

Chapter VI

Other Important Cases

Cooch Behar Municipality

6.1 Undue favour to supplier resulted in excess payment of ₹ 41.37 lakh

The Cooch Behar Municipality extended undue favour to the supplier by enhancing the originally accepted rate, paying advance from time to time without ensuring timely receipt of bricks and thereby paid ₹ 41.37 lakh and allowed advance of ₹ 33.90 lakh in excess of total cost.

Integrated Housing & Slum Development Programme (IHSDP) was launched in December 2005 to provide adequate shelter and basic infrastructure facilities to the slum dwellers of identified urban areas.

As per rule 158 of the West Bengal Municipal (Finance and Accounting) Rules, 1999, open competitive tenders shall be called for from the public whenever the estimated cost of the works exceed the financial limit stated in sub-rule (2) of rule 157 *ibid*. In violation of the above rule, the Cooch Behar Municipality invited quotation (November 2007) instead of ‘open competitive tender’ for supply of 50 lakh first class bricks for implementation of the project pertaining to IHSDP with the stipulation that rates should be inclusive of all taxes and delivery should be made as per direction at Municipal godown. The Municipality accepted (4 December 2007) the rate of ₹ 2990 per thousand bricks (stated to be the lowest and inclusive of all taxes, carriage and other cots) offered by M/s R.R.T. Construction (RRTC) for supply of 50 lakh first class bricks. The supply order / letter of acceptance did not have any provision for escalation of price at the time of delivery. The order also had no firm delivery period.

The rate of bricks was enhanced to ₹ 3600 (from 21 February 2008), to ₹ 4850 (from 1 April 2008) and to ₹ 5000 (from 1 July 2008) without approval of the Board of Councillors (BOC). Only 31,47,900 bricks were supplied till October 2010 as stated in reply dated 12 October 2010.

As a result, the Municipality made excess expenditure of ₹ 41.37 lakh over the ordered price and is liable for excess expenditure of ₹ 37.23 lakh for balance supply without approval of the BOC. Audit was unable to verify the actual supply of bricks as no challans were produced to audit for the stated supply of bricks. No inspection of quality was carried out.

The supply order had no provision for giving advance, yet, the ULB provided advance of ₹ 262.00 lakh in phases between December 2007 and February 2009. Only ₹ 135.49 lakh had been adjusted against the supply of bricks while ₹ 126.51 lakh had remained unadjusted since October 2010. Out of the outstanding advance, ₹ 33.90

lakh was paid to the contractor in excess of the amount due. Thus, it was evident that all tenets of financial propriety were disregarded to provide undue benefit to the contractor.

The ULB stated (October 2010) that ₹ 78.60 lakh was recovered by refund. This could not be verified by audit as no cheque reference / voucher copy was furnished in support of this statement.

The matter was reported to the Municipality and the Government in November 2010; their replies had not been received (June 2011).

Berhampore Municipality

6.2 Non-operation of cold storage of ₹ 61.12 lakh led to loss of revenue of ₹ 1.08 crore

Construction of cold storage without complying with the provisions of the West Bengal Cold Storage (Licensing & Regulation) Act, 1966 and resultant denial of trade license by the concerned authority led to unfruitful expenditure of ₹ 61.12 lakh.

The project report including a proposal for a cold storage at Nutan Bazar, Berhampore at an estimated cost of ₹ 52.40 lakh was submitted by the State Government to the Town and Country Planning Organization (TCPO) under the Ministry of Urban Development and Poverty Alleviation, Government of India, in September 2002. The State Level Sanctioning Committee approved the proposal on the basis of recommendations made by the TCPO in the Appraisal Report on 19 December 2002. The expenditure was to be incurred out of the scheme for Integrated Development of Small & Medium Towns (IDSMT). Berhampore Municipality was the implementing agency.

Due to increase in the scope of works the estimated cost of the project was enhanced to ₹ 69.80 lakh (Central Share : ₹ 41.88 lakh and State Share : ₹ 27.92 lakh) which was also approved by the TCPO. The projected revenue³⁷ from the cold storage as rent to be earned in a year after deducting operation & maintenance cost was ₹ 25.65 lakh. The rent would be increased by 10 *per cent* every two years keeping parity with the market rate.

The Municipal Engineering Directorate (MED) provided technical assistance to the Municipality in the construction of the cold storage. The work started in May 2004 and was completed in 2005 – 06 at a cost of ₹ 61.12 lakh. The entire construction was designed, formulated and executed under the direct supervision of the MED of the State Government.

³⁷ As per Revised Project Report on IDSMT (Ph – II), Baharampur, West Bengal of the MED, Department of Municipal Affairs, Government of West Bengal, January 2004.

To operate the multipurpose cold storage, the Municipality applied to the Directorate of Agricultural Marketing (DAM) for license in December 2006. The DAM observed (August 2007) that the construction had been completed without the necessary permission granted under the provisions of the West Bengal Cold Storage (Licensing & Regulation) Act, 1966. They termed the work, illegal as it contravened the provisions of the Act and Rule thereof. They advised the Municipality to obtain *post-facto* ‘construction permission’ from the Licensing Officer on submission of the necessary documents. These included civil and refrigeration drawings duly signed by Civil and Refrigeration Chartered Engineers, certificates of Chartered Engineers both Civil and Refrigeration as per ISI specification, no objection certificate (NOC) from the West Bengal Pollution Control Board (WBPCB) and detailed project report.

The Municipality submitted the application in October 2007 and NOC from the WBPCB in December 2007. But due to non-submission of necessary drawings and certificates duly signed / certified by the Chartered Engineers, no license was issued in favour of the Municipality till June 2010.

The DAM refused to accept the Municipality’s contention (October 2008) that as this was a Government project, designed and directly supervised by the MED further intervention by the Chartered Engineers was not required. Consequently, the capital investment of ₹ 61.12 lakh remained blocked and the Municipality could not earn rent of ₹ 1.08 crore³⁸ during the period 2006 – 10.

The Municipality while accepting financial loss (January 2011) stated that the MED will be liable for non-functioning of the cold storage. Further, the Municipality added that the revenue likely to be generated per annum after deducting the operation and maintenance cost would be around ₹ 0.50 lakh. Meanwhile, the MED stated (January 2011) that it had approached the DAM during several occasions to issue the requisite license in favour of the Municipality just after physical completion of the scheme with the comments that certificates of Chartered Engineer might not be required since the entire works were designed and supervised by the competent Government Engineers. The MED further reiterated that it was in close contact with the DAM to make the said cold storage functional as soon as possible.

The Municipality while accepting financial loss pleaded that revenue projected in Revised Project Report (RPR) based on which the project was approved was on higher side. The argument was not acceptable as revenue projected in RPR based on which the project was approved and completed was framed on relevant parameters. Further, at the time of construction of the cold storage both the Municipality and MED were required to consult the existing rules regarding construction and operation of cold storage.

Due to non-agreement of both departments on procedural issues, the Municipality was unable to operate the cold storage and had to suffer a loss of revenue.

³⁸ The total revenue required to be generated for the period 2006 – 10 = {(₹ 25.65 lakh X 2) + (₹ 25.65 lakh X 1.10 X 2)} = {₹ 51.30 lakh + ₹ 56.43 lakh} = ₹ 107.73 lakh.

In response to the para, the State Government requested (June 2011) the Municipality and MED to make an all out effort for obtaining the requisite license from the DAM so that the cold storage could be made operational without causing further loss of revenue.

6.3 Mid-Day Meal Scheme

The National Programme of Nutritional Support to Primary Education, popularly known as Mid-Day Meal (MDM) Scheme was launched on 15 August 1995 to cover all the students of primary classes. The programme is intended to give a boost to universalisation of primary education by increasing enrolment, retention, regular attendance and simultaneously improving nutritional levels of students in primary classes. The Central Government assists the ULBs by providing food grains, the actual cost incurred in transportation, cooking cost, etc. The benefit of the scheme was extended to cover upper primary classes with effect from the year 2007 – 08.

Bhadreswar Municipality

6.3.1 Shortage of Mid-Day Meal rice worth ₹ 9.05 lakh

Non-maintenance of stock register, poor monitoring mechanism and absence of physical verification of stocks at regular intervals, led to shortage of 585.66 quintals of rice worth ₹ 9.05 lakh.

The Bhadreswar Municipality did not maintain any stock register for the MDM rice. Scrutiny of allotment orders, delivery challans, gate passes, rice distribution sheets, etc. revealed that the Municipality lifted 3813.85 quintals of rice under the scheme during the period from April 2008 to June 2010 and stored the rice in its godown. The Municipality issued 3184.19 quintals of rice to different schools³⁹ under its jurisdiction during the period from April 2008 to September 2010. Thus, the closing stock of rice would be 629.66 quintals.

A joint physical verification of stock of MDM rice was conducted on 20 September 2010 in presence of municipal representatives and only 88 bags (58 bags were in good condition and the rest were in loose condition) containing 44 quintals of rice were found. Thus, there was a shortage of 585.66 quintals of rice worth ₹ 9.05 lakh⁴⁰ on the date of physical verification.

Non-maintenance of basic records (like stock register, etc.), poor monitoring mechanism and absence of physical verification of stocks at regular intervals on the part of the Municipality, led to shortage of 585.66 quintals of rice worth ₹ 9.05 lakh.

The matter was reported to the Municipality and Government in November 2010; their replies had not been received (June 2011).

³⁹ 33 Primary, nine Upper Primary, 14 Sishu Siksha Kendras and four Child Labour Schools.

⁴⁰ Calculated at the rate of ₹ 1545 per quintal for common variety of rice.

Panskura Municipality**6.3.2 Recovery of food grains worth ₹ 4.30 lakh at the instance of audit**

Absence of proper monitoring mechanism in the execution of Mid-Day Meal programme by the Panskura Municipality, led to shortage of 278.24 quintals of rice worth ₹ 4.30 lakh.

The Panskura Municipality lifted rice under the scheme from the Modified Rationing (MR) distributor and stored it in the godown of an appointed dealer. The rice was distributed to various schools, Sishu Siksha Kendras (SSKs) and Madhyamik Siksha Kendras (MSKs) from the godown.

The Municipality received 3042.68 quintals of rice under the scheme and issued 2579.44 quintals during the years 2008 – 10. The Municipality did not receive and issue any rice during the period from 1 April 2010 to 8 June 2010. Thus, the closing balance of rice would be 463.24 quintals.

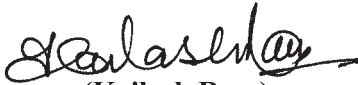
A joint physical verification was conducted at the instance of Audit in the godown of the dealer on 8 June 2010 in presence of a representative of the Municipality and only 185.00 quintals of rice was found instead of 463.24 quintals. Thus, there was a shortage of 278.24 quintals of rice worth ₹ 4.30 lakh⁴¹ on the date of physical verification.

The Municipality stated (13 September 2010) that the shortage of rice amounting to 278.24 quintals was subsequently filled up. The Municipality did not furnish any information / document regarding the manner in which the said quantity of rice was replenished.


The Municipality, however, informed (November 2010) that a caution letter was issued to the dealer stating that defalcation was illegal and recurrence of the same if detected in future, would lead to recommendation for taking legal action against him.

The matter was reported to the Government in November 2010; reply had not been received (June 2011).

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⁴¹ Calculated at the rate of ₹ 1545 per quintal for common variety of rice.