

3.1 Audit of non-compliance with rules and regulations

For sound financial administration and financial control it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authorities. This not only prevents irregularities, misappropriation and frauds, but also helps in maintaining financial discipline.

In the course of audit of State Government Departments and their functionaries, various cases of non-compliance with departmental codes and manuals, Government orders/rules as well as non-adherence to the stipulations imposed by various scheme guidelines etc. were noticed. Some major cases of deviations from norms/rules leading to irregular spending of Rs 7.82 crore are discussed in the succeeding paragraphs. As these were arising only out of test-check of some offices, the Government should ascertain occurrence of similar cases in other departments/districts and evolve adequate mechanism to arrest these irregularities.

PUBLIC WORKS (ROADS) DEPARTMENT

3.1.1 *Non recovery of advance from a private contractor*

Mobilisation advance was paid without bank guarantee and thereafter not recovered from the bills, which resulted in non recovery of Rs 32.27 lakh from a contractor who had abandoned the work.

The West Bengal Financial Rules provide that every officer incurring or authorising expenditure from public funds should be guided by high standards of financial propriety. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Superintending Engineer (SE), State Highway Circle No-II, awarded (May 2006) the work of Construction of a Bridge over River Mundeswari on Pursurah –Radhanagar road in Hooghly District to a contractor at Rs 8.58 crore for completion by May 2009. The contract was rescinded by the Executive Engineer (EE), Hooghly Highway Division-I, in June 2008 due to failure of the contractor to complete the work by the stipulated date¹. The contractor was paid Rs 1.57 crore upto May 2008. Fresh Notice Inviting Tender was issued by SE in May 2009 to complete the balance work at an estimated cost of Rs 14.08 crore.

Audit scrutiny (January 2009) of the records of EE revealed that the contractor did not show interest in the work right after its award. He did not do any work in the initial three months, for which the EE cautioned him in July 2006 and September 2006. Thereafter the contractor was warned in November 2006 of

¹ Only 12.48 per cent work was stated to be completed at the time of termination of the contract in June 2008 after 2/3 of the stipulated time was over.

departmental action for dilatory tactics and failure to complete proportionate work in proportionate time. Yet, in February 2007 the EE sanctioned the contractor Rs 50 lakh as mobilisation advance (at 13 per cent interest *per annum*) without any bank guarantee on “being satisfied with the quantum of work already executed along with the deposit of security money, materials brought to site and the plant and machineries installed towards the security of the mobilisation advance.”

Audit scrutiny also revealed that EE did not make deductions from the first and second Running Account (RA) bills paid in March 2007 and June 2007 for Rs 32 lakh and Rs 26 lakh respectively towards adjustment of the mobilisation advance. Consequently, when the contract was rescinded, the EE could recover only Rs 29.22 lakh from the third RA bill of the contractor paid in May 2008. The EE did not take any effective step to stop removal of the plant and machinery from the worksite, on the security of which the mobilisation advance was given. As a result the Department had to seek (December, 2008) for arbitration to recover the outstanding amount and the case is still pending.

There was no scope to get the balance work completed at the cost of the defaulting contractor as the EE rescinded the contract under clause 3(a) forfeiting security deposit of Rs 25.72 only.

Thus, due to the negligence at the part of the EE, outstanding mobilisation advance of Rs 32.27 lakh² could not be recovered from the contractor.

The matter was reported to the Government in April 2009; reply had not been received (November 2009).

HEALTH & FAMILY WELFARE AND HOME (POLICE) DEPARTMENTS

3.1.2 Expenditure towards payment of electricity charges of staff quarters

Failure to ensure installation of individual meters at Government quarters led to avoidable expenditure of Rs 4.52 crore on payment of electricity charges.

(A) The Health and Family Welfare (H&FW) Department stipulated (March 2003) that no staff member shall be entitled to free supply of electricity in Government residential accommodation. In case of Government quarters having no separate electricity meters, occupants were directed to complete installation of individual meters at their own cost by June 2003 (subsequently extended up to December 2004). Installation of individual meters was to be done only on production of quarter allotment orders. The hospital authorities, after satisfying themselves of the authenticity of the

² Rs 20.77 lakh unrecoverable advance plus interest of Rs 11.50 lakh at the rate of 13 per cent upto July 2009.

occupants of the quarters, were to take up the matter with the electricity suppliers. Pending installation of meters the Department also directed (November 2006) the Director of Health Services (DHS) and Director of Medical Education to recover electricity charges from the salaries of the occupants of Government Accommodation, within hospitals/health institutions, at a fixed rate with effect from 1 January 2005, based on the assessment of average monthly requirement of electricity. The DHS later directed (July 2006 and March 2007) the health care units to restrict electricity consumption in each flat, without separate meter, to a specified limit.

Scrutiny (between January 2008 and December 2008) of the records of four health care units³ revealed that the authorities failed to ensure installation of separate meters in the Group D staff quarters even after a lapse of four years from the targeted date of installation of individual meters. The authorities also failed to restrict consumption of electricity within specified limits as directed by the DHS. An expenditure of Rs 2.66 crore was incurred towards electricity charges for energy consumed by the occupants between March 2004 and November 2008, against which, only Rs 12.77 lakh was realised by the respective authorities. This led to an avoidable burden of Rs 2.53 crore on public funds.

(B) Similarly, in terms of the instruction (May 2002) of West Bengal Police Directorate (WBPD), all district Superintendents of Police (SPs) were to ensure that officers and staff, occupying Government Accommodation, make direct payment for individual consumption of electricity. Audit scrutiny (April 2008 and December 2008) of the accounts of two SPs (Jalpaiguri and South 24 Parganas), however, disclosed that Rs 8.35 lakh and Rs 1.91 crore were spent towards the electricity charges (for the period from January 2004 to December 2008) of 61 and 224 Government quarters respectively. No amount was, however, realised from the occupants in absence of separate meters for recording the electricity consumed by the individuals.

Thus, prolonged inaction on the part of the authorities of four hospitals and Superintendents of Police of two districts in ensuring installation of individual meters at the Government quarters led to non-realisation / short-realisation of electricity charges from the occupants. This also resulted in avoidable expenditure of Rs 4.52 crore⁴ from public funds.

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| Name of the unit | Period | Electricity charges paid on behalf of occupants | Electricity charges realised from occupants | Avoidable expenditure |
|---|----------------------------------|--|--|--------------------------|
| | | (Amounts in Rupees) | | |
| Superintendent, District Hospital Krishnanagar | May 2005 to April 2008 | 1751411 | 121729 | 1629682 |
| Superintendent, Netaji Subhash Sanitorium, Kalyani | January 2005 to January 2008 | 15932872 | 811621 | 15121521 |
| Superintendent, Baranagar S G Hospital | March 2004 to March 2008 | 1190883 | -Nil- | 1190883 |
| Principal ID&BG Hospital, Kolkata | January 2005 to November 2008 | 7745895 | 343319 | 7402576 |
| Total | | 26621061 | 1276669 | 25344392 |

⁴Rs 2.53 crore plus Rs 0.08 crore plus Rs 1.91 crore

On being referred by Audit (March 2009); the Home (Police) Department stated (November 1009) that instruction had been issued to the Director General & Inspector General of Police (September 2009) to stop unauthorised payment of electricity bills of the residences of Government employees forthwith and to get connections to residential premises metered.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1.3 Undue favour to private agencies and inadmissible expenditure

Failure of SSKM Hospital, Kolkata in adhering to the terms and conditions of the agreements resulted in extending undue favour to private companies and consequent inadmissible expenditure of Rs 26.37 lakh.

A) In pursuance of an agreement executed in July 2002 between Health and Family Welfare Department and a private company 'X'⁵, a spiral CT scan machine was installed (December 2002) within the campus of SSKM Hospital under public private partnership. In terms of the agreement, the cost of the machine and expenses related to its installation were to be borne by the company. Maintenance and operational costs, including manpower costs, electricity and water supply charges, etc. were also to be borne by the company 'X'. The company was to scan all patients referred by Government hospitals at the prevailing Government rates. The agreement was subsequently renewed in August 2007.

Scrutiny of the records (March 2008) of the Medical Superintendent cum Vice Principal (MSVP), SSKM hospital revealed that no separate meter had been installed till date for recording consumption of electricity by the company, reasons for which were not on record. Assistant Engineer, SSKM hospital, electric sub-division, assessed (November 2004) the average monthly electricity consumption of the company at Rs 35770 per month as per the prevailing tariff rate. Based on this assessment (January 2003 to March 2008), the company consumed electricity worth Rs 22.54 lakh⁶ against which only Rs 1.09 lakh (at Rs 18134 per month for six months only) was realised by the Hospital authorities, resulting in short realisation of Rs 21.45 lakh.

B) Further, for supply of medical gases (Oxygen IP and Nitrous Oxide IP) Government selected (February 2005) M/s BOCI India Limited to install a pipeline system, along with the systems of medical vacuum services and medical compressed air service. Accordingly the Department entered (April 2005) into an agreement with BOCI for supply of medical gases to the hospital. The price of gases approved by the Department included the cost of carriage, delivery charges, excise duty, etc. No expenditure would be incurred towards any other additional charge except the approved rate. Audit scrutiny (March 2008), however, disclosed that the hospital authority incurred an

⁵ M/s Mediclue Research and Diagnostic Private Limited

⁶ Rupees 35770 X 63 months = Rs 2253510

expenditure of Rs 4.92 lakh⁷ between January 2007 and March 2008 for the said services in contravention to the departmental directives.

Thus, failure of MSVP, SSKM hospital in adhering to the terms and conditions of the agreements mentioned in A and B above led to extending undue favour to the private agencies and consequent inadmissible expenditure of Rs 26.37 lakh.

The matter was referred to Government in March 2009; reply had not been received (November 2009).

SCHOOL EDUCATION DEPARTMENT

3.1.4 Inadmissible expenditure on construction of boundary walls

Sanctioning of grant for construction of boundary walls for schools in Purba Medinipur in excess of the admissible limit approved by Government of India led to an inadmissible expenditure of Rs 1.02 crore.

The State Project Director (SPD), Sarva Shiksha Mission (SSM), with the approval of the Ministry of Human Resources Development (MHRD), Government of India, accorded approval (February 2006) for construction of boundary walls for 150 primary and upper primary schools of Purba Medinipur. The sanctioned grant for each of the boundary walls was Rs 0.50 lakh.

Scrutiny (December 2008) of records of District Project Officer (DPO), SSM, Purba Medinipur showed that the District Sarva Shiksha Abhiyan Committee decided (January 2006) to allot Rs 1 lakh and Rs 1.50 lakh for construction of boundary walls of each of the primary and upper primary schools respectively before hand. The reasons for raising the quantum of assistance beyond the approved limit of Rs 0.50 lakh per school were not on record. No approval of the Government was obtained by the DPO for such enhancement of assistance. The DPO sanctioned (May 2006 and March 2007) Rs 1.63 crore for construction of boundary walls of 122 schools (82 Upper primary and 40 Primary schools) in violation of the admissible limit of Rs 0.61 crore⁸, thereby incurring an excess expenditure of Rs 1.02 crore (Rs 1.63 crore *minus* Rs 0.61 crore).

The DPO, SSM stated that (November 2008) the unit cost had been enhanced on the ground that Rs 0.50 lakh was not adequate for the purpose. The reply was, however, not acceptable as no approval was obtained either from the SPD or from the GoI for such enhancement. Further, the estimates for the revised unit cost were neither prepared nor vetted by the DPO and SPD.

⁷ Service charge Rs 145460; Holding charge : Rs 146902, Collection/delivery charge : Rs 191859 and VAT on collection/delivery charge : Rs 7468

⁸ Rupees 0.50 lakh per schools for 122 schools

Thus, sanctioning of grants for construction of boundary walls by DPO, SSM, Purba Medinipur in excess of the limit approved by GoI and non-regularisation thereof led to an inadmissible expenditure of Rs 1.02 crore. The School Education Department should review the matter to ascertain whether similar cases of inadmissible expenditure persisted in other districts also.

The matter was referred to Government in March 2009; reply had not been received (November 2009).

LAND AND LAND REFORMS DEPARTMENT

3.1.5 Inadmissible expenditure

The District Magistrate, Jalpaiguri, in contravention of scheme guidelines, incurred inadmissible expenditure of Rs 30.94 lakh out of Rashtriya Sam Vikas Yojana funds.

Rashtriya Sam Vikas Yojana (RSVY) was launched by Government of India (GoI) in 2003-04 with the objective of introducing programmes focusing on development of backward areas, which would help to reduce regional imbalances and speed up development. RSVY was introduced in Jalpaiguri district in 2004-05. The District Magistrate (DM), Jalpaiguri received grants of Rs 45 crore from the GoI between December 2003 and February 2009. The main objectives of the scheme were to address the problems of low agricultural productivity, unemployment and to fill up critical gaps in physical, health, education infrastructure, etc. The RSVY guidelines prohibited expenditure on establishment/ staff cost or payment of remuneration/allowances out of RSVY funds. Moreover, funds were not provided to prop up ailing Government/ Government sponsored co-operative societies. Accordingly, the district committee was to identify sectors under which RSVY schemes were to be implemented.

(A) Under the health sector scheme of RSVY, DM, Jalpaiguri, released Rs 1.19 crore⁹ in favour of District Health and Family Welfare Samiti (Samiti), Jalpaiguri, for procurement of 19 mobile medical units/ambulances for providing health care facilities to the poor in the remote areas of the district. Out of the said funds, Samiti had spent Rs 1.08 crore¹⁰ towards procurement of medical units/ambulances and other related expenses.

Scrutiny (March 2009) of the records of DM, Jalpaiguri along with the records of Samiti, however, disclosed that 29 drivers were appointed on contractual basis for operation of the 19 vehicles and Rs 24.89 lakh was incurred out of the RSVY funds by the Samiti during 2004-08 towards salary of those drivers. As the RSVY guidelines prohibited incurring of staff cost out of scheme funds, the expenditure incurred on the salary of 29 drivers was inadmissible.

⁹ Rs 72.50 lakh in December 2004 and Rs 46.37 lakh in May 2005

¹⁰ Rs 6.35 lakh was refunded (July 2007) and Rs 4.30 lakh was retained by the society as of March 2009

(B) The DM, Jalpaiguri also released (January 2007) Rs 6.05 lakh to Deputy Director, Sericulture (DDS) Jalpaiguri for procurement of five power tillers under RSVY. Scrutiny (March 2009) disclosed that the power tillers had been procured (February 2006) by DDS to enhance the productivity of Government sericulture farms, which was not in conformity with the RSVY guidelines.

Thus, the DM, Jalpaiguri, in contravention to scheme guidelines, incurred inadmissible expenditure of Rs 30.94 lakh (Rs 24.89 lakh *plus* Rs 6.05 lakh) out of RSVY funds.

The matter was referred to Government in May 2009; reply had not been received (November 2009).

HOME (POLICE) DEPARTMENT

3.1.6 Inadmissible expenditure on teaching allowance

Payment of teaching allowance to ineligible persons resulted in inadmissible expenditure of Rs 28.26 lakh.

Home (Police) Department sanctioned a teaching allowance (February 2006) for the instructors of Police Training College (PTC) and Subsidiary Training Centres (STC) at the rate of 10 *per cent* of their basic pay subject to a maximum of Rs 500 per month, provided that such members of the faculty were drawn from non-teaching posts on tenure deputation.

Scrutiny (May 2008 and February 2009) of the records of the Deputy Inspector General of Police (DIG) (Training), PTC, Barrackpore and the Commandant, State Armed Police, 9th Battalion, STC, Sandhya, Krishnanagar showed that, in violation of the Government order, the respective authorities paid the teaching allowance to regular staff (not being on deputation from non-teaching posts). The DIG and Commandant incurred an expenditure of Rs 28.26 lakh¹¹ during February 2006 to January 2009 towards teaching allowances on these regular staff, although they were ineligible.

Thus, payment of teaching allowance to persons, not entitled to such allowance in terms of the relevant Government order, resulted in inadmissible expenditure of Rs 28.26 lakh.

The Government should ascertain whether similar violation of inadmissible payment also took place in other training centres and take adequate measures to arrest the irregularity.

The matter was referred to Government in March 2009; reply had not been received (November 2009).

¹¹

| <i>Name of the authorities</i> | <i>Number of regular staff per month</i> | <i>Inadmissible expenditure</i> |
|--|--|---------------------------------|
| DIG of Police (Training), PTC, Barrackpore | 175 to 180 | Rs 2798385 |
| Commandant, SAP, 9th Battalion, STC, Sandhya | 02 to 03 | Rs 27500 |
| Total | | Rs 2825885 |

3.1.7 Avoidable expenditure

Retention of possession of the premises and machinery of a company, ignoring the injunction imposed by the High Court and preventing the company from accessing the premises led to shouldering of an avoidable burden of Rs 45.73 lakh

Commissioner of Police (CP), Kolkata took possession (June 1978) of the factory premises of M/s James Alexander and Company Limited (Company) at 15, Kabitirtha Sarani, Kidderpore, Kolkata through the First Land Acquisition Collector, Kolkata for using it as a garage for police vehicles. Various movable properties including machinery¹² etc. of the Company were lying in the said premises at the time of requisition. On being moved by the Company, the High Court (June 1978) passed an order of injunction, restraining the Government from giving any further effect to the order of requisition. In its final order (August 1981), the High Court directed the CP to restore possession of the premises to the Company after making an inventory of goods lying therein. The CP restored possession of the premises to the Company in December 1981.

The Company alleged (October 1982) loss and damage of its machinery during the period of wrongful possession. It was further alleged that the CP had not allowed the representative of the Company to enter the premises for inspection of the machinery. The matter was referred (June 1984) by the High Court for arbitration. The Arbitrator awarded (March 1996) Rs 35 lakh (damage of property: Rs 30 lakh; interest: Rs 5 lakh) in favour of the Company payable within three months. In case of default, interest was to be paid at the rate of six *per cent* till the date of payment.

As per High Court's orders (April 2002 and June 2004) CP deposited Rs 35 lakh (Rs 30 lakh in May 2002; Rs 5 lakh in August 2004) with the Registrar, Original Side of High Court. The same was invested in a bank to earn interest pending disposal of the case in High Court. The application was finally disposed off by the High Court in December 2005. A special leave petition later filed by the CP in the Supreme Court was also dismissed in April 2007.

The Registrar ultimately paid (November 2008) Rs 48.71 lakh (Rs 35 lakh *plus* Rs 13.71 lakh as interest earned thereon) to the Company. Moreover, payment of Rs 10.73 lakh was also made (February 2009) by CP to the Company towards the interest for the period from June 1996 to May 2002.

Thus, retention of the possession of the premises and machinery of the company by the CP, ignoring the High Court's injunction on such requisition, and preventing the company from accessing the premises coupled with delayed release of funds, led to an avoidable expenditure of Rs 45.73 lakh (Rs 35 lakh *plus* Rs 10.73 lakh) from public funds.

¹² Which were described by the CP as worn out, broken, dilapidated and scrap materials.

The Department in reply stated (August 2009) that though the Arbitrator awarded Rs 35 lakh in favour of the Company, the copy of the same was served neither upon the CP nor the Home Department and as such the Department was in the dark about the award at the material time. The contention was, however, not tenable as the CP filed applications for setting aside the decree passed by the Arbitrator, which was dismissed by the High Court (July 1996).

3.1.8 Avoidable expenditure towards interest

Inaction of the Department in complying with the High Court order for paying compensation to families, affected by a fire explosion, led to an avoidable interest payment of Rs 24.84 lakh.

In September 1995, an explosion occurred in a fireworks factory in the district of Howrah, killing 23¹³ children. As a measure of immediate relief, the District administration made an ex-gratia payment of Rs 1.72 lakh (September 1995) to the next of kin of the victims from the “Chief Minister Relief Fund”. Subsequently, a public interest litigation petition was moved by a welfare society (December 1996) before the Kolkata High Court for payment of adequate compensation to the affected families. The High Court ordered (December 1996) the State Government to pay Rs 1 lakh as compensation to each of the next of kin of the deceased children. After four years, the State Government paid (August 2000) Rs 4.60 lakh as interim compensation to the next of kin of 23 deceased children (at the rate of Rs 20000 each). A second writ petition was moved (October 2008) before the High Court for enforcement of its order of December 1996. The High Court attributed (December 2008) the delay on the part of the State Government unjustified and ordered it to pay interest at the rate of nine *per cent per annum* from the date of order.

Scrutiny (February 2009) of the records of the District Magistrate, Howrah disclosed that the residual part of the compensation (at the rate of Rs 80000 per family) was paid in December 2008 and January 2009. Home (Police) Department, in compliance with the orders of the Court, further sanctioned (January 2009) Rs 24.84 lakh as interest for the delay of 12 years (January 1997 to December 2008) in payment of the compensation. The District Magistrate paid the interest amount to the 23 families of deceased children in January 2009.

Thus, inaction of the Home (Police) Department in releasing the compensation in compliance with the High Court order led to avoidable payment of interest of Rs 24.84 lakh, apart from depriving the affected families of their dues for 12 years.

The matter was referred to Government in May 2009; reply had not been received (November 2009).

¹³ Besides, five children were injured

3.1.9 Infructuous expenditure due to improper maintenance of solar photo voltaic power plants

Failure to ensure proper maintenance led to Solar Photo Voltaic power plants becoming defunct, rendering an expenditure of Rs 39.15 lakh infructuous

Government of India proposed (May 1997) to connect all police stations, District Headquarters and State Headquarters in the country through a satellite communication system (POLNET) by December 2004. The system required an uninterrupted supply of power. It was decided to install Solar Photo Voltaic (SPV) power plants in 35 police stations, located in poorly electrified or non-electrified areas of the State. The project was financed with central assistance under Border Area Development Programme and Integrated Rural Energy Programme. The Inspector General (IG) of Police (Telecommunications), West Bengal was in charge for implementing the project.

The IG awarded (March 2000) the work to an Agency 'X'¹⁴ for supply of 35 SPVs. The installation was completed by December 2000. Agency X was paid Rs 47.25 lakh in two instalments in March 2000 and February 2001.

Audit scrutiny (April 2009) of the records of Additional Director General and Inspector General (ADG&IG) of Police (Telecommunications) disclosed that though the SPVs required routine maintenance for proper functioning of the system, the ADG&IG did not enter into an Annual Maintenance Contract (AMC) for the system. Out of 35 SPVs installed, 29 (valuing Rs 39.15 lakh) were non-functional due to overloading and improper maintenance of the system between 2000 and 2003. Of these, 19 had turned non-operational within the guarantee period (24 months from commissioning) itself. The remaining six SPVs also stopped functioning during the period 2004-2007 and as of April 2009, none of the SPVs were functional.

The matter was referred to the West Bengal Renewable Energy Development Agency (WBREDA) in October 2007 for repairing/ servicing of the SPVs. The WBREDA proposed (March 2008) to replace the defunct systems with a different solar lighting system at an estimated cost of Rs 39.57 lakh.

The ADG&IG, while admitting the audit observation, stated (October 2009) that the district authorities had not taken timely initiative in repairing the power plants. Resultantly, the system collapsed due to lack of maintenance. The ADG&IG further stated that keeping in view the huge expenditure involved in the repairing of power plants, no further action was taken for repairing/ servicing.

Thus, the failure to ensure proper maintenance of the SPVs resulted in 29 SPVs becoming inoperative within three years, rendering the expenditure of Rs 39.15 lakh infructuous.

¹⁴ M/s Andromeda Energy Technologies Pvt. Ltd., Secundrabad, Andhra Pradesh. (Being the sole distributor of Solite Solar Generator T-400 made by India Renewable Energy Development Agency Ltd).

3.2 Audit against propriety/expenditure without justification

Audit against propriety/ expenditure without justification endeavours to bring to light every matter which appears to involve improper expenditure or waste of public money or stores even though the accounts themselves may be in order and no obvious irregularity has been committed. The objective is to support a reasonably high standard of public financial morality and sound financial administration and devotion to Government's financial interests.

However, in many occasions instances came to notice where decision of the Department or functionaries was questionable from the point of view of propriety. In the succeeding paragraphs some major instances of Government expenditure becoming either unfruitful or wasteful or were tantamount to undue benefit to some outside agencies are discussed.

URBAN DEVELOPMENT DEPARTMENT

KOLKATA METROPOLITAN DEVELOPMENT AUTHORITY

3.2.1 Loss on transfer of land

The KMDA's decision to lease out the Sealdah commercial complex to a private party for 99 years resulted in a loss of Rs 18.80 crore on salami and annual recurring loss of Rs 17.93 lakh on rent

The West Bengal Land Reforms Manual (Manual) specifies that no long term settlement of Government land shall be made without the prior sanction of the Board of Revenue and the power of executing contracts and assurances in matters connected with license, lease, sale or re-conveyance of Government land vests on District Collector or District Land & Land Reforms Officer (DLLRO). The Manual also provides that the market value of land proposed for settlement should be carefully assessed from the records of recent sales of similar categories of land in the vicinity to be obtained from Sub-Registrar offices.

Audit scrutiny (December 2008 & April 2009) of the records of Kolkata Metropolitan Development Authority (KMDA) revealed that the Public Works Department (PWD) handed over to KMDA in March 1978 a plot of land housing the Sealdah court to facilitate Sealdah area development, including construction of a Court cum Commercial Complex within the existing court campus. KMDA started work on the project in July 2000. After nearly completing the civil structure of the G¹⁵ + 9 storied building at an expenditure of Rs 5.13 crore, KMDA decided to handover the project to private developers

¹⁵ Ground Floor

for commercial use in order to maximise benefit from the commercial complex. Pricewaterhouse Coopers (PwC) at their behest valued the property at Rs 26.25 crore as on 28 February 2006, considering life of the building to be 60 years. Following selection of a private party through a competitive bidding process, KMDA entered into an agreement of license (April 2008) with the former to lease out the complex for 99 years, renewable for a further period of 99 years, at a consideration of Rs 34.57 crore with annual ground rent of Rs 52 only. The property handed over to the private party comprised land measuring 51.78 Kottah together with a G+9 storied building to be used as a shopping mall with provision for a rooftop restaurant.

Audit analysis revealed several irregularities in handing over of the complex to the private party resulting in loss to the Government. The valuation by PwC, which formed the basis for a reserve price in the bidding process, was based on a building life of 60 years. However, the private developer was given lease rights for 99 years; thus benefits that would accrue from the project beyond 60 years were not factored into the reserve price.

As per the records of the Additional District Sub- Registrar, Sealdah, the market value of the commercial complex together with vacant land worked out to Rs 59.76 crore based on the market value of similar property in the vicinity during the period when the license agreement was executed by KMDA. As per provision of the Manual, long term settlement for 99 years is granted on payment of 95 per cent of the market value as one time salami and 0.3 per cent of the market value as annual rent. Thus the property was handed over to the private party at a price much lower than its market value.

The land did not belong to KMDA. Despite KMDA's request (September 2001), PWD had not transferred the land as of July 2009. As per provision of the Manual, transfer of land on lease to any Development Authority requires concurrence of the Board of Revenue which alone is authorised to grant long term lease. Moreover, in contravention of the Manual provision that the lessee shall not submit or transfer the demised land or part thereof without the written permission of the Collector/DLLRO, KMDA had leased out the complex to a private party with the right to sub- license, sub-let and sub-lease.

The Department, in reply (July 2009) accepted that bids were evaluated on the basis of the reserve price worked out in 2006 and that by April 2008 there was substantial hike in real estate prices. They also stated that the complex was incomplete at the time of transfer while the loss was calculated on the basis of the market price of complete commercial complex.

The reply of the Department is not tenable. Balance work of only Rs 3.40 crore remained to be executed on the date of suspension of work. The entire transaction thus not only violated manual provisions but also ran contrary to common financial prudence. By failing to assess the market value at the time of executing the agreement, KMDA not only lost Rs 18.80 crore on Salami but will also incur recurring annual loss of Rs 17.93 lakh on rent for 99 years.

3.2.2 Unfruitful expenditure

Hasty procurement of two elevators before completion of the civil work resulted in unfruitful expenditure of Rs 37.27 lakh following leasing of the building to a private party.

The Traffic and Transport (T & T) Sector, Kolkata Metropolitan Development Authority (KMDA) took up (July 2000) construction of a multi-storied commercial complex within the Sealdah Court compound at a tendered cost of Rs 5.59 crore. The construction of the work was suspended midway in March 2005 after 70 *per cent* completion of the civil work at Rs 5.13 crore. KMDA decided subsequently (July 2006) to lease out the incomplete structure on 'as is where is' basis to private developers through competitive bidding in order to maximise benefit from the commercial complex. The process was completed and the complex leased out (August 2008) for 99 years to a private developer at a price of Rs 34.57 crore.

Scrutiny of records (November 2008) of the Executive Engineer (EE), Electrical Division-I, Electrical and Mechanical (E & M) Sector, KMDA, revealed that notwithstanding the March 2005 decision of the T&T sector to suspend the work, Superintending Engineer (SE), Electrical Circle-II, awarded (May 2005) the work of supply, erection and commissioning of two twenty-passengers capacity elevators to an agency at a cost of Rs 43 lakh for completion by May 2006. In the ensuing period also, there was no effective coordination or communication between the T&T and E&M sectors and no attempts were made to put on hold or cancel the supply order, even though the civil work had been suspended. The agency supplied the lifts in May 2006 but could not install these as the lift wells and machine room were not complete. The E & M Sector tried to sell the elevators to the private developer to whom the complex was leased out but did not succeed. The supplying agency also refused to take back the elevators, which have been lying in the store.

In reply, the EE admitted that there was no scope to utilise the elevators in their ongoing works which were residential in nature and attributed the purchase to lack of communication from the T&T Sector regarding the suspension of the work before the elevators were procured. The EE, however, did not explain the need to purchase the elevators even before the civil works were completed or during the period of their suspension.

The Department, in reply (August 2009) stated that there was no loss to the KMDA as the quoted premium by the selected bidder included the cost of two elevators. The reply is not tenable, as the private developer's refusal to take the elevators indicates that the quoted premium had not included the cost of this equipment. In fact, there was no mention of elevators in the technical specifications attached with the Notice Inviting Bid or in the agreement executed with the developer.

Thus, hasty procurement of elevators before completion of the lift wells and lack of coordination between different wings of the KMDA resulted in unfruitful expenditure of Rs 37.27 lakh¹⁶ on the elevators, due to lack of any foreseeable use of the elevators.

FINANCE DEPARTMENT

3.2.3 Undue benefit extended to a joint venture unit

Undue financial benefit of Rs 2 crore was extended to a joint venture by Government's action in taking over loan liabilities of the unit

With a view to reviving Engel India Machines and Tools Limited (EIMTL), an unviable public sector enterprise, the Public Enterprises Department decided to transfer 74 per cent of Government Equity stake in the company to a private strategic partner (Megatherm Electronics Private Limited). A share purchase agreement was entered into (February 2005), with the strategic partner to transform EIMTL into a joint venture unit.

In terms of clause 5.10 of the agreement, a loan¹⁷ of Rs 2 crore, taken between March 2000 and August 2001 by EIMTL from West Bengal Infrastructure Development Finance Corporation Limited (WBIDFC), a Government Company, was transferred to the joint venture. Keeping in mind this loan liability, the value of the equity¹⁸ of EIMTL had been reduced by Rs 2 crore. The WBIDFC loan was, however, re-scheduled for repayment in seven equal instalments after an initial moratorium period of three years. This was approved by the Board (February 2005) of WBIDFC. The Board, however, did not agree to waive outstanding interest. The Standing Committee on Industries¹⁹ of the Cabinet also endorsed the arrangement (September 2005).

Scrutiny of records of the Public Enterprises and Finance Departments (February to April 2008) showed that, though the loan had been transferred to the joint venture by reducing the value of equity and the moratorium period (three years from October 2005) was not yet over, the WBIDFC moved the Government (March 2007) for repayment of Rs 3.72 crore (principal of Rs 2 crore along with interest of Rs 1.72 crore²⁰ thereon). The Finance Department, avoiding cash outgo, settled the matter (March 2007) by booking

¹⁶ Excluding the cost of erection and commissioning from the tendered amount of Rs 43 lakh.

¹⁷ Carrying a rate of interest of 17 per cent per annum; The loan had been guaranteed by the State Government

¹⁸ Total asset value (Rs 4.48 crore), after adjustment of liabilities, cost of construction of building etc, came down to Rs 2.16 crore. The same was further reduced by Rs 2 crore and value of equity was arrived at Rs 15.9 lakh.

¹⁹ Comprising the Chief Minister, Ministers in Charge of Finance and Commerce & Industries, Chief Secretary, Pr Secretary of the Industrial Reconstruction and Public Enterprises Department and Joint Cabinet Secretary

²⁰ Interest accrued up to March 2007: Rs 2.50 crore; interest adjusted with loan to Government; Rs 1.72 crore; Interest written off by WBIDFC: Rs 78.20 crore

the amount (Rs 3.72 crore) as a fresh loan²¹ taken by the Government from WBIDFC through book adjustments. The WBIDFC accordingly cleared the outstanding loan repayable by the JVU as of March 2007 in its account and intimated (August 2007) the same to the JVU. The Public Enterprises Department stated (September 2008) that it had not been involved in the subsequent Government decision for settlement of the joint venture's loan liability to the WBIDFC.

Thus, while the value of the equity of EIMTL, at the time of sale, had been reduced by Rs 2 crore in view of its loan liability payable to WBIDFC, the Government itself took over the joint venture's liability and settled its loan with WBIDFC. This resulted in extending an undue financial benefit of Rs 2 crore to the joint venture, in which a controlling stake of 74 *per cent* was held by the private strategic partner.

The matter was referred to Government in May 2009; reply had not been received (November 2009).

PUBLIC HEALTH ENGINEERING DEPARTMENT

3.2.4 Wasteful expenditure

Flawed decision of the department to construct a temporary structure led to loss of Rs 1.21 crore and avoidable expenditure of Rs 11.33 lakh on retrieval of material.

The Mahananda barrage pond near Fulbari, a confluence point of Teesta Mahananda Link Canal (TMLC), was the prime source of potable water to the Siliguri Municipal Corporation area. The Irrigation and Waterways Department (I&WD) decided in March 2007 to carry out maintenance work of the TMLC prior to onset of monsoon. This would require the closure of TMLC. The Public Health Engineering Department (PHED) therefore decided (February 2007) to make alternative arrangement of transporting water from the other side of the river Mahananda through pipes laid on a temporary carriageway built specially for this purpose during the period of maintenance of the TMLC at a cost of Rs 2.54 crore. The proposal was, however, silent about the reutilisation of pipes and accessories of the temporary structure after the maintenance work of TMLC was completed.

Audit scrutiny (June 2008) revealed that the PHED constructed the carriageway in April 2007 at a cost of Rs 2.46 crore. The entire structure collapsed during a flash flood in June 2007 and the PHED spent (March - April 2008) Rs 11.33 lakh in removing the material through the contractor who had executed the original work. The alternative arrangement for water supply did not become operational even after completion, and the Mahananda Barrage Division, I&WD had maintained normal water level at Mahanada barrage pond to ensure water supply by closing Mahanada Barrage gate during

²¹ As a part of a consolidated loan of Rs 404.27 crore for adjusting similar cases of overdue loans and interests as claimed by the WBIDFC

the maintenance of TMLC. Thus water supply to Siliguri Municipal Corporation area from the existing intake point at Mahananda barrage pond remained unaffected. Hence there was no necessity to make alternative arrangement of transporting water from the other side of the river Mahananda by PHED during maintenance of TMLC.

Thus the flawed decision of the PHED to construct the carriageway led to loss of Rs 1.21 crore²² and avoidable expenditure of Rs 11.33 lakh on retrieval of material. Though the EE had estimated the value of the serviceable retrieved material at Rs 1.25 crore, the serviceability was doubtful as the material had remained under water for almost a year.

In reply, Executive Engineer, Northern Mechanical Division, PHED stated (February 2009) that the project had collapsed due to flash flood which was beyond administrative and technical control of the Department. The reply is not tenable as there was no necessity to waste public money on a temporary structure vulnerable to flash flood when water level at the existing intake point could be maintained by closing the barrage gates during the maintenance of TMLC.

The matter was reported to the Government in April 2009; reply had not been received (November 2009).

IRRIGATION AND WATERWAYS DEPARTMENT

3.2.5 Wasteful expenditure

The department's decision to undertake repair and construction works in a river in the monsoon season led to wasteful expenditure of Rs 1.38 crore.

An old anicut²³ structure across the river Kansabati at Midnapore had been in use for maintaining the critical level of water and regulating its flow to the Midnapore Main Canal (MMC), located on the right side of the river. Audit scrutiny (November 2008) revealed that adequate strengthening of the structure was not done before the onset of the 2008 monsoon season after the entire low weir portion of the anicut (90 metre) was breached in the flood of July 2007.

²² (Total expenditure 2.46 crore - salvaged materials of Rs 1.25 crore) = Rs 1.21 crore

²³ It is a barrier constructed across the river to maintain a minimum level of water upstream that can be diverted to a canal for irrigation purpose.



Breached low weir of Anicut after the flood of July 2008

Even though any repair work would be difficult during the monsoon season due to high quantity and velocity of water, the Superintending Engineer (SE), Western Circle-II, hastily decided to undertake two works namely, closure of the breached portion of the anicut and construction of a temporary cross barrier upstream, to divert the river water towards the MMC. The works were awarded (August 2007) to two different contractors for completion by 6 October 2007.

Scrutiny of records revealed that the closure of the anicut was completed after a delay of three months in January 2008 at a cost of Rs 1.52 crore, well after the end of khariff season of 2007. Its execution was done in a perfunctory manner as the boulder sausage wall on the alluvial bed of the river was constructed with insufficient width at the base. Consequently, 35 metres of the wall was breached again in July 2008 and its restoration was completed in November 2008 at a cost of Rs 72 lakh. Similarly, despite an expenditure of Rs 79 lakh, the temporary cross barrier work upstream completed in September, 2007 did not serve its purpose. None of these incomplete measures thus succeeded in redirecting the flow of water towards the MMC for the khariff season of 2007.

Thus, the Department's decision to undertake the repair and construction work during rainy season and failure to complete maintenance of the old anicut structure well before onset of the next monsoon, led to unsuccessful execution of works and wasteful expenditure of Rs 1.38 crore²⁴. The MMC did not receive any water in the khariff season of 2007, the purpose for which the expenditure was incurred.

The matter was reported to the Government in April 2009; reply had not been received (November 2009).

²⁴ Rs 0.59 crore (Rs 1.52 crore X 35/90) + Rs 0.79 crore

3.2.6 Undue financial benefit to the contractor

The Department allowed higher rate for no valid reason which resulted in undue financial benefit of Rs 70.41 lakh to the contractor.

Under the Kolkata Environmental Improvement Project (KEIP) funded by the Asian Development Bank (ADB), the Irrigation and Waterways Department (I&WD) awarded (November 2006) the civil works for canal²⁵ rehabilitation, at negotiated price of Rs 8.5 crore²⁶ for completion by July 2008. The work was in progress as of April 2009 and the contractor had been paid Rs 8.91 crore.

Audit scrutiny (November 2008) of the records of the Project Director (Civil), Project Management Unit (PMU), I&WD, KEIP, revealed that the contractor's quoted price included the rate of Rs 220.40 per cubic meter for excavation and silt clearance of canals with all leads, lifting and disposal for any distance as well as de-watering. The records indicated that the rate was more than twice the departmentally estimated rate of Rs 107.10 per cubic meter and had been quoted by the contractor after considering all site conditions; this was evident from the fact that in the 'work methodology', which formed part of the agreement, the contractor had specifically stated that considering the restricted site condition of the CPT canal²⁷ it would deploy smaller size excavators (of 0.35 cubic meter bucket capacity), manual team of minimum 50 labourers, adequate number of hand trolleys (for removal of earth/sludge) and more equipment and labourers, if required.

However, at the time of execution of the work the agency submitted (August 2007) a much higher rate of Rs 436 per cubic meter for the CPT canal on the ground that it was inaccessible by dumpers due to encroachments and there was inadequate dumping space along the sides.

Audit scrutiny revealed that the CE and Project Director, PMU were not convinced of the reasonableness of the request and had requested (August 2007) the team leader, design and supervision consultants, to clarify how the contractor's claim for additional rates could be entertained. In his report of 6 November 2007, the team leader recommended the adoption of the revised rate citing encroachments on the canal banks. In its meeting held on 29 November 2007, the Project Implementation Committee headed by the Project Director, approved the revised rate of Rs 436 per cubic meter.

²⁵ Upper Monikhali Canal (1700 m), CPT Canal (2495m), Begore Khal (3351m), Begore Branch Canal (716m), Defunct Monikhali Canal (568m) and Parnashree Canal (400m), totaling 9.23 Km.

²⁶ 44 per cent above the estimated cost

²⁷ One of the 6 canals included in the work

The Department in reply stated that due to encroachment on the canal bank the agency was asked to do the work in wet method in a confined condition. As a result of change in work methodology the extra rate on the substituted item was allowed.

The reply is not acceptable since the contractor, after site inspection had quoted the rate considering the restricted site condition of CPT canal and there was no material change in the site condition afterwards. Besides, the price initially quoted by the contractor as well as the revised rate both included rates for dewatering and cross bundh²⁸. Thus it is evident that the claim of revised work methodology was not tenable.

Thus, the department allowed inadmissible higher rate resulting in extra expenditure of Rs 70.41 lakh without valid justification, which was tantamount to undue financial benefit to the contractor in violation of the terms and conditions of the contract.

SPORTS AND YOUTH SERVICES DEPARTMENT

3.2.7 Excess expenditure on procurement of lamps at higher rates

Procurement of lamps by the Chief Executive Officer, Yuba Bharati Krirangan at a rate higher than the maximum retail price, coupled with excess allowance of installation charges, resulted in excess expenditure of Rs 27.15 lakh.

The flood lighting system of the Yuba Bharati Krirangan (YBK), a Government owned stadium, consisted of 624 Metal Halide lamps²⁹. To improve the illumination level of the floodlighting system, the Chief Executive Officer (CEO), YBK decided (January 2008) to replace 552 lamps.

The CEO had neither obtained competitive rates for the lamps by inviting tenders giving wide publicity, nor did he place the order directly on the local branch³⁰ of the manufacturer. Instead, the order was placed (May 2008) on M/s Mackintosh Burn Limited (MBL), Kolkata. The lamps were procured from MBL at a cost of Rs 72.75 lakh³¹.

²⁸ Cross bundhs across the canal bed are required for dewatering to excavate silt in dry method.

²⁹ HPI-T 2 KW of Philips make

³⁰ Philips Electronics India Limited, having its registered office at 7 JCM Road, Kolkata 700020

³¹ 552 lamps at the rate of Rs 13112.60 plus installation charges of Rs 67.40 per lamp

Scrutiny (January 2009) of the records of YBK, revealed that MBL had sub-contracted (May 2008) the work to another private company (M/s United Works, Kolkata), at a rate of 14.80 *per cent* below MBL's estimated cost of Rs 72.75 lakh. M/s United Works delivered (May 2008 and September 2008) the lamps to YBK.

Further verification disclosed that the maximum retail price (inclusive of taxes) of each lamp was only Rs 8250, which was much lower than the price (Rs 13112.60) claimed by MBL. The Department, thus, incurred an excess expenditure of Rs 26.84 lakh³², compared to the printed price, by accepting the higher rates offered by MBL. It was also noticed that out of 552 lamps procured, 458 were not installed as of March 2009. MBL was, however, paid (November 2008) installation charges of Rs 0.31 lakh in respect of those lamps too (Rs 67.40 per lamp for 458 lamps).

Thus, CEO, YBK should have either placed the order on the manufacturer or invited tenders. Failure to do so, coupled with excess payment on installation charges, resulted in excess expenditure of Rs 27.15 lakh.

The CEO, YBK stated (March 2009) that, in view of exigencies, the lamps had to be purchased without observing tender formalities. The reply is not acceptable in view of non-installation of the lamps even after expiry of six months from the date of receipt. As regards the non-installation of 458 new lamps, it was stated that lamps had been purchased in excess as a precautionary measure. The reply is not tenable, as, in the proposal for purchasing the lamps, it had been mentioned that 552 lamps were not discharging illumination at the required level. YBK's reply that there was no system in YBK to access actual requirement of lamps is also far from satisfactory.

The matter was referred to Government in March 2009; reply had not been received (November 2009).

³² $(Rs13112.60 - Rs 8250) \times 552$

3.3 Persistent/pervasive irregularities

An irregularity is considered persistent if it is of continuing nature and occurs year after year. On the other hand, it becomes pervasive when it is prevailing in the entire system. The scope of this section is to bring to light certain irregularities of recurrent nature which have been noticed on several occasions during earlier audits as well as in many departments. Recurrence of such irregularities is not only indicative of lack of responsiveness of the Government, but also testifies absence of effective monitoring. Such lack of seriousness on the part of the Executive leads to deviations from the rules and regulations culminating in weakening of the quality of administration.

FOOD AND SUPPLIES DEPARTMENT

3.3.1 Avoidable payment of interest on cash credit account

Failure to ensure timely transfer of the sale proceeds of food grains of the Public Distribution System to the cash credit account led to making an avoidable interest payment of Rs 94.84 lakh

The Food and Supplies (F&S) Department finances the Public Distribution System of food grains through a cash credit (CC) arrangement extended by the State Bank of India (SBI). The CC account of the F&S Department is maintained in the SBI, Park Street Branch, Kolkata. Interest at prevailing rates on the outstanding credit balance is realised by the bank. No interest is paid in case surplus funds are parked in the account. Funds from the CC account are transferred to current accounts, maintained by the District Controllers of Food and Supplies with local SBI branches, for procurement of foodgrains from the Food Corporation of India and rice millers as well as for meeting related expenses. The district authorities deposit the sale proceeds, realised from the distributors, into non-operable collection³³ (NOC) accounts, maintained with different SBI branches. The amounts, so deposited into NOC accounts, were to be remitted to the CC account to reduce the outstanding balance.

Mention was made in earlier Civil Audit Reports regarding incorrect crediting and delays in crediting of PDS sale proceeds in the CC Accounts leading to avoidable interest burden on the State Exchequer during 2001-2006. Despite this laxity in the management of the CC Accounts continued to be a matter of concern, as would be seen evident from the followings:

Between April 2006 and February 2009, F&S Department availed of the cash credit limits, varying from Rs 9.50 crore to Rs 330.14 crore. It paid interest amounting to Rs 35.37 crore thereon, at rates varying between 9.70 and 13.06 per cent per annum.

³³ Current accounts where only deposit, but no withdrawals, can be made

Scrutiny (May 2008 and March 2009) of the records of the Directorate of Finance under the F&S Department showed that the SBI opened a new cash credit account for each *Kharif Marketing Season*³⁴. The CC accounts of the earlier seasons were, however, not closed even after the outstandings had been adjusted, leaving surplus funds in the account, bearing no interest. In the absence of adequate controls in the F&S Department, the sale proceeds were often remitted by the district authorities to such old accounts. This resulted in an increase in the surplus funds in these old accounts, whereas they could have been remitted to the ongoing season's CC account, thereby reducing the outgo on interest payments. During 2006-09 (up to February 2009), the surplus funds in the accounts of the earlier seasons ranged between Rs 78.77 lakh and Rs 16.04 crore (in 21 months³⁵). Had these funds been immediately transferred to the CC account of the ongoing season, the overdraft could have been reduced by the same extent and interest burden of Rs 94.84 lakh³⁶ could have been avoided.

The Director of Finance (DF) stated (April 2009) that in some cases the district authorities had failed to remit the sale proceeds to the CC account of ongoing KMS. The reply is not acceptable, as further test-check (July 2009) showed that the DF had issued instruction to district controllers to stop transferring sale proceeds in two such current accounts (cash credit accounts of KMS 2005-06 and 2006-07) in December 2008. The DF further intimated (July 2009) that out of three current accounts³⁷, irregularly operated during 2008-09, two had been closed recently. The third account had not been closed by the bank as of June 2009, though the bank had been moved for its closure.

Thus, the failure of the Department to ensure timely transfer of the sale proceeds of food grains of the Public Distribution System to the CC account led to making an avoidable interest payment of Rs 94.84 lakh.

GENERAL

3.3.2 Cash management in Government Departments

Non-adherence to the provisions of Treasury and Financial Rules by 18 DDOs in seven districts, including Accounts Officer, West Bengal Secretariat, resulted in serious financial irregularities like unadjusted vouchers, theft/unexplained cash shortage, etc. amounting to Rs 2.65 crore.

As per West Bengal Treasury Rules (WBTR), no money is to be drawn from the treasury unless it is required for immediate disbursement³⁸. All financial transactions are to be recorded in the Cash book as soon as they occur under

³⁴ Beginning from the month of October and ending in September of the following year

³⁵ During other months either there were no credit balances in the CC account or the balances in old accounts were very low / nil

³⁶ Calculated on the basis of monthly minimum debit balances lying in those CC accounts of earlier years.

³⁷ Cash credit accounts of KMS 2005-06, 2006-07 and 2007-08

³⁸ Subsidiary Rules 229 under Treasury Rule 16

proper attestation by the Drawing and Disbursing Officer (DDO). The cash book is required to be closed every day, while the Head of the office is required to physically verify the cash balance at the end of each month and record a certificate to that effect. Bill-wise and date-wise analysis in respect of closing balance is also to be recorded³⁹.

Scrutiny of the records of 18 DDOs under seven⁴⁰ Departments in seven districts⁴¹ including Kolkata disclosed serious financial irregularities due to non-compliance with the above provisions. In course of physical verification of cash, conducted by 18 DDOs at the instance of audit during May 2008 to May 2009, against the aggregate closing balance of Rs 34.80 crore as per cash books, only Rs 32.15 crore was physically found, indicating a shortage of Rs 2.65 crore (**Appendix 3.1**). Of the above shortage, unadjusted vouchers accounted for Rs 9.10 lakh, theft and unexplained shortage of cash constituted Rs 8 lakh, unauthorised advance from undisbursed cash to staff members amounted to Rs 2.11 crore and lapsed cheques or demand drafts aggregated to Rs 36.87 lakh.

Mention was made in Paragraph 4.5.4 of the Civil Audit Report for the year ended 31 March 2008 that even the Accounts Officer, West Bengal Secretariat and Ex-Officio Deputy Secretary, Finance Department resorted to irregular payment of advances out of un-disbursed cash balances. The practice, however, continued and outstanding balance of such advances, allowed by the Accounts Officer, stood at Rs 2.06 crore as on 4 May 2009.

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

On being referred by Audit (July 2009), the Health and Family Welfare and Sunderban Affairs Departments stated (June and September 2009) that an amount of Rs 1.63 lakh had been adjusted. The Health and Family Welfare Department also intimated that it had started investigation in each case to settle the issue at the earliest.

3.3.3 Follow up action on earlier Audit Reports

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India, Government of West Bengal upto 2007-2008 revealed that Action Taken Notes on 292 paragraphs (selected: 41 from 1997-1998 to 2007-2008 and not selected: 251 from 1981-1982 to 2007-2008) involving 45 Departments remained outstanding as of September 2009. The names of the Departments are given in **Appendix 3.2**.

The administrative Departments were required to take suitable action on the recommendations made in the Reports of the Public Accounts Committee

³⁹ *Subsidiary Rules 31 under Treasury Rule 10*

⁴⁰ *Backward Classes Welfare, Health and Family Welfare, Home (Constitution and Election), Jails, Land and Land Reforms, Sunderban Affairs and Finance Departments*

⁴¹ *Bankura, Birbhum, Jalpaiguri, Malda, Murshidabad, Nadia and Kolkata*

(PAC) presented to the State Legislature. Following the circulation of the Reports of the PAC, heads of Departments were to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat within six months.

It was observed that the Action Taken Notes on 31 Reports of the PAC, presented to the Legislature between 1991-92 and 2008-09 had not been submitted by 18 Departments⁴² to the Assembly Secretariat as of September 2009. Out of these, 15⁴³ Reports of the PAC had suggested recovery, disciplinary action, etc. A few significant cases are elaborated below:

Table 3.1: Significant recommendations of PAC

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

⁴² Agriculture, Commerce and Industries, Disaster Management, Finance, Fisheries, Home, Home (Police), Housing, Irrigation and Waterways, Municipal Affairs, Panchayats and Rural Development, Public Health Engineering, Public Works, Public Works (Roads), School Education, Social Welfare, Transport and Urban Development.

⁴³ 36th PAC Report 1999-2000, 3rd PAC Report 2001-02, 29th PAC Report 2004-05, 34th PAC Report 2004-05, 48th PAC Report 2005-06, 8th PAC Report 2006-07, 9th PAC Report 2006-07, 1st PAC Report 2007-08, 10th PAC Report 2007-08, 12th PAC Report 2007-08, 4th PAC Report 2006-07, 15th PAC Report 2007-2008, 19th PAC Report 2008-09, 21st PAC Report 2008-09 and 27th PAC Report 2008-09.

| Year of Audit Report with para number | PAC Report number and year | Name of the department(s) | Gist of the Audit Para | Recommendation of PAC |
|---------------------------------------|---------------------------------------|---------------------------|--|---|
| 3.13 of AR 2000-2001 Vol I | 9 th PAC Report 2006-2007 | Finance (Taxation) | Unjustified printing of ungummed and unperforated Entertainment Tax Stamps without considering the willingness of the exhibitors to use such stamps resulted in a loss of Rs 73.14 lakh towards cost of production and their disposal | The Department should investigate as to why the order for printing of ungummed and unperforated Entertainment Tax Stamps was placed in such a large quantity at a time without recording the reasons behind it and should take actions against the person/persons who would be found responsible in this regard. The Department should be more careful and rational in dealing with such situations in future. |
| 4.3.3 of AR 2002-2003 | 15 th PAC Report 2007-2008 | Public Works (Roads) | Arbitrary recommendation made by the Chief Engineer, Public Works (Roads) Directorate for acceptance of abnormally higher rates than that quoted by the agency in the work of widening and strengthening of Calcutta-Basanti road at 53 KMP to 86 KMP (length 33 Kms) of South 24 Parganas district resulted in undue benefit of Rs 1.53 crore to the agency | Considering the gravity of the matter, the Committee recommends that the matter be referred forthwith to the Vigilance Commissioner for thorough investigation. The Commission may be requested to leave no stone unturned to divulge the facts and thereby submit the report within three months. |

Source: PAC Reports

Thus, the fate of the recommendations of the PAC and whether they were being acted upon by the administrative Departments could not be ascertained in audit.

The matter was referred to Government in May 2009; reply had not been received. (November 2009).

3.4 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people. Proper oversight on the part of Government would ensure that public money is put to good use and the desired outcome of the same is derived.

The objective of this section is to bring to light cases of failure of oversight and governance at various levels of administration. Resultantly, funds released by Government for creation of assets for benefit of public remained unutilised / blocked or expenditure incurred thereon became unfruitful/unproductive/infructuous.

Some major cases of laxity in governance resulting in avoidable/ unfruitful/ additional expenditure from the Government exchequer are discussed in this section.

URBAN DEVELOPMENT DEPARTMENT

KOLKATA MUNICIPAL CORPORATION

3.4.1 Loss due to irregularities and non-transparency in allotment of Parkomat projects in KMC land

The contract for multi-level car parking systems at Rowdan Street and Lindsay Street including shopping mall at Lindsay Street were awarded to a private company on Build, Own, Operate & Transfer (BOOT) basis without any open competitive bid.

(Paragraph 3.4.1.2)

Out of 200 shopping outlets against the site plan for 128 at Lindsay Street project, 142 outlets were leased out to the intended buyers by the private partner at a premium of Rs 24.66 crore. KMC even after investment of land valuing Rs 29.14 crore did not receive any share of the premium.

(Paragraph 3.4.1.3)

Though both the projects were approved on revenue sharing basis, the agreements did not have any clause allowing KMC access to the detailed records of the day-to-day revenue earned. The unrealised rent from April 2007 to March 2009 worked out to Rs 10.56 lakh.

(Paragraph 3.4.1.4)

Though the projects were on BOOT basis without cash investment in any form by KMC, the contractor was paid an interest free loan of Rs 3 crore out of the State Government grants meant for revenue gap resulting in loss of Rs 3.53 crore towards interest.

(Paragraph 3.4.1.5)

Non-registration of the agreements/lease deed duly stamped, deprived the State Government of stamp duty of Rs 2.04 crore.

(Paragraph 3.4.1.6)

Unauthorised operation of street parking in the zone of influence of both the projects and about one-third of fees charged by the unauthorised operators added to the roadside congestion defeating the very objective of the projects.

(Paragraph 3.4.1.7)

3.4.1.1 Introduction

The Calcutta Municipal Corporation Act, 1980 empowers the State Government to order any municipal authority to regularise any unlawful or irregular action or, perform such duty or restrain such authority from taking such unlawful or irregular action or direct such authority to make, to the satisfaction of the State Government, within a period specified in the order, arrangements, or financial provision, as the case may be, for the proper performance of such duty.

Audit scrutiny of the records of the Kolkata Municipal Corporation (KMC) revealed that the KMC had built through a private sector company, Simplex Projects Limited (SPL) a multilevel parkomat (car parking system) at Rowdon Street (2001) and another underground parkomat and a shopping mall at Lindsay Street (2007), a prime business district in Central Kolkata, on Built, Own, Operate and Transfer (BOOT) basis both on KMC land. Audit scrutiny revealed serious irregularities in the projects that compromised the financial interests of the KMC as well as State Government, as discussed below.

3.4.1.2 Lack of transparency in Project award

Subsequent to discussion held between SPL and Chief Municipal Engineer, Planning & Development, KMC, SPL expressed (July 1999) their willingness for construction of multistoried computerised car parking system in Kolkata and made an audio-visual presentation to the Mayor in September 1999 for parkomats at Humayun Place⁴⁴ and Rowdon Street with a view to decongesting the area and augmenting the revenue of KMC. Though the Mayor ordered constitution of a committee to explore the proposal, the Mayor-in-Council (MIC) resolved (7 October 1999) in favour of the project even before the Committee submitted its report (14 October 1999). The resolution of the MIC was not sent to the Board of Councilors (BOC) for mandatory ratification. The Committee in its report (14 October 1999) recommended building the parkomats without allowing any commercial space and operate the facility for 20 years, on the condition that the developer would pay KMC five *per cent* of the gross annual revenue and 50 *per cent* of the profit; and KMC would prohibit road parking in the immediate 'zone of influence' of the parkomats. The projects were thus awarded (November 1999) to SPL straightway through execution of an agreement without any open tender, in violation of article 783 of the KMC code. Prior order/approval of the competent authority i.e. BOC was not obtained before execution of the

⁴⁴ Stretch between Jawaharlal Nehru Road on the west and Bartram Street on the east.

agreement. No projected return was assessed by KMC prior to taking up of the projects.

In April 2000, SPL requested to KMC that it was facing difficulty in mobilising fund required for execution of the Rowdon Street Car Parking Project. In response, KMC agreed to provide interest free loan of Rupees three crore in three installments through an additional agreement dated 20 December 2000. No prior approval of BOC which was mandatory as per KMC Act, was obtained before payment of first two installments (Rupees two crore). Further, while the Mayor approved the loan with the condition of repayment of the loan within a specific time limit, the additional agreement did not stipulate any time limit for repayment of the interest free loan. The additional agreement stipulated that SPL would repay the loan out of the profit of development of land to be provided by the KMC whereas the Mayor approved the loan with the condition that SPL would return the loan to KMC out of the rent receipts after meeting all the expenses (cost and overhead). The Mayor had approved that the loan be given out of the self-financing schemes and not out of KMC revenue and budget. But it was noticed from records that the said loan was given to SPL, out of the funds given to KMC by the Government of West Bengal out of the State Finance Commission's Award.

The Municipal Affairs Department, Government of West Bengal, after enquiry directed (July 2001) the KMC to rectify the above mentioned irregularities alongwith the direction to undertake financial analysis to assess the valuation of any land proposed to be given to SPL for development, taking into consideration the possible escalations in land's cost and also to fix responsibilities on the persons responsible for such irregularities. Ignoring the government's directives, KMC rather disbursed the third instalment of loan (Rupees one crore) in November 2001 and changed the site of Humayun Place (area: 772.11 Sq. Metre) to a much bigger site at Lindsay Street (area: 3600 Sq. Metre) on the ground that parking load was very high around the New Market (Lindsay Street) area through another agreement dated 21 October 2002. MIC approved (08 October 2002) the draft agreement on the plea of urgency to complete the project within a short time and therefore did not wait for BOC ratification which was taken *post facto* on 20 November 2002. The plea for urgency was not tenable as the handing over of site to SPL was made by KMC on 4 March 2003 i.e. after four months from the date of execution of agreement and the completion of the project was delayed by 32 months. Further, the provision of KMC Act, does not empower the MIC to enter into an agreement exceeding Rupees one crore.

3.4.1.3 Favour extended to the private party in agreement

The Lindsay Street agreement also permits SPL the right to construct a mall also over the parkomat, overruling the recommendation of the Committee that no commercial space should be allowed to SPL. The agreement gave the SPL the right to enter into lease agreement with the prospective lessees of the mall for a period of 60 years, renewable in blocks of 30 years; and the right to collect the lease premiums, even though the lease deeds would be signed by the KMC, which was entitled to collect only the secondary basic rent. Thus, the private partner got the benefit of developing a mall in the prime locality of

Lindsay Street, without any competition. By doing so, the KMC had also deviated from the recommendations of the Committee, to the advantage of SPL, by reducing the share of annual profit from the recommended fifty per cent to ten per cent and by stipulating that the profits would not be shared on annual basis, as recommended, but only when the company made profit for three consecutive years. No records showing reasons for reducing the share of KMC from fifty per cent (as recommended by Committee) to ten per cent of profit for both Rowdon Street and Lindsay Street Car Parking Project could be produced by KMC. SPL took further advantage by constructing 200 commercial outlets against the site plan for 128, out of which it had already leased out 142 outlets during September 2006 to April 2008 and collected a premium of Rs 24.66 crore. The total cost of both Rowdon Street and Lindsay Street Project was Rs 29.98 crore (excluding the value of land provided by the KMC).

3.4.1.4 Compromise to KMC's financial interest

As per the Lindsay Street agreement, KMC was entitled to only the secondary basic rent from the lessees of the commercial outlets in the mall. However, as of April 2009, no lease deed had been executed by KMC with the shop owners. The unrealised rent from April 2007 to March 2009 worked out to Rs 10.56 lakh (for 2200 square metres at Rs 60 per sq metre per quarter as fixed by KMC). KMC did not make available the basis of the rate of lease rent so fixed.

Though both the projects were approved on revenue sharing basis, the agreements did not have any clause allowing KMC access to the detailed records of the revenue earned. Details of the number of cars parked daily could not be made available by the KMC. KMC had no verifiable means or systems to ascertain the gross revenue of the projects, which was the sole basis for determining its five per cent share. There is no provision in the clauses of the agreement in respect of Rowdon Street Car Parking Project for maintenance of any record and submission of the same to KMC other than audited Balance Sheet and for Lindsay Street Car Parking Project no clause in the agreement requiring maintenance and submission of any records including audited Balance Sheet to KMC was provided. KMC had not taken any action to prohibit road side parking in the zone of influence of the parkomats, which affected the revenue and aggravated the congestion.

3.4.1.5 Financial benefit to the private party

Without any such provision in the original agreement or the KMC rules, the KMC provided between January 2001 and November 2001 interest free loan of Rupees three crore to SPL for the Rowdon Street project by diverting the State Finance Commission grant meant for filling the KMC's revenue gap meant for weaker section. The additional agreement signed on 20 December 2000 provided no time frame for repayment, nor had SPL made any repayment as of April 2009. The accrued loss of interest to the KMC worked

out to Rs 3.53 crore⁴⁵. Without taking action against the alleged irregularities pointed out by the Government of West Bengal (July 2001), KMC replied (October 2001) to the State Government that the giving of interest free loan was ratified by the Corporation in its meeting dated 22 August 2001. KMC also stated that the alleged irregularities were nothing but only the variation between the earlier decision and the final decision taken by the later Mayor. They also admitted that it was a bonafide mistake on the part of KMC to give the interest free loan of Rupees three crore to SPL without prior approval of the MIC or BOC. The reply to the State Government was not correct as in a BOOT project, KMC cannot give any extra financial aid to the private partner for execution of the project. Since after raising the issue in Audit, KMC had written (20 March 2009) to SPL to return the loan amount of Rupees three crore. The recovery is still awaited (July 2009).

3.4.1.6 Loss of Government revenue

In violation of Indian Stamp Duty Act 1899, none of the agreements for transfer of land and the loan of Rupees three crore was registered. Therefore, their legal validity is doubtful. The value of the land comes to Rs 29.14⁴⁶ crore. The estimated stamp duty works out to Rs 2.04 crore calculated at the prevailing rate of seven per cent *ad valorem*. Thus the State Government was deprived of the revenue of Rs 2.04 crore, due to irregularities committed by KMC.

3.4.1.7 Performance of the Project

Feasibility report, if any, prepared prior to launching of the two projects projecting the estimated number of cars that can be parked was not available. However, from the record available from SPL it was ascertained that 475 (Rowdan Street: 195 & Lindsay Street: 280) cars could be accommodated at a time in the two Projects. A test -check of records of SPL for twelve months revealed that on an average only 360 (Rowdan Street: 163 & Lindsay Street: 197) cars were being parked daily. The KMC stated that the shortfall in number of parking of cars was due to the inability of the Kolkata Police and Parking Department (KMC) to enforce ban on the street parking in the zone of influence of both the projects as stipulated in the agreement. Audit investigations revealed that agencies like Pioneer Co-operative Society Ltd. and Park Street Fee Parking Co-operative Society Ltd. were operating within the zone of influence of the projects, and were charging a fee of Rupees seven per hour against Rupees twenty per hour per car charged by SPL. KMC also admitted (02 March 2009) that on road fee parking was still continuing in the zone of influence of parkomats. This served as disincentive for parking cars within the two parkomats and added to the roadside congestion on the two sites, defeating the very objective of the projects.

⁴⁵ Calculated on the basis of average interest rate of 10 per cent compounded quarterly prevailing in the year 2001.

⁴⁶ Based on Government valuation.

3.4.1.8 Conclusions

The KMC, after giving land valuing Rs 29.14 crore on lease for twenty years for construction of the two parking projects i.e. Rowdon Street and Lindsay Street Car Parking Project and an interest free loan of Rupees three crore had so far received only Rs 1.42 lakh out of the dues of Rs 15.59 lakh⁴⁷ during 2001-08. The SPL did not share its profit stating that it had not made profit in any three consecutive three years. On the other hand, KMC suffered a loss of Rs 3.53 crore on account of interest, while the State Government suffered loss of stamp duty of Rs 2.04 crore. Despite the impropriety of awarding the projects to party without transparency and other irregularities, some of which were also pointed out by the State Government, KMC went ahead with favouring the SPL. The State Government also failed to make any corrective intervention though having enabling powers under the KMC Act. The private party was the only beneficiary of the projects, as none of the stated objectives of the projects i.e. decongestion of the area and revenue augmentation of the KMC was achieved.

The Department, in reply (August 2009) stated that the then authority of KMC took decision on the basis of report of expert committee, formed for this purpose and awarded the project to SPL. The reply was, however, not tenable because the expert committee submitted its report on 14 October 1999 whereas MIC resolved on 7 October 1999 in favour of the project. Regarding non-recovery of advance of Rs 3.00 crore and loss of Government Revenue, the Department accepted audit objection.

IRRIGATION AND WATERWAYS DEPARTMENT

3.4.2 Unfruitful expenditure

Weak oversight coupled with inexperience of both field level officers and the agency in executing geotubes work and non-compliance with the recommendations of the Monitoring Committee led to unfruitful expenditure of Rs 3.59 crore.

Incessant natural phenomena, such as cyclonic storm, eastern wind and high tide from Bay of Bengal had eroded the coastal area from Sankarpur to Jalda in the East Midnapore district. A Monitoring Committee formed by the Irrigation and Waterways Directorate (I&WD) accepted (September 2006) the suggestion of Chief Engineer-II (CE), I & WD, to lay geotubes on 1km stretch at Sankarpur as a pilot project for shore protection. Geotubes are large geotextile tubes filled hydraulically with slurry of sand and water used for coastal erosion control. This is a relatively new technology in India. It has been tried successfully in a few sites for coastal protection with Central Water and Power Research Station, Pune as project consultants. Thus, close scrutiny was needed to ascertain the sustainability of the project.

⁴⁷ Five per cent of the gross revenue earned by SPL.



Damaged Geotubes in November 2008



Boulder protection work to protect Geotubes

The Superintending Engineer (SE), Western Circle-II, after obtaining the Government's approval in February 2007, awarded (March 2007) the work to a private agency at a negotiated cost of Rs 3.14 crore for completion by September 2007. As of March 2009 the agency had been paid Rs 3.59 crore after completing work on a stretch of 840 meter only.

Audit scrutiny⁴⁸ (December 2008 and March 2009) revealed that the agency, a manufacturer of Geotubes, lacked the expertise to implement the technology and had sub-let the work to local contractors. The engineers of the I&WD also had no previous experience in laying geotubes. The progress of work was therefore slow; there were defects in construction and in the mode of execution. The Monitoring Committee in July 2007 directed certain remedial measures. These rectifications were not carried out either by the Department or by the agency. Consequently, till August 2008 only 80 percent of the work was completed, that too in a severely damaged condition. It was seen in audit that the Executive Engineer had not taken any bank guarantee from the agency against faulty execution.

The Monitoring Committee concluded in August 2008 that the desired success of geotube technology could not be achieved in this case due to lack of expertise in implementing the technology. On the advice of the Committee, the I&WD abandoned the remaining work (160 mtr) and took up construction of two rows of wooden structure between the sea-shore and the geotube wall to act as additional barrier for preventing ingress of saline water into the countryside. The work, including boulder filling in the area between the wooden structure and geotube wall, was completed in January 2009 at a cost of Rs 0.89 crore.

The Department in its preliminary reply (May 2009) stated that the expenditure can not be termed as unfruitful while admitting damages and lethargic progress of the work.

⁴⁸ On the records of Office of the Executive Engineer, Contai Irrigation Division, I&W

The pilot project, which could have provided a sustainable solution to the problem of coastal erosion, thus failed after an expenditure of Rs 3.59 crore due to weak oversight.

FOOD AND SUPPLIES DEPARTMENT

3.4.3 Undue favour to rice millers and other paddy procurement agencies

The Department extended undue favour to rice millers and procurement agencies during 2004-07 by allowing market fees amounting to Rs 4.40 crore, which was statutorily payable to West Bengal State Marketing Board / Regulated Market Committees in the districts.

Under the decentralised system of procurement of food grains in West Bengal, levy rice was procured from rice millers by Food and Supplies Department. Custom Milled Rice (CMR) was procured by different agencies⁴⁹. For each *kharif* marketing season, Government of India (GoI) fixes the economic cost of levy rice and CMR, comprising of two components - acquisition cost and distribution cost. The acquisition cost of levy rice and CMR, *inter alia*, included a component of market fees⁵⁰, payable to the respective Regulated Market Committees (RMCs) at the locations of rice mills. As per GoI's order, rice millers/other paddy procuring agencies were required to produce evidence/declarations regarding payment of market fees to the RMCs, along with the bills for payment.

Scrutiny of records relating to procurement of levy rice and CMR in six districts⁵¹, during the period from 2004-05 to 2006-07, disclosed that rice millers/procurement agencies did not produce any such evidence or declaration along with the bills for payment. Despite this, the Department released market fees to the rice millers/procurement agencies against procurement of 4.54 lakh MT of levy rice during the period from 2004-05 to 2006-07 and 5.90 lakh MT of CMR during 2005-07. Resultantly, Rs 4.40 crore⁵² was paid to the rice millers and paddy procuring agencies as market fees, which was receivable by West Bengal State Marketing Board/RMCs in the districts. Further enquiry disclosed that no part of the said amount was passed on to the West Bengal State Marketing Board/RMCs in the districts by the millers/ procurement agencies.

However, from Kharif Marketing Season 2007-08, the Department initiated (January 2008) steps for ensuring passing on of the component of market fees to the WBSMB/RMCs.

Thus, the Department extended undue favour to the rice millers and the procurement agencies by allowing market fees amounting to Rs 4.40 crore,

⁴⁹ West Bengal State Co-operative Marketing Federation Limited, West Bengal Essential Commodities Supply Corporation, West Bengal State Consumers' Federation Limited, National Agricultural Cooperative Marketing Federation, etc.

⁵⁰ Payable as a statutory charge at the rate of 0.5 per cent of MSP

⁵¹ Burdwan, Nadia, Paschim Medinipur, Birbhum, North 24 Parganas and Hooghly

⁵² Rs 1.91 crore for levy rice and Rs 2.49 crore for CMR

which was statutorily payable to West Bengal State Marketing Board/RMCs in the districts.

The matter was referred to Government in May 2009; reply had not been received (November 2009).

**FOOD PROCESSING INDUSTRIES & HORTICULTURE
AND LAND & LAND REFORMS DEPARTMENTS**

3.4.4 Blockage of funds in Malda Food Park Project

The objective of establishing a Food Park in Malda remained un-fulfilled owing to lack of co-ordination between FPI&H and L&LR Departments. This also resulted in blockage of investment of Rs 7.86 crore.

The Land and Land Reforms (L & LR) Department transferred (January 2003) 87.37 acres of land to the Food Processing Industries and Horticulture (FPI&H) Department for setting up of a Food Park in Malda. The project aimed at economic development of the district. It was approved by the FPI&H Department in December 2005 at an estimated cost of Rs 16.11 crore. West Bengal Food Processing and Horticulture Development Corporation Limited (Company), a State Government company under the Department, was responsible for implementation of the project. It was to be completed by April 2006.

The Company received Rs 9.55 crore from the State Government (Rs 5.68 crore released between August 2005 and March 2007) and Government of India (Rs 3.87 crore released between March 2006 and March 2008). The work was completed in March 2007 at a cost of Rs 9.74 crore. It included construction of warehouse, cold storage, common facility centre building, food court, effluent treatment plant, electrical substation, underground water reservoir, drainage system etc. The Food Park also consisted of 35 plots of land (total area: 28.62 acres) for setting up industries and four industrial sheds (area: 0.78 acre), which were to be leased out to interested entrepreneurs at a receivable amount of Rs 5.57 crore. Till July 2009, responses were received for 24 plots and one shed, for which Rs 1.69 crore had already been deposited by interested buyers⁵³.

As per condition imposed by the L & LR Department while transferring the land, the FPI&H Department was not authorised to lease out the land. The FPI&H Department referred the matter to L & LR Department in January 2008, so that lease deeds could be executed with entrepreneurs. However, in spite of series of communications⁵⁴ between these two Departments, no deed had yet been executed as of July 2009 and the plots/sheds could not be handed over to the entrepreneurs. Resultantly, though the project was completed in March 2007, entrepreneurs were unable to establish

⁵³ Nine buyers have paid the amount in full, sixteen have partially deposited the required amounts

⁵⁴ On various details of the project, demarcation of land, settlement of lease, relinquishment of land in favour of L&LR Department, treatment of amounts deposited by the entrepreneurs, modification/deletion of some clauses in the proposed lease deed, approval of Cabinet etc.

their industries as of September 2009 and infrastructure created at a cost of Rs 9.74 crore remained un-utilised. Till September 2009, the company has also incurred an amount of Rs 28.27 lakh on care and custody of the Food Park.

The FPI&H Department (August 2009) intimated that land was relinquished in favour of the L&LR Department in January 2009 for execution of the deeds in favour of the selected entrepreneurs.

Thus, the objective of establishing the Food Park has not yet been fulfilled even after more than two years from completion of the project due to lack of co-ordination between FPI&H and L&LR Departments to complete the required formalities for leasing out of land to the entrepreneurs. Besides, Government's investment of Rs 7.86 crore⁵⁵ remained blocked.

CO-OPERATION DEPARTMENT

3.4.5 *Infructuous expenditure on interest*

The Department could not utilise a substantial portion of loans taken from the National Co-operative Development Corporation for funding construction of mini cold storages in the co-operative sector, leading to infructuous expenditure of Rs 1.01 crore on interest.

The Department took loans aggregating Rs 2.21 crore (Rs 1.89 crore in 2001-02 and Rs 0.23 crore in 2003-04) from the National Co-operative Development Corporation (NCDC) in order to fund the construction of 12 mini cold storages⁵⁶ for storing fruits and vegetables (at a cost of Rs 33 lakh per unit) in the co-operative sector. The loans carried an annual rate of interest of 13 *per cent* (for Rs 1.89 crore) and nine *per cent* (for Rs 0.23 crore). They were repayable in six and seven equal annual instalments respectively, after a moratorium period (for principal amount only) of one year. Out of the loan funds, the Department, in turn, was to provide share capital assistance of Rs 15.75 lakh and a loan of Rs 13.20 lakh to each of the identified co-operative societies. The societies were to repay the loans (along with annual interest at the rate of 13 *per cent*) and redeem the share capital assistance to Government in eight equal annual instalments.

Scrutiny of the records of the Registrar of Co-operative Societies (RCS) showed (July 2008) that the Department, without assessing the viability of the mini cold storages, had identified the Co-operative Societies and drawn the loans from NCDC. Out of the twelve identified societies, five societies had expressed their disinterest in the project and no assistance was released to them. In case of the remaining seven societies, funds were released only in 2007-08 and 2008-09, after a delay of five to six years from the date of receiving the loans from NCDC, as shown below:

⁵⁵ Rs 9.55 crore minus Rs 1.69 crore

⁵⁶ Each having a capacity of 75 metric tonnes

Table 3.2: Progress of construction works

Rupees in lakh

| | Name of society | Financial assistance released by Government to societies | | | | Total | Status of construction work |
|---|--------------------------|--|---------------|-----------------|----------------|---------------|--|
| | | Share assistance | | Loan assistance | | | |
| | | Amount | Date | Amount | Date | | |
| 1 | Sajjira Faleya SKUS | 15.75 | March 2002 | 13.20 | October 2003 | 28.95 | Construction work was delayed owing to a dispute. Proposal for enhancement of cost is yet to be referred to the NCDC |
| 2 | NaithBaidora SKUS | 15.75 | July 2002 | 13.20 | February 2004 | 28.95 | Completed |
| 3 | Malda Mango CS | 15.75 | October 2002 | 13.20 | September 2005 | 28.95 | Completed |
| 4 | Jhalda Agril Mrketing CS | 19.25 ⁵⁷ | July 2007 | Nil | NA | 19.25 | Not started; The Society has refunded the assistance to Government |
| 5 | Habra Aril Marketing CS | 19.25 | January 2009 | Nil | NA | 19.25 | Not started; Tenders for the |
| 6 | Nazirpur SKUS | 19.25 | February 2009 | Nil | NA | 19.25 | works not invited as of |
| 7 | Jotbehar SKUS | 19.25 | March 2009 | Nil | NA | 19.25 | June 2009 |
| | | 124.25 | | 39.60 | | 163.85 | |

Source: Records of RCS

SKUS: Samabay Krishi Unnayan Samity

CS: Co-operative Societies

NA: Not applicable

Thus, the Department raised loans from NCDC without preparation in advance, leading to the funds not being utilised in time. Between January 2005 and January 2009, the Department had paid interest of Rs 1.33 crore (over and above the repayment of principal amount of Rs 1.73 crore) to NCDC. This included an interest amount of Rs 1.01 crore pertaining to the unutilised portion of the loan lying with the Department for various periods ranging from five to seven years.

Out of seven societies, which received financial assistance, only two had completed construction and were operating the cold storages. One had stopped construction owing to certain management problems⁵⁸ and one had refunded the financial assistance of Rs 19.25 lakh citing its inability to go ahead with the project, while three societies had not started construction as yet owing to delayed receipt of funds.

The Department, in its reply, accepted the facts and stated (July 2009) that it had released assistance to the societies only after studying the viability of the cold storages, to avoid the entire assistance becoming infructuous. The reply did not, however, explain why the NCDC loans had been drawn before conducting the viability study.

Thus, the drawal of NCDC loan, without assessing the viability of the projects, resulted in non-utilisation of loan funds for years together and in incurring an infructuous expenditure of Rs 1.01 crore towards interest.

⁵⁷ Construction cost of each cold storage was enhanced to Rs 40 lakh, while the share capital contribution was increased to Rs 19.25 lakh

⁵⁸ Department intimated that the disputes have been solved; Proposal for enhancement of cost is to be referred to NCDC

URBAN DEVELOPMENT DEPARTMENT
KOLKATA METROPOLITAN DEVELOPMENT AUTHORITY
3.4.6 Loss to the Government
KMDA failed to recover Rs 56.84 lakh towards the cost of dwelling units allotted to beneficiaries.

Kolkata Metropolitan Development Authority (KMDA) received Rs 3.19 crore⁵⁹ subsidy from the Government of India (GoI) for construction of 1062 dwelling units (DUs) under the Valmiki Ambedkar Awas Yojana (VAMBAY), a national scheme to provide shelter for the urban slum dwellers, at Nonadanga. The cost of one DU worked out to Rs 73860.

Scrutiny of records (October 2008 and February 2009) revealed that only 800 dwelling units were constructed at Nonadanga, out of which 581 were transferred to Kolkata Environmental Improvement Project (KEIP) and 23 units to the West Bengal Industrial Development Corporation (WBIDC) Limited against payment. The remaining 196 DUs were allotted (September 2005 to June 2006) by the KMDA to the evictees of different projects on the condition that the allottees would pay their contribution of Rs 44000 within 30 days from the date of receipt of the offer letter. This could be extended by another 30 days. Default in making payment within the extended period would lead to cancellation of allotment. Possession would be handed over and deed of conveyance executed after KMDA received full payment. On representation from three of the allottees, KMDA modified (July 2005) the mode of payment to Rs 15000 at the time of possession and the balance Rs 29000 in two equal instalments within one year of the possession. Thus possession was handed over on receipt of Rs 15000 without executing any agreement with the allottees regarding the payment terms for the balance amount. The possession certificate made no stipulation regarding cancellation of allotment and eviction in case of failure to pay the dues.

Audit scrutiny further revealed that none of allottees have till date (June 2009) paid the subsequent installments of Rs 29000 resulting in cumulative outstanding balance of Rs 56.84 lakh⁶⁰. KMDA has not formulated any definite plan of action till now to effect the recovery.

Thus, KMDA's failure to take adequate safeguards before handing over the DUs to the beneficiaries and to put in place a mechanism for recovery has jeopardised the chances of recovery of the outstanding balance of Rs 56.84 lakh.

The matter was reported to the KMDA/Government in April 2009; reply had not been received (November 2009).

⁵⁹ @ Rs 30,000 per dwelling unit

⁶⁰ (Rs 29000X196)

PUBLIC HEALTH ENGINEERING DEPARTMENT

3.4.7 Wasteful expenditure

Use of inferior quality AC pipes in the water supply scheme at Madhabpur (Balighai) resulted in wasteful expenditure of Rs 28.97 lakh due to bursting of pipes.

As per the West Bengal Public Works Department Code it is the responsibility of the departmental engineers to see that all departmental works are executed in efficient and economical manner.

The water supply scheme at Madhabpur (Balighai) and adjoining areas under East Medinipur district was taken up by the Public Health Engineering Department (PHED) in October 2001 at a projected cost of Rs 94.57 lakh to benefit the target population of 15300. The scheme was commissioned in May 2004 after completion of the distribution system.

Audit scrutiny (August 2008) of the records of the Executive Engineer (EE), Tamluk Division of PHED revealed that the distribution system was laid with AC pipes which burst frequently disrupting the water supply. Departmental reports stated that the pipes burst due to inferior quality and the “cracky” nature of soil. However, audit scrutiny revealed that the detailed estimates did not consider the nature of soil while recommending the use of AC pipes for the distribution system. The EE also did not carry out soil testing to ascertain the technical suitability of AC pipes. The matter was not even communicated to the Resource Division (PHED) which was responsible for procuring the pipes. Subsequently, the AC pipes had to be replaced (March 2008) by UPVC pipes at a cost of Rs 29.28 lakh.

Thus, the departments’ failure to carry out the necessary checks to ascertain the suitability of pipes considering the nature of soil and lay down the technical specification accordingly as well as use of ‘inferior quality’ of AC pipes resulted in wasteful expenditure of Rs 28.97 lakh.

DEVELOPMENT & PLANNING AND PUBLIC WORKS (ROADS) DEPARTMENTS

3.4.8 Unfruitful expenditure on an incomplete project

Failure of the Uttar Banga Unnayan Parshad to assess the feasibility of a project coupled with lack of co-ordination among various departments resulted in the unfruitful expenditure of Rs 32.64 lakh.

A project for improvement, widening and strengthening of Maynaguri-Barmish road (608 meters)⁶¹ in Jalpaiguri district was taken up

⁶¹ Improvement, widening and strengthening of Maynaguri-Barmish road portion from 0 km to 0.323km and also from Traffic Island to the junction of Maynaguri Ramsai Road and National highway 31 including construction of pucca drain on both sides from 0 kmp to 0.323 km under Uttarbanga Unnayan Parshad

during 2001-02 and funded by Uttarbanga Unnayan Parshad (UUP). The work was awarded (February 2003) by the Executive Engineer (EE), Jalpaiguri Construction Division, Public Works Department (PWD) to agency A at a tendered cost of Rs 38.33 lakh. The project was scheduled to be completed by June 2003. The UUP released (February 2003) a sum of Rs 50 lakh to the District Magistrate (DM), Jalpaiguri, who was authorised to make payments to the agency on the basis of measurements done by PWD.

Audit scrutiny (January 2009) of the records of the Member Secretary, UUP showed that the widening work of a stretch of the project falling on National Highway (NH)-31 involved shifting of a number of electric poles of West Bengal State Electricity Board (WBSEB). Though WBSEB erected new poles, shifting of the electrical lines to the newly erected poles involved felling of several trees on NH. It was not ascertainable from available records whether UUP had consulted the concerned NH division of PW (Roads) Department regarding felling of those trees while assessing the feasibility of the project. Proposals for felling of those trees were, however, made by the EE, PWD, Member of Jalpaiguri Zilla Parishad as well as DM, Jalpaiguri (April 2004, June 2004 and September 2004) to the Superintending Engineer (SE), NH circle III, Siliguri. No response was, however, received from the SE, NH circle III, resulting in stalling of the work since July 2004. The DM ultimately declared (November 2006) the project abandoned. The DM paid (up to July 2007) Rs 32.64 lakh to agency A for the portion of work executed by it, which thus proved unfruitful.

Thus, failure of the UUP to assess the feasibility of the project coupled with lack of coordination among Government Departments led to unfruitful expenditure of Rs 32.64 lakh.

The matter was referred to Government in 2009; reply had not been received (November 2009).

SPORTS AND YOUTH SERVICES DEPARTMENT

3.4.9 Injudicious release of Government grant

Injudicious release of grant to West Bengal Volleyball Association without assessing its requirement, coupled with lack of monitoring of the Department over proper utilisation of grants resulted in undue financial benefit of Rs 0.62 crore to the Association.

In terms of SR 330A of West Bengal Treasury Rules and Subsidiary Rules made there under, the grants-in-aid paid by Government to any body/authority/non-Government organisation (NGO) must be utilised for the purpose for which the grants were released. The sanctioning authority should exercise adequate control over the grantee organisation to ensure that the grants had been utilised for the specified purpose.

The Department released three grants of Rs 1 crore each to the West Bengal Volleyball Association (Association), an NGO, in July 2007, August 2007 and January 2008 for organising the Second Commonwealth Volleyball

Championship (Championship) in Kolkata during July-August 2007. Scrutiny of the records of the Association disclosed (September 2008) the following:

- The Association earned Rs 0.82 crore from sponsorship, sale of tickets, advertisement etc. Total funds available with the Association for organising the Championship, thus, amounted to Rs 3.82 crore (Rs 3 crore *plus* Rs 0.82 crore). Against the same, the Association had already spent Rs 1.55 crore; while Rs 1.65 crore has been shown as outstanding liability connected to the Championship. The excess Government grant of Rs 0.62 crore (Rs 3.82 crore *minus* Rs 1.55 crore *minus* Rs 1.65 crore) was parked with the Association. Such injudicious release of grants to the Association in excess of requirement was tantamount to extending undue financial benefit to the Association.
- Further scrutiny showed that expenditure booked under the Championship (Rs 1.55 crore) included Rs 50 lakh paid to the West Bengal State Council of Sports (Council) in February 2008. Though the amount was shown to have been paid in connection with Championship in the Association's accounts⁶², the voucher showed that the amount was received by the Council as Association's contribution towards the 'Bangladesh Relief Fund'⁶³. Booking of Association's contribution in the relief fund in the accounts of the Championship was highly irregular and indicated absence of monitoring of the Department over proper utilisation of the Government grant. The Association had also submitted utilisation certificate for the entire grant of Rs 3 crore, which was factually incorrect. The Department, however, took no action against the association on this matter.

Thus, the Department had not only failed in assessing the requirement of funds before releasing the grants to West Bengal Volleyball Association, but also it could not ensure utilisation of the grant for the specified purpose. Such injudicious release of grant, coupled with lack of monitoring over its utilisation led to extension of undue financial benefit of Rs 0.62 crore to the Association and facilitated diversion of Rs 50 lakh. Suitable action against the association for submitting incorrect UC is also called for.

3.4.10 Unauthorised expenditure

The Department sanctioned Rs 50 lakh for construction of a mini indoor stadium in Murshidabad. In deviation from the purpose, the Block Development Officer, Farakka unauthorisedly used the funds for construction of an outdoor sports complex.

The Department sanctioned (August 2006) Rs 50 lakh as the first instalment of a grant-in-aid for construction of a mini indoor stadium, on a two acre plot of lease-hold land of Prof. S. Nurul Hasan College, Farakka, Murshidabad. The

⁶² loan repayment, electric charge, stadium hire charge and opening ceremony

⁶³ The Cash Book of the Bangladesh Relief Fund showed the corresponding contribution received from the West Bengal Volleyball Association

sanction was based on a project report and an estimate of Rs 5.36 crore had been prepared (June 2003) by the Department. According to the Project Report, the mini indoor stadium was to host various types of indoor games⁶⁴ as well as cultural events. The project report also envisaged completion of the stadium within a period of twelve months. The District Magistrate (DM), Murshidabad nominated (January 2007) the Block Development Officer (BDO), Farakka as the executive agency for implementation of the work.

Scrutiny of the records of the DM, Murshidabad, however, showed (February 2009) that there was a deviation from the original objective of constructing a mini indoor stadium. Based on a drawing and design⁶⁵ of an outdoor sports complex, the BDO prepared (November 2006) an cost estimate. The design and estimates of the sports complex *inter alia* included construction of 50 shops under 100 meters long gallery, an eight lane sports track etc., which indicated that the drawing was essentially of an outdoor stadium. However, based on the availability of funds (Rs 50 lakh) the BDO prepared an estimate for Rs 50.62 lakh for a part (earth excavation and filling, 50 shops below the gallery, etc.) of the work. The DM administratively approved the work and placed (January 2007) Rs 50 lakh at the disposal of the BDO. No approval was obtained from the Department for constructing an outdoor sports complex in deviation from the original objective. The BDO engaged (March 2007) a contractor for the work and incurred an expenditure of Rs 50.41 lakh up to October 2007. The utilisation certificate submitted by the BDO in respect of Rs 50 lakh (Rs 47.75 lakh paid to the contractor *plus* Rs 2.25 lakh spent on fees of consultant, contingencies, etc.) was forwarded in January 2008 by the DM to the Department.

In January 2008, the Department requested the DM to submit the plan and estimate of the mini indoor stadium, duly vetted by the competent Government engineer and approved by the concerned local authority. However, the same was not submitted to the Department. The DM did not draw the second instalment of Rs 50 lakh sanctioned (January 2008) by the Department for the indoor stadium. The District Planning Officer, Murshidabad stated (February 2009) that the funds could not be drawn as the Government order had been received after the financial year. The work remained suspended since October 2007 for want of funds.

The BDO stated (February 2009) that the revised estimate for the balance work, prepared in August 2008 on the basis of prevailing PWD schedule, amounted to Rs 1.38 crore. The estimates for plumbing, sanitation, electrical and land development for sporting track, boundary wall and some auxiliary works costing more than Rs 3 crore were under preparation.

Thus, the approved objective of constructing a mini indoor stadium was not achieved. Apart from the fact that commencing construction of an outdoor stadium was a deviation from the approved objective, the work has remained suspended since October 2007.

⁶⁴ the arena should be suitable for any of the following events at a time: One Basketball match, two simultaneous Volleyball matches, three simultaneous Badminton matches, one Tennis match, Table Tennis, Boxing & Wrestling, Gymnastics

⁶⁵ Prepared by the Malda Polytechnic

The matter was referred to Government in May 2009; reply had not been received (November 2009).

**PUBLIC WORKS AND INFORMATION & CULTURAL
AFFAIRS DEPARTMENTS**

3.4.11 Non-utilisation of an auditorium

Lack of co-ordination between the concerned Departments and consequent failure in obtaining necessary clearances in respect of a newly constructed fire exit staircase as required under the Delhi Building Bye-Laws, resulted in non-utilisation of an auditorium worth Rs 36.81 lakh, since 1993.

The Delhi Building Bye-Laws, 1983 provide that the buildings like auditoria should have exits, sufficient to permit safe escape in case of fire or other emergencies. It also *inter alia* stipulates that clearance certificates from the Chief Fire Officer (CFO) and Deputy Commissioner of Police (Licence) (DCP) were mandatory for making the auditorium operational for public use.

Banga Bhavan (BB), a State Government guest house along with a multipurpose hall cum auditorium (in the third and fourth floors), was constructed in 1993 at a cost of Rs 4 crore, of which Rs 31.82 lakh⁶⁶ was incurred for construction of the auditorium. Though, the completion certificate for the BB was issued in 1996 by New Delhi Municipal Council (NDMC), the auditorium could not be made operational, as the clearance from CFO could not be obtained in the absence of the stipulated separate fire exits.

Accordingly, an additional staircase for the fire exit was constructed (January-August 2005) by the Executive Engineer, City Division, Public Works Department at a cost of Rs 4.99 lakh. Audit scrutiny (December 2008) of the records of the Assistant Engineer (AE), BB, New Delhi showed that though the NDMC issued (June 2006) the completion certificate in respect of fire escape staircase, the clearances from the CFO and DCP were not obtained. As a result, the auditorium constructed in 1993, could still not be made operational as of December 2008.

The AE, BB intimated (December 2008) that the auditorium was under the administrative control of the Information and Cultural Affairs Department (I&CAD) and it was the duty of I&CAD to obtain necessary clearances from the Fire services and the Deputy Commissioner of Police. I&CA Department, however, intimated (December 2008) that as the auditorium had not been handed over to it by the Public Works Department, it could not obtain necessary clearances. No action was taken by the PWD to hand over the auditorium, nor was any initiative taken by I&CA Department to take over the same. In absence of the required licence, the prospect of utilisation of the auditorium seems remote.

⁶⁶ Including Rs 0.64 lakh spent by the Information and Cultural Affairs Department for installation of projector

Thus, the lack of co-ordination between the concerned departments and consequent failure in obtaining necessary clearances from the relevant authorities in accordance with Delhi Building Bye-Laws resulted in non-utilisation of assets worth Rs 36.81 lakh⁶⁷ for a period of over 15 years.

GENERAL

3.4.12 Lack of response of Government to audit

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its leadership role seriously.

Principal Accountant General (Audit) (PAG) arranges to conduct periodical inspection of Government Departments to test-check transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities and other points, detected during inspection, are not settled on the spot, these find place in IRs, which are issued to the heads of offices inspected with copies to the next higher authorities. Government of West Bengal, Finance Department Memo No 5703(72)/FB dated 29 June 1982 provides for prompt response by the executive to the IRs issued by the PAG to ensure rectificatory action in compliance with the prescribed rules and procedures and secure accountability for the deficiencies, lapses, etc. noticed during inspection.

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

However, delays on the part of the departments in furnishing of replies to IRs and consequential accumulation of unsettled IRs/IR paragraphs have become a matter of concern. This aspect was discussed regularly in the Civil Audit Reports in respect of selected departments.

Inspection Reports issued upto March 2009 relating to 229 offices of Judicial, Transport, Information and Cultural Affairs, Urban Development, Irrigation and Waterways, Public Works (Construction Board) and three commercial undertakings⁶⁸ disclosed that 1721 paragraphs relating to 816 IRs remained outstanding at the end of July 2009. Of these, 353 IRs containing 451 paragraphs had been lying unsettled for more than 10 years.

⁶⁷ Cost of construction of the auditorium: Rs 31.18 lakh **plus** cost of installation of projector Rs 0.64 lakh **plus** Rs 4.99 lakh spent for construction of additional staircase

⁶⁸ Under Food and Supplies (for Public Distribution System), Food Processing Industries & Horticulture, Animal Resources Development Departments.

Department-wise and year-wise break-ups of the outstanding IRs and Paragraphs are detailed in **Appendix 3.3**.

Even the initial replies, which were required to be received from the respective heads of offices within six weeks from the date of issue of the IRs, were not received upto July 2009 in respect of 145 IRs.

Those unsettled IRs contained 78 paragraphs involving serious irregularities like, theft/defalcation/misappropriation of Government money, loss of revenue and shortage/losses not recovered/written off amounting to Rs 17.42 crore. Department-wise and nature-wise analysis of those outstanding paragraphs of serious nature showed the following position:

Table 3.3: Analysis of outstanding paragraphs

| Name of the Department | Cases of theft/defalcation/misappropriation | | Loss of revenue | | Shortage losses not recovered/written off | | Total | |
|----------------------------------|---|--------------|-----------------|----------------|---|---------------|-----------|----------------|
| | Para | Amount | Para | Amount | Para | Amount | Para | Amount |
| | (R u p e e s i n L a k h) | | | | | | | |
| Judicial | 4 | 15.94 | 5 | 70.90 | 1 | 0.04 | 10 | 86.88 |
| Information and Cultural Affairs | 1 | 0.06 | 4 | 1.07 | 1 | 0.04 | 6 | 1.17 |
| Urban Development | - | - | 11 | 1080.45 | 11 | 295.04 | 22 | 1375.49 |
| Irrigation and Waterways | - | - | - | - | 40 | 278.0 | 40 | 278.0 |
| Total | 5 | 16.00 | 20 | 1152.42 | 53 | 573.12 | 78 | 1741.54 |

Audit committees, comprising of the Principal Secretary/Secretary of the administrative Department and representatives of the Finance Department and the PAG, were formed in 50 out of 56 Departments of Government for expeditious settlement of the outstanding Inspection Reports. Of the 50 Departments where audit committees were formed, meetings were held only by eight Departments on 17 occasions from July 2008 to July 2009. As a result of the meetings of these committees, it was possible to settle 123 paragraphs and 26 Inspection Reports. No meetings were held by the other 42 Departments. The matter has been taken up with the Government for formation of audit committees in the remaining Departments.

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