

# CHAPTER VIII

## OTHER IMPORTANT CASES

### KOLKATA MUNICIPAL CORPORATION

#### 8.1 Undue advantage to supplier resulted in loss of Rs.76.33 lakh

**KMC, violating its own code, purchased ductile iron pipes from a company without ensuring fair market price during 2003-2005. Again ignoring the lowest offer received against limited quotations KMC awarded contract at a higher rate to the same company resulting in excess expenditure of Rs.76.33 lakh.**

The Water Supply Department, Kolkata Municipal Corporation (KMC) regularly requires Ductile Iron (DI) pipes of different diameters for maintenance of the underground waterlines or for laying new pipelines.

A check of records of KMC from the year 2003 to 2008 showed that Electrosteel Casting Ltd. (ECL) and Lanco Kalahasti Ltd., an associate of Electrosteel Casting Ltd., had monopolized the supply of the pipes to KMC. KMC never invited open tenders to get the benefit of competitive bidding and fair market price. This was done in violation of the Article 783 of KMC Code, which states that no work or supply of goods shall be commenced and no liability for expenditure shall be incurred in connection with any work or any purchase whatever, unless tenders have been duly called for and accepted by the proper authority. The value of the pipes purchased during the above period totaled about Rs.53.95 crore.

Scrutiny further revealed that in September 2005 the Supply Department called for limited quotations for procurement of 9300 meters of DI pipes along with 19000 joints from the above two manufacturers and Jindal Saw Ltd. The price offered by Jindal Saw Ltd. (Rs.3.78 crore) was the lowest, compared to Rs.5.08 crore offered by Electrosteel Casting Ltd. In November 2005, Electrosteel Casting Ltd. wrote to KMC stating that the rates of Jindal Saw Ltd. were to force their unproven pipes into use and pleaded KMC to include eligibility criteria for purchase of DI pipes. The Controller of Stores and Purchase while noting that the KMC would save Rs.1.30 crore if the order was placed with Jindal Saw Ltd., observed that it might have a little less experience and there might be a time lag in delivery. On the basis of this, a notice inviting tender was published in newspaper in January 2006 without specifying eligibility criteria. The tender documents stated that the supplier would have to produce a certificate from a Government official that his pipes were working satisfactorily at least for three years. This kind of certificate of three years performance had little use since the life of the pipe is 100 years. The Kolkata Metropolitan Development Authority, a bigger purchaser did not attach such performance clause. Jindal Saw Ltd. was registered with DGS&D having credential of receiving supply orders from New Delhi Municipal Corporation, Surat Municipal Corporation, PHED Jaipur etc. Thus, by inserting the clause, the Jindal Saw Ltd. was unduly debarred

from participating in this tender because it had launched such products less than three years before.

The contract was awarded again to Electrosteel Casting Ltd. at a price of Rs.4.59 crore for revised quantity of 12800m of pipes and 17000 joints. The rates were still higher than those of Jindal Saw Ltd. in the earlier quotation. KMC gave the purchase orders in phases in February, April and August 2006 for staggered delivery. Audit scrutiny also revealed that even in the case of Electrosteel Casting Ltd. the delivery was delayed by 3 to 8 months finally resulting in time lag in delivery and contrary to the argument of the Controller of Stores and Purchase. KMC stated (September 2008) that delay was not on the part of the supplier but due to non availability of space in its stores. Compared to the rates offered by Jindal Saw Ltd., KMC not only paid extra amount of Rs.76.33 lakh but also continued with the practice of not inviting open tender in violation of the KMC Code, *ibid*.

The matter was reported to the Corporation and the Government in March 2009; their replies have not been received (April, 2009).

## DUM DUM MUNICIPALITY

### 8.2 Misappropriation of hospital receipts

**The revenue of Rs.7.67 lakh collected during June 2005 to March 2007 was not deposited in the Local Fund Account resulting in misappropriation of the municipal fund.**

According to Rule 184 of West Bengal Municipal (Finance and Accounting) Rules, 1999 all subscription and donations and other miscellaneous receipts collected by Municipal Hospitals and Dispensaries shall be deposited in the Local Fund Account of Municipality. Rule 217 and 218 *ibid* provides that all receipts shall be entered daily in the cash book under the direct supervision of the Finance Officer or in his absence the officer authorized for the purpose.

The Dum Dum Specialised Hospital and Cancer Research Center (DSH&CRC) is under the jurisdiction of Dum Dum Municipality. The Municipality entrusted (October 2005) the duty of collection of daily hospital receipts from the cash counters to the General Duty Attendant. The Attendant was also responsible to remit the same to the cashier of the Municipality and handover the receipted *challans* to the Record Keeper of the Hospital. In a subsequent order (September 2006) issued by the Chairman, an Upper Division Clerk of the hospital was made responsible to check the *challans* along with the copy of receipts. Administrative Officer, DMSH&CRC was the supervisory officer for the checking.

The cross check of collection records of DSH&CRC and cashier's cash book revealed that Rs.1.94 crore were handed over to the Attendants for deposit to the cashier during June 2005 to March 2007. The cashier's cash book revealed that an amount of Rs.1.87 crore only was credited to the Municipal Fund during the period resulting in short deposit of Rs.7.67 lakh. The Municipality neither

took any action against the defaulter staffs for delay in deposit nor made any effort to conduct detailed scrutiny of collection and deposit until pointed out in Audit (May 2008).

Though the Municipality issued order (September 2006) for checking collection and remittance by the hospital staff, it did not ensure actual implementation of the same. The Finance Officer of the Municipality did not monitor the remittance of hospital receipts in the Municipal Fund and failed to observe the orders of the authority.

The Chairman of the Municipality while accepting audit observations stated (May 2008) that henceforth the collections and their remittance into the Municipal Fund would be monitored by the Finance Officer or the Executive Officer to ensure the credit of collected revenue into the Municipal Fund. After the misappropriation was pointed out in Audit, the Municipality issued (May 2008) show cause notice to the collectors and recovered Rs.0.10 lakh (May 2008) from one of the defaulters.

The matter was referred to the Municipality and the Government in October 2008; their replies have not been received (April, 2009).

## RANIGANJ MUNICIPALITY

### 8.3 **Lack of monitoring resulted in misappropriation of rice**

**Mid-Day Meal rice worth Rs.5.33 lakh was found short with the transporter-distributor due to inadequate monitoring and sound internal control system.**

Under the Mid-Day Meal Programme, Government of India assists the municipalities by providing rice from the nearest godown of Food Corporation of India (FCI). The Raniganj Municipality was implementing the programme in the primary schools in its municipal area, with the help of an authorized transporter who also distributed rice to the schools on monthly basis and maintained the stock of rice. It was observed in audit of the stock register of the Municipality that there was an opening balance of 81.66 MT of rice as on 1 April 2006 and 301.01 MT of rice was received from FCI during April 2006 to 10 June 2008. But the receipted *challans* for distribution of rice to schools for the same period were available for only 195.77 MT as against 382.67 MT. Therefore, the stock of rice lying with the transporter-distributor stood at 186.90 MT as on 11 June 2008. However, the physical verification of stock as on 11 June 2008 conducted in the presence of Audit showed only 8.1 MT of rice resulting in a shortfall of 178.80 MT of rice.

On being pointed out by Audit, the Municipality formed (August 2008) an Enquiry Committee (EC) which subsequently found (September 2008) further receipted *challan* of 144.32 MT and arrived at (September 2008) a shortage of 34.48 MT of rice valuing Rs.5.33 lakh at the rate of Rs.1545 per quintal. The Municipality did not effect recovery of the stock or the amount (December 2008).

The Municipality did not have a system of regularly collecting the receipted *challans* as proof of actual supply of rice to schools nor did it have a regular system of physical verification and reconciliation of stock maintained by the transporter-distributor. This facilitated misappropriation of rice to the extent of Rs.5.33 lakh. The Municipality allowed the defaulting distributor to recoup the shortage and continue lifting and distribution of rice. The Municipality further stated (9 April 2009) that it had obtained more *challans* for distribution of 23.52 MT of rice leaving a shortage of 10.97 MT which had been purchased and stocked at the godown. It, however, did not justify the reasons for continuance of defaulting distributor.

The matter was referred to the Government in February 2009; their replies have not been received (April, 2009).

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