90 crore).

For construction of the Kolkata Police Training Academy (KPTA) at Kamardanga, Howrah, Home Department (presently H&HA Department), GoWB entrusted the work to the erstwhile Kolkata Police Housing and Infrastructure Development Corporation Limited (KPH&IDCL) and accordingly, the KPH&IDCL submitted (December 2013) an estimate of ₹ 72.00 crore. The State Government accorded administrative approval for the work in March 2014. The work order for the construction was awarded by the Corporation in April 2015 to Mackintosh Burn Limited (MBL) after observing tender formalities.

Since the project got abnormally delayed, the department was unable to submit requisition for the funds under 13th Finance Commission which closed in 2015. As there was inordinate delays in initiation of work by both the Department and KPH&IDCL, Ministry of Finance, GoI did not release any funds for the Kolkata Police Training Academy.

Thus, the State was deprived of the Finance Commission grant of ₹ 72 crore (sanctioned cost) towards the construction of KPTA, Kamardanga and the entire expenditure was later borne by the State Government.

The authorities, in reply, attributed (January 2022) the delay to multiple factors such as shortage of manpower owing to the merger of KPH&IDCL with the WBPH&IDCL, time being lost in the process of finalisation and engagement of consultant, irregular nature of land raising the necessity of technical investigation of the land and cancellation of the first tender due to non-availability of sufficient number of qualified bidders. The reply was indicative of administrative failure on the part of the Corporation as it failed to submit requisition for the Finance Commission grants even after one year from the administrative approval of the project by the State Government (in March 2014).

4.4 Services of Consultants

In the absence of appropriate in-house expertise, the Corporation engaged consultants for preparation of architectural drawing and structural design of the works. Following e-tender system, the Corporation went for competitive bidding. Scope of work of consultancy services included preparation of master plan and concept design, detailed architectural design and drawing, preparation and obtaining necessary statutory clearances from urban local bodies, fire service, *etc.* The consultant was also to undertake periodic construction supervision.

Audit, however, observed various deficiencies in selection of Consultant and management of their services as discussed below.

4.4.1 Excess expenditure on engagement of consultants

Records of the Corporation showed that during 2016-17, two consultants *viz.*, M/s Salient[60] and M/s Ideator[61] had been engaged for different projects in the State with consultancy fees at the rate of 1.25 *per cent* and 1.23 *per cent* of project cost respectively. Component-wise break-up of the consultancy fees showed that preparation of architectural and structural design accounted for 35 *per cent* (in respect of M/s Salient) and 50 *per cent* (for M/s Ideator) of the accepted fees.

Against Notice Inviting Tender (NIT) issued in February 2017 by the Corporation for appointment of consultant, six technically qualified bids were

[60] *was selected through e tender by KPH&IDCL in August 2014*
[61] *was selected through e tender by WBH&IDCL in March 2015*

received. Of the same, the lowest financial bid (opened in April 2017) offered a rate of 0.59 *per cent* of approved project cost. Considering the large volume of upcoming projects, tender committee recommended for preparation of a panel of technically qualified firms. After inclusion of additional items (periodic site supervision and preparation of detailed estimate) and on negotiations, letters of acceptance (LoA) were issued (July 2017) to all six technically qualified agencies for consultancy cost at the rate of 0.88 *per cent* (0.59 *per cent* being the lowest bid plus 0.23 *per cent* for periodic site supervision *plus* 0.06 *per cent* on preparation of detailed estimates).

It was observed that even after the empanelment of the above six agencies at a lower rate of consultancy charges, the Corporation continued to issue work orders to M/s Salient (three orders) and M/s Ideator (13 orders) at consultancy fees at the rate of 1.25 *per cent* and 1.23 *per cent* of the project cost as per old contracts. This resulted in excess expenditure of ₹ 40.99 lakh[62] and excess unpaid liability of ₹ 13.96 lakh.

In reply, the Corporation stated (January 2022) that considering the work load and to maintain continuity of works, consultancy works were assigned to different consultants. Thereafter, a new panel of consultants with same rate of consultancy fees was prepared and no work order was issued to any consultant as per the earlier contracts. The reply of the Corporation is not acceptable as the Corporation issued work order to the previous consultants (M/s Salient and M/s Ideator) at higher rates even after acceptance of lower rates offered by the new panel of consultants. Moreover, M/s Salient and M/s Ideator did not participate in the NIT issued in February 2017.

4.4.2 Absence of penal clause and performance linked payment

According to the policy framed by GoWB[63], consultants should be appointed only for specialized jobs. The agreement should contain adequate provisions for professional liability, performance linked payment, penal clause for deficiencies in services, professional misconduct and delay in services.

The consultant, M/s Salient was appointed (August 2014) for the work "Architectural and Engineering Design as well as periodic supervision of proposed construction of Kolkata Police Training Academy" at Kamardanga, Howrah. The scope of work of the consultant *inter alia* included preparation of building design & detailed engineering services; master plan & concept drawing; detailed architectural design & drawings; preparation and obtaining various sanction and arranging for No Objection Certificate (NOC) from different bodies and periodic construction supervision. The time allowed for completion of the work was 90 days from the issue of the order.

As per guidelines, for cases having financial implications of more than ₹ 5.00 lakh, a Consultancy Tender Evaluation Committee (CTEC) comprising of at least three members at appropriate level should be constituted for selection of consultants. The Committee was also to monitor the progress of the assignment and may take penal steps till satisfactory progress has not been achieved.

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[62] ₹23.81 lakh and ₹17.18 lakh excess expenditure in favour of M/s Salient and M/s Ideator respectively, Excess liability of ₹ 7.53 lakh and ₹ 6.43 lakh in favour of M/s Salient and M/s Ideator respectively

[63] GO No. 8385-T(Y) dated 21.11.13

However, in the instant case, though the contract had substantial financial implications (₹ 62.50 crore), no committee was set up for selection of consultant for architectural and engineering design. It was observed that the delivery of working drawings from the consultant was very poor from the beginning.

- The consultant (M/s Salient) issued first set of working drawing (foundation layout of Administrative Block) only by the middle of August 2015. Though the consultant had been engaged eight months prior to issue of work order (April 2015) for construction, the consultant had not submitted the work drawings of all the blocks at a time preventing simultaneous construction of all the blocks. Even for a particular block drawing of different segments were received part by part. As a result, the contractor engaged in construction could not make a proper work programme. There was no written correspondence with the consultant from Corporation's side to pursue the matter. It was also observed that bills of consultant were passed by the Corporation with certification that consultant had submitted all structural designs and drawings ignoring these instances of delays and under performances.
- Further, the previous estimate on entire electrical aspect was not in line with actual requirement. This necessitated enhancement in the ratings of transformer and DG Set as well as modifications in the ratings of all feeder pillar boxes, high tension and low tension switchgears, allied cables, *etc.*, after re-calculation of total connected load and critical analysis[64].
- The fire detection work in concealed layout could not be done in three buildings (Administrative, Academic and Quarter Guard) due to submission of relevant drawings of fire safety system in the building after completion of all structural part of the three buildings.

It was observed that agreement with the consultant did not contain any clause for professional liability, work performance linked payment, penal clause for deficiencies in services, delay in services, *etc*., which limited the scope of the Corporation on making the consultant accountable for discrepancies, delays and deficiencies in its services.

In reply the Corporation accepted (January 2022) the fact that there was no penal clause in the contract with the consultant and stated that the same would be incorporated in the future contracts.

4.5 Non-adherence to West Bengal Financial Rules

As per an amendment in West Bengal Financial Rule (WBFR) in April 2013, all projects with estimated cost of ₹ 5.00 crore and above meant for execution through Public Sector Units should be vetted by the Chief Engineer of Public Works Department.

However, in the following projects, though the value of detailed estimates were more than ₹ 5.00 crore, the same were not vetted by Chief Engineer of Public Works Department. Instead, the estimated costs were vetted by the Chief

[64] *Dry type Transformer 500 KVA enhanced to 1,000 KVA, 250 KVA DG Set enhanced to 400 KVA,Three panel HT VSB switchgear installed, LT Panel & Feeder Pillar Board included, Modification of Feeder Pillar Box, Modification of DG Panel, Capacitor Power Bank, Cables wires, etc., inclusion of two submersible motor pumps.*

Engineer of the Corporation which violated the provisions of West Bengal Financial Rules.

Table 4.4: Detailed cost estimates of the projects vetted by the Chief Engineer of the Corporation

Sl. No.	Name of the project	Preliminary cost estimate	Detailed cost estimate	Estimated amount put to tender
		(₹ in crore)		
1.	Construction of Office of the Superintendent of Police (SP) at Alipurduar	7.64	7.14	6.39
2.	Construction of East Bidhannagar Police Line (PL), East Police Station (PS), Force Barrack & Lady Police Barrack under Bidhannagar Police Commissionerate	19.98	-	17.46
3.	Construction of Kolkata Police Training Academy at Kamardanga	72.00	62.50	-
4.	Construction of New Officers' Mess in Swami Vivekananda State Police Academy (SVSPA) at Barrackpore (Balance Work)	NA	5.58	5.14

Source: Records of the Corporation

The Corporation stated (January 2022) that the estimates had not been forwarded to Public Works Department (PWD) for checking as it had a full-fledged Engineering wing, comprising of technical personnel, from Sub-Assistant Engineers to Chief Engineer, similar to PWD. The reply of the Corporation was not acceptable as, being a Public Sector Undertaking, the Corporation was required to abide by the stipulations of WBFR.

4.6 Deficiencies in management of contract

4.6.1 Granting of extension without recovery of compensation for delayed completion of work

As per agreements, the works were to be executed within the stipulated period of the contract with all due diligence by the contractor and the contractor was liable to pay as compensation an amount equal to 1.5 *per cent* or two *per cent* on the tendered value for every month or every week that the work remained unfinished (measured against the work programme as per Clause A of the agreement) after the specified date. The entire amount of compensation to be paid under the provisions should not exceed 10 *per cent* of the tendered amount of work as shown in the tender.

It was observed in audit that there had been lapses by the Corporation and the contractor in ensuring timely completion in respect of seven works as detailed in ***Appendix 4.2.1*** and ***Appendix 4.2.2***. There was abnormal delay in completion of the works ranging between 131 and 995 days. The Corporation allowed Extension of Time (EOT) in multiple occasions as per prayer of the contractor.

- The Clause 2B of agreements, stipulated that progress of work was to be reviewed every three months. However, such review of works were not documented in any of these cases.
- Clause 5 of agreements provided that the contractor was to ask for extension of time only on the grounds of unavoidable hindrance in execution. The contractor should immediately report such hindrances to the Corporation within seven days of occurrence of such hindrance. The Corporation, only after satisfying itself of the reasonability of the extension application,

would authorise such extension of time. However, due to non-maintenance of Hindrance Register, the nature of hindrance, items of work hindered, date of starting of hindrance, date of removal of hindrance, *etc.*, were not available.

- The Contractor did not furnish any revised work programme schedule while praying for extension and the Corporation also did not insist for the same.
- In seven projects, EOT had been allowed on 24 occasions. Of these 24 occasions, as per available records on 15 occasions *(details in **Appendix 4.2.1**)*, the same was done based on factors attributable to the Contractors (*e.g.*, non-availability of materials, labour trouble, *etc*.) or extension were allowed without assigning reasons or even without having any formal application from the Contractors against which a compensation of ₹ 1.04 crore could have been realised. In the remaining nine occasions extensions *(details in **Appendix 4.2.2**)* were allowed owing to various overlapping factors (attributable to the Contractors as well as Corporation).

Thus, undue lenience was shown to the contractors on a number of occasions in spite of having enabling provisions in the contract for realisation of compensation.

The Corporation agreed with the audit observation in respect of two works[65], but, attributed the extension in respect of other four projects to delay due to rainfall and waterlogging[66], addition of allied works[67] and supplementary items[68], local agitation[69], *etc.* The reply, was, however, not supported by records. However, from records made available during audit, it was observed that extension of time was allowed for shortage of material, labour problem, shortage of cash due to demonitisation on three occasions pertaining to three different projects and no specific reasons on two occasions. Extension of time owing to heavy rainfall was not tenable as time for completion was fixed after full consideration of slowing down or stoppage time due to waterlogging in monsoon.

4.6.2 Short recovery of Security Deposit

As per tender agreement, the earnest money of successful tenderer (at the rate of two *per cent* of the amount put to tender), was to be converted as a part of Security Deposit (SD) after acceptance of tender. The balance of eight *per cent* of the 10 *per cent* of Security Deposit should be realised by recovering from each progressive bill of the contractor. In all cases the amount of recovery of the final bill would be so adjusted to result in Security Deposit equivalent to 10 *per cent* of total value of work so executed.

Records revealed that there was short recovery of SD to the extent of ₹ 85.25 lakh in respect of nine projects, details of which are shown in ***Appendix 4.3***, which went against the interest of the Corporation and would restrict its scope for invoking penal clause during defect liability period.

[65] *Kitchen Block at Barrackpore, Construction of Urban Police Station Building at Habra.*
[66] *Residence of Sub-Divisional Police Officer (SDPO), Dinhata*
[67] *SP Office, Alipurduar*
[68] *Jangal Mahal Safe House, Jhargram*
[69] *Kolkata Police Training Academy, Kamardanga*

While accepting the audit observation the Corporation replied (January 2022) that presently Security Deposit was being deducted on the gross value of the work done excluding Goods and Services Tax (GST).

4.6.3 Performance Bank Guarantee not collected from the contractor

As per tender clause, Performance Bank Guarantee (PBG) from any Nationalized Bank in favour of the Corporation amounting to 10 *per cent* of the estimated amount put to tender should be submitted by the successful bidder within 15 days from issue of Letter of Acceptance of the tender. The PBG was to be released in instalments based on completion of the work (in terms of financial progress). However, in the following two cases the Corporation did not obtain any PBG (total amounting to ₹ 8.00 crore) in respect of the following two projects:

Table 4.5: Cases of PBG not realised *(₹ in crore)*

Sl. No.	Name of the project	Name of the contractor	Estimated amount put to tender	Amount of Performance Bank Guarantee
1.	Construction of Kolkata Police Training Academy at Kamardanga	Mackintosh Burn Limited	62.50	6.25
2.	Bidhannagar PL, East PS and Male/ Female Barrack	Mackintosh Burn Limited	17.46	1.75

Source: Records of the Corporation

The Corporation accepted (January 2022) the audit observation and noted it for future guidance.

4.6.4 Non-adoption of clause of PWD Code in respect of release of Security Deposit

The Corporation was to adhere to the PWD Code on refund of Security Deposit to contractors on completion of execution of works. As per this norm, Security Deposit was to be released in three instalments (30, 30 and 40 *per cent*) on expiry of first, second and third year of the defect liability period.

However, in respect of five[70] of the 13 test-checked projects, it was observed that under Clause 17 of the agreements, security deposit would be refundable to the contractor just after the completion of one year from the issue of completion certificate by the Engineer-in-charge or date of handing over (whichever was later). Thus, the Corporation did not sufficiently protect the interest of the work/ Government and shown undue lenience to contractors in contravention of existing rule. As a result, defect liability, if any, cropped up in the second and third year would be vested upon the Corporation rather than on the contractor.

In reply the Corporation accepted (January 2022) the audit observation and noted it for future guidance.

4.7 Deficiencies in work execution

4.7.1 Extra financial burden due to repeated change in plan

The administrative approval for construction of a new Officers' Mess in Swami Vivekananda State Police Academy (SVSPA), Barrackpore amounting to ₹ 6.03 crore was accorded in August 2016. The work order was issued to

[70] *Construction of SP Office at Alipurdrar, Construction of Jangal Mahal Safe House, Construction. of four storied Barrack along with Kitchen Block at Barrackpore, Construction of Model Rural Police Station at Jibantala, South 24 Pargana and Construction of New Officers' Mess in SVSPA at Barrackpore (Original work)*

M/s Aparna Construction, lowest bidder, in February 2017 at the tendered value of ₹ 4.14 crore (against the estimated amount put to tender, *i.e.*, ₹ 4.87 crore) with the stipulation to complete the work within 270 days, *i.e.*, by November 2017.

Initially the work could not be started by the agency due to site problem. The foundation drawing was issued to the agency in July 2017 (after a lapse of five months from the date of issue of work order). The drawing was revised in January 2018 (after a lapse of 11 months from the date of issue of work order). The agency resumed work, but with very slow progress and between July 2017 and April 2018, the agency executed some works at foundation and tie beam. The drawing was further revised in May 2018 (after lapse of 15 months from the date of issue of work order). The reasons for change of foundation drawing were not on record. The agency did not resume the work as per the third revised drawing even after repeated requests made by the Executive Engineer. Extension of time to complete the work was allowed up to August 2018. However, the agency did not resume the work and the work site was kept idle for several months and finally the contract was terminated in July 2018 with forfeiture of Security Deposit.

However, as per prayer of the contractor (August 2018), the contract was subsequently honourably terminated in September 2018 without imposition of any penalty on the consideration that the delay was mainly attributable to non-availability of site and repeated change of drawings. The agency was paid a sum of ₹ 40.46 lakh up to 3rd and Final Bill in September 2018.

Again, a detailed estimate for ₹ 5.14 crore was prepared (August 2018) for the balance work of the building and the balance work was executed at the cost of ₹ 4.66 crore by another contractor selected through tender. The building was inaugurated in January 2021. However, the date of completion of the work could not be ascertained due to non-issuance of completion certificate or handing over note or non-submission of final bill by the contractor.

Thus, failure on the part of the Corporation/ requiring bodies to hand over a clear site coupled with multiple changes in foundation drawing led to extra financial burden amounting to ₹ 0.92 crore[71].

4.7.2 Quality testing of concrete not done as per requirement

As per Technical Specification of Agreements, test for concrete should be conducted taking minimum of one set of six cubes for every 28 or 30 cubic meter (cum) or part thereof concrete poured and they should be considered as representative for said quantity. A register should be maintained at site by the contractor with the details entered initialled by the contractor and the Engineer-in-Charge.

Records revealed that cube testing was not done as per requirement and cube testing register was also not maintained properly in case of nine projects elaborated in ***Appendix 4.4***. It was observed that of these nine projects:

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[71] *Value of balance work as per work order dt. 28.11.2018*	*₹465.59 lakh*
Add: Value of work done by M/s Aparna Construction vide work order dt. 16.02.2017	*₹ 40.46 lakh*
Total	***₹ 506.05 lakh***
Less: Value work would have been done by the earlier agency (M/s Aparna Construction)	*₹ 414.01 lakh*
Extra financial burden	***₹ 92.04 lakh***

- No cube testing was done at all in case of one project (Construction of Bidhannagar Police Lines).
- Number of tests was less than 30 *per cent* of normative requirement in case of four projects.
- In four projects number of actual tests ranged between 30 and 50 *per cent.*

The Corporation, in reply, accepted (January 2022) the audit observations in respect of seven works, whereas, in respect of the Construction of office at Alipurduar, it was stated that testing was done as per technical specification of the agreement. However, in audit it was observed that against a requirement of 50 tests, only 24 tests were conducted and none of the test conducted were within the age of seven days. Though testing was stated to be have done in respect of Jangal Mahal Safe House, the same was not done as per requirement.

4.7.3 Miscellaneous deficiencies in the process of work execution vis-à-vis norms

In course of scrutiny of records in respect of execution of 13 selected works various deficiencies were noticed, which are tabulated in ***Appendix 4.5***. It was observed that

(i) Under National Building Code (NBC) 2005, **Work break down structure** was to be prepared by the Corporation to assess component-wise time taken to complete the work. In none of the test-checked 13 projects the same was prepared. In reply the Corporation accepted (January 2022) the audit observations.

(ii) NBC and Construction and Demolition Waste Management Rules, 2016, envisaged preparation of waste management plan by which local bodies can improve the collection, segregation, recycling, treatment and disposal of **construction waste** in an environmentally sound manner. In eleven projects, out of 13 test-checked, the same was not prepared by the Corporation. In reply, the Corporation accepted the audit observation.

(iii) In 11 projects, there were no documented efforts for optimum utilisation of **renewable energy** and arrangement for **rainwater**, in violation of NBC. The Corporation accepted the audit observation.

(iv) In case of 10 projects, the contractors did not adhere to the mandatory requirement of obtaining **labour licence** from the competent authority, though it was provided for in the agreements. On the other hand, no clause for **insurance coverage** for the labours was incorporated in the agreements, though the same had been vested upon the contractors in the tender documents. In reply the Corporation accepted the audit observation.

(v) As per tender agreements, cement, reinforcement, *etc*., should be of approved brand in accordance with relevant code of practice and manufacture and should accordingly be procured and supplied by the agency at his own cost. Authenticated evidence for **purchase of cement, reinforcement**, *etc*., should be submitted along with challans and test certificates. In 10 test-checked projects, such certificates or challans in respect of cement, reinforcement, *etc*., were not obtained by the Corporation. While accepting the audit observation the Corporation stated that it has been noted for future guidance.

(vi) In none of the 13 projects, **registers to record important data** like mandatory tests, cement, reinforcement (only maintained for construction of Office-*cum*-Residence of SDPO at Dinhata) hindrance, register of dismantle materials, pour card for laying concrete and drawing were maintained. Such omissions were fraught with the risks of manipulation/ tampering of records.

(vii) As per Tender agreement, **site book/ work order book** was to be kept at work site under the custody of Assistant Engineer or his authorised representative. Books should be machine numbered pages in duplicate. Instruction to contractors from officers of the Corporation were to be recorded in the book. The contractor or his authorised representative would regularly note the entries in the work order book and also record thereon the action taken or to be taken to comply the said instruction. Except for four projects[72], no such work order book was maintained in respect of other nine projects.

(viii) In seven out of 13 test-checked projects, no **"as built" drawing** (for both electrical and civil works) was submitted by the contractor to the Corporation, though the same had been made mandatory in the tender agreement. Without this drawing, maintenance of building and its future extension would be difficult. The Corporation accepted the audit observation in respect of seven works.

(ix) In nine out of 13 projects, **building sanction plans** were not obtained from respective Urban Local Bodies (ULBs). This was in contravention of statutory provisions which required local body to verify that all municipal laws are followed during construction of buildings. The Corporation accepted the audit observation and noted for future guidance.

(x) On six projects, **detailed cost estimates were prepared without architectural & structural drawing & design** enhancing the scope for supplementary tender in respect of all the six projects and substitute supplementary tender in four projects. Also on 345 items, there were excess execution above the permissible limit[73] in five projects and 380 items were not executed at all in respect of four projects as detailed in ***Appendix 4.6***. It also hindered the smooth progress of work.

Though the Corporation in reply stated that the Construction of Bidhannagar Police Line, East Bidhannagar Police Station, Male & Female Barrack, *etc.*, the consultant submitted detailed estimate; but the same could not be produced to audit. Moreover, the Corporation stated that due to lack of manpower and absence of any Superintending Engineer, no separate technical sanction was taken from Chief Engineer as he was the tender inviting authority. The reply is not acceptable since no work should be undertaken without obtaining the technical sanction for the work.

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[72] *Construction of Barrack at State Armed Police (SAP),13th Battalion, Barjora,; Construction of SP Office at Alipurduar; Construction of Office-cum-Residence of SDPO at Dinhata and Construction of Jangal Mahal Safe House at Jhargram*

[73] *The Engineer-in-Charge was competent to execute excess quantum of work upto 10 per cent of the estimate of each item in Bill of Quantity (BOQ)*

(xi) Besides, there were instances of work being taken-up without **soil testing** (Urban Police Station at Habra), soil test report being available only after technical sanction was accorded (Construction of Lady Police Barrack at Barrackpore), *etc.* The Corporation accepted the audit observation.

(xii) Neither in-house nor third party **quality assurance agency** was engaged for monitoring quality of work in any of the 13 projects.

The Corporation stated (January 2022) that a full-fledged technical wing existed in the organisation and all works executed by it were duly supervised by the engineers. The reply of the Corporation is not in consonance with the fact of considerable shortage of engineering personnel during the period of audit. In April 2016 there was 30 *per cent* shortage in engineering staff compared to the sanctioned strength, while in March 2021, the shortage stood at 25 *per cent* (*discussed in details in paragraph 4.8*).

4.8 Manpower

The Corporation had 79 sanctioned posts in April 2016, the sanctioned posts were later enhanced (March 2021) to 195 by GoWB. The CMD was authorised by BoD to fill all the necessary posts as per the approved set-up. The details of sanctioned strength *vis-à-vis* actual deployment as on 01 April 2016 and 31 March 2021 are given in ***Appendix 4.7***.

It may be seen that considering the increase in activities of the Corporation, GoWB had substantially increased sanctioned posts of Sub-Assistant Engineers since April 2016; however, many of the new posts are yet to be filled-in. As of November 2021, 25 posts of Sub-Assistant Engineer out of 91 posts remained vacant indicating 27 *per cent* shortage.

Posts of Architect (one post) and Assistant Architect (one post), though created, were yet to be filled-in as of November 2021.

Vacancies at supervisory Engineering posts like Assistant Chief Engineers (three out of four posts lying vacant) and Executive Engineers (four vacant posts out of 14) can have potential adverse effects on monitoring and supervision activities on construction works.

Besides, vacancies in the cadre of Accounts Officer (Projects) assumed significance in view of occurrences of various deficiencies in financial management in respect of project works.

The Corporation in its reply stated (January 2022) that filling-up of the vacancies in different ranks/ posts depended upon the financial condition as well as volume of ongoing projects of the Corporation. Owing to pandemic situation of Covid-19, recruitment to the vacant posts could not be processed for last few years. Besides, permanent appointment is a policy matter which also depends upon the financial strength of the Corporation. The Corporation, however, noted the observation for future reference. The reply of the Corporation may be viewed with the fact that the sanctioned posts were enhanced due to increase in volume of works of the Corporation over the years and for smooth functioning of the Corporation. Such vacancies at multiple cadres resulted in deficient monitoring of ongoing projects of the Corporation. Besides, the Corporation has made recruitment during the Covid-19 period as well.

4.9 Miscellaneous issues of non-compliance to rules/ regulations

4.9.1 Realisation of excess Agency Fee as Administrative & Supervision Charges

In terms of Finance Department's order issued in June 2012 agency fee would be charged at a rate of 8.5 *per cent* of sanctioned estimated cost for buildings above G+3 with basements for works involving exclusive and customized drawing and design and five *per cent* of estimated cost for all the components taken together for buildings upto G+3 (without basement). No contingency overhead charges other than 8.5 or 5 *per cent* as mentioned above would be payable.

However, the Corporation while preparing estimated cost for buildings upto G+3 considered 8.5 *per cent* as agency fee in the form of Administrative & Supervision (A&S) charges instead of five *per cent* in contravention of the above Government order. The cost estimate so submitted by the Corporation was administratively approved by the Department.

This way, the Corporation realised agency fees of ₹ 2.74 crore (3.5 *per cent* excess rate) in excess of the form of A&S charges on account of the six projects violating the above mentioned order of Finance Department as detailed in ***Appendix 4.8***.

In reply, the Corporation accepted (January 2022) the audit observation and stated that presently the agency fees as provided in Finance Department's order is being considered.

4.9.2 Non-recovery of royalty from the contractor's bill

In terms of notification issued in October 2016, in exercise of powers conferred by Clause (g) of sub-section 15 of Mines and Minerals (Development and Regulation) Act, 1957 and sub-rule (1) of Rule 35 of the West Bengal Minor Mineral Concession Rules, 2016, the State Government prescribed the rates of royalty of ordinary sand and ordinary earth as ₹ 53.00 per cubic meter (cum) and ₹ 29.00 per cum respectively. It was noticed in audit that the rates of contractors for executing items of the works were inclusive of royalty and cess. The Corporation released the bills of the contractors without taking proof of payment of royalty and cess on the materials used in the work and it did not deduct the amount for royalty and cess from the bills of the contractors in terms of the Government order stated above. Resultantly, there was loss of Government revenue to the extent of ₹ 19.25 lakh due to non-deduction of royalty from the contractor's bills while making payment as detailed in the ***Appendix 4.9***.

In reply, the Corporation, citing the West Bengal Government Order, stated that royalties were not required to be deducted from contractors' bills if executing contractors were merely purchasers of minor minerals utilised in the work. However, an undertaking/ challans would be obtained from executing contractors accordingly. The reply of the Corporation is not acceptable because as per tender agreement, if the contractors collected the materials from the authorised quarry holder or commercial establishment who directly or indirectly paid the royalty to the Government, necessary certificate or cash memo for sale in that respect from them should have to be produced to the Engineer-in-Charge, failing which necessary deduction from the dues of the contractors may be made as fixed by the Engineer-in-Charge.

4.9.3 Excess expenditure over funds received

Being the Nodal Agency for carrying out construction related activities on behalf of different departments, the Corporation received construction requisitions from requiring bodies and carried out construction activities and handed over completed constructions to them. It was, therefore, imperative that the Corporation obtained required funds in advance from the requiring bodies to incur construction related expenses. It was, however, revealed that excess expenditure over allotment of fund received from the requisitioning body (H&HA Department) amounting to ₹ 5.77 crore was incurred by the Corporation in the five works as detailed in the ***Appendix 4.10***. It is seen that out of those five works, two were handed over to the requisitioning body in June 2020 and July 2020; however, the Corporation was yet to receive ₹ 4.16 crore from the requisitioning body as of November 2021.

Thus, Corporation’s own funds of ₹ 5.77 crore remained blocked-up as of November 2021 resulting in loss of interest income from Bank Deposit to the extent of ₹ 27.88 lakh.

In reply, the Corporation stated that (January 2022) excess expenditure was incurred out of own fund for smooth completion of the project for which Utilisation Certificate (UC) was submitted to the department for release of fund for necessary adjustments. However, the Corporation should have protected its own interest by obtaining necessary funds from the requisitioning bodies well in advance for smooth completion of the project.

4.9.4 Avoidable payment of interest on Income Tax

As per Section 208 of the Income Tax Act 1961 (IT Act), every assessee was required to pay advance tax if the tax payable during a financial year was ₹ 10,000 or more. Again, as per Section 234C of the same Act, assessee was required to pay 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of the tax due on or before 15th day of June, September, December and March respectively of the financial year concerned. If the assesse failed to pay such tax or the advance tax paid was less than 90 *per cent* of the assessed tax, then assessee would be liable to pay simple interest at the rate of one *per cent* per month for the period from the 1st day of April of the assessment year to the date of determination of total income on the amount of shortfall (Section 234B of IT Act). On account of violation of the above sections during the financial years 2016-17 and 2017-18, an avoidable interest aggregating to ₹ 8.75 lakh was paid by the Corporation under section 234B and 234C.

Thus, failure of Corporation to pay advance tax as required under Sections 234B & 234C of IT Act resulted in avoidable payment of ₹ 8.75 lakh as interest.

The Corporation, in its reply, stated that payment of Advance Income Tax is normally based on the estimated annual income of the assesse for each financial year as per the provisions of Income Tax Act. The said estimation does not always match with assessee’s actual income and as a result there may be either shortfall or excess payment of Advance Tax resulting in interest receivable or payable from/ to the Income Tax authority. The interest payable under Section 234 can only be avoided by paying excess amount of Advance Tax resulting in loss of interest and blockage of fund.

The above reply of the Corporation is not acceptable as interest under Section 234B is payable by the assesse where the advance tax paid by the taxpayer is less than 90 *per cent* of the assessed tax and interest under Section 234C is levied, if advance tax paid in any instalment(s) is less than the required amount. Hence the estimation of income may not exactly match with the actual income and actual tax liability and only 90 *per cent* of the assessed tax have to be deposited as advance tax. Besides, the contention of blockage of fund and loss of interest is not acceptable as the rate of penal interest levied by Income Tax authority is much higher (*i.e.*, one *per cent* per month) than the rate of interest which could be earned by the Corporation.

4.9.5 Non-availing of auto sweep facility led to loss of interest

An efficient and effective fund management system ensures both adequate liquidity to meet day-to-day expenses and enables investment of surplus fund in appropriate instruments to maximise interest income. Banks provide auto sweep facility in savings and current account to enable their customer to fulfil both objectives. Auto sweep facility provides automatic investment of surplus funds into term deposits from savings account. It also allows automatic encashment of term deposits as and when funds are required to meet up an immediate expenditure.

Scrutiny of available bank account statements for the period from November 2016 to March 2021 revealed that a current account maintained with a private bank was not enabled with auto sweep facility. Had the Corporation availed auto sweep facility in the said current account wherein it retained huge balances, it could have earned interest of ₹ 1.09 crore as detailed in ***Appendix 4.11***.

In reply, while accepting the audit observation, the Corporation stated that the said current account was opened with the bank for deposit of EMD. However, the auto sweep facility would have earned interest on the deposit in the account.

4.9.6 Improper monitoring leading to surrender of fund of ₹ 4.50 crore

In June 2019, Finance Department, ordered all departments and all offices and companies under them to refund all funds transferred to Local Fund/ Personal Ledger/ Deposit/ Bank Accounts during 2018-19 and lying unutilized upto end of March 2019 to appropriate Government account by first week of July 2019.

The Corporation received ₹ 50 lakh from H&HA Department in June 2018 for "Construction of Office-*cum*-Residence of Circle Inspector and Double Storied Garage-*cum*-Barrack at Krishanganj, Nadia". In response to the above order, the Corporation was required to refund ₹ 50 lakhs which remained unutilised in its bank account, it was, however, observed that instead of refunding ₹ 50 lakh, it inadvertently refunded ₹ 5.00 crore thereby resulting in excess surrender of ₹ 4.50 crore made out of funds pertaining to other projects. Realising this, the Corporation intimated (September 2019) H&HA Department about the matter and requested it to take necessary action to release the excess surrendered fund of ₹ 4.50 crore at the earliest. Since then, the authority has sent three reminders to the department, however, the excess surrendered fund has not been received by the Corporation till date (September 2021).

Thus, it can be said that lack of proper monitoring and internal control resulted in erroneous surrender of ₹ 4.50 crore from funds pertaining to other projects.

The Corporation, in its reply (November 2021) stated that it had tried its best to get the amount re-released from the Department.

4.9.7 Retention of Auction Money, advance from Government of West Bengal and Interest on 13th Finance Commission

As per WBFR all moneys received by or on behalf of Government should be deposited into appropriate Government accounts without delay.

The Corporation irregularly retained huge fund amounting to ₹ 41.53 lakh on account of auction money of which ₹ 24.68 lakh pertained to April 2016 without depositing the same into Government accounts. The details of the funds such as date of receipt, purpose, *etc.*, were not made available to audit.

Besides, funds on account of interest of ₹ 1.39 crore on fund received under 13th Finance Commission (FC) mainly for the purpose of Police Housing was retained by the Corporation for years together which was neither utilised nor surrendered. The unspent fund needed to be surrendered to the proper Head of Account unless specific approval for their utilisation is received from GoWB/ GoI.

While accepting the audit observation the Corporation stated that after ascertaining the detail of the auction money and advance from GoWB, the same would be deposited to the respective Head of Government Accounts. However, the reply was silent about observation on retention of interest on funds under 13th FC.

4.9.8 Retention of forfeited Security Deposit including Earnest Money Deposit

The works of construction of two Police Stations at Patuli and Bansdroni were entrusted to an agency M/s Atlantic Projects Ltd. in August 2015. However, due to unsatisfactory performance of the contractor owing to non-execution of proportionate work as per the schedule of execution of work, the Corporation terminated (April 2018) both the contracts after serving notices and the entire Security Deposit including Earnest Money Deposit amounting to ₹ 41.16 lakh (Patuli PS: ₹ 23.41 lakh and Bansdroni PS: ₹ 17.75 lakh) of the agency was forfeited as per agreement. Both the above mentioned works were completed by engaging other contractors and after completion of the works the same were handed over to the concerned Police Authority (Patuli PS in January 2021 and Bansdroni PS in July 2021). However, the amount of forfeited Security Deposit and Earnest Money Deposit of ₹ 41.16 lakh, which should have been transferred to the Government account, was retained with the Corporation as of November 2021.

In reply, the Corporation stated that the amount of forfeited Security Deposit including Earnest Money Deposit would be transferred to the respective heads of Government account.

4.9.9 Non/ Short deposit of Labour Welfare Cess

Under the Building and Other Construction Workers' Welfare Cess (BOCWW) Rules, 1998, for all construction works, BOCWW Cess is to be mandatorily levied and deposited with the BOCWW Board within 30 days of its collection. The cess so collected is a means to provide health and welfare measures for the workers engaged in building and other construction works.

Records, however, showed that since March 2020 the Corporation has deposited the collected cess to the Board only once in December 2020 and that too only partially. Out of ₹ 89.47 lakh lying with the Corporation as of November 2020, only ₹ 30.51 lakh was deposited. As of March 2021, such un-deposited balance accumulated to ₹ 1.43 crore as shown below:

Table 4.6: Collection of cess and deposit there-against

Month	Opening Balance	Cess collected	Cess available with Corporation	Cess deposited with Board	Closing Balance of Cess lying with Corporation
February 2020	16,23,867	11,36,094	27,59,961	16,23,867	11,36,094
March 2020	11,36,094	19,14,487	305,0,581	0	30,505,81
April 2020	30,50,581	52,1,475	35,72,056	0	35,72,056
May 2020	35,72,056	61,973	36,34,029	0	36,34,029
June 2020	36,34,029	47,932	36,81,961	0	36,81,961
July 2020	36,81,961	5,22,249	42,04,210	0	42,04,210
August 2020	42,04,210	8,72,291	50,76,501	0	50,76,501
September2020	50,76,501	14,27,622	650,4,123	0	65,04,123
October 2020	65,04,123	18,96,135	84,00,258	0	84,00,258
November 2020	84,00,258	5,46,515	89,46,773	0	89,46,773
December 2020	89,46,773	26,64,031	1,16,10,804	30,50,581	85,60,223
January 2021	85,60,223	8,29,994	93,90,217	0	93,90,217
February 2021	93,90,217	8,31,566	1,02,21,783	0	1,02,21,783
March 2021	1,02,21,783	40,96,403	1,43,18,186	0	1,43,18,186

Source: Records furnished by the Corporation

In reply, the Corporation stated that there was no short deposit of Labour Welfare Cess during 2016-21. The reply is not tenable as from the above table it is evident that there was not only short deposit but also non-deposit of Labour Welfare Cess.

4.9.10 Short deduction of Labour Welfare Cess

As per tender agreement, Labour Welfare Cess at the rate of one *per cent* of cost of construction was to be deducted from every bill of the selected agency. However, the Corporation while making payment of each bill deducted cess on amount payable after consideration of GST at the rate of 12 *per cent* instead of value of cost of construction. This resulted in short deduction of cess to the tune of ₹ 5.75 lakh in respect of the 12 projects as detailed in ***Appendix 4.12***.

In reply, the Corporation accepted the audit observation and stated that presently Labour Welfare Cess has been deducted on the total value of work done.

4.10 Internal Control Mechanism

Internal controls are processes designed to safeguard an organisation to meet its objectives. Internal controls minimise risk, protect assets, ensure accuracy of records, promote operational efficiency and encourage adherence to policies, rules, regulations and laws. In this respect, the following were observed.

4.10.1 Absence of Internal Audit

The Corporation had no internal audit wing or inspection wing of its own. Internal audit was conducted by outsourced Chartered Accountants (CA) and was mainly confined to preliminary checking of accounts, payment of statutory dues, *etc.* All matters arising in connection with tenders, selection of agencies, awarding works contracts and related activities were within the scope of audit of the said outsourced internal auditor. However, the reports submitted by the said CA firm did not include any observations on regularity in time extension cases, analysis of delay in completion of projects, payment to/ recovery from contractors, *etc.* In this regard, it was seen that the internal audit reports were submitted to CMD and there was no practice/ procedure in the Corporation to place these reports before BoD. Besides, follow-up/ corrective action on Internal Audit Reports (such as retention of unspent scheme funds, interest on 13th FC funds, advance from Government for a long time, retention of forfeited EMD without depositing the same into Government account, non-deposition of labour cess, non-maintenance of fixed asset register, *etc.*) had not been taken by the Corporation.

The Corporation, in reply, stated that the Internal Audit Reports for the financial years 2019-20 and 2020-21 had been placed (August 2021) before BoD. Besides, the issues pointed out by the internal auditor and suggestions provided by them had been noted and considered by the management for necessary actions. The reply is not tenable as the Internal Audit Reports for the years 2016-17 to 2018-19 were not placed before BoD. Even, Internal Audit Reports for 2019-20 & 2020-21 were placed in August 2021 before BoD, which undemined the sanctity of the process of placement of Internal Audit Reports. The reply is also silent on non-inclusion of issues in the auditor's report as stated in the audit observations.

4.10.2 Non-maintenance of important records

The Corporation did not maintain any Fixed Deposit (FD) register and the details of FDs opened and matured could not be readily ascertained. Besides, the Measurement Book (MB) issue register has not been maintained by the Corporation. Hence the details of movement of MBs could not be ascertained.

In reply, it was stated that the Corporation is currently maintaining FD register on the basis of audit observation. The MB register was maintained by the Corporation zone-wise. The reply is silent on the non-maintenance of MB issue register.

4.10.3 Irregular or non-maintenance of periodical reports

Progress reports were to be submitted by the Corporation to the Administrative Department on quarterly basis and as and when required by them. The reports were last submitted to the department for the quarter ending December 2019. It was observed that out of 20 quarters during the period 2016-17 to 2020-21 the reports were not submitted to the administrative department for six quarters. Further, it was also noticed that the department had not called for any progress report during 2016-17 to 2020-21. Hence, it reflected lack of proper monitoring in this aspect.

The Corporation, in its reply, stated that the progress reports are being prepared by different zones and reviewed monthly by the General Manager and sent to the Administrative Department as when required by them. The reply is silent on the observation that the reports were not submitted to the Administrative Department for six quarters reflecting lack of proper monitoring.

4.10.4 Inadequacies in the format of the reports maintained by the Corporation

The Corporation failed to devise a prescribed format for periodical progress reports for works executed by it incorporating all the important details of the work. In the absence of prescribed format, the progress reports prepared by the Project Engineer at headquarters of the Corporation lacked details like NIT no. and date, estimated amount put to tender, contract value, work order no. & date, date of commencement of work, scheduled date of completion, name of the executing agency (in many cases), details of delays, time extension allowed, penalties recovered, if any, allotment of fund received, *etc*. Hence the progress reports prepared were not meaningful enough to ensure adequate monitoring of the progress of works executed by the Corporation.

The Corporation stated that important details [74] were being captured in Corporate Project Management System (CPMS). The reply is not tenable as the Corporation too admitted that the progress reports lacked important details as pointed out by Audit.

4.10.5 Improper maintenance of Asset Register

The asset register maintained by the Corporation was basically a fixed assets purchase register in which necessary information required under CARO[75] 2016 issued by Ministry of Corporate Affairs applicable for Companies registered under Companies Act, was not incorporated.

The asset register did not capture important particulars and sufficient description of the asset to make identification possible, *e.g.*, classification, residual value, useful life, rate(s)/ basis of depreciation/ amortisation, depreciation/ amortisation for the current year, accumulated depreciation/ amortisation, date of revaluation, adjustment for revaluation or for any increase or decrease in cost, *etc.* Hence, the register, in its present form, did not give a complete or true picture of the assets maintained by the Corporation.

The Corporation accepted the audit observation and stated that it would be noted for future guidance.

4.11 Conclusions and Recommendations

Conclusions:

The Compliance Audit on the functioning of the West Bengal Police Housing & Infrastructure Development Corporation Limited (WBPH&IDCL) threw light on various operational/ managerial deficiencies which impeded progress of works assigned to the Corporation.

Substantial number of projects got delayed beyond target dates, though flow of funds was not a constraint. This led to accumulation of advance funds received from requiring bodies. Such delay also culminated in non-accrual of Finance Commission grant to the State in one occasion.

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[74] *like NIT No. and date, estimated amount put to tender, contract value, work order No. & date, date of commencement of work, scheduled date of completion, name of the executing agency (in many cases), details of delays, time extension allowed, penalties recovered, if any, allotment of fund received, etc.*

[75] *Companies Auditor Report Order*

The management of services of the consultants were inadequate and resulted in instances of excess expenditure on consultancy and projects being affected by delays/ under-performances by consultants. These contracts with consultants should be reviewed and streamlined through incorporation of accountability and under-performance linked penal measures.

Granting of extension in a routine manner, delays controllable by the Contractors', compensation not recovered in spite of having enabling clause in the contracts and Performance Bank Guarantee not collected (in two cases) threw a poor light on project execution and management. The Corporation did not uniformly adopt the norms followed by PW Department and refunded security deposits without waiting for defect liability period. All these represented dilution of deterrence measures built in the agreements against under performance.

There were multiple instances of non-compliance to various norms of planning/ drawing/ documentation/ record maintenance, *etc.*, associated with construction works. Multiple change in plan after award of work in one project adversely affected progress and led to cost escalation. As regards quality testing of works, the Corporation did not adhere to the normative requirements.

Availability of Manpower also calls for attention of the Government. Though there was enhancement in number of posts under the Corporation during last five years, a number of crucial technical and supervisory engineering posts remained vacant as of date. Such vacancies at the various levels of technical cadre factored behind deficient monitoring on ongoing projects and dependence on outsourced consultants for project managements.

There is further scope for improving financial management as evidenced from instances of avoidable payment of interest under IT Act, non-recovery of royalty from Contractor's Bill, erroneous surrender of excess funds, retention of funds including auction money, labour welfare cess and forfeited security deposits, *etc.*

Recommendations:

- ***The contracts with consultants should be reviewed and streamlined through incorporation of accountability and under-performance linked penal measures.***
- ***The instances of lax financial management and non-adherence to West Bengal Financial Rules should be reviewed and appropriate action taken to prevent recurrence of the same.***
- ***The work of internal audit should be critically evaluated and punitive measures initiated for non-compliance in respect of the scope of the assigned work.***

The matter has been referred to the Government in January 2022; reply was awaited (April 2022).

Chapter 5

Loan Management by West Bengal Financial Corporation

Chapter 5: Loan Management by West Bengal Financial Corporation

FINANCE DEPARTMENT

(West Bengal Financial Corporation)

5.1 Introduction

West Bengal Financial Corporation (WBFC) was established in March 1954, under section 3 (1) of the State Financial Corporation (SFC) Act, 1951, with the main objective of promoting and developing industrial growth in the State of West Bengal by providing financial assistance to micro, small and medium enterprises and extending term loans for setting up industrial units/ projects & their expansion/ diversification/ modernisation.

WBFC, under the administrative control of the Finance Department, Government of West Bengal (GoWB), has its Head Office in Kolkata, an extension office at Barasat, North 24 Parganas and three Branch offices at Durgapur, Malda and Siliguri.

General superintendence, direction and management of affairs of the WBFC vests with the Board of Directors (BoD)[76]. The BoD consists of representatives from the State Government, Life Insurance Corporation of India (LICI), Small Industries Development Bank of India (SIDBI), Public Sector banks, *etc*[77]. The Managing Director functions as the Chief Executive of the WBFC and is assisted by General Managers, Deputy General Managers and Departmental Heads at the Head office and Branch Managers at Branch offices.

WBFC operates as a prime lending institution of the State Government for financing micro, small and medium scale industries and services.

Financial assistance is provided to industrial units based on project reports, socio economic viability, promoter's background - their technical ability and experience, products and its marketability, financial capabilities of the promoter, *etc*. Disbursement of loan is made after execution of agreement including creation of security in favour of the WBFC.

5.1.1 Financial Profile of WBFC

WBFC had a paid-up capital of ₹ 227.35 crore (22,735 lakh shares of ₹ 100 each), as on 31 March, 2021, contributed mainly by State Government (99.85 *per cent*) and the balance amount (0.15 *per cent*) by LICI, Public Sector Banks, Co-operative banks and others.

WBFC had earned consistent operating profit (*i.e.*, before provision for tax and other appropriations) during 2016-17 to 2020-21 except in 2018-19. However, it suffered loss, after charging provisions and appropriations during the above referred period except in 2016-17. As a result, the accumulated loss as on 31 March 2021 stood at ₹ 190.05 crore.

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[76] *The board of directors was constituted in terms of the SFC Act. It consists of the Chairman, the Managing Director and other members. As on 31 March 2021, it consisted of the Chairman, Managing Director and seven members*

[77] *Other members include representatives of other financial Institutions and other dignitaries with industrial and financial experience and exposure*

5.1.2 Audit objective, criteria, coverage and methodology

The Compliance Audit (CA), covering a period from 2016-17 to 2020-21, aimed to assess the level of compliance by the Corporation in

- Appraisal, sanction, disbursement and recovery of loans, including management of Non-performing Assets by the WBFC;
- Management of financial resources; and
- Internal control to monitor and supervise the loan management process.

Audit comments were framed with reference to SFC Act 1951 and RBI/ SIDBI guidelines applicable to the functioning of the WBFC; State Government's Industrial Policy; Memorandum of Understanding (MoU) signed with the State Government and SIDBI; Loan policies and Recovery policies of the WBFC; *etc*.

The methodology adopted by Audit *inter alia* included Scrutiny of loan files, cases of compromise settlement and sale of assets, analysis of WBFC Annual Reports, minutes and agenda papers of the Board meetings, issue of audit memos and replies thereto, interaction with the officials of the audited entity, *etc*.

Audit Findings

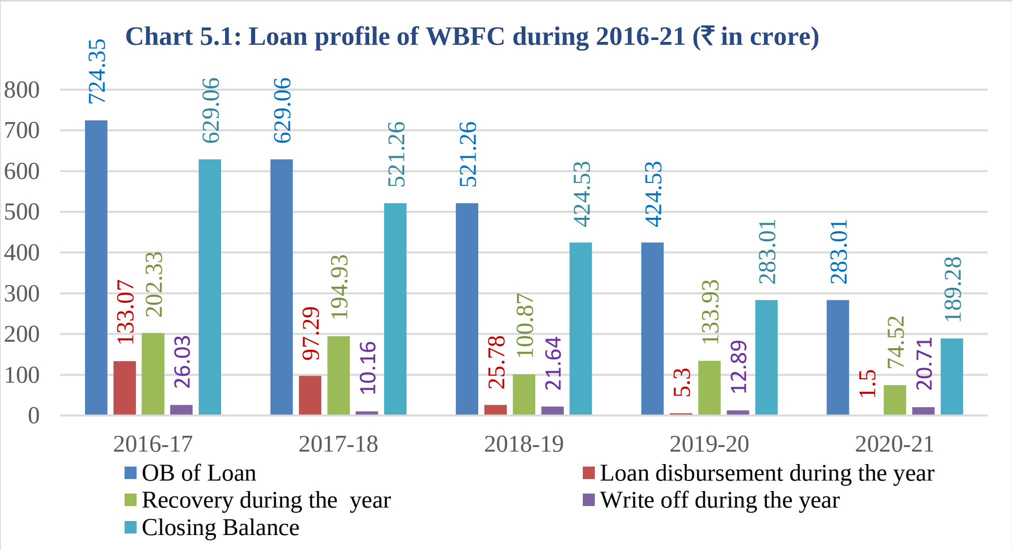
5.2 Operational performance

The overall loan profile of WBFC during last five years was as below:

Table 5.1: Loan profile of WBFC during 2016-21 *(₹ in crore)*

Particulars	2016-17		2017-18		2018-19		2019-20		2020-21	
	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.
OB of Loan	724.35	--	629.06	--	521.26	--	424.53	--	283.01	--
Add loan disbursement during the year	133.07	93	97.29	53	25.78	8	5.30	0	1.50	1
Less recovery during the year	202.33	--	194.93	--	100.87	--	133.93	--	74.52	--
Less Write off during the year	26.03	41	10.16	28	21.64	20	12.89	10	20.71	25
Closing Balance	**629.06**	--	**521.26**	--	**424.53**	--	**283.01**	--	**189.28**	--

Source: Annual Accounts of Corporation and information provided by the Management



Source: Annual Accounts of Corporation and information provided by the Management

It is observed that total outstanding loan came down steeply from ₹ 724.35 crore as of April 2016 to ₹ 189.28 crore as of March 2021, which was a result of steady fall in loan disbursement in one hand coupled with write-off of substantial quantum (₹ 91.43 crore) of loan on the other. The situation was attributable to the restructuring plan of WBFC taken up (June 2018) by the Finance Department, as a result of which the BOD of WBFC decided (July 2018) not to take up any future loan proposal for sanction.

As such the core purpose of the Corporation had been diluted.

Moreover, the WBFC did not develop and put in place a mechanism whereby the rates of interest offered by the Commercial Banks and other Financial Institutions on the term loans and Working Capital Loans are compared periodically so as to make the WBFC's rate of interest competitive enough to attract entrepreneurs under MSME sector.

This resulted in the Corporation increasingly losing its relevance in providing financial assistance to micro, small and medium enterprises as would be evident from the following comparison with commercial banks.

Table 5.2: Ground level Credit flow to MSME Sector in West-Bengal

(₹ in crore)

Years	Loan disbursed by Commercial Banks in West Bengal	Loans disbursed by WBFC	Growth of WBFC loan (*percentage*)
2015-16	21,272.00	199.16	--
2016-17	27,598.00	133.07	-33.18
2017-18	40,095.00	97.28	-26.90
2018-19	51,251.00	25.78	-73.50
2019-20	67,795.00	5.30	-79.44
2020-21	33,091.00	1.50	-71.70

Source: Banking Focus Paper 2021-22 on West Bengal published by NABARD

It has been observed that there was a steady growth in terms of credit given to MSME Sector by commercial banks except in 2020-21 whereas there was a decline in growth rate in respect of WBFC.

5.2.1 Trend in disbursement of loan

WBFC operates as a prime lending institution of the State Government for financing Micro, Small and Medium industries and service. **Table 5.3** below shows year-wise loan proposal, sanction and disbursement of loans.

Table 5.3: Year-wise proposal, sanction and disbursement of loans

(₹in crore)

Particular	2016-17		2017-18		2018-19		2019-20		2020-21	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Proposal	80	131.82	57	103.97	3	3.13	0	0	1	3.00
Sanction	77	122.03	53	102.95	4	4.08	0	0	1	3.00
Disbursement	93	133.07	53	97.29	8	25.78	0*	5.30	1	1.50

*Source: Annual report of the Corporation and data furnished by the management; * since spill over cases of disbursement of previous year*

Note: *The variations between actual sanction and disbursement of loans for the years were due to release of disbursements in subsequent years and cancellation/ withdrawal of loans.*

From the above table it is seen that number of loans drastically reduced in 2018-19 and during last two years only one loan was proposed and disbursed (in 2020-21). This was due to decision (July 2018) of the Corporation not to process any further loan proposal in view of restructuring plan of WBFC taken up (June 2018) by the Finance Department. However, during 2020-21, Finance department has given permission for fresh sanction and consequently disbursement has been made.

5.2.2 Financial indicators

The summarized financial position and working results of the WBFC for the years 2016-17 to 2020-21 are given below:

Table 5.4.1: Financial overview

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in Crore)				
Total Income	**111.14**	**86.60**	**68.29**	**78.31**	**78.27**
Which inter alia include:					
Interest on loans	78.88	57.13	43.59	32.54	34.38
Other Income including dividend	20.16	25.60	16.07	37.34	22.88
Total expenditure	**96.60**	**77.39**	**81.86**	**68.67**	**66.60**
Which inter alia include:					
Interest on long term loan (excluding expenses on issue of bonds)	56.00	51.46	44.03	41.42	33.98
Employee expenses	12.50	12.29	13.85	12.79	10.32
Bad Debts written off	26.03	10.16	21.64	12.89	20.71
Profit/ (Loss) before provision, tax and dividend	**14.54**	**9.21**	**(13.57)**	**9.64**	**11.67**
Profit/ (Loss) after tax and provisions	**3.50**	**(5.59)**	**(42.69)**	**(8.82)**	**(10.53)**
Adjustment for prior period (net)	0.17	--	--	--	--
Surplus (+)/ (Deficit) (-)	**3.67**	**(5.59)**	**(42.69)**	**(8.82)**	**(11.96)**

Source: Annual Reports and data furnished by WBFC

Table 5.4.2: Financial indicators

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Debt equity ratio	2.97:1	3.23:1	3.24:1	3:1	2.33:1
Non Performing Assets (NPA) to total loan assets	25.90%	36.81%	62.71%	70.89%	81.53%
Employee cost to total cost	0.13	0.16	0.17	0.19	0.16
Administrative and General expenses to total cost	0.01	0.03	0.02	0.01	0.01
Interest and Finance charges to total cost	0.58	0.66	0.54	0.60	0.51

Source: Annual Reports and data furnished by WBFC

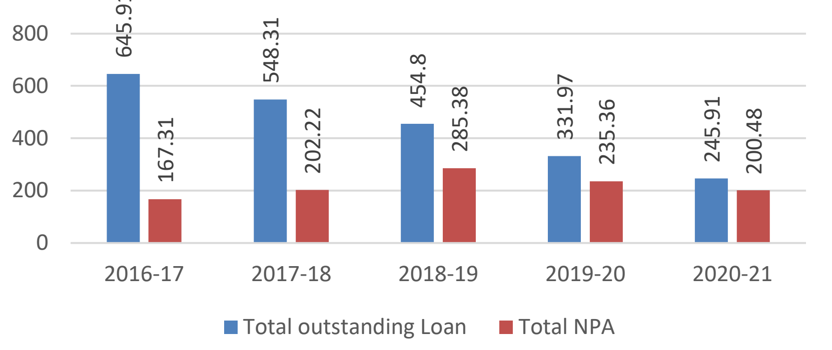
Table 5.4.3: Working Result

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
	(₹ in crore)				
Capital Employed	186.65	153.06	138.36	129.54	119.02
Return of capital employed	1.53	(3.65)	(30.86)	(6.81)	(8.85)
NPA in absolute terms	167.31	202.22	285.38	235.36	200.48
Equity	275.35	275.35	275.35	275.35	275.35
Reserve and Surplus	33.72	33.72	33.72	33.72	33.72
Net worth	186.65	153.06	138.36	129.54	119.02
Accumulated losses	122.2	128.01	170.70	179.53	190.05
Profit/ (Loss) after tax and provision and available for appropriation after considering adjustment for prior period	3.67	(5.59)	(42.69)	(8.82)	(10.53)
Dividend Paid	-	-	-	-	-

Source: Annual Reports and data furnished by WBFC

Table 5.4.2 on financial performance of the WBFC showed that debt equity ratio of the WBFC increased from 2.97:1 in 2016-17 to 3.24:1 in 2018-19 and thereafter reduced to 2.33:1 in 2020-21. The debt-to-equity ratio compares WBFC's total liabilities to its shareholder equity and can be used to evaluate how much leverage a company is using. Higher leverage ratios tend to indicate a WBFC with higher risk to shareholders. Hence, from the above table it was revealed that the WBFC is in higher risk to its shareholders.

Chart 5.2: Outstanding loan assets and NPA of WBFC during 2016-21 (₹ in crore)



Source: Annual Accounts of WBFC

Further, the NPA increased from ₹ 167.31 crore in 2016-17 to ₹ 285.38 crore in 2018-19 and again came down to ₹ 200.48 crore in 2020-21. However, as a percentage to total loan assets, NPA increased from 26 *per cent* in 2016-17 to 82 *per cent* in 2020-21, which was far above the desired level of 10 *per cent* as dictated by the terms of MoU with the SIDBI. Such steep increase in NPA as a percentage to total Loan assets was mainly attributable to contraction of total loan assets as analyzed in **Table 5.5** below.

Table 5.5: Details of loan assets and their classification *(₹in crore)*

Years	Standard	Sub-Standard	Doubtful	Loss assets	Total NPA	Total outstanding Loan
A	B	C	D	E	F=C+D+E	G=B+C+D+E
2016-17	478.60	105.72	61.59	--	167.31	645.91
2017-18	346.09	59.14	143.08	--	202.22	548.31
2018-19	169.42	123.38	162.00	--	285.38	454.80
2019-20	96.61	32.68	202.68	--	235.36	331.97
2020-21	45.43	6.71	193.77	--	200.48	245.91

Source: Annual Report of WBFC

***Standard assets** are assets held by non-defaulting accounts. The **non-performing assets** included assets classified as sub-standard, doubtful and loss assets.*

5.3 Planning and mobilization of resources

5.3.1 Short-term and Long term Plan not prepared

Short term plan is prepared in the form of Annual budget. The budgets prepared are compared with the actuals and deviations are analyzed. Short Term planning evaluates Corporations' present progress. On the other hand, Long term planning is a comprehensive framework that comprises of goals to be met within a period of four to five years. It comprises financial forecasting with strategizing and helps the Corporation to accurately prioritise works.

However, such structured planning was absent in WBFC. Budget was prepared for the years 2016-17 and 2017-18 only. The Corporation neither prepared budget (short term plan) since 2018-19, nor did it chalk out any long term plan during the period covered by Audit (2016-21). In the absence of budget documents, Audit could not verify the rationale for fixing targets for sanction, disbursements of loan. Moreover, the Corporation was unable to review the actual performance and the reasons for variations to guide the Corporation for improving its performance. The Corporation was unable to communicate the targets to the branch level as well.

5.3.2 Discontinuation of SIDBI loans

WBFC used to prepare annual Business plan and Resource Forecast (BPRF) at the behest of SIDBI for submission to SIDBI stating extent of loan sought from SIDBI. SIDBI, however, had advised (June 2012) the State Financial Corporations to gradually phase out their reliance on SIDBI's refinance as the major source of financing, as it would not be possible for SIDBI to provide refinance to defaulting SFCs and SFCs availing refinance would need to comply with the major observations/ recommendations of SIDBI made during annual inspection.

Though WBFC sent their BPRF to SIDBI till 2017-18, no assistance was received from SIDBI during 2016-21. BODs of WBFC felt to gradually mobilize resources from the market without relying on SIDBI. WBFCs' mobilization of funds for the period 2016-21 (shown in ***Appendix 5.1***) showed that it depended solely on its own internal resources, namely, recovery of past loans, interest receipts and other revenue receipts[78], *etc*. Thus, there was absence of any new support from SIDBI and other financial Institutions during last five years. SIDBI had made recommendations in inspection report (2013-14) for further infusion of fresh capital, bringing down the level of Gross and Net NPA below five *per cent* of total loan assets, introducing the concept of credit audit for cases above ₹ 3.00 crore prior to first disbursement, wiping off accumulated losses in a time bound manner, adoption of floating rates of interest and monthly repayment from the borrowers, *etc.* It was observed that all these recommendations remained unfulfilled as of date.

5.3.3 Non-receipt of Capital Contribution

Since 2017-18, Normal Refinance Schemes loans (NRS) from SIDBI has stopped, the GoWB agreed to provide resource support to the WBFC for strengthening the equity base and improving, achieving and maintaining required capital adequacy and positive net worth. It was observed that GoWB made an equity contribution of ₹ 48.00 crore during 2016-17. However, after that the Corporation did not prepare any Long-term/ Short-term planning. In the absence of these plans, the aspect of financial forecasting remained undermined and Corporation could not mobilise sufficient resources in spite of having equity contribution from State Government. Consequently, WBFC was forced to issue bonds resulting in interest burden of ₹ 9.82 crore which was discussed below.

5.3.3.1 Avoidable Interest of ₹ 9.82 crore in absence of proper planning: On the ground of meeting immediate commitment towards redemption of bonds of ₹ 18.80 crore falling due in April 2016, WBFC issued 9.80 *per cent* Non SLR Bonds (Sr- XV 3rd Issue) of ₹ 29.17 crore in March 2016, which fetched ₹ 25.06 crore.

However, analysis of fund requirement *vis-à-vis* fund availability of the WBFC, during 2016-17 showed that there was no need for fresh issue of bond, as there was sufficient fund available with WBFC which could have been utilized for meeting its requirement.

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[78] *Processing fee, sale of hypothecated assets, etc.*

Table 5.6: Requirement of fund *vis-à-vis* availability during 2016-17

Fund requirement	Fund Availability
• For disbursement of Loan: ₹ 133.07 crore. • For repayment of bond: ₹ 65.02 crore *(includes repayment of ₹18.80 crore on April 2016)* • For repayment of SIDBI loan: ₹ 22.21 crore • For repayment of overdraft with HDFC bank: ₹ 8.16 crore. Hence, the total requirement of fund was ₹ 228.46 crore.	• Recovery of Principal: ₹ 202.33 crore • Recovery of other dues: ₹ 0.9 crore • Share application money received from Govt. of W.B.: ₹ 48.00 crore Hence, the total availability of fund was ₹ 251.23 crore.

Source: Data furnished by WBFC

Further, WBFC has short term deposit in the form of fixed deposit of ₹ 77.88 crore at the beginning of 2016-17 which was increased to ₹ 84.63 crore at the end of 2016-17 and the WBFC has earned an operating profit of ₹ 14.54 crore during 2016-17 after meeting of their operating expenditure.

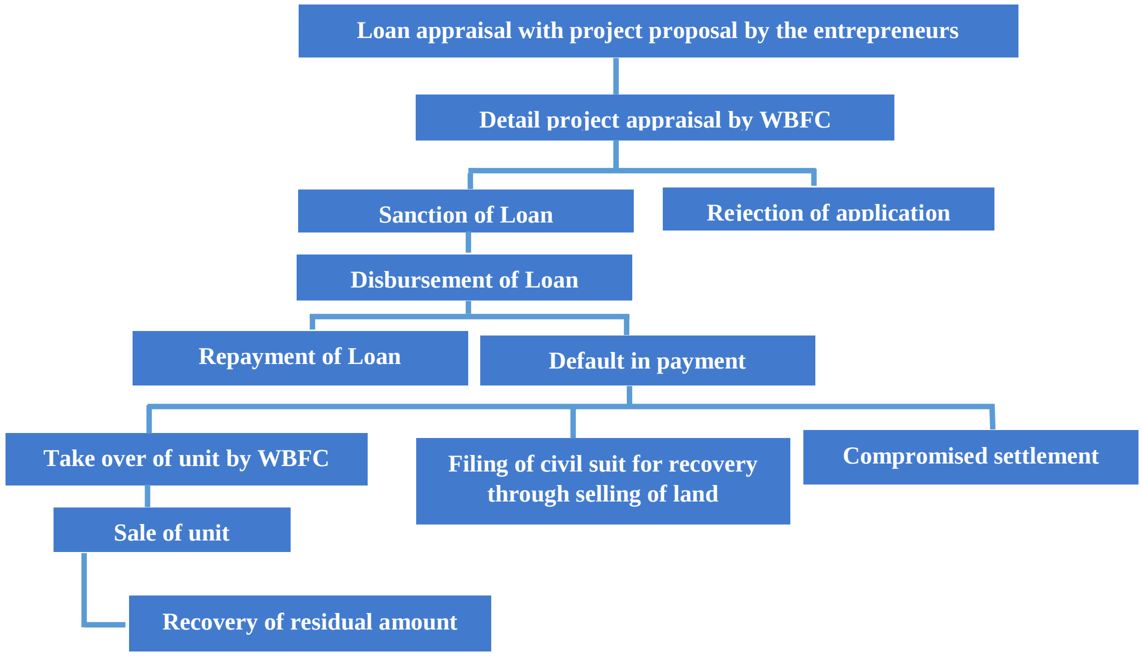
Thus, issue of new bond lacked justification, as there was alternative source of fund with WBFC. This resulted in avoidable payment of interest of ₹ 9.82 crore[79] (till March 2021), which would increase further till the period of maturity of the bonds (May 2026).

5.4 Appraisal, sanction and disbursement of loans

WBFC extends financial assistance up to ₹ 20 crore to a single borrower at fixed interest rates ranging from 10.25 to 14 *per cent per annum* depending upon the type of scheme, tenure and size of finance.

A **flow chart** indicating the process of sanction, disbursement and recovery of loans is indicated below:

Chart 5.3: Flow chart indicating the process of sanction, disbursement and recovery of loans



Source: Inputs provided by the management of WBFC

[79] ₹ 25.06 crore X 9.80% X 4 years

5.4.1 Loan policy and process

The annual loan policies framed by the WBFC during 2016-21 prescribed guidelines for providing financial assistance to various sectors of the economy. The main objectives envisaged in the loan policies framed were to associate itself with the growth process of the state economy by providing medium to long term credit support to various industrial and service sector enterprises in the state of West-Bengal. The policies aimed at providing a framework to the WBFC for carrying on its lending operations in a sustainable manner so as to achieve the twin objectives of supporting the industrial and/ or service sector enterprises in the State with transparency.

5.4.1.1 Lending process: The lending policies of the WBFC stipulate that it has to insist on furnishing of documents such as project report, audited financial statements, market tie-up letter, arrangement letters for working capital from the commercial banks, IT and wealth tax returns by the promoter, *etc*., before and after sanction of loans. Upon receipt of loan enquiry and application along with DPR and sources of finance, proposals in the form of enquiries/ applications are screened by the Project Screening Committee (PSC) to decide in principle whether to finance the project. Apart from the viability of the project, the repayment track record of the applying body would also be considered. WBFC's lending policy stipulates that its term loans as well as working capital loans shall invariably be secured by primary security/ collateral security[80].

Audit observed that WBFC's appraisal, sanction and disbursement mechanism seldom had independent inputs and were prepared solely based on project reports provided by borrower. There was no prescribed methodology to be applied in respect of such proposal. Absence of independent assessments and sole dependence on project reports submitted by borrowers are contributing factors behind significant loan assets becoming NPAs as discussed in the subsequent paragraphs (*under paragraph 5.4.2.2)*.

5.4.1.2 Impediment in promoting first time entrepreneur: WBFC had put in place a lending policy for fresh borrowers whereby it assigns grade points to criteria in respect of each of the attributes like prior business experience, net worth of promoters, *etc*. Under this system, it was difficult for an entrepreneur desiring to undertake a business venture for the first time to obtain a minimum qualifying weighted grade point, as his grade point under prior business experience and exposure to institutional finance would be 'nil'. Thus, WBFC's entrepreneur evaluation process was not favourable for first time entrepreneurs.

5.4.1.3 Credit Guarantee Fund Scheme for Micro & Small Enterprise (MiSE): WBFC had not subscribed to Credit Guarantee Fund Scheme[81] for Micro and Small enterprises operated by Central Government jointly with

[80] ***Primary security*** *is mainly fixed assets like Land & Building, Plant & Machinery, etc., which are mortgaged as security.* ***Collateral security*** *refers to NSC, Fixed deposits being hypothecated to the Corporation. This is in the nature of additional security.*

[81] *Formally launched in August, 2000 and operational with effect from January 2000, the* ***Credit Guarantee Fund Scheme*** *for Micro and Small Enterprises (CGMSE) was launched by the Ministry of Micro, Small and Medium Enterprises, Government of India to make available collateral-free credit to the existing as well as new micro and small enterprises. A Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was created to implement the scheme. The credits were in the form of both term loans and working capital facility up to ₹50 lakh per borrowing unit without any collateral security or third party guarantee. In case the units become sick owing to factors beyond the control of management, rehabilitation assistance extended by the lender could also be covered under the guarantee scheme.*

SIDBI. With subscription to this scheme, WBFC could have provided credit facility up to ₹ 50 lakh without collaterals and third-party-guarantees to MiSE purely on the primary security of the assets financed, based on viability of a project. Absence of subscription to Credit Guarantee Fund Scheme is another obstacle to assist first time entrepreneurs and MiSEs who may not have adequate collaterals or obtain third party guarantee to secure a loan from WBFC.

Moreover, in the case units covered under the scheme become sick owing to factors beyond the control of management, rehabilitation assistance extended by the lender would also be covered under the guarantee scheme. Given the fact that substantial number of borrowing units became sick under WBFC, subscription to the scheme could have reduced the risk of loan becoming NPA.

5.4.2 Sanction and disbursement of Loans

WBFC sanctions loans to new entrepreneurs as well as existing entrepreneurs in the form of term loan and working capital term loan on the basis of loan proposals. During 2016-21 WBFC received 141 loan applications amounting to ₹ 241.92 crore of which it had sanctioned 135 loan applications having financial assistance of ₹ 232.06 crore**.** Out of these 135 loans disbursed, 61 (45 *per cent*) were disbursed for new projects, while 68 (50 *per cent*) were for expansion of existing projects. Among the remaining loans, four pertained to modernization/ replacement of projects, while diversification and rehabilitation accounted for one loan each.

Good Practices in peer organisation

Debt Equity Ratio (DER): Lending policy (2020) of Karnataka State Financial Corporation, a peer organization of WBFC, envisaged the following benchmark ratios for DER for various types of loans under MSME Sector.-

Debt-Equity Ratio to be followed for various loans under

Scheme	**Ratio**
Rehabilitation Scheme	Flexible
Modernization Scheme	Projects- 4:1
Others—Depending upon loan size	Between 3:1 and 2:1
Additional loan	Projects- 2:1; Overall :- 2:1
Credit Projects	1:1

However, it was noticed that WBFC had been following uniform DER (1.5:1) for all category of scheme. As risk exposure depends upon the category of loans, uniform DER even for high risk projects may be detrimental to financial health of the Corporation.

Policy on Group-Wise Exposure: WBFC had not prepared Group-wise exposure limit, *i.e.*, for companies and co-operative societies, for Proprietary, Partnership units, *etc*., (which was being adopted by Financial Institution like Karnataka State Financial Corporation).

The Industry-wise break-up of sanction and disbursement is given in ***Appendix 5.2***. It was observed that, WBFC had sanctioned 32 *per cent* of loan to the manufacturing units and 68 *per cent* to trading units during 2016-17. The corresponding figures were 46 *per cent* and 54 *per cent* during 2017-18. Since then sanction of loan almost stopped. One of the core objectives of the Corporation was extending term loans for setting up industrial units/ projects and their expansion/ diversification/ modernization. It was, however, seen that in both years Corporation was more inclined towards service units while sanctioning loan. Hence, the Corporation was deviating from its core objective of promoting new industrial units/ projects.

5.4.2.1 Timeliness in processing of loan applications: In order to improve/ streamline the credit delivery efficiency, all offices of the Corporation should scrutinize the loan proposal in detail preferably within ten working days from the date of receipt of such proposal. Efforts should also be made to place the loan appraisal memo before the sanctioning authority within 21 days from the date of receipt of all information/ document without compromising due diligence and appraisal norms. Quick disposal of loan proposals was crucial to avoid time and cost overrun of the project. For manufacturing units, it also brings the products in the market in time to generate its customer base and demand.

- While analysing the time gap between the receipt of application and sanction of loan proposals, out of 135 cases sanctioned during 2016-21 and details of which were available, in 62 cases (46 *per cent*) loan was sanctioned within a period of two months. Loans were sanctioned in five cases (four *per cent*) between two and four months. Evidently, the management has not fixed any timeline for ultimate sanctioning of loans after receiving all documents from the Loan appraisal authority
- As regards the time taken for first disbursement after sanction of loan proposals, it was observed that out of 79 cases disbursed since April 2016, the following position of delay emerged
    - In 35 cases (44 *per cent*) loan was disbursed within a period of two months,
    - In 26 cases (33 *per cent*) between two to five months and
    - In 18 cases (23 *per cent*) after five months or more.

5.4.2.2 Deficient appraisal and deviations from policy leading to loans becoming NPA: As stipulated in the Lending policy, WBFC has to independently verify the viability of the project proposed to be financed and adjudge the capability of the promoter as well as past credentials of the borrowers. However, there were multiple instances of loans being sanctioned in deviation from policy, overlooking non-adherence to terms and conditions, ignoring inherent performance weaknesses and doubtful loan repayment credentials. Two such cases are illustrated below.

(i) Release of loan to a business having no statutory clearance: M/s S.S. Group had applied a Term Loan (TL) of ₹ 94.00 lakh and Working Capital Term Loan (WCTL) of ₹ 5.58 lakh for setting up a packaged drinking water unit.

As per project appraisal, the installed capacity of the unit was 36 lakh litres (ltrs) of packaged drinking water per year with capacity utilization of 60 *per cent* in 1st year, 70 *per cent* in 2nd year and 80 *per cent* in 3rd year from the implementation of the project. Scrutiny of records revealed:

- The production of the unit had stopped (June 2017) due to not obtaining of licence from Consumer Affairs Department, GoWB. This reflected the perfunctory screening by WBFC at the time of appraisal of loan.
- At the time of appraisal, WBFC has estimated security margin of ₹ 149.19 lakh which had diminished to ₹ 58.50 lakh due to delay in recovery action initiated by the WBFC.

The loan became NPA since June 2017; WBFC has served demand notice only in December 2019 and combined notice in February 2020 after a lapse of two and half years from the loan becoming NPA. The WBFC had made valuation of the mortgaged property which came to ₹ 58.50 lakh as realizable value and put the property on e-auction sale (January 2021) with a reserve price of ₹ 59 lakh with no buyer till date (November 2021).

Hence, release of loan to a production unit not having statutory clearance indicated poor appraisal on the part of the management and led to possibility of loss of ₹ 103.42 lakh (including Principal, interest and other dues).

(ii) Sanctioning of loan without commensurate securitisation: Maa Jasoda Rice Mills Private Limited (JRMPL) applied for total loan of ₹ 9.69 crore (TL: ₹ 3.19 crore and WCTL: ₹ 6.50 crore) for taking over of its entire loan with Paschim Banga Gramin Bank (PBGB) and for additional WCTL for future business expansion.

The Board of Directors of WBFC sanctioned (December 2015) the same with usual terms and conditions. As per the pre-sanctioning norms of WBFC, the assets proposed to be pledged were valued by WBFC and as per the valuer's report (January 2016) the present value of primary security was ₹ 6.47 crore. Meanwhile, JRMPL disagreed with the valuation report of the empanelled valuer and requested (January 2016) appointment of a new valuer from the list of empanelled valuers of WBFC for valuation of the properties.

However, prior to conducting the second valuation, WBFC decided (January 2016) to approve the proposal for disbursement. WBFC released ₹ 9.19 crore. It was stipulated (January 2016) that before release of ₹ 50.00 lakh JRMPL should comply with the pending issues of collateral securities, *i.e.*, Liquidation of Term Loan and WCTL of PBGB (₹ 8.01 crore) and acquisition of Current and Fixed Assets (₹ 1.18 crore).

The second valuation report (March 2016) had depicted even weaker securitization as the value of the primary security was valued at only ₹ 2.17 crore with many legal issues of the property pledged.

However, subsequent inspection (July 2016) by WBFC revealed:

- Factory was closed for about three months and power connection was disconnected with existing machinery remaining non-operational
- Machinery for expansion, installation was incomplete without pressure valves and connecting pipe. Little progress was noticed in drier plants.
- No manpower was there except one office staff.
- Raw material stock (paddy) could not be verified since the godown was locked.

Due to non-payment of dues, the WBFC invoked Section 29 of the SFC Act and took possession (December 2016) of fixed assets. In the meantime, the borrowers filed a case against WBFC for recovery action and got stay order. In October 2018, the court directed for valuation of primary security, *i.e.*, the rice mill. As per the court direction valuation was done and the value of the rice mill came to ₹ 6.02 crore.

Thus from the above it was evident that despite knowing the fact that the borrower was irregular in payments of its dues (availed from PBGB), WBFC had sanctioned a loan of ₹ 9.19 crore without commensurate securitization. As a result of such under-securitization, WBFC had blocked its fund of ₹ 9.19 crore and also incurred capital loss of at least ₹ 1.01 crore (₹ 9.19 crore *minus* ₹ 6.02 crore *minus* ₹ 2.16 crore).

More such instances have been discussed in the ***Appendix 5.3***.

It would be evident from above instances read with ***Appendix 5.3*** that substantial quantum of loan assistance turned into Non Performing Assets (NPA) for reasons attributable to inherent weaknesses of the scheme, functional weaknesses of borrowers, lackadaisical monitoring by the Corporation, undue lenience shown towards extension of repayment tenures, *etc*., or even wilful default.

5.5 Monitoring and Follow-up

WBFC adopted (January 2008) SIDBI operational guidelines on follow up and monitoring as approved by Board. Objectives of guidelines were to ensure utilization of loans for intended purposes, timely completion of projects without major deviations and compliance to terms and conditions of sanctions while ensuring adequate security, inspection of assisted units besides effective management of credit risks.

Instructions issued (January 2018) by the Corporation required obtaining of regular progress reports in respect of project implementation, prescribed inspection of units, analysis of annual accounts of loanee units including inter-firm comparisons in case of larger units, discussion with unit's bankers, *etc.* These instructions provided that a follow-up visit was one of the effective tools and considerable emphasis was to be laid on close monitoring of units with a view to ensuring proper end use of funds, progress of the projects, repayments, from the viewpoint of checking of the overall working of assisted units.

Instances of non-adherence to these guidelines and deviations therefrom as noticed by Audit are discussed in the following paragraphs:

5.5.1 Ineffective system of monitoring of defaulting units

In terms of instructions issued by the Corporation, monitoring of defaulting units required that visits to these units should be conducted regularly and the gap between two visits should preferably not be more than three months. Details of inspection carried out of defaulting units during 2016-17 to 2020-21 are tabulated below:

Table 5.7: Details of inspections carried out on defaulting units during 2016-17 to 2020-21

Sl. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Total no. of defaulting units	318	229	108	83	88
2	Total no. of visit to be made	1272	916	432	332	352
3	Total no. of inspection of defaulting units conducted during the year	300	447	170	85	115
4	Shortfall in number of inspections (*per cent*)	972 (76)	469 (51)	262 (61)	247 (74)	237 (67)
5	No of units visited against which visit report prepared	276	202	50	23	53
6	Shortfall in submitting visit reports	24	245	120	62	62

Source: Records of WBFC

Fall in number of defaulting units was attributed to write off of Loanee Accounts from the books of accounts (124 number of accounts) and units physically taken over (38) and sold (33) by WBFC . However, in spite of fall in number of defaulting units, there were huge shortfall in inspection (51 to 76 *per cent* annually) indicating insufficient prioritisation of the aspect of inspection.

WBFC, in its order dated January 2018, had emphasized *inter alia* on inspection of units to monitor on progress in project implementation as well as on follow-up visit for close monitoring of units in respect of proper end use of funds. Not only the same objective was unfulfilled by inadequate inspections, but also meaningfulness of such inspection was compromised by shortfall in submission of visit reports. Audit analysis in this regard disclosed the following:

- In cases where visit reports were submitted, the impact such reports had on functioning of the concerned defaulting units, if any, were not imminent.
- Audit observed that out of 3,304 mandatory visits during 2016-17 to 2020-21, the branch offices visited only 1,117 units (33 *per cent*). It was further noticed that no target with reference to extant norms was fixed in respect of Durgapur and Malda branch offices and the Headquarters office, which resulted in violation of its own norms. Further, the Durgapur branch office did not prepare any visit reports. Further, during this period, these branch offices prepared visit reports relating to 604 visits which worked out to only 54 *per cent* of the total units visited by these branch offices. This indicated that the branch offices did not monitor the defaulting units as per the norms laid down by the WBFC. Further, the monitoring mechanism was not sound enough to ensure strict compliance of the directions issued as no action against non-compliance of these norms was found on record. Further, in absence of effective monitoring, cases of default were not being properly analysed.
- The Corporation did not categorise frequency of visits on the amount of outstanding following good practices followed in other peer organization like Rajasthan Financial Corporation.

As defaulting units were adversely impacting repayments, following prescribed measures were essential, to keep proper monitoring over their functioning and reverse their downward movement.

- For Standard Asset[82] Accounts, the concerned official(s) were to ensure that follow-up inspection were conducted from time to time in order to have a regular feedback and stock taking of the working and performance status of the unit concerned.
- Standard Assets which exhibited early warning signals and overdues did not exceed a period of 90 days, were to be categorized as Special Mention Accounts (SMA). These Accounts required special attention to reverse their downward movement, *i.e.* slippage to NPA. The SMA category of Standard Asset Accounts were to be attended to by Monitoring Department at Headquarters of the WBFC & the Branch Managers of the

[82] ***Standard assets*** *are those assets i.r.o which no default in repayment of principal and interest is perceived and did not disclose any signs of impairment nor carry more than normal risk attached to the business.*

branch offices. All out efforts which *inter alia* included frequent site visits and verification of Assets were to be made to set right irregularities.

Audit scrutiny in this context disclosed the following

- No Action Plan was formulated to oversee as to how this critical aspect of asset quality was to be monitored. Though, the branch offices were required to submit a report on SMAs under their control within tenth of next month to Headquarters of WBFC, no such report on SMAs, was however, available on record.
- As field visits were of paramount importance, it was essential that suitable modalities were evolved in this regard in the Loan Recovery and NPA Management Policy also, however, no such modalities were evolved.

To sum up, it was observed that, despite such non-compliances *viz.*, shortfall in field visits/ submission of field visit reports and non-formulation of Action Plan/ absence of monitoring over the SMAs, being noticed, no action in respect of such non-compliances were initiated.

5.5.2 Progress report

As per follow up and monitoring guideline, WBFC was required to obtain Progress Report from borrowers, quarterly in case of projects under implementation and half-yearly for projects under operation. Progress Reports were to be compared with original project proposals on the basis of which loans were sanctioned.

Audit scrutiny did not find any progress report either during implementation of the projects or after the projects were put into operation. Thus, Corporation remained unaware of proper implementation or progress of projects financed by it. A case study is given below, to elucidate the non-compliance.

Case Study

M/s Mangla Gouri Ispat Udyog (Pvt.) Limited (MGIUL) was incorporated in July 2014 with the objective of production of Billets/ Ingots. MGIUL approached WBFC for term loan of ₹5.00 crore under 'Loan against mortgage of property' for i) renovation of Business property/ Assets and ii) as additional margin for working capital at its unit in Bamunara Industrial Estate, Durgapur. Total loan of ₹5.00 crore was disbursed to MGIUL in March 2016 and May 2016. The loan was to be repaid in 19 installments within five years including moratorium of six months.

The unit was inspected before sanction of the term loan, on 11 January 2016 and based on such inspection, the term loan was sanctioned (February 2016), subject to fulfillment of pre-disbursement terms & conditions which inter alia included the following:

a) The borrower was to provide a Chartered Accountant (CA) certified statement on the end use of loan funds within two months from each disbursement.

b) The existing loan account of the company with WBFC was default free.

Accordingly, MGIUL submitted a CA certificate before second disbursement, indicating that the first disbursement (meant for renovation of business properties) was utilised for procurement of raw materials and to clear the outstanding dues against supplies of raw materials. This was not in keeping with the sanction, as funds were to be used for renovation of business properties. Moreover, it was seen that no documentary evidence in support of the fund utilisation certificate was on record. It was also noticed that before second disbursement, no fund utilization certificate as per the format prescribed by WBFC was furnished, rather, only an undertaking was *furnished by mail that the same would be furnished within one month. The Corporation, however, on the basis of the undertaking, disbursed (23.05.16) ₹2.50 crore.*

Despite such scenario, the WBFC did not make any attempt to obtain progress reports or even undertake field visits to ascertain the progress of works. As there was no monitoring by the WBFC, it was unaware about the progress of work, i.e., whether the work was in progress or had been stalled/ abandoned.

An inspection was undertaken by WBFC in August 2017 only, wherein it was found that the operation was going on at a low volume and default amount stood at ₹ 67.43 lakh (Principal ₹52.43 lakh, Interest ₹15.00 lakh).

Faced with such default in repayments, the WBFC, however, issued demand notices (April 2018, May 2018, October 2018 and February 2020), though, possession of mortgaged property had not been taken till September 2021. Repayment of ₹4.00 crore, including principal amount of ₹3.16 crore, was made in February, 2021. However, the prospect of recovery of the residual principal amount (₹1.84 crore) and interest of ₹ 6.34 lakh, appeared doubtful.

5.5.3 Poor monitoring of project implementation

Monitoring of project implementation by the WBFC was reviewed in audit, through test-check of cases relating to sanction of loans by WBFC and follow up thereon. Case studies thereon, are illustrated below, to highlight non-compliances relating to monitoring.

5.5.3.1 Maa Sherawali Ispat Private Limited (MSIPL): The organisation was sanctioned (November 2013) two additional term loans (ATL) aggregating ₹ 18.50 crore by WBFC for setting up its second ferro alloy plant of 13,500 Million Tonnes Per Annum (MTPA) capacity at its existing factory premises in Burdwan. The loan was to be disbursed directly to the suppliers as far as practicable, as per terms and conditions of sanction. Audit scrutiny in this regard disclosed that

i) WBFC did not seek audited year-wise financial statements from MSIPL to assess its financial position. There was lack of inspection before disbursement by the WBFC. Modalities following which the feasibility of the project was assessed by WBFC remained unclear from available documents. So, modalities followed by WBFC, for sanction of the loan, were also not forthcoming from records, nor were the same explained to Audit, though called for. This indicated that monitoring over the pre-sanction process, was far from effective.

ii) WBFC had disbursed (2014-15) ₹ 13.45 crore to the unit and only ₹ 50 lakh to the supplier's account. The residual amount (*i.e.* ₹ 4.55 crore) was not disbursed. By disbursing such amount directly to MSIPL, WBFC deviated from its terms and conditions of disbursing loan directly to the suppliers as far as practicable.

iii) After taking up the expansion work, the MSIPL in January 2015, conveyed its inability regarding continuing with the expansion work as the market was not conducive to do business. Considering its financial interest, the WBFC, was to assess the correctness of this aspect. However, there was no monitoring evident on this issue, before accepting the submission of MSIPL and even there was no monitoring over the progress of the work, excepting for an inspection in April 2015, which showed that there was no visible progress under the project and the existing plant itself was being operated in a staggered manner.

iv) In this way, the MSIPL did not complete its expansion project and was shut down in November 2015. MSIPL neither paid any interest nor repaid principal amount on the loan.

v) WBFC had been trying (since September 2017) to recover its dues, through selling of assets of MSIPL, efforts in this regard, were yet to fructify (September 2021).

Thus, inadequacies in the manner of sanction of loans indicating lack of monitoring over the pre-sanction process & absence of proper monitoring over implementation of the expansion work, allowed the unit the scope to stop the work and finally shut down. This resulted in non-recovery of ₹ 21.96 crore (Principal[83]- ₹ 11.27 crore and Interest- ₹ 10.69 crore) remaining outstanding (as of September 2021) and also rendered the scope of recovery doubtful.

5.5.3.2 Mr. Eliyas Shaikh: Term loan of ₹ 1.75 crore and additional Term loan of ₹ 50 lakh were sanctioned during July 2015 to November 2016 to Mr. Eliyas Shaikh for construction of a warehouse at Debra in Paschim Medinipur. These loans were disbursed between December 2015 and April 2017.

As per practice followed in civil construction projects, loan was to be disbursed on progressive basis. However, in the instant case, WBFC had disbursed the term loan as well as additional term loan in full without making progress based disbursements.

After availing the full amount of loan, the borrower did not make any repayment to the WBFC. No monitoring of project implementation was undertaken by WBFC. The project remained incomplete as of November 2021. Mortgaged assets were put on auction (June 2020), for recovery of dues, but assets were lying unsold (November 2021).

As a consequence, the entire disbursement effectively remained blocked, without its intended utilisation. As of March 2021, the recoverable amount stood at ₹ 3.26 crore (₹ 1.77 crore plus ₹ 1.49 crore).

5.5.3.3 Dedico Transport Private Limited: Dedico Transport Pvt. Ltd. (DTPL) applied (June 2016) for a term loan of ₹ 8.15 crore to develop building/ infrastructure for IT/ ITeS Companies on 1.60 acre of land within non-airport land area of Aerotropolis project being developed by Bengal Aerotropolis Project Ltd. (BAPL) at Andal in Paschim Bardhaman district of West Bengal. WBFC sanctioned ₹ 8.15 crore of which ₹ 6.00 crore was disbursed in June 2016.

An inspection (March 2018) was carried out and the report pointed out the following adverse observations:

- The project land was found underdeveloped and totally vacant.
- There was no boundary wall or any other demarcation on the said land.
- No structure or any other civil work was found at the project site.
- No civil construction materials were found at that site.

[83] *After adjustment of Letter of Credits of ₹1.50 crore*

The directors of DTPL expressed their inability to repay the loan to WBFC and also informed (February 2020) the WBFC that they would be coming up with the proposal for liquidation of the loan of DTPL with WBFC.

In this connection Audit observed the following:

- Though the work was to be executed and paid for stage-wise, WBFC disbursed the total amount of loan without analyzing the stage-wise requirement of funds in the said project.
- After disbursement of ₹ 6 crore, WBFC had not made any inspection regarding utilization of disbursed fund for more than 18 months and had made inspection only after getting observation from its internal audit section.
- WBFC had received no objection from West Bengal Industrial Development Corporation Limited regarding reassignment of mortgaged land of 1.60 acre with several terms and conditions which made it difficult to reassign said land.

Had the WBFC disbursed loan on actual requirement basis and kept proper monitoring towards utilization of such fund it could have saved itself from blocking of ₹ 2.84 crore (outstanding principal amount after repayment of ₹ 3.14 crore) towards principal and loss of ₹ 86.98 lakh towards interest thereon upto July 2021.

5.5.3.4 M/s Saha Archade: M/s Saha Archade (SA) applied (December, 2011) for a term Loan of ₹ 30.00 Lakh for setting up of a Lodge cum Commercial complex at Debinagar (Millpara), Mynaguri, Jalpaiguri. After availing of full amount of loan the loanee failed to complete its project in time and requested WBFC for rephasement which was obliged by the WBFC. Even after rephasement, loanee failed to complete the project after lapse of almost three years from the 1st disbursement. As a recovery measure WBFC issued (November 2016) demand notice under section 30. In this connection Audit observed the following:

- The loanee had defaulted since inception. However, the WBFC neither took physical possession of the mortgaged assets nor took any strong recovery action (e.g. physical possession of the unit) against defaulter.
- The loan was finally disbursed in October, 2013. Since then eight years has already been passed without any recovery. This resulted in blocking of ₹ 23.61 lakh as principal (after recovery of ₹ 6.39 lakh made by encashment of Liquid collateral security) and interest of ₹ 11.13 lakh as of February 2021.

Hence, negligence on the part of management in monitoring resulted in blocking of ₹ 23.61 lakh as Principal and loss of ₹ 11.13 lakh towards interest as of February 2021.

5.5.4 Inspection of assisted units

WBFC's policy stipulates quarterly inspection of units during project implementation stage and half yearly inspection at project operation stage. In absence of regular inspection, WBFC could not assess the successful completion of the project and its operational performance. Thus, it could not take timely action to prevent default of the loan accounts as would be evident from the following:

5.5.4.1 M/s Vega Inn: A term loan of ₹ 230.00 lakh was sanctioned (January 2016) to M/s Vega Inn under 'Loan Against Mortgage of Property (LAMP) scheme' for capital expenditure on existing hotel including swapping of the existing term loan of the unit with OBC Andal Branch, Burdwan.

Since inception the loanee was irregular in payment of its dues which resulted in accounts becoming NPA. As a recovery measure demand and possession notice were served. Thereafter notional possession was taken in December 2017. The unit was last inspected in March, 2018 and found that the unit was running at a low scale and the 'Bar' was closed. By finding no other way to recover the dues the WBFC made a revaluation of the assets of M/s Vega Inn through its empanelled valuer who, in its report, reported that the realizable value of the said assets was ₹ 316.35 lakh and forced sale value was ₹ 279.00 lakh. On getting of valuation report the WBFC went for e-auction sale of the said assets on 07.01.2021with a reserve price of ₹ 285.00 lakh but no offers were received till date (October, 2021). In the meantime proprietor of M/s Vegs Inn requested for one-time settlement which was rejected by the WBFC on the ground that the loanee had not submitted any concrete One Time Settlement (OTS) proposal in their request.

In this connection Audit observed the following:

- WBFC had made huge delay in recovery action. Since inception the loanee defaulted in payment of its dues whereas the WBFC took physical possession in February, 2020 and put the property on sale. Hence, there was a time gap of 3 (three) years in taking strong recovery action against defaulting loanee.
- It was strictly mentioned in sanction letter that the loan would be utilized for capital expenditure only whereas the WBFC disbursed ₹ 115.00 lakh merely on the basis of production of vouchers provided by the borrower without verifying the assets acquired thereagainst.
- The loanee neither submitted utilization certificate of the loan disbursed nor the WBFC sought for the same. However, the WBFC levied one *per cent* penal interest for the same which served no meaningful purpose and only raised the outstanding in the book of the WBFC.
- At the time of sanction of loan, the WBFC has collected ₹ 25.00 lakh as Liquid Collateral Security from M/s Vega Inn which was subsequently replaced with land which has resulted in reduction in liquidity for recovery.

5.5.4.2 M/s KEM Creation and AVM Designers Private Limited: M/s KEM Creation and AVM Designers Pvt. Ltd. were sanctioned and released term loans of ₹ 62 lakh (between January and March 2012) and ₹ 280 lakh (between March and April 2012) respectively for acquiring high speed with single sequence embroidery machines.

However, both loanees failed to make full payments in time and WBFC sent several reminders for payment. Finally, notional possession of the Plant and Machinery valuing ₹ 29.20 lakh and ₹ 110.23 lakh (Distressed value) of KEM Creation and AVM Designers Pvt Ltd respectively were taken over (October 2015) by the WBFC. The machines were found missing on a routine inspection (July 2016). The WBFC lodged (September 2016) an FIR that the directors of the loanees with the help of caretaker had misappropriated the funds, breached the trust of the WBFC, removed the machines and cheated the WBFC.

Finally, by finding no way to recover the dues from said loanee, WBFC had charged a sum of ₹ 370.59 lakh (*i.e.*, ₹ 299.38 lakh against AVM Designer and ₹ 71.21 lakh against KEM Creation) as bad debt in its annual account during 2018-19. Hence, disbursements of loan without complying pre-disbursements conditions and lack of monitoring resulted in loss of ₹ 370.59 lakh.

5.5.5 Insurance of primary security

As per the Lending policy, the borrower, at its own expenses, insure and keep insured the entire assets of its unit financed by and hypothecated or mortgaged to the WBFC under a policy of insurance for their full values.

WBFC requires insurance of all primary securities at replacement value of those assets. However, Audit observed that WBFC only enforced insurance of primary security against loan accounts which are not in default. Once an account runs into default, the insurance of its assets was not renewed. WBFC could not provide consistent data in respect of the value of its assets kept as security for the past five years. Absence of insurance exposed WBFC to financial risks because in case of loss of these assets *{instances of loss of assets due to theft/ pilferage discussed later in the report vide 5.6.2.8}*, WBFC would not be able to realise any claim from insurance company. Borrower was required to insure mortgaged assets and submit financial statements to WBFC.

During scrutiny of Insurance registers maintained at HQ office of WBFC it was noticed that in respect of 42 units monitored from HQ office of WBFC, Insurance against assets pledged were not renewed in time resulting in probable loss to the Corporation in case of loss of property due to fire/ flood/ theft, *etc*.

5.5.6 Non-maintenance of records in respect of properties of promoters/ guarantors

Under Section 3.4.2 of Lending Policy, WBFC management is required to maintain current and conclusive credentials on resourcefulness of the promoters/ guarantors including net worth, details of immovable properties, movable assets, liabilities, *etc*. This will enable the WBFC to keep track of the properties of the guarantors for the purpose of invocation of SFC Act for realization of outstanding dues.

While reviewing the records of selected branch offices, Audit observed that none of the three branches as well as Barasat extension office of Headquarters maintained the requisite register for other properties which belonged to promoters/ guarantors. Thus, the Branch offices did not adhere to the directions issued by the higher management which might hamper recovery of dues in case of defaults in repayment.

5.6 Compliance to recovery procedures, rules and regulations

The WBFC intimates a schedule of recovery to the borrowers as per the agreement to ensure timely recovery of loans by way of equated quarterly instalments along with applicable interest. In the event of default, the WBFC may refix, postpone, defer and reschedule the instalments/ loan in case the borrower has valid reasons for non-payment of dues. In case of wilful defaulter, the WBFC may initiate action under various sections of the SFC Act. The WBFC also affects recovery of dues through default recovery meetings and OTS schemes implemented from time to time.

5.6.1 Recovery manual

WBFC had adopted (in July 2014 and modified in March 2017) a new Loan Recovery and NPA management policy to implement uniform recovery procedure. The Manual specified norms for asset classification and recovery procedure for each class of asset. It also laid down norms for revision of repayment terms for borrowers, creation of second charge on primary security, prepayment of loans by borrowers, compromise settlement with borrowers including one-time settlements, enforcement of recovery provisions of the Act enabling takeover of assets of the defaulters, invoking personal guarantees, issue of 'no due certificate' and release of security documents, *etc*.

It was observed in audit that the Recovery Manual of WBFC does not include detailed procedures and responsibility centres for maintaining/ updating recovery files and status reports for various loans disbursed by it. This led to lack of co-ordinated institutionalized initiatives for recovery pursuance.

5.6.2 Management of NPAs

A loan is considered as a Non performing asset (NPA) once the principal or interest payment remains overdue for a period of 90 days. The position of NPAs in any financial institution is one of the most important indicator of financial soundness as it directly affects the profitability and financial planning. As already indicated earlier in the report, the percentage of NPAs to total loan assets rose steadily and alarmingly from 26 *per cent* in 2016-17 to 82 *per cent* in 2020-21. Apart from instances of lack of due diligence in appraisal of loans and non-adherence to terms and conditions, the loan recovery performance was compounded by lack of proper follow-up, delayed recovery action, *etc*.

5.6.2.1 Classification of Assets: Loan accounts are classified according to the asset classification guidelines of SIDBI depending upon the payments made by the loanees. In accordance with the extant guidelines of SIDBI on asset classification the WBFC has classified loans as Standard, Sub-standard, Doubtful and loss category depending upon the period of default.

Table 5.8: Classification of Assets as per SIDBI guidelines

Standard assets	Where repayments are regular
Sub-standard assets	Where loans and interests remain overdue for a period exceeding six months but not exceeding one year
Doubtful assets	Where loans and interests remain overdue for a period exceeding one year but not exceeding three years
Loss assets	Where loans and interests remain overdue for a period exceeding three years

Source: SIDBI norms

Doubtful Assets (DA) are further classified into DA1, DA2 and DA3 (with increasing default period) on the basis of periodicity of default. WBFC's norms provided that slippage of account into NPA should be watched through close follow up and regular monitoring of non-defaulting units. The position of asset category and their percentage against total assets for the years 2016-21 are given in the ***Appendix 5.4***, which is summarized below.

Table 5.9: Asset Category and their percentage against Total Asset

(₹in crore)

Class of Assets	2016-17		2017-18		2018-19		2019-20		2020-21	
	No. of Accounts	Gross Assets	No. of Accounts	Gross Assets	No. of Accounts	Gross Assets	No. of Accounts	Gross Assets	No. of Accounts	Gross Assets
Standard Assets	567	478.60 (74.10)	393	346.09 (63.12)	205	169.42 (37.25)	125	96.60 (29.10)	52	45.43 (18.47)
Sub Standard Assets	60	105.72 (16.37)	67	59.14 (10.78)	111	123.38 (27.13)	36	32.68 (9.84)	21	6.71 (2.73)
Doubtful Assets	81	61.59 (9.53)	109	143.08 (26.09)	128	162.01 (35.62)	190	202.68 (61.06)	159	193.76 (78.79)
Loss Assets	9	0.00	0	0.00	0	0.00	0	0.00	0	0
Grand Total :	**717**	**645.91**	**569**	**548.31**	**444**	**454.81**	**351**	**331.96**	**232**	**245.91**

Source: Annual report of WBFC; Gross Assets means Principal and other dues only; figures in bracket reflected percentage of Assets to Total Assets

From the ***Appendix 5.4*** read with table above as well as **Table 5.4.3** under *paragraph 5.2.2* earlier, it was observed that the percentage of Standard assets to total assets diminished from 74.10 *per cent* in 2016-17 to 18.47 *per cent* in 2020-21, whereas the sub-standard assets to total assets diminished from 16.37 *per cent* to 2.73 *per cent* during the same period. Further, it was observed that, the doubtful assets alarmingly increased from 9.53 *per cent* in 2016-17 to 78.79 *per cent* in 2020-21. It was also observed that currently (*i.e.*, in 2020-21) more than fifty *per cent* of the loanees were under doubtful category.

Although, the WBFC has formulated guidelines for monitoring and follow-ups, no monitoring was done after final disbursement, so long the assets are classified as standard assets.

A high percentage (82 *per cent* in 2020-21) of NPAs was mainly attributable to steep fall in total loan assets of WBFC coupled with factors like high interest rates, improper evaluation and appraisal of projects, deficient inspection and follow up, *etc*., as discussed at various places of the report. Moreover, in Recovery Division, there was no system of annual review of the current accounts of the borrowers to detect the early warning signals of default.

5.6.2.2 Overdue analysis: The **Table 5.10** below provides details of recovery.

Table 5.10: Details of recovery made during 2016-17 to 2020-21

	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
		(₹ in lakh)				
1	2	3	4	5	6	7
A	***Receivable***					
1	Amount due at the beginning of the Year	53,454	53,371	62,238	69,494	77,253
2	Add - Current Demand	30,529	34,619	25,036	21,969	12,615
3	Less- Re-scheduled, waived, *etc.*, during the Year	1,690	526	3,308	2,250	2,020
4	Total Net Demand/ Recoverable	82,293	87,464	83,966	89,213	87,848
B	***Recovered***					
5	Out of arrear Demand	2,771	2,251	2,011	4,426	3,693
6	Out of current Demand	25,430	22,975	12,461	12,175	7,151
7	Total Recovered	28,201	25,226	14,472	16,598	10,844
	Amount Due at the end of the Year (4-7)	54,092	62,238	69,494	72,615	77,004
C	***Overdue***					
8	For earlier years	50,600	59,987	67,438	60,443	74,753
9	For current years	2,771	2,251	2,011	12,172	2,251

	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
		(₹ in lakh)				
1	2	3	4	5	6	7
10	***Percentage* of Recovery of old dues to amount due at the beginning of the Year (Col. 5/ Col. 1)**	5.18	4.22	3.23	17.52	4.78
11	***Percentage* of Recovery of current demand to current dues recoverable (Col. 6/ Col. 2)**	83.30	66.37	49.77	20.15	56.69
12	***Percentage* of Total Recovery to Total Demand recoverable (Col. 7/ Col. 4)**	34.27	28.84	17.24	18.60	12.34

Source: Data provided by the management; ***Note:*** *Difference between closing balance and opening balance is due to Bad-debts written-off during the year; Amount due at the beginning of the year and current demand includes Principal +Interest+ other dues (legal fees, write-off dues, etc.).*

Analysis of amount of overdue principal, overdue interest, amount due for recovery and amount recovered during the period from 2016-17 to 2020-21 as depicted in the above **Table** revealed the following facts:-

- The total recovery of the WBFC has declined from 34 *per cent* in 2016-17 to 12 *per cent* in 2020-21. The main reason for decline in recovery was that the WBFC has failed to realize/ recover their current due which has fallen from 83.30 *per cent* in 2016-17 to 20.15 *per cent* in 2019-20, again rising to 56.69 *per cent* during 2020-21.
- It was noticed that in all the years covered by Audit, out of total amount recoverable at the end of respective years, actual recovery was made mainly from current demand (excepting for 2019-20), indicating lack of effort in recovering the old dues. This may be viewed with deficient efforts of WBFC in recovery of dues through disposal of assets of defaulting units.

5.6.2.3 Reschedule and Rephasement of Loans: During the course of recovery, the recovery officers are supposed to ascertain the performance of the unit and the various problems faced by the unit through frequent visits to the unit. There may be cases where the loanee completed the implementation of the project and even functioned for few years but were still facing problems in running the unit in spite of earnest efforts. In such cases, if the recovery officer *prima facie* finds that the units needed rephasement, then he should take up rescheduling of the repayment of loans after collecting/ ascertaining certain details, *e.g.* audited accounts for preceding three years, reasons for default; projected profitability and cash flow statements *vis-à-vis* detailed assumptions for satisfactorily functioning in future years; details of working capital requirements, *etc*. As per the recovery manual of WBFC, revision of repayment terms under standard or sub-standard accounts are allowed in deserving cases which are sustainable and viable to enable the borrower overcome bottlenecks, temporary and unforeseen setbacks.

Audit observed that the rescheduling of loan accounts was done by WBFC without reassessing the viability of the project, its projected cash flow or an analysis of the causes that led to rescheduling of loans. Out of 74 loan accounts rescheduled during 2016-21, 12 loans (16 *per cent*) were rescheduled for the second time. Of these 74 loan accounts, 41 accounts turned NPA as of March 2021. This indicated that there were lacunae in assessment of genuineness of the factors which had been considered for re-scheduling of loan accounts. The frequent rescheduling of loan accounts was a matter of concern as it might dilute the deterrence against habitual defaulting.

5.6.2.4 Recovery through Default Review Committee: Recovery camps are conducted from time to time in the branch offices and Default Review Committee meetings are held to analyse the reasons for default. Eligible cases are granted Re-schedulement of Principal amount of loan or interest as a measure of relief to prevent further default. Accounts with little or no security back up are allowed compromised settlements of loans. The DRC at Head office are to meet once in every two months (six meetings per year) while the Branch offices are required to meet monthly, *i.e.*, twelve times a year. The table below shows performance of DRCs.

Table 5.11: Performance of DRCs

Years	No. of DRC meetings*	No. of units discussed		Spot collection (₹ in lakh)
		Called	Absent	
2016-17	21	141	122	175.04
2017-18	10	125	70	132.39
2018-19	2	20	17	53.43
2019-20	0	--	--	--
2020-21	0	--	--	--

*Source: WBFC's Register of DRC meetings decision; *42 DRC meetings were to be held (Head Office: six and three Branch offices @ 12 each)*

No DRC meeting was held during 2019-20 and 2020-21. Even during, 2018-19 only two meetings were held. Even the attendance of defaulting borrowers in these meetings was not encouraging as 73 *per cent*[84] of the borrowers did not attend these meetings though invited. This indicated complete dilution of the mechanism of DRC during last few years indicating lax functioning of the Branch Offices. Audit observed that competent authority did not take any action against the defaulting Branch offices for not conducting the meeting of DRCs in violation of laid down directions. It indicates that the mechanism prescribed for monitoring of the cases of defaults by the borrowers was defunct.

Though most of the NPA cases occurred prior to April 2016, the WBFC could not effect much recovery in these during 2016-21. The recovery towards spot collection has decreased from ₹ 175.04 lakh in 2016-17 to nil during 2020-21.

5.6.2.5 Recovery through Compromise settlements: Section 24 of SFC Act, 1951, envisages that the boards of State Financial Corporations (WBFC in case of WB), would discharge their functions under the Act, act on business principles giving due regard to the interests of industry, commerce and the general public. Based on this idea, WBFC devised One Time Settlement Schemes for settling difficult and hard cases where early recovery was not possible. The aim was to have a lenient view on defaulting borrowers, who, in spite of good intention, could not run the project successfully due to factors beyond their control. Apart from these, WBFC may offer compromise settlements in those cases where the assets of the borrowing unit deteriorated due to certain unforeseeable conditions. The main objectives of OTS scheme are:

[84] *Out of total 286 units called during last five years, 209 were absent*

- to settle the sticky loan accounts and collect maximum possible amounts as early as possible so that these funds can be recycled to earn interest income;
- to improve the overall quality of asset portfolio of the Corporation;
- to improve the recovery rate *vis-à-vis* demand and to reduce NPAs.

The progress made so far has been reviewed and it has been observed that, despite such one-time settlement schemes in previous years, there still exist on the WBFC's books of accounts substantial NPAs which could be categorized as difficult cases from the point of view of recovery.

Table 5.12: Details of approvals and amount sacrificed due to compromise settlement cases during 2016-17 to 2020-21 *(₹in lakh)*

Sl. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	No. of accounts settled	73	69	06	10	14	**172**
2	Amount of outstanding (A)	450.64	688.47	414.91	208.65	593.29	**2,355.96**
3	Amount approved/ settled (B)	260.63	364.58	92.18	113.67	285.48	**1,116.54**
4.	Amount received (C)	79.88	149.60	11.00	113.32	259.32	**613.12**
5	Short receipt (D=B-C)	180.75	214.98	81.18	0.35	26.16	**503.42**
6	Amount sacrificed/ waived (E=A-C)	370.76	538.87	403.91	95.33	333.97	**1,742.84**
7	Sacrifice ratio	82.27	78.27	97.35	45.69	56.29	**73.98**

Source: Data provided by management of WBFC

- As per the loan policy of the WBFC, the amount recovered through Compromise settlement should include principal and simple interest. In 172 number of cases mentioned above, the amount waived was ₹ 1,742.84 lakh, which worked out to 73.98 *per cent* of total dues. It is pertinent to mention that the WBFC had neither valued the collateral security in the form of mortgaged freehold immovable properties nor invoked the same before extending the OTS scheme to the defaulters. Thus, this action of WBFC compromised its own financial interest which might result in undue benefit to wilful defaulters.
- As per the Corporation's NPA management and Loan recovery policy, sacrifice of principal amount would never be done unless there is approval of the Board in exceptional cases[85]. Audit, however, observed that the WBFC waived principal of ₹ 17.43 crore during 2016-21 without exhausting all legal provisions. Moreover, as discussed earlier in the Report, efforts of the Corporation in recovery of dues were often not adequate.

The above deficiencies indicated that the recovery action was not timely and OTS was extended even to wilful defaulters which led to increase in NPA as is evident from the instances illustrated at *paragraph 5.6.2.8*.

5.6.2.6 Recovery Framework in NPA cases under State Finance Corporations Act: The WBFC has been empowered and endowed with legal remedies under the following provisions of SFCs Act 1951:

[85] As per para 9 of the Policy, a loan account may be determined as uncollectible only under certain exceptional situations e.g. recovery procedures executed through existing provisions of law but account still remaining in default; debtor cannot be located and there is no tangible asset back up, debtor has no asset, debt is disputed, debt is discharged in bankruptcy, etc.

Table 5.13: Legal framework for recovery

Legal standing	Provisions
Section 29 of SFCs Act	Provides the right to take over the management or possession or both of the industrial concern as well as the right to transfer by way of lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to the WBFC
Section 30 of SFCs Act	Allows the WBFC to call for entire repayment before agreed period
Section 31 of SFCs Act	Provides special provisions for enforcement of claims by filing of civil suit
Section 32 of SFCs Act	States the procedure in respect of application to be filed under Section 31. It also allows the WBFC to recover its dues as an arrear of land revenue in the manner prescribed by the State Government
Others	WBFC may opt to take recovery action under provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, Insolvency and Bankruptcy Code (IBC) 2016, *etc*.

Source: SFC Act

The status of unit sold and recovery made by invoking section 29 showed that out of 241 units available with the WBFC for recovery of outstanding dues of ₹ 259.36 crore during 2016-21, Corporation could invoke section 29 for 33 units with outstanding dues of ₹ 63.60 crore and sold assets for ₹ 16.73 crore. Delay in the process of disposal led to such low level of recovery. As of March 2021, the WBFC had possession of 11 units (by invocation of section 29) having outstanding dues of ₹ 29.99 crore.

The huge delay in taking legal action against the defaulting borrowers and in disposal of units reflected serious shortcomings in recovery of its dues by the WBFC. Some defaulting borrowers also took the benefit of the prevailing system as they got themselves out of legal action either by paying some amount on issue of notices or getting the loans rescheduled. By the time the next notice(s) were issued or physical possession were taken over, the assets/ security were sold or manipulated.

During review of selected cases, some cases were observed where the WBFC ignored continuous defaults of borrowers and kept on providing opportunities to them for repaying the loans/ overdues instead of taking recovery action under section(s) 29/30 of the SFCs Act, The deficiencies noticed in these cases are discussed in case studies *vide* *paragraph 5.6.2.8*.

5.6.2.7 Delay in disposal of assets in possession: As per the Loan Recovery and NPA Management Policy of WBFC, assets in possession of the WBFC should be disposed of in a timely manner and proactive efforts are required to be made for locating suitable buyers for units in possession so as to ensure quick disposal of assets at the competitive prices. No asset should remain undisposed after six months from taking into possession until and unless there are specific reasons.

Table 5.14: Age profile of indisposed assets

Period of possession	No. of units	Total outstanding as on 31st March 2021 (*₹ in Lakh*)			
		Principal	Interest	Others	Total
Less than six months	3	63.34	27.28	0.00	90.62
From more than six months to one year	8	1,737.00	773.00	0.00	2,510.00

Period of possession	No. of units	Total outstanding as on 31st March 2021 (₹in Lakh)			
		Principal	Interest	Others	Total
From more than one year to two year	18	4,750.27	1,414.10	0.68	6,165.05
More than two years	55	12,689.02	1,899.97	37.02	14,626.01
Total	**84**	**19,239.63**	**4,114.35**	**37.70**	**23,391.68**

Source: Data provided by the management of WBFC

The Corporation did not fix any annual targets to dispose of assets. Out of 84 units in possession and awaiting disposal, 55 units (65 *per cent*) were pending for more than two years, whereas 96 *per cent* have been remaining undisposed beyond the stipulated period of six months as of March 2021. It would be seen that

- The Marketable realizable value (MRV) as per the latest valuation done in respect of 17 units (₹ 408.65 lakh) was not sufficient to cover the outstanding dues (₹ 1,316.97 lakh) and there was shortfall of ₹ 908.32 lakh towards recovery of dues.
- Further analysis disclosed that in 66 cases, though possession was taken, no latest valuation was carried out as per the Corporation's norms (at every three years interval) to ascertain the latest MRV of assets so that the assets can be put to auction.
- There were also five cases where the Market value of assets (₹ 186.03lakh) were more than the outstanding dues (₹ 94.79 lakh) but the WBFC did not dispose them off by putting them in auction.

Thus, due to delay in initiating action for disposal of units in possession, non-disposal of no of units despite several auctions, outstanding dues worth ₹ 233.92 crore remained unrecovered despite the WBFC having possession of these units. Moreover, WBFC had to shoulder expenditure to the tune of ₹ 114.09 lakh towards security of these undisposed assets for the period 2016-21.

Audit observed that the WBFC did not analyse reasons for poor response in auctions held for sale of assets. Further, inordinate delay in disposal of these units resulted in substantial decrease in MRV of the assets in cases where depreciable assets *viz.*, Plant and Machinery are involved.

5.6.2.8 Some case studies on undue lenience in recovery of dues

(i) Allowing frequent opportunities to a defaulter borrower: Millenium Mercantile Private Limited (MMPL) had applied (September 2011) for a term loan of ₹ 200.00 lakh for setting up a 6200 square feet restaurant at Kolkata. The total project cost was ₹ 320.00 lakh with promoter's contribution of ₹ 120.00 lakh. The term loan of ₹ 200.00 lakh was sanctioned (September 2011) and disbursed in October 2011 on usual term and conditions (repayment period being October 2012 to October 2016), which were accepted (October 2011) unconditionally by MMPL.

The MMPL maintained the term loan account default free till March 2013 and subsequently slipped into NPA on default in repayment of ₹ 31.16 lakh in September 2013. MMPL requested (December 2013) the WBFC for rephasement of term loan and defer the repayment schedule by 12 months and also to increase the total repayment period. Again in May 2014, MMPL prayed that the rephasement schedule be further deferred with a repayment period of five years from the date of rephasement with a moratorium period of nine months. MMPL further requested (March 2015) to restructure the loan account payable in 48 monthly instalments commencing from April 2016. WBFC restructured (March 2015) the repayment schedule with 48 monthly instalments, (46 monthly instalment of ₹ 3.00 lakh each and last two instalments of ₹ 3.50 lakh each) with first instalment due on November 2015.

However, the repayment was again defaulted and WBFC took the physical possession of the assets in July 2017. The Sale notice was, however, issued after a lapse of eight months from the date of possession.

Repeated rephasement of defaulted loan followed by delay in taking physical possession and pursuing sale of assets led to possibility of loss of assets and resultant loss of ₹ 95.60 lakh (principal and other dues).

However, management had not yet been able to liquidate the assets (November 2021).

(ii) Delay in disposal of Assets under possession: M/s Maha Gauri Strips Pvt. Ltd. (MGSPL) submitted (January 2015) a proposal for setting up of a Rolling Mills with an installed capacity of 24000 MTPA (M S Angles, Channels, Flats, Bars, round and square based on two shift operation for 300 days in a year) at Bamunara Industrial area, Durgapur, Paschim Bardhaman.

- The loan of ₹ 5.00 crore was disbursed in four phases between October 2015 and May 2016. Repayment was to be made in 25 instalments starting from October 2016. MGSPL repaid part of principal (₹ 2.40 crore) and full interest.
- An inspection team visited (November 2017) MGSPL factory site and found that the unit was in inoperative condition and Manager informed that due to non-supply of gas the unit was inoperative for the last two months. Scrutiny of records revealed that the Inspecting official of the WBFC has recommended (July 2017) for recovery of loan through usual measure under SFC Act. However, even after the concern being raised by the inspecting official, the WBFC did not take any steps towards recovery of loan.

Hence, due to negligence on the part of management an amount of ₹ 2.60 crore (*i.e.,* ₹ 5.00 crore *minus* ₹ 2.40 crore) has been blocked.

(iii) Blockage of funds in a real estate project due to lackadaisical monitoring: With a view to setting up a real estate project at Raghunathpur, Jhargram by constructing commercial/ residential complex at a project cost of ₹ 345 lakh, "Green Construction", a proprietorship firm approached (August 2015) WBFC for a term loan of ₹ 180.00 lakh, which was sanctioned (March 2016) and disbursed (September 2016 to August 2017) by WBFC.

The unit started defaulting in payment of dues of the WBFC and the loan become NPA from September 2017. As even after one year from last disbursement, the borrower was yet to complete the complex; the WBFC issued demand (September 2018) u/s 30 of the SFCs Act 1951. Ultimately, the possession of the unit was taken over in September 2019 by WBFC without management and liability u/s 29(i) read with sec 30 of the SFCs Act, 1951 by making the loanee as custodian. On a complaint received (January 2019) from one of the partners of "New Green Construction" regarding illegal selling of flats and shops of "Tulip Towers" (Building Name), the WBFC inspected the construction work in March 2020 and found that 12 flats and four shops had been sold out by receiving full amount from the owner without any consent/ approval of the WBFC and without remitting the sale proceeds to the Corporation. It also transpired during visit that all the flat owners have occupied their residential flats. Audit observed that:

- During the project evaluation (October 2015), G.M (O) opined that the Real Estate Sector is passing through "Dull situation", Moreover; WBFC do not have prior exposure in financing real estate sector. In spite of that, WBFC had taken a risk ₹ 345.00 lakh JV project.
- As per the recommendation for sanction of proposal, opening up of an "ESCROW" account at any bank with the consent of the WBFC is a pre-condition. But opening of such account with the consent of the WBFC was not found on record due to which the WBFC was not in a position to have a track of all sale proceeds of the flats in that complex.
- Though the WBFC was aware of the fraudulent transfer of space forming commercial and residential complex in January 2019, it took the possession of the property in September 2019, *i.e* after a gap of eight months, that too after making the borrower a custodian of the property.
- Moreover; the WBFC inspected the property (March 2020) after lapse of six months from the date of notional possession (September 2019) which indicated a lackadaisical approach on the part of the WBFC. Intervals between inspections were also long (November 2017, March 2018 and March 2020).
- WBFC did not initiate any criminal action against the partners.

At present, the sale of assets is hardly possible since the 12 flats and four shops were sold and the flats were occupied by the flat owners.

The unit proposed a settlement amount of ₹ 50.00 lakh to the Corporation. This, if accepted, would lead to sacrifice of an amount of ₹ 76.39 lakh (₹ 126.39 *minus* ₹ 50.00 lakh) towards principal and an amount of ₹ 79.06 lakh towards interest.

(iv) Delayed possession resulted in diminution of security value: WBFC sanctioned a term loan of ₹ 450 lakh to Karma Metal Private Limited (KMPL) for setting up a unit for manufacturing of chilled rolls and nuts and bolts. The entire sanctioned amount was released during March 2012 to January 2013.

Due to delay in supplying machinery for not getting sanction for working capital loan, the Company approached the WBFC for partial deferment of repayment schedule on two occasions and the same was granted. It may also be worth mentioning that M/s KMPL, without the knowledge of WBFC, acquired some fixed assets with the loan disbursed, though those fixed assets had not been allocated by WBFC in their project appraisal.

During the first inspection in September 2013 WBFC found that, all the machines were in idle condition.

During second inspection in March 2014, WBFC found that the plant had been shut down. Consequently, in April 2014 the KMPL expressed that they had lost interest in the project.

WBFC served notice (August 2014) under section 29 of State Financial Corporation Act, 1951 and took over notional possession of the unit only in September 2014. However, the assets of the unit were kept in custody of the promoter. As per assessments made in February 2015, value of the assets was ₹ 5.85 crore.

WBFC published sale notice of KMPL in July 2015. As no potential buyer came forward to take over the assets of KMPL, WBFC re-assessed (October 2016) the value of the assets and land as ₹ 4.32 crore. On this occasion, the valuer pointed out that the decrease in the value of plant and machinery by ₹ 1.53 crore were due to damaged and missing [86] components of the machineries. Consequent to this report, WBFC lodged (May 2017) FIR for such missing items and finally took over (May 2017) physical possession of land and assets of KMPL, *i.e.,* after a delay of three years.

Ultimately, the WBFC received an offer from M/s Beecamb Packaging (Pvt.) Ltd at a price of ₹ 3.25 crore and the new purchaser had paid the amount during June 2019 to November 2019. As against outstanding of ₹ 5.85 crore (Principal ₹ 3.30 crore and Interest ₹ 2.55 crore), WBFC had received ₹ 3.25 crore only.

Due to delay in taking over the physical possession of the taken over assets, these assets remained unguarded and prone to damages. These lacunae on part of WBFC had resulted in diminution of the value of asset due to theft and damage by ₹ 1.53 crore. Therefore, as against the principal outstanding of ₹ 3.30 crore, an amount of ₹ 3.25 crore could only be received resulting in capital loss of ₹ 0.05 crore and loss of interest income of ₹ 2.55 crore.

5.7 Internal Control and Internal Audit

The WBFC is primarily exposed to various risks, *viz.,* credit risks, market risks and operational risks which occurs due to default in repayment, fluctuation in interest rates and management limitations. The loan policies, recovery strategy framed by the WBFC, SFCs Act provide framework for internal control and minimize such risks. The following deficiencies were however noticed in the Internal Control System of the WBFC:

- The Corporation conducted 22 board meetings during 2016-21. It was also observed out of total strength of nine to 11 members, only four to six members actually participated in those meetings (overall participation stood at 52 *per cent*) (detailed in ***Appendix 5.5***). It was observed that there were no representative from MSME Department. The Directors representing Finance Department were absent in 10 out of 22 meetings. The absence of these Directors deprived the guidance of two vital departments on various issues on policy of disinvestment, mobilisation of resources including capital bonds, *etc.*

[86] *The motor of' the machines were missing, air compressor with air receiver, rotary furnace were in dismantled condition, pickling and phosphating tanks were broken and the 1000mm dia single deck bull block wire drawing was removed from the foundation and was missing.*

- The Corporation had not prepared the internal audit manual till date, which would have outlined the standards of performance of the internal audit wing. The internal audit did not cover the planning, finance and resources management sections of the corporate office. Similarly, they did not cover the OTS scheme of the branch offices. The Internal Audit Report did not report any of the sanction failures, monitoring lapses, *etc.*, during the entire period of 2016-21 to the BOD. Thus, the internal control system in the Corporation was inadequate to ensure any meaningful value addition in the loan management system.
- The WBFC uses a credit rating Mechanism for appraisal of loans. The model contains marking on a scale of 1 to 8 for Management Risk, Industry Risk and Business Risk. Grades are awarded on Promoter's experience, Track records, Promoter's contribution and other financial parameters (Maximum score = 80) and risk assessment parameters (Financial risk/ Borrower risk/ sales risk) (Maximum score = 20). WBFC, however, provided loans to borrowers at a common interest rate without linking the interest rate with the degree of associated risk.
- The DRC at Head office are required to meet bi-monthly, *i.e.*, six times a year whereas DRC meetings at Branch Office level were to be held monthly. Recovery camps at branch level are to be held every quarter. But the same is not being done as per the extant guidelines. Against an annual requirement of 42 meetings in head office & branch offices, only 21, 10 and two meetings were held during 2016-17, 2017-18 and 2018-19 respectively. No meetings were held during 2019-20 and 2020-21.
- The WBFC has introduced the policy of having the assets charged to them revalued every three years by an empanelled valuer but the same is not being done at regular intervals. Consequently, the value of the security as per the records is old and does not give the correct value. This may result in wrong provisioning. The WBFC should get the securities revalued as per approved policy.
- Assets constituting the security for standard assets are being insured. Before the policy expires, the borrowers are reminded and in case the policy is not renewed, the Corporation renews the policy through its tie-up with National Insurance Company. NPA Accounts are not insured. There is no system of alerts for insurance policies that are due to expire in the next 15-30 days. This calls for improvement in the internal MIS so that, alerts for near expiry policies are flagged for timely renewal.

5.8 Conclusions and Recommendations

Conclusions:

The Corporation established to provide financial assistance to MSME Sector had been rendering such assistance marginally, while the coverage by Commercial banks was significant. This was attributable to non-drawing up of a long term strategic plan addressing its weaknesses such as non-competitive interest rate and not carrying out wide spread coverage throughout the state. The impact of the activities of WBFC has also become minimal as it has stopped sanctioning new loans during last two years consequent upon taking up of restructuring plan by the State Government.

Deficiencies in sanction of loans by not adhering to the laid down parameters led to instances of grant of loans to ineligible borrowers, loan sanctioned in deviations from its own loan policy, assistances disbursed ignoring identifiable functional weaknesses or doubtful past loan repayment credentials.

The WBFC did not take adequate and timely legal actions for recovery of dues. There were deviations from the guidelines prescribed in its own recovery manual.

Laxities were noticed on the part of WBFC in disposing of the properties taken into possession which resulted in accumulation of dues. Such delays also led to accumulated dues surpassing the MRVs of the properties.

Monitoring and inspection at Branch level was deficient as unit visits were not conducted as per the prescribed norms.

The WBFC did not develop and put in place a mechanism whereby the rates of interest offered by the Commercial Banks and other Financial Institutions on the term loans and WC Loans are compared periodically so as to make the WBFC's rate of interest competitive.

The loans were rescheduled frequently without any limit on the number of rescheduling which indicated that there were lacunae in the assessment process considered for rescheduling of loan accounts.

Recommendations:

- ***The restructuring plan of WBFC, inclusive of the long term strategic plan, needs to be finalised on an urgent basis duly factoring in weaknesses noticed in course of implementation of activities of the Corporation.***
- ***A mechanism needs to be in place whereby the rates of interest offered by the Commercial Banks and other Financial Institutions on loans are compared periodically to make the WBFC's rate of interest competitive.***
- ***The WBFC management should do independent analysis of loan proposals to assess viability of the proposed projects, past loan repayment credentials of the applicant, etc.***
- ***The WBFC should ensure adequate and timely legal actions for recovery of dues including disposing of the properties taken into possession in due adherence to its own recovery manual; accountability of responsible officials should also be clearly indicated.***

The matter has been referred to the Government in February 2022; reply was awaited (April 2022).

Chapter 6

Processing of refund claims under Goods and Services Tax

Chapter 6: Processing of refund claims under Goods and Services Tax

FINANCE DEPARTMENT

(Directorate of Commercial Taxes)

6.1 Introduction

Timely refund mechanism constitutes a crucial component of tax administration, as it facilitates trade through release of blocked funds for working capital, expansion and modernisation of existing business. Provisions pertaining to refunds, as contained in the Goods and Services Tax (GST) Laws, aim to streamline and standardise the refund procedures under GST regime. It was envisioned that the claim and sanctioning procedure of refunds would be completely online. However, due to unavailability of electronic refund module on the common portal for GST, detailed procedures were prescribed through Circulars[87] issued in November and December 2017, for processing of refund claims through an electronic-*cum*-manual procedure. In this process, the applicants were required to file the refund applications (in the form GST RFD-01A) on the common portal, take a print out of the same and submit it physically to the jurisdictional tax office along with all supporting documents. Further processing of the refund applications, *i.e.*, issuance of acknowledgement, issuance of deficiency memo, passing of provisional/ final refund orders, issuance of payment advice, *etc.*, were done manually.

Subsequently, in order to make the process of submission of the refund application electronic, a Circular[88] was issued (December 2018), wherein it was specified that the refund applications to be submitted through the aforesaid form, along with all supporting documents, had to be submitted electronically and post-submission stages of processing of the refund applications were to be done through manual mode. The refund process was made fully electronic, with effect from 26 September 2019, wherein all steps from submission of applications to processing thereof were to be undertaken electronically. However, all refund applications filed on the common portal before 26 September 2019 were to be processed manually, as was done prior to the introduction of the fully automated system.

6.1.1 Organisational Set up

In West Bengal, GST is administered by the Directorate of Commercial Taxes (Directorate), West Bengal. The Directorate functions under the Finance Department and is headed by the Commissioner of Commercial Taxes (CCT). The CCT is assisted by Special Commissioners, Additional Commissioners, Senior Joint Commissioners, Joint Commissioners, Deputy Commissioners, Assistant Commissioners and State Tax Officers. Administratively, the Directorate is divided into 16 Circles. A Circle is headed by the Additional Commissioner or the Senior Joint Commissioner. He is supported by other Senior Joint Commissioners, Joint Commissioners and other officers, down to those at the Charge level. They exercise administrative, appellate and revisional jurisdiction over Charges under them and audit, adjudication and recovery

[87] *Trade Circular Nos. 12/2017 dated 15.11.2017 and 14/2017 dated 21.12.2017*
[88] *Trade Circular Nos. 57/2018 dated 31.12.2018*

thereof at the Circle level. There are 67 charges[89] in the State. A Charge is headed by a Charge Officer, of the rank of a Joint Commissioner or a Senior Joint Commissioner. This unit is entrusted with the administration of the GST Act and includes registration, amendment, cancellation and its revocation, audit and assessment, enforcement, anti-evasion, raising demand and its recovery and refunds. The Charge Officer reports to the Administrative Circle head.

A Large Taxpayer Unit (LTU) is there to facilitate the revenue administration of the largest taxpayers of the State. It is headed administratively by a Special Commissioner and assisted by Additional, Senior Joint and Joint Commissioners. All registered tax-payers (RTPs) under the LTU are divided into groups, meant for goods, services and legacy work.

Information Systems Division (ISD), as the internal Information Technology (IT) wing of the Directorate, is responsible for maintenance and upgradation of IT infrastructure and implementation of new e-services. With the introduction of GST, ISD provides the basis on which the entire Directorate functions. All offices have access to the Internal Website containing internal information and communication, as well as the GST Back Office portal, for their day-to-day activities under GST.

Processing of orders of refunds is the responsibility of the Proper Officers. In terms of the West Bengal Goods and Services Tax Act, 2017, “Proper Officer” in relation to any function to be performed under this Act, means the Commissioner or the Officer of the State tax who is assigned that function by the Commissioner. Without prejudice to provisions of the West Bengal Goods and Services Tax Act 2017, Officers appointed under the Central Goods and Services Tax Act are authorised to be the Proper Officers for the purposes of this Act, subject to such conditions as the Government shall, on the recommendations of the Goods and Services Tax Council, by notification, specify.

6.1.2 Audit objectives, Scope and Methodology

A Subject Specific Compliance Audit (SSCA) on processing of refund claims under Goods and Services Tax was conducted to assess

- adequacy of Acts, Rules, Notifications, Circulars, *etc.*, issued in relation to grant of refund;
- compliance of extant provisions by the tax authorities and
- efficacy of systems in place to ensure compliance by taxpayers.

Information of 17,272 refund cases (11,861 manual and 5,411 automated) processed during July 2017 to July 2020 was obtained from 67 Charge offices. Of these, 9,997 (7,201 manual and 2,796 automated) were related to zero-rated supplies of goods and services, 2,295 refund cases (1,287 manual and 1,008 automated) were related to inverted duty structure[90] and 4,980 refund cases (3,373 manual and 1,607 automated) were related to excess balance in the Electronic Cash Ledger of the taxpayers. The information so received also formed the audit universe for the SSCA.

[89] *A Charge is the basic functional unit of the Directorate*
[90] *Tax structure wherein rates of tax on input being higher than the rates of tax on output*

During field audit, 2,066 refund cases involving an amount of ₹ 667.22 crore (1,122 manual involving an amount of ₹ 353.28 crore and 944 (940+4[91]) automated involving an amount of ₹ 313.93 crore) pertaining to the period from July 2017 to July 2020 were selected for examination. Out of the total sample of 2,066 refund cases, 1,930[92] cases (986 manual and 944 automated cases) involving ₹ 645.83 crore were scrutinised. Of 1,930 cases, refund cases related to zero-rated supplies were 1,272 and refund cases related to other than zero-rated supplies were 658. Refund cases related to inverted duty structure were 351 out of 658 refund cases.

Goods and Services Tax Network (GSTN) has provided pan-India refund data from July 2017 to July 2020. Considering the refund data available for the State of West Bengal, based on electronic-*cum*-manual/ electronic mode of processing of refunds, on either side of 26 September 2019, refund risk parameters for these two stages were also different. In respect of refund applications prior to 26 September 2019, the sample drawn was based on Stratified Sampling. For selecting refund applications, submitted after 26 September 2019, a composite risk score was devised using risk parameters such as refund amount claimed (60 *per cent* weightage), delay in sanctioning refund (*15 per cent*), refund sanctioned/ refund claimed ratio (*10 per cent*) and deficiency memo issued (*15 per cent*). Based on the above arrived risk score, refund applications were selected for the period after 26 September 2019.

6.1.3 Audit Criteria

The following Audit Criteria were used to assess the Audit Objectives:

- West Bengal Goods and Services Tax Act, 2017 (WBGSTA);
- West Bengal Goods and Services Tax Rules, 2017 (WBGSTR);
- Central Goods and Services Tax Act, 2017 (CGSTA);
- Central Goods and Services Tax Rules, 2017 (CGSTR);
- Integrated Goods and Services Tax Act, 2017 (IGSTA); and
- Relevant Notifications, Circulars, Trade Circulars and Instructions issued by the CCT and State Government from time to time.

6.1.4 Modus Operandi for processing of refund applications

A taxpayer, on being administratively assigned either to the Central or State tax authority, needs to file the refund claim with the jurisdictional tax authority to whom the taxpayer has been assigned. In case such an order has not been issued, the taxpayer is at liberty to apply for refund before the Central Tax Authority or the State Tax Authority, till the Administrative Order for assigning of the taxpayer to respective jurisdictional tax authority is issued. However, in such case, an undertaking is required to be submitted by the taxpayer stating that the claim for sanction of refund has been made to only one of the Tax Authority. For pre-automation cases, the payment of the sanctioned refund amount shall be made only by the concerned tax authority of the Central or State government. In other words, for pre-automation cases, the payment of sanctioned refund

[91] *Six cases were for scrutiny of double payment. Out of these, two cases were from 940 cases and four cases were new*

[92] *This was because a total of 136 cases could not be scrutinised as (a) 20 cases were not disposed, (b) seven cases were under process and (c) 109 cases were not produced to audit*

amount in relation to Central Goods and Services Tax (CGST), Integrated Goods and Services Tax (IGST) and Cess shall be made by the Central Tax Authority while in relation to SGST, it would be made by the State Tax Authority. To ensure timeliness in payment of refunds, the refund order issued either by the Central Tax Authority or the State Tax Authority was to be communicated to the concerned counter-part tax authority within seven working days from its issue, for enabling payment of the relevant sanctioned refund amount. For post-automation cases, the sanctioned refund amounts, under all tax heads, as entered in the payment orders issued by the Central and State/ Union Territory Tax Officers, are disbursed through the Public Financial Management System (PFMS) of the Controller General of Accounts (CGA), Ministry of Finance, Government of India. The disbursement status of the refund amount is communicated by PFMS to the common portal and the common portal notifies the same to taxpayers by email/ SMS.

6.1.5 Non-production of records

During audit of the 22[93] Charge offices in 10[94] Circles under the Directorate, 109 manual refund case records (out of the requisitioned 1,122 manual case records) involving refund amount of ₹ 19.69 crore were not made available to Audit for scrutiny. As a result, these 109 cases remained outside the purview of the audit coverage.

Fourteen Charge offices with 81 such cases stated (between January 2021 and September 2021) that the case records were not readily available/ traceable. Shyambazar charge, in one case, stated (January 2021) that the case was processed by Large Taxpayer Unit. In remaining cases, the Charge offices did not furnish any/ specific reply.

Audit Findings

During the SSCA, 986 manual GST refund case records and 944 automated GST refund case records were scrutinised which revealed some major systemic and compliance deficiencies of the Directorate of Commercial Taxes, West Bengal in processing and disposal of refund claims under GST. Such findings noticed during the SSCA are illustrated under the following paragraphs:

6.2 Adequacy of statutory provisions and GSTN system in relation to grant of refund

During the SSCA, the following issues relating to the above aspect came to notice:

6.2.1 Absence of a time limit for completion of the liability register

As per provisions of Rule 92 (1) of the WBGSTR, where the Proper Officer is satisfied that a refund is due and payable to the applicant, he shall make an order in FORM GST RFD-06, sanctioning the amount of refund to which the applicant is entitled, mentioning therein the amount, if any, refunded to him on a provisional basis, amount adjusted against any outstanding demand under the

[93] Asansol, Ballygunge, Barasat, Barrackpore, Baruipur, Beadon Street, Budge-Budge, Cossipur, Fairley Place, Howrah, Jorabagan, Jorasanko, Kadamtala, Manicktola, Postabazar, Radhabazar, Shibpur, Shyambazar, Siliguri, Strand Road, Suri and Taltala

[94] 24 parganas, Asansol, Barabazar, Behala, Chowringhee, Durgapore, Howrah, Kolkata (North), Kolkata (South) and Siliguri

Act or under any existing law and the balance amount refundable. Provided that in cases where the amount of refund is completely adjusted against any outstanding demand under the Act or under any existing law, an order giving details of adjustment shall be issued in Part A of FORM GST RFD-07.

For this purpose, maintenance of the Liability Register of taxpayers has been prescribed under Rule 85 of WBGSTR. The Directorate has to complete the Liability Registers of RTPs to ascertain the outstanding assessed dues of the RTPs and to facilitate the Proper Officers in deducting/ adjusting the outstanding assessed dues from the amount refundable under the WBGSTA.

However, no time limit for completion of the Liability Registers has been prescribed under WBGSTA or WBGSTR. Further, the Directorate also did not issue any instruction/ guideline to the Charge Officers under the Directorate to complete Liability Registers of RTPs within a specified time limit so as to enable the concerned Proper Officers in adjusting the outstanding assessed dues.

Out of 1,930 refund cases checked, it was noticed that in 16 cases under ten[95] Charge offices in six[96] Circles, refunds were allowed without adjusting outstanding assessed dues (related to Value Added Tax, Central Sales Tax and GST) of ₹ 5.39 crore[97] by the Proper Officers, owing to non-completion of Liability Registers. Thus, inadequacy of provisions in WBGSTA and WBGSTR regarding absence of a time limit for completion of Liability Registers of RTPs, resulted in non-realisation of the assessed dues amounting to ₹ 5.39 crore from the claimants of GST refund.

In reply, the Directorate stated (February 2022) that the WBVAT Act and CST Act had not been repealed and dues under such Acts were recoverable under the appropriate provisions of the said Acts. It was further intimated (February 2022) that there was post-refund realization of ₹ 15.01 lakh (₹8.60 lakh based on audit observations and ₹ 6.41 lakh prior to audit) against seven cases. In remaining nine cases, the Charge offices either did not furnish any reply or did not furnish supporting documents to substantiate their replies.

The reply did not address the core issue of non-recovery of outstanding dues of existing Acts at the time of refund of GST in violation of specific provision under GST Laws. The maintenance and updating of Electronic Liability Register would facilitate monitoring the assessed dues of existing Acts and GST Laws as well. Moreover, the above cases were pointed out by Audit only on the basis of sample check. Possibility of more such occurrences, especially in the absence of updated Electronic Liability Registers, could not be ruled out.

6.2.2 Absence of database of taxpayers who have been prosecuted for any offence

In terms of Rule 91 (1) of the WBGSTR "the provisional refund shall be granted subject to the condition that the person claiming refund has, during any period of five years immediately preceding the tax period to which the claim for refund relates, not been prosecuted for any offence under the Act or under an existing law where the amount of tax evaded exceeds two hundred and fifty lakh rupees."

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[95] Barrackpore, Bhabanipore, Bowbazar, Chandni Chowk, Esplanade, Fairley Place , Large Taxpayer Unit, New Market, Park street and Suri

[96] 24 Parganas, Chowringhee, Corporate Division, Dharmatolla, Durgapur and Kolkata South

[97] considering amount of refunds allowed or quantum of outstanding dues whichever was less in individual cases.

WBGSTR or WBGSTA did not, however, have any enabling provision for maintenance of a database of such persons, in this regard, to keep proper control over the process of making provisional refunds.

Scrutiny of the selected 944 automated GST refund cases records revealed that in 140 cases in 37[98] Charge offices, provisional refunds of ₹ 49.67 crore were sanctioned. Discussion with the Charge Officers/ Proper Officers and scrutiny of refund sanction orders disclosed that there was no database created and maintained by the Directorate in this regard. In absence of such a database, the Proper Officers were unable to cross verify the status of prosecution and amount of tax evasion by the refund claimants. Thus, the provisional refund sanction orders were issued without any verification by the Proper Officers in this regard.

When Audit pointed this out (August 2021), the Directorate stated (February 2022) that under provisions of Letter of Undertaking (LUT), the eligibility to export under LUT is made available only to persons who have not been prosecuted for any such offence and self-declaration of the exporters in this respect shall be accepted unless there is specific information otherwise. The Directorate further added that the data on prosecution instituted by the Directorate is maintained at the Head Office of the Directorate.

The reply was not acceptable as no database on prosecutions (other than those initiated by the State Directorate) was maintained and thus, it remained unclear as to how the Directorate assured itself that applicant RTPs were not prosecuted under any existing law. Further, the fact remained that the self-declaration of exporters regarding fulfillment of the conditions of LUT was accepted by the Proper Officers without any verification at the time of LUT and refund as well, because the maintained database was not made available to them. Moreover, the Directorate was silent on the issue of availability/ sharing of the maintained database to the Proper Officers.

6.2.3 Absence of validation controls in the GSTN system

6.2.3.1 More than one payment advice issued against one refund sanction order: Under provisions of Rule 91 (3) and Rule 92 (4) of the WBGSTR, the Proper Officer shall issue a payment advice in Form GST RFD-05 for the amount sanctioned provisionally (in GST RFD-04) and finally (in GST RFD-06) respectively and the amount so sanctioned shall be electronically credited to the bank account of the applicant. Thus, only one payment advice should be issued against each of the sanction order (provisional or final) to avoid double payment of the sanctioned refund amount. GSTN system must have validation control so that more than one payment advice may not be issued against the same sanction order.

Audit observed that in five refund cases (out of 944 sampled automated cases) under four[99] Charge offices, the Proper Officers issued payment advice more than once against a single sanction order. As the entire process of GST refund has since been digitised, in absence of validation control in the GSTN system to

[98] *Alipore, Amratala, Armenian Street, Asansol, Bally, Ballygunge, Baruipur, Beadon Street, Behala, Belgachhia, Bhabanipur, Bowbazar, Budge-Budge, Burtola, Chandni Chowk, College Street, Colootola, Cooch Behar, Cossipur, Diamond Harbour, Durgapore, Fairley Place, Howrah, Jorabagan, Kadamtala, Lalbazar, Large Taxpayer Unit, Malda, Manicktala, Midnapore, Postabazaar, Radhabazar, Raiganj, Salt Lake, Sealdah, Siliguri and Taltala*

[99] *Ballygunge, Bhabanipur, Lalbazar and Siliguri*

restrict issuance of more than one payment advice against any particular refund sanction order, double payment of the sanctioned amount of ₹ 18.09 lakh have been made to the taxpayers.

On this matter being pointed out by Audit (between March 2021 and August 2021), the Charge offices stated (between July 2021 and August 2021) that the excess paid refund amount had been recovered from the taxpayers. However, regarding establishment of validation control in the GSTN system, the Charge offices did not furnish any specific reply. Further, the Directorate stated (February 2022) that the cases reported pertained to the period when the refund applications were processed manually. GSTN had introduced appropriate validations in the system with the implementation of the fully electronic refund procedure with effect from 26 September 2019. The reply of the Directorate was not acceptable as the five cases reported pertained to the period after 26 September 2019. It sheds doubts on the effectiveness of the validation control in the GSTN system. Moreover, mere recovery of excess payments pointed out by Audit would not be enough, as possibility of occurrence of more such cases was substantial.

6.2.3.2 More than one refund sanction order issued against one refund application: Under provisions of Rule 92 (1) of the WBGSTR, the Proper Officer shall issue a refund sanction order in Form GST RFD-06 for the amount sanctioned finally. On the basis of this refund sanction order, the payment advice in Form GST RFD-05 is to be issued and the amount so sanctioned shall be electronically credited to the bank account of the applicant. Thus, ideally only one refund sanction order should be issued against each of the refund application (ARN) to avoid any possibility of double payment of the sanctioned refund amount. GSTN system must have validation control so that more than one sanction order may not be issued against one refund application (ARN) of GST refund.

During scrutiny of 944 automated refund cases, it was noticed that in two refund cases of two[100] Charge offices under the Directorate, the Proper Officers issued refund sanction order more than once against a single application (ARN) of refund. As the entire process of GST refund has been digitized, in absence of validation control in the GSTN system to restrict issuance of more than one refund sanction order against any particular refund application, the system remained vulnerable to the risk of double payment against such multiple refund sanctioned orders. Out of these two cases, in one case (M/s Flora Rubber Products), two separate payment advices of ₹ 1.62 lakh each have been issued leading to a double payment of ₹ 1.62 lakh to the claimant.

When Audit pointed this out (August 2021), the Ballygunge Charge office stated (August 2021) that the excess amount refunded to the taxpayer has been realized. The Directorate stated (February 2022) that the cases reported pertained to the period when the refund applications were processed manually. GSTN had introduced appropriate validations in the system with the implementation of the fully electronic refund procedure with effect from 26 September 2019. The reply of the Directorate was not tenable as the two cases reported pertained to the period after 26 September 2019. It obviously meant that no validation control was there in the GSTN system in this regard.

[100] *Ballygunge and Postabazar*

6.2.3.3 More than one acknowledgement issued against one refund application: Under provisions of Rule 90 of the WBGSTR, the application for refund, shall be forwarded to the Proper Officer who shall, within a period of fifteen days of filing of the said application, scrutinize the application for its completeness and where the application is found to be complete, an acknowledgement in FORM GST RFD-02 shall be made available to the applicant through the common portal electronically. Accordingly, only one acknowledgement should be issued against one application of refund (ARN) and the GSTN system should have the validation control to restrict issue of more than one acknowledgement against one ARN.

During scrutiny of 944 automated refund cases, it was noticed that in one refund case of Bhabanipur Charge under Kolkata (South) Circle of the Directorate, the Proper Officer issued acknowledgement more than once against a single application of refund (ARN). As the entire process of GST refund has been digitized, in absence of validation control in the GSTN system to restrict issuance of more than one acknowledgement against any particular ARN, the system allowed issuance of more than one acknowledgement against a single application of refund.

The Directorate stated (February 2022) that the case reported pertained to the period when the refund applications were processed manually. GSTN had introduced appropriate validations in the system with the implementation of the fully electronic refund procedure with effect from 26 September 2019. The reply of the Directorate was not tenable as the case reported pertained to the period after 26 September 2019. It obviously meant that no validation control was there in the GSTN system in this regard.

6.3 Compliance of extant provisions by the tax authorities & the efficacy of systems in place to ensure compliance by taxpayers

During the SSCA, on the above mentioned aspect, the following issues emerged:

6.3.1 Acknowledgements not issued within the specified time limit

Rule 90 of the CGSTR and WBGSTR prescribes that the application for refund, shall be forwarded to the Proper Officer who shall, within a period of fifteen days of filing of the said application, scrutinize the application for its completeness and where the application is found to be complete, an acknowledgement in FORM GST RFD-02 shall be made available to the applicant through the common portal electronically. The acknowledgement should clearly indicate the date of filing of the claim for refund.

During scrutiny of 1,930 refund cases, it was noticed that in 147 refund cases[101], involving an amount of ₹ 39.79 crore related to 35[102] Charge offices in 15[103] Circles, there was delay in issue of acknowledgement ranging from one to

[101] All post-automation cases

[102] Charge offices: Armenian Street, Asansol, Bally, Ballygunge, Balurghat, Beadon Street, Behala, Bhabanipur, Bowbazar, Budge-Budge, Burtola, Chandni Chawk, College Street, Cooch Behar, Durgapore, Esplanade, Ezra Street, Howrah, Jorabagan, Kadamtala, Lalbazar, Large Taxpayer Unit, Manicktala, N. D. Sarani, N.S.Road, Park Street, Postabazar, Princep Street, Raiganj, Rajakatra, Salt Lake, Sealdah, Shyambazar, Siliguri and Srirampur

[103] Circle offices: 24 Parganas, Asansol, Bally, Barabazar, Behala, Chowringhee, Dharmatala, Durgapore, Howrah, Jalpaiguri, Kolkata (North), Kolkata (South), LTU, Raiganj and Siliguri

76 days from the due date of acknowledgement. This resulted in non-observance of the provisions referred *ibid*. Analysis of delays disclosed that delays in 140 cases, five cases and two cases were up to 30 days, between 31 and 60 days and more than 60 days respectively.

When Audit pointed this out (between January and September 2021), two[104] Charge offices in 11 cases accepted the delay in issue of acknowledgement, five[105] Charge offices in 52 cases stated that due to technical reasons like internal server and GSTN related problems, the delay occurred. In remaining cases, the Charge offices did not furnish any/ specific reply.

The Directorate stated (February 2022) that all cases reported pertained to the period when the refund applications were processed manually. The reply of the Directorate was not tenable as all 147 cases pertained to the period after 26 September 2019, *i.e.*, the date of implementation of the fully electronic refund procedure.

6.3.2 Refund sanction orders not issued within the specified time limit

Under section 54(7) of the WBGSTA and the CGSTA, the Proper Officer shall issue the order of refund within 60 days from the date of receipt of application. Section 56 of these Acts prescribes that if any tax ordered to be refunded under section 54 of these Acts, to any applicant is not refunded within 60 days from the date of receipt of application under sub-section (1) of that section, interest at such rate not exceeding six *per cent* is payable. Section 56 also prescribes that the interest is payable in respect of such refund from the date immediately after the expiry of 60 days from the date of receipt of application under the sub-section (1) of section 54, till the date of refund of such tax. The prescribed interest rate was six *per cent*. In terms of Para 34 of the Trade Circular No. 45/2019 dated 21.11.2019 issued by CCT, WB any tax shall be considered to have been refunded only when the amount has been credited to the bank account of the applicant, so the interest has to be paid till the date on which the amount is credited to the bank account of the applicant.

During scrutiny of 1,930 refund cases, it was noticed that in 216 refund cases involving refund sanction amounting to ₹ 45.59 crore related to 49[106] Charge offices in 16[107] Circles, there was delay in issue of final refund sanction order (GST RFD-06) ranging from one to 616 days. Out of these, 171 cases, 36 cases and nine cases were delayed up to three months, between three to six months and more than six months respectively. This has resulted in non-observance of the provisions referred *ibid* and non-payment of interest[108] amounting to ₹ 29.48 lakh.

[104] Ezra Street and Park Street

[105] Armenian Street, Ballygunge, Esplanade, Jorabagan and Manicktala

[106] Amratala, Armenian Street, Asansol, Bally, Ballygunge, Barasat, Baruipur, Beadon Street, Behala, Belgachhia, Beliaghata, Bhabanipur, Bowbazar, Budge-Budge, Burtola, Chandni Chawk, Colootola, Cooch Behar, Cossipur, Diamond Harbour, Durgapore, Esplanade, Ezra Street, Howrah, Jalpaiguri, Jorabagan, Jorasanko, Kadamtala, Krishnanagar, Lalbazar, Large Taxpayer Unit, Malda, Manicktala, Monoharkatra, N. D. Sarani, Park Street, Postabazar, Princep Street, Radhabazar, Raiganj, Rajakatra, Salt Lake, Sealdah, Shyambazar, Siliguri, Srirampur, Strand Road, Suri and Taltala

[107] 24 Parganas, Asansol, Bally, Barabazar, Behrampur, Behala, Chowringhee, Dharmatala, Durgapore, Howrah, Jalpaiguri, Kolkata (North), Kolkata (South), LTU, Raiganj and Siliguri

[108] In case of manual application, interest has been calculated from the date of issue of acknowledgement to the date of issue of refund sanction order RFD-06 as the date of credit was not available in the manual cases.

When Audit pointed this out (between December 2020 and September 2021), none of the Charge office contradicted the delayed disposal of the refund cases. However, 13[109] Charge offices in 37 cases stated that the taxpayers have submitted declarations for not claiming the interest amount. The reply is not acceptable as there was no provision under the GST laws for foregoing the interest amount by the taxpayers by submission of declarations. In remaining cases, the Charge offices did not furnish any/ specific reply. On this being pointed out (December 2021), the Directorate stated (February 2022) that the cases reported pertained to the period when the refund applications were processed manually. It was also contended that the refund process of GST was initiated after introduction of Rule 97A of the GST/ WBGST Rules 2017[110]. The Directorate further opined that the issues raised by Audit in this section would be addressed with the introduction of the fully electronic refund procedure. The reply of the Directorate is not acceptable as out of 216 cases reported, 124 cases pertain to the period after 26 September 2019, *i.e.*, the date of implementation of the fully electronic refund procedure.

6.3.3 Provisional refund on account of zero-rated supply not sanctioned within prescribed time

Rule 91 (2) of the WBGSTR and CGSTR prescribes that the Proper Officer, after scrutiny of the claim and the evidence submitted in support thereof and on being *prima facie* satisfied that the amount claimed as refund under sub-rule (1) is due to the applicant on account of zero-rated supply of goods or services or both in accordance with the provisions of sub-section (6) of Section 54, shall make an order in FORM GST RFD-04, sanctioning the amount of refund due to the said applicant on a provisional basis within a period not exceeding seven days from the date of the acknowledgement.

During scrutiny of 1,272 refund cases related to zero-rated supply, it was noticed that in 43 refund cases involving provisional refund amount of ₹ 8.75 crore related to 15[111] Charge offices in eight[112] Circles under the Directorate, there was delay in issue of provisional refund sanction order (GST RFD-04) ranging from two to 103 days. Out of these, delays in 41 cases and two cases were up to three months and between three to six months respectively. This resulted in violations of provisions referred *ibid*.

When Audit pointed this out (between January and September 2021), none of the Charge office contradicted the audit observation. However, two Charge offices in eight cases stated that technical problems were responsible for the delay. In remaining cases, the Charge offices did not furnish any/ specific reply. On this being pointed out (December 2021), the Directorate stated (February 2022) that the cases reported pertain to the period when the refund applications were processed manually. The reply of the Directorate is not

[109] Amratala, Armenian Street, Baruipur, Beliaghata, Budge-Budge, Chandni Chawk, Cooch Behar, Esplanade, Ezra Street, Jorabagan, Park Street, Salt Lake and Srirampur

[110] The Rule inter alia provided for manual filling and processing of refund application following decision of the GST council in this regards in its 23rd meeting dated 10.11.2017

[111] Charge offices: Armenian Street, Beadon Street, Bowbazar, Burtola, Chandni Chawk, Colootola, Diamond Harbour, Howrah, Kadamtala, Krishnanagar, Malda, Manicktala, Sealdah, Siliguri and Ultadanga

[112] Circle offices: 24 Parganas, Baharampur, Behala, Dharmatala, Howrah, Kolkata (North), Raiganj and Siliguri

tenable as out of 43 cases reported, 15 cases occurred even after implementation of the fully electronic refund procedure.

6.3.4 Delay in communicating refund orders to counterpart tax authority

Trade circular No. 14/2017 dated 21.12.2017 issued by the CCT, WB prescribes that, the refund order issued by the State Tax Authority, during pre-automation period, was to be communicated to the concerned counter-part central tax authority within seven working days from its issue for enabling payment of the relevant sanctioned refund amount.

On scrutiny of the database of the Directorate regarding transmission of refund sanction orders by the Directorate to counterpart central tax authority pertaining to the refund cases manually processed, it was observed that total 11,051 refund orders (RFD-04 and/ or RFD-06) were communicated to the Central Tax Authority. Out of these, 1,122 cases were selected/ scrutinised[113] and it was noticed that in 314 cases involving an amount of ₹ 44.26[114] crore, there was delay ranging from one to 361 days in communication of the refund sanction orders by the respective Charge Officers to the State Nodal Officer. Out of these, delays in 293 cases, 17 cases and four cases were up to three months, between three to six months and more than six months respectively.

When Audit pointed this out (between March and September 2021), two[115] Charge offices accepted the delay in five cases involving an amount of ₹ 56.45 lakh. Three[116] Charge offices in 11 cases involving an amount of ₹ 67.37 lakh stated that the delay was due to technical problems related to internet and server. In remaining cases, the Charge offices did not furnish any/ specific reply.

The Directorate stated (February 2022) that the cases reported pertain to the period when the refund applications were processed manually. However, the Directorate was silent about the reasons and circumstances under which the GST provisions have been violated by the Proper Officers.

6.3.5 Excess refund due to wrong calculation of net Input Tax Credit

Rule 89 (4) of the West Bengal Goods and Services Tax Rules, 2017 and Central Goods and Services Tax Rules, 2017 prescribes that, in the case of refund on account of zero-rated supply of goods and services or both without payment of tax, refund of input tax credit shall be granted as per the following formula.

Maximum Refund Amount = {(Turnover of zero-rated supply of goods and services) x Net ITC ÷Adjusted Total Turnover}.

During scrutiny of 1,272 refund cases related to zero-rated supply, it was noticed that in 16 refund cases of nine[117] Charge offices in eight[118] Circles under the Directorate, the Proper Officers had assessed net ITC of the claimants incorrectly, which resulted in excess allowance of refund of ₹ 45.36 lakh.

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[113] *As database contained details of all 1122 cases, the entire quantum could be scrutinised, regarding delays in communication*

[114] *It includes amount of IGST, CGST and Cess only for which payment was to be made by the central tax authority*

[115] *Ezra Street and Park Street*

[116] *Krishnanagar, Manicktala and Shyambazar*

[117] *Barasat, Baruipur, Bhabanipur, Cooch Behar, Lalbazar, Park Street, Salkia, Siliguri and Suri*

[118] *24 Parganas, Bally, Behala, Chowringhee, Durgapore, Jalpaiguri, Kolkata (South) and Siliguri*

When Audit pointed this out (between March and September 2021), two[119] Charge offices stated (August 2021) that the excess refunded amount of ₹ 2.50 lakh had been realized. In the remaining cases, the Charge offices did not furnish reply. Further, on this being pointed out (December 2021), the Directorate did not furnish any reply.

Case Study

In respect of one taxpayer in one case (under Barasat Charge office), GST refund case records for the period from 01 September 2017 to 31 March 2018, revealed that the tax payer claimed refund of ₹ 33.52 lakh against the total zero-rated supply of goods and services of ₹ 2.36 crore, adjusted total turnover of ₹ 2.36 crore and ITC of ₹ 33.52 lakh. The Proper Officer admitted the total refund claim of the taxpayer and sanctioned the refund.

Scrutiny of the export documents like month-wise statement of shipping bills and Export General Manifests (EGMs[120]) with reference to the Indian Customs Electronic Gateway (ICEGATE[121]) disclosed that in case of 10 shipping bills, involving an amount of ₹ 19.99 lakh, neither the Shipping bill details nor EGM no. and date were available in ICEGATE. In absence of EGM details in ICEGATE, supply involving an amount of ₹ 19.99 lakh, could not be treated as export (zero-rated supply). Thus, the taxpayer's admissible zero-rated supply was to be ₹ 2.16 crore (₹ 2.36 crore - ₹ 19.99 lakh). Further scrutiny of GSTR-3B, GSTR-2A and Annexure A of the taxpayer revealed that the ITC as per GSTR 3B was ₹ 33.52 lakh, as per GSTR -2A the ITC was ₹ 17.32 lakh and as per Annexure A the ITC was ₹ 12.63 lakh. In absence of any reconciliation either by the taxpayer or by the Proper Officer, the ITC for calculation of maximum refundable amount could be considered as ₹ 12.63 lakh.

Thus, the maximum refund admissible[122] was to be ₹ 11.56 lakh (₹ 2.16 crore/ ₹ 2.36 crore X ₹ 12.63 lakh). However, the Proper Officer allowed refund of the total claimed refund amount of ₹ 33.52 lakh. This resulted in excess allowance of refund of ₹ 21.96 lakh (₹ 33.52 lakh - ₹ 11.56 lakh). .

When Audit pointed this out (August 2021), the Charge office did not furnish any reply. Further, on this being pointed out (December 2021), the Directorate also did not furnish any reply.

6.3.6 Excess refund due to wrong calculation of Adjusted Total Turnover

Rule 89 (4) of the West Bengal Goods and Services Tax Rules, 2017 and Central Goods and Services Tax Rules, 2017 prescribes that in the case of refund on account of zero-rated supply of goods and services or both without payment of tax, refund of input tax credit shall be granted as per the following formula.

Maximum Refund Amount = {(Turnover of zero-rated supply of goods and services) x Net ITC ÷Adjusted Total Turnover}.

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[119] Baruipur and Cooch Behar

[120] EGM is a statutory declaration and every ship, which leaves Indian waters with the intention of carrying cargo is bound to deliver this document. It inter alia includes details on description of goods, consignor & consignee particulars, shipping bill nos., etc.

[121] ICEGATE is the national portal of Indian Customs that provides e-filing services to the Trade, Cargo Carriers and other Trading Partners electronically

[122] Rule 89 (4) of WBGSTR and CGSTR provides the formula for maximum refund admissible as (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

During scrutiny of 1,272 refund cases related to zero-rated supply, it was noticed that in 10 refund cases of the nine[123] Charge offices in five[124] Circles under the Directorate, the Proper Officers had assessed the turnover of the claimants incorrectly due to non-consideration of admissible turnover as disclosed in GST return filed by claimants, which resulted in excess allowance of refund of ₹ 36.10 lakh.

When Audit pointed this out (between February and September 2021), two[125] Charge offices realised the excess refunded amount of ₹ 15.01 lakh in three cases. In remaining cases, the Charge offices did not furnish any reply. Further, on this being pointed out (December 2021), the Directorate did not furnish any reply.

Case Study

Scrutiny of the GST refund case records of one taxpayer in one case (Amratala Charge office) for February 2019 and March 2019 revealed that the taxpayer claimed refund of ₹ 1.25 crore against zero-rated supply of goods & services of ₹ 13.38 crore, adjusted total turnover of ₹ 13.38 crore and net input tax credit of ₹ 1.31 crore. The maximum admissible amount of refund was calculated as ₹ 1.31 crore. However, the Proper Officer issued sanction order in RFD-06 and payment advice in RFD-05 for ₹ 1.25 crore.

Subsequent scrutiny of GSTR-3B submitted by the taxpayer for February 2019 and March 2019 revealed that the zero-rated supply for February 2019 and March 2019 was ₹ 8.92 crore and ₹ 4.46 crore respectively (totalling to ₹ 13.38 crore). Further, the adjusted total turnover of the taxpayer for the month of February 2019 and March 2019 was ₹ 9.58 crore and ₹ 5.78 crore respectively (totalling ₹ 15.36 crore). Thus, the maximum refund admissible was to be ₹ 1.14 crore {(₹ 13.38 crore divided by ₹ 15.36 crore) multiplied by ₹ 1.31 crore}.

Hence, the Proper Officer calculated and sanctioned excess refund amounting to ₹ 11.08 lakh (₹ 1.25 crore minus ₹ 1.14 crore) due to wrong consideration of the adjusted total turnover. This resulted in excess allowance of refund amounting to ₹ 11.08 lakh.

When Audit pointed this out (February 2021), the concerned Charge office realised (February 2021) the amount.

6.3.7 Refund sanctioned without proper verification

Para 36 of the Circular No. 125/44/2019-GST dated 18 November 2019 issued by the CBIC and Trade Circular 45/2019 dated 21 November 2019 issued by the CCT, West Bengal prescribes that in case of refund of unutilised ITC, applicants shall upload details of all invoices on the basis of which input tax credit has been availed during the relevant period for which the refund is being claimed, in the required format (in Annexure B) along with the application for refund claim.

Further, the requirement to mention the Servicing Accounting Code/ Harmonized System of Nomenclature code (SAC/ HSN) in the Annexure B,

[123] *Amratala, Armenian Street, Barasat, Bhabanipur, Esplanade, Park Street, Sealdah, Siliguri and Taltala*
[124] *24 Parganas, Chowringhee, Dharmatala, Kolkata (South) and Siliguri*
[125] *Amratala and Armenian Street*

was introduced vide Para no. 6.1 of the Trade Circular No. 06/2020 dated 21 April 2020 of the Directorate of Commercial Taxes, West Bengal. The said Trade Circular prescribes that HSN-wise details of goods and services are not available in FORM GSTR-2A and therefore it becomes very difficult to distinguish ITC on capital goods and/ or input services out of total ITC for a relevant tax period. It has been recommended that a column relating to HSN/ SAC Code should be added in the statement of invoices relating to inward supply as provided in Annexure–B, so as to easily identify between the supplies of goods and services.

During scrutiny of 944 automated refund cases, it was noticed that in three refund cases of two[126] Charge offices in two[127]Circles under the Directorate, column related to HSN/ SAC has not been found incorporated in the Annexure B. Though the refund case was disposed by the Proper Officer on a date after the date of implementation of the provisions of Trade circular 06/2020 dated 21 April 2020, the Proper Officer did not seek for Annexure B in the revised format. In absence of which it could not be ascertained in audit that how the Proper Officer has been able to distinguish ITC on capital goods and/ or input services out of total ITC for a relevant tax period. In absence of any clarification from the Proper Officer found uploaded in the system, it can be treated that refund of ₹ 1.18 crore was made without proper verification by the Proper Officer.

When Audit pointed this out (between February and August 2021), College Street charge in one case involving an amount of ₹ 19.43 lakh stated that the taxpayer had filed the refund application before the effective date of the trade circular. Hence, the Proper Officer could not seek Annexure B in new format. The reply was not acceptable as the refund application was disposed by the Proper Officer after the effective date of the Trade Circular. So, he was well within his authority to call for the revised Annexure B from the taxpayer to ascertain the admissibility of the claim. In remaining cases, no reply was furnished. Further, on this being pointed out (December 2021), the Directorate did not furnish any reply.

6.3.8 Excess refund due to wrong calculation due to non-verification of shipping bills with amount claimed as zero-rated supplies

Rule 89 (4) of the West Bengal Goods and Services Tax Rules, 2017 and Central Goods and Services Tax Rules, 2017 prescribes that, in the case of refund on account of zero-rated supply of goods and services or both without payment of tax, refund of input tax credit shall be granted as per the following formula.

Maximum Refund Amount = {(Turnover of zero-rated supply of goods and services) x Net ITC ÷Adjusted Total Turnover}.

During scrutiny of 1272 refund cases related to zero-rated supply, it was noticed that in two refund cases of two[128] Charge offices in two[129]Circles under the Directorate, the Proper Officers had assessed zero-rated supplies of claimants incorrectly due to non-verification of the amount claimed on account of

[126] *College Street and Park Street*
[127] *Dharmatala and Kolkata (South)*
[128] *Barasat and Diamond Harbour*
[129] *24 parganas and Behala*

zero-rated supplies with the amount of shipping bills. This resulted in excess allowance of refund of ₹ 2.23 lakh.

No reply was forthcoming, though the matter was pointed out both to the Charge offices (July 2021 and August 2021) and the Directorate (December 2021).

6.3.9 Irregular allowance of IGST and CGST refund despite drawback allowed at higher rate

Proviso to the Section 54 (3) of the CGSTA prescribes that no refund of ITC shall be allowed, if the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies. Further, as per circular no. 23/2017-Customs dated 30 June 2017 and 37/2018-Customs dated 09 October 2018, issued by the Central Board of Indirect Taxes and Customs (CBIC), it is not justified to allow exporters to avail CGST and IGST refunds in cases where the benefit of higher duty drawback under the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995, has been claimed. Further, the CBIC vide circular No. 32/2017-Customs dated 27 July 2017 clarified that for all exports made with effect from 01 July 2017 for which higher rate of drawback is claimed, an exporter has to submit self-declaration to the effect that no input tax credit of CGST or IGST has been or shall be availed on export product or no refund of IGST paid on export of goods shall be claimed.

During scrutiny of 1,272 refund cases related to zero-rated supply, it was noticed that in two refund cases of two[130] Charge offices in two[131] Circles under the Directorate, assesses had availed drawback at higher rate. Therefore, they were not entitled to refund of ITC availed in respect of IGST and CGST of ₹ 9.55 lakh. However, Proper Officers allowed the refund in the provisional and final sanction orders.

When Audit pointed this out (between December 2020 and March 2021), the Charge Officer (LTU) in one case involving an amount of ₹ 6.79 lakh issued demand notice (March 2021) asking the RTP to pay the erroneously refunded amount. Neither the remaining Charge office, nor the Directorate furnished any reply.

6.3.10 Non-raising of demand against rejected claims of refund

Para 4.1 of Trade circular no. 42/2018 dated 17 September 2018 issued by the CCT in pursuance of provisions of WBGSTA and WBGSTR prescribes that in case of rejection of claim for refund of unutilised ITC on account of ineligibility of the said ITC, the Proper Officer shall order for the rejected amount to be re-credited to the Electronic Credit Ledger of the claimant using form GST RFD-01B. For recovery of this amount, a demand notice shall have to be simultaneously issued to the claimant.

During scrutiny of 1930 refund cases, it was noticed that in nine refund cases of five[132] Charge offices in four[133]circles under the Directorate, the Proper Officers rejected the claim of refund of ₹ 18 lakh, on account of ineligibility of ITC. The Proper Officers re-credited the rejected amount of ₹ 11.48 lakh in three cases.

[130] *Behala and LTU*
[131] *Behala and LTU*
[132] *Barasat, Bhabanipur, Park Street, Radhabazar and Shyambazar*
[133] *24 parganas, Chowringhee, Kolkata (North) and Kolkata (South)*

However, demand notices for recovery of the rejected amount were not raised by the Proper Officers. In remaining cases, Proper Officers neither re-credited the rejected amount of ₹ 6.52 lakh nor were demand notices sent to the taxpayers. This resulted in non-raising of demand of ₹ 18 lakh.

When Audit pointed this out (between January and August 2021), Shyambazar Charge office in respect of one case involving an amount of ₹ 10.87 lakh stated that the amount would be adjusted from the subsequent refund claims of the taxpayer. In remaining cases, the Charge offices did not furnish any reply. Further, on this being pointed out (December 2021), the Directorate did not furnish any reply.

6.3.11 Non/ short levy of interest

Under provisions of Section 73 (1) of the WBGSTA, where it appears to the Proper Officer that any tax has not been paid or short paid or erroneously refunded, or where input tax credit has been wrongly availed or utilised for any reason, other than the reason of fraud or any wilful misstatement or suppression of facts to evade tax, he shall serve notice on the person chargeable with tax which has not been so paid or which has been so short paid or to whom the refund has erroneously been made, or who has wrongly availed or utilised input tax credit, requiring him to show cause as to why he should not pay the amount specified in the notice along with interest payable thereon under section 50. Further, Section 73(5) of the WBGST Act 2017, prescribes that the person chargeable with tax may, before service of notice under sub-section (1), pay the amount of tax along with interest payable under section 50 at the rate of 18 *per cent*.

During scrutiny of 1930 refund cases, it was noticed that in eight refund cases of five[134] Charge offices in four[135] circles under the Directorate, the taxpayers were erroneously refunded ₹ 39.79 lakh. The taxpayers admitting their mistake paid the erroneously refunded amount in GST DRC-03 by debiting their Electronic Cash/ Credit Ledgers. The taxpayers were also liable to pay interest on the erroneously refunded amount from the date after the date of refund sanctioned to the date prior to the date of debiting their Electronic Cash/ Credit Ledgers. However, neither the Proper Officers levied and demanded such amount of interest nor the taxpayers paid the amount of interest. The interest amount worked to ₹ 6.73 lakh, which remained unrealized.

When Audit pointed this out (between March and September 2021), the Charge offices did not furnish any reply. No response was received from the Directorate either.

6.3.12 Irregular allowance of refund on account of inverted duty structure

As per Section 54 (3) of the WBGST Act 2017, a registered person may claim refund of any unutilized Input Tax Credit (ITC) at the end of any tax period where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (i.e. Inverted Duty Structure). Further, Rule 89(5) of the WBGST Rules 2017 prescribes the formula for maximum refund of unutilized ITC on account of inverted duty structure as following:

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[134] *Armenian Street, Beadon Street, Durgapore, Raiganj and Shyambazar*
[135] *Dharmatala, Durgapore, Kolkata (North) and Raiganj*

Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC÷ Adjusted Total Turnover} - tax payable on such inverted rated supply of goods and services.

As per the Rule, Net ITC includes the input tax credit availed only on inputs during the relevant period and does not include credit availed on input services.

During scrutiny of 351 refund cases related to inverted duty structure, it was noticed that in 13 refund cases of five[136] Charge offices in four[137] circles, the Proper Officers considered incorrectly the amount of net ITC/ adjusted total turnover for calculation of maximum refundable amount while granting refunds. This resulted in irregular allowance of refund of ₹ 7.94 lakh.

When Audit pointed this out (between January and September 2021), two[138] Charge offices realized the irregularly refunded amount of ₹ 3.51 lakh in four cases. In remaining cases, the Charge offices did not furnish any reply. The Directorate was also silent when the matter was flagged (December 2021).

6.3.13 Irregular refund in cases where refund applications were filed after expiry of two years from the relevant dates

Under provisions of Section 54(1) of the WBGSTA and CGSTA, claim of refund of any tax and interest by any person claiming such refund, can be made before the expiry of two years from the relevant date. Further, the "relevant date" has been defined for various nature of refunds under Section 54 (14) (2) of the Act. In case of export, the relevant date is the date on which the ship/ aircraft leaves India or the goods passes the frontier or the goods are dispatched by post. In case of refund of unutilised ITC due to inverted duty structure, the relevant date is the due date for furnishing of returns for the period in which such claim for refund arises. In case of refund due to excess payment of tax, the relevant date is the date of payment of tax.

During scrutiny of 1,930 refund cases, it was noticed that in 20 refund cases of 11[139] Charge offices in seven[140]Circle under the Directorate, the taxpayers filed refund application after expiry of more than two years from the relevant dates. However, the Proper Officers issued refund sanction orders in deviation of the above stated provisions. This resulted in irregular refund of ₹ 1.46 crore.

When Audit pointed this out (between March and August 2021), Barasat Charge office stated (August 2021) that in one case, an amount of ₹ 3.07 lakh had been realized. Beadon Street Charge office in respect of one case involving an amount of ₹ 0.68 lakh stated that application for refund of unutilized ITC can be filed within two years from the end of financial year in which such claim of refund arises. The reply is not tenable as the said provision has been amended and the application for refund of unutilized ITC can be filed within two years from the relevant dates. The remaining Charge offices and the Directorate did not furnish any reply.

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[136] Ballygunge, Beadon Street, Howrah, Shyambazar and Srirampur
[137] Bally, Howrah, Kolkata (North) and Kolkata (South)
[138] Beadon Street and Shyambazar.
[139] Amratala, Ballygunge, Barasat, Beadon Street, Belgachhia, Cossipur, Kadamtala, Krishnanagar, Lalbazar, Salt Lake and Taltala
[140] 24 Parganas, Baharampur, Chowringhee, Dharmatala, Howrah, Kolkata (North) and Kolkata (South)

6.3.14 Issuance of payment advice for refund in cases where refund amount had already been adjusted against the outstanding assessed dues

In terms of Rule 92 (1) of the WBGSTR, where the Proper Officer is satisfied that a refund is due and payable to the applicant, he shall make an order in FORM GST RFD-06, sanctioning the amount of refund to which the applicant is entitled, mentioning therein the amount, if any, refunded to him on a provisional basis, amount adjusted against any outstanding demand under the Act or under any existing law and the balance amount refundable. Provided that in cases where the amount of refund is completely adjusted against any outstanding demand under the Act or under any existing law, an order giving details of adjustment shall be issued in Part A of FORM GST RFD-07.

During scrutiny of 1930 refund cases, it was noticed that in ten refund cases of Barrackpore Charge office in 24 Parganas Circle under the Directorate, the Proper Officer had adjusted ₹ 63.88 lakh against the outstanding assessed dues of the taxpayers and shown net amount of refund payable as 'Nil'. However, payment advice for refund was issued by the Proper Officer for ₹ 14.49 lakh (related to SGST) and the central tax authority was intimated for issue of refund of ₹ 49.39 lakh (related to IGST and CGST). This resulted in irregular refund of ₹ 63.88 lakh.

Neither the Charge office nor the Directorate gave any reply, though pointed out by Audit (in August 2021 and December 2021 respectively).

6.3.15 Non-credit of the rejected amount to the electronic credit ledger

Para 4.2 of Trade circular no.42/2018 dated 17 September 2018 issued by the CCT in pursuance of provisions under GST Acts and Rules prescribes that in case of rejection of claim for refund of unutilized input tax credit, on account of any reason other than the eligibility of credit, the rejected amount shall be re-credited to the electronic credit ledger of the claimant only after the receipt of an undertaking from the claimant to the effect that he shall not file an appeal against the said rejection or in case he files an appeal, the same is finally decided against the claimant, as has been laid down in Rule 93 of the WBGSTR.

During scrutiny of 1930 refund cases, it was noticed that in 63 refund cases of 15[141] Charge offices in 10[142] circles under the Directorate, the Proper Officers had rejected the claim of refund of unutilised ITC amounting to ₹ 1.42 crore. However, the Proper Officer did not issue order for the rejected amount to be re-credited to the Electronic Credit Ledger of the claimants even after expiry of a period more than three to 20 months from the order of rejection, though the time limit for filling appeal under the GST has already expired.

When Audit pointed this out (between January and September 2021), five[143] Charge offices re-credited the rejected amount of ₹ 32.32 lakh in 16 cases after obtaining declaration from the taxpayers. Three[144] Charge offices in 13 cases involving an amount of ₹ 33.56 lakh stated that the taxpayers had not furnished required declaration. So, the rejected amount could not be re-credited. The

[141] Balurghat, Barasat, Barrackpore, Beliaghata, Bhabanipur, College Street, Cooch Behar, Howrah, Park Street, Radhabazar, Rajakatra, Salt Lake, Shyambazar, Siliguri and Ultadanga
[142] 24 Parganas, Barabazar, Chowringhee, Dharmatala, Howrah, Jalpaiguri, Kolkata (North), Kolkata (South), Raiganj and Siliguri
[143] Beliaghata, College Street, Cooch Behar, Park Street and Shyambazar
[144] Barasat, Park Street and Salt Lake

replies were not tenable as the Proper Officers did not pursue the matter regarding obtaining declaration from the taxpayers and the cases were pending for a long period of time. In remaining cases, the Charge offices did not furnish any/ specific reply. Further, on this being pointed out (December 2021), the Directorate did not furnish any reply.

6.3.16 Non-disposal of refund cases

Under Section 54(7) of the WBGSTA, the Proper Officer shall issue the order of refund within 60 days from the date of receipt of application complete in all respect. Further, as per instruction issued by the CCT in December 2018, in respect of refund applications that have been generated in the portal but not physically received in the jurisdictional tax offices, a communication is to be sent to all claimants on their registered E-Mail IDs informing them that the application needs to be physically submitted to the Jurisdictional tax office within 15 days of the date of the E-mail. If the claimant does not submit the application physically within the period, the application shall be summarily rejected and the debited amount shall be re-credited to the Electronic Credit Ledger. Regarding automated refund cases, Para 34 of the trade circular No. 45/2019 dated 21-11-2019 issued by CCT, W.B. prescribes that any tax shall be considered to have been refunded only when the amount has been credited to the bank account of the applicant.

Out of a total 2066 cases selected for scrutiny, in 27 refund cases related to 14[145] Charge offices in 11[146] Circles under the Directorate, the procedure for disposal of refund applications in accordance with the instructions referred *ibid* were not followed. Non-compliance to these provisions resulted in non-disposal of these refund cases, involving refund amount of ₹ 1.46 crore.

After the issue was pointed out by Audit (between December 2020 and September 2021),

- Four[147] Charge offices in four cases involving an amount of ₹ 7.15 lakh disposed the cases after being pointed out in audit.
- Tamluk Charge office, in one case involving an amount of ₹ 1.40 lakh, stated that in absence of bank account/ validation of the taxpayer, payment advice could not be issued.

In remaining cases, the Charge offices did not furnish any/ specific reply. Further, the Directorate was also silent though the matter was flagged to it (December 2021).

6.3.17 Miscellaneous regularity issues

Apart from the issues of non-compliance discussed in earlier paragraphs, Audit came across various isolated cases of irregularities, which are summarized in the following table:

[145] Bally, Barasat, Behala, Cooch Behar, Cassipur, Diamond Harbour, Durgapore, Ezra Street, Howrah, Purulia, Salt Lake, Siliguri, Taltala and Tamluk
[146] 24 Parganas, Asansol, Bally, Behala, Chowringhee, Durgapore, Howrah, Jalpaiguri, Kolkata (South), Midnapore and Siliguri
[147] Bally, Cossipur, Cooch Behar and Tamluk

Table 6.1: Details of some miscellaneous regularity issues noticed in audit

Name of the Charge office/ Circle	Rule provisions which was violated	Observations
Ezra Street Charge office in Dharmatala Circle	As per Section 54(6) of WBGSTA and CGSTA, sanction of provisional refund is allowed on account of zero-rated supply of goods and/ or services and not in other categories	***Irregular grant of provisional refund:*** Irregular grant of refund of ₹ 44.78 lakh was allowed in one case of other than zero-rated supply. The case was pertaining to refund on account of inverted duty structure.
Raiganj Charge office under Raiganj Circle	Section 74 (1) read with 74 (5, 7 & 8) of the WBGSTA deals with cases of erroneous availing of input tax credit and imposition of interest and penalty thereon.	***Non-imposition of penalty:*** The Proper Officer instructed a taxpayer to pay ₹ 11.43 lakh along with interest and penalty against an erroneous refund received by the later. Though the taxpayer refunded ₹ 11.43 lakh, no notice was issued for realization of penalty of ₹ 2.86 lakh.
Siliguri Charge office in Siliguri Circle	Under Rule 87 (10) and 89 (3) of the WBGSTR, where a person has claimed refund of any amount from the Electronic Cash/ Credit Ledger, the said amount shall be debited to the Electronic Cash/ Credit Ledger.	***Refund without debiting the Electronic Cash/ Credit Ledger:*** A taxpayer claimed refund of ₹ 2.33 lakh. The Proper Officer admitted the claim of taxpayer and sanctioned the refund. However, the amount was neither debited from any ledger (Electronic Cash Ledger or Electronic Credit Ledger) nor any trace of making payment of excess tax was found in any ledger.
Siliguri Charge office in Siliguri Circle	Under Rule 92 (1) of the WBGSTR and CGSTR, in case of refund under sub-section (5) of section 54 of the WBGSTA, the Proper Officer is required to adjust outstanding demand under the Act or under any existing law and issue order for the balance amount indicating the amount so adjusted..	***Excess refund due to incorrect adjustment of provisionally sanctioned refund amount:*** In one case, though ₹ 3.45 lakh was outstanding, the Proper Officer adjusted only ₹ 1.43 lakh at the time of issue of final sanction order leading to short-adjustment of ₹ 2.02 lakh.
Purulia Charge office in Asansol Circle	Under provisions of Rule 89(4) of WBGST Rules 2017, in case of zero-rated supply of goods and services or both without payment of tax, refund of input tax credit shall be granted as per the following formula: Refund amount = (turnover of zero-rated supply of goods and services multiplied by Net ITC) divided by adjusted turnover. Here Net ITC means ITC availed on inputs and inputs services during the relevant period. Thus, ITC availed on capital goods is not admissible for refund under the GST Laws.	***Irregular refund of ITC on capital goods:*** The Proper Officer issued refund sanction order amounting to ₹ 14.66 lakh for payment of IGST. However, on scrutiny of the records of the Purulia Charge office and Statement 5B and Annexure A submitted by the taxpayer, it was observed that the taxpayer had claimed refund for the ITC paid on the purchase of capital goods which is not admissible for refund under the GST laws. So, sanction of refund for the ITC paid on purchase of capital goods was irregular.

Source: Records related to respective Charge office

6.4 Conclusions and Recommendations

Conclusions:

Audit found that WBGSTA and WBGSTR did not prescribe any timeframe for completing the Liability Registers of RTPs, which resulted in non-adjustment of outstanding assessed dues (related to Value Added tax, Central Sales Tax and GST) of ₹ 5.39 crore from refund claims settled under GST. There was post-refund realisation of ₹ 15.01 lakh against seven cases.

WBGSTA and WBGSTR did not stipulate preparation and maintenance of database of taxpayers who have been prosecuted for any offence under the Act or under an existing law where the amount of tax evaded exceeds two hundred and fifty lakh rupees. Though a database was maintained, it was neither comprehensive nor it was shared with the Proper Officers. In absence of such a database, refund claims were allowed in a routine manner, without verification of status of prosecution and amount of tax evasion, by the refund claimants.

Audit observed that absence of validation controls in the GSTN system led to double release of refunds involving an amount of ₹ 0.20 crore. Recovery of the amount has since been effected. Such absence of validation controls in the system construed to indicate that there was a lack of efficacy in the system.

Audit noticed instances of delays ranging between one day and 616 days in various stages of processing of refund cases namely, issue of acknowledgement and sanction orders for refunds, making provisional refunds, communicating the refund orders to the counterpart central tax authority, etc. Such delays were due to absence of a proper monitoring over the processing of refund cases, while technical problems was also one of the attributable reasons. It was observed that refund cases, involving refund amount of ₹ 1.46 crore, were lying undisposed.

Further, manual refund case records, relating to 109 cases involving refunds of ₹ 19.69 crore, were not made available to Audit limiting the scope and coverage of audit.

Audit noticed several instances of non-compliance to provisions of WBGSTA, CGSTA, IGSTA, CGSTR and WBGSTR relating to zero-rated supplies. This led to excess release of refunds amounting to ₹ 0.93 crore. On being pointed out by Audit, ₹ 0.18 crore had been realised.

Audit came across issues of non-compliance to the referred Acts and Rules like non-raising of demand against rejected claims of refund, non/ short levy of interest, irregular allowance of refund on account of inverted duty structure, irregular grant of provisional refund, irregular refund in cases where refund applications were filed after expiry of two years from the relevant dates, issuance of payment advice for refund in cases where refund amount had already been adjusted. Total money value of these observations stood at ₹ 2.87 crore, of which excess release of refund/ non-levy or short levy of interest accounted for ₹ 2.43 crore. Of the same, ₹ 0.07 crore had been recovered in response to audit observations.

There were also issues of non-compliance to rules like refund without debiting the Electronic Cash/ Credit Ledger, excess refund due to incorrect adjustment of provisionally sanctioned refund amount, refund sanctioned without proper verification, non-credit of the rejected amount to the electronic credit ledger and irregular refund of ITC on capital goods, *etc.*

Recommendations:

- ***The Department may consider stipulation of a timeframe for completing the Liability Registers of RTPs and ensure preparation and maintenance of a database of prosecuted taxpayers in compliance to the WBGST Rules to facilitate verification at the time of sanctioning GST refunds.***
- ***Steps may be taken to establish proper validation controls in the GSTN system to avoid issue of multiple a) payment advices against one refund sanction order and b) refund acknowledgements/ sanctions orders against one refund application.***

The matter has been referred to the Government in December 2021; reply was awaited (April 2022).

Chapter 7

Transitional Credits under Goods and Services Tax

Chapter 7: Transitional Credits under Goods and Services Tax

FINANCE DEPARTMENT

(Directorate of Commercial Taxes)

7.1 Introduction

With the introduction and implementation of Goods and Services Tax (GST), which subsumed multiple indirect taxes, there was also a need to clearly spell out provisions and arrangements to ensure smooth transition from the old tax regime to GST. GST is a destination-based tax on supply of goods or services or both, which is levied at multi-stages wherein taxes move along with supply. The tax, which is levied simultaneously by the Centre and States on a common tax base will accrue to the taxing authority having jurisdiction over the place of supply. Central GST (CGST) and State GST (SGST)/ Union Territory GST (UTGST) is levied on intra-state supplies, whereas Integrated GST (IGST) is levied on inter-state supplies.

Provisions and arrangements were needed especially to provide for carry forward of Input Tax Credits (ITCs), relating to pre-GST taxes that were available with taxpayers on the day of roll out of GST, into GST regime (hereinafter referred to as transitional credits). Transitional credit provisions and arrangements are important for both the Government and business. For businesses, these transitional credits should be carried forward properly to give them benefit of taxes they had already paid on inputs or input services in the pre-GST regime. From the view point of the Government, the amount of admissible transitional credits will determine the extent of cash flow of GST revenue and hence, in the interest of revenue, only admissible and eligible transitional credits should be carried forward into the GST regime.

7.1.1 Transitional arrangements for input tax

'Transitional arrangements for input tax' were included in the GST Acts to provide for the entitlement and manner of claiming input tax in respect of appropriate taxes or duties paid under existing laws. Section 140 of the West Bengal Goods and Services Tax (WBGST) Act, 2017 enables taxpayers to carry forward the entitled amount of Input Tax Credit (ITC) under the existing laws, into the GST regime. This section read with Rule 117 of WBGST Rules, 2017 prescribes elaborate procedures in this regard.

Taxpayers can claim components of transitional credit, in keeping with the relevant sub-sections of Section 140 of the WBGST Act, 2017 read with Rule 117 of WBGST Rules, 2017 in the appropriate tables (through the two return forms–GST TRAN 1 and GST TRAN 2), as shown below:

Table 7.1: Statement showing details of tables relatable to transitional credit components

Return	Table No.	Transitional credit component
TRAN1	5 (c)	Closing balance of credit from the last return
TRAN1	6 (b)	Un-availed credit on capital goods
TRAN1	7 (b)	Credit on duty paid stock-with invoices
TRAN1	7 (c)	Credit on duty paid stock-without invoices
TRAN1	7 (d)	Stock of goods not supported by invoice/ documents evidencing payment of tax

Return	Table No.	Transitional credit component
		(To be there only in States having VAT at single point)
TRAN1	10 (a)	Details of goods held as an agent on behalf of principal
TRAN1	10 (b)	Details of goods held by agent
TRAN1	T (11)	Details of credit availed in terms of Section 142 (11(c))
TRAN2	4	Credit afforded on stocks claimed without invoices

Source: Transitional provisions of WBGST Act

All registered taxpayers, except those who are opting for payment of tax under Composition Scheme (under section 10 of the WBGST Act, 2017), are eligible to claim transitional credit by filing TRAN 1 returns within 90 days from the appointed date[148]. The time limit for filing TRAN 1 returns was extended initially till 27 December 2017. However, many taxpayers could not file the return within the due date due to technical difficulties. Thus, sub-rule 1A was inserted (September 2018) under Rule 117 of WBGST Rules, 2017 to accommodate such tax payers. The due date for filing TRAN1 was further extended to 31 March 2020 for those taxpayers who could not file TRAN 1 due to technical difficulties and for those cases recommended by the GST Council.

7.1.2 Organisational Set up

In West Bengal, the Goods and Services Tax is administered by the Directorate of Commercial Taxes (Directorate), West Bengal. The Directorate functions under the Finance Department (Department) and is headed by the Commissioner of Commercial Taxes (CCT).

Administratively, the Directorate is divided into 16 Circles. A Circle is headed by the Additional Commissioner or the Senior Joint Commissioner. The Circle exercises administrative, appellate and revisional jurisdiction over Charges under them and audit, adjudication and recovery thereof at the Circle level. There are 67 charges[149] in the State. A Charge is headed by a Charge Officer, who can be a Joint Commissioner or a Senior Joint Commissioner. This unit is entrusted with the administration of the GST Act and includes registration, amendment, cancellation and its revocation, audit and assessment, *etc*. The Charge Officer reports to the Administrative Circle head.

A Large Taxpayer Unit (LTU) is there to facilitate the revenue administration of the largest taxpayers of the State. It is headed administratively by a Special Commissioner and assisted by Additional, Senior Joint and Joint Commissioners.

Information Systems Division (ISD) is the internal Information Technology (IT) wing of the Directorate. With the introduction of GST, ISD provides the basis on which the entire Directorate functions. All offices have access to the Internal Website containing internal information and communication, as well as the GST Back Office portal, for their day-to-day activities under GST.

7.1.3 Audit Objectives, Scope and Methodology

Transitional credit claims directly impact GST revenues as the credit is eligible for set off against the output GST liability of taxpayers. A Subject Specific Compliance Audit (SSCA) on transitional credits under Goods and Services Tax was conducted to assess whether a) the mechanism envisaged by the

[148] Appointed date 1 July 2017
[149] A Charge is the basic functional unit of the Directorate

Department for selection and verification of transitional credit claims was adequate and effective and b) transitional credits carried over by taxpayers into GST regime were valid and admissible.

The SSCA covered the period from July 2017 to March 2020 and undertook scrutiny of 1,973 transitional credit returns (TRAN 1) filed by taxpayers. These 1,973 returns (involving ₹ 546.84 crore) spread across 55 Charge offices in 14 Circles were selected based on the following parameters:

- Cases involving claim of high money value.
- Jurisdictional offices falling under industrial hub/ economic centres.
- Proportional representation of each of the ITC category such as Table 5(c), 6(b), 7(b), 7(c), 10(a) and T(11).

The table-wise representation of the audited quantum and the transitional credit amount involved therein are given in the table below.

Table 7.2: Statement showing representation of the audited quantum and the transitional credit amount involved therein

Table	Audited quantum[150]	Transitional Credit Amount (₹ in crore)
Table 5(c)	1,729	474.62
Table 6(b)	21	18.96
Table 7(b)	122	6.27
Table 7(c)	169	16.90
Table 10(a)	9	1.16
Table T(11)	6	28.93
Total	**2,056**	**546.84**

Source: Data from GSTN

The methodology adopted for audit of transitional credit claims involved data analysis for selecting the returns to be audited. The SSCA involved the examination of records pertaining to transitional credits maintained in the field formations including the Directorate. Field audit was conducted between January 2021 and September 2021. The consolidated draft report was issued to the Finance Department (State Tax Department) on 14 January, 2022, reply is awaited.

7.1.4 Audit Criteria

The following audit criteria were used to assess the audit objectives:

- West Bengal Goods and Services Tax Act, 2017 (WBGSTA);
- West Bengal Goods and Services Tax Rules, 2017 (WBGSTR);
- West Bengal Value Added Tax (WBVAT) Act, 2003;
- Central Sales Tax Act (CST Act), 1956;
- Central Sales Tax (Registration and Turnover) Rules-CST Rules, 1957; and
- Relevant Notifications, Circulars, Trade Circulars and Instructions issued by the CCT, State Government and Government of India from time to time.

[150] *This is more than 1,973 as there were instances of multiple transitional credit components under a single case, leading to overlapping of cases*

Audit Findings

The audit findings elaborated in the following paragraphs are broadly categorised in two categories, namely

- **Systemic issues and**
- **Compliance issues**

7.2 Systemic issues

Adequacy and effectiveness of mechanism for selection and verification of transitional credit claims

The mechanism adopted by the Department for selection and verification was not ascertainable in audit, as no documents had been furnished in this regard. Audit, therefore, could not give assurance on the above mentioned audit objective.

7.2.1 Inadequate follow up measure and non-recovery of ineligible claim including interest/ penalty

As per Rule 117 (3) of the WBGST Rules, 2017, the amount of credit specified in the application in Form- GST TRAN-1 shall be credited to the Electronic Credit Ledger of the applicant maintained in Form- GST PMT-02 on the common portal. As per Rule 121 of WBGST Rules 2017, the amount credited under sub-rule (3) of rule 117 may be verified and proceedings under section 73 or section 74, as the case may be, shall be initiated in respect of any credit wrongly availed, whether wholly or partly.

Sub section (1) of the section 73 or 74 of the WBGST Act, 2017 prescribes that where it appears to the Proper Officer that input tax credit has been wrongly availed or utilized for any reason, he shall serve notice on the person wrongly availing or utilizing input tax credit, requiring him to show cause as to why he should not pay the amount specified in the notice along with interest payable thereon under section 50 and a penalty leviable under the provisions of this Act or the rules made thereunder.

Section 50(1) of the WBGST Act, 2017 stipulates that every person liable to pay tax in accordance with the provisions of this Act or the rules made there under, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at 18 per cent.

During the conduct of audit, out of 1973 cases, in two cases ***(Appendix 7.1)*** involving an amount of ₹ 75.31 lakh, in two[151] Charge offices, it was noticed that Departmental verification had resulted in detection of ineligible or incorrect credit claims.

The taxpayer, however, paid amount of excess credit taken in one case but recovery measures for excess credit taken in another case, interest and penalty were not initiated even after a lapse of one year of verification. Non-initiation of recovery measures resulted in non-realisation of revenue ***(Appendix 7.1)***.

When Audit pointed this out (between March 2021 and August 2021), Ballygunge Charge office in one case admitted (March 2021) the audit

[151] *Shibpur & Ballygunge*

observation and stated that final demand notice would be issued and in the remaining one case, Shibpur Charge office did not furnish any reply.

7.3 Compliance issues

Transitional credits carried over by taxpayers into GST regime

During the SSCA, Audit attempted to evaluate the validity and admissibility of transitional credits carried over by taxpayers. Out of 1973 sampled cases involving transitional credit of ₹ 546.84 crore, Audit observed deviations to the extant provisions in 212 cases involving transitional credit of ₹ 32.05 crore. Findings in this regard are summarised in the following table.

Table 7.3: Summary of total deviations observed and recovery there-against *(Deviation amount and recovery-₹in lakh)*

Objection	Total no. of cases	Amount involved	Objection cases	Deviation amount	Recovery
Incorrect Credit in ECL	1,973	₹ 546.84 crore[152]	04	125.03	0
ECL populated in excess			03	0.00	0
Ineligible carry forward of credit from Legacy Returns despite 'Nil' balance			33	1,201.87	862.84
Excess Credit taken from Legacy Returns			29	281.86	19.95
Excess Credit Carried Forward from legacy returns of previous year (2016-17)			18	373.83	7.06
Irregular Credit availed due to mismatches in ITC			11	129.44	1.03
Credit incorrectly claimed twice/ in excess under Table 5 (c) and 7(c)			07	4.84	0
Credit taken without filing Legacy Returns			10	136.29	7.27
Ineligible credit taken due to non-deduction of tax for pending Form C			03	5.98	0
Credit taken without filing supporting documents			48	354.47	6.03
Non-levy of interest on irregular claims of transitional credits			45	589.52	1.63
Miscellaneous			1	1.51	1.51
TOTAL	**1,973**	**₹ 546.84 crore**	**212**	**3,204.64**	**907.32**

Source: As recorded in GST back-office managed by Directorate of Commercial Taxes

It may be observed that out of total 212 deviation cases involving ₹ 32.05 crore, recovery could be effected only for ₹ 9.07 crore (28 *per cent*). The deviations are discussed in detail in the subsequent paragraphs.

7.3.1 Incorrect population of Credit in ECL

As per Section 140(1) of West Bengal Goods & Services Tax Act, 2017, a registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, credit of the amount of Value Added Tax, carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law in such manner as may be prescribed.

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[152] *This amount represents the total of table numbers 5 (c), 6 (b), 7 (b)-7 (d), 10 (a)-10 (b) and T (11) (which are a part of the GST Annual Return). While rounding off the amount in lakh, it comes to ₹54,681.88 lakh. The difference is due to rounding off.*

Further, sub-rule (3) under Rule 117 of WBGST Rules, 2017, envisaged that the amount of credit specified in the application in FORM GST TRAN-1 shall be credited to the electronic credit ledger of the applicant maintained in FORM GST PMT-2 on the common portal (GSTN portal).

As per Rule 121 of WBGST Rules, 2017, the amount credited under sub-rule (3) of rule 117 may be verified and proceedings under section 73 or section 74, as the case may be, shall be initiated in respect of any credit wrongly availed, whether wholly or partly.

7.3.1.1 Incorrect credit in the ECL: Out of the selected sampled cases, in four cases in four[153] Charge offices under four[154] Circles, Audit observed instances of incorrect credit in the ECL, though the taxpayers claimed no or less amount in TRAN 1 or credit accounted for in different account of electronic credit ledger than that claimed in TRAN 1, as carried forward of input credits from the WBVAT regime. Audit noticed that in these cases, where incorrect credit under Central/State head had been administered to the tune of ₹ 125.03 lakh, recovery measures were not initiated till date of audit ***(Appendix 7.2)***.

When Audit pointed this out (between March 2021 and August 2021), Shibpur Charge office stated (August 2021) that this is software development and deployment issue, Burtola Charge office in one case stated (September 2021) that proceedings had been initiated, while Behala Charge office accepted the audit finding. Salt Lake Charge office did not furnish any/ specific reply.

A case study is illustrated below:

Case Study

On verification of transitional credit claim of a taxpayer (M/s Gontermann Pipers (India) Limited GSTIN: 19AABCG0946P1Z6) coming within the jurisdiction of Behala Charge office under Behala Circle, Audit noticed that though the taxpayer did not submit TRAN 1 for carrying forward of Input Tax Credit relating to the WBVAT regime, the electronic credit ledger of the taxpayer for the respective period was credited with ₹ 108.91 lakh.

On this being pointed out by Audit (August 2021), the Charge office admitted the audit observation (August 2021).

7.3.1.2 Electronic Credit Ledger populated in excess: Out of the selected sample cases, three instances were observed in three[155] Charge offices under three[156] Circles where taxpayers' claim of transitional credit had been credited to the Electronic Credit Ledger in excess of TRAN-1 involving ₹ 19.35 lakh. The taxpayers, however, reversed ₹ 19.35 lakh in those cases ***(Appendix 7.3)***.

When Audit pointed this out (between March 2021 and July 2021), Charge offices did not furnish any/ specific reply.

An illustrative case is given below:

[153] *Shibpur, Salt Lake, Burtola and Behala*
[154] *Howrah, 24 Parganas, Kolkata (North) and Behala*
[155] *Postabazar, Bowbazar, Strand Road & Shyambazar*
[156] *Kolkata (North), Dharmatala & Barrabazar*

Case Study

Verification of TRAN 1 returns and Electronic Credit Ledger (ECL) data of the taxpayer M/s Fairfield Equipment Private Limited (GSTIN: 19AABCF1812F1Z1) within the jurisdiction of Strand Road Charge office under Barrabazar Circle showed that the ECL of the taxpayer was credited with excess input tax credit amounting ₹ 13.36 lakh, over and above the credit of ₹ 13.36 lakh claimed by the taxpayer as per TRAN 1 return.

When Audit pointed this out (March 2021), the Charge office did not furnish any reply.

7.3.2 Ineligible carry forward of credit from Legacy Returns

As per Section 140(1) of West Bengal Goods & Services Tax Act, 2017, a registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, credit of the amount of Value Added Tax, carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law in such manner as may be prescribed.

Further, sub-rule (3) under Rule 117 of WBGST Rules, 2017, envisaged that the amount of credit specified in the application in FORM GST TRAN-1 shall be credited to the electronic credit ledger of the applicant maintained in FORM GST PMT-2 on the common portal (GSTN portal).

As per Rule 121 of WBGST Rules, 2017, the amount credited under sub-rule (3) of rule 117 may be verified and proceedings under section 73 or section 74, as the case may be, shall be initiated in respect of any credit wrongly availed, whether wholly or partly.

7.3.2.1 Ineligible carry forward despite 'Nil' balance: During the conduct of audit, out of total 1,729 cases, 33 instances were observed in 20[157] Charge offices under 11[158] Circles, involving an amount of ₹ 12.02 crore where taxpayers claimed and availed input tax credit through TRAN 1, though they had nil-balance of input tax credits from the WBVAT regime ***(Appendix 7.4)***.

When Audit pointed this out (between January 2021 and September 2021), four[159] Charge offices realised the amount of ₹ 862.84 lakh in five cases. Three[160] Charge offices in three cases accepted audit findings, four[161] Charge offices in four cases stated that proceedings had been initiated, three[162] Charge offices in three cases stated that notice had been issued and in the remaining eighteen cases, ten[163] Charge offices did not furnish any/ specific reply.

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[157] *Amratolla, Bally, Ballygunje, Beadon Street, Behala, Beliaghata, Central Section, Chandni Chowk, Durgapur, Howrah, Lalbazar, Large Taxpayer Unit, New Market, Park Street, Radhabazar, Rajakatra, Salt Lake, Shibpur, Srirampur &Taltala*

[158] *Large Taxpayer Unit, Barrabazar, Kolkata (South), Chowringhee, Dharmatolla, Kolkata (North), 24 Parganas, Behala, Howrah, Bally, Durgapur*

[159] *ChandneyChowk, Durgapur, Large Taxpayer Unit, Park Street & Salt Lake*

[160] *Central Section, Howrah & Srirampur*

[161] *Ballygunje,Chandney Chowk, Lalbazar & Shibpur*

[162] *Behala, Park Street &Taltala*

[163] *Amratolla, Bally, Beadon Street, Beliaghata, Durgapur, Lalbazar, , New Market, Radhabazar, Rajakatra& Salt Lake*

Case Study

M/s Neo Metaliks Ltd., (GSTIN: 19AABCN8514G1ZE) falling within the jurisdiction of Large Taxpayer Unit Charge under Large Taxpayer Unit Circle had carried forward closing balance of WBVAT input tax credit of ₹ 601.82 lakh from the legacy returns under table 5(c) of TRAN 1 return. However, verification of the corresponding legacy return for the taxpayer showed that there was no such credit to be carried forward.

On this being pointed out in audit (March, 2021), the taxpayer was seen to have paid the tax dues (March, 2021).

7.3.2.2 Excess credit taken from Legacy Returns*:* During audit, out of 1,729 cases[164], 29 instances of the 25[165] Charge offices under 10[166] Circles under the Directorate of Commercial Taxes, West Bengal, involving ₹2.82 crore were observed where the taxpayers claimed and availed input tax through TRAN 1 in excess of credit available in the closing balance of WBVAT regime ***(Appendix 7.5)***.

When Audit pointed this out (between March 2021 and September 2021), two[167] Charge offices realised the amount of ₹ 19.95 lakh in two cases. Four[168] Charge offices in four cases accepted audit findings, eight[169] Charge offices in eight cases stated that proceedings had been initiated, two[170] Charge offices in three cases stated that notice had been issued and in the remaining 13 cases, 11[171] Charge offices did not furnish any/specific reply.

7.3.2.3 Excess Credit carried forward from legacy returns of previous year (2016-17): Audit observed 18 instances in 13[172] Charge offices under nine[173] Circles (out of 1729 cases specifically related to taxpayers' claim of VAT ITC) where taxpayers claimed and availed excess input tax credit as brought forward in the legacy return for the year 2017-18 from the carried forward input tax credits available as per the legacy return for the year 2016-17. This resulted in carry forward of excess credit of ₹ 373.83 lakh from the closing balance of WBVAT regime to the GST regime, which was reflected in the TRAN 1 return ***(Appendix 7.6)***.

When pointed out by Audit (between March 2021 and September 2021), three[174] Charge offices realised ₹ 7.06 lakh in three cases. Three[175] Charge offices in six

[164] Out of 1973 sample cases, 1729 cases were specifically related to taxpayers' claim of VAT ITC available as per their VAT return and claim their of in TRAN 1.

[165] Alipore, Armenian Street, Bally, Barasat, Barrackpore, Behala, Belgachhia, , Burtola, Chandni Chowk, College Street, Cossipore, Esplanade, Jorasanko, Kadamtala, Lalbazar, Lyons Range, N S Road, Park Street, Radhabazar, Rajakatra, Salt Lake, Shibpur, Siliguri, Srirampur& Strand Road

[166] Barrabazar, Kolkata (South), Chowringhee, Dharmatolla, Kolkata (North), 24 Parganas, Behala, Howrah, Bally &Siliguri

[167] Alipore, & Park Street

[168] Armenian Street, Barrackpore,Siliguri& Srirampur

[169] Behala, Belgachhia,Burtola,Chandni Chowk,Cossipore, Kadamtala, Salt Lake &Shibpur,

[170] Esplanade &N S Road

[171] Bally, Barasat, Behala, College Street, Jorasanko, Lalbazar, Lyons Range, Radhabazar, Rajakatra, Salt Lake & Strand Road

[172] Asansol, Barrackpore, Colootola, Durgapur, Howrah, Kadamtala, Large Taxpayer Unit, N S Road, Rajakatra, Salt Lake, Shibpur, Siliguri& Srirampur

[173] Large Taxpayer Unit, Barrabazar, Dharmatolla, 24 Parganas, Howrah, Bally, Asansol, Durgapur & Siliguri

[174] Durgapur, Kadamtala& Salt Lake

[175] Asansol, Barrackpore& Srirampur

cases accepted audit findings, N S Road Charge office in one case stated that proceedings had been initiated, three[176] Charge offices in four cases stated that notice had been issued and in the remaining four cases, four[177] Charge offices did not furnish any/specific reply.

7.3.2.4 Irregular Credit availed due to mismatches in ITC: During audit, out of total 1973 sampled cases, claims of ₹129.44 lakh in 11 instances in six[178] Charge offices under five[179] Circles under the Directorate of Commercial Taxes, West Bengal, Input Tax Credit (ITC) were found irregular, as the corresponding sale based on which purchaser was claiming this carried forward amount of ITC had not been admitted to by the selling dealer. This was reflected in the TRAN 1 return ***(Appendix 7.7)***.

When Audit pointed this out (between July 2021 and September 2021), Durgapur Charge office realised the amount of ₹ 1.03 lakh in one case. Three[180] Charge offices in four cases stated that proceedings had been initiated and in the remaining six cases, three[181] Charge offices did not furnish any/specific reply.

7.3.3 Credit incorrectly claimed twice/ in excess under Table 5(c) and 7(c)

As per Section 140(5) of SGST Act, a registered person shall be entitled to take, in his electronic credit ledger, credit of value added tax in respect of inputs received on or after the appointed day but the tax in respect of which has been paid by the supplier under the existing law, subject to the condition that the invoice or any other taxpaying document of the same was recorded in the books of account of such person within a period of thirty days from the appointed day provided further that the said registered person shall furnish a statement, in such manner as may be prescribed, in respect of credit that has been taken under this sub-section.

Further, sub-rule (3) under Rule 117 of WBGST Rules, 2017, envisaged that the amount of credit specified in the application in FORM GST TRAN-1 shall be credited to the electronic credit ledger of the applicant maintained in FORM GST PMT-2 on the common portal (GSTN portal).

As per Rule 121 of WBGST Rules, 2017, the amount credited under sub-rule (3) of rule 117 may be verified and proceedings under section 73 or, as the case may be, section 74 shall be initiated in respect of any credit wrongly availed, whether wholly or partly.

During the conduct of audit, seven instances involving an amount of ₹ 4.84 lakh were observed in four[182] Charge Offices under three[183] Circle offices (out of 1,973 sample cases) where tax payers claimed and availed transitional credit through TRAN 1 under table 5(c) and 7(c) in excess/ twice over the eligible quantum of credit in their account ***(Appendix 7.8)***.

When Audit pointed this out (between March 2021 and September 2021), Shibpur Charge office in two cases stated (September 2021) that proceedings

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[176] Colootola, Kadamtala & Siliguri
[177] Howrah, Large Taxpayer Unit, Rajakatra & Shibpur
[178] Bally, Durgapur, Howrah, Salt Lake, Shibpur & Siliguri
[179] Bally, Durgapur, Howrah, 24 Parganas & Siliguri
[180] Howrah, Salt Lake & Siliguri
[181] Bally, Durgapur & Shibpur
[182] Kadamtala, NS Road, Salt Lake & Shibpur,
[183] Barrabazar, Howrah & 24 Parganas

had been initiated, N S Road Charge office in one case stated (March 2021) that notice had been issued and in the remaining four cases, two[184] Charge offices did not furnish any/ specific reply.

7.3.4 Credit taken without filing Legacy Returns

As per second proviso to Section 140(1) of West Bengal Goods & Services Tax Act, 2017, a registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, credit of the amount of Value Added Tax, carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law provided that the registered person shall not be allowed to take credit where he has not furnished all returns required under the existing law for the period of six months immediately preceding the appointed date.

Audit came across ten instances involving an amount of ₹ 136.29 lakh in eight[185] Charge offices under seven[186] Circles (out of total sample size of 1973 cases) where taxpayers claimed and availed transitional credit of WBVAT credit balances remaining in the accounts, even though the taxpayers had not filed all returns required under the existing laws. This resulted in contravention of the transitional credit provisions ***(Appendix 7.9)***.

When Audit pointed this out (between February 2021 and September 2021), two[187]Charge offices realised the amount of ₹ 7.27 lakh in two cases. Three[188] Charge offices in three cases accepted audit findings, two[189] Charge offices in two cases stated (September 2021) that proceedings had been initiated, Ballygunje Charge office in two cases stated (March 2021) that notice had been issued and in the remaining one case, Salt Lake Charge office did not furnish specific reply.

7.3.5 Ineligible credit taken due to non-deduction of tax for pending Form C

As per second proviso to Section 140(1) of West Bengal Goods & Services Tax Act, 2017, a registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, credit of the amount of Value Added Tax, carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law provided that the registered person shall not be allowed to take credit, which is attributable to any claim related to section 3, sub-section (3) of section 5, section 6, section 6A or sub-section (8) of section 8 of the Central Sales Tax Act (CST Act), 1956 (74 of 1956), which is not substantiated in the manner and within the period, prescribed in rule 12 of the Central Sales Tax (Registration and Turnover) Rules-CST Rules, 1957.

Out of 1973 sampled cases, in course of audit, three instances having money value of ₹ 5.98 lakh in three[190] Charge offices under two[191] Circles, were

[184] *Kadamtala & Salt Lake*
[185] *Armenian Street, Asansol, Bally, Ballygunje, Howrah, Jorasanko, Shibpur & Siliguri*
[186] *Kolkata (South), Dharmatolla, Kolkata (North), Howrah, Bally, Asansol & Siliguri*
[187] *Asansol & Bally*
[188] *Armenian Street, Howrah & Shibpur*
[189] *Jorasanko & Siliguri*
[190] *Bally, Shibpur & Srirampur*
[191] *Bally & Howrah*

noticed where taxpayers claimed and availed transitional credit of WBVAT credit balances remaining in the accounts, without deducting difference of tax payable on the amount of turnover against which C Forms were pending. This contravened the provision of Rule 12 of the CST (Registration and Turnover) Rules, 1957 and hence, rendered the credit ineligible ***(Appendix 7.10)***.

When Audit pointed this out (between August 2021 and September 2021), Srirampur Charge office in one case accepted audit findings (September 2021) and in the remaining cases, two[192] Charge offices did not furnish any reply.

7.3.6 Irregular availment of WBVAT credit on capital goods relating to pre-GST regime, as transitional credits

As per Section 140(2) of the WBGST Act 2017, a registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, credit of the un-availed WBVAT Credit in respect of capital goods, not carried forward in a return, furnished under an existing law for the period ending with the day immediately preceding the appointed day. This is subject to the provision that the registered person shall not be allowed to take credit unless said credit was admissible as WBVAT credit under existing law and is also admissible as input tax credit under GST Act. The unavailed WBVAT credit represents the amount that remains after subtracting the amount of WBVAT credit already availed in respect of capital goods by the taxable person under the existing law from the aggregate amount of WBVAT credit to which the said person was entitled in respect of the said capital goods under the existing law.

During audit of the Large Taxpayer Unit (LTU) Charge office under LTU Circle under the Directorate of Commercial Taxes, West Bengal, one instance (out of 21 cases relating to Table 6 (b)) was noticed where a taxpayer (M/s. IFB Industries Ltd.-GSTIN 19AAACI6561R1ZU claimed transitional credit (₹ 1.51 lakh) on account of un-availed WBVAT Credit in respect of capital goods, as closing WBVAT credit balance in legacy return. The claim was made stating that the credit had not been previously carried forward in a return, furnished under an existing law for the period ending with the day immediately preceding the appointed day, which was allowed to be availed. However, verification of TRAN 1 return and legacy return corresponding to the WBVAT regime disclosed that the taxpayer had already availed the credit in the legacy return, hence, no such credit was available for the GST regime. Thus, such availment proved irregular.

After the issue was pointed out by Audit (March 2021), the LTU Charge office produced the document for realization of the amount of ₹ 1.51 lakh along with the interest of ₹ 1.02 lakh (March 2021).

7.3.7 Credit taken without filing supporting documents

As per Section 140 (3) of WBGST Act, 2017, a registered person, who was not liable to be registered under the existing law or who was engaged in the sale of exempted goods or tax free goods, by whatever name called, or goods which have suffered tax at the first point of their sale in the State and the subsequent sales of which are not subject to tax in the State under the existing law but which

[192] *Bally & Shibpur*

are liable to tax under this Act or where the person was entitled to the credit of input tax at the time of sale of goods, if any, shall be entitled to take, in his electronic credit ledger, credit of the value added tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day subject to the following conditions namely:

(i) such inputs or goods are used or intended to be used for making taxable supplies under this Act;

(ii) the said registered person is eligible for input tax credit on such inputs under this Act;

(iii) the said registered person is in possession of invoice or other prescribed documents evidencing payment of tax under the existing law in respect of such inputs; and

(iv) such invoices or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day.

During audit, it was noticed that out of total sample of 1973 cases, 122 cases were related to claims of credit covered under table 7 (b). Of these 122 cases, 48 instances involving ₹ 354.47 lakh were found in 20[193] Charge offices under 12[194] circles under the Directorate of Commercial Taxes, West Bengal, where taxpayers claimed and availed transitional credit of inputs held in stock in respect of goods not carried forward in a return, for the period ending with the day immediately preceding the appointed day. However, verification of TRAN 1 return and legacy return corresponding to the WBVAT regime revealed that taxpayers had not submitted requisite details of invoices and other documents evidencing payment of tax in TRAN-1 to sustain their claim in the GST regime ***(Appendix 7.11)***.

When Audit pointed this out (between March 2021 and September 2021), six[195] Charge offices realised the amount of ₹ 6.03 lakh in six cases. Four[196] Charge offices in 10 cases accepted the audit findings, two[197] Charge offices in four cases stated that proceedings had been initiated, Jorasanko Charge office in one case stated that noticed had been issued and in the remaining 27 cases, 11[198]Charge offices did not furnish any/ specific reply.

7.3.8 Non-levy of interest on irregular claims of transitional credits

As per Rule 121 of WBGST Rules, 2017, the amount credited under sub-rule (3) of rule 117 may be verified and proceedings under section 73 or, as the case may be, section 74 shall be initiated in respect of any credit wrongly availed, whether wholly or partly.

The proceeding under section 73 or 74 shall require the taxpayer to pay the credit along with interest payable thereon under section 50 of the WBGST Act,

193 Alipore, Amratala, Asansol, Barasat, Barrackpore, Behala, Bhowanipore, Bugde Budge, Durgapur, Howrah, Jorasanko, Kadamtala, Large Taxpayer Unit, Manicktala, Salt Lake, Shibpur, Siliguri, Srirampur, Strand Road &Ultadanga

194 Asansol, Bally, Barrabazar, Behala, Dharmatolla, Durgapur, Howrah, Kolkata (South), Kolkata (North), Large Taxpayer Unit, 24 Parganas, & Siliguri.

195 Alipore, Amratala, Barrackpore, Behala, Durgapur &Kadamtala

196 Howrah, Manicktala, Shibpur & Srirampur

197 Budge Budge & Siliguri

198 Asansol, Barasat, Barrackpore, Behala, Bhowanipore, Durgapur, Kadamtala, Large Taxpayer Unit, Salt Lake, Strand Road & Ultadanga

2017.Section 50(1) of the WBGST Act, 2017 stipulates that every person liable to pay tax in accordance with the provisions of this Actor the rules made thereunder, but, fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at 18 *per cent*.

During audit, out of 1973 cases, 45 instances of the 25[199] Charge offices under 13[200] Circles under the Directorate of Commercial Taxes, West Bengal, were found having irregular claims of transitional credits. Though the excess credits were reversed subsequently, taxpayers had not discharged the interest liability, as interest was not levied upon the taxpayers. The total interest liability in these cases worked out to ₹ 589.52 lakh ***(Appendix 7.12)***.

When Audit pointed this out (between February 2021 and September 2021), nine[201] Charge offices realised the amount of ₹ 1.63 lakh in 12 cases. Two[202] Charge offices in three cases accepted audit findings, Barasat Charge office in seven cases stated that proceedings had been initiated, six[203] Charge offices in six cases stated that notice had been issued and in the remaining 17 cases, 14[204] Charge offices did not furnish any/ specific reply.

7.4 Conclusions and Recommendation

Conclusions:

Audit came across issues of non-compliance to the referred Acts and Rules like incorrect credit in ECL, electronic credit ledger being populated in excess, excess credit taken from legacy returns, ineligible carry forward of credit from Legacy Returns despite ‘Nil’ balance, excess credit carried forward from legacy return of previous year (2016-17), irregular credit availed due to mismatches in ITC and credit claimed twice/in excess. Total money value of these observations stood at₹ 21.17 crore (105 instances), of which ₹ 8.91 crore (11 instances) had being recovered, after the issues were pointed out in audit.

Audit also came across issues of non-compliance like credit taken without submission of legacy returns; ineligible credit taken; irregular availment of WBVAT credit on capital goods relating to pre-GST regime, as transitional credits; credit taken without filing supporting documents and non-levy of interest on irregular claims of transitional credits. Here, the financial impact of audit observations aggregated to ₹ 10.88 crore (107 cases) against which recovery of ₹ 0.16 crore (21 cases) was made.

This apart, the SSCA highlighted the issue of inadequate follow up measure and non-recovery of ineligible claim and interest/ penalty, in two cases, involving pending realisation of excess credit taken, interest and penalty of ₹ 0.75 crore.

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[199] *Amratala, Asansol, Bally, Ballygunge, Barasat, Barrackpore, Behala, Bhowanipore, Budge Budge, Chandni Chowk, Durgapur, Esplanade, Ezra Street, Fairley Place, Large Taxpayer Unit, Manicktala, Monoharkatra, NS Road, Park Street, Postabazar, Sealdah, Shibpur, Shyambazar, Siliguri & Strand Road.*

[200] *Large Taxpayer Unit, Barrabazar, Kolkata (South), Chowringhee, Dharmatolla, Kolkata (North), 24 Parganas, Behala, Howrah, Bally, Asansol, Durgapur & Siliguri.*

[201] *Amratala, Barrackpore, Behala, Durgapur, Ezra Street, Manicktala, N S Road, Park Street & Siliguri.*

[202] *Manicktala & Sealdah.*

[203] *Ballygunge, Bhowanipore, Budge Budge, Esplanade, Monoharkatra & Park Street*

[204] *Asansol, Bally, Ballygunge, Chandni Chowk, Fairley Place, Large Taxpayer Unit, Manicktala, Monoharkatra, N S Road, Postabazar, Sealdah, Shibpur, Shyambazar & Strand Road.*

Overall, audit of transitional credits under the SSCA, carried out on test-check basis, showed deviations in 11 *per cent* of cases (214 cases out of 1,973 sampled cases) test-checked.

Recommendation:

- ***A comprehensive/ thorough review of the transitional credits may be undertaken to identify cases of non-compliance by taxpayers to the extant Rules and Regulations.***

The matter has been referred to the Government in January 2022; reply was awaited (April 2022).

Chapter 8

Individual Observations of Compliance Audit

Chapter 8: Individual Observations of Compliance Audit

TECHNICAL EDUCATION AND TRAINING DEPARTMENT

(Directorate of Industrial Training)

8.1 Unfruitful Expenditure on construction of an Industrial Training Institute

Lack of proper planning and administrative supervision led to selection of landlocked and disputed plots of land in Chengail, Howrah, for construction of an Industrial Training Institute (ITI), meant for extending technical training to the common people of Howrah. Consequently, the ITI could not be made functional even after eight years from its inauguration, thereby frustrating the envisaged objective.

With a view to extending technical education by way of creating facilities for technical training to the common people in Howrah, the Technical Education and Training Department (TETD), Government of West Bengal (GoWB) decided (November 2009) to construct an Industrial Training Institute (ITI) on plots of land (measuring 5.17 acres) in Chengail, Howrah. Accordingly, administrative approval of ₹ 4.86 crore was accorded (February 2010) and the execution of the work was entrusted to Sundarban Infrastructure Development Corporation Limited (SIDCL).

Work order for construction of the ITI was issued (March 2010) to an agency[205] at a tendered value of ₹ 4.05 crore after due[206] tender procedure. The contractor completed the civil work along with sanitary & plumbing/ fitting works and handed over[207] (January 2014) the building to the Principal, ITI Howrah Homes. The external electrical power supply connection and work of installation of bore well, remained incomplete[208]. An expenditure of ₹ 4.11 crore was incurred for the construction of the ITI building and considering ancillary works, the total expenditure incurred was ₹ 4.46 crore. The ITI, however, could not be made operational, as of October 2021.

Examination of records (February 2021) of the Directorate of Industrial Training (DIT), as made available to audit, brought out the following:

- The plots of land were transferred (November 2009) by Land and Land Reforms Department (L&LRD) to the TETD with the condition that the L&LRD would not take the responsibility for arranging for ingress and egress to the land so transferred. These plots were selected by the TETD. The reason for selection, as mooted by the TETD, was that approach road was available.

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[205] M/s Infinity Devcon Private Limited

[206] By SIDCL, after following due tender procedure in February 2010, at 0.01 per cent below the tendered value of ₹4,05,24,738

[207] In September 2013, the ITI building was, however, inaugurated

[208] The internal electrical works were completed

- These plots of land were landlocked and under dispute[209], about which the L&LRD was aware. So, rationale behind allotting such plots of land remained unclear. Further, when these plots were landlocked since very long period, circumstances under which, the TETD found the availability of approach road to these plots, also remained unclear. Moreover, records indicated that the TETD, prior to issue of the Work Order, was aware of the disputes[210] concerning these plots of land.

- Despite being aware of the disputes concerning these plots of land, the TETD issued work order on 31 March 2010. The TETD initially succeeded to arrange for transportation of construction material to the site by constructing a temporary approach road through the premises of an adjacent Jute Mill on mutual consent. In this way, the construction of the ITI building, sanitary and plumbing/ fitting work and internal electrical work could be completed. The adjacent Jute Mill however, closed the approach road subsequently causing the works 'external electrical power supply connection' & 'work of installation of bore well' remaining incomplete.

- Subsequently, an administrative approval and sanction of fund amounting ₹ 3.17 crore was accorded (March 2016) by TETD for construction of an approach road to the ITI. No development was, however, noticed in this regard. In November 2016, the Department decided to stop all pending works, pending settlement of disputes.

- There was nothing on record to indicate that the TETD had taken any initiative to fix responsibility on delinquent Officers/ officials. So, in these circumstances, the TETD needs to initiate steps for fixation of responsibility.

The Directorate of Industrial Training (DIT) accepted (February 2021) the facts and figures and the ITI was yet to be made functional, as of October 2021.

Technical Education, Training & Skill Development Department, in its reply in April 2022, while communicating the above referred facts, stated that it was trying to amicably resolve the issue with the Ludlow Jute and Speciality Limited. However, the fact remains that the ITI is yet to be made functional, as of date.

Thus, lack of proper planning and administrative supervision led to selection of landlocked and disputed plots of land for construction of an Industrial Training Institute (ITI), meant for extending technical training to the common people of Howrah. Consequently, the ITI could not be made functional even after eight years from its inauguration, rendering the expenditure of ₹ 4.46 crore incurred thereon unfruitful and frustrating the intended objective.

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[209] *For more than 42 years, since November 1979. Cases were raised by a private concern namely 'Ludlow Jute and Speciality Limited-LJSL', between 1984 and 2014, with the Court of Civil Judge (Jr. Division), Uluberia, Howrah; West Bengal Land Reforms and Tenancy Tribunal; Hon'ble High Court, Kolkata and Additional District and Session Judge, Uluberia, Howrah. All these cases were pending. The last case was raised with the Hon'ble High Court in 2014*

[210] *Cases raised in 2009 with the West Bengal Land Reforms and Tenancy Tribunal*

FOOD & SUPPLIES DEPARTMENT

8.2 Improper storage of foodgrains leading to loss of ₹1.34 crore

The Food & Supplies Department failed to enforce the provision of the West Bengal Urban Public Distribution System (Maintenance & Control) Order, 2013 regarding safe storage of 6,317.51 quintals of public distribution foodgrains and also ensure the distribution of such foodgrains by the Authorised Wholesaler (AW). This led to the PDS foodgrains becoming unfit for human consumption. Loss to the state exchequer, based on the cost of procurement, worked out to ₹ 1.34 crore.

The Food & Supplies Department (FSD) under the Government of West Bengal functions as the nodal Department for distribution of foodgrains through the Public Distribution System. The Directorate of Rationing (DR), under the FSD, operates under the ambit of the West Bengal Urban Public Distribution System (Maintenance & Control) Order, 2013 (Order) to carry out public distribution of food grains throughout Kolkata and adjacent industrial areas of Howrah, Hooghly, Barrackpore and Asansol.

In course of audit (between February & March 2021) of the O/o the Deputy Director of Rationing, Barrackpore (DDRB), functioning under the aegis of DR, it was observed that the DDRB issued licence to M/s Hindustan Food Suppliers (HFS) to act as an authorised wholesaler to distribute foodgrains to 109 Fair Price Shops (FPS). Scrutiny revealed that HFS lifted (October to December 2018) 7,408.41 quintals of rice & 245.76 quintals of sugar from State owned godowns and 6,046.44 quintals of wheat from Food Corporation of India. Audit examined the allotment of foodgrains as made to HFS and found the following:

- There was lack of monitoring by the DDRB over distribution of foodgrains by HFS *vis-à-vis* allocation. Due to this, there were cases of non-submission of indents/ stock returns by HFS to the DDRB, on regular basis.

- HFS failed (November 2018) to deliver lifted foodgrains for the second fortnight of November 2018, to 96 of 109 FPSs and consequently, 6,317.51 quintals of stock[211] remained undistributed. Subsequently, the concerned Authority under DDRB conducted a physical inspection (12 to 20 November 2018) of the authorised godown, which had stored 1,935.47 quintals of rice, wheat and the two varieties of sugar. In the submitted Inspection Report (relating to the physical inspection) it was pointed out that the godown, did not have proper hygiene or quality control measures. This was violative of the requirement of safe storage of foodgrains, as laid down in the Order. Based on the Inspection Report, the license of HFS was suspended[212] (November 2018) and a penalty amounting ₹ 2,68,64,281 was imposed[213]. The penalty was, however, not deposited by HFS.

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[211] *Rice-2020.56 quintals, Wheat-4114.51 quintals, Sugar (Antodaya Anna Yojana-AAY)-63.10 quintals, Sugar (Festive season)-119.34 quintals*
[212] *for violating the Order*
[213] *in accordance with applicable provisions of the Order*

- HFS stored the residual quantity of 4,382.04 quintals (6,317.51 quintals *minus* 1,935.47 quintals) of the above referred PDS commodities in another godown. There was nothing on record to indicate that this godown maintained proper hygiene or quality control measures were duly adopted for storing the foodgrains, in terms of the above referred Order.
- As per direction (September 2019) of the FSD, the DDRB restored (24 September 2019) the suspended license of HFS and allowed (30 September 2019) them to start distribution of foodgrains. Though, the HFS was directed (September 2019) by the FSD to undertake curative/ chemical treatment and obtain fresh report from the Directorate of Inspection & Quality Control (DIQC) of the FSD, for distributing the chemically treated food-grains under monitoring of DDRB, it did not a) undertake any curative/chemical treatment and b) start distributing the foodgrains. Thus, the total quantity of foodgrains of 6,317.51 quintals remained undistributed with HFS, without undergoing any curative/chemical treatment.
- The entire stock was found to be unfit for human consumption by DIQC.

Cost of procurement of the total stock of 6,317.51 quintals of rice, wheat and sugar was ₹ 1.43 crore, of which, ₹ 0.09 crore was paid by HFS at the time of lifting the stock. As such, the loss to the state exchequer worked out to ₹ 1.34 crore ***(Appendix 8.1)***.

Thus, the Food & Supplies Department failed to enforce the provision of the Order regarding safe storage of 6,317.51 quintals of public distribution foodgrains in proper and hygienic manner on the Authorised Wholesaler (AW) and also ensure the distribution of such PDS foodgrains by the AW. This led to the PDS foodgrains becoming unfit for human consumption. Consequently, the twin objectives of safeguarding the interest of the state exchequer and achieving the intended objective of distribution of foodgrains through PDS, stood compromised. Loss to the state exchequer, based on the cost of procurement, worked out to ₹ 1.34 crore.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

PANCHAYATS & RURAL DEVELOPMENT DEPARTMENT

8.3 Infructuous expenditure of ₹ 1.78 crore

Non-consideration of crucial parameters like selection of site/ connectivity by roads, during construction of three Karma Tirthas (KTs) and non-ensuring of key facilities like availability of water and electricity, in these constructed KTs, led to the infructuous expenditure of ₹ 1.78 crore.

Karma Tirtha (KT), a flagship programme (launched in 2014-15) of the Government of the West Bengal was designed to provide an ideal ambience for marketing products of artisans, weavers, micro & small entrepreneurs, backward and poor Self Help Group members including women artisans. It also aimed to promote interaction between them and consumers, buyers, exporters round the year in an organised manner. So, Karma Tirthas were *inter alia* to provide opportunities for organised marketing facilities & wider scope for employment generation and consequently bring about economic, social and cultural development of the area.

In the 1st phase, each KT was to house 30 permanent stalls in a single storied building with foundation for two storied structure and an open space for temporary accommodation for economically weak micro artisans/ entrepreneurs on rotation basis[214]. In the 2nd phase, each KT was to accommodate 20 stalls in each floor of a two storied structure with accommodation for meeting room & guest house.

Test-check of records of Panchayats and Rural Development Department (PRDD) disclosed that the PRDD sanctioned (during January 2016 to September 2017) ₹ 1.80 crore in favour of the District Rural Development Cell (DRDC) Birbhum for construction of three KTs at Bolpur-Sriniketan, Sainthia and Mayureswar-I blocks. Status of construction and functioning of these KTs are detailed in the table below:

Table 8.1: Status of construction and functioning of KTs

Name of the block in which the KT is located	When completed	Cost of construction (₹ in crore)	No. of stalls distributed	No. of stalls operating (as of September 2021)
Bolpur-Sriniketan	August 2018	0.60	24 Stalls initially distributed in December 2018, were further re-allotted in April 2021 in view of non-functionality of stalls. As of September 2021, all stalls were distributed.	Six stalls were found to be operating occasionally, of which, four stalls were operating without any revenue generation.
Sainthia	February 2018	0.59	24 stalls distributed in December 2019. Fate of distribution of the remaining six stalls were not available.	Two stalls were operating occasionally, but without any revenue generation.
Mayureswar - I	November 2018	0.59	24 stalls distributed in June 2020. Fate of distribution of the remaining six stalls were not available.	No stalls were operating
Total cost		**1.78**		

Source: Records of DRDCs

Non/ partial operation of the aforementioned KTs were attributable to poor selection of site, poor connectivity by roads, non-availability of water and electricity, *etc.* Such non/ partial operation was also attributable to lack of initiative for promotion of KTs in print and digital media. Further, details

[214] *Rotation basis means that while a particular group of artisans, who had not been provided a permanent stall, would use the open space on a given day, another such group would use the facility on another day.*

relating to whether any feasibility study or survey of the sites was undertaken or not, before construction of the KTs, was not forthcoming from records made available to Audit.

These factors had not only rendered the expenditure of ₹ 1.78 crore incurred on the construction of the aforementioned KTs infructuous, but also frustrated the very purpose of providing an ideal ambience for marketing the products of the artisans, weavers, micro & small entrepreneurs, *etc.*, and improving their quality of life.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

FOOD PROCESSING INDUSTRIES AND HORTICULTURE

(West Bengal State Food Processing and Horticulture Development Corporation Limited)

8.4 Wasteful expenditure on sowing of high yielding papaya seeds

Due to prolonged inaction by the Corporation, 8.02 lakh hybrid papaya seedlings produced in its farm were destroyed while there was almost no prospect of sale of 1.50 lakh papaya trees overgrown beyond saleable size. This has rendered an expenditure of ₹ 1.20 crore on their sowing and raising, wasteful.

West Bengal State Food Processing & Horticulture Development Corporation Ltd (Corporation) is a State Government company under the Food Processing Industries & Horticulture Department. Its functions *inter alia*, include procurement of various seeds, germination of the same in its farms and commercial sale/ distribution of seedlings to different agencies through District Horticulture authorities.

With a view to providing high yielding variety of papaya seeds to approximately 10 lakh farmers, the Corporation decided to procure 40 kg of Hybrid Papaya Seeds (HPS) of Red Lady variety. After tender formalities, the Corporation issued work order (August 2020) to a private agency for supply of 20 kg (1st Phase) of HPS at ₹ 4,46,000 per Kg. It was also decided (August 2020) that after germination of seeds in its Ayeshpur farm, Nadia[215], the Corporation would supply seedlings to the districts in November 2020.

Scrutiny in audit, however, showed that though the agency was ready to supply the seeds in August 2020 itself, the Corporation postponed the supply without any recorded reason and issued (November 2020) fresh supply order for supply of 20 Kg HPS on 23rd November 2020 after sample testing. The seeds were thereafter germinated (during December 2020 to January 2021) at the said farm and a total of 9.52 lakh hybrid papaya seedlings were produced in phases. By the 1st week of March 2021, around 30 thousand papaya seedlings had grown to marketable size and the Horticulturist, Ayeshpur farm suggested the Corporation[216] to arrange for sale of the seedlings, lest the same would become unfit for sale. The authority decided in the third week of March 2021 that the

[215] *under the administrative control of the Corporation*
[216] *through e-mail*

papaya seedlings would be sold at a rate of ₹ 17 per sapling in market through District Horticulture offices. It was, however, observed that the saplings were neither sold nor-supplied to the district Horticulture offices. An internal inspection[217] (April 2021) by the Horticulturist of the farm and the Corporation revealed that out of 9.52 lakh seedlings, 8.02 lakh saplings had already become unfit. Thereafter, the Corporation tried to sell those 9.52 lakh papaya seedlings through auction (May 2021). However, no agency showed interest to purchase those. Records further showed that an expenditure of ₹ 1.20 crore[218] had been incurred, for production of 9.52 lakh seedlings from 20 kg of HPS (Red Lady variety) including the cost of seeds

Pic 8.1: Hybrid Papaya Seeds after germination during January 2021

Pic 8.2: Marketable Hybrid papaya saplings during March 2021

Pic 8.3: Position found during joint inspection in November 2021

During joint physical inspection (November 2021) of the farm by Audit alongwith officials of the Corporation, it was observed that most of the hybrid papaya seedlings had been destroyed and some existed in the fields of the farm which were grown beyond saleable size.

It was further observed that the Corporation had placed supply order (October 2020) and purchased (January 2021) another 20 kg of HPS (2nd phase). However, instead of sowing those seeds in their own farm, the same were raised and distributed to districts by outsourcing[219] the work to three private agencies. The selected agencies supplied a total of 8.87 lakh papaya seedlings to different districts and the Corporation made a payment of ₹ 1.17 crore for the same.

Thus, due to prolonged inaction by the Corporation, lakhs of hybrid papaya seedlings produced in its farm were either destroyed or remained unsold rendering an expenditure of at least ₹ 1.01 crore (expenditure on 8.02 lakh destroyed saplings) wasteful, while the

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[217] The inspection was conducted by the Horticulturist of the farm along with Officer on Special Duty of the Corporation.

[218] Purchase of papaya seeds: ₹ 0.89 crore; Vermi Compost: ₹ 0.25 crore; Tricoderrma Virdie: ₹0.01 crore; Cocopit: ₹0.02 crore and Poly Packet: ₹ 0.03 crore

[219] For this purpose three agencies were selected through tender for raising of hybrid papaya seedlings in their nurseries and supplying the same to various districts as per distribution list placed by the Corporation.

prospect of sale of remaining 1.50 lakh papaya trees (expenditure: ₹ 18.87 lakh) overgrown beyond saleable size, was almost non-existent.

The reply furnished (April 2022) by the Managing Director of the Corporation, which was duly endorsed (April 2022) by the Department, *inter alia* mentioned that the loss of ₹ 1.20 crore could not be avoided due to factors like prevailing Covid situation, Cyclone, introduction of Model Code of Conduct for General Assembly Election 2021, *etc*. The reply further contended that the Corporation, through sale of seedlings reared out of the Red Lady Papaya seeds[220] had made an overall profit of ₹ 0.08 crore and it would not be proper to segregate the two tranches of seeds received by the Corporation.

The reply was not tenable on the following counts:

- As distinct *modus operandi* were adopted for germination and distribution of seedlings in each case, so the two tranches were treated separately.
- In respect of the loss making first tranche of seeds, there were delays in receipt of seeds for reasons not on record, even though the supplying agency had been ready to supply the same since August 2020.
- The decision, to procure high yielding papaya seeds, was taken and the work was executed during the prevalence of Covid pandemic. As such, an appropriate mechanism could have been adopted while finalising the timelines for procurement, germination and distribution/ sale of the seedlings, *etc*.
- The Corporation did not provide any documentary evidence in support of sale proceeds from the sale of germinated seedlings in respect of supplies relating to the second tranche. As such, veracity of the claim could not be ascertained in audit.
- Though the reply conveys that the Corporation made an overall profit of ₹ 0.08 crore, the reply also accepts the loss of ₹ 1.20 crore, which contributed to the depletion of the State exchequer by the same amount. This apart, the envisaged objective of distributing high yielding papaya plants to farmers stood compromised to an extent.

FINANCE DEPARTMENT

(Directorate of Registration and Stamp Revenue)

8.5 Short levy of stamp duty due to incorrect determination of lease periods

In two cases, the Registering Authorities (RAs) incorrectly determined the lease periods and consequently levied stamp duty of ₹ 0.36 lakh instead of the leviable stamp duty of ₹ 28.29 lakh. This resulted in short levy of stamp duty of ₹ 27.93 lakh.

Article 35 of Schedule-IA of the Indian Stamp (IS) Act, 1899 amended (January 2013) provides that lease deeds for a term exceeding 30 years are chargeable to stamp duty at the same rate as applicable for conveyance/ sale

[220] *By selling seedlings reared out of the second tranche of 20 kg of seeds, the Corporation made a profit of ₹ 0.08 crore on overall basis.*

deed on the market value of the property. Further, explanation-II under the Article 35 of Schedule-IA of the IS Act, 1899 provides that, apart from the lease period stated in the lease document, any prior/ subsequent period in continuation of the present lease shall also be added with the present lease period for the purpose of determination of the lease period, for cases where the lessor and lessee for both periods are same. However, stamp duty on lease deeds up to 30 years depends on the period of lease and is chargeable on the average annual rent and/ or premium paid for the lease.

Audit found (March 2020 and January 2021) in offices of the Additional District Sub-Registrar (ADSR), Bagdogra and Howrah, in two cases (involving two deeds), properties were leased out for period of '29 years', which involved market value of ₹ 417.05 lakh. In these cases, the concerned Registering Authorities (RAs), assessed the stamp duty on the basis of average annual rent and/or premium and levied stamp duty of ₹ 0.36 lakh. These deeds were registered between March 2018 and July 2018.

Scrutiny of recitals of the lease deeds, however, revealed that these deeds contained specific clauses for automatic renewal/ further renewal of tenure of leases for subsequent periods on the same terms and conditions. Therefore, the subsequent lease periods were required to be added to the lease periods stated in the instant deeds for determination of the lease periods of these leases. Hence, in these cases, stamp duty was leviable at the same rate as applicable for conveyance/ sale deed on the market value of the property and not on rent and/ or premium. RAs, though, while determining the lease periods, did not consider this aspect and short determined the lease period. This resulted in stamp duty being levied at ₹ 0.36 lakh instead of the leviable amount of ₹ 28.29 lakh. This resulted in short levy of stamp duty of ₹ 27.93 lakh.

After these were pointed out, the ADSR, Bagdogra replied (March 2020) that the case would be consulted with the District Registrar, Darjeeling and forwarded to the concerned Deputy Inspector General of Registration under applicable provision of the IS Act. ADSR, Howrah did not furnish any reply.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

FINANCE DEPARTMENT

(Directorate of Commercial Taxes)

8.6 Suppression of Contractual Transfer Price

Contractual Transfer Price (CTP) amounting ₹ 36.36 crore was suppressed by twenty-two dealers in their returns. Such suppressions could not be detected by the Assessing Authorities. This led to short levy and consequent non-realisation of tax of ₹ 2.04 crore.

Section 2(10) of the West Bengal Value Added Tax Act, 2003 (Act) defines Contractual Transfer Price (CTP) in relation to any period as the amount received or receivable by a dealer in respect of transfer of property in goods in the execution of any works contract. Further, sections 14 and 18 of the Act prescribes that any transfer of property in goods involved in the execution of a works contract shall be deemed to be a sale by the person making such transfer and tax shall be leviable at prescribed rates. Also, in terms of section 40 of the Act, any person responsible for paying any sum to a dealer for execution of works contract, shall at the time of payment, deduct tax at source from payments made to a registered dealer for execution of works contract, at prescribed rates. Under section 23 of the Act, a dealer is required to get registered mandatorily within 30 days from the date from which the dealer is liable to pay tax. In addition, section 47 of the Act prescribes for the deemed assessment of a dealer on the basis of returns filed on acceptance of the same as correct and complete.

In the above backdrop, details of payments made to dealers (contractors) and tax deducted at source (from contractors) for execution of works contracts from the database of the Directorate of Commercial Taxes (Directorate), were scrutinised in audit, on test-check basis. Test-check disclosed the following:

I. *Suppression of CTP by dealers whose returns were deemed as assessed*

Audit found (February and March 2021) that in two Charge offices (Park Street and Shibpur Charge offices), in 12 cases, 12 dealers had filed their returns (Assessment period- 2016-17) showing CTP as 'Nil' and these returns were deemed as assessed. From the database, as referred above, it was, however, seen that these dealers had executed works contracts (assessment period-2016-17) amounting ₹ 23.00 crore, which was suppressed by them in their returns. This resulted in short levy of tax of ₹ 1.30 crore.

Assessing Authorities (AAs) could not detect such suppression owing to non-verification of the database.

Thus, AAs could not detect suppression of Contractual Transfer Price of ₹ 23.00 crore by 12 dealers, pertaining to the assessment period 2016-17, which resulted in short levy and consequent non-realisation of tax of ₹ 1.30 crore.

In this context, it is pertinent to mention that, no mechanism was found to be existent in the Directorate for consideration of relevant information from the database during assessment of cases. In absence of such a mechanism, the Directorate failed to correctly assess the CTP of dealers. Further, in view of instances of suppression of CTP by dealers, a thorough review needs to be undertaken by the Directorate, to assess the actual position in this regard.

On being pointed out,

- Shibpur Charge office in seven cases involving ₹ 0.67 crore replied (March 2022) that all cases were reopened. Of which, in one case involving ₹ 0.07 crore, the dealer had made part -payment amounting ₹ 0.04 crore and in one another case involving ₹ 0.13 crore the demand was raised. In the remaining five cases (₹ 0.47 crore) hearing process/ assessment proceedings were going on.
- Park Street Charge office in five cases involving ₹ 0.63 crore replied (March 2022) that in three case (₹ 0.26 crore) detailed reply would be furnished in due course. Further, in one case involving ₹ 0.22 crore they replied (March 2022) that the dealer was engaged in supply of surgical goods and he had never executed any works contract and the concerned recipient of goods, mostly different government hospitals had erroneously deducted TDS during payment, which had been reflected in database.

They also stated that the dealer submitted sample invoice, challan, order and goods received note in support of his claim and, hence, the dealer had no output tax liability with respect to works contract. The reply was not tenable since the sample invoice submitted by the dealer pertained to the period 2017-18 and was not for the relevant assessment period of 2016-17. In the remaining case involving ₹ 0.15 crore, the Charge office replied (March 2022) that the dealer had claimed that he did not execute/ undertake any works contract and contractees had wrongly mentioned his registration number while submitting details of tax deducted at source. The reply of the Charge office was not tenable as views of the contractees were neither called for nor made available to Audit, to evaluate the veracity of information submitted by the dealer.

II. *Suppression of CTP by dealers having cancelled Registration Certificates*

In 10 cases, in two Charge offices (Siliguri and Behala), ten dealers (works contractors), had continued their business even after cancellation (between April 2009 and April 2014) of their Registration Certificates (RCs), without getting registered again.

Scrutiny, in this regard, disclosed that while continuing their business, these contractors had suppressed their entire CTP of ₹ 13.36 crore (assessment periods 2015-16 and 2016-17). Against this CTP of ₹ 13.36 crore, tax leviable was ₹ 1.15 crore. From the database, as referred above, it was seen that in these 10 cases, an amount of ₹ 0.41 crore only was deducted by way of tax deducted at source, which resulted in short levy of tax by ₹ 0.74 crore on these dealers.

Assessing Authorities (AAs) could not detect continuance of business by these unregistered dealers, which could have been detected had verification of the database been done.

The database meant for capturing details of only registered contractors had also captured details of these ten contractors, whose RCs had been cancelled. This was so because, these contractors, had used cancelled RCs, while executing projects, in the referred periods of assessment. This was a cause of concern, for which the database is required to be thoroughly reviewed to find out comprehensive details of all such cancelled RCs, which were used by different contractors, to get contracts and consequently avoid payment of tax.

Thus, AAs failed to detect suppression of the entire Contractual Transfer Price of ₹ 13.36 crore by 10 dealers, pertaining to assessment periods 2015-16 and 2016-17, leading to short levy of tax of ₹ 0.74 crore.

On these being pointed out (March and December 2020), the Siliguri Charge office in two cases involving ₹ 0.07 crore replied (February 2022) that cases have been assessed and demand notices issued, whereas in other two cases involving ₹ 0.15 crore they replied (March 2022) that assessment proceedings have been initiated. In the remaining six cases (₹ 0.52 crore), the Behala Charge office replied (March 2022) that assessment proceedings were underway.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

8.7 Irregular allowance of Input Tax Credit

Failure of the Assessing Authorities (AAs) to detect irregular claims of Input Tax Credit (ITC) by dealers in 18 cases resulted in irregular allowance of ITC of ₹ 4.67 crore.

In terms of the West Bengal Value Added Tax Act, 2003 (Act), Output tax, in relation to any period, means the aggregate amount of tax payable by a dealer liable to pay tax in respect of any sale, or purchase of goods or execution of works contract, made in West Bengal. Input tax in relation to a tax period, means the amount of tax, paid or payable under the Act, by a registered dealer, to a registered dealer, or a dealer (who is required to be registered/who is not otherwise required to be registered, but has made an application for registration within thirty days from the date of liability to pay tax under the Act) at the time of purchasing taxable goods, other than such taxable goods as may be prescribed, during that period.

In terms of the Act, Input Tax Credit (ITC), in relation to any period, means the setting off the amount of input tax, or part thereof, by a registered dealer against the amount of his output tax. The Act prescribes that a registered dealer can avail benefits of Input Tax Credit (ITC) to the extent of tax paid or payable in respect of purchase of taxable goods from 'registered dealers/ category of dealers referred *ibid'* of West Bengal. Further, as per the Act, the ITC shall not be claimed by the purchasing dealer where original tax invoice has not been issued by the selling dealer from whom goods have been purchased.

In this backdrop, returns filed by purchasing dealers, were cross-examined (May 2019 to March 2020) in audit, on test-check basis, with reference to details sourced from the database of the Directorate like a) particulars of purchases submitted by the purchasing dealers, b) corresponding particulars of sales submitted by sellers (from whom purchases were shown to be made by these purchasing dealers) and c) registration status of these purchasing and selling dealers, in nine Charge offices[221]. Audit findings are discussed below:

- In these nine Charge offices, 18 dealers (in total 18 cases[222]), had availed benefit of ITC of ₹ 4.92 crore on the basis of purchase transactions. Assessment periods/ concerned financial years were 2012-13 to 2015-16. It was observed that in these 18 cases, dealers were eligible for benefit of ITC of only ₹ 0.25 crore. Reasons for higher availment of ITC than eligibility, as emerged from the database, were either that sellers had not made any sales to purchasers or made sales of such amount which was less than that claimed to be purchased by purchasers.

- Assessing Authorities (AAs) failed to detect (through scrutiny of returns and details of sales, purchases, *etc.*, which were available in the database) such irregular claims of ITC amounting ₹ 4.67 crore (₹ 4.92 crore *minus* ₹ 0.25 crore) and consequently these claims were allowed.

This resulted in irregular allowance of ITC of ₹ 4.67 crore.

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[221] *Asansol, Beadon Street, Budge Budge, Colootola, Jalpaiguri, Lalbazar, Postabazar, Rajakatra and Salkia*

[222] *5,717 cases were test-checked*

In this context, it is pertinent to mention that these 18 cases were either deemed assessed[223] (17 cases, which included three cases of three dealers having cancelled registration) or unassessed (one case). Hence, a thorough review needs to be undertaken by the Directorate, in respect of all deemed/ unassessed cases/ cases involving dealers functioning with cancelled registration, to assess the actual position in this regard.

On these being pointed out,

- Asansol Charge office, in respect of three cases involving ₹ 0.40 crore, replied (March 2022) that in two cases involving ₹ 0.12 crore re-opening proposal had been sent to the Circle office. In the other case involving ₹ 0.28 crore, the Charge office replied that the dealer had been cancelled *ab initio* and, hence, the irregular allowance of ITC was not sustainable as the benefit of ITC was not allowable as per provisions of the Act. The reply was not tenable as the case was assessed deemed and no assessment proceedings were initiated against such irregular claim of ITC, as a consequence of which, the ITC claim (relating to assessment period 2015-16) stood allowed by way of set-off against the dealer's output tax liability for the assessment period 2015-16.

- Beadon Street Charge office in four cases involving ₹ 0.78 crore replied (March 2022) that in one case involving ₹ 0.22 crore the case was re-opened and assessment proceeding was initiated against the dealer. In another case involving ₹ 0.04 crore, it replied that the case was re-opened and demand notice had been issued. In the remaining two cases involving ₹ 0.52 crore it replied that necessary action would be taken.

- Budge Budge Charge office in two cases involving ₹ 0.60 crore replied (March 2022) that in one case involving ₹ 0.24 crore, the case was re-opened and demand notice had been issued, while in the other case involving ₹ 0.36 crore it replied that the case was re-opened and notice for assessment was issued to the dealer.

- Colootola Charge office in one case involving ₹ 0.03 crore and the Jalpaiguri Charge office in one case involving ₹ 0.05 crore replied (March 2022) that the respective case had been re-opened and assessment proceedings were being initiated against the dealers.

- Lalbazar Charge office in two cases involving ₹ 0.12 crore stated (June 2019) that proposal for re-opening of assessment had been sent. No further response was submitted, as of March 2022.

- Postabazar Charge office in one case involving ₹ 2.01 crore replied (March 2022) that at present, status of the dealer is unregistered, that means, all sales and purchases made by the dealer since his registration or commencement of his business is to be treated as paper transaction only without supply of goods. Thus, whatever sales or purchases

[223] *Section 47 of the Act prescribes for the deemed assessment of a dealer on the basis of returns filed on acceptance of the same as correct and complete*

mentioned in the submitted returns of the dealer is to be considered as fake or incorrect. So, the scope of taking ineligible ITC or non-realisation of Government revenue throughout the period is not tenable. Since, the dealer was cancelled *ab-initio*, making a paper demand on the basis of fake transactions is not desirable or justifiable.

The reply was not tenable as the case was assessed deemed and no assessment proceedings were initiated against such irregular claim of ITC, as a consequence of which, the ITC claim (relating to assessment period 2014-15) stood allowed by way of set-off against the dealer's output tax liability for the assessment period 2014-15.

Moreover, the reply was silent about the basis of treating the business of the dealer as consisting of only paper transactions.

- Rajakatra Charge office in two cases involving ₹ 0.50 crore replied (March 2022) that in one case involving ₹ 0.31 crore the dealer's registration certificate was cancelled prior to the assessment period, thus the query relating to non-assessment does not arise at all. The reply was not tenable as no assessment proceedings were initiated against such irregular claim of ITC, as a consequence of which, the ITC claim (relating to assessment period 2015-16) stood allowed by way of set-off against the dealer's output tax liability for the assessment period 2015-16. In the remaining case involving ₹ 0.19 crore, it replied that reply would be provided soon.
- Salkia Charge office in two cases involving ₹ 0.18 crore replied (March 2022) that in one case involving ₹ 0.11 crore assessment proceedings were nearing completion.

In the other case involving ₹ 0.07 crore, it replied that the dealer was allowed to settle the case by paying tax[224] (March 2021) of ₹ 0.02 crore under the Settlement of Dispute Scheme, 2020. This meant that in this case, the state exchequer had to sustain a loss of ₹ 0.05 crore.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

8.8 Loss of interest

In five cases, the Assessing Authorities did not levy interest for non-reversal of inadmissible input tax credit, delayed and non-payment of tax by four dealers. This resulted in non-levy and consequent loss of interest of ₹ 73.34 lakh.

In terms of Section 33 of the West Bengal Value Added Tax Act, 2003, a dealer shall be liable to pay interest if he; fails to adjust the amount of any inadmissible input tax credit (ITC) by way of deduction from the amount of ITC claimed for a tax period, or fails to make full payment of tax; or makes delay in payment of net tax in respect of any tax period. Further, under Section 34(1) of the West Bengal Value Added Tax Act, 2003, where a dealer fails to make payment of

[224] *25 per cent of the actual amount of tax payable*

any tax due after provisional or other assessments by the date specified in the notice issued for payment thereof, he shall pay a simple interest at the rate prescribed, calculated from the date next following the date specified in such notice upto the date of full payment of such tax or up to the date preceding the date of commencement of proceedings under Section 55 of the West Bengal Value Added Tax Act, 2003, whichever is earlier upon so much of the amount of tax due from him according to such notice as remains unpaid.

On this account, interest at the rate of 12 *per cent* per annum was payable upto 31 March 2015 and from 01 April 2015, at rates as specified below:-

(i) At the rate of one *per cent* per month upto the first 90 days of the period for which such interest is payable;

(ii) At the rate of one and half *per cent* per month after the first 90 days and upto 300 days of the period for which such interest is payable; and

(iii) At the rate of two *per cent* per month after the first 300 days of the period for which such interest is payable.

Audit observed[225] in respect of three Charge offices (Large Tax Payers' Unit-Kolkata (LTU), Darjeeling and Shyambazar) in five cases[226], involving four dealers, that interest of ₹ 73.34 lakh was either not levied or not incorporated in the certificate of demand of tax, penalty and interest. Of these five cases, in one case under the Shyambazar Charge office, interest amounting ₹ 50.98 lakh was not levied by the Assessing Authority (AA) for non-reversal of inadmissible (the dealer failed to produce relevant purchase documents) ITC of ₹ 96.97 lakh by the dealer and in two cases under the LTU Charge office, interest of ₹ 4.91 lakh was not levied where a dealer admitted and paid the tax liability of ₹ 6.30 lakh belatedly (delay ranged between 41 and 64 months) on suppressed sales of ₹ 45.60 lakh. In the remaining two cases (under the Darjeeling Charge office) demand of interest of ₹17.45 lakh was not incorporated in the amount shown as due (₹ 28.67 lakh), from the two dealers, before sending those two cases to the Tax Recovery Officer for realisation of dues. This resulted in non-levy and consequent loss of interest of ₹ 73.34 lakh.

On these being pointed out (in July and December 2019), while accepting the audit observations the Darjeeling Charge office in two cases involving interest of ₹ 17.45 lakh replied (February 2022) that the modified amount of demands by incorporating the interest due were forwarded to the Tax Recovery Officer. In two cases involving ₹ 4.91 lakh, the LTU Charge office replied (March 2022) that, modified demand notices (by including due interest) were issued. However, these Charge offices did not furnish any information regarding realisation of interest. In the remaining one case involving ₹ 50.98 lakh, the Shyambazar Charge office furnished a non-specific reply (March 2022) that the matter was being looked into.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

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[225] *2,800 cases were checked*

[226] *LTU (two cases)-assessment periods-2012-13 and 2013-14; Darjeeling (two cases)-assessment periods-2010-11 and 2011-12 and Shyambazar (one case)-assessment period-2014-15*

8.9 Short levy of tax due to application of incorrect rate of tax

The Assessing Authority, in one case, levied tax of ₹ 3.36 crore on Turnover of Sales of ₹ 67.32 crore instead of ₹ 16.95 crore due to application of incorrect rate of tax. This resulted in short levy of tax of ₹ 13.59 crore with consequent non-realisation.

As per section 2(55) of the West Bengal Value Added Tax Act, 2003 (Act) the Turnover of Sales (TOS) in relation to any period, means the aggregate of the sale prices or parts of sale prices received/ receivable by a dealer in respect of sales of goods made during such period, after making deductions prescribed under the Act.

Section 16 of the Act provides for levy of tax at applicable rates on such part of the TOS which remains, after making deductions prescribed under the Act. Prescribed rates of taxation are one, five and 14.50 *per cent*, apart from exempted goods. Section 16 also provides that tax at such rate may be fixed by the State Government, under section 19 of the Act, on the TOS in respect of sales of goods specified in Schedule D (goods like chewing tobacco and *pan masala* of any type, when sold in a packaged condition; Motor Car, price of which exceeds ₹ 10 lakh; *etc.*).

Further, in terms of section 19 of the Act, for the sale of goods specified in Schedule D, rate may be fixed at a quantum not exceeding 35 *per cent* of the TOS. Finance Department, Government of West Bengal, through notification number 511-F.T. (April 2013) fixed the rate (effective from 25 April 2013) of tax for *pan masala* of any type, when sold in packaged condition at 35 *per cent* on the TOS.

Audit scrutiny (February 2021) in this backdrop disclosed the following:

- In one case (relating to the Shibpur Charge office) the Assessing Authority (AA) while assessing (assessment period 2016-17) a dealer (dealing with miscellaneous taxable goods and *pan masala*) determined the TOS at ₹ 67.32 crore and levied tax at the rate of five *per cent* amounting ₹ 3.36 crore. This apart, Input Tax Credit (ITC) claim was not allowed in the assessment, owing to non-production of documents.
- From quarterly returns filed by the dealer it was noticed that the dealer had admitted TOS of ₹ 67.32 crore and tax liability of ₹ 17.53 crore falling under tax slabs as i) exempted, ii) at the rate of 5 *per cent* and 14.5 *per cent* and iii) at the rate of 35 *per cent* as shown in the following Table:

Table 8.2: Details as disclosed by the dealer in the quarterly returns

(₹in crore)

Period of return	Sales exempted from tax		Sales of miscellaneous taxable goods taxable @ five *per cent*		Sales of miscellaneous taxable goods not specified elsewhere taxable @ 14.5 *per cent*		Sales of *pan masala* taxable @ 35 *per cent*		Total	
	Sales	Tax	Sales	Tax	Sales	Tax	Sales	Tax	TOS	Tax
Quarter ending June 2016	0.00	0.00	0.05	0.00	0.00	0.00	11.99	4.20	12.04	4.20

Period of return	Sales exempted from tax		Sales of miscellaneous taxable goods taxable @ five *per cent*		Sales of miscellaneous taxable goods not specified elsewhere taxable @ 14.5 *per cent*		Sales of *pan masala* taxable @ 35 *per cent*		Total	
	Sales	Tax	Sales	Tax	Sales	Tax	Sales	Tax	TOS	Tax
Quarter ending September 2016	0.11	0.00	0.51	0.03	2.05	0.30	0.00	0.00	2.67	0.33
Quarter ending December 2016	0.00	0.00	15.23	0.76	4.08	0.59	33.30	11.65	52.61	13.00
Total	**0.11**	**0.00**	**15.79**	**0.79**	**6.13**	**0.89**	**45.29**	**15.85**	**67.32**	**17.53**

Source: Quarterly returns filed by the dealer

Note: 1. Return for the period 'quarter ending March 2017' was not filed by the dealer.

2. Nomenclature of miscellaneous taxable goods not mentioned in returns submitted by the dealer.

- Cross-referencing of the Assessment Order with returns (and supporting details) showed that the AA considered the TOS disclosed by the dealer in these returns, in the Assessment Order. However, the AA did not consider rates of taxation and the tax admitted by the dealer as disclosed in these returns, in the Assessment Order. Reasons therefor were not recorded in the Assessment Order. Further, the AA levied tax at the rate of five *per cent* amounting ₹ 3.36 crore on the entire TOS of ₹ 67.32 crore, basis for which was not recorded in the Assessment Order.

From the gamut of facts narrated above, it would emerge that the item *(pan masala)* was clearly mentioned in returns submitted by the dealer and rate mentioned in returns was in agreement with the prescribed rate. In respect of the TOS of ₹ 67.32 crore, had the AA considered the item *(pan masala)* from returns and the residual amount of the TOS taxable at the rate of five *per cent*, the tax liability[227] of the dealer would have been ₹ 16.95 crore. Thus, there was short levy of tax of ₹ 13.59 crore (₹ 16.95 crore *minus* ₹ 3.36 crore) due to application of incorrect rate of tax with consequent non-realisation.

On being pointed out, the Charge office stated (February 2021) that as there was no provision of 35 *per cent* as rate of tax in the Act, so the tax rate on Turnover of Sales could not be determined at 35 *per cent*.

The reply was not tenable as applicable rate of taxation in keeping with the notification of the Finance Department for *pan masala* was 35 *per cent* and the same was in effect, since 25 April 2013.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

[227] *TOS- ₹67.32 crore. Tax applicable- @ 35 per cent on ₹45.29 crore & @ five per cent on ₹22.03 crore. So, the tax liability was ₹16.95 crore*

8.10 Excess claim of transitional credit of State Goods and Services Tax

In three Charge offices, 71 Registered Goods and Services Taxpayers (RTPs) claimed excess transitional credit of State Goods and Services Tax of ₹ 0.85 crore. No verification or initiation of proceedings, in keeping with the extant provisions of the West Bengal Goods and Services Tax Act and Rules, 2017 was, however, undertaken against these RTPs for such excess claims. As a consequence, such excess claim of ₹ 0.85 crore stood allowed.

Under the transitional arrangements for input tax credit (ITC), section 140 (1) of the West Bengal Goods and Services Tax Act, 2017 (WBGSTA) prescribes that every registered person, other than a person opting to pay tax at special rates under 'composition levy' system, shall be entitled to take credit of the balance of Input Tax Credit (ITC) available under Value Added Tax (VAT), carried forward in the return relating to the period ending with the day immediately preceding the appointed day. The appointed date being 01 July 2017, with the period being the month ending June 2017.

In this regard, the West Bengal Goods and Services Tax Rules, 2017 (WBGSTR) through rule 117 (1) prescribes that every registered person entitled to transitional credit of input tax, has to submit a declaration electronically (in FORM GST TRAN-1) within 90 days of the appointed day, on the Common Goods and Services Tax Electronic Portal (common portal). Further, in terms of rule 117 (3) of the WBGSTR, the amount of credit specified in the application (in FORM GST TRAN-1) shall be credited to the electronic credit ledger (ECL) of the applicant in FORM GST PMT-2 on the common portal.

Further, in terms of rule 121 of the WBGSTR, the amount so credited under rule 117 (3) may be verified and proceedings shall be initiated in respect of any credit wrongly availed, whether wholly or partially. Regarding initiation of proceedings, the WBGSTA through, a) section 73, addresses issues like 'determination of tax not paid or short paid or erroneously refunded or ITC wrongly availed or utilised for any reason other than fraud or any willful misstatement or suppression of facts' and b) section 74, deals with 'determination of tax not paid or short paid or erroneously refunded or ITC wrongly availed or utilised by reason of fraud or any willful misstatement or suppression of facts'.

In this backdrop, data of the Directorate of the Commercial Taxes, West Bengal regarding "State Goods and Services Tax (SGST) claim as per Form GST TRAN-1" and "ITC available to be carried forward as per last VAT return, June 2017" was scrutinised in audit. Audit found that 71 Registered Goods and Services Taxpayers (RTPs) under three Charge offices (Beadon Street, Budge Budge and Jorasanko) claimed SGST ITC of ₹ 1.39 crore as transitional credit of SGST. However, as per VAT returns, June 2017, the total amount of ITC to be carried forward was ₹ 0.54 crore only. Thus, 71 RTPs claimed ITC of ₹ 0.85 crore in excess as transitional credit of SGST. These claims of transitional credit of SGST are deemed allowed, until claims are verified and proceedings initiated & specifically disallowed. However, in these cases, no such verification/initiation of proceedings was found to have been undertaken. Consequently, excess claim of ₹ 0.85 crore stood allowed.

On this being pointed out (October and November 2019):

- In 13 cases involving ₹ 0.06 crore, the Beadon Street Charge office replied (December 2021) that queries were being diligently pursued and replies to those would be given shortly.
- In 49 cases involving ₹ 0.72 crore, the reply furnished (December 2021) by the Budge Budge Charge office showed that in two cases, RTPs paid the difference amount of ₹ 0.27 crore, at the instance of Audit. The reply also showed that in the other 47 cases, recovery was yet to be effected.
- Out of 9 cases involving ₹ 0.07 crore, the Jorasanko Charge office replied (December 2021) that in seven cases they were trying to recover the excess amount. For the remaining two cases, the Charge office did not furnish any specific reply.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

8.11 Incorrect allowance of refunds

In two Charge offices, in three cases, involving three Registered Taxpayers, inadmissible claims of refunds of unutilised Input Tax Credit of ₹ 41.37 lakh were allowed.

Proviso to Section 54 (3) of the West Bengal Goods and Services Tax Act, 2017 (WBGSTA) prescribes that no refund of unutilised Input Tax Credit (ITC) shall be allowed in cases other than a) zero-rated supplies made without payment of tax and b) where the ITC has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies, except supplies of goods or services or both, as may be, notified by the Government, on the recommendations of the Goods and Services Tax Council. These provisions are also applicable in respect of Integrated Goods and Services Tax (IGST).

Proviso to Section 54 (3) of the WBGSTA, 2017 also prescribes that no refund of unutilised input tax credit shall be allowed, if the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies. Further, through instructions issued in June 2017, the Central Board of Indirect Taxes & Customs (erstwhile Central Board of Excise & Customs) conveyed that IGST refund shall not be allowed to be availed, if the benefit of higher duty drawback[228] under the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 has been availed[229].

Scrutiny of the refund cases in two Charge offices (Barrackpore and Bhawanipur Charge offices) under the Directorate of Commercial Taxes, West Bengal revealed that, in three cases, three Registered Taxpayers (RTPs) claimed refunds[230] of unutilised ITC (relating to CGST and IGST) of ₹ 41.37 lakh for the months from July 2017 to September 2017, which were allowed. However, in these cases, claims of refunds were inadmissible as RTPs had availed higher

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[228] *a transition period of three months from date of introduction of Goods and Services Tax has been provided i.e. from 01 July 2017 to 30 September 2017 by continuing the Duty Drawback scheme*

[229] *no such instruction has been issued by the State Government*

[230] *in respect of zero-rated supplies, made without payment of tax*

duty drawback. This resulted in incorrect allowance of refunds amounting to ₹ 41.37 lakh.

On this being pointed out (November and December 2019), the Barrackpore Charge office in one case replied (March 2022) that the RTP had reversed the excess ITC of ₹ 9.81 lakh and the Bhawanipur Charge office in two cases replied (March 2022) that action had been initiated and results would be communicated at the earliest.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

8.12 Non-realisation of interest

Twenty four taxpayers, involving three Charge offices, did not pay interest of ₹ 12.29 lakh for excess claim of transitional credit. No action was taken to realise the interest from these taxpayers.

Rule 117(3) of West Bengal GST Rules, 2017 specifies that the amount of credit specified in the application in Form GST TRAN-1 shall be credited to the ECL of the applicant maintained in Form GST PMT 2 on the Common Portal. As per Rule 121 on recovery of credit wrongly availed, the recovery of amount credited under sub-Rule (3) of Rule 117 may be initiated under Section 73 or, as the case may be, Section 74 of the Act. West Bengal Goods and Services Tax Act (WBGSTA), 2017 through Section 73 prescribes determination of tax not paid or short paid or erroneously refunded or ITC wrongly availed or utilised for any reason, other than the reason of fraud or any wilful misstatement or suppression of facts to evade tax. WBGSTA, 2017 through section 73 also prescribes that the person chargeable with tax may, before serving of a notice or a statement[231], pay the amount of tax along with interest payable thereon. Further, in terms of section 50 (1) of the WBGSTA, 2017, every person who is liable to pay the tax, but fails to pay tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay on his own, interest at such rate, not exceeding eighteen *per cent*, as may be notified by the Government on the recommendation of the GST Council. Government of West Bengal, notified (June 2017) the interest rate as 18 *per cent*.

Data of the Directorate of Commercial taxes, West Bengal regarding discrepancy between “SGST ITC claim as per Form GST TRAN-1” and “ITC available to be carried forward as per last VAT return, June 2017” was checked in audit. Audit found (between November 2019 and February 2020) that 24 taxpayers involving three Charge offices (Barrackpore, Bhabanipur and Salt Lake) claimed and utilised ITC of ₹ 83.95 lakh in Form GST TRAN-1, whereas ITC of ₹ 5.47 lakh only was available in their last VAT returns. It was further found that such excess claimed and utilised SGST ITC of ₹ 78.48 lakh (₹ 83.95 lakh-₹ 5.47 lakh) was subsequently reversed/paid by the taxpayers; however, interest was not paid. Also, no action was taken to realise the interest from the taxpayers. This resulted in non-realisation of interest of ₹ 12.29 lakh.

[231] *containing details of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for such periods (other than those periods covered in the notice), on the person chargeable with tax*

On this being pointed out, the three Charge offices accepted (March 2022) the audit observations in all cases and stated that reminders were issued/ the process of communication with the Registered Taxpayers was under process/ notices were issued for recovery of interest. They also informed that realisation of interest of ₹ 0.58 lakh in three cases had been made.

The matter has been referred to the Government in March 2022; reply was awaited (April 2022).

Kolkata
The 18 AUG 2022

(SATISH KUMAR GARG)
Principal Accountant General (Audit-I)
West Bengal

Countersigned

New Delhi
The 26 AUG 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

(Refer paragraph 1.2, page 2)

Audit jurisdiction of the Principal Accountant General (Audit-I), West Bengal

	Departments	Autonomous Bodies[232]/ Authorities/ Corporations
1	Agriculture	**Under Section 14**
2	Agricultural Marketing	District Rural Development Cell *(19 numbers)*
3	Animal Resources Development	West Bengal State Rural Development Agency
4	Backward Classes Welfare	Society for Training & Research on P&RD
5	Consumer Affairs	West Bengal State Rural Livelihood Mission
6	Cooperation	**Under section 19 (1)**
7	Correctional Administration	West Bengal Essential Commodities Supply Corporation Limited
8	Finance	West Bengal State Seed Corporation Limited
9	Fisheries	West Bengal Agro Industries Corporation Limited
10	Food & Supplies	West Bengal State Minor Irrigation Corporation Limited
11	Food Processing Industries and Horticulture	West Bengal State Food Processing and Horticulture Development Corporation Limited
12	Health & Family Welfare	West Bengal Livestock Development Corporation Limited
13	Higher Education	Banglar Dairy Limited
14	Home & Hill Affairs	The State Fisheries Development Corporation Limited
15	Irrigation & Waterways	Paschimbanga Agri-Marketing Corporation Limited
16	Judicial	West Bengal Medical Services Corporation Limited
17	Labour	Electro Medical and Allied Industries Limited
18	Law	West Bengal Women Development Undertaking
19	Mass Education Extension & Library Services	West Bengal Swarojgar Corporation Limited
20	Minorities Affairs & Madrasah Education	West Bengal Police Housing & Infrastructure Development Corporation Limited
21	North Bengal Development	Gluconate Health Limited
22	Panchayats & Rural Development	Sunderban Infrastructure Development Corporation Limited
23	Paschimanchal Unnayan Affairs	West Bengal Infrastructure Development Finance Corporation Limited
24	Planning, Statistics and Programme Monitoring	West Bengal State Beverages Corporation Limited
25	School Education	Eastern Distilleries & Chemicals Limited
26	Self Help Group & Self Employment	**Under section 19 (2)**
27	Sunderban Affairs	West Bengal Building and Other Construction Workers' Welfare Board
28	Technical Education, Training & Skill Development	West Bengal State Legal Services Authority
29	Tribal Development	District Legal Services Authorities *(19 numbers)*
30	Water Resources Investigation & Development	West Bengal Human Rights Commission
31	Women and Child Development & Social Welfare	West Bengal Financial Corporation
32	Youth Services and Sports	

[232] *Excluding 40 bodies/ authorities substantially financed by the State Government and audited under Section 14*

Appendix 1.1 (Contd.)

Under section 19 (3)
West Bengal University of Animal & Fishery Sciences
West Bengal Veterinary Council
West Bengal State Warehousing Corporation
West Bengal Commission for Women
West Bengal Un-organised Sector Workers Welfare Board
West Bengal Commission for Backward Classes
West Bengal Minority Development and Finance Corporation
West Bengal Scheduled Castes and Scheduled Tribes & Other Backward Classes Development and Finance Corporation
West Bengal Comprehensive Area Development Corporation
Under section 20 (1)
State Council of Technical & Vocational Education and Skill Development
West Bengal Central School Service Commission
West Bengal Regional School Service Commission (Eastern)
West Bengal Regional School Service Commission (Western)
West Bengal Regional School Service Commission (Northern)
West Bengal Regional School Service Commission (Southern)
West Bengal Regional School Service Commission (South Eastern)

Appendix 1.2

(Refer paragraph 1.2 (II), page 3)

Details of the actual receipts in respect of non-tax revenue raised during the period 2016-17 to 2020-21 ***(₹ in crore)***

Sl. No.	Department	2016-17	2017-18	2018-19	2019-20	2020-21
1.	Agriculture	42.80	47.19	45.30	41.86	25.01
2	Animal Resources Development	4.03	8.81	2.99	2.76	2.95
3	Cooperation	8.46	10.05	8.53	7.68	6.95
4	Fisheries	1.60	8.02	5.40	1.14	0.75
5	Food & Supplies	28.57	17.33	43.55	43.73	26.89
6	Health and Family Welfare	134.79	210.48	261.80	243.91	259.57
7	Higher Education	37.41	41.92	38.77	39.12	22.09
8	Home and Hill Affairs	150.75	187.19	254.55	181.94	125.71
9	Irrigation & Waterways	24.92	26.19	34.44	30.80	20.03
10	Labour	8.56	6.03	23.52	8.23	6.46
11	Panchayats & Rural Development	1.56	4.33	0.15	0.03	0.06
12	School Education#	122.75	7.73	4.78	2.87	2.34
13	Youth Services & Sports	9.76	11.00	12.18	12.50	2.22
14	Technical Education, Training & Skill Development	3.98	4.53	4.56	4.04	1.91
15	Women and Child Development and Social Welfare	2.73	3.73	1.41	0.10	1.34
Total		**582.67**	**594.53**	**741.93**	**620.71**	**504.28**

Source: Finance Accounts of the respective year. # School Education includes 0202-01-General Education-101-Elementary Education and 102-Secondary Education

Note 1: *Non-tax receipts which are depicted Department-wise in Finance Accounts, have been considered.*

Note 2: *Non-tax receipts like interest receipts, dividends, stationery & printing, other administrative services, contribution & recoveries towards pension and others retirement benefits, miscellaneous general services and petroleum, could not be segregated Department-wise from Finance Accounts, so these have not been considered.*

Appendix 1.3

(Refer paragraph 1.5, page 5)

Statement showing Department-wise and Year-wise list of outstanding Inspection Reports (IRs) and Paragraphs

Year	Animal Resources Development		Water Resources Investigation & Development		Mass Education Extension & Library Sciences		Technical Education, Training & Skill Development		Total	
	IRs	Paragraphs	IRs	Paragraphs	IRs	Paragraphs	IRs	Paragraphs	IRs	Paragraphs
1991-92	--	--	--	--	--	--	--	--	--	--
1992-93	--	--	--	--	--	--	--	--	--	--
1993-94	--	--	--	--	--	--	--	--	--	--
1994-95	--	--	--	--	--	--	--	--	--	--
1995-96	--	--	--	--	--	--	--	--	--	--
1996-97	--	--	--	--	--	--	--	--	--	--
1997-98	--	--	--	--	--	--	--	--	--	--
1998-99	--	--	--	--	--	--	--	--	--	--
1999-2000	--	--	--	--	--	--	--	--	--	--
2000-01	--	--	--	--	--	--	--	--	--	--
2001-02	--	--	--	--	--	--	--	--	--	--
2002-03	--	--	--	--	01	04	--	--	01	04
2003-04	--	--	02	02	01	08	--	--	03	10
2004-05	--	--	01	01	01	02	--	--	02	03
2005-06	--	--	01	01	02	14	--	--	03	15
2006-07	01	05	--	--	02	06	01	01	04	12
2007-08	--	--	02	03	02	12	02	03	06	18
2008-09	01	01	02	02	04	21	02	05	09	29
2009-10	01	02	08	10	03	06	02	04	14	22
2010-11	--	--	19	24	01	03	04	10	24	37
2011-12	--	--	05	07	01	02	--	--	06	09
2012-13	--	--	15	16	--	--	01	02	16	18
2013-14	04	06	13	28	--	--	07	13	24	47
2014-15	07	12	09	14	02	03	02	03	20	32
2015-16	10	21	07	12	01	01	10	31	28	65
2016-17	17	41	05	13	01	02	10	46	33	102
2017-18	18	37	01	05	08	23	16	67	43	132
2018-19	18	44	27	87	02	05	17	69	64	205
2019-20	04	08	02	09	06	23	01	08	13	48
2020-21	--	--	--	--	--	--	01	03	01	03
Total	81	177	119	234	38	135	76	265	314	811

Source: Inspection Reports

Appendix 1.4

(Refer paragraph 1.5, page 5)

Analysis of outstanding paragraphs on serious irregularities *(₹ in lakh)*

Name of the Department	Cases of theft/ defalcation/ misappropriation		Loss of revenue		Shortage/ losses neither recovered nor written off		Total	
	Paragraphs	Amount	Paragraphs	Amount	Paragraphs	Amount	Paragraphs	Amount
Animal Resources Development	01	0.09	06	898.91	01	3.08	**08**	**902.08**
Water Resources Investigation & Development	06	33.31	31	822.02	00	0.00	**37**	**855.33**
Mass Education Extension & Library Sciences	00	0.00	00	0.00	01	50.64	**01**	**50.64**
Technical Education, Training & Skill Development	07	8.41	07	8.11	01	0.76	**15**	**17.28**
Total	**14**	**41.81**	**44**	**1,729.04**	**03**	**54.48**	**61**	**1,825.33**

Source: Inspection Reports

Appendix 1.5

(Refer paragraph 1.7, page 6)

Departments which did not submit *suo motu* replies with number of paragraphs/ reviews involved

Sl. No.	Name of the Department	Number of Paragraphs/ reviews involved in Audit Reports for the years					
		2008-09 to 2012-13	2013-14	2014-15	2015-16	2016-17	Total
1	Agriculture	2	--	--	--	--	2
2	Agricultural Marketing	1	--	--	--	--	1
3	Animal Resources Development	1	--	--	--	--	1
4	Backward Classes Welfare	2	--	--	2[$]	--	4
5	Consumer Affairs	0	--	2	--	--	2
6	Cooperation	1	--	--	--	--	1
7	Correctional Administration	0	--	--	--	--	0
8	Finance	197	33	14[£]	36	15	295
9	Fisheries	1	--	1	--	--	2
10	Food & Supplies	0	--	1	--	1	2
11	Food Processing Industries and Horticulture	0	--	--	--	--	0
12	Health & Family Welfare	12[*#]	3	3	3	3	24
13	Higher Education	0	1	1[¥]	--	--	2
14	Home & Hill Affairs	7[α]	1	--	--	--	8
15	Irrigation & Waterways	5	1	--	1	--	7
16	Judicial	0	--	--	--	--	0
17	Labour	1	--	1	--	--	2
18	Law	0	--	--	--	--	0
19	Mass Education Extension & Library Services	1[♣]	--	--	--	--	1
20	Minorities Affairs & Madrasah Education	0	1	--	1	--	2
21	North Bengal Development	0	--	--	--	--	0
22	Panchayats & Rural Development	2[♦]	1	1	--	--	4
23	Paschimanchal Unnayan Affairs	1	--	--	1	--	2
24	Planning, Statistics and Programme Monitoring	2	--	--	--	--	2
25	School Education	5	2	--	1	1	9
26	Self Help Group & Self Employment	0	--	--	--	--	0
27	Sunderban Affairs	0	--	--	--	--	0
28	Technical Education, Training & Skill Development	2	--	--	--	--	2
29	Tribal Development	0	--	--	--	--	0
30	Water Resources Investigation & Development	1	--	--	--	--	1
31	Women and Child Development & Social Welfare	1	--	--	1	2	4
32	Youth Services and Sports	3	--	1	--	--	4
	Total	248	43	25	46	22	384

$ *Includes observations on TD and MA&ME Departments also.*

£ *Includes observations on PHE; H&FW and Agricultural Marketing Departments also.*

* *Includes Paragraph No. 2.1 of Civil Audit Report No. 2 of 2010-11 on District Centric Audit of Dakshin Dinajpur involving H&FW; SED; Development & Planning (now Planning, Statistics and Programme Monitoring); W&CD and SW; P&RD; PHE; I&W; Power (now Power and Non-Conventional Energy Sources) and UD (UD& MA) Departments.*

\# *Includes Paragraph No. 4.1, 4.2, 5.3, 5.5, 5.6 & 6.2 of the Audit Report on Malda district for the year 2011-12.*

¥ *Includes observations on UD (now UD& MA) Department also.*

α *Includes observations on H&FW Department also.*

♣ *Includes observations on Municipal Affairs (now Urban Development & Municipal Affairs) Department also.*

♦ *Includes observations on MA (now UD& MA) and Finance Departments also.*

Appendix 1.6

(Refer paragraph 1.7, page 6)

Statement showing significant recommendation of PAC against which Action Taken Note was outstanding from Department

Year of Audit Report with Para number	PAC Report number and year	Name of the Department	Gist of the Audit Para	Recommendations of PAC
3.4.2 of AR 2009-2010	13th PAC Report 2014-15 and 2015-16	Health and Family Welfare	Medical equipment lying idle	The Committee *inter alia* recommended the following : Purchase of highly sophisticated medical equipment should be made only after proper and thorough assessment of requirements and availability of requisite infrastructure and trained manpower both at the doctors' and technician level. The Department should take prompt and appropriate administrative/ disciplinary actions against the defaulting officials after fixation of responsibilities for occurrence of incidents of procurement of sophisticated medical equipment at the Burdwan Medical College and Hospital without arranging for requisite infrastructure and manpower. Necessary steps may also be taken to ensure non-recurrence of such incident.

Source: PAC Report

Appendix 2.1

(Refer paragraph 2.1.3, page 15)

Details of Seasonality Discipline

Activity	Kharif	Rabi
Issuance of Administrative Instructions by Government of West Bengal.	February	August
Conduct of State Level meeting to decide for notification of Crops and Notified areas, limits of Sum Insured and adoption of Level of Indemnity etc.	March	September
Issuance of Notification by Department of Agriculture	March	September
Cut-off date for receipt of Proposals of farmers/debit of premium from farmers account	31 August (based on specific crops)	31January (based on specific crops)
Cut-off date for receipt of consolidated Declarations/ proposal of farmers	Within 15 days after cut-off date	
Cut-off date for receipt of Declarations of farmers from designated insurance Agent(s) to Insurance Companies.	Within seven days of receipt of declaration/ premium.	
Cut-off date for receipt of Proposal	Within seven days of receipt of Declarations by the respective Nodal bank offices	
Uploading of soft copy of the details of individual insured farmers by Commercial banks /RRBs / PACS / Intermediaries	Within 15 days after cut-off date for collection of premium from farmers	
Cut-off date for receipt of yield data	Within a month from final harvest	
Processing, Approval and Payment of Final Claims based on yield data	Three weeks from receipt of yield data	

Source: Guidelines of the scheme

Appendix 2.2

(Refer paragraph 2.1.5, page 16)

Details of district-wise blocks visited

Sl. No.	Name of District	Name of block visited
1.	Birbhum	Nanoor
		Sainthia
		Suri – I
2.	Hooghly	Dhaniakhali
		Singur
		Chinsura – Mogra
3.	Jalpaiguri	Dhupguri
		Malbazar
		Moynaguri
4.	Purba Bardhaman	Ausgram II
		Burdwan II
		Galsi II
5.	Purba Medinipur	Tamluk
		Shahid Matangini
		Panskura – I
6.	South 24 Parganas	Diamond Harbour I
		Bhangore I
		Sonarpur

Appendix 2.3

(Refer paragraphs 2.1.5, 2.2.2 & 2.5.5, pages 16, 19 & 29)

Details of Farmer's Survey on Crop Insurance

Total Farmers surveyed: 892		No.	percentage
Q.1 Whether the farmer is a land owner/ sharecropper/ tenant farmer.	(1) Land Owner	854	96
	(2) Sharecropper	34	4
	(3) Tenant	4	0
Q.2 Whether the farmer has knowledge of the insurance scheme.	(1) Yes	738	83
	(2) No	152	17
	(3) Partially	2	0
Q.3 Whether the farmer insured Aman paddy in Kharif 2020 season, wheat in Rabi 2018-19 season and potato in Rabi 2017-18 season.	(1) Yes	794	89
	(2) No	97	11
	(3) No Reply	1	0
Q.4 Whether the farmer had insured any other crops during the period Kharif 2016 to Rabi 2020-21 seasons	(1) Yes	794	89
	(2) No	97	11
	(3) No Reply	1	0
Q.5 Which were the Insurance Companies	(1) AICIL	423	69
	(2) Other Company	48	8
	(3) Don't know	77	13
	(3) No Reply	63	10
Q.6 Whether the farmers were aware of the risk covered, premium rate and premium subsidy given by GOI and the State Government, documents required for submission of proposals and cut-off dates for submission of proposals.	(1) Yes	541	61
	(2) No	335	38
	(3) No Reply	8	1
	(4) Don't know	8	1
Q.7 Whether the farmer willingly participated in the crop insurance schemes.	(1) Yes	724	81
	(2) No	59	7
	(3) No Reply	109	12
Q.8 Whether the farmer is a loanee/non-loanee farmer.	(1) Loanee	407	46
	(2) Non-Loanee	446	50
	(3) Obscure/ Illegible/ No Reply	39	4
Q.9 Whether the farmer has been informed about insurance of his crop. Whether any Insurance Policy is available with the farmer?	(1) Yes	570	64
	(2) No	311	35
	(3) Partially	1	0
	(4) Obscure/ Illegible/ No Reply	10	1
Q.10 Whether the farmer applied for crop insurance every year from Kharif 2016 to Rabi 2020-21.	(1) Yes	750	84
	(2) No	139	16
	(3) No Reply	3	0
Q.11 Whether the farmer faced difficulties in submission of proposal for insurance.	(1) Yes	144	16
	(2) No	743	83
	(3) No Reply	5	1
Q.12 Whether the farmer paid any premium during the seasons from Kharif 2016 to Rabi 2020-21.	(1) Yes	193	22
	(2) No	687	77
	(3) Don't know about it	8	1
	(4) Obscure/Illegible/ No Reply	4	0

Total Farmers surveyed: 892		No.	*percentage*
Q.13 Whether the farmer applied for compensation for prevented/failed sowing or mid-term calamities or post-harvest loss in previous years.	(1) Yes	443	50
	(2) No	440	49
	(3) Obscure/ Illegible/ No Reply	9	1
Q.14 Whether the farmer got sufficient compensation in previous years. Bank pass book may please be shown.	(1) Yes	231	26
	(2) No	621	70
	(3) Obscure/ Illegible/ No Reply	40	4
Q.15 Whether the farmer received compensation in time.	(1) Yes	103	12
	(2) No	769	86
	(3) Obscure/ Illegible/ No Reply	20	2
Q.16 After how much time was it received?	(1) Within Same Year	3	0
	(2) After one year	34	4
Q.17 Whether the farmer was aware of the claim amount due.	(1) Yes	220	25
	(2) No	637	71
	(3) Obscure/ Illegible/ No Reply	35	4

Source: Beneficiary survey

Appendix 2.4

(Refer paragraph 2.3.1.1 & 2.5.1, pages 19 & 28)

Mis-match in area under insurance coverage *(in hectare)*

District	2016-17		2017-18		2018-19		2019-20		2020-21	
	State	District	State	District	State	District	State	District	State	District
Birbhum (Kharif)	74748.37	71200.00	60302.55	84473.00	76855.25	76861.00	118336.68	191470.00	123126.63	123281.00
Birbhum (Rabi)	33195.60	33195.00	111787.17	111787.00	128207.90	95115.00	74753.35	74759.00	228389.77	192776.00
Hooghly (Kharif)	97133.12	97133.48	56995.04	45035.56	47888.63	41348.44	73754.13	58429.53	83955.22	82815.41
Hooghly (Rabi)	40202.12	40200.51	46827.27	81481.37	74210.84	74211.54	84506.31	84205.42	100651.99	96053.39
Jalpaiguri (Kharif)	13091.75	13091.78	15834.71	NA	18872.60	18845	10867.59	10933.91	27355.02	27335.02
Jalpaiguri (Rabi)	7186.13	NA	9093.03	NA	16848.74	NA	33615.36	33615.36	23879.36	23771.10
Purba Bardhaman (Kharif)	251839.40	251287.90	160181.85	291678.9	142101.96	131728.7	284920.87	276099.65	227210.90	227219.11
Purba Bardhaman (Rabi)	139944.64	NA	131497.06	131496.758	165764.89	176069.7	164376.16	164390.95	232583.41	226833.47
Purba Medinipur (Kharif)	157579.20	157357.64	152883.38	1189274.54	94947.86	94837.81	149305.42	138604.84	170670.95	163659.75
Purba Medinipur (Rabi)	54200.50	54197.00	95214.07	95214.06	87218.36	90839.27	150648.31	150641.80	111767.55	78272.81
South 24 Parganas (Kharif)	107112.90	107112.90	85618.16	66568.18	58078.08	58078.08	109537.18	109540.80	151246.84	151246.10
South 24 Parganas (Rabi)	9285.19	9285.19	10950.09	10950.0924	40709.36	40709.36	41248.02	41248.02	78611.33	47326.87

Source: Data provided by the Dy. Director of Agriculture and the Department

Appendix 2.5

(Refer paragraph 2.3.1.3, page 22)

Calculation of premium with lower APR within same Agro-Climatic Zone

Crop season	District having lower APR (APR:LC)	District having higher APR (APR:LC)	Lower APR in the pair (in *per cent*)	Area Insured (in Ha) of the district having higher APR	SOF (in ₹) of the district having higher APR	Premium should have been (in ₹) of the district having higher APR	Premium actually paid due to higher APR (in ₹)	Excess premium (in ₹)
1	2	3	4	5	6	7 = 4 X 5 X 6	8	9 = 8 - 7
Kharif 2017/ Aman	Murshidabad (1.29:3.4)	Nadia (4.24:0)	1.29	30265.51	55575	21697874	71317048	49619174
	Coochbehar (0.85:0.3)	Jalpaiguri (1.48:2.9)	0.85	14333.85	62500	7614858	13258807	5643949
	Burdwan (1.5:9.4)	Hooghly (3.5:5.6)	1.50	56945.31	48075	41064687	95817594	54752907
Kharif 2018/ Aman	Jalpaiguri (4.0:0)	Coochbehar (15.78:1)	4.00	31915.37	76500	97661032	385272772	287611740
	Burdwan (1.7:0)	Hooghly (5.14:2)	1.70	47177.99	57500	46116485	139434549	93318064
Kharif 2019 Aman	Murshidabad (2.30:NA)	Nadia (6.80:NA)	2.30	58961.81	75500	235490521	302315000	66824479
	Purba Bardhaman (5.00:NA)	Hooghly (7.90:NA)	5.00	72194.25	57500	207558468	327943000	120384532
Kharif 2020 Aman	Murshidabad (2.07:NA	Nadia (6.12:NA)	2.07	86881.78	74624	134207745	396788116	262580371
	Purba Bardhaman (4.50:NA)	Hooghly (7.11:NA)	4.50	82979.03	58068	216829184	342590110	125760926
Total payment of excess premium in four years for Aman Paddy-								**1066496142**
Rabi 2017-18/ Potato	Jalpaiguri (5.20:0.00)	Coochbehar (12.0:0.3)	5.20	16202	136725	115191359	317885136	202693777
	Hooghly (15.00:1.00)	Purba Bardhaman (17.71:2.2)	15.00	16021.5	143500	344862788	407156687	62293899
Rabi 2018-19/ Potato	Murshidabad (10.87:NA)	Nadia (17.30:NA)	10.87	212	121482	2799480	4463790	1664310
	Purba Bardhaman (11.90)	Hooghly (15.43)	11.90	40891	140000	681244060	883332502	202088442
Rabi 2019-20/ Potato	Nadia (5.15:NA)	Murshidabad (11.96:NA)	5.15	250	132392	1704547	3964000	2259453
	Purba Bardhaman (13.09:NA)	Hooghly (16.97:NA)	13.09	45825	140000	839788950	1088717000	248928050
Total payment of excess premium in three years for Potato								**719927931**

Source: Guidelines of the scheme and data provided by the Department

Appendix 2.6

(Refer paragraph 2.3.1.4, page 23)

Details of excess premium paid by the Government ***(₹ in lakh)***

Crop	District	2016-17	2017-18	2018-19	2019-20	2020-21	District Total
Aman Paddy	South 24 Parganas	NA	13.87	15.56	35.52	0.90	**65.85**
	Hooghly	0	0	21.68	31.03	1.34	**54.04**
	Purba Bardhaman	NA	13.19	16.52	0	2.59	**32.29**
	Purba Medinipur	1177.86	0	0	0	0	**1177.86**
	Birbhum	113.23	5.32	7.26	567.52	0.43	**693.76**
	Jalpaiguri	NA	1.59	6.00	2.03	0.46	**10.09**
Boro Paddy	South 24 Parganas	NA	11.69	0.47	0.50	NA	**12.66**
	Hooghly	NA	5.48	NA	NA	0.22	**5.70**
	Purba Bardhaman	NA	62.22	2.56	0.00	NA	**64.78**
	Birbhum	26.19	21.00	NA	NA	NA	**47.19**
	Jalpaiguri	NA	NA	5.14	NA	0.15	**5.29**
Potato	Hooghly	NA	152.36	NA	NA	3.78	**156.13**
	Purba Bardhaman	NA	48.86	0.98	NA	NA	**49.84**
	Birbhum	1.29	1.79	NA	NA	NA	**3.08**
	Jalpaiguri	NA	NA	0.34	NA	0.25	**0.59**
Total payment of excess premium in five years							**2379.15**

Source: Guidelines of the scheme and data provided by the Department

Appendix 2.7

(Refer paragraph 2.4.2, page 25)

Total claim, number of beneficiaries and premium paid by the Government to the IAs

(₹ in crore)

Year/ Crop Season	Total claim Amount	Amount admitted	Amount paid to the farmers	Number of beneficiaries	Premium paid by Government to the Insurance Agency
Kharif 2016	104.10	104.10	104.10	291195	196.15
Rabi 2016-17	317.56	317.56	317.56	288855	226.13
Kharif 2017	219.40	219.40	219.40	444260	190.30
Rabi 2017-18	41.70	41.70	41.70	106260	201.16
Kharif 2018	97.09	97.09	96.09	199681	169.52
Rabi 2018-19	444.13	444.13	444.13	516546	243.68
Rabi 2018-19 Extended	NA	NA	NA	NA	30.76
Kharif 2019	423.14	423.14	423.14	1311167	546.87
Rabi 2019-20	431.15	431.15	431.15	1114375	593.31
Kharif 2020	NA	NA	NA	NA	667.65
Rabi 2020-21	NA	NA	NA	NA	602.57
Total	**2,078.28**	**2,078.28**	**2,077.28**	**42,72,339**	**3,668.10**

Source: As per data provided by the Department

Appendix 2.8

(Refer paragraph 2.4.2.2, page 26)

Timeliness in release of premium by Department and submission of bills by IAs

FY/ Crop Season	Name of IA	Scheduled date of release of 1st installment	Date of release of 1st installment	Date of release of 2nd installment	Date of release of 3rd installment	IA final bill date	Date of release of final installment
2016-17/ Kharif 2016	Cholamandalam MS GICL	31st August	21.09.2016	02.01.2017	13.07.2017	09.11.2017	28.11.2017
	Future Generali IICL		21.09.2016	02.01.2017	13.07.2017	25.10.2017	28.11.2017
	AICI		21.09.2016	02.01.2017	13.07.2017	07.11.2017	28.11.2017
2016-17/ Rabi 2016-17	UIIC	31st January	28.02.2017	30.03.2017	13.09.2017	08.01.2018	23.02.2018
	ICICI Lombard GIC Ltd		28.02.2017	30.03.2017	13.09.2017	28.11.2017	23.02.2018
2017-18/ Kharif 2017	AICI	31st August	24.08.2017	31.01.2018		11.06.2018	12.07.2018
	NICL		24.08.2017	31.01.2018	12.07.2018	11.12.2018	27.03.2019
	Reliance GICL		24.08.2017	31.01.2018	--	01.06.2018	12.07.2018
2017-18/ Rabi 2017-18	AICI	31st January	23.03.2018	--	--	24.07.2018	29.08.2018
	Reliance GICL		23.03.2018	29.08.2018	--	15.01.2019	28.03.2019
2018-19/ Kharif 2018	HDFC ERGO GICL	31st August	19.09.2018	29.03.2019	--	05.11.2019	30.03.2020
	Oriental ICL		19.09.2018	29.03.2019	--	12.03.2020	30.03.2020
	AICI		25.09.2018	29.03.2019	--	13.03.2020	
	Universal Sompo GICL		25.09.2018	29.03.2019	--	23.04.2019	30.03.2020
2018-19/ Rabi 2018-19	UIICL	31st January	29.03.2019	17.10.2019	06.03.2020	--	--
	NICL		29.03.2019	17.10.2019	06.03.2020	--	--
	Cholamandalam MS GICL		29.03.2019	17.10.2019	06.03.2021	--	--

FY/ Crop Season	Name of IA	Scheduled date of release of 1st installment	Date of release of 1st installment	Date of release of 2nd installment	Date of release of 3rd installment	IA final bill date	Date of release of final installment
2018-19/ Rabi 2018-19 (Extended BFBY)	UIICL	31st January	28.03.2020	--	--	08.09.2020	23.09.2020
	NICL		28.03.2020	--	--	15.09.2020	23.09.2020
	Cholamandalam MS GICL		28.03.2020	--	--	06.07.2020	23.09.2020
2019-20/ Kharif 2019	AICIL	31st August	25.09.2019	12.03.2020	--	05.10.2020	16.10.2020
	Oriental ICL		25.09.2019	--	--	15.01.2020	12.03.2020
2019-20/ Rabi 2019-20	NICL	31st January	07.02.2020	24.09.2020	--	18.02.2021	15.06.2021
	UIICL		07.02.2020	24.09.2020	--	27.05.2021	15.06.2021
2020-21/ Kharif 2020	AICIL	31st August	04.08.2020	--	--	14.01.2021	12.03.2021
2020-21/ Rabi 2021-21	AICIL	31st January	06.01.2021	--	--	18.06.2021	03.11.2021

Source: Data provided by the Department

Appendix 3.1

(Refer paragraph 3.1.2, page 35)

Details of units covered by Audit

Sl. No.	Name of District	Particulars	Name of Unit
1	Howrah (Pilot Study)	Name of the CPCs	CPC at Amta Kishan Mandi (Amta-I block)
2		Name of the Rice Mills	Paramount Rice Mill
3		Name of the Godowns	Shalimar RIDF Godown-I
4	Purba Bardhaman	Name of the CPCs	Bardhaman-I, 1st CPC, Nari
5			Memari-I, 1st CPC, Bagila
6		Name of the Rice Mills	Basundhara Rice Mill, Bijoyram
7			Sri Durgamata Rice Mill (P) Ltd., Kalsi
8		Name of the Godowns	Nari RIDF
9			Memari RIDF
10		Name of Society under WBECSC	Eral UCACS Ltd., Ausgram-II
11		Name of Society under BENFED	Brahamanpara SKUS Ltd., Burdwan-II
12	Nadia	Name of the CPCs	Hanskhali Krishak Bazar, Hanskhali
13			Ranaghat Krishak Bazar, Ranaghat-II
14		Name of the Rice Mills	Ma Laxmi Modern RM, Vill.+P.O.- Habibpur, Pin-741402
15			Annadatri Rice Mill, Kayetpara, Anulia, Pin- 741255
16		Name of the Godowns	RIDF Hanskhali, Hanskhali, Nadia
17			SWC Ranaghat, SWC compound, Rathtala, Ranaghat
18		Name of Society under WBECSC	Nazirpur SKUS Ltd., Ranaghat-I
19		Name of Society under BENFED	Chapra Dhantala SKUS Ltd., Ranaghat-II
20	Hooghly	Name of the CPCs	Adisaptagram Krishak Bazar
21			Polba-Dadpur Co-operative Cold Storage
22		Name of the Rice Mills	Balagarh rice Mill Pvt. Ltd.
23			Matri Mandir Rice Mill Pvt. Ltd.
24		Name of the Godowns	RIDF Balagarh
25			Dhaniakhali RIDF
26		Name of Society under WBECSC	Rajhat U.L.S.P Co-Operative Agri Credit Society Ltd., Polba-Dadpur
27		Name of Society under BENFED	Singhal Pathan SKUS Ltd, Singur
28	Birbhum	Name of the CPCs	Sainthia Kisan Mandi CPC, Sainthia, Birbhum
29			Mayureshwasr-1 Kisan Mandi CPC, Mayureshwar-I Block, Birbhum
30		Name of the Rice Mills	Joy Maa Mahamaya Rice Mill, P.O.-Ahmadpur, Sainthia, Birbhum
31			Bharat Tirtha Rice Mill, Md. Bazar, Block, Birbhum
32		Name of the Godowns	Sainthia RIDF Godown, Sainthia, Birbhum
33			Mallarpur GFD, Mayureshwar-1, Birbhum
34		Name of Society under WBECSC	Sangra CACS Ltd., Vill.- Choto Sangra, Block-Sainthia, District- Birbhum, 731201 empanelled with the WBECSC.
35		Name of Society under BENFED	Paduma SKUS Ltd., Paduma, Ganra, Dubrajpur, Birbhum empanelled with the BENFED
36	Dakshin Dinajpur	Name of the CPCs	Hili CPC, Block-Hili, Dakshin Dinajpur.
37			Tapan 1st CPC, Tapan Krishak Bazar, Dakshin Dinajpur
38		Name of the Rice Mills	Shree Avadhbihari Agro Product Pvt. Ltd., Vill.-Bolla, PS- Balurghat, Dakshin Dinajpur, 733158
39			Bindheswari Rice Mill Pvt. Ltd., Dakshin Dinajpur
40		Name of the Godowns	Balurghat RIDF Godown, Dakshin Dinajpur
41			Tapan RIDF Godown, Dakshin Dinajpur
42		Name of Society under WBECSC	Trimohini KSSS Ltd., Trimohini, Dakshin Dinajpur
43		Name of Society under BENFED	Ramkrishnapur UCACS Ltd., Dakshin Dinajpur

Appendix 3.2

(Refer paragraph 3.7.1, page 46)

Details of 14 godowns completed

Sl. No.	District	Name of the Location	Capacity (in MT)	Upto date Status	Project Cost (₹ in crore)	Fund Released (₹ in crore)	Date of Possession	Purpose of utilisation	Remarks
1	Purba Bardhaman	Gopalpur, Bardhaman-II	1000	Completed	1.87	1.72	20.06.2018	Temporary Storage of New Gunny Bag Bales by WBECSC for bagging of CMR	The godowns used for temporary storing of New Gunny Bag Bales for bagging of CMR in connection with paddy procurement, was handed over temporarily to the District Procurement Manager, WBECSC Ltd. Purba Bardhaman
2		Ketugram-I	1000	Completed	1.36	0.89	07.02.2019	Presently unused.	
3		Ketugram-II	1000	Completed	1.84	0.92	07.02.2019	Presently unused.	
4		Mongolkote	1000	Completed	1.94	1.35	07.02.2019	Presently unused.	
5		Katwa-I	1000	Completed	1.79	0.98	07.02.2019	Temporary Storage of New Gunny Bag Bales by WBECSC for bagging of CMR	
6		Monteswar	1000	Completed	1.99	1.08	18.02.2019		
7		Nari, Bardhaman-I	1000	Completed	1.54	1.04	Not known.		
8	Hooghly	Haripal	1000	Completed	2.14	1.20	Handed over by PWD	Not known.	As per reply received from O/o the DCF&S, Hooghly, paddy storage godowns are not yet handed over by PWD.
9		Balagarh	1000	Completed	1.72	1.29			
10		Dhaniakhali	1000	Completed	1.73	1.03	Handed over by PWD	Not known.	
11	Nadia	Nakashipara	1000	Completed on 23.07.2019	1.33	1.26	23.07.2019	Non-functioning	Two functioning godowns at Ranaghat-II are being utilised for the purpose of Rice storage.
12		Kaligunj	1000	Completed on 01.10.2019	1.41	1.26	01.10.2019	Non-functioning	
13		Chapra	1000	Completed on 08.11.2019	1.89	1.78	08.11.2019	Non-functioning	
14	Dakshin Dinajpur	Tapan	2000	Completed	2.34	2.29	Handed over by PWD	Non-functioning	Not yet operational due to unfinished constructions, *e.g.*, road, weigh bridge, *etc.*
					Total	**18.09**			

Source: Records of respective District Offices

Appendix 3.3

(Refer paragraph 3.8.2, page 48)

Details of meetings of DLMCs in test-checked districts during KMSs 2016-17 to 2020-21

KMS	Total number of meetings to be held	Total number of meeting actually held	Shortfall in number of meetings
District: Purba Bardhaman			
2016-17	12	3	9
2017-18	12	3	9
2018-19	12	3	9
2019-20	12	3	9
2020-21	12	3	9
Total	**60**	**15**	**45**
District: Nadia			
2016-17	12	3	9
2017-18	12	4	8
2018-19	12	6	6
2019-20	12	2	10
2020-21	12	2	10
Total	**60**	**17**	**43**
District: Hooghly			
2016-17	12	NA	NA
2017-18	12	2	10
2018-19	12	2	10
2019-20	12	3	09
2020-21	12	2	10
Total	**48 during 2017-21**	**09**	**39**
District: Birbhum			
2016-17	12	3	9
2017-18	12	4	8
2018-19	12	5	7
2019-20	12	5	7
2020-21	12	5	7
Total	**60**	**22**	**38**
District: Dakshin Dinajpur			
2016-17	12	3	9
2017-18	12	3	9
2018-19	12	1	11
2019-20	12	3	9
2020-21	12	1	11
Total	**60**	**11**	**49**

Source: Records furnished by respective DLMCs

Appendix 4.1

(Refer paragraph 4.2, page 52)

Financial position of the Corporation for last five years as emerged from Accounts *(₹ in crore)*

Sources of funds:					
Particulars	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Share Capital	10.40	10.40	10.40	10.40	10.40
Reserves & Surplus	12.12	17.84	24.55	28.78	32.02
Liabilities & Provisions	462.66	543.72	551.65	765.49	791.35
Total	485.18	571.96	586.60	804.67	833.77
Applications of Funds:					
Fixed Assets	0.76	0.88	0.86	0.69	0.79
Other non-Current Assets	0.04	0.02	0.04	0.05	0.49
Cash & Bank Balance	315.20	282.41	213.09	241.87	138.65
Short Term Loans & Advances	-	-	-	-	-
Other Current Assets	169.18	288.65	372.61	562.06	693.84
Total	485.18	571.96	586.60	804.67	833.77
Working Results (₹ in crore)					
Income					
Revenue from operations	117.12	172.74	223.33	212.72	176.74
Other Income	1.48	1.02	2.07	2.49	2.25
Total	118.60	173.76	225.40	215.21	178.99
Expenditure					
Contractors cost	108.19	160.83	209.10	200.68	166.48
Employee benefit expense	1.91	2.51	4.00	5.33	5.46
Other expenses	0.96	1.37	2.34	2.90	2.19
Depreciation & amortization expenses	0.08	0.09	0.21	0.24	0.25
Taxes	2.47	2.96	2.78	1.56	1.18
Total	113.61	167.76	218.43	210.71	175.49
Net Profit	**4.99**	**6.00**	**6.98**	**4.50**	**3.50**

Source: Accounts of the Corporation

Appendix 4.2.1

(Refer paragraph 4.6.1, page 58 & 59)

Cases of extensions allowed and possible imposition of penalty for delay in completion of works pertaining to factors attributable to the contractor

(₹ in lakh)

Sl. No.	Name of the work	Name of the contractor/ Date of work order	Contract value	Due date for completion/ period	Actual date of completion/ no. of days delayed	Date of EOT application	EOT granted upto	Reasons cited by the contractor	Audit remarks	Short levy of compensation: To be recovered (10 *per cent*)	Short levy of compensation: Actually recovered	Short levy of compensation: Short /not recovered
1.	Construction of Jangal Mahal Safe House	Saktipada Ghosh/ 24.12.16	199.27	30.12.17/ 365 days	08.09.20/ 983 days	18.12.17	31.06.18	Labour problem	As the contractor had not cited any specific reasons in three occasions, compensation as per Clause 2 should have been recovered from the contractor.	19.93	0.00	19.93
						28.06.18	31.10.18	Unavoidable circumstances				
						10.10.18	31.08.19	Heavy rainfall				
						24.08.19	31.12.19	Unavoidable circumstances				
						26.12.19	31.03.20	Unavoidable circumstances				
2.	Construction of Office-*cum*-Residence of Sub-Divisional Police Officer (SDPO) at Dinhata	Dhirendra Nath Mondal	209.51	11.04.20/ 450 days	20.08.20/ 131 days	19.03.20	31.08.20	Insufficient labour and lack of raw materials	As the delay was attributable to the contractor, compensation as per Clause 2 of the agreement should have been recovered from the contractor.	20.95	0.00	20.95
3.	Construction of Model Rural PS at Jibantala	D.K. Construction	218.45	01.01.18/ 180 days	22.09.20/ 995 days	26.12.17	31.03.18	Heavy rainfall, water logging	As the delay was attributable to the contractor, compensation as per Clause 2 of the agreement should have	21.85	0	21.85
						26.03.18	30.09.18	Shortage of labour				
						20.09.18	31.03.19	Crisis of materials				

Sl. No.	Name of the work	Name of the contractor/ Date of work order	Contract value	Due date for completion/ period	Actual date of completion/ no. of days delayed	Date of EOT application	EOT granted upto	Reasons cited by the contractor	Audit remarks	Short levy of compensation		
										To be recovered (10 *per cent)*	Actually recovered	Short /not recovered
						14.03.19	31.07.19	Reasons could not be ascertained due to non-availability of contractor's letter.	been recovered from the contractor.			
						22.07.19	31.10.19	Shortage of materials				
						16.03.20	30.09.20	Reasons could not be ascertained due to non-availability of contractor's letter.				
4.	Construction of Subsidiary Training Centre in BT Line	Lakhotia Infra Projects Private Ltd.	407.66	17.06.19/ 545 days	15.03.21/ 637 days	10.06.19	31.10.19	Reasons could not be ascertained due to non-availability of contractor's letter.	Seeking for EOT and granting of EOT was not as per agreement. There were gap between extension period and date of seeking next EOT. However, as the delay was attributable to the contractor, compensation as per Clause 2 of the agreement should have	40.77	0	40.77
						10.02.20	15.10.20	Reasons could not be ascertained due to non-availability				

Sl. No.	Name of the work	Name of the contractor/ Date of work order	Contract value	Due date for completion/ period	Actual date of completion/ no. of days delayed	Date of EOT application	EOT granted upto	Reasons cited by the contractor	Audit remarks	Short levy of compensation		
										To be recovered (10 *per cent)*	Actually recovered	Short /not recovered
								of contractor's letter.	been recovered from the contractor			
						13.01.21	28.02.21	Reasons could not be ascertained due to non-availability of contractor's letter.				
	Number of occasions/ cases					**15**		**Total**		**103.50**	**0.00**	**103.50**

Source: Records of various works undertaken by the Corporation

Appendix 4.2.2

(Refer paragraph 4.6.1, page 58 & 59)

Cases of extensions allowed owing to factors attributable to the contractors as well as Corporation

(₹in lakh)

Sl. No.	Name of the work	Name of the contractor/ Date of work order	Contract value	Due date for completion/ period	Actual date of completion/ no. of days delayed	Date of Extension of Time (EOT) application	EOT granted upto	Reasons cited by the contractor	Audit remarks
1.	Construction of Office of the Superintendent of Police (SP) at Alipurduar	Anugrah Construction Private Limited 24.11.16	580.91	30.05.18/ 540 days	27.07.20/ 789 days	15.05.18	31.12.18	Abnormal rainfall and modification in the plan/ design	As the delay was attributable to the contractor, compensation as per Clause 2 of the agreement should have been recovered from the contractor
						15.12.18	31.12.19	Shortage of materials	
						26.12.19	31.07.20	Letter of contractor was not available on records	
2.	Construction of four storied Barrack along with Kitchen Block at Barrackpore	M/s Chanda Construction	454.57	17.09.17/ 450 days	30.11.19/ 804 days	04.05.18	13.06.19	Due to not handing over of clear site	As the contractor had not cited any specific ground for seeking EOT in the second occasion, compensation under Clause 2 should have been recovered from the contractor.
						14.06.19	31.12.19	No specific ground was cited by the contractor	
3.	Construction. of Urban Police Station (PS) Building at Habra	M/s Chanda Construction	274.99	16.02.18/ 210 days	07.08.19/ 537 days	14.02.18	31.07.18	Non-availability of site	EOT was allowed for the same reason for more than one occasion. Moreover as the contractor had not cited any specific ground for seeking EOT in the fourth occasion, compensation under Clause 2 should have been recovered from the contractor.
						20.07.18	31.03.19	Letter of the contractor was not available in the file produced to audit. Hence reasons for seeking of EOT and granting thereof could not be known.	
						27.03.19	30.06.19	Non-availability of site	
						17.06.19	30.09.19	No reason was cited by the contractor.	
	Number of occasions/ cases					**09**		**GRAND TOTAL**	

Source: Records of various works undertaken by the Corporation

Appendix 4.3

(Refer paragraph 4.6.2, page 59)

Details of project where short recovery of Security Deposit was made

(₹ in lakh)

Sl. No.	Name of the work	Total value of works done as per final bill	Recovery of SD should have been	Actual recovery of SD	Shortfall of SD	Remark, if any
1.	Construction of Kolkata Police Training Academy at Kamardanga	5860.96	586.10	526.46	59.64	Earnest Money Deposit (EMD) of ₹ 124.99 lakh deposited by the contractor in the form of Bank Guarantee (BG) which was to be converted to the Security Deposit (SD) expired on 25.07.2019. As issuance of completion certificate of the work as per final bill and as certified by the Engineer in Charge was 29.07.2019, one year of Defect Liability Period (DLP) would be 29.07.2020, but the BG which was held by the Corporation as SD expired well before DLP. No action was taken to revalidate the BG by the Corporation
2.	Construction of SP Office at Alipurduar	612.65	61.27	57.16	4.11	--
3.	Construction of Habra PS	267.41	26.74	25.28	1.46	--
4.	Construction of Office-*cum*-Residence of SDPO at Dinhata	190.72	19.07	18.55	0.52	--
5.	Construction of Ladies Barrack along with Kitchen Block at Barrackpore (original work)	453.75	45.38	41.57	3.81	--
6.	-do- (balance work)	87.76	8.78	8.22	0.56	--
7.	Construction of PL, East Bidhannagar PS, Force Barrack, *etc.*	1713.75	171.38	166.52	4.86	--
8.	Renovation (Civil & Electrical) Work of new room at 4th Floor, Bhavani Bhavan, Supply of furniture	34.98	3.50	3.12	0.38	--

Sl. No.	Name of the work	Total value of works done as per final bill	Recovery of SD should have been	Actual recovery of SD	Shortfall of SD	Remark, if any
9.	Construction of Subsidiary Training Centre in BT Lines	346.95	34.69	24.78	9.91	--
	Total:	**9568.93**	**956.91**	**871.66**	**85.25**	--

Source: Records of various works undertaken by the Corporation

Appendix 4.4

(Refer paragraph 4.7.2, page 61)

Details of projects where Quality Testing not done as per requirement

Sl. No.	Name of the project	Quantity of concrete work done (In Cum)	Cube testing required to be done (no. of set)	Cube testing actually done (no. of sets)	Percentage of cube testing done	Remark
1.	Construction of SP Office at Alipurduar	1355.316	48	6	13	No cube was tested at the age of seven days and the register was not maintained properly & neither contractor nor Engineer-in-Charge initialled in the register.
2.	Construction of Jangal Mahal Safe House	487.504 (upto 4th RA)	17	6	35	No cube was tested at the age of seven days and the register was not maintained.
3.	Construction of ladies barrack along with kitchen block at Barrackpore (Armed force brigade)	1290.289	46	10	22	No cube was tested at the age of seven days. No register was maintained.
4.	Construction of Bidhannagar Police Line (PL), East Bidhannagar PS, Male & Female Barrack, *etc*.	4108.338	137	0	0	--
5.	Construction Urban PS at Habra	658.603	24	5	21	Two sets were tested at the age of seven days and three sets were tested at the age of 28 days. No register was maintained.
6.	Construction Office-*cum*-Residence of SDPO, Dinhata	426.6149	15	2	13	No cube was tested at the age of seven days. No register was maintained.
7.	Construction of Officers Mess in Swami Vivekananda State Police Academy (SVSPA), Barrackpore (Original Work)	277.156	10	5	50	No cube was tested at the age of seven days. No register was maintained.
8.	Construction of Subsidiary Training Centre at BT Lines	789.415	28	10	36	Seven sets were tested at the age of seven days, two sets were tested at the age of 28 days and one set was tested at the age of three days. No register was maintained.
9.	Construction of Model Rural PS at Jibantala	605.37	22	10	45	Two sets were tested at the age of seven days and eight sets were tested at the age of 28 days. No register was maintained.

Source: Records of various works undertaken by the Corporation

Appendix 4.5

(Refer paragraph. 4.7.3, page 62)

Miscellaneous deficiencies noticed against different projects

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
1.	Work break down structure was not prepared by the Corporation to assess component-wise time taken to complete the work.	All 13 projects.	NBC 2005 P/29 (Part 0, Sec. 5.1(J))	It would not be possible without work break down structure to assess component-wise time taken as per the work programme submitted by the contractor.
2.	Neither waste management plan was submitted nor was approval obtained from the competent authority.	1. Construction of Kolkata Police Training Academy 2. Construction of Office of Superintendent of Police (SP) at Alipurduar 3. Construction of Jangal Mahal Safe House 4. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 5. Construction of East Bidhannagar Police Line (PL), Police Station (PS), Force Barrack (Bk.), *etc*. 6. Construction of Urban PS at Habra 7. Construction of Office-*cum*-Residence of Sub-Divisional Police Officer (SDPO) at Dinhata 8. Construction of Barrack for accommodation of 100 Police Personnel & Store at SAP 13th Batallion (Bn.). at Barjora, Bankura 9. Construction of Officers Mess in Swami Vivekananda State Police Academy (SVSPA) at Barrackpore 10. Construction of Model Rural PS at Jibantala	Section 5.2 (S) part 0 of NBC Code 2005, Section 4 of Construction and Demolition Waste Management Rules, 2016.	It is a statutory law by which local body can improve the collection, segregation, recycling, treatment & disposal of construction waste in an environmentally sound manner.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
		11. Construction of Subsidiary Training Centre at BT Lines		
3.	Optimum use of renewable energy and rain water harvesting was not considered at the planning stage.	1. Construction of Kolkata Police Training Academy 2. Construction of SP Office at Alipurduar 3. Construction of Jangal Mahal Safe House 4. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 5. Construction of East Bidhannagar PL, PS, Force Bk., *etc*. 6. Construction of Urban PS at Habra 7. Construction of Office-*cum*-Residence of SDPO at Dinhata 8. Construction of Barrack for accommodation of 100 Police Personnel & Store at State Armed Police (SAP) 13th Bn. at Barjora, Bankura 9. Construction of Officers Mess in SVSPA at Barrackpore 10. Construction of Model Rural PS at Jibantala 11. Construction of Subsidiary Training Centre at BT Lines	Sec. 5.2(f), (g)(Part 0) NBC 2005	It reduces greenhouse effects, increases water resource for future need and saves earth's own resource.
4.	a) The contractor should obtain labour licence from the competent authority before execution of work and to be submitted to the Engineer-in-Charge. No such licence was obtained from the contractor. b) No insurance (Contractor all risk) was incorporated in the agreement. On the other hand in the tender document (Para 12 & 13)	1. Construction of Kolkata Police Training Academy 2. Construction of Jangal Mahal Safe House 3. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 4. Construction of East Bidhannagar PL, PS, Force Bk., *etc*. 5. Construction of Urban PS at Habra	Tender agreement.	It is a mandatory provision.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
	of Instruction Sheet attached with the Work Order all responsibilities were vested upon working contractors.	6. Construction of Office cum Residence of SDPO at Dinhata 7. Construction of Barrack for accommodation of 100 Police Personnel & Store at SAP 13th Bn. at Barjora, Bankura 8. Construction of Officers Mess in SVSPA at Barrackpore 9. Construction of Model Rural PS at Jibantala 10. Construction of Subsidiary Training Centre at BT Lines		
5.	As per tender agreement, Cement, Reinforcement, *etc.*, should be of approved brand in accordance with relevant code of practice and manufacture accordingly and should be procured and supplied by the agency at his own cost. Authenticated evidence for purchase of cement, reinforcement, *etc.*, should be submitted along with challan and test certificate. No such certificate or challan in respect of cement, reinforcement, *etc.*, was obtained. No sample test of material was conducted from any Government approved laboratory.	1. Construction of Kolkata Police Training Academy 2. Construction of Jangal Mahal Safe House 3. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 4. Construction of East Bidhannagar PL, PS, Force Bk., *etc*. 5. Construction of Urban PS at Habra 6. Construction of Officers Mess in SVSPA at Barrackpore 7. Construction of Model Rural PS at Jibantala 8. Construction of Subsidiary Training Centre at BT Lines 9. Renovation (Civil & Electrical) work of new room at 4th floor, Bhabani Bhaban main building 10. Repair and Renovation & Upgradation of 18 no. Lower Subordinate Quarters alongwith	Tender agreement.	Corporation remained unaware about the quality of cement & reinforcement supplied by the contractor and consumed in works.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
		five Upper Subordinate Quarters and one number G+1 storied Garage-*cum*-Barrack at Haldia)		
6.	No register to keep important data like mandatory test, cement, reinforcement, hindrance, dispatch slip of Ready Mix Concrete (RMC), register of dismantle materials, pour card for laying concrete and drawing was maintained.	All 13 projects.	Para 13.2 of Central Vigilance Commission (CVC) guideline (illustrative check points for various stages of public procurements). Para 10.5, 10.7.1(1) of Central Public Works Department (CPWD) Works Manual 2014 IS 456:2000 (Para 10.1.3(b))	This would guard against the possibility of manipulation/ tampering of these records at any stage.
7.	Site/ work order book to be kept at site of work under the custody of Assistant Engineer or his authorised representative. Books should be of machine numbered pages in duplicate. Instruction to contractors from officers of the Corporation will be entered in the book. The contractor or his authorised representative would regularly note the entries in the work order book and also record thereon the action taken or to be taken to comply the said instruction. No such/ work order book was maintained as per records made available to audit.	1. Construction of Kolkata Police Training Academy 2. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 3. Construction of East Bidhannagar PL, PS, Force Bk., *etc*. 4. Construction of Urban PS at Habra 5. Construction of Officers Mess in SVSPA at Barrackpore 6. Construction of Model Rural PS at Jibantala 7. Construction of Subsidiary Training Centre at BT Lines 8. Renovation (Civil & Electrical) work of new room at 4^{th} floor, Bhabani Bhaban main building	Tender agreement.	This shows lack of monitoring.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
		9. Repair and Renovation & Upgradation of 18 numbers Lower Subordinate Quarters alongwith five Upper Subordinate Quarters and one number G+1 storied Garage-*cum*-Barrack at Haldia		
8.	As per tender agreement, the contractor after completion of the job would prepare and submit "as built" drawing for both electrical and civil work. But "as built" drawing was not submitted by the contractor.	1. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 2. Construction of Urban PS at Habra 3. Construction of Office-*cum*-Residence of SDPO at Dinhata 4. Construction of Barrack for accommodation of 100 Police Personnel & Store at SAP 13th Bn. at Barjora, Bankura 5. Construction of Model Rural PS at Jibantala 6. Construction of Subsidiary Training Centre at BT Lines 7. Construction of Officers Mess in SVSPA, Barrackpore	Tender agreement	Without this drawing maintenance of building and its future extension would be difficult.
9.	Structural Design & Drawing has not been proof checked by independent agency or in-house.	1. Construction of SP Office at Alipurduar 2. Construction of Jangal Mahal Safe House 3. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 4. Construction of Urban PS at Habra 5. Construction of Office-*cum*-Residence of SDPO at Dinhata 6. Construction of Barrack for accommodation of 100 Police Personnel & Store at SAP 13th Bn. at Barjora, Bankura 7. Construction of Model Rural PS at Jibantala	Para 6.2(II) of CVC guideline (illustrative check points for various stages of public procurements).	Design error could not be ruled out in absence of proof check.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
		8. Construction of Subsidiary Training Centre at BT Lines 9. Construction of Officers Mess in SVSPA, Barrackpore		
10	(i) Soil testing was not done to assess characteristics of soil while preparing items and their corresponding quantities during execution.	Construction of Urban PS at Habra	Para 5.2(i) of CVC guideline (illustrative check points for various stages of public procurements).	Estimate of foundation work was prepared without any knowledge of soil characteristics.
	(ii) Detailed soil investigation was completed on 30.09.17 whereas technical sanction was accorded on 04.11.15.	Construction of Ladies Bk. (Armed Police Force at Barrackpore)	Para 5.2(i) of CVC guideline (illustrative check points for various stages of public procurements).	Technical sanction of the components below ground level was accorded without any soil testing report. This resulted in substitution of isolated footings by strip footings enhancing the project cost.
11	Building sanction plan was not obtained from the local body.	1. Construction of SP Office at Alipurduar 2. Construction of Jangal Mahal Safe House 3. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 4. Construction of Urban PS at Habra 5. Construction of Office-*cum*-Residence of SDPO at Dinhata 6. Construction of Barrack for accommodation of 100 Police Personnel & Store at SAP 13th Bn. at Barjora, Bankura 7. Construction of Model Rural PS at Jibantala 8. Construction of Subsidiary Training Centre at BT Lines 9. Construction of Officers Mess in SVSPA, Barrackpore	Section 11.1 of NBC 2005 read with Sec. 204 of West Bengal Municipal Act.	It is a statutory law, where local body has to verify whether all municipal laws are followed while constructing a building.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
12.	Mandatory provision for handicapped person was not considered.	1. Construction of Urban PS at Habra 2. Construction of Office-*cum*-Residence of SDPO at Dinhata 3. Construction of East Bidhannagar PL, PS, Force Bk., *etc*. 4. Construction Model Rural PS at Jibantala 5. Construction of SP Office at Alipurduar	Sec. 5.2(h) (Part 0) National Building Code of India (NBC) 2005	It causes difficulty for disabled persons to access the premises.
13.	Scope of work should match with the provisions in the Administrative Approval & Expenditure Sanction. All components required for the scheme should be included in the scope of work leaving no room for further addition during post-tender period. Approval of requisitioning body was to be taken in case of change of scope of work. But no approval from requisitioning body was obtained.	1. Construction of East Bidhannagar PL, PS, Force Bk., *etc*.: Supply & installation of lighting arrestor was not included in the scope of work. 2. Construction of Ladies Bk. (Armed Police Force at Barrackpore): Scope of work was changed from 200 personnel to 250 personnel, but no approval of requisitioning body was taken. Administrative approval also did not match with the revised scope of work. 3. Construction of Urban PS at Habra: Construction of internal road was not included in the original scope of work, but no approval for the same was obtained from the requisitioning body. 4. Renovation (Civil & Electrical) work of new rook at 4th floor, Bhawani Bhawan: Renovation of chamber of Deputy Inspector General of Police (DIG) was done which was not included in the scope of work. However, no approval was taken for such change.	Para 3.2 (VII & IX) and Para 5.2 (iii) of CVC guideline (illustrative check points for various stages of public procurements).	It increased the project cost or had to be carried out from the savings of other items which was not permissible under Rule 150 of West Bengal Financial Rules (WBFR) Vol. I.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
14.	Architectural & structural drawing & design were not in possession while preparing detailed cost estimate.	1. Construction of SP Office at Alipurduar 2. Construction of Jangal Mahal Safe House 3. Construction of Ladies Bk. (Armed Police Force at BKP) 4. Construction of Office-*cum*-Residence of SDPO at Dinhata 5. Construction of Barrack for accommodation of 100 Police Personnel & Store at SAP 13th Bn. at Barjora, Bankura 6. Construction of Model Rural PS at Jibantala 7. Construction of Subsidiary Training Centre at BT Lines 8. Construction of East Bidhannagar PL, PS, Force Bk., *etc.*	5400-F(Y) dt. 25.06.12 (Rule 47D 4(b) & 4(d)	It enhanced the scope for supplementary tender and substitute supplementary tender. Also there were items which were executed above than the permissible limit of Engineer-in-Charge and items which not executed at all. It also hindered the smooth progress of work.
15.	Detailed cost estimate (technical sanction) is accorded by the Corporation after allowing additional 10 *per cent* increase on the quantity of all civil items.	1. Construction of Urban PS at Habra 2. Construction of Officers Mess in SVSPA, Barrackpore	Rule 47D(4)(b)(ii), (d) of 5400-F(Y) dt 25.06.2012	Reasons for such additional weightage on measurement was neither documented nor codified. As such veracity of estimate remained questionable.
16.	Site investigation/ survey should be properly carried out and land/ site should be ensured for encumbrance free before issuance of work order.	1. Construction of Ladies Bk. (Armed Police Force at Barrackpore) 2. Construction of East Bidhannagar PL, PS, Force Bk., *etc.*	Section 5.1(b) of Part-0 of NBC 2005 & Rule 258 of WBPWD Code (Vol. I)	This showed improper planning as such leading to delay in execution of works.
17.	Standard approved tender document should be used. The agreement to be entered into between the agency and the contractor should be in the same line as done in case of Public Works Contract.	Clause 2 of the agreement differs from the agreement of Public Works Contract.	1240-F(Y) dated 18.02.13 - Para 9(ix)	Separate approval from Board of Directors was required if it had differed from Government order.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
18.	Proper publicity of tender was not made. In respect of offices outside Kolkata, the notice for quotation should be issued through notice board of concerned office, the offices of the District Magistrate and the Sub-Divisional Officer and the Municipality of that locality. Publication of notice in the website of Corporation and also in three daily newspaper (one each in Bengali, English and Hindi)	All the selected projects.	Rule 47(8) Note-1 & Note-2 of Order No. 5400-F(Y) dt. 25.06.12	Wide circulation as stated in order was not done.
19.	Ambiguity clause was to be applied to deal with any inconsistency in the bid during evaluation. The clause that would take precedence in case of any ambiguity in any process was not dealt in the agreement.	1. Construction of Urban PS at Habra 2. Construction of Office-*cum*-Residence of SDPO at Dinhata 3. Renovation (Civil & Electrical) work of new room at 4th floor, Bhabani Bhaban main building	Para 10.3(iv) of CVC guideline (illustrative check points for various stages of public procurements).	The clause could resolve the issue if any ambiguity arises.
20	There should not be inordinate delay in processing the tender for awarding work.	In case of work of Construction of Ladies Bk. (Armed Police Force at Barrackpore), financial bid was opened and finalized on 27.02.16, but award of work was issued on 17.06.16, *i.e.*, after a delay of 111 days.	Para 10.3(vi) of CVC guideline (illustrative check points for various stages of public procurements).	Delay in achieving the desired result.
21.	Agreement was not executed by the successful bidder within the time schedule fixed (*i.e.*, 10 days from the date of issue of Letter of Acceptance (LOA)). But no action was taken by the Corporation to impose penal clause on defaulter contractors as per terms of agreement.	1. Balance work of Construction of Ladies Bk. (Armed Police Force at Barrackpore) 2. Construction of Office-*cum*-Residence of SDPO at Dinhata 3. Renovation (Civil & Electrical) work of new rook at 4th floor, Bhawani Bhawan	Tender agreement	--
22.	Work of construction of Jibantala Model Rural PS was awarded on single tender basis (on 4th call) without adhering to the G.O No. 03-CRC/2M-06/2010 dated: 03.02.2014 of PWD,	Jibantala Model Rural P.S	G.O No. 03-CRC/2M-06/2010 dated: 03/02/2014 of PWD, GoWB.	The Corporation could not get the competitive rate due to non-adherence of the order of the PWD, West Bengal.

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
	GoWB. As per the said order the intending Tenderers had to produce credentials valuing minimum 40 *per cent*, 30 *per cent* and 20 *per cent* of the estimated amount put to tender in respect of 1st call, 2nd call and 3rd call respectively. However, the Corporation did not follow the said order and had not reduced the eligibility criteria, accordingly resulted in issue of work order on 4th call on single tender basis.			
23	In-house and third party quality assurance agency was not engaged for monitoring quality of the work.	All of the selected 13 numbers of projects.	Sec. 53.11(2)(i) of CPWD Works Manual 2014	Independent checking of work was not done.
24	Non-preparation of preliminary cost estimate as per norms The height of all rooms for human habitation shall not be less than 2.75 meter measured from the surface of the floor to the lowest point of the ceiling (bottom of slab). In case of construction of Office-*cum*-Residence of SDPO Dinhata and construction of Ladies Bk. (Armed Police Force at Barrackpore), preliminary estimate was prepared considering height of each floor to be 3.6 meter for SDPO office block & 3.3 meter for new dormitory block and be 3.3 meter along with roof treatment of 0.1 meter respectively. But in actual execution, height of floor was considered to be 3.0 meter for both dormitory & SDPO office block and 3.15 meter for construction of Ladies Bk. (Armed Police Force at Barrackpore). As such	1. Construction of Office-*cum*-Residence of SDPO Dinhata 2. Construction of Ladies Bk. (Armed Police Force at Barrackpore)	Clause 12.2.1 (Part 3) of NBC 2005	Preliminary estimate was inflated by ₹ 32.84 lakh and ₹ 51.01 lakh respectively

Sl. No.	Particulars	Name of the Projects	Criteria	Effect
	preliminary estimate was inflated by ₹ 32.84 lakh and ₹ 51.01 lakh respectively. No approval regarding such revision was obtained from requisitioning body.			

Source: Records of various works undertaken by the Corporation

Appendix 4.6

(Refer paragraph 4.7.3 (x), page 63)

Details of issue of supplementary tenders and other irregularities noticed during execution of six projects

Sl. No.	Name of work	Details of supplementary tender	Items that were executed more than 10 *per cent* of estimated quantity	Items Not executed at all
1	Construction of Four storied Barrack along with Kitchen Block at Barrackpore (Original work)	• Supplementary Tender 1 (three items) • Substitute Supplementary Tender 1 (10 items) • Substitute Supplementary Tender 2 (seven items)	65	205
2	Construction of Four storied Barrack along with Kitchen Block at Barrackpore (Balance work)	• Supplementary Tender 1 (13 items) • Substitute Supplementary Tender 1 (one item)	8	9
3	Construction of Office-*cum*-Residence of SDPO at Dinhata	• Supplementary tender 1 (26 items)	70	37
4	Bidhannagar Police Line (PL), East Police Station (PS) and Male/ Female Barrack	• 1st Revised Supplementary (three items) • 2nd Supplementary Tender (two items) • 2nd Supplementary Tender Non schedule (one item) • 3rd Supplementary Tender (five items) • 4th Revised Supplementary (53 items) • 5th Supplementary Tender (20 items) • 1st Revised Substitute Supplementary (two items) • 2nd Substitute Supplementary (three items) • 3rd Revised Substitute Supplementary (20 items) • 4th Substituted Supplementary (seven items) • 4th Revised Substitute Supplementary (25 items) • 5th Revised Substitute Supplementary (73 items) • 6th Substituted Supplementary (26 items)	108	129

Sl. No.	Name of work	Details of supplementary tender	Items that were executed more than 10 *per cent* of estimated quantity	Items Not executed at all
5	Construction of Office of Superintendent of Police (SP) at Alipurduar	• 1st Supplementary Tender (one item) • 2nd Supplementary Tender (six items) • 1st Substitute Supplementary Tender - Civil (three items) • 1st Non-Schedule Substitute Supplementary Tender Electrical (seven items) • 2nd Substitute Supplementary Tender (five items)	94	0
6	Construction of Subsidiary Training Centre in BT Lines	• 1st Supplementary Tender (24 items)	0	0
	Total		**345**	**380**

Source: Records furnished by the Corporation

Appendix 4.7

(Refer paragraph 4.8, page 64)

Sanctioned Strength of manpower *vis-à-vis* actual deployment

Name of the post	1 April 2016			31 March 2021		
	Sanctioned strength	Actual deployment	Shortage	Sanctioned strength	Actual deployment	Shortage
Chairman & Managing Director	1	1	0	1	1	0
Company Secretary	1	1	0	1	1	0
Chief Engineer (Civil)	2	1	1	2	1	1
Additional Chief Engineer	1	0	1	1	1	0
Asstt. Chief Engineer (Civil)	1	0	1	3	1	2
Asstt. Chief Engineer (Electrical)	1	0	1	1	0	1
Executive Engineer (Civil)	6	6	0	11	8	3
Executive Engineer (Electrical)	2	0	2	3	2	1
Asstt. Engineer (Civil)	11	8	3	28	27	1
Asstt. Engineer (Electrical)	2	1	1	9	8	1
Architect	0	0	0	1	0	1
Asstt. Architect	0	0	0	1	0	1
Asstt. Engineer (System)	1	0	1	2	1	1
Sub-Asstt. Engineer (Civil)	25	21	4	73	55	18
Sub-Asstt. Engineer (Electrical)	4	2	2	18	11	7
Draftsman	2	1	1	2	2	0
Chief Personnel & Administrative Officer	1	1	0	1	1	0
Law Officer	1	0	1	1	0	1
Financial Advisor & Chief Accounts Officer	2	1	1	2	1	1
Accounts Officer (Project)	1	1	0	3	1	2
Other staff	14	8	6	31	10	21
Total	**79**	**53**	**26**	**195**	**132**	**63**

Source: Records furnished by the Corporation

Appendix 4.8

(Refer paragraph 4.9.1, page 65)

Details of Projects showing 8.5 *per cent* Administrative & Supervision charges

(₹ in lakh)

Sl. No.	Name of the project	No. of Floor	Date of completion	Total booked expenditure in the project including 8.5 *per cent* Administrative & Supervision (A&S) charges	A&S charges realized	A&S charges should have been realized as per norms	Additional A&S charges realized	Remarks
1.	Construction of SP Office at Alipurduar	4	27.07.2020	693.23	54.31	31.95	22.36	--
2.	Construction of Jangal Mahal Safe House	2	08.09.2020	94.12	7.37	4.33	3.04	Payment made upto 3rd Running Account (RA) bill
3.	Construction of four storied Barrack along with Kitchen Block at Barrackpore	4	30.11.2019	593.55	46.50	27.35	19.15	--
4.	Construction of Kolkata Police Training Academy at Kamardanga	4	30.11.18	6,444.25	504.85	296.97	207.88	--
5.	Construction of Model Rural PS at Jibantala	4	22.09.20	202.64	15.87	9.33	6.54	Payment made upto 8th RA
6.	Officers Mess at SVSPA, Barrackpore	3	31.01.21	462.50	36.23	21.31	14.92	Payment made upto 4th RA bill. Formal handover & takeover was not taken place. However, the same was inaugurated on 31.01.2021
	Total:			**8,490.32**	**665.13**	**391.24**	**273.89**	

Source: Records of various works undertaken by the Corporation

Appendix 4.9

(Refer paragraph 4.9.2, page 65)

Details of projects where royalty was not recovered

Sl. No.	Name of the Project	Particulars of bill	Name of item on which royalty is payable	Unit	Quantity	Rate per cubic meter (in ₹)	Amount of royalty (in ₹)
1.	Construction of Office of the Superintendent of Police (SP) at Alipurduar	9th & Final bill	Sand	cum	1,484.135	53.00	78,659.00
2.	Construction of four storied Barrack along with Kitchen Block at Barrackpore	6th & Final bill	Sand	cum	2,839.972	53.00	1,50,518.00
3.	Construction of Kolkata Police Training Academy at Kamardanga	11th Running Account (RA) & Final bill	Sand	cum	16,697.395	53.00	8,84,962
4.	Construction of Jangal Mahal Safe House	3rd RA	Sand	cum	376.381	53.00	19,948
5.	Construction of East Bidhannagar Police Line (PL), East Police Station (PS), Force Barrack & Lady Police Barrack under Bidhannagar Police Commissionerate	10th & Final bill	Sand	cum	3,610.278	53.00	1,91,345
			Earth	cum	8,361.434	29.00	2,42,482
6.	Construction of Urban PS at Habra	8th & Final bill	Sand	cum	282.690	53.00	14,983
7.	Construction of Office-*cum*-Residence at Sub-Divisional Police Officer (SDPO), Dinhata	6th & Final bill	Sand	cum	827.177	53.00	43,840
			Earth	cum	1,329.553	29.00	38,557
8.	Construction Model Rural PS at Jibantala	8th RA bill	Sand	cum	145.560	53.00	7,715
			Earth	cum	3,281.38	29.00	95,160
9.	Construction of Subsidiary Training Centre in BT Lines	8th RA & Final bill	Sand	cum	1,444.80	53.00	76,574
10.	Construction of New Officers' Mess in SVSPA, Barrackpore	4th RA bill	Sand	cum	1,521.89	53	80,660
	Total						**19,25,403**

Source: Records of various works undertaken by the Corporation

Appendix 4.10

(Refer paragraph 4.9.3, page 66)

Details of project where excess expenditure was incurred over allotment

(₹ in lakh)

Sl. No.	Name of the project	Admin. Approval	Allotment of fund received	Fund surren-dered	Surren-dered fund received	Total fund received	Total expenditure incurred	Excess expen-diture	Remarks, if any
A	B	C	D	E	F	G=(D-E+F)	H	I=H-G	J
1.	Construction of Office of Superintendent of Police (SP) at Alipurduar	764.48	630.29	253.50	241.38	618.17	693.23	75.06	The completed project was handed over to the District Authority on 30.07.2020. Requisition for placement of fund was last made on 22.12.2020.
2.	Officers Mess in SVSPA, Barrackpore	603.13	450.00	272.66	203.93	381.27	462.50	81.23	--
3.	Bidhannagar Police Line (PL), East Police Station (PS) and Male/ Female Barrack	1,997.98	1,552.35	163.55	163.55	1,552.35	1,893.88	341.53	The completed project was handed over to the District Authority on 03.06.2020. Requisition for placement of fund was last made on 17.09.2019.
4.	100 head Barrack at State Armed Police (SAP) 13th Batallion., Barjora	277.35	110.00	110.00	100.00	100.00	106.78	6.78	Requisition for placement of fund of ₹ 150.00 lakh was made on 10.06.20 against which ₹ 100.00 was placed in favour of the Corporation on 26.08.2020.
5.	Renovation (Civil Electrical) work of New Room at 4th floor, Bhawani Bhawan Main Build. For Criminal Investigation Department (CID), West Bengal	106.90	10.00	0.00	0.00	10.00	81.94	71.94	The completed project was not handed over to the District Authority. Requisition for placement of fund was last made on 29.05.2020.
	Total:							**576.54**	

Source: Records of various works undertaken by the Corporation

Appendix 4.11

(Refer paragraph 4.9.5, page 67)

Loss of interest for not availing auto sweep facility

2016-17					2017-18				
Month	**Date of minimum balance**	**Minimum balance during the month**	**Balance after deducting minimum threshold limit of ₹ 1,00,000**	**Interest if auto sweep was availed @ five *per cent***	**Month**	**Date of minimum balance**	**Minimum balance during the month**	**Balance after deducting minimum threshold limit of ₹ 1,00,000**	**Interest if auto sweep was availed @ five *per cent***
Apr-16	-	-	-	-	**Apr-17**	01.04.17	3,01,57,704	3,00,57,704	1,25,240
May-16	-	-	-	-	**May-17**	01.05.17	3,15,61,402	3,14,61,402	1,31,089
Jun-16	-	-	-	-	**Jun-17**	01.06.17	3,26,09,022	3,25,09,022	1,35,454
Jul-16	-	-	-	-	**Jul-17**	07.07.17	3,41,582,04	3,40,58,204	1,41,909
Aug-16	-	-	-	-	**Aug-17**	01.08.17	3,98,61,061	3,97,61,061	1,65,671
Sep-16	-	-	-	-	**Sep-17**	14.09.17	3,16,53,479	3,15,53,479	1,31,473
Oct-16	-	-	-	-	**Oct-17**	01.10.17	4,07,53,479	4,06,53,479	1,69,389
Nov-16	01.11.16	94,90,239	93,90,239	39,126	**Nov-17**	01.11.17	4,20,009,27	4,19,00,927	1,25,240
Dec-16	01.12.16	2,13,24,155	2,12,24,155	88,434	**Dec-17**	10.12.17	3,68,37,935	3,67,37,935	1,53,075
Jan-17	01.01.17	2,76,00,462	2,75,00,462	1,14,585	**Jan-18**	01.01.18	4,86,19,586	4,85,19,586	2,02,165
Feb-17	01.02.17	2,92,97,732	2,91,97,732	1,21,657	**Feb-18**	01.02.18	4,97,26,292	4,96,26,292	2,06,776
Mar-17	01.03.17	3,01,57,704	3,00,57,704	1,25,240	**Mar-18**	12.03.18	4,04,83,423	4,03,83,423	1,68,264
Total				**489043**	**Total**				**18,55,747**

2018-19					2019-20				
Month	**Date of minimum balance**	**Minimum balance during the month**	**Balance after deducting minimum threshold limit of ₹ 1,00,000**	**Interest if auto sweep was availed @ five *per cent***	**Month**	**Date of minimum balance**	**Minimum balance during the month**	**Balance after deducting minimum threshold limit of ₹ 1,00,000**	**Interest if auto sweep was availed @ five *per cent***
Apr-18	1.4.18	5,32,44,791	5,31,44,791	2,21,437	Apr-19	26.4.19	9,05,77,667	9,04,77,667	3,76,990
May-18	1.5.18	5,38,87,193	5,37,87,193	2,24,113	**May-19**	No Transaction	9,05,77,667	9,04,77,667	3,76,990
Jun-18	25.6.18	5,10,88,314	5,09,88,314	2,12,451	**Jun-19**	1.6.19	9,05,67,667	9,04,67,667	3,76,949
Jul-18	1.7.18	5,11,54,438	5,10,54,438	2,12,727	**Jul-19**	1.7.19	10,83,34,902	10,82,34,902	4,50,979
Aug-18	No Transaction	5,26,98,925	5,25,98,925	2,19,162	**Aug-19**	27.8.19	11,57,90,042	11,56,90,042	4,82,042
Sep-18	1.9.18	5,26,98,925	5,25,98,925	2,19,162	**Sep-19**	30.9.19	11,54,49,601	11,53,49,601	4,80,623
Oct-18	1.10.18	5,47,99,767	5,46,99,767	2,27,916	**Oct-19**	1.10.19	11,54,49,601	11,53,49,601	4,80,623
Nov-18	15.11.18	6,31,34,648	6,30,34,648	2,62,644	**Nov-19**	26.11.19	2,59,04,211	2,58,04,211	1,07,518
Dec-18	5.12.18	6,76,98,809	6,75,98,809	2,81,662	**Dec-19**	1.12.19	2,59,04,211	2,58,04,211	1,07,518
Jan-19	1.1.19	7,42,31,398	7,41,31,398	3,08,881	**Jan-20**	1.1.20	3,24,34,528	3,23,34,528	1,34,727
Feb-19	1.2.19	7,82,08,975	7,81,08,975	3,5,454	**Feb-20**	17.2.20	3,28,73,704	3,27,73,704	1,36,557
Mar-19	1.3.19	8,16,62,011	8,15,62,011	33,9,842	**Mar-20**	1.3.20	3,36,12,451	3,35,12,451	1,39,635
Total				**30,55,451**	**Total**				**36,51,151**

2020-21				
Month	**Date of minimum balance**	**Minimum balance during the month**	**Balance after deducting minimum threshold limit of ₹ 1,00,000**	**Interest if auto sweep was availed @ five *per cent***
Apr-20	No Transaction	3,67,01,703	3,66,01,703	1,52,507
May-20	1.5.20	3,67,01,703	3,66,01,703	1,52,507
Jun-20	10.6.20	2,30,76,637	2,29,76,637	95,736
Jul-20	1.7.20	2,99,32,526	2,98,32,526	1,24,302
Aug-20	4.8.20	3,12,00,927	3,11,00,927	1,29,587
Sep-20	1.9.20	3,71,42,113	3,704,2,113	1,54,342
Oct-20	8.10.20	39,2,49,598	3,91,49,598	1,63,123
Nov-20	5.11.20	4,01,70,107	4,00,70,107	1,66,959
Dec-20	3.12.20	4,04,15,842	4,03,15,842	1,67,983
Jan-21	19.1.21	4,09,59,582	4,08,59,582	1,70,248
Feb-21	17.2.21	4,05,42,251	4,04,42,251	1,68,509
Mar-21	20.3.21	4,13,82,600	4,12,82,600	1,72,011
Total				**18,17,815**

Total loss of interest = ₹4,89,043 + ₹ 18,55,747 + ₹ 30,55,451 + ₹ 36,51,151 + ₹ 18,17,815 = ₹ 1,08,69,207

Source: Records furnished by the Corporation

Appendix 4.12

(Refer paragraph 4.9.10, page 69)

Details of short deduction of Cess

(₹in lakh)

Sl. No.	Name of the project	Amount of Cess should have been deducted	Amount of Cess actually deducted	Short deduction of Cess	Remark, if any
1.	Construction. of Kolkata Police Training Academy at Kamardanga	58.61	56.39	2.22	--
2.	Construction of Office of Superintendent of Police (SP), Alipurduar	6.13	5.55	0.58	--
3.	Construction of Jangal Mahal Safe House	0.86	0.81	0.05	Payment made upto 3rd RA
4.	Construction. of Habra Police Station (PS)	2.67	2.39	0.28	--
5.	Construction of Office-*cum*-Residence of Sub-Divisional Police Officer (SDPO) at Dinhata	1.91	1.70	0.21	--
6.	(a) Construction. of Ladies Barrack along with Kitcen Block at Barrackpore (Original work)	4.54	4.05	0.49	--
	(b) -do- (Balance work)	0.88	0.78	0.10	--
7.	Construction of Police Line (PL), East Bidhannagar PS, Force Barrack, *etc.*	17.14	16.45	0.69	--
8.	(a) Renovation (Civil & Electric) works at new room at 4th floor, Bhawani Bhawan	0.43	0.38	0.05	--
	(b) -do- Supply of furniture	0.35	0.30	0.05	--
9.	Construction of Subsidiary Training Centre in BT Lines	2.40	2.14	0.26	--
10.	Construction Model Rural PS at Jibantala	1.87	1.67	0.20	--
11.	(a) Officer's Mess at Barrackpore (Original)	0.40	0.36	0.04	--
	(b) Officer's Mess at Barrackpore (Balance)	3.86	3.44	0.42	--
12.	Construction of barrack for accommodation of 100 heads police personnel & store at State Armed Police (SAP) 13th Battalion (Bn.), Barjore, Bankura	1.02	0.91	0.11	Payment made upto 2nd RA
	Total	**103.07**	**97.32**	**5.75**	

Source: Records of various works undertaken by the Corporation

Appendix 5.1

(Refer paragraph 5.3.2, page 78)

Statement showing mobilisation of funds during 2016-17 to 2020-21

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Resource mix used by Corporation during 2016-17 to 2020-21					
Cash inflow					
Opening cash and bank balances	90.53	122.45	167.57	207.75	242.66
Share capital	48.00	0.00	0.00	0.00	0.00
Recovery of Principal	202.33	194.93	100.87	133.93	74.52
Recovery of Interest (Term Loan)	79.69	57.33	43.59	32.54	34.38
Other revenue receipts	9.83	25.60	15.01	37.33	22.88
Other cash inflow	2.60	0.00	12.34	0.00	0.00
Total Inflow (Excluding Opening balance)	**342.45**	**277.86**	**171.81**	**203.80**	**131.78**
Cash outflow					
Disbursements by way of loans	133.07	97.29	25.78	5.30	1.50
Repayment to SIDBI	22.21	10.05	0.00	0.00	0.00
Repayment to Bond	65.02	50.00	46.33	59.35	111.24
Repayment to other banks	8.16	0.00	0.00	0.00	0.00
Revenue expenditure	14.79	14.85	15.49	13.68	11.26
Payment of Interest	55.90	51.46	44.03	41.42	33.98
Other cash outflow	11.38	9.09	0.00	49.14	5.96
Total Outflow	**310.53**	**232.39**	**131.63**	**168.89**	**163.94**
Closing balance of cash & bank	**122.45**	**167.57**	**207.75**	**242.66**	**210.50**

Source: Annual Accounts of the Corporation

Appendix 5.2

(Refer paragraph 5.4.2, page 81)

Statement showing industry-wise break-up of sanction and disbursement during 2016-21

(₹ in crore)

Sl. No.	Industry	Sanction										Disbursement				
		2016-17		2017-18		2018-19		2019-20		2020-21		2016-17	2017-18	2018-19	2019-20	2020-21
		Total		Total		Total		Total		Total		Total Amount				
		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.					
1	Basic metal industries (manufacturing)	3	11.00	2	9.66	0	0	0	0	0	0	24.40	5.46	--	0	0
2	Chemicals and Chemical products/ pharmaceutical	12	2.56	6	6.89	0	0	0	0	0	0	14.34	2.33	5.00	0	0
3	Cold Storage	1	5.00	1	2.00	0	0	0	0	0	0	10.05	6.09	0.36	0	0
4	Electrical Machinery	0	0	0	0	0	0	0	0	0	0	-	-	0	0	0
5	Electricity Generation, Gas & steam	0	0	0	0	0	0	0	0	0	0	0.91	-	0	0	0
6	Food manufacturing except rice mills (manufacturing)	7	5.48	8	7.11	0	0	0	0	0	0	5.87	8.26	0.12	0	0
7	Hotels	3	8.45	1	18.50	1	0.70	0	0	0	0	2.90	4.40	0	0	0
8	Machinery except electrical machinery	0	0	1	0.16	0	0	0	0	0	0	0.42	0.45	0	0	0
9	Medical practioners/ Nursing homes/ Electro medical equipment/ Colour lab	1	1.25	4	4.18	0	0	0	0	0	0	2.15	2.82	0	0.61	0
10	Metal products except machinery & transport equipment (manufacturing)	2	3.62	3	15.73	0	0	0	0	0	0	7.64	11.05	3.77	4.03	0
11	Other industries	20	35.32	14	14.65	3	3.38	0	0	1	3.00	39.04	19.44	3.57	1.27	1.50
12	Paper and paper product (manufacturing)	7	7.71	4	2.04	0	0	0	0	0	0	4.57	3.01	0.06	0	0
13	Plastic product (manufacturing)	3	5.02	4	1.91	0	0	0	0	0	0	7.84	8.96	0.03	0	0
14	Rice mill (manufacturing)	5	13.89	3	12.62	0	0	0	0	0	0	8.52	13.51	5.06	0	0
15	Rubber & Jute product	0	0	0	0	0	0	0	0	0	0	1.16	-	0	0	0
16	Small Road Transport Operator	1	0.21	0	0	0	0	0	0	0	0	0.15	0.05	0	0	0
17	Textiles	12	22.52	2	7.52	0	0	0	0	0	0	4.00	11.45	7.28	0	0
18	Transport Equipment	0	0	0	0	0	0	0	0	0	0	0	-	-	0	0
	Total	**77**	**122.02**	**53**	**102.96**	**4**	**4.08**	**0**	**0**	**1**	**3.00**	**133.07**	**97.28**	**25.78**	**5.91**	**1.50**

Source: Annual Accounts of the Corporation

Appendix 5.3

(Refer paragraph 5.4.2.2 (ii), page 84)

Case studies on various instances of deficient loan appraisal, deviation from policy, *etc.*, in sanctioning of loans

Name of the Borrower	Present status of loan	Observations on deficiencies/ deviations
Loan to an unit with doubtful viability		
M/s Mridula Tyre Retreading Service (MTRS), Term loan of ₹ 18 lakh and working capital loan of Rupees three lakh	NPA	The objective of MTRS was to set up Tyre Retreading unit to meet the growing demand of the re-processed & reconditioned automobile tyre The loan was disbursed between May 2015 and November 2015. The project was fully implemented in November 2015; but, since October 2016, the unit started facing shortage of working capital and making problem and started defaulting and slipped to 'B' category from October 2016 and Non Performaing Assets (NPA) from November 2016. After failed attempts like Default Review Meetings, serving of combined notice, taking over of notional possession in March 2018, Sale notice published in Newspaper, an One Time Settlement (OTS) (at ₹ 18 lakh) was approved in March 2021. The agreed OTS led to sacrifice ₹ 6.85 lakh interest accrued as on 28.02.2021. Out of ₹ 18 lakh, an amount of ₹ 8.00 lakh still remains payable by M/s MTRS. Deficiencies in appraisal were evident from the following facts. • The location of the unit was five Km away from Purulia town and lay on Panchayat Road 0.5 km away from Purulia-Bankura Road. Thus getting customer far from the town was a remote possibility. Since the main target customers were the commercial vehicle operators plying in Purulia-Bankura Road. • The Company was unable to sale the mortgage land (138 *decimal*) belonging to the father of one the promoter. • No inter-firm comparison was carried out; the projected installed capacity (3,600 numbers) seems to be higher side. • Debt-equity ratio seemed to be on lower side (1.21:1). • The unit became NPA from November 2016, but the notional possession was taken only in March 2018 resulting in decrease of P&M value from ₹ 16.27 lakh to ₹ 7.67 lakh.
Sanction of loan based on wrong/ unrealistic projections leading to blocking		
Rohon's Ice Cream and Ice Candy	NPA	• Although the unit started its operation from April 2017 in full, it could not manage to pay the installments in a regular manner.

Name of the Borrower	Present status of loan	Observations on deficiencies/ deviations
(RIC&C) at PS-Nabagram, Murshidabad, Term Loan (TL) of ₹ 35.00 lakh		• It was noticed that initially RIC&C had a proposal for setting-up 1,000 ltr./ day capacity plant at the cost of ₹ 50.27 lakh. However, later the capacity was enhanced to 2,000 ltr./ day escalating the project cost to ₹ 56.66 lakh. Such capacity enhancement was, however, done without any viability study. • Further, such cost escalation led non-availability of funds for installation of flavour tank and Chocolate coating tank though originally planned. This resulted in non-production of quality products. • Although WBFC issued demand notice u/s 30, it was unable to recover any amount from loanee. Ultimately WBFC could not take any further action, *i.e.*, possession of hypothecated assets, valuation of assets, sales proceeds or one time settlement. • Un-audited reports/ Balance sheets were submitted for last three years. • Insurance was not covered. As on 23.02.2021 total outstanding of RIC&C stood at ₹ 27.83 lakh and default in payment was ₹ 13.83 lakh (Principal *plus* Interest). Hence, the WBFC's working capital in the form of Principal as well as Interest remained blocked amounting to ₹ 27.83 lakh.
Sanction of loan to a poultry farm ignoring deficiencies in project proposal and inexperience of proprietors		
M/s. Sonali Sapna Hatcheries (SSH) Term Loan (TL) of ₹ 25.00 lakh, which was sanctioned (January 2004) by WBFC	NPA	The loan was for setting-up a Poultry Farm at Village -Godardihi, PS-Beliatore, Bankura. M/s SSH started defaulting from the very first installment of repayment (falling due in May 2015) of the loan. WBFC issued demand notice u/s 30 in December 2015 and u/s 29 SFC's Act, 1951 (in February 2018) for recovery of loan and took the notional possession of the property. • The unit in its proposal showed capacity utilisation of 100 *per cent* which was not feasible as poultry business falls under the perishable category. • The proprietors, who had been mainly engaged in Jewelry business and in trading of building materials, had little experience in poultry business.

Name of the Borrower	Present status of loan	Observations on deficiencies/ deviations
		• The terms and conditions of loan *inter alia* included that necessary conversion certificates of the land have to be obtained from the appropriate authority. But it was noticed that land measuring 197 *satak* out of which 180 *satak* was mutated in favour of the Poultry farm which reduces insurable securities. • Further it was noticed that insurance policies were not done in favour of WBFC. • The unit failed to complete the shed as per schedule. As a result the income could not be generated from the project and the loanee was unable to pay the installments. • It was noticed that WBFC delayed in taking the possession of assets about two years and further made delay in valuation of property by four years. • WBFC did not make any attempts for sale proceed till date although it had the possession of the assets since long period. Hence, the WBFC working capital in the form of principal as well as interest remained blocked. So, the WBFC had forgone an amount of ₹ 41.09 lakh towards principal, interest and other charges.
Disbursement of loan without verifying fulfilment of pre-conditions		
M/s Glaze Infrastructure Private Limited (GIPL) **The first phase of loan amounting to ₹ 1,075.00 lakh was disbursed during September 2010 to February 2012** **Second phase amounting ₹ 475.00 lakh in February 2012**	NPA	The loan was for setting-up a unit for manufacturing laminated glass, automotive bend glass, toughened glass, *etc.*, with an installed capacity of 7.80 lakh sq mt *per annum* at a cost of ₹ 2,547 lakh. In August 2014, due to depressed market conditions in real estate, the company expressed their inability to pay their installments in time and requested WBFC to deferment of principal installments for nine months and reschedule all its loans and the same was approved by the WBFC ignoring various instances of non-fulfilment of loan conditions. • As per terms and conditions of the sanction, wherein it was stated that the capital (including share premium) of the company had been raised by ₹ 294.00 lakh and unsecured loan raised by ₹ 97.00 lakh before disbursement of any portion of the loan whereas at the time of 1st disbursement of ₹ 224.00 lakh, the share capital of the company was ₹ 142.04 lakh and unsecured loan was ₹ 95.00 lakh only. As per project summary the company was to utilize its 40, 50 and 60 *per cent* capacity at 1st, 2nd and 3rd year respectively. It was observed in audit that disbursement of the first phase of loan started from September 2010 even before start of the project.

Name of the Borrower	Present status of loan	Observations on deficiencies/ deviations
		• Further, before disbursement of any portion of the loan, it was stated that proposed factory land had been purchased in the name of the company and necessary mutation and conversion had been obtained. The same was not obeyed till July 2021. Further, in June 2017, as the unit failed to meet its commitment toward regularization of its loans accounts, WBFC took physical possession of the unit and made a valuation of the same. WBFC advised (December 2018) to clear default amount of ₹ 8.68 crore and also asked them to submit a concrete OTS proposal. Since then no proposals were received and an amount of ₹ 8.99 crore toward principal was blocked.
Granting of loan against mortgage of land without necessary mutation		
M/s Hotel Pranam Lodge **Term loan of ₹ 60.00 lakh under "Loan Against Mortgage of Property" (LAMP)** **Additional term loan of ₹ 77.00 lakh (March 2017)**	NPA	With a view to meeting a part of the cost of renovation of its existing hotel. During scrutiny it was noticed that ownership of the land had not been mutated in favour of the promoters, for which the partners/ partnership firm agreed to bear one *per cent* additional rate of interest till submission of mutation certificate. The partners approached (July 2016) WBFC for an additional Term loan of ₹ 80.00 lakh under LAMP scheme which was ultimately sanctioned for an amount of ₹ 77.00 lakh in March 2017 under LAMP scheme subject to certain pre-terms and conditions which *inter alia* included: • One of the conditions of Term Loan (TL) and Additional Term Loan (ATL) stipulated that before disbursement of any portion of the loan, the concern (HPL) would have to submit the mutation certificate of its hotel project land in its name or in the name of its present partners with non-waivable condition. But on the request of the party (June 2017), the WBFC agreed to waive the condition and disbursed loan (TL & ATL) by charging one *per cent* higher interest without the availability of mutation certificate which was a gross violation of the term and condition of disbursement of loan. Moreover, the lending policy formulated by the WBFC did not permit waiver of submission of mutation certificate by charging additional one *per cent* interest. Therefore, the loan was disbursed against an invalid land mortgage in deviation from the loan policy. This has resulted in blockage of ₹ 1.72 crore which includes principal of ₹ 1.01 crore and interest thereon ₹ 0.71 crore as on July 2021.

Name of the Borrower	Present status of loan	Observations on deficiencies/ deviations
Release of loan without due diligence in project appraisal		
M/s New Raja Brick field Term Loan (TL) of ₹ 70.00 lakh along with working capital Term Loan (WCTL) of ₹ 20.00 lakh in October 2011	NPA	This loan was intended for setting up a modernized brick field at Mashila, Bardhaman. Scrutiny of records revealed that from the very first year of operation, *i.e.*, 2013, the production of Raja Brick field was facing technical problem. Thus, loan account had been irregular since inception and the promoters neglected the same despite being allowed with ample opportunity. WBFC issued demand notice in October 2013 followed by notional possession notice in August 2014. But no physical possession was taken. The WBFC official visited the site (April 2017) and found that the factory was closed and lying in abandoned condition. No stock of bricks was found. In view of the above; Audit observed as follows: • It was perused from the records that none of the promoters had any experience in Modern Brick field (Red Brick) as a result of which the production of Red Bricks was not upto the mark since inception. • It was also observed that the unit suspended their operation due to scarcity of coal and other raw materials, *i.e.*, soil and sand. At the time of appraisal no analysis had been carried out regarding linkage for getting the coal, as a result of which getting coal became difficult. • The land mutation and land conversion certificates were not available on record. The total area of 1.65 acres was fragmented in separate areas, not in one place. Moreover, the class of land was also mixed as out of 165 decimals, 44 decimals were recorded as '*danga*', 27 decimals as '*Sali*' and 94 decimals were recorded as '*Bagan*'. • Term and condition of loan *inter alia* stated that, the WBFC would monitor the utilization of WCTL funds released with reference to the bank account and stock of current assets of the unit on monthly basis. But no such check was found on record to establish the fact that the unit checked its current stock on monthly basis, as during inspection (April 2017) no stock of bricks was found. • The reason for not taking the physical possession of assets was not found on records as a result of which it was found that the unit was fully damaged. The WBFC could at least recover an amount of ₹ 24.45 lakh, being the reserved price of the assets placed as security. Leaving remote possibility in getting back the principal (₹ 65.55 lakh).

Source: Records taken from respective loanee file maintained by the Corporation

Appendix 5.4

(Refer paragraph 5.6.2.1, page 92 & 93)

Asset Category and their *percentage* against Total Asset

(₹ in crore)

Class of Assets		2016-17		2017-18		2018-19		2019-20		2020-21	
		No. of Accounts	Gross Assets (Pr. + others)	No. of Accounts	Gross Assets (Pr. + others)	No. of Accounts	Gross Assets (Pr. + others)	No. of Accounts	Gross Assets (Pr. + others)	No. of Accounts	Gross Assets (Pr. + others)
Standard Assets											
	A1	384	357.36 (55.33)	296	284.67 (51.92)	163	164.62 (36.20)	109	95.17 (28.67)	40	33.82 (13.75)
	A2	60	33.50 (5.19)	45	15.34 (2.80)	26	4.13 (0.91)	11	1.21 (0.36)	2	0.04 (0.02)
	A5	57	7.27 (1.12)	31	1.84 (0.34)	16	0.67 (0.15)	5	0.22 (0.15)	2	0.00
	A6	7	3.86 (0.60)	4	2.32 (0.42)	0	0	0	0	0	0.00
	A7	59	76.61 (11.86)	11	40.04 (7.30)	0	0	0	0	0	0.00
	A8	0	0.00 (0.00)	6	1.88 (0.34)	0	0	0	0	0	0.00
	A9	0	0.00 (0.00)	0	0.00 (0.00)	0	0.00 (0.00)	0	0.00 (0.00)	8	11.57 (4.70)
Total:		**567**	**478.60 (74.10)**	**393**	**346.09 (63.12)**	**205**	**169.42 (37.25)**	**125**	**96.60 (29.10)**	**52**	**45.43 (18.47)**
Sub-Standards											
	B1	59	103.48 (16.02)	67	59.14 (10.78)	111	123.38 (27.13)	35	32.66 (9.84)	21	6.71 (2.73)
	B2	1	2.24 (0.35)	0	0.00	0	0.00	1	0.02 (0.01)	0	0.00
Total:		**60**	**105.72 (16.37)**	**67**	**59.14 (10.78)**	**111**	**123.38 (27.13)**	**36**	**32.68 (9.84)**	**21**	**6.71 (2.73)**

Class of Assets		2016-17		2017-18		2018-19		2019-20		2020-21	
		No. of Accounts	Gross Assets (Pr. + others)	No. of Accounts	Gross Assets (Pr. + others)	No. of Accounts	Gross Assets (Pr. + others)	No. of Accounts	Gross Assets (Pr. + others)	No. of Accounts	Gross Assets (Pr. + others)
Doubtful Assets											
	DA1	39	30.31 (4.69)	54	92.92 (16.95)	46	42.81 (9.41)	70	62.64 (18.87)	17	31.86 (12.96)
	DA2	42	31.28 (4.84)	55	50.16 (9.15)	82	119.20 (26.21)	77	109.46 (32.97)	84	117.98 (47.98)
	DA3	0	0.00	0	0.00	0	0.00 ()	43	30.58 (9.21)	58	43.92 (17.86)
Total:		**81**	**61.59 (9.53)**	**109**	**143.08 (26.09)**	**128**	**162.01 (35.62)**	**190**	**202.68 (61.06)**	**159**	**193.76 (78.79)**
Loss Assets											
	LA	9	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Grand Total :		**717**	**645.91**	**569**	**548.31**	**444**	**454.81**	**351**	**331.96**	**232**	**245.91**

Source: Annual Accounts of the Corporation

Appendix 5.5

(Refer paragraph 5.7, page 101)

Participation of members in WBFC Board of Directors' meetings during April 2016 to March 2021

Sl. No.	Board of Directors' meeting number	Date	Total Board Members	Actually present
1	687th	24.08.16	11	5
2	688th	26.09.16	11	5
3	689th	24.11.16	11	6
4	690th	27.02.17	11	5
5	691st	16.03.17	11	6
6	692nd	30.03.17	11	5
7	693rd	07.06.17	10	5
8	694th	05.09.17	10	4
9	695th	30.11.17	9	4
10	696th	28.05.18	9	5
11	697th	05.07.18	9	5
12	698th	25.09.18	9	4
13	699th	25.03.19	9	6
14	700th	09.07.19	9	5
15	701st	07.08.19	9	5
16	702nd	17.09.19	9	5
17	703rd	28.01.20	9	5
18	704th	02.07.20	9	5
19	705th	16.09.20	9	6
20	706th	16.12.20	9	5
21	707th	29.12.20	9	5
22	708th	22.03.21	9	5
Total			**212**	**111**

Source: Records furnished by the Corporation

Appendix 7.1

(Refer paragraph 7.2.1, page 130)

Statement showing inadequate follow up measure and non-recovery of ineligible claim including interest/ penalty

(In ₹)

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AAMCS1382C1ZA	19433826035	47,65,361.93	74,11,509.00	Shibpur	--
19AVJPS0913J1Z9	1939721071	2,39,974.00	1,19,987.00	Ballygunge	--

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.2

(Refer paragraph 7.3.1.1, page 132)

Statement showing incorrect population of credit in ECL

(in ₹)

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AHKPD9737A1ZB	19705636040	14,42,691.73	14,42,691.73	Shibpur	--
19AFQPP6915C1Z3	19670330077	0.00	1,05,778.00	Salt Lake	--
19AABCG0946P1Z6	19200562084	0.00	1,08,90,547.00	Behala	--
19ACVFS2203G1ZX	19311959018	0.00	64,285.00	Burtola	--
Total			**1,25,03,301.73**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.3

(Refer paragraph 7.3.1.2, page 132)

Statement showing electronic credit ledger populated in excess *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AABCD8204H1ZR	19533692094	3,60,067.00	0.00	Bowbazar	--
19AABCF1812F1Z1	19282319019	13,35,991.00	0.00	Strand Road	--
19AALFS8784J1Z6	19371016013	2,38,970.00	0.00	Shyambazar	--
Total			**0.00**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.4

(Refer paragraph 7.3.2.1, page 133)

Statement showing ineligible carry forward of credit from Legacy Returns despite 'Nil' balance *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AAOCS6535M1ZI	19708125060	66613.00	66613.00	Shibpur	--
19AABCI0328R1Z8	19671311329	322623.00	322623.00	Salt Lake	--
19AABCL5967D1ZB	19671396398	99637.15	82041.00	Salt Lake	--
19ACRPC0813A1Z4	19271116004	92475.00	92475.00	Rajakatra	--
19AAHFC2405J1ZK	19200912060	706881.88	706881.88	New Market	--
19AABCN8514G1ZE	19432726055	60181681.20	60148934.00	Large Taxpayer Unit	60148934.00
19AADCA7304F1ZX	19261341023	2255569.00	2255569.00	Large Taxpayer Unit	1414472.00
19AAGFE1056L1ZA	19701304990	602785.00	325724.00	Howrah	--
19AAACT1426A1ZW	19540352017	24211166.00	24211166.00	Chandni Chowk	24211166.00
19AAACT9156H1ZZ	19710880054	1478560.00	1478560.00	Bally	--
19AAOHR1741K1ZN	19713469081	1386526.00	1386526.00	Bally	--
19AACCG6363K1Z8	19910106026	70407.00	70407.00	Central Section	--
19AAMCS1735P1ZM	19472012025	1483518.00	1483518.00	Beliaghata	--
19AADCJ3812H1ZN	19391022748	2942752.22	2942752.22	Ballygunje	--
19CCDPM4211Q1Z9	19511997074	4749322.62	4749322.76	Amratolla	--
19AAACC4214B1ZB	19603498047	130849.00	130849.00	Salt Lake	--
19AABCG0663P1Z8	19671402024	525086.85	480270.00	Salt Lake	--
19AJOPS3830P1ZA	19291566029	190733.48	10501.00	Salt Lake	10501.00
19AACCG1462D1ZX	19396824027	2557859.47	1945627.00	Srirampur	--
19AAFCM4891H1Z1	19542314036	3453763.00	3453763.00	Chandni Chowk	--
19AABCK0824G1ZS	19501256070	1993870.00	1993870.00	Radhabazar	--
19AABCG1667P1Z2	19500005061	2317002.85	2317002.85	Radhabazar	--
19ADBPA8921C1ZZ	19500950035	81265.00	81265.00	Radhabazar	--
19AADCS9018E1ZA	19432799096	3885688.00	498932.00	Park Street	498932.00
19AABCM9445K1ZY	19430027030	3404537.55	3404537.55	Park Street	--
19AABCB4008R1ZE	19620951063	68066.57	68066.57	Behala	--
19AAACW4495Q1ZD	19434594081	1475013.00	1475013.00	Taltala	--
19AADFP9523A1ZD	19470753062	579039.64	579039.64	Lalbazar	--
19AACFC3872C1ZN	19471060067	2778784.00	2778784.00	Lalbazar	--
19AAFCA3293B1ZV	19620951063	159128.00	159128.00	Durgapur	--
19ABDFA2545C1ZU	19293017052	179383.00	33562.00	Beadon Street	--
19AACCC2654F1ZT	19290151090	706110.00	306110.00	Beadon Street	--
19AAKCS9574Q1Z1	19676598023	147813.00	147813.00	Salt Lake	--
Total			**120187246.47**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.5

(Refer paragraph 7.3.2.2, page 134)

(Refer paragraph 7.3.2.2, page 134)

Statement showing excess credit taken from Legacy Returns *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AACCV8705G1Z4	19685437051	705443.20	5687.00	Shibpur	--
19ATUPB3905C1ZS	19282402051	991630.00	14375.00	Strand Road	--
19AAGCR6775C1Z2	19282599058	26329726.00	19950928.00	Strand Road	--
19AAIFK1024A1ZX	19675713092	218304.00	16109.00	Salt Lake	--
19AAACW0387R1ZK	19200143044	1688433.87	848053.00	Salt Lake	--
19ABCFM0714E1ZO	19272318028	2085282.54	1095847.54	Rajakatra	--
19ALRPS8746B1ZF	19260396049	58041.47	1371.32	NS Road	--
19AAGCA5212K1ZO	19910037059	8185279.00	245227.00	Esplanade	--
19AGMPB5197M1ZQ	19341979063	203452.00	49035.00	Jorasanko	--
19BZZPB8056J1ZJ	19651530410	214205.00	17122.30	Barasat	--
19ABJFS8174R1ZY	19661082970	272451.97	8653.50	Barrackpore	--
19ANKPB4620N1ZT	19739857058	397945.85	276951.55	Bally	--
19AAFCA3842C1ZY	19521070066	638260.00	800.00	Armenian Street	--
19AACFE3449F1ZI	19693696019	712032.00	9107.00	Kadamtala	--
19AADCH4631A1Z0	19651568531	144140.00	72988.00	Salt Lake	--
19AAECS5205L1Z5	19580561039	3102639.73	225742.00	Srirampur	--
19AAICP7553Q1ZF	19551532043	294886.00	114901.00	College Street	--
19ABKPH7854G1Z9	19541177002	278887.00	11237.00	Chandni Chowk	--
19AACCA3927F1ZT	19480341027	2441084.00	25000.00	Lyons Range	--
19AACCA4863A1ZY	19500560095	50887.00	29202.00	Radhabazar	--
19AACCP1511G1ZS	19431683014	1728700.00	1639904.00	Park Street	1639904.00
19AALCA8493K1ZU	19311886074	433730.00	86898.00	Burtola	--
19ALGPS2937M1ZE	19321494021	72756.00	47884.00	Cossipore	--
19AVYPS8342N1Z7	19301133042	213281.00	13171.00	Belgachhia	--
19AABCE5871H1ZF	19604114094	444982.00	355406.00	Alipore	355406.00
19AGGPK8229B1ZF	19604469017	401458.00	3839.00	Behala	--
19AAHFP6517G1Z1	19893258096	3169334.00	2436.00	Siliguri	--
19AAECN4392B1ZH	19472134051	2730858.00	2503067.00	Lalbazar	--
19AADCS5939A1ZC	19622219047	1570686.86	514876.00	Behala	--
Total			28185818.21		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.6

(Refer paragraph 7.3.2.3, page 134)

Statement showing excess credit carried forward from Legacy Returns of previous year (2016-17) *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AAOCA6281E1ZE	19701222346	1900867.00	1573805.00	Shibpur	--
19AABCE2934M1ZE	19673935082	4597384.00	570956.00	Salt Lake	570956.00
19AATCS7468N1Z1	19272270013	1741756.83	644000.00	Rajakatra	--
19AACCB2058A1Z6	19260934011	2298472.58	37757.58	NS Road	--
19AFAPP9824Q1ZK	19692999074	1514807.09	15443.00	Kadamtala	--
19AAKCS3431L1ZZ	19396804045	29882210.00	26423377.00	Large Taxpayer Unit	--
19AEMPP2736C1ZE	19892507025	14869922.99	72889.00	Siliguri	--
19AGAPD7522N1Z9	19664442080	2075827.00	1077605.00	Barrackpore	--
19AAJCM2616C1ZO	19661576506	194318.00	12755.00	Barrackpore	--
19ADFPT1308L1ZA	19665068021	758623.34	34183.66	Barrackpore	--
19AGVPK3786G1ZM	19680693072	555680.00	2974.00	Howrah	--
19BRQPS5282N1ZL	19694555051	251993.00	55906.00	Kadamtala	55906.00
19AAMFB5079Q1ZI	19741038615	210667.00	12757.00	Asansol	--
19AADCB3127B1Z7	19746756086	1216456.00	16484.00	Asansol	--
19AABCR6640R1ZO	19732934071	6540065.74	6540066.00	Srirampur	--
19AEKPB3269G1ZG	19892530014	252854.00	153460.00	Siliguri	--
19ABCPH8817M1Z7	19802874078	730872.00	78648.00	Durgapur	78650.00
19AAICS5855Q1ZB	19560837059	4186431.00	60289.00	Colootola	--
Total			**37383355.24**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.7

(Refer paragraph 7.3.2.4, page 135)

Statement showing irregular credit availed due to mis-matches in ITC *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AADCK2102K1ZQ	19706130061	81876.00	81876.00	Shibpur	--
19AAACL6053B1ZT	19603433057	50403944.00	891250.05	Salt Lake	--
19AABCM7809F1ZD	19420671089	8534764.00	750130.77	Salt Lake	--
19ADUPG4329B1ZI	19711735012	309764.00	74525.00	Bally	--
19BPVPB5603M1ZE	19714331023	5517589.00	5517589.00	Bally	--
19AAKFS2978P1Z3	19682751024	1675967.58	56063.00	Howrah	--
19AAHFM2075Q1ZM	19800409017	1230359.00	873740.00	Durgapur	--
19AAACK7734Q1ZT	19801280077	5787717.00	959923.00	Durgapur	--
19AMPPR8413H1ZG	19804323064	198617.00	142852.00	Durgapur	103358.00
19AJAPS4784N1ZD	19805083059	347258.80	59251.00	Durgapur	--
19AACFD6757H1Z6	19890536082	8334739.35	3536636.00	Siliguri	--
Total			**12943835.82**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.8

(Refer paragraph 7.3.3, page 135)

Statement showing credit incorrectly claimed twice/ in excess under Table 5 (c) and 7 (c) *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19ABAFA6144N1Z7	19706937004	10809.00	5404.50	Shibpur	--
19AABCM9516H1Z9	19701318764	47431.70	13866.00	Shibpur	--
19AACCJ0247M1ZE	19671146429	2126817.96	2579.00	Salt Lake	--
19AAKCS7509K1ZQ	19677492072	344703.02	172351.51	Salt Lake	--
19AUXPG1032F1ZM	19674414068	339764.05	221569.05	Salt Lake	--
19ADTPD8685J1ZM	19260826050	40500.00	20250.00	NS Road	--
19AABFT7261P1ZH	19690499093	1547797.27	48285.00	Kadamtala	--
Total			**484305.06**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.9

(Refer paragraph 7.3.4, page 136)

Statement showing credit taken without filing Legacy Returns *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AAFFM5194A1ZB	19702033072	2622337.00	2622337.00	Shibpur	--
19ACLPN6782H1ZX	19673308074	533437.81	533437.81	Salt Lake	--
19AADCK5558P1ZQ	19713665021	256000.00	256000.00	Bally	256000.00
19AACCI1495A2ZR	19398857050	5153560.00	5153560.00	Ballygunje	--
19AAEFE6217B1ZS	19399603077	217096.00	217096.00	Ballygunje	--
19AABFR0012J2ZJ	19342048030	2146297.00	2146297.00	Jorasanko	--
19APQPK7560Q1ZR	19683788051	378408.00	378408.00	Howrah	--
19AJCPD8245M1ZW	19891839762	58732.00	58732.00	Siliguri	--
19AAOFB1383K1Z1	19521523056	1792580.00	1792580.00	Armenian Street	--
19AIXPC5286B1ZY	19746824083	470747.40	470747.00	Asansol	470747.00
Total			**13629194.81**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.10

(Refer paragraph 7.3.5, page 137)

Statement showing ineligible credit taken due to non-deduction of tax for pending Form C *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AGRPP1715E1Z8	19705457075	67559.57	67559.57	Shibpur	--
19ABDFS5963N1ZD	19712015051	256599.00	256599.00	Bally	--
19AABCR6640R1ZO	19732934071	6540065.74	273589.00	Srirampur	--
Total			**597747.57**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.11

(Refer paragraph 7.3.7, page 138)

Statement showing credit taken without filing supporting documents *(in ₹)*

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AABCM9516H1Z9	19701318764	47431.70	19699.70	Shibpur	--
19ABSPT4088N1ZE	19281666015	116482.07	116482.07	Strand Road	--
19AAACH2420C1Z8	19200142074	15329600.00	15329600.00	Salt Lake	--
19AABCL5967D1ZB	19671396398	99637.15	17596.15	Salt Lake	--
19AUXPG1032F1ZM	19674414068	339764.05	118195.00	Salt Lake	--
19AAACI5550J1ZF	19670836029	2783484.00	1987951.00	Salt Lake	--
19AAACW0387R1ZK	19200143044	1688433.87	633968.87	Salt Lake	--
19AABCF8078M1ZY	19551333096	1198814.00	1198814.00	Large Taxpayer Unit	--
19AAFFP6786R1Z1	19692576057	111042.00	111042.00	Kadamtala	--
19AABFT7261P1ZH	19690499093	1547797.27	118909.00	Kadamtala	161717.00
19AACAK3328C1ZY	No Legacy No	81766.00	81766.00	Howrah	--
19ASOPP0324L1ZC	19684717020	75365.69	13654.69	Howrah	--
19AAVFS8197H1Z2	19350766002	1315328.00	1218105.00	Manicktala	--
19AADFR2720H1ZC	19351360030	540454.00	532040.00	Manicktala	--
19AEUPC4022J1ZD	19651576776	205135.20	102567.00	Barasat	--
19AAFFB7181C1ZJ	19653298041	84512.00	28898.00	Barasat	--
19AONPP6343Q1ZW	19657283092	766917.00	350918.00	Barasat	--
19ATWPD8341A1ZK	19651528664	372594.00	248396.00	Barasat	--
19BMQPM3148C1ZV	19651704428	319026.00	159513.00	Barasat	--
19AAFFS8694D1ZO	19633220011	1014318.11	70622.00	Budge Budge	--
19AFAPM7408M1Z3	NA	190476.20	190476.00	Budge Budge	--
19AAFFG9895E1ZT	19807878017	208834.00	104417.00	Durgapur	104417.00
19AEGPB2408B1Z7	19382942066	339525.00	42652.00	Ultadanga	--
19AAFCP7548E1Z4	19342272003	870115.39	217378.39	Jorasanko	--
19AAWFS3564K1Z9	19653350033	124230.00	124230.00	Barasat	--
19FWFPS5653K1ZP	19651721791	157216.78	78608.39	Barasat	--
19BKGPM5147P1ZF	19637871064	658128.00	328766.00	Budge Budge	--
19AAGFR5614M1ZR	19510462049	139359.00	47930.00	Amratolla	56557.00
19AFUPM7804B1Z6	19662415071	280935.13	2586.00	Barrackpore	4989.00
19AEAPB6996E1ZE	19661312084	341980.11	63885.00	Barrackpore	--
19AAAAP6430E1ZQ	No Legacy No	266594.10	266594.00	Howrah	--
19AADCP7347K3ZU	No Legacy No	2039486.00	2039486.00	Asansol	--
19AADCB0844M1ZI	19746101045	28415963.18	224754.00	Asansol	--
19AADCB1294P1Z6	19747677004	11542008.36	408353.00	Asansol	--
19AACCC4600R1ZE	19743870045	5285910.00	77715.00	Asansol	--
19AABCI9428C1ZK	19434137017	3254444.09	208550.00	Salt Lake	--
19AAACD9518K1ZA	19679834040	4203654.00	3457322.00	Salt Lake	--
19AAICA5063G1ZM	19731288660	2836859.00	63242.00	Barrackpore	--
19ADEPA7595B1ZM	19733730053	618510.04	17845.00	Srirampur	--
19AACCG1462D1ZX	19396824027	2557859.47	612232.00	Srirampur	--
19AANFP6262G1ZT	No Legacy No	312991.88	312992.00	Srirampur	--
19DBIPS8358K1ZN	19621582339	290250.00	94250.00	Behala	94250.00
19ACZPB7904P1ZO	19891308008	206004.55	110625.81	Siliguri	--
19ABBFM4231F1ZJ	19802753022	1108716.00	11469.00	Durgapur	--
19AAECN8067D1Z9	19417115069	2622115.00	2622115.00	Bhowanipore	--
19AJKPP4913G1ZY	19605068089	1152215.00	180864.00	Alipore	180864.00
19AMQPA2508M1ZT	19621572833	63419.20	63419.20	Behala	--
19AACCM4684P1ZO	19613287093	16222606.00	1015463.00	Barasat	--
Total			**35446957.27**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 7.12

(Refer paragraph 7.3.8, page 139)

Statement showing non-levy of interest on irregular claims of transitional credits

(in ₹)

GSTIN	Legacy No.	TRAN-1 amount	Objection amount	Charge	Realised amount, if any
19AHKPD9737A1ZB	19705636040	1442691.73	132332.40	Shibpur	--
19AADCM5377J1ZZ	19702409044	594518.53	41925.74	Shibpur	--
19AMAPS0794B1Z2	19281714030	74962.00	3576.21	Strand Road	--
19ABMPT6204G1ZD	19260626036	177458.00	2056.57	NS Road	2057.00
19AAECS5339R1ZI	19260483058	358394.78	42771.74	NS Road	--
19AACCB7396R1ZO	19251410066	322891.00	21807.11	Monoharkatra	--
19AAACH6487M1ZW	19250040038	1853962.00	362050.06	Monoharkatra	--
19AABCN8514G1ZE	19432726055	60181681.20	37671172.00	Large Taxpayer Unit	--
19AACCS6163P1ZO	19399392005	3040988.00	375539.80	Large Taxpayer Unit	--
19AAACK2567P1ZY	19200955031	2329211.00	551352.72	Large Taxpayer Unit	--
19AABFD9401B1ZW	19570231024	210724.00	31175.61	Ezra Street	31176.00
19AABCP6927F1Z9	19572325060	804758.96	33336.82	Ezra Street	33337.00
19ADHPB5864H1ZE	19570206095	1152266.00	49436.95	Ezra Street	49437.00
19AAACT1426A1ZW	19540352017	24211166.00	14124727.91	Chandni Chowk	--
19AESPK2105G1ZI	19710528041	2875350.00	344569.30	Bally	--
19AAJCS9840G1ZU	19452265056	915003.00	163346.00	Esplanade	--
19AACCT1032C1ZW	19433293020	664800.00	296701.00	Ballygunje	--
19ADAPA7977K1Z5	19397265086	242248.00	90076.00	Ballygunje	--
19ACRPJ7043F1ZB	19352490080	56340.00	6168.00	Manicktala	6168.00
19AALPY8526A1ZA	19351800022	107106.00	11673.00	Manicktala	--
19AAEFG3934D1ZK	19381920074	866513.00	132470.00	Manicktala	--
19AADCS8593E1ZW	19350370048	2460452.00	48826.00	Manicktala	--
19ANPPM1492A1ZW	19655867086	770706.00	94258.00	Barasat	--
19AUHPB9084C1ZL	19659563077	1083240.00	128742.00	Barasat	--
19AFZPG9981L1Z4	19657803012	1659236.00	223059.00	Barasat	--
19ABEFM4580E1Z6	19639515020	2729524.00	1656067.00	Budge Budge	--
19AAECB8944M1Z0	19591231039	708662.00	22906.00	Sealdah	--
19AISPP5672M1Z5	19593106049	346101.98	39030.00	Sealdah	--
19AUEPD2375H1ZO	19651004670	272192.00	108900.00	Barasat	--
19APIPM0756N1ZB	19656528044	297179.56	161503.00	Barasat	--
19AEAPB6751P1Z6	19653714074	167107.28	84642.00	Barasat	--
19BAAPS3417E1ZU	No Legacy No	152312.00	65423.00	Barasat	--
19AXZPS1242C1Z4	19511765050	4667641.25	2500.55	Amratolla	2501.00
19AABFO8154A1ZF	19706366062	590800.00	12819.55	Postabazar	--
19AAACH7753G1ZE	19672070063	211995.00	12466.16	Barrackpore	12467.00
19AABCN2187P1ZU	19890129070	733752.00	1481.78	Siliguri	1482.00
19AELPK2299C1ZA	19896926054	0.00	14340.26	Siliguri	14341.00
19AIXPC5286B1ZY	19746824083	470747.40	312473.00	Asansol	--
19AAECM9034H1Z9	19433811097	293619.00	2329.00	Park Street	2329.00
19AADCS9018E1ZA	19432799096	3885688.00	827271.00	Park Street	--
19AGVPB1202G1ZO	19371024054	151507.00	37574.00	Shyambazar	--
19ABCPH8817M1Z7	19802874078	730872.00	5545.00	Durgapur	5545.00
19AACFG8739L1ZS	19490906073	4303932.00	387354.00	Bhowanipore	--
19AADCS5779E1ZY	19625451087	1202259.00	1785.00	Behala	1785.00
19ADLPG8416A1ZP	19461379079	784541.00	212406.00	Fairlie Place	--
Total			**58951966.24**		

Source: Records of the Directorate and data from GSTN Portal

Appendix 8.1

(Refer paragraph. 8.2, page 144)

Cost of procurement of foodgrains

Foodgrains	Qty. of undistributed and infested commodities (in quintals)	Rate of procurement of these commodities (in ₹/ quintal)	Total cost of procurement of the undistributed and infested commodities (in ₹)	Rate of payment by HFS to the Govt. exchequer, at the time of lifting the stock (in ₹/ quintal)	Total amount actually paid by HFS to the Govt. exchequer, at the time of lifting the stock (in ₹)	Total loss to Government exchequer (in ₹)
(a)	(b)	(c)	(d)	(e)	(f)	(g) = (d) - (f)
Rice	2,020.56	2,800.00	56,57,568.00	90.00	1,81,850.40	54,75,717.60
Wheat	4,114.51	2,000.00	82,29,020.00	67.00	2,75,672.17	79,53,347.83
Sugar (Antodaya Anna Yojana-AAY)	63.10	1,350.00	85,185.00	1,290.00	81,399.00	3,786.00
Sugar (Festive season)	119.34	3,000.00	3,58,020.00	2,938.00	3,50,620.92	7,399.08
Total	**6,317.51**	**---**	**1,43,29,793.00**	**---**	**8,89,542.49**	**1,34,40,250.51**

Source: Records of the DDRB.

Note: Rate of procurement: a) rice (₹2,800 per quintal, rate relates to Kharif Marketing Season-2017-18), b) wheat (₹ 2,000 per quintal as per FCI bill) and c) sugar (₹ 1,350 per quintal—sugar/ festive & ₹ 3,000 per quintal—sugar/ AAY, as per vouchers of West Bengal Essential Commodities & Supplies Corporation)

LIST OF ABBREVIATIONS USED IN THE REPORT

Abbreviation	Full Form
AA	Assessing Authority
ADSR	Additional District Sub-Registrar
AW	Authorised Wholesaler
BENFED	West Bengal State Cooperative Marketing Federation Limited
BoD	Board of Directors
BPL	Below Poverty Line
CA	Correctional Administration
CBIC	Central Board of Indirect Taxes and Customs
CCT	Commissioner of Commercial Taxes
CGSTA	Central Goods and Services Tax Act
CGSTR	Central Goods and Services Tax Rules, 2017
CMD	Chairman and Managing Director
CMR	Custom Milled Rice
CONFED	West Bengal State Consumer's Co-operative Federation Limited
CPCs	Centralised Procurement Centres
CSS	Centrally Sponsored Schemes
CTEC	Consultancy Tender Evaluation Committee
CTP	Contractual Transfer Price
DBT	Direct Benefit Transfer
DCA	Detailed Compliance Audit
DCF&S	District Controller of Food & Supplies
DCP	De-centralised Procurement
DDPS	District Distribution, Procurement & Supply
DDRB	Deputy Director of Rationing, Barrackpore
DIQC	Directorate of Inspection and Quality Control
DIT	Directorate of Industrial Training
DLMC	District Level Monitoring Committee
DoP	Delegation of Powers
DR	Directorate of Rationing
DRDC	District Rural Development Cell
ECL	Electronic Credit Ledger
e-FMS	electronic Fund Management System
EGM	Export General Manifests
EOT	Extension of Time
F&S	Food and Supplies
FAQ	Fair Average Quantity
FPOs	Farmer Producer Organisations
FSD	Food and Supplies Department
FSSAI	Food Safety and Standards Authority of India
GoI	Government of India
GoWB	Government of West Bengal
GST	Goods and Services Tax
GSTN	Goods and Services Tax Network
HFS	Hindustan Food Suppliers
HHA	Home and Hill Affairs

Abbreviation	Full Form
HRMs	Hardware Security Modules
ICEGATE	Indian Customs Electronic Gateway
ICT	Information and Communication Technology
IGST	Integrated Goods and Services Tax
IS	Indian Stamp
ISD	Information Systems Division
IT	Information Technology
ITC	Input Tax Credit
ITI	Industrial Training Institute
KMS	Kharif Marketing Season
KPH&IDCL	Kolkata Police Housing and Infrastructure Development Corporation Limited
KPTA	Kolkata Police Training Academy
KTs	Karma Tirthas
L&LRD	Land and Land Reforms Department
LAMP	Loan Against Mortgage Property
LICI	Life Insurance Corporation of India
LTU	Large Taxpayer Unit
MBL	Mckintosh Burn Limited
MGIUL	Mangla Gouri Ispat Udyog (Private) Limited
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MGSPL	Maha Gauri Strips Private Limited
MMM	Mayur Mega Mall
MoU	Memorandum of Understanding
MRD	Ministry of Rural Development
MRV	Marketable Realizable Value
MSIPL	Maa Sherawali Ispat Private Limited
MSP	Minimum Support Price
MTPA	Million Tonnes Per Annum
NABARD	National Bank for Agriculture and Rural Development
NACOF	National Federation of Farmers' Procurement, Processing and Retailing Cooperatives of India Limited
NAFED	National Agricultural Co-operative Marketing Federation of India
NBC	National Building Code
NCCF	National Co-operative Consumer's Federation of India Limited
NIT	Notice Inviting Tender
NPCI	National Payments Corporation of India
PAMCL	Paschim Banga Agri-Marketing Cooperation Limited
PDS	Public Distribution System
PFMS	Public Financial Management System
PIC	Project Implementation Committee
PRDD	Panchayats and Rural Development
PSG	Paddy Storage Godowns
PSUs	Public Sector Undertakings
PWD	Public Works Department
RAs	Registering Authorities

Abbreviation	Full Form
RIDF	Rural Infrastructure Development Fund
RRO	Rice Receipt Order
RTPs	Registered Goods and Services Taxpayers
SFC	State Financial Corporation
SGST	State Goods and Services Tax
SHGs	Self Help Groups
SHGSE	Self Help Group and Self Employment
SIDBI	Small Industries Development Bank of India
SIDCL	Sunderban Infrastructure Development Corporation Limited
SLBC	State Level Bankers' Committee
SMA	Special Mention Accounts
SOPs	Standard Operating procedures
SSCA	Subject Specific Compliance Audit
SVSPA	Swami Vivekananda State Police Academy
TET	Technical Education and Training
TETD	Technical Education and Training Department
TOS	Turnover of Sales
TPDS	Targeted Public Distribution System
TRAN	transitional credit returns
TSPs	Telecom Service Providers
UTGST	Union Territory Goods and Services Tax
VAT	Value Added Tax
WBECSC	West Bengal Essential Commodities Supply Corporation Limited
WBFC	West Bengal Financial Corporation
WBFR	West Bengal Financial Rules
WBGSTA	West Bengal Goods and Services Tax Act, 2017
WBGSTR	West Bengal Goods and Services Tax Rules
WBPH&IDCL	West Bengal Police Housing and Infrastructure Development Corporation Limited
WBTR	West Bengal Treasury Rules
WIF	Warehousing Infrastructure Fund
WQSC	Weight Quality and Stock Certificate

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