

## **CHAPTER IV**

### **HOUSING DEPARTMENT**

#### **4.1 INTEGRATED AUDIT OF HOUSING DEPARTMENT**

##### **Executive Summary**

Integrated Audit of the Housing Department was carried out to examine its performance against the backdrop of its objective of providing affordable housing in the state. The Department comprises three Directorates, namely the Housing Directorate (HD), the Estate Directorate (ED) and the Brick Production Directorate (BPD). The HD constructs and maintains rental housing estates. The ED is responsible for rent collection. The BPD manufactures bricks.

The West Bengal Housing Board, an autonomous body under the Department's administrative control constructs flats for different categories of people. The main findings are highlighted below: -

- Budgeting in the Housing Directorate was unrealistic. There were recurring savings but funds continued to be provided in excess and were not surrendered.
- There was shortfall in achievement of annual targets in respect of execution of schemes in Housing Directorate. This was due to delayed land acquisition, poor contract management and absence of project monitoring system.
- Completed dwelling units were not utilised as demand was not correctly assessed and the construction was defective.
- The Estate Directorate did not have comprehensive database of the tenants. Demands for rent were not raised timely. This resulted in non realisation of rent.
- Though set up as a self-supporting unit, the Brick Production Directorate sustained loss regularly due to partial capacity utilisation and suspension of production in brickfields and pilferage of bricks.
- The West Bengal Housing Board had entered into joint ventures with private partners for construction of flats in urban areas. The joint ventures did not adhere to principles of corporate governance and there were issues of transparency.

##### **4.1.1 Introduction**

West Bengal comprises 2.7 *per cent* of the total area of the country but has about 8 *per cent* of the population. In the 11<sup>th</sup> Five Year Plan (2007-12), the

State Government's priority is to address the state's needs for affordable housing and in particular, construction of houses for the urban poor. The Housing Department had a major challenge to provide affordable housing in view of the fact that the urban housing shortage in the state is about 1.15 million<sup>1</sup> as compared to the national shortage of about 7.1 million<sup>2</sup>.

A performance review on Mechanised Brick Factory, a unit of the Housing Department was featured in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31<sup>st</sup> March 2003. Observations on the Housing Department have also consecutively featured in the Reports of the C&AG for the years 2005, 2006 and 2007. An Integrated Audit on the Housing Department's activities has been taken up in this context to see how far the Department has been successful in meeting the challenge of providing affordable housing for the common man. An Entry Conference was held in March 2009 with the Secretary of the Department to discuss the audit objectives. The audit findings were discussed in an Exit Conference held in October 2009. The Department's reply was furnished in November 2009. The views of the Department have been suitably incorporated in the report.

#### **4.1.2 Organisation**

The Secretary is the administrative head of the Housing Department. The Department comprises three Directorates, namely the Housing Directorate (HD), the Estate Directorate (ED) and the Brick Production Directorate (BPD).

The HD constructs and maintains rental housing estates and government quarters. The ED allots the rental flats and is responsible for rent collection and if necessary, the eviction of tenants. The BPD manufactures bricks.

The West Bengal Housing Board (WBHB) is an autonomous body established under the West Bengal Housing Board Act, 1972 and functions under the administrative control of the Department. It constructs flats for different categories of people and has entered into joint ventures to meet the increasing demand for dwelling units.

#### **4.1.3 Audit objectives**

Considering the divergent activities of the Directorates, Audit has sought to assess how the three Directorates are managing their finances and discharging their various responsibilities of executing targeted schemes, collection of rents and manufacture of bricks.

Since the West Bengal Housing Board has transferred a significant part of its housing activities to Private Public Partnership projects, here the objective was to see whether the joint ventures functioned transparently.

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<sup>1</sup> Source: 11th Five Year Plan document of the State Government

<sup>2</sup> Source: 11th Five Year Plan document of the State Government.

## Audit Findings

### 4.1.4 Housing Directorate

The Housing Directorate is responsible for execution and maintenance of rental housing schemes for different income groups with emphasis on the Economically Weaker Sections (EWS), quarters for State Government employees and integrated housing estates for industrial workers. The Chief Engineer (CE) heads the HD. He is assisted by one Assistant Chief Engineer and by four Superintending Engineers (SE) and 15 Executive Engineers (EE) at the Circle and Divisional levels respectively. In conducting Integrated Audit of the working of the Housing Department, records of the Directorate's office and of four circle offices<sup>3</sup> and four divisions<sup>4</sup> pertaining to the years 2004-05 to 2008-09 were test checked.

#### 4.1.4.1 Budgetary controls

The Finance Department releases budgeted funds to the Chief Engineer through the Housing Department. The CE is responsible for overall budgetary control in the Directorate and the flow of funds to the divisions.

Sound financial management demands that the budget should be prepared with inputs from all the functioning units to make it realistic and to ensure optimum utilisation of resources to achieve the targeted objectives.

**Table-4.1.1: Budget Provision and Actual Expenditure**

(Rupees in crore)

Year	Budget provision		Actual expenditure		Savings/Excess(-)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2004-05	11.84	21.75	05.82	19.47	6.02	2.28
2005-06	13.50	19.82	06.89	19.39	6.61	0.43
2006-07	19.86	22.41	07.20	22.30	12.66	0.11
2007-08	16.32	23.82	14.85	22.95	1.47	0.87
2008-09	18.95	24.10	12.62	24.18	6.33	(-)0.08
<b>Total</b>	<b>80.47</b>	<b>111.9</b>	<b>47.38</b>	<b>108.29</b>	<b>33.09</b>	<b>3.61</b>

Source: Departmental records

Budget prepared without inputs from Divisions resulted in savings

Contrary to the provisions of the Budget Manual the Plan budget of the HD was finalised by the Department. The divisions were not consulted in budget formulation and the allotment of funds was communicated to the EEs towards the end of the financial year. This affected the finalisation of work schedule and resulted in savings. The average Plan savings during 2004-09 was 41 per cent. This was as high as 64 per cent in 2006-07. The persistent and substantial Plan savings reflect unrealistic budget estimates and the inability to implement budgeted projects and programmes (paragraph 4.1.5.2). Budgetary allocation on Plan was lower than on Non-Plan every year (**Table-4.1.1**).

<sup>3</sup> Housing Construction Circle-I, Housing Construction Circle-II, New Town Construction Circle and SE (Electrical), Housing & Planning Works.

<sup>4</sup> Housing Construction Divn.I, Housing Construction Divn.II, Housing Construction Divn.VIII & New Town Construction Divn.II.

During test check of four divisions it was seen that in one division<sup>5</sup>, the CE allocated Rs 10.95 lakh (2006-07) and Rs 2.96 lakh (2008-09) without assessing the requirement. The EE surrendered the entire amount on the last working day of March. In two<sup>6</sup> other divisions the EEs irregularly withdrew funds amounting to Rs. 22.53 lakh at the end of the financial year and deposited in sub-divisional accounts, during 2004-09 to avoid lapse of budget grant. The rush of expenditure in some divisions in March every year was 30 percent to 42 percent of the total works expenditure.

The Internal Audit wing of the Finance Department had also commented on the unrealistic budgeting. However, despite recurring savings, the reasons were not investigated, excessive funds continued to be provided and savings were also not surrendered.

The Department replied (November 2009) that budget preparation had become more realistic from 2007-08 and that all the Directorates had been instructed to prepare realistic budget.

#### ***Monitoring of expenditure***

**Computerised Fund Flow Monitoring System to exercise expenditure control not yet established**

Monitoring of expenditure is important for fund allocation to ongoing schemes and for re-appropriation of savings. This requires regular and timely flow of expenditure data from the field units to the Directorate office. This was not available as the Directorate did not maintain Expenditure Control Registers. The Finance Department had instructed (March 2005) that the 'Fund Flow Monitoring System' software developed by NIC should be installed. This was not done. The Department stated that matter would be taken up with NIC.

#### **Recommendation**

***The Secretary/CE needs to periodically review the expenditure and make necessary interventions for optimal utilisation of fund outlay and realistic budgeting. The Department, therefore, may put in place a computerized monitoring system, enabling online updating of head-wise expenditure data by the primary units of expenditure (division/sub-division) and generation of periodic reports. This would ensure financial discipline***

#### ***Reconciliation of Divisional Accounts***

The EE is required to prepare Certificate of Treasury Issue (CTI) and Consolidated Treasury Receipt (CTR) in Form 51 every month after reconciliation with the treasury and submit to the Accountant General (A&E) along with monthly accounts. Scrutiny revealed that CTI and CTR were not reconciled in any of the fifteen divisions of the Directorate for periods starting from January 1973 in spite of this being regularly pointed out in Audit Inspection Reports. As a result, authenticity of divisional accounts was not verifiable. Non-submission of CTI and CTR was an important control failure which could lead to fraud and misappropriation. The Department stated

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<sup>5</sup> HCD-II

<sup>6</sup> HCD-II & HCD-VIII

(November 2009) that attempts were being made for reconciliation of CTI and CTR.

### ***Recovery of outstanding dues***

The Department granted between 1962 and 1990 loans amounting to Rs 3.75 crore to 88 private companies under social housing schemes for construction of houses for plantation workers. As of March 2009, Rs 2.07 crore remained recoverable; certificate cases were instituted against only 28 companies and no action was taken against 60. There is no assurance that the loans were utilised for the purpose for which these were sanctioned. The Department replied (November 2009) that so far Rs 7.01 lakh had been recovered and non-response/change in address of the companies affected the recoveries.

#### **4.1.4.2 Execution of Schemes**

The Directorate prepares annual plans for execution of schemes. The actual achievement against the annual target during 2004 to 2009 is indicated in the table below:

**Table 4.1.2 Status of schemes**

SL. No.	Name of Scheme	Target during 2004-05 to 2008-09	Achievement during 2004-05 to 2008-09	Shortfall in percentage
1	Rental Housing Scheme for State Government Employees	1077 flats	685	36
2	Housing Scheme for Economically weaker Section	570 flats	505	11
3	Construction of Houses of Middle Income Group	48 flats	Nil	100
4	Construction of Night Shelter for Passengers	96 seats	Nil	100
5	Construction of Working Women's Hostel	182 seats	162 seats	11
6	Land acquisition and development scheme	17.50 acre	12.60 acre	28
7	Replacement & Renovation of existing Housing Estates	Planned for utilising Rs 20.76 crore	Rs 17.76 crore	14
8	Construction of multistoried office buildings of Housing Department at New Town, Kolkata	40% of work to be taken up	Nil	100

*Source: Departmental records*

The shortfall in achievement of annual targets was 11 to 36 percent in respect of five major schemes scheduled for completion between 2004-05 and 2008-09. The progress was nil in three schemes.

No perspective plan existed in the Housing Department. The HD also did not prepare detailed action plans breaking down targets into actionable areas identifying administrative, technical and financial resources and prescribing implementation schedules. The plans were routine annual exercises to accommodate spillovers from previous years. Physical and financial targets

**Lack of planning, delay in execution and absence of monitoring resulted in shortfall in achievement**

**Non enforcement  
of implementation  
schedules resulted  
in upward revision  
of estimate**

underwent continuous revisions so that housing schemes taken up in 1997-98 and scheduled for completion in 2000-01 were not due to be completed before 2011.

Test check of incomplete works showed that 528 dwelling units under four Rental Housing Schemes (RHS) were taken up for construction between 1997-98 and 2000-01. The schemes were due to be completed between 2000-01 and 2002-03. The works were 50 to 84 *per cent* complete as of March 2009. The expected date of completion has been pushed back to March 2011 in three cases. In three schemes sanctioned in 2006-07 work had not started till March 2009 mainly due to procedural delays. The original cost estimate of Rs 34.48 crore is expected to increase to Rs 52.13 crore or almost 51 *per cent*.

Delays in acquiring and developing land; inability to frame estimates, drawing and designs in time; inadequacies in tender processing; poor contract management and absence of a project monitoring system were responsible for shortfall in achievement of targets.

The Night Shelter Programme, intended to provide shelter to stranded visitors to district headquarters from rural areas could not be started till November 2009 due to difficulty in obtaining land. Thus not a single night shelter had been constructed against the 11<sup>th</sup> Plan target of one shelter in each of the 18 districts. Again in case of the Middle Income Group (MIG) flats due to be completed by March 2009 the land has been acquired only at the end of 2008-09. The Land Acquisition and Development Scheme was also held up due to protest by land losers resulting in selection of an alternative site.

The Housing Scheme for EWS meant to provide dwelling units on ownership or monthly rent basis could not be completed in time due to delay in land filling at project site, drainage problem and absence of potable water.

In case of RHS for State Government Employees one of the reasons for not fulfilling the target was delay in tender finalisation and consequent unwillingness of the contractors to execute the work because of price escalation.

**Comparative  
statements not  
checked by  
Divisional  
Accountant in  
violation of codal  
provision**

Test check of tenders pertaining to Replacement and Renovation work of existing Housing Estates in two divisions revealed that in contravention of the Government order<sup>7</sup>, 50 tenders valuing Rs 7.45 crore were accepted by two SEs<sup>8</sup> during 2004-05 to 2008-09 without getting the comparative statements checked by the Divisional Accountants (DA). As a result, the criteria adopted for selection of lowest tenderers could not be verified. The Department replied (November 2009) that SEs had been directed to get the tender papers duly checked by DA before acceptance and issuance of work order.

Construction of Working Women's Hostel was held up as architectural drawings had not been finalised timely. In case of the multistoried office building of Housing Department, even the preliminary work of appointing the

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<sup>7</sup> PWD Order No.II-1/2003-1500-R/Adt. Dated 09.09.2005 issued by E-in-C & Ex-Officio Secretary, PWD & PW (Roads) Department, Govt. of West Bengal.

<sup>8</sup> SE/HCC-I and SE/HCC-II

consultant for project design has not been done though the project was administratively sanctioned in November 2006. In the meantime, due to price hike the project cost is being revised from Rs 15.56 crore to Rs 25.02 crore in October 2009.

Two new schemes for the 11<sup>th</sup> Plan - Rain water harvesting scheme for Rental Housing Estates and Industrial Housing Scheme for industrial workers had not even been taken up as of November 2009.

## **Recommendation**

*The schemes are executed at the divisional level in the Housing Directorate. In the absence of a system of prescribing critical milestones for the schemes there was no accountability for slippages. There was no systematic record of the minutes of the review meeting by the administrative heads detailing the decisions and follow up action. Consequently the monitoring at all levels was ad-hoc and unsystematic. In view of this the Directorate may consider setting up a central project monitoring cell with a computerized data base to supervise the implementation of the numerous ongoing schemes under the fifteen divisions. A long term plan may be prepared indicating the prioritization of works to ensure coverage of people of different economic categories.*

### **4.1.4.3 Effectiveness of completed schemes**

**304 flats remained vacant due to construction without demand survey**

The Report of the C&AG for the year ended 31<sup>st</sup> March 2005 vide paragraph 4.5.2 highlighted non allotment of units at Working Women's Hostel at Siliguri due to locational disadvantage. Survey of demand is a pre-requisite for execution of new housing schemes. Scrutiny of records in test checked divisions and circles revealed that HD constructed a large number of units in various locations without ascertaining whether proper demand survey had been conducted. In addition, the Department failed to address serious issues like defective construction, water logging and availability of basic amenities like water and electricity connection. As a result, out of 493 dwelling units constructed, 304 or 62 per cent constructed at a cost of Rs. 4.69 crore could not be allotted till March 2009 as shown below (**Table-4.1.3**):

**Table-4.1.3: Status of completed units**

Name of the project	Project cost (Rs in crore)	Year of completion	Total no. of flats constructed	Present position as on March 2009
Construction of Working Women's Hostel at Dabgram, Siliguri	0.60	March 1999	44	Vacant.
Construction of 166 Nos single storied dwelling units for Economically weaker section at Dabgram, Siliguri	0.97	May 1981	83 twin units	83 twin units vacant.
Construction of rental LIG flats at Shampa Mirza nagar, South 24 Parganas	1.28	March 2002	64	Flats remained vacant for more than five years.
Working Women's Hostel at Salt Lake, Kolkata	1.58	2007-08	122	Vacant.
Construction of Residential Housing Estate, Jalpaiguri	5.05	August 2007	180	55 vacant.
<b>Total</b>	<b>9.48</b>		<b>493</b>	<b>304</b>

*Source: Departmental records*

In respect of the Working Women's Hostel which continues to be vacant, the Department stated (November 2009), that the issue of handing over of the hostel to Siliguri Municipal Corporation would be sorted out soon.

166 EWS flats at Siliguri constructed in May 1981 could not be allotted as there was no demand for such small flats. After converting 166 flats into 83 twin units, the Department initially allotted (June 2006) the flats on first-cum first-serve basis. Later they cancelled the allotments and decided (July 2006) to sell the flats outright through lottery. This has been challenged in court by the allottees. Expenditure of Rs 18.82 lakh on watch and ward was incurred up to March 2009. Records revealed that no repair and maintenance on vacant flats were carried out. The flats are therefore uninhabitable. The Department replied that the matter was sub-judice, hence it was not possible to take any action.

64 flats under rental Lower Income Group (LIG) Scheme at Sampa Mirza Nagar in South 24-parganas completed in March 2002 at a cost of Rs 1.28 crore could not be allotted till September 2007 due to water logging and lack of electricity. There was loss of rent of Rs 61.50 lakh<sup>9</sup> during the period of vacancy. The Department stated that till May 2009, 44 flats have been allotted.

Similarly, civil construction at the Working Women's Hostel at Salt Lake was completed in 2007-08 at a cost of Rs 1.58 crore but no allotment was made due to non-commencement of construction of underground reservoir and electrical work as of March 2009. The Department replied (November 2009) that other infrastructural development works were in progress and would be completed by March 2010.

55 out of 180 RHE flats constructed at Jalpaiguri in January 2004 at a cost of Rs 5.05 crore could not be allotted due to defective construction.

#### **Recommendation**

*A large number of completed dwelling units could not be utilised despite the urban housing shortage in the state. The Department, therefore, needs to assess the demand correctly prior to construction. Reasons for defective construction and inability to provide basic amenities may also be looked into. Immediate steps need to be taken to allot or dispose of the vacant flats.*

#### **4.1.4.4 Deposit Works**

##### **Acceptance of tender without open tender**

Major deposit works for West Bengal Housing Infrastructure Development Corporation are executed by the New Town Construction Circle (NTCC) and its three divisions<sup>10</sup>. 6 project works were undertaken (*Appendix 4.1*) during 2005-06 to 2007-08 at a tendered value of Rs 34.32 crore. The works were scheduled to be completed between August 2007 and May 2008. In three cases, the work did not start. The remaining three works were partially executed till May 2009. The Directorate's inability to provide clear site and

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<sup>9</sup> Rs 1330 per month per flat ( 66 months X 64 flats + 20 months X 20 flats)= Rs61.50 lakh.

<sup>10</sup> Newtown Construction Division-I, Newtown Construction Division-II and Newtown Survey & Planning Division

working drawings to the contractors were responsible for the delay. Detailed scrutiny of one work revealed the following irregularities:

The construction of East-West Road Corridor in New Town was awarded (May 2005) to a contractor without acquiring the land and without open tender, in contravention of the West Bengal Financial Rules. After execution of 3.07 km of the 6.13 km roadwork at a cost of Rs 7.25 crore, the contract was closed in December 2006 as land had not been provided. The residual work was awarded (January 2007) again to the same contractor without open tender for Rs 9.86 crore. In contravention of Clause 21 of General Terms of the contract, the contractor sublet the construction of the road. The client organisation complained against the bad workmanship of this agency in May 2007 but no action had been taken. The contractor abandoned the work in June 2008 after executing 70 per cent of the work on the ground of price escalation. The Department stated (November 2009) that the re-tendering was in progress.

#### **4.1.4.5 Management of Stores**

**Stock account  
not updated and  
no physical  
verification  
conducted**

Test check of records maintained by the divisions showed that important records like Priced Stores Ledger were not maintained; physical verification of stock was not conducted and Cash Settlement Suspense Accounts were not adjusted. Thus it was difficult to detect erroneous posting and non-posting of receipt and issue of stores and to check the veracity of issue rate. In absence of the necessary controls, the Directorate was not aware of the present valuation of the stock held and amounts outstanding against materials received.

In one test checked division it was seen that despite existence of old stock of 3.82 MT, 10.09 MT of steel rod was purchased during January 1998 to May 2000. Till March 2009, only 4.76 MT of steel could be consumed and the balance 9.15 MT remained unutilised.

The Department replied (November 2009) that necessary instruction had been issued to the division offices to set right the irregularities and to update the important records.

#### **4.1.5 Estate Directorate**

The Estate Directorate with a total manpower of 203 is responsible for allotment of flats and collection of rents from 88 rental housing estates comprising 19741 units. The ED is also empowered to evict unauthorised occupants under the West Bengal Government Premises (Regulation of Occupancy) Act, 1984. The ED is headed by the Estate Manager (EM). Five Assistant Estate Managers (AEM) report to him. For conducting Integrated Audit of the Department records of the Directorate office and offices of two<sup>11</sup>

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<sup>11</sup> AEM/Kolkata & AEM Durgapur

AEMs for the years 2004-05 to 2008-09 were test checked. The Directorate's total establishment expenditure in the five years from 2004 to 2009 was Rs 14.16 crore. There were no major variations vis-a-vis the budget provision.

The rent receipts do not appear to be subject to proper budgeting. An analysis of budget estimates showed that the projections were at variance both with the actual collection of the previous years as well as the rent due (current and arrears). The assumptions underlying the budget were not clear.

#### **4.1.5.1 Rent Collection**

The system for rent collection was not effective given that the ED did not maintain a Rent Roll Register or a centralised data base of tenants mentioning name, flat number, monthly rent, rent realised and rent due. A statement furnished by the EM revealed that rent of Rs 1.90 crore remained unrealised as of March 2009 as shown below (**Table-4.1.4**):

**Table-4.1.4: Status of Collection of Rent**

*(Rupees in crore)*

Year	Rent due	Rent Collected	Shortfall	Percentage of shortfall
2004-05	6.75	3.87	2.88	43
2005-06	6.73	4.21	2.52	37
2006-07	6.80	3.09	3.71	55
2007-08	7.06	3.87	3.19	45
2008-09	6.97	5.07	1.90	27

*Source : Departmental records*

The EM was unable to quantify the arrear component of the annual collection in absence of a database. A Rent Register showing date wise collection of rent was maintained, but it did not contain any information regarding unrealised rent. Hence, it was not possible for the EM to effectively watch over unrealised rent and take timely action

**Due to non enforcement of Tenancy Act rent of Rs 1.90 crore remained unrealised**

In terms of West Bengal Government Premises (Tenancy Regulation) Act, 1976, tenancy stands automatically terminated without any notice where the tenant makes default in payment of rent for three consecutive months. The Act also prescribes that sub-letting or unauthorised occupations are cognizable offences punishable with fine, imprisonment or both. But in spite of having 203 staff and officers, the Directorate failed to enforce the Act. Records revealed that against 2041 defaulter tenants at Kolkata, notice had been served to only 762 (37 per cent) and against the remaining defaulters, no action had been taken as of March 2009. Rules required rent to be paid by the 12<sup>th</sup> day of each month but the rent collection register showed that mostly the arrear rent was being collected instead of current rent.

The Department replied (November 2009) that necessary action for collection of arrear rents and serving of notice to the defaulters was being taken. The Estate Manager also stated that efforts were being made to develop a consolidated database of demand, collection and shortfall of rent.

## Recommendation

*Rent collection and budgeting for receipts were handicapped due to non availability of data relating to arrear and current demand. The annual shortfall in rent collection was 41 per cent on an average. The Directorate may consider setting up a comprehensive data base to facilitate collection. Alternatively the Department may consider outsourcing the rent collection.*

**Rs 2.16 crore remained unrealised from unauthorised occupants**

### 4.1.5.2 Unauthorised occupation

Out of 19741 rental flats in 88 Housing Estates under ED, a substantial number of flats were occupied by unauthorised persons. The Directorate when queried could not provide the data regarding the total number of unauthorised occupants and the amounts due from them. Scrutiny revealed that 103 rental flats (as on March 2009) in different Government Housing Estates in and around Kolkata were under unauthorised occupation since July 1986. Despite the Supreme Court's direction (July 2008) to evict all unauthorised occupants by 14 November 2008 positively, the Department failed to do so. Rs.2.16 crore remained due towards rent/penal rent from the unauthorised occupants. In Durgapur, 559 flats were under unauthorised occupation since 1<sup>st</sup> January 2000. Termination notices to 370 occupants were served till May 2009 but only six flats were vacated. The failure to take action against unauthorised occupation has deprived applicants who have been waiting for allotment since 1982. The Department admitted (November 2009) that even after decision of Hon'ble Supreme Court full eviction could not be carried out and the issue being a sensitive one had been referred to the Chief Secretary.

**Loss of Rs 95.08 crore due to fixation of rent on lower side**

### 4.1.5.3 Fixation of rent

The Department professed the policy of “no profit no loss” for fixation of rent but did not ensure a rent structure that recovers the maintenance cost. The last two revisions done in 1996 and December 2002 were inadequate. Against the yearly rent of Rs 3.09 crore to Rs 5.07 crore collected during 2004-09, the expenditure on maintenance and establishment ranged from Rs 20.65 crore to Rs 25.30 crore, implying a loss of Rs 95.08 crore (*Appendix 4.2*). To avoid the burden of maintenance cost, the proposal for transfer of 688 flats of six Rental Housing Estates to the occupants was under consideration as of December 2008. The Department replied (November 2009) that the proposal for revising the rent was under process, however, rent enhancement being a social issue it might not be at par with expenditure incurred on this account.

### 4.1.5.4 Depositing rent

Under the existing procedure, Caretaker-cum-Rent Collector collects rent cheques from the tenants. The Directorate remits these into Government account. Sample check of challans and rent collection statements revealed that cheques were deposited in RBI 25 days after collection on an average, resulting in loss of interest. The Department replied that necessary measures were being taken to minimise the time gap between cheque collection and remittance.

## Recommendation

***The procedure needs to be simplified to cut down the delays which went beyond 60 days on occasions. The Department could allow the tenants to directly deposit the rents in banks and monitor through challans and bank statements.***

### 4.1.6 Brick Production Directorate

The Brick Production Directorate was set up for stabilisation of market price of bricks in the state and for protection of agricultural land by making use of river silt for large scale manufacture of bricks. The BPD headed by the Director had eight<sup>12</sup> manual brick production units in different districts under two divisions<sup>13</sup> and a mechanized brick factory (MBF). A Deputy Director looks after each division while a Works Manager is in charge of the brick factory. Records for the years, 2004-05 to 2008-09 in the office of the Works Manager and in two divisions of BPD were test checked for conducting Integrated Audit of the Housing Department.

#### 4.1.6.1 Budgetary controls

Though set up as a self-supporting unit, the BPD sustained loss regularly due to partial capacity utilisation of the MBF, suspension of production in manual brick-fields and pilferage of bricks. The net loss in the manual units ranged between Rs 6.49 lakh and Rs 1.43 crore per year while the MBF suffered loss of Rs 4.20 crore to Rs 5.09 crore during 2004-05 to 2008-09.

The Directorate had Non-Plan savings every year except in 2008-09; while almost the entire Plan allocation was unutilised in 2006-07 and 2007-08 as evident from the following table (**Table 4.1.5**).

**Table 4.1.5: Budget provision and actual expenditure**

(Rupees in crore)

Year	Budget Provision		Actual Expenditure		Savings	
	Plan	Non plan	Plan	Non plan	Plan	Non plan
2004-05	Nil	14.13	Nil	7.38	Nil	6.75
2005-06	Nil	8.21	Nil	7.66	Nil	0.55
2006-07	0.10	8.26	Nil	7.03	0.10	1.23
2007-08	0.10	8.13	0.01	7.64	0.09	0.49
2008-09	0.10	8.80	0.10	8.97	Nil	(-) 0.17
<b>Total</b>	<b>0.3</b>	<b>47.53</b>	<b>0.11</b>	<b>38.68</b>	<b>0.19</b>	<b>8.85</b>

*Source: Departmental records*

The Non-Plan savings in 2004-05 were due to suspension of work at one of the brickfields. In 2006-07 and 2007-08, Plan savings were due to the failure to take up the expansion project at MBF due to delayed preparation of estimates. The Directorate stated that Non-Plan savings in other years were due to incorrect estimation of establishment expenditure.

<sup>12</sup> Akra at South 24 Pgs, Abdulghata at Uttar Dinajpur, Kalyani at Nadia, , Jalaghata at Hooghly, Borai at Hooghly,

Haldia at East Medinipur, Amirpur at Bardhaman, Kanchan Nagar at Bardhaman

<sup>13</sup> Central Division & Akra Division.

### ***Maintenance of accounts***

Despite having a Joint Director (Accounts) and Assistant Director (Commercial) for preparation of accounts, the pro forma accounts had not been finalised since 1996-97. The BPD admitted (February 2009) the problems in compilation of the accounts from the basic records, maintained as per PWD system, but did not take any action for maintenance of journal, ledger etc. necessary for preparation of commercial accounts. The reconciliation of CTI and CTR was in arrear from October 1968 and from December 2008 in respect of two divisions of BPD. The Department replied (November 2009) that steps were being taken to engage a Chartered Accountancy firm to finalise the pending Proforma Accounts of this Directorate.

#### **4.1.6.2 Functioning of brick fields**

**Loss of  
Rs 15.64 crore  
due to poor  
capacity  
utilisation**

**New concept of  
production not  
yet  
implemented**

The MBF was more than 42 years old and had outlived its economic life. It produced 2.05 crore bricks during 2004-09 against the capacity of 15 crore, with average capacity utilisation of only 14 percent a year. The production cost increased from Rs 8.51 per brick to Rs 17 while the sale revenue per brick was only Rs 2.26 to Rs 3.36, leading to loss of Rs.15.64 crore during 2004-09 (*Appendix 4.3*). The recommendation<sup>14</sup> (2002) of the Building Materials and Technology Promotion Council to modernize and upgrade the MBF at an estimated cost of Rs 2.61 crore had not been implemented.

Only one of the eight<sup>15</sup> manual brickfields was partially operational. In five fields, production could not be started due to lack of infrastructure like chimneys and roads, while two<sup>16</sup> fields had been declared abandoned due to scarcity of silt. The Directorate sold 2.69 crore of bricks lying at one of the brickfields at a loss of Rs 1.95 crore<sup>17</sup> leaving 2.31 crore bricks still unsold as of March 2009. No consideration was given to the possibility of utilizing the bricks in departmental projects. The Department replied (November 2009) that this was due to distance of the work sites from the brick fields. The reply is not tenable as brick fields are usually situated away from urban areas where housing projects are executed.

In an attempt to revive the brickfields the Government decided (August 2003) that contractors would take possession of the existing stock on as is where is basis, sell them at rates fixed by them and manufacture bricks on payment of usage charges for the Government infrastructure (kiln, chimney and land etc). The concept had been partially implemented in one brickfield. However, the response had not been good since the contractors were reluctant to take possession of the old stock and acknowledge receipt of the book balance in

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<sup>14</sup> Transportation of raw materials from Palta works departmentally, Construction of additional storage shed, installation of clay cleaning machine, increase in finger cars and pallets and reduction of staff strength.

<sup>15</sup> Seven fields are under the control of Central Division and rest one field (Akra) was under Akra Division

<sup>16</sup> Borai & Kanchannagar

<sup>17</sup> Loss assessed by BPD in November 2002, figure of actual loss yet to be furnished by BPD.

view of the shortage of bricks and brick materials valued at Rs 0.77 crore as revealed during physical verification in February 2009.

#### *Pilferage of bricks*

**Bricks valuing  
Rs 1.45 crore  
pilfered and  
130.69 acres of  
land encroached**

Akra brick field had unsold stock of 7.5 crore bricks when the production was stopped in August 2001. During 2001-04, 80 lakh bricks valuing Rs 1.45 crore were pilfered as reported during physical verification (2004-06). Instances of irregularities like non submission of monthly stock balance report, quantities of delivery order not included in the Measurement Books (MB) and contractors not signing the MBs were noticed. Except for issuing memos, BPD did not take any action to fix responsibility for the loss or to stop pilferage. In Kalyani out of the stock of 40<sup>18</sup> lakh of bricks lying unsold since 1994–2001, 23 lakh were forcibly taken by two co-operative agencies but the matter was still pending with the police since October 2003. In addition, 130.69 acres of land had been encroached in two brickfields<sup>19</sup>. The Department replied (November 2009) that attempts were being made to start work in idle brickfields and shortage of bricks would be adjusted.

#### **4.1.6.3 Deployment of Personnel**

The Department had not carried out a scientific assessment of manpower requirements, category and position-wise, taking into account the present and future requirements and well defined work norms. Majority of manpower (78 employees) under BPD remained idle since 2001 and the Department spent Rs. 3.61 crore on their pay and allowances during 2004-09 without utilizing their services. The Department however had not worked out a redeployment plan. The Department replied (November 2009) that the matter of redeployment of excess staff in other sections/offices for proper utilisation of their services was being worked out.

#### **Recommendation**

*In view of the poor track record of the brick production units, Government needs to take a commercial decision about the feasibility of its continued involvement in this activity, as the factors that prompted Government to do so in the past may not be relevant now.*

#### **4.1.7 West Bengal Housing Board**

West Bengal Housing Board, an autonomous body under the Housing Department is entrusted with the construction of flats for common people and outright sale of flats through lottery. WBHB consists of the Minister, Housing as the Chairman and ten other members. The Housing Commissioner is the Chief Executive Officer of WBHB. The records for the years 2004-05 to 2008-09 in the office of WBHB were test checked for conducting Integrated Audit of the Department.

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<sup>18</sup> Two out of 6 kilns: 23 lakh since August 2001 + 1 kiln: 17 lakh since 1994

<sup>19</sup> Kalyani (30.69 acre) & Akra (100 acre)

**Projects suspended for 5 to 26 years**

WBHB had constructed 36460 flats consisting of 1151 units for EWS, 5710 units for LIG, 12955 MIG units and 16644 Higher Income Groups (HIG) units for different categories of the people till March 2009. This showed that proportionately lower number of flats were constructed for EWS and LIG categories. The asymmetry had continued in the 11<sup>th</sup> five year plan, for which WBHB had set the target of 6000 flats (EWS-400, LIG-1500, MIG-1300 and HIG-2800) in ten cities, against which only 1249 flats were constructed during 2007-08 and 2008-09. Apart from the disproportionate allocation of resources among the different economic classes, there was geographic asymmetry too as WBHB had not taken up any projects in 9<sup>20</sup> districts of the state. Many projects taken up in the past had remained suspended for 5 to 26 years (Joka: 1983, Durgapur: 1991, Krishnagar-Ranikuthi: 1995 and Farakka: 2004) due to failure of the Land and Land Reform Department to acquire the land although Rs 2.16 crore had been transferred for the purpose. The Department accepted that non-availability of land constrained construction.

**Share reserved for public not yet issued**

To cope with the shortage of housing, WBHB had formed during 1993-2009, 9 Joint Venture Companies (JVC), with 49.5 per cent shareholding each by the private company and the Housing Board. The remaining one per cent share required to be issued to the public had not been issued so far. During the period from 2004-05 to 2008-09, 8 JVCs had completed the construction of 5464 flats in 20 projects at a cost of Rs 668.93 crore. Construction of 7312 flats in 15 projects was in progress. It was seen that the system had worked to the advantage of the private partners, as the WBHB had not exercised the controls envisaged in the Memorandum of Understanding (MoU) with private companies, as discussed in the subsequent paragraphs.

#### **4.1.7.1 Financial Reporting**

WBHB is required to annually lay before the State Legislature the Separate Audit Report (SAR). This is in arrear since 2006-07. The SARs for the years 2004-05 to 2008-09 had highlighted significant deviations from accounting practices and accounting standards. It was seen that WBHB had not framed an accounting policy and statutory requirements like revaluation and physical verification of assets (under Section 41 of WBHB Act, 1972) were not complied with. Even basic controls like authentication and verification of Cash Book balances, preparation of bank reconciliation statements and debtors' details were bypassed.

#### **4.1.7.2 Corporate governance and MoU provisions**

Corporate governance is a system by which business entities are directed and controlled. It specifies the distribution of rights and responsibilities among the board, the executive and the shareholders. It spells out the rules for corporate decision making and provides the structure for performance monitoring.

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<sup>20</sup> Coochbehar, Uttar Dinajpur, Dakshin Dinajpur, Malda, Murshidabad, Purulia, Bankura, Birbhum and West Midnapore.

The MoUs between WBHB and the private partners seek to provide a framework for performance monitoring of the JVCs. The MoUs provided that WBHB would nominate the Chairman and half the total numbers of directors while the remaining directors would be nominated by the private partner. Accordingly, WBHB had nominated 3 directors and the Chairman for each JVC. It was seen that all the 9 Chairmen and 14 out of 24 directors were retired government officers and were not accountable to Housing Department. WBHB had no mechanism to ensure that its nominee directors functioned independently to further the objectives for which the JVCs were formed. WBHB had no record of the board meetings attended by the nominee directors and of their role in the governance and supervision of the activities of the JVCs.

**In 8 projects the number HIG flats constructed was higher than the prescribed ratio**

The JVCs were required to construct 50 per cent LIG and MIG flats and 50 per cent HIG flats in each project. But in 8 out of 35 projects executed during 2004-05 to 2008-09, the number of HIG flats constructed ranged between 51 and 87 *per cent* of the flats constructed (*Appendix 4.4*). The Department replied (November 2009) that the JVC would be asked to comply with the terms of MoU strictly in future.

In violation of MOU, the JVCs were not regular in submitting their annual accounts to WBHB. Only 17 (43 *per cent*) out of 40 accounts were found to have been submitted by JVCs during the last five years. WBHB had not taken up the issue with the JVCs.

Scrutiny of accounts of JVCs revealed that a loan of Rs 1 crore was given (2006-07) by one JVC to relatives of key management personnel. The loan was repaid with interest of Rs 4.22 lakh within the year. Further, against loans of Rs 69.67 crore given to associate companies, Rs 46.43 crore was repaid besides payment of interest of Rs 2.84 crore as of March 2007. WBHB did not scrutinize the terms and conditions and details of disbursement/repayment of loans and interest as required by provisions of MoU.

In terms of the MoU, accounts/records of JVCs may be inspected by WBHB or any person deputed by it and records relating to purchase of properties and assets should be sent to the Housing Board, but this was not done. Scrutiny of the accounts of 8 JVCs revealed that their expenditure during 2004-05 to 2008-09 included purchase of construction materials of Rs 100.85 crore, Consultancy and professional fees of Rs 20.88 crore, Miscellaneous expenses of Rs 6.78 crore and purchase of other assets worth Rs 5.78 crore. WBHB also did not inspect assets, installations, and equipment and construction material as provided in the MoUs.

The Department replied (November 2009) that as per Company's Act, the Board of Directors of each company was responsible to the shareholders. WBHB has very little to do in this regard unless the situation so demands. The reply is not acceptable as it runs counter to the terms of the MOU and does not explain why the ownership interest of the government as the majority shareholder was not being adequately protected by WBHB.

#### **4.1.7.3 Pricing of flats**

**Non fixation of price ceiling led to extra burden on buyers of flats**

The MOUs stipulated that Government would have a say in the pricing of flats, at least for LIG/MIG category, which should be fixed by the JVCs in conformity with the Government's guidelines. The Government did not fix the prices of LIG/MIG flats until April 2007. Analysis showed that because of this in two projects the buyers had to pay Rs 1 lakh to Rs 1.4 lakh extra per flat over and above the price ceiling of Rs. 10.50 lakh for MIG and Rs 3 lakh for LIG flats respectively. In two other projects this price ceiling was not followed and the buyers made excess payment of Rs 0.96 lakh to Rs 1.68 lakh per flat. Rs 5.72 crore was the extra burden borne by the buyers (*Appendix 4.5*). Though WBHB is providing help in acquiring land at concessional rates, sanction of plans, and technical assistance it did not ensure that prices fixed by the JVCs were reasonable and based on government directives.

#### **4.1.7.4 Recovery of Administrative charges**

WBHB recovers administrative charges from the JVCs for checking structural and architectural design and for undertaking purchase of land for the JVCs. Interest has to be levied for delayed payment.

In contravention of the relevant Government order (2007), the Board allowed one JVC<sup>21</sup> to pay the administrative fees (Rs 1 crore) in installments instead of one lump sum. The Board did not even issue notice for recovery of Rs 62.93 lakh (May 2009) when the JVC defaulted in payment. The Department stated that due to economic recession the JVC was not in a position to pay the due installment and the matter would be taken up with the Government very soon.

One JVC<sup>22</sup> purchased 11.80 acre of land for Housing Project in Ghuni, District South 24 Parganas for Rs 55.46 crore but had not paid the administrative charges of Rs 55.46 lakh. The Board did not levy the applicable interest of 15 per cent. The Department admitted (November 2009) the audit observation and stated that suitable action would be taken.

**Interest of Rs. 1.20 crore for delayed payment exempted to 2 JVCs**

Two JVCs<sup>23</sup> which were allotted 9.98 acres of land in 2003-04 for 12.08 crore, delayed the payment of second installment but were not charged interest at all. Thus WBHB had to forego interest amounting to Rs. 1.20 crore. Penal interest for delay in payment was kept at 14 per cent for one JVC<sup>24</sup> and 12.5 per cent per for another JVC.<sup>25</sup>

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<sup>21</sup> Bengal Green Field Housing Development Company Ltd.,

<sup>22</sup> Benagl Shrachi Housing Development Company Ltd.

<sup>23</sup> Bengal Park Chambers & Bengal United Credit Belani 4.803 acre & 5.1833 acre of land at Rs.5.18 crore and Rs 6.27 crore respectively in 2003-04.

<sup>24</sup> Bengal Shelter

<sup>25</sup> Bengal United Credit Belani

Land price was clearly mentioned in Developer Agreement of one JVC<sup>26</sup> (November 2004) while the same was not mentioned in case of another JVC<sup>27</sup> (May 2007). The Department noted (November 2009) the audit observation.

#### **4.1.7.5 Accountability issues**

Paragraph 4.2.4 of the Report of the C & AG of India (Civil) for the year ended 31<sup>st</sup> March 2006 had highlighted a case where WBHB had transferred land acquired at concessional rate for EWS and LIG Housing to a private party for a commercial housing project. Taking a serious view of the matter the PAC in its 16<sup>th</sup> Report had recommended investigation and review of the policy of social housing schemes in joint venture to stop malpractices. There was no evidence of this issue having been addressed. As already discussed the accountability mechanism in WBHB was significantly weak.

#### **Recommendation**

*The department had transferred a significant part of its housing activities to joint ventures, the ownership structure (49.5 percent each) of which was designed to avoid statutory audit and public scrutiny. This was evident from the fact that the remaining one per cent share in the JVCs was not issued to the public even after 16 years. These ventures functioned without any accountability or concern for the objectives for which they were set up. There should, therefore be an independent evaluation of the functioning of the joint venture companies to ensure transparency and adherence to the norms of corporate governance.*

#### **4.1.8 Conclusion**

There were serious issues in the functioning of all the three Directorates. In absence of detailed action plans and budgetary control, the Housing Directorate could not meet the physical and financial targets for scheme execution. Despite the housing shortage, poor planning and defects in construction resulted in non utilisation of completed units. The Estate Directorate was not effective in raising demand and collecting rent. Most of the Brick Production units were non functional. The West Bengal Housing Board's role in the joint ventures with private parties was of a facilitator without much regard to the objectives for which these ventures were set up. The activities of the Department have not addressed the housing needs of the state comprehensively.

#### **Summary of recommendations**

*The Department needs to periodically review the expenditure and make necessary interventions for optimal utilisation of fund outlay and realistic budgeting.*

*The Housing Directorate may consider setting up a central project monitoring cell with a computerized data base to supervise the*

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<sup>26</sup> Bengal Shelter

<sup>27</sup> Bengal United Credit Belani

*implementation of ongoing schemes. A long term plan may be prepared indicating the prioritisation of works to ensure coverage of people of different economic categories.*

*The Housing Directorate needs to assess the demand correctly prior to construction to ensure utilisation of completed units.*

*The Estate Directorate needs to set up a comprehensive data base to facilitate rent collection. Alternatively the Department may consider outsourcing the rent collection.*

*The Government needs to take a commercial decision about the feasibility of its continued involvement in brick production.*

*There should be an independent evaluation of the functioning of the joint venture companies set up by the West Bengal Housing Board to ensure transparency and adherence to the norms of corporate governance.*

Kolkata  
The  
**(SUDARSHANA TALAPATRA)**  
**Principal Accountant General (Audit)**  
**West Bengal**

**Countersigned**

New Delhi  
The  
**(VINOD RAI)**  
**Comptroller and Auditor General of India**