

# **Chapter 3**

## **Compliance Audit**

## Chapter 3: Compliance Audit

## DISASTER MANAGEMENT DEPARTMENT

## 3.1 Excess payment on procurement of NGR wheat

**Non-fixation of stipulated time frame for delivery of NGR wheat by the Disaster Management Department coupled with deficient monitoring led to excess payment of ₹ 3.59 crore to CONFED.**

The Disaster Management Department (Department), apart from providing calamity relief, is *inter alia* mandated to extend Relief Assistance (Normal Gratuitous Relief - NGR) to distressed persons through distribution of wheat. West Bengal State Consumers' Co-operative Federation Limited (CONFED)<sup>1</sup> procures and delivers NGR wheat as per orders from the Department and district authorities. The rate of supply is fixed by the Department every year and mentioned in the supply order.

Test-check of records of the Department and Directorate of Disaster Management (who acts as DDO) in respect of procurement of NGR wheat during 2011-12 to 2014-15 revealed the following:

- Supply orders as well as the general instructions issued for implementation of the scheme did not prescribe any time frame for delivery of wheat.
- Neither the Department nor the Directorate maintained centralised database regarding NGR wheat procured and payments made there against with due linkage to allotment order and supply order, dates of actual supplies, progress in supply against ordered quantities, progress in payments, etc.
- The Department fixed (January 2014) the rate of NGR wheat as ₹ 1950 per quintal for all supplies made on or after 22 January 2014. Subsequent to that order, CONFED supplied (between January 2014 and September 2014) 113642.02 quintal of wheat ordered for 2011-12 (October 2011 to March 2012) and 2012-13 at lower price (36121.51 quintal at ₹ 1528.10 per quintal and 77520.51 quintal at ₹ 1683.37 per quintal). CONFED, taking advantage of the departmental order, preferred claims at the rate of ₹ 1950 per quintal for the entire supply of 113642.02 quintal<sup>2</sup>, which was allowed (March 2014 to September 2014) by the Department. This has resulted in an excess payment of ₹ 3.59 crore compared to rates mentioned in the supply orders.

The departmental order was rectified in September 2014 through a corrigendum to the effect that the enhanced rate would be applicable to supply order issued on or after 22 January 2014, no initiatives for recovery of the excess payment has so far been made by the Department.

<sup>1</sup> State level apex body of the consumers' co-operative societies, which does the procurement operations through its sub-contractors/ agents.

<sup>2</sup> 36121.51 quintal + 77520.51 quintal

- Besides this, inadequate monitoring facilitated excess payment of ₹ 14.15 lakh to CONFED against excess supply of 844.24 quintal<sup>3</sup> of NGR wheat over and above the quantity ordered for.

Thus, absence of specific guidelines for NGR wheat procurement operation and stipulated time frame for supply of NGR wheat, compounded by an ambiguous departmental order, resulted in an excess payment of ₹ 3.59 crore to CONFED.

The matter was referred to Government in July 2015; reply had not been received (December 2015).

## FINANCE DEPARTMENT

### 3.2 *Non realisation of proceeds of equity transferred*

**The State Government transferred its equity worth ₹ 146.50 crore in Kolkata Metro Rail Corporation Limited to the Ministry of Railways in November 2012 without realising the proceeds till June 2015. The Finance Department has yet to get the transfer price and manner of payment determined.**

For implementing rail based mass rapid transit system called East West Metro Corridor, Kolkata connecting Howrah station to Sector-V of Salt Lake<sup>4</sup> Kolkata Metro Rail Corporation Limited (KMRCL)<sup>5</sup> was established in July 2008 as a joint venture between the Government of West Bengal (GoWB) and the Ministry of Urban Development (MoUD), Government of India (GoI). A Memorandum of Understanding (MOU) was entered (October 2008) into for implementation of the project between GoWB, MoUD and KMRCL. The estimated project cost of ₹ 4676 crore was to be financed through a mix of equity (shared equally by GoI and GoWB) and debt (from GoI, GoWB and Japan Bank of International Co-operation).

During 2008-09 to 2011-12, GoWB released ₹ 146.50 crore towards equity contribution<sup>6</sup> and ₹ 96 crore as interest free debt to KMRCL. Faced with different hurdles in execution and inability to shoulder its financial contribution, GoWB expressed (December 2010) its intention to transfer its share in KMRCL to Ministry of Railways (MoR). While approving the proposal, the Union Cabinet ordered (August 2012) that until the MoR took over the equity by paying the price to the GoWB on a mutually agreed manner, the equity contribution of GoWB should be treated as subordinate debt.

However, without finalising the price at which transfer of equity shares was to be effected, the State Government transferred (November 2012 and February 2013)<sup>7</sup> its shares in favour of MoR. The Finance Department<sup>8</sup> did not determine the

<sup>3</sup> In Hooghly district (November 2011 and May 2012): 547.92 quintal at the rate of ₹1528.10 per quintal and in Paschim Medinipur district (April 2014 to September 2014): 296.32 quintal at the rate of ₹1950 per quintal.

<sup>4</sup> Later extended from Howrah Station to Howrah Maidan in February 2009

<sup>5</sup> A joint venture company of Government of India & Government of West Bengal with equal equity participation

<sup>6</sup> For 14.65 crore equity shares of face value of ₹ 10 each

<sup>7</sup> 146475000 shares were transferred on 29<sup>th</sup> November 2012 and rest 25000 shares were transferred on 18<sup>th</sup> February 2013

<sup>8</sup> The Finance Department of Government of West Bengal is responsible for management of finances of the State Government and concerned with all economic and financial matters affecting the State as a whole.

transfer price and manner of payment in consultation with MoR, and as of June 2015, the proceeds from transfer of equity remained un-realised from MoR. Meanwhile, the Balance Sheets of KMRCL, as on 31 March 2013 and 31 March 2014, have reflected the amount as shares transferred to MoR.

Thus, non-realisation of proceeds even more than two years after transferring the shares, indicated lack of effort on the part of the Government.

The matter was referred to Government in August 2015; reply had not been received (December 2015).

## FINANCE DEPARTMENT

### 3.3 *IT Audit of Computerisation of Salary Accounts*

#### 3.3.1 Introduction

With a view to assuring accuracy and timeliness in the generation of pay bills and related schedules required for producing salary bills of the establishments of Government Departments, an application software *viz.* Computerisation of Salary Accounts (COSA) developed by National Informatics Centre (NIC) was implemented by the Government of West Bengal during 2002-03. The system, with 16 modules (refer **Chart 3.1** at paragraph 3.3.7.1), runs in a standalone environment. It has SQL Server 2005 as back-end RDBMS and Visual Basic 6 as front-end tool.

#### 3.3.2 Organisational set-up

The Finance Department controlled the application initially before its decentralisation in 2011. Finance Department entrusted the Drawing & Disbursement Officers (DDOs) with the responsibility of securing the access to COSA, taking regular back-up and training of man-power. As of March 2015, COSA is being used by more than 8000 DDOs across the State. The Finance Department, however, continues to issue instructions on the usage of COSA from time to time.

#### 3.3.3 Audit Objectives

The objectives of IT Audit of COSA was to assess

- the extent to which COSA was being utilised for efficient management of salaries and entitlements;
- whether adequate controls were in place to ensure confidentiality, integrity and availability of data and
- whether measures were taken to ensure continuity of operations.

#### 3.3.4 Audit criteria

The criteria for framing Audit comments were sourced from:

- West Bengal Service Rules (WBSR) and West Bengal Financial Rules (WBFR) and
- Generally accepted IT best practices.

### **3.3.5 Audit coverage, scope and methodology**

The IT Audit of COSA was conducted between March and June 2015 covering the period 2009-15 through test-check of records/ data of 18 DDOs of seven Departments<sup>9</sup> (*Appendix 3.1*) in Kolkata and seven other districts. The districts were selected through stratified sampling based on geographical contiguity while the DDOs were selected through Simple Random Sampling without Replacement (SRSWOR).

## **Audit Findings**

### **3.3.6 Limitations of the system**

#### ***3.3.6.1 Multiplicity of administrative centres without proper training***

The system being designed to work in a standalone environment, neither the Finance Department nor any other functional Department was in a position to utilise the data for any human resource, budgetary planning, etc. Moreover, multiplicity of administrative centres calls for higher degree of awareness and alertness among its users and administrators as compared to a web-based platform, which would have made the oversight on data management easier.

Besides, web-based platform would have facilitated easier integration of data with any future applications like Integrated Financial Management System (IFMS)<sup>10</sup>.

However, IT Audit of various modules of COSA and their applications in various test-checked offices disclosed that not only the application was partially utilised owing to deficient training among the users, but there were instances of lack of control against possible misuse/ unauthorised use of the applications, as discussed in the succeeding paragraphs.

#### ***3.3.6.2 Lack of synchronisation with Treasury software***

COSA Manual brought out by the Finance Department through NIC, envisaged integration of COSA database (containing salary details as well as personal details of the employees) into the Treasury software and IFMS. However, as per the present system in vogue, each DDO sends hardcopy of pay-bills generated through COSA application along-with two flat files (text file in .txt format) containing (i) all details of the pay-bills and (ii) all personal details of all employees for that particular month. Neither did the Treasury check the authenticity of the text file nor was the same being synchronised in the Treasury software. Treasury only checked the hard copy of the bills for any mistakes in calculation. However, incorrect information, if any, in the system-generated pay would remain undetected in absence of synchronisation between two different applications leaving scope for malpractice.

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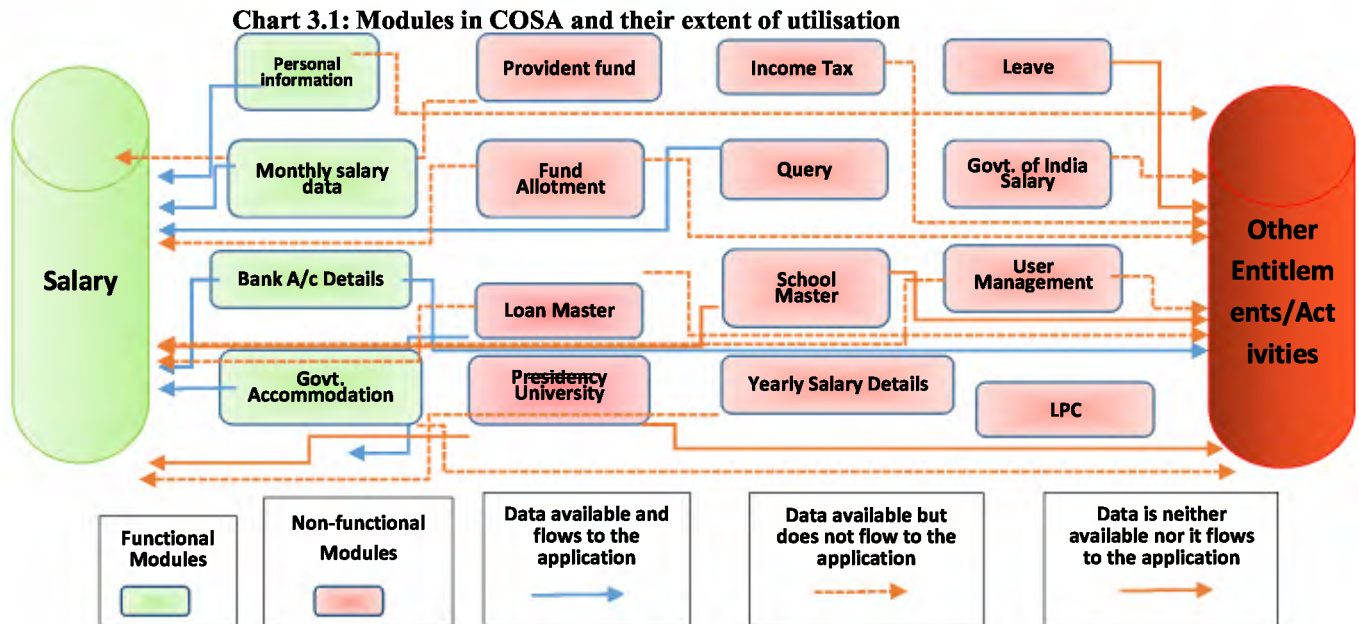
<sup>9</sup> *Backward Classes Welfare, Home, Labour, Land & Land Reforms, Health & Family Welfare, Higher Education and Information & Cultural Affairs*

<sup>10</sup> *An e-enabled Integrated Financial Management System (IFMS) under implementation comprising all aspects of treasury and budget functions including integration of receipt and expenditure accounts of the State Government and its interface with Accountant General, Reserve Bank of India and Link Banks.*

### 3.3.7 Status of utilisation of the modules

#### 3.3.7.1 Important modules directly relating to pay bills remaining unused

The application was designed with 16 modules. Apart from Pay Bill, the application included modules to capture various personal details of employees, Income Tax Module, Leave Details, etc. However, only four modules relating to pay bill were working in the test-checked units as indicated in **Chart 3.1** below:



Thus, some modules containing information directly related to preparation of salary bills were not put to use in COSA. These included modules for Provident Fund, Loan Master, Income Tax, Leave and Funds Allotment. It was observed that in many of the test-checked offices, data relating to pay and allowances were manually fed into the system. This has undermined the very idea of automation behind introduction of COSA.

In three offices<sup>11</sup>, usage of Last Pay Certificate (LPC) module had to be discontinued, after a brief period, due to faulty design of the module which barred the Administrator from editing the data once entered for any rectification, if necessary.

#### 3.3.7.2 Insufficient training leading to non-use of modules

Test-checked DDOs attributed non-utilisation of all the modules to complexity of operating the modules for data entry and lack of training among the employees. The third party vendors were to arrange training programmes, immediately after installing the application in every DDO, for which they would be paid ₹ 5515 for each such programme. Finance Department instructed (March 2012) the DDOs to train at least two persons of the office of the DDOs, as well as of respective Treasuries for running COSA application package/preparing database/ updating database before generation of monthly salary bills. Sixteen out of 18 test-checked offices replied to audit that no such training programme was arranged. It was, however, observed that in 12 out of the 18 test-checked offices, the vendors were

<sup>11</sup> Labour Commission, Bankura Sammilani Medical College & Hospital and Superintendent of Police, Jalpaiguri

paid for training. As a result, the staff were not equipped to handle COSA efficiently.

### **3.3.7.3 Non-utilisation of COSA generated Employees database**

As per the recommendation of the 13<sup>th</sup> Finance Commission, all State Governments were expected to build up a database of State Government Employees drawing salary from State exchequer. This also included the details of employees drawing salary by way of Grant-in-Aid and the pensioners. The 14<sup>th</sup> Finance Commission has also sought critical financial reports relating to salaries and pensions for its use from the State Government.

In order to meet up this requirement, Finance Department, Government of West Bengal, in its memo No. 305(65)/FY/P1E-180/2011 dated 06.02.2012 instructed all DDOs to prepare employees' database using COSA application. Accordingly, all DDOs were found sending two flat files generated through COSA application containing (i) all details of the pay-bills and (ii) all personal details of all employees as discussed in *para* 3.3.6.2. Moreover, in order to develop 'Employees Database', Finance Department instructed all Treasuries vide Memo No. 1829-F(Y) dated 01.03.2012 to capture all data generated by using COSA and sent by DDOs' end as input at the Treasury Computer Package from the first part and the other part of the data to be transmitted to 'Employees' Database Server' through Treasury Server linked with each salary bill of each DDO.

Scrutiny of records of the DDOs generated through COSA, as sent to treasuries revealed that the soft copies were never fed into the system by the Treasuries into 'Employees' Database Server'. Moreover, the quality of data relating to Human Resource as captured at the DDOs' end was very poor. The requirement of the 14<sup>th</sup> Finance Commission could not be met.

## **3.3.8 Security and adequacy of controls**

IT Controls in a computer system represent policies and procedures that ensure the protection of the entity's assets and accuracy and reliability of its records. Finance Department had put (March 2012) the onus of securing the system by utilising users' access control mechanism on the DDOs. Audit, however, observed control deficiencies like absence of password policy, unrestricted allowance of super-user privileges (exclusive privilege to be enjoyed by the system administrator for editing entered data), inadequate access and validation controls, absence of antivirus, etc. as discussed in the succeeding paragraphs.

### **3.3.8.1 Password policy**

A password policy is a set of Rules designed to enhance computer security by encouraging users to employ strong passwords and to change it periodically. A password policy is often part of an organisation's official regulations and should be strictly adhered to in order to safeguard the organisation's data. The following are the generally accepted best practices for a robust password policy:

- Passwords should be a combination of alpha-numeric-special characters;
- Failed log-in attempts are to be restricted by blocking the user-ID and

- Compulsory change of password after first log-in to change the password assigned by the Database Administrator and subsequent change of passwords at regular intervals.

**No departmental directives on password:** However, scrutiny revealed that no documented password policy was in place in any of the test-checked offices. Neither the Finance Department nor the individual Department had issued any instruction in this regard. There were no instructions for changing the default password and for changing passwords periodically. Consequently, all test-checked offices were using the default administrator user-ID and password since introduction of the application. This had undermined the security of the system.

### 3.3.8.2 Logical access controls

Logical access controls are tools and protocols used for identification, authentication, authorisation and accountability in computer information systems. It also restricts the user from accessing any part of the system, which is beyond his area of responsibility.

- **All end users using administrator's user-ID and password:** In the test-checked offices, the administrators (DDOs) did not create new user-IDs for end-users who would operate the COSA application in offices. Data analysis indicated that all end-users were using the administrator's user-ID and password, thereby enjoying full administrative privilege. This was also confirmed by 16 out of 18 test-checked offices (two offices did not furnish any reply). This left the application vulnerable to potential threat allowing end-users full access to the system.
- **Absence of audit trail:** Audit trail is a tool for the system administrator to obtain sufficient evidence in regard to the reliability and integrity of the application system. To achieve this, the audit trail should *inter alia* contain sufficient information to trace the history of activities in the system as well as sources of intentional and unintentional errors. The application does not have any provision for recording various aspects of audit trail like times of log-in and log-out by individual users, details of failed log-in attempts, user-wise access of modules, etc.

Use of identical user-ID and password by all users coupled with absence of any audit trail left the system vulnerable to unauthorised accesses and manipulation of data.

### 3.3.8.3 Validation Controls

The application was designed *inter alia* to capture vital information (like date of birth, date of joining service, PAN, etc.) of an employee, which had a bearing on his pay, service and statutory deductions. Hence, it was imperative that the system had in-built validation controls to ensure the quality of data entered therein. It was, however, observed that the system lacked such validation controls which affected the accuracy and validity of the captured data as illustrated below:

- **Date of birth post-dating/ equalling date of joining the Government service:** In 25 cases, employees' dates of birth were later than their dates of joining service, while in case of 4354 employees', dates of birth and their dates of joining service were the same.



- **Wrong calculation of date of retirement:** The mapping of date of retirement<sup>12</sup> was not properly done in the application resulting in several instances of wrong date of retirement. There were many cases where date of retirement was same as date of birth (1119 cases) or date of joining (14 cases), date of retirement pre-dating date of birth (117 cases) or date of joining (319 cases).
- **Invalid or no PAN:** In order to deduct TDS, it is mandatory for all Government employees to provide their Permanent Account Number (PAN) to the DDO. In case of 7587 employees, no PAN was available in the system. Further, considering that PAN is ten-character long with a defined alphanumeric pattern, there should have been validation Rules embedded in the system. It was seen that there were no such validation controls and 337 cases were found by Audit where PAN numbers were in invalid format.
- **No restriction on generation of bills after retirement of employees:** The system was unable to automatically stop generation of pay bills after retirement of employees. It was seen that the data in respect of retired employees had to be manually deleted from the system to stop generation of pay bills beyond their dates of retirement. It was observed that pay bills were being generated in two test-checked offices<sup>13</sup> in respect of 118 employees, though they were supposed to retire as per system database. Kolkata Medical College and Hospital, while accepting the fact attributed this to wrong entry of data. The reply was not tenable as it represented failure in validation controls. Had there been such validation control in place, wrong/ junk entry of date of retirement would have been identified and rectified.

As all these data with erroneous information/ calculations were sent every month to the Treasury in flat files (as discussed in *para 3.3.6.2* earlier) along with the pay bills, the quality as well as authenticity of data remained highly questionable.

#### **3.3.8.4 Absence of Antivirus Policy**

Since the application deals with salary bills and captures personal details of all employees, it was desirable to maintain the computers free from any virus in any form so as to prevent any system fault and consequent data loss.

**Absence of authorised antivirus in test-checked offices:** Neither did any of the test-checked offices have antivirus policy nor was any authorised antivirus installed in the PCs, where the application was running. This was confirmed by all the 18 test-checked offices. Computers, earmarked for running of COSA, crashed in two<sup>14</sup> offices due to virus attack and the data could not be retrieved by the authority.

**No restriction on use of external media:** Further, there was no restriction as to handling of external media (pen drive, external drive, etc.) by the staff and the third party service providers exposing the system to virus attacks. This also posed

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<sup>12</sup> A Government employee retires from service on the last day of the month in which the employee attains the age of sixty, in case his date of birth falls on any day other than the first day of the month while in the latter case, the employee superannuates on the last date of the preceding month.

<sup>13</sup> Kolkata Police-19 and Kolkata Medical College and Hospital-99

<sup>14</sup> Offices of the Superintendent of Police, Jalpaiguri in December 2013 and District Welfare Officer, BCW, Purba Medinipur

a security threat in terms of confidentiality of the personal information on employees.

### **3.3.9 Inefficient management control leading to embezzlement of Government money**

Organisational and management controls represent the high level controls adopted by the competent authority to ensure that any application functions correctly, is fool proof and satisfies business objectives. There should be an IT Steering Committee for overall monitoring of the system.

While implementing COSA, Finance Department had not constituted any such Steering Committee nor was the same ever constituted by any of the Departments even after decentralisation of the application. None of the Departments visited, had directed its senior officials to periodically review the system at the grass root level. There was no system of cross verification of salary related information sent by a DDO vis-à-vis that maintained in the respective Treasury. Audit has come across an instance where the application was wilfully tampered to generate incorrect salary bill as discussed below.

Preparation of pay bills involves generation of pay bills as well as a summary of all pay bills known as outer sheet. Though the pay bills were non-editable and were printed directly from the application, the outer sheet was designed to be saved in an editable format.

In Sankrail BPHC, one Lower Division Clerk (LDC) was authorised with the administrative password to operate the application. This employee increased his pay and allowances by editing the outer sheet of bill generated from the system and syphoned out ₹ 1.50 crore between October 2012 and April 2015. This was detected in May 2015 and departmental proceeding started in June 2015.

Had there been a proper level of management controls in the system and had the system been properly designed to prevent saving any part of the pay bills in any editable format, such embezzlement could have been avoided.

### **3.3.10 Business Continuity Plan**

Business Continuity and Disaster Recovery Plan aim to ensure that an organisation is able to accomplish its mission and it would not lose the capability to process, retrieve and protect information maintained in the event of an unforeseeable interruption or disaster leading to temporary or permanent loss of computer facilities. This calls for well-documented, tested and updated continuity and disaster recovery plans, regular back-up of systems software, financial applications and underlying data, etc. However, deficiencies were noticed in Audit in this matter as discussed in the following paragraphs.

#### ***3.3.10.1 Absence of Business Continuity and Disaster Recovery Plans***

Neither the Finance Department nor the test-checked administrative Departments gave any instruction for preparation of business continuity and disaster recovery plans. Consequently, none of the test-checked offices had prepared such plans which compromised the capability to resume COSA operations in the event of physical interruption or logical upgradation.

### **3.3.10.2 Absence of data back-up**

Regular data back-ups are an essential part of business continuity and disaster recovery plan. The system had an in-built facility for taking data back-ups. The Finance Department had given (March 2012) instructions to the DDOs to take back-up of updated database at the end of each day. The DDOs were, however, lax in taking regular data back-ups. In five out of eighteen test-checked offices, data back-up was taken in an interval of three months to fourteen months. Further, none of these 18 offices had kept data back-up outside the machine where the application was running. In two test-checked offices (Bankura Sammilani Medical College and Hospital and Jalpaiguri SP office), consequent to data loss, the entire data on employees had to be re-entered, as no data back-up was available.

### **3.3.11 Conclusion**

Though one of the main objectives of timely generation of pay bills was achieved, the sub-optimal use of the modules coupled with questionable quality of data being fed left the system heavily dependent on manual interventions. Lack of training among the field level functionaries adversely affected meaningful implementation of the system, especially the application being standalone in nature without any centralised oversight/ control on data management. The system was exposed to risks of unauthorised manipulations of data as every user, in the absence of password policy, enjoyed unabated access to the database with all administrative privileges. Absence of audit trail in the system also made the accountability regime very weak. The data security was compromised by absence of an anti-virus policy, business continuity and disaster recovery plans and lack of seriousness of the DDOs in keeping regular data back-up.

The matter was referred to Government in July 2015; reply had not been received (December 2015).

## **FINANCE, PUBLIC HEALTH ENGINEERING, HEALTH & FAMILY WELFARE AND AGRICULTURE MARKETING DEPARTMENTS**

### **3.4 *Payment of interest-free mobilisation advance to contractors***

**In violation of the restriction imposed in West Bengal Financial Rules, Health & Family Welfare, Agriculture Marketing and Public Health Engineering Departments showed undue lenience to private contractors in allowing/ recovering mobilisation advances. No interest was realised by these Departments unlike Public Works Department.**

As per West Bengal Financial Rules (Rule 227), advances should be paid to contractors, only in exceptional circumstances with the sanction of the Government, taking necessary precautions for securing Government against loss and for preventing the practice from becoming general rather than an exceptional one. The Public Works Department (PWD), which is a major Department involved in the execution of works under the Government of West Bengal (GoWB), has a system of allowing mobilisation advances for big works and

recovering interest<sup>15</sup> thereon. The Public Health Engineering (PHE) Department, another works Department under the Government, follows the West Bengal Public Works Code. It, however, has a system of allowing mobilisation advance to contractors for ground water based water-supply works with value of ₹ 10 crore and above under the Arsenic Sub-Mission Programme, under approval (July 2007) by the Finance Department. However, the PHE Department did not have a system of recovering interest against these advances.

Central Public Works Accounts (CPWA) Code<sup>16</sup> allows mobilisation advance only in cases of certain specialised and capital intensive<sup>17</sup> works, and that too with simple interest at the rate of 10 per cent per annum.

Scrutiny of records of functionaries of three Departments showed instances of indiscriminate sanction of interest-free mobilisation advances to contractors as discussed below:

#### **(A) Public Health Engineering (PHE) Department**

Audit scrutiny of 28 contracts under the PHE divisions of Nadia, Bankura, Murshidabad and Paschim Medinipur disclosed that total ₹ 79.72 crore was advanced to contractors in 23 cases between March 2007 and August 2013, of which:

- In nine contracts in Bankura under Backward Region Grant Fund (BRGF), ₹ 44.62 crore was paid as interest-free mobilisation advance without any concurrence from the Finance Department, though the works were not related to Arsenic Sub-mission.
- In absence of any clause in the tender/ contracts enabling recovery of interest, eight contractors (under 14 contracts) enjoyed the benefit of interest free advance of ₹ 35.10 crore even for 23 to 72 months beyond the stipulated time for completion of the respective works.
- In 10 contracts, recovery of advance amounting to ₹ 14.83 crore was allowed for 7 to 53 months beyond the period stipulated (four to ten installments) for recovery in the contract. In three cases (all in Nadia) among the above ten, out of total mobilisation advance of ₹ 7.27 crore allowed between March 2009 and November 2009, ₹ 1.68 crore remained unrecovered till August 2015.
- In two contracts, mobilisation advance of ₹ 1.16 crore was paid to contractors by including the contract value of trial run and Operation & Maintenance, which was irregular.
- In four contracts, ₹ 0.71 crore was paid as interest-free mobilisation advance for consultancy services, though mobilisation advance for consultancy service was inadmissible and contract value was below the eligibility limit of ₹ 10 crore.

<sup>15</sup> Simple interest at the rate of 13 per cent per annum with effect from March 1999, which was revised to 10 per cent with effect from June 2015.

<sup>16</sup> Para 10.2.22 (b) of CPWA Code and 32.5 of CPWD Manual.

<sup>17</sup> Costing ₹ 2 crore or above. Capital intensive works are defined as those for the execution of which the contractor has to purchase a large quantum of machinery and equipment or for which substantial initial outlay is required for ordering special material which is required for execution of the work.

Thus, in absence of any enabling clause for charging interest on mobilisation advance in tender/ contract coupled with undue lenience in recovery thereof, the interest of the Government had been compromised extending undue benefit of interest of ₹ 16.16 crore to 10 contractors as shown in the *Appendix 3.2*.

The Department in its reply (February 2015) stated that mobilisation advances were paid after taking concurrence of the Finance Department, which was, however, at variance from what was observed by Audit in Bankura. Though the Department assured immediate action for recovery of unrecovered amounts, the reply was silent on the failure in time bound recovery of mobilisation advances and charging of interest thereon.

***(B) Health & Family Welfare (H&FW) Department***

H&FW Department assigned the work of construction of 20 district/ sub-divisional hospitals to West Bengal Medical Services Corporation Limited (WBMSCL), a Public Sector Undertaking (PSU) in March 2012 and September 2013 at an estimated cost of ₹ 1423.83 crore. Scrutiny of records of the Department and WBMSCL revealed that Notice Inviting Tenders (NIT)/ Memorandum of Understandings (MOU)/ agreements in respect of the works provided for payment of mobilisation advances to the contractors. Accordingly, WBMSCL released (April 2014 to December 2014) interest-free mobilisation advance of ₹ 120.14 crore<sup>18</sup> on 10 occasions to three contractors<sup>19</sup>.

The H&FW Department, in its reply, intimated (September 2015) that the mobilisation advances were allowed in terms of Finance Department's notification of June 2012, which had, introduced provision of payment of mobilisation advance without any mention of interest thereon. It was further added that as the orders were of turnkey nature including supply of furniture and equipment for the hospitals and time frame allowed (15/ 18 months for five/ ten storeyed hospitals) was also very stringent, mobilisation advances were allowed.

The reply is, however, not acceptable as the Finance Department's order under reference allowed mobilisation advances to agencies like State/ Central Government Public Sector Enterprises/ autonomous bodies, etc. selected on nomination basis. Further, inclusion of hospital furniture/ equipment in the turnkey contracts cannot justify allowance of mobilisation advance as WBMSCL had set high standards of financial resources and possession of critical equipment for technical evaluation of the contractors. Moreover, the time frame allowed for the work does not appear to be stringent, given the fact that the same was within the norms<sup>20</sup> of PWD.

Payment of such mobilisation advance, thus, not only lacked justification, but also non-realisation of any interest (₹ 11.90 crore calculated at the simple rate of 10 per cent per annum) thereon was tantamount to undue advantage to the contractors.

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<sup>18</sup> Recoverable from 3<sup>rd</sup> RA bill and before 90 per cent of completion of work or three-fourth of completion period whichever occurred earlier

<sup>19</sup> Larsen & Toubro Ltd. (₹ 68.82 crore), Shapoorji Pallonji & Company Ltd. (₹ 34.63 crore) and Bridge & Roof Company India Ltd. (₹ 16.69 crore)

<sup>20</sup> 12 to 15 months for G+4 to G+5 storeyed buildings and 16 to 21 months for G+6 to G+10 storeyed buildings

**(C) Agriculture Marketing Department**

Agriculture Marketing Department assigned the work of construction of 30 multipurpose and multi-chamber cold storage units in the premises of different Regulated Market Committees to the West Bengal State Marketing Board (WBSMB) at an estimated cost of ₹ 55.33 crore.

West Bengal State Marketing Board (WBSMB) released interest-free mobilisation advances of ₹ 9.67 crore on 90 occasions between January and June 2011 for civil construction with contract value of each work varying between ₹ 40 lakh and ₹ 1.17 crore. Besides, ₹ 8.80 crore was also advanced to four contractors for supply and installation of electrical, cold storage equipment, generators, etc. Had WBSMB, Agriculture Marketing Department adopted the practice followed by the PW Department, an interest of ₹ 2.15 crore could have been realised on these advances.

Thus, while the PHE Department has shown undue lenience in recovery of mobilisation advances from the contractors, allowing such advances to the contractors has been made a general practice under the H&FW Department and Agriculture Marketing Department in deviation from the restriction envisaged in West Bengal Financial Rules. Further, ₹ 30.21 crore<sup>21</sup> could have been realised from contractors, had these three Departments charged interest on mobilisation advances following the practice in vogue under the PW Department.

**HEALTH & FAMILY WELFARE DEPARTMENT****3.5 Excess expenditure on account of service tax**

**Six Government hospitals paid ₹ 1.22 crore as service tax on cleaning and scavenging services during 2012-15, though the same were exempted from the ambit of service tax.**

Ministry of Finance (Department of Revenue), GoI exempted (with effect from July 2012) the services provided to Government relating to public health, sanitation conservancy, solid waste management, etc. from the ambit of the service tax.

Scrutiny of records (from November 2014 to July 2015) of six<sup>22</sup> hospitals in Kolkata revealed that the hospital authorities allowed (between July 2012 and March 2015) payment of service tax of ₹ 1.22 crore<sup>23</sup> to the contractors while making payment of bills on cleaning, sweeping, scavenging services, etc.

It was further seen that though the H&FW Department had made it mandatory for the hospital administrations to collect documentary evidences from the contractors

<sup>21</sup> PHE Department : ₹ 16.16 crore; H&FW Department : ₹ 11.90 crore and AM Department : ₹ 2.15 crore

<sup>22</sup> Medical Superintendent-cum-Vice Principals of Kolkata Medical College and Hospital, SSKM Hospital, Superintendents of M R Bangur Hospital, Lady Dufferin Victoria Hospital, Chandannagar Sub Divisional Hospital, Hooghly and Imambara Hospital (Sadar), Hooghly.

<sup>23</sup> KMC&H: ₹ 33.31 lakh during July 2012 to September 2014; SSKM Hospital: ₹ 59.16 lakh during July 2014 to January 2015; M R Bangur Hospital: ₹ 17.05 lakh during January 2013 to March 2015; Lady Dufferin Victoria Hospital: ₹ 7.79 lakh during July 2012 to January 2015; Chandannagar SD Hospital: ₹ 1.29 lakh during December 2013 to August 2014 and Imambara Hospital (Sadar): ₹ 3.01 lakh during December 2013 to February 2015.

in support of onward remittance of the tax to the service tax authorities, five hospitals<sup>24</sup> (which paid ₹ 1.14 crore on this count) neither collected any such document nor made any effort to recover service tax amount resulting in undue financial benefit to the contractors.

Thus, six government hospitals incurred an excess expenditure of ₹ 1.22 crore during 2012-15 on account of service tax on exempted services, which needs to be recovered from the contractors.

The matter was referred to Government in May 2015; reply had not been received (December 2015).

## HEALTH & FAMILY WELFARE DEPARTMENT

### 3.6 *Loss of interest due to non-adherence to the directives of State samiti*

**Non-compliance to the directives of State Health & Family Welfare Samiti by the district samities of Bardhaman and Malda and five block samities of same districts resulted in loss of interest of ₹ 2.98 crore.**

Government of West Bengal constituted West Bengal State Health & Family Welfare Samiti (State samiti) in February 2003 for planning, supervision, monitoring and implementation of public health programmes. As an apex body, it reallocates scheme funds received from Government among the District Health & Family Welfare Samities (district samities) and the Block Health & Family Welfare Samities (block samities) for execution of various health schemes. The Executive Director, State samiti instructed (February 2006) all the district samities to open a United Savings Bonanza Account (Bonanza account) at local branches of United Bank of India for expediting transfer of funds. District samities were further advised to instruct block samities to do the same.

Audit noticed that the Bonanza account offered interest at the rate of savings bank account<sup>25</sup> on the minimum balance of ₹ 10000 while the balance in excess of ₹ 10000 was to be auto-swept to fixed deposit (FD) with tenure of six months to one year carrying higher rate of interest<sup>26</sup>. Liquidity of funds was not affected in this process, as the fixed deposits could be prematurely closed. Even after statutory deduction of one *per cent* from the applicable FD rates on such premature closure, the interest yield would have been higher than the interest earned in savings account.

Scrutiny of records of district samities of Bardhaman and Malda revealed (June 2014) that they did not open Bonanza account in disregard of the instruction of State samiti. Due to this, these two district samities lost ₹ 2.92 crore (Bardhaman: ₹ 1.80 crore and Malda ₹ 1.12 crore)<sup>27</sup> being rate differential between interest receivable with auto-sweep facilities and interest received in their savings accounts.

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<sup>24</sup> Kolkata Medical College and Hospital, SSKM Hospital, MR Bangur Hospital, Chandannagar Sub Divisional Hospital and Imambara Hospital (Sadar).

<sup>25</sup> 3.5 per cent upto April 2011 and 4 per cent from May 2011

<sup>26</sup> Ranging between 4.50 per cent and 8.40 per cent

<sup>27</sup> Calculated on the basis of minimum six monthly balance maintained in their respective savings account after keeping aside the mandatory minimum amount of ₹ 10000 (yielding interest at the rate of 4 per cent per annum) and applying minimum interest on Fixed deposits for six monthly period prevailing during the period from April 2011 to March 2013

Further test-check of records of two Rural Hospitals (RHs)<sup>28</sup> and three Block Primary Health Centres (BPHCs)<sup>29</sup> in Bardhaman district revealed that the concerned five block samities also did not open bonanza account leading to further loss of interest of ₹ 0.06 crore.

The authority of district samiti, Malda stated (June 2014) that the instruction of opening of bonanza account was overlooked unintentionally. However, after the matter was pointed out by Audit, the authorities moved the bank to avail (from July 2014 and November 2014 onwards) the facilities of bonanza account.

Thus, non-compliance to the directives of the State samiti by the district samities of Bardhaman and Malda and five block samities of Bardhaman resulted in loss of interest of ₹ 2.98 crore during 2011-12 and 2012-13.

The Department, stated (July 2015) that the permission of keeping National Health Mission funds in the flexi-savings accounts was given by GoI only in June 2014. The reply was not acceptable as the State Samiti had itself instructed for opening of Bonanza account in February 2006. Moreover, absence of specific instruction from GoI cannot be construed as an impediment in taking prudent financial decision.

## HIGHER EDUCATION AND URBAN DEVELOPMENT DEPARTMENTS

### 3.7 Blockage of funds

**Initiation of construction work by Rabindra Bharati University within the premises of a heritage building without obtaining title of land and without taking clearance from the Heritage Conservation Committee led to blockage of ₹ 12 crore for six years.**

Kolkata Municipal Corporation Act, 1980 stipulates that every owner or occupier of any heritage building shall maintain, preserve and conserve it and abide by the various restrictions on activities on its premises. Under the Act, the Heritage Conservation Committee (HCC) of Kolkata Municipal Corporation (KMC) independently oversees the preservation, conservation and maintenance of heritage buildings.

Emerald Bower (EB) building of Rabindra Bharati University (University) was categorised as a Grade I heritage building under KMC Act. For Grade I buildings, no external change was permissible, including new construction in the open land blocking the view of the building.

The University took up construction work of four buildings<sup>30</sup> within the EB campus and assigned (September 2008) the works to Kolkata Metropolitan Development Authority (KMDA). The University requested (September 2008) KMDA to obtain the necessary permissions from all local authorities as required for execution of the project. KMDA prepared an estimate of ₹ 29.44 crore for the work and the University advanced (March 2009) ₹ 12 crore to KMDA. However, neither the RBU nor the KMDA referred the matter to the HCC for necessary

<sup>28</sup> Bhatar RH and Srirampur RH

<sup>29</sup> Kurmun BPHC, Pursha BPHC and Raniganj BPHC

<sup>30</sup> Six storeyed Utility Bhawan near the entrance, vertical extension of Chaitra Bhawan, construction of Auditorium (Sangeet Bhawan) and construction of four storeyed building on the southern side of Canteen Building



clearance. KMDA commenced the work in July 2009 engaging a private contractor and executed work worth ₹ 79.61 lakh till March 2010. The entire payment was made during 2009-10 to 2010-11.

Audit scrutiny of records of the University and KMDA revealed that HCC recommended for reduction in width of the proposed Utility Bhawan, as the same would block the view of the EB Building.

After several representations from University before the HCC, a revised proposal<sup>31</sup> with several changes in drawings was finally approved by HCC in February 2012. However, the revised plan was not sanctioned by KMC as the title of the land belonged to Mass Education Extension Department, GoWB and not to RBU. The University moved (April 2015) the Higher Education Department to take up the matter with the Mass Education Extension Department for transfer of the land in favour of the University. The impasse remained unresolved till date (September 2015) and amount of ₹ 12 crore remained blocked with KMDA, out of which work amounting ₹ 0.80 crore was executed as of September 2015.

Thus, taking up construction work by Rabindra Bharati University within the premises of a heritage building without obtaining the title of land and without taking clearance from Heritage Conservation Committee, led to ₹ 12 crore lying blocked with KMDA for seven years.

The University admitted the facts in its reply, which has been endorsed (September 2015) by the Higher Education Department.

## LABOUR DEPARTMENT

### 3.8 Irregular payment of FAWLOI assistance

**Non-adherence to laid down norms for selection of industrial units and beneficiaries resulted in irregular payment of assistance worth ₹ 18.36 crore under the scheme 'Financial Assistance to the Workers in Locked out Industrial Units'.**

With a view to providing financial relief to out-of-employment workmen of locked out industries in West Bengal, the State Government launched 'Financial Assistance to the Workers in Locked out Industrial Units' (FAWLOI) scheme in May 1998. Eligible workmen of registered industries fulfilling scheme criteria were to be given financial assistance in the form of monthly cash assistance and annual Eid/ Puja *ex-gratia*<sup>32</sup>. The scheme is implemented by the Labour Department.

Test-check of records (March 2015 to June 2015) of the Labour Commissioner and four Regional Labour Offices<sup>33</sup> (RLOs) showed instances of irregular

<sup>31</sup> Size of the building 28 m x 33 m along with 4m wide road all round

<sup>32</sup> Rates of financial assistance and Eid/ Puja *ex-gratia*:

Rate of financial assistance (per month)	Effective from	Rate of Eid/ Puja <i>ex-gratia</i> (per annum)	Effective from
₹ 500	01.04.1998	--	--
₹ 750	01.04.2007	₹ 750	01.04.2007
₹ 1000	01.02.2009	₹ 1000	01.04.2009
₹ 1500	01.04.2010	₹ 1500	01.04.2011

<sup>33</sup> Deputy Labour Commissioner, Kalyani; Deputy Labour Commissioner, Chandannagar; Deputy Labour Commissioner, Kolkata South and Asst. Labour Commissioner, Uluberia.

payment of FAWLOI assistance worth ₹ 18.36 crore arising out of various systemic deficiencies in the process of selection of beneficiaries, industrial units, disbursement of grants, etc. as discussed in the subsequent paragraphs.

**(A) Inclusion of industries without industrial disputes**

To ascertain the eligibility of an industry, the Labour Directorate was to enquire and retain enquiry reports (query sheets<sup>34</sup>). The test-checked RLOs could produce query sheets before Audit in respect of only six<sup>35</sup> out of 96 industries<sup>36</sup> enlisted under them. Further, except for eight<sup>37</sup> industrial units, files containing records relating to whereabouts of the industries and their managements, correspondence with the managements, list and status of workers as per records of the management, verification report with Official Liquidator, etc. could not be produced to Audit in respect of any of these 96 industries. The said systemic deficiencies may be viewed with the following instance of irregular selection of industrial units.

Apart from certain conditions<sup>38</sup> of eligibility, Government decided (February 2006) to include locked out/ closed unit(s) under FAWLOI, provided an industrial dispute over such lock out/ closure had been raised with Labour Department either by the union or by the workmen.

Scrutiny of Industrial Dispute Case Registers in the test-checked RLOs revealed that 13 out of the 96 test-checked industrial units were brought under FAWLOI during last ten years. Of these, 11 industries<sup>39</sup> were included under the scheme without any industrial dispute being raised by the workmen/ union. Relevant files containing details of these 11 industries and basis of their selection under FAWLOI were also not available with the RLOs. Such irregular inclusion resulted in undue financial assistance of ₹ 15.97 crore<sup>40</sup> to the workers of these units as detailed in *Appendix 3.3*.

The Department attributed (September 2015) non-availability of concerned files to lapse of a considerable period, which was not acceptable as it was the responsibility of the RLOs to maintain its enquiry reports and supporting documents for future reference and follow up.

<sup>34</sup> Exhibiting the registration number of the industry under Factories Act, date of commencement of the industry, period of operation, date of lock out/ suspension of work/ alleged closure, status regarding liquidation and any challenge thereagainst, etc.

<sup>35</sup> Kalyani: one and Chandannagar: five

<sup>36</sup> Uluberia-10, Chandannagar-12, Kolkata (South)-49 and Kalyani-25.

<sup>37</sup> Kalyani: two and Chandannagar: six

<sup>38</sup> The units were under suspension of work for more than one year; the units were in operation for more than five years prior to such closure; any closure order/ winding up order/ liquidation order was challenged in the appropriate legal forum, etc.

<sup>39</sup> Hindustan Engg. & Industries Ltd., Bharat Margarine Ltd., PEC Engineering Pvt. Ltd., Viga Sports Pvt. Ltd., Bansal Food Products, Eastern Geleuns (Gelatin) Pvt. Ltd., Jenson & Nicholson (India) Ltd., Steinhaus (India) Pvt. Ltd., Jai Jute Industries Ltd., Ram Swarup Industrial Corporation and Uluberia Powerloom Co-Op. Society Ltd.

<sup>40</sup> Calculated conservatively on the basis of preset reduced nos. of beneficiaries of the year 2013-14.

**(B) Selection of workmen with less than eligibility period of service**

A worker is to be selected for FAWLOI assistance on fulfilment of certain eligibility criteria<sup>41</sup>. It is the responsibility of the RLOs to verify if a workman applying for assistance fulfils those criteria. However, no records could be furnished by the test-checked RLOs in support of any enquiry in respect of workmen of 88 out of 96 industries registered under those four RLOs, while only partial records could be produced in respect of the remaining eight industries.

Under Section 25B of Industrial Dispute Act, 1947, a workman would be considered to be in continuous service under an employer provided the workman had actually worked for at least 240 days during twelve calendar months preceding the date of reference. Scrutiny in Audit revealed that out of 1430 workmen of a unit at Kalyani<sup>42</sup> receiving assistance under FAWLOI, 508 workmen were not eligible for selection as they either had worked for less than the stipulated period (488 workers) or had not worked at all (20 workers) during the calendar year preceding suspension of work (February 2010). Out of these 488 workers, 68 workers had worked for less than 30 days. Undue benefit of ₹ 2.39 crore were extended pertaining to the period from March 2011 to September 2013<sup>43</sup> to these ineligible workmen.

The Department in reply stated (August 2015) that the Deputy Labour Commissioner, Kalyani released payment to the beneficiaries hurriedly as the said industrial unit was brought under FAWLOI only in January 2012 and the financial year was nearing its close. Further, no information regarding regular workers could be obtained from the management of the industry. The reply was not acceptable as the Department took no effort for *post-facto* verification and continued payment of assistance for more than 19 months.

**NORTH BENGAL DEVELOPMENT DEPARTMENT**

**3.9 Infructuous expenditure on incomplete construction of two bridges**

**Construction of two bridges across a river in Malda was abandoned midway due to deficiency in DPR and starting of work without ensuring availability of sufficient funds compounded by deficient inter-departmental co-ordination. This has not only left the local inhabitants deprived of permanent bridges, but also rendered an expenditure of ₹ 2.24 crore infructuous.**

For construction of two RCC bridges at Poolbandha (Chanchal II and Ratua I blocks) and Solmari (Ratua I block) over river Mara Mahananda, District Magistrate (DM), Malda prepared Detailed Project Report (DPR) with an estimate for ₹ 7.68 crore (₹ 3.84 crore for each bridge). For the works, DM received total ₹ 3.72 crore<sup>44</sup> from Uttarbanga Unnayan Parshad (₹ 1.82 crore) under the North

<sup>41</sup> The worker should be a regular workman on the rolls of the industrial unit for a continuous period of one year prior to the alleged closure; he had not retired/ resigned/ voluntarily retired/ accepted a scheme of separation and accepted terminal dues pursuant thereof; he had not received pension from the Provident Fund Organisation on attaining eligibility or was not in receipt of commuted pension, etc.

<sup>42</sup> They were brought under FAWLOI with effect from 01.03.2011

<sup>43</sup> Till the assistance was stopped due to re-opening of the industry

<sup>44</sup> ₹ 2.60 crore for the bridge at Poolbandha and ₹ 1.12 crore for the bridge at Solmari

Bengal Development Department and from MPLAD funds (₹ 1.90 crore) between December 2008 and January 2011.

Without ascertaining prospective sources of further funds to complete the works, DM awarded (February 2011) the works to a private agency at a total tendered value of ₹ 6.36 crore (₹ 3.18 crore each) with a target of completion in 18 months. However, work orders were issued (February 2011) only for ₹ 2.19 crore for Poolbandha and ₹ 1.06 crore for Solmari respectively in view of the then availability of funds.

Scrutiny of records of the DM, Malda revealed (March 2015) that not only commencement of the works was delayed due to lack of inter-departmental co-ordination but also the progress of works was stalled by deficient ground works compounded by dearth of funds as discussed below:

- The DM approached (December 2011) Irrigation & Waterways (I&W) Department for supervision of both the works. However, in the absence of necessary permission from the I&W Department, an engineering set-up was formed (April 2012) by the DM comprising the Engineers from Zilla Parishad and the Development & Planning section of DM office for supervision of the works. The works commenced in February 2012 after a delay of one year from the date of work order.
- After boring and casting of 36 piles at a cost of ₹ 1.08 crore at Poolbandha, the agency intimated (June 2012 to December 2012) that the soil being marshy, difficulties were being faced in earth excavation for pile caps. As the same had not been taken into account in the estimate, the agency requested for inclusion of the same as an extra item of work. The request was, however, not approved by the authority and the work was kept suspended since July 2012. Preparation of DPR, which was vetted by the engineering establishment of DM, without considering the soil represented a lapse on the part of district authorities.
- At Solmari, after completion of boring and casting of 36 bored piles at a cost of ₹ 1.16 crore, DM directed (July 2012) the agency to postpone the work till further directions due to insufficiency of funds. Though North Bengal Development Department (NBDD) released (September 2013) ₹ 1.96 crore<sup>45</sup>, the agency expressed (October 2013) their inability to execute the works at Solmari due to increase in market rates.

Ultimately, DM dropped (November 2014) both the works. The unutilised funds (₹ 1.92 crore<sup>46</sup>) were also refunded (November 2014) to NBDD. As of March 2015, both the works remained abandoned after expenditure of ₹ 2.24 crore (Poolbandha: ₹ 1.08 crore and Solmari: ₹ 1.16 crore).

<sup>45</sup> ₹96.44 lakh for Poolbandha bridge and ₹1.00 crore for Solmari bridge.

<sup>46</sup> Out of total ₹1.997 crore released by NBDD for the construction of bridge at Poolbandha, ₹1.03 crore was spent leaving a balance of ₹96.44 lakh; In case of construction of bridge at Solmari, out of total ₹1.77 crore received from NBDD, ₹95.89 lakh remained unspent after an expenditure of ₹81.11 lakh.



**Present condition of the sites of the RCC bridges at Poolbandha (left) and Solmari (right)**

Thus, construction of two RCC river bridges in Malda was abandoned midway due to deficiency in DPR and starting of work without ensuring availability of sufficient funds coupled with lack of inter-departmental co-ordination. This has not only left the local inhabitants deprived of permanent RCC bridges, but also rendered an expenditure of ₹ 2.24 crore infructuous.

The matter was referred to Government in July 2015; reply had not been received (December 2015).

## **PANCHAYAT & RURAL DEVELOPMENT DEPARTMENT**

### **3.10 Defalcation of Government receipts**

**BDOs of Ghatal, Gangarampur and Patrasayer blocks did not cross-verify relevant entries in cash book, challans and receipts with the corresponding treasury schedules of remittances. This had facilitated defalcation of ₹ 1.27 crore through short-remittance of water tax collected in those blocks.**

West Bengal Treasury Rules prescribe<sup>47</sup> that all moneys received by or tendered to a Government employee on account of revenue of the State should, without undue delay, be remitted in full into Government Account. For remitting amounts into Government account, challans are prepared in quadruplicate and initialed as a token of verification by the Drawing & Disbursing Officer (DDO). All the copies of the challans are produced to the bank while depositing the money, of which the original one is returned to the depositor with acknowledgement. It is the responsibility of the DDO to check and attest the corresponding entries in the cash book with reference to the acknowledged copy of the challan/ counterfoil of Duplicate Carbon Receipt (DCR) which are retained as documentary support against the remittance into treasury/ receipt by the DDO. At the end of each month, DDO has to verify all such remittances made in the cash book with treasury receipt schedule.

Block Development Officer (BDO) is responsible for collection of water tax from cultivators/ users under Lift Irrigation and Deep Tube Well Irrigation schemes. Water tax so collected is remitted to Treasuries by the respective cashiers on behalf of BDOs through treasury linked banks.

<sup>47</sup> Rule 3.01 of West Bengal Treasury Rules, 2005.

Audit scrutiny (January 2015 and August 2015) of records of three BDOs disclosed that in Ghatal (Paschim Medinipur district) and Gangarampur (Dakshin Dinajpur district) blocks, there were mismatches in amounts entered into the cash books and acknowledged copies of relevant challans with corresponding entries in the receipt schedules obtained from treasuries; while in Patrasayer (Bankura district) block, only a part of the water tax collected was remitted to Treasury as discussed below:

- It was observed (January 2015) in the records of BDO, Ghatal that during March 2008 to December 2014, ₹ 92.31 lakh was defalcated by way of short remittances of water tax into the bank<sup>48</sup>.
  - On 68 occasions, a total ₹ 53.48 lakh shown in the cash book with supporting challans as remittance to the bank was not found in the treasury receipt schedule, indicating that the receipt acknowledgements on the challans were fake.
  - Further, on another 59 occasions, the amount actually deposited in the Government account (₹ 7.80 lakh as per treasury receipt schedule) was found to be much less than the amount (₹ 46.63 lakh) shown as deposited in the cash book and office copies of the challans.
- Under BDO Gangarampur, Audit observed (August 2015) that on 43 occasions between December 2008<sup>49</sup> and September 2013, ₹ 34.54 lakh was shown in cash book as deposited to Government account in the bank<sup>50</sup>, whereas only ₹ 8.14 lakh was actually found remitted as per treasury schedules resulting in defalcation of ₹ 26.40 lakh on account of less remittance of water tax.
- Audit scrutiny (August 2015) of records<sup>51</sup> of BDO Patrasayer disclosed that out of ₹ 22.22 lakh collected as water tax between June 2007 and October 2014 by issuing DCR, only ₹ 13.76 lakh was remitted to bank up to July 2015 indicating defalcation of ₹ 8.46 lakh by way of short-remittance.

The concerned BDOs had failed to detect such discrepancies through cross-checking of these entries/ challans/ DCRs with monthly treasury schedule of receipts, which led to defalcation of Government receipts of ₹ 1.27 crore<sup>52</sup>.

The matter having been detected by Audit, all three BDOs admitted (January 2015 to August 2015) the facts. BDO, Ghatal also lodged an FIR against the official involved in the defalcation quoting the observation of Audit. However, intimation on further action in this regard by BDOs of Gangarampur and Patrasayer was not received till date (September 2015).

<sup>48</sup> State Bank of India, Ghatal Branch

<sup>49</sup> Cash book, Bill register, Transit register, Bill vouchers, etc. prior to period of December 2008 was not available with the BDO, Gangarampur, for which a missing diary was lodged with police authorities at the instance of audit.

<sup>50</sup> State Bank of India, Buniadpur Branch

<sup>51</sup> Duplicated Carbon Receipt Books, Collection Registers, etc.

<sup>52</sup> ₹ 38.83 lakh + ₹ 53.48 lakh + ₹ 26.40 lakh + ₹ 8.46 lakh

**PANCHAYAT & RURAL DEVELOPMENT DEPARTMENT**

**3.11 Creation and utilisation of assets under SGSY**

Swarnajayanti Gram Swarozgar Yojana (SGSY), restructured by the Government of India (GOI) with effect from April 2013 as National Rural Livelihoods Mission (NRLM), aimed to assist poor families through formation of Self Help Groups (SHGs) and by providing income-generating assets in the form of bank credit and government subsidy. The programme emphasised the cluster approach with identification of a few selected key activities for each block. Critical gaps between the infrastructural requirement for such cluster activities and the existing infrastructures were to be bridged through creation of additional infrastructure, so that the beneficiaries (*swarozgaris*) can use the same for generating sustainable income. Twenty *per cent* of SGSY allocation for each district would be earmarked as “SGSY-Infrastructure Fund”.

The Panchayat & Rural Development (P&RD) Department is the nodal Department in the State, while District Rural Development Cell (DRDC) under the Zilla Parishad (ZP) implemented the scheme through the Panchayat Samities (PSs). In May 2012, West Bengal State Rural Livelihoods Mission (WBSRLM), a society under P&RD Department, was formed for implementation of NRLM.

Audit of creation and utilisation of the assets under SGSY was conducted during April–June 2015 through test-check of records of the P&RD Department, four DRDCs<sup>53</sup> (selected through stratified sampling) and 30 blocks (selected on the basis of flow of SGSY Infrastructure funds) out of total 68 in these four districts. Joint physical inspections (JPI) of the infrastructures were also conducted alongwith representatives of DRDCs and/ or Panchayat Samities. Findings arising out of the Audit are discussed in the succeeding paragraphs.

**Audit findings**

**3.11.1 Formation of clusters and identification of activities**

There shall be a Block Level SGSY Committee in each block for selection of key activities of the programme. P&RD Department had directed (March 2006) to form cluster at each Gram Panchayat (GP) level and federation at block level. Progress in this respect as of March 2015 is shown in **Table 3.1**:

**Table 3.1: Formation of cluster and selection of activities in four test-checked districts**

*(In numbers)*

Name of district	Number of blocks	Formation of clusters		GPs which identified activities in those clusters
		Number of GPs	Clusters formed	
North 24 Parganas	22	200	161 (81 <i>per cent</i> )	80
Uttar Dinajpur	9	98	98 (100 <i>per cent</i> )	Nil
Hooghly	18	207	115 (56 <i>per cent</i> )	15
Birbhum	19	176	176 (100 <i>per cent</i> )	Nil
	<b>68</b>	<b>681</b>	<b>550</b>	<b>95</b>

*Source: Records of respective DRDCs*

<sup>53</sup> **North 24 Parganas:** Hasnabad, Sandeshkhali-II, Habra-I, Habra-II, Deganga, Bagdah, Bangaon, Sandeshkhali-I, Rajarhat and Swarupnagar i.e. 10 blocks out of total 22 blocks in the district;  
**Uttar Dinajpur:** Raiganj, Kaliaganj, Hemtabad, Karandighi, Itahar, Islampur, Goalpokher-I and Chopra i.e.8 blocks out of total 9 blocks in the district;  
**Hooghly:** Khanakul-I, Singur, Goghat-II, Chanditala and Arambag i.e. 5 blocks out of total 18 blocks in the district and  
**Birbhum:** Md. Bazar, Suri-I, Suri-II, Mayureswar-II, Nalhati-I, Nalhati-II and Dubrajpur i.e. 7 blocks out of total 19 blocks in the district.

It would be evident that

- There was substantial shortfall in formation of GP level clusters in Hooghly even after lapse of nine years from the departmental order.
- Only 95 (17 per cent) out of 550 clusters identified key activities in test-checked districts, with no activities being identified in Uttar Dinajpur and Birbhum districts, though clusters were formed in all GPs.
- Except for North 24 Parganas, Block Level SGSY Committees were not formed in the test-checked districts. Steps taken by the district authorities (DRDCs) for block-wise identification of activities in test-checked districts were not found on records.

### 3.11.2 Creation of assets

The District SGSY Committee, accorded approval to the proposals received from various functionaries (DRDC/ PS/ clusters etc.). After approval, district authority released funds to the implementing agency in two installments. Records of the sampled districts and blocks disclosed instances where under-construction assets remained incomplete for years together, frustrating the basic objective of SGSY Infrastructure Fund as detailed below:

**Table 3.2: Assets lying incomplete in four test-checked districts**

Name of GP/ Block	Type and purpose of infrastructure	Date of release of funds by district and name of the authority	Observations
<b>North 24 Parganas</b>			
Rautara GP, Habra – I Block	Cluster Building <i>Estimated Cost:</i> ₹ 10.13 lakh	<i>1<sup>st</sup> installment</i> <sup>54</sup> : ₹ 5.00 lakh to Executive Officer (EO), Habra-I Panchayat Samiti (PS) in June 2010	In violation of the guidelines, the EO, Habra I PS sub-allotted the funds to the Secretary of the Cluster for execution. The cluster neither submitted Utilisation Certificate (UC) nor raised demand for the balance funds till date of Audit. The construction was found (March 2015) incomplete and idle during Joint Physical Inspection (JPI). In reply, district authority admitted the facts as pointed out by Audit.
Murarisha GP, Hasnabad Block	Workshed-cum-Training Centre for joint working and skill development of the members of 20 SHGs <sup>55</sup> engaged in tailoring and embroidery activities <i>Estimated Cost:</i> ₹ 25.00 lakh	<i>1<sup>st</sup> installment:</i> ₹ 12.50 lakh to the EO, Hasnabad PS in March 2008	In violation of guidelines, the fund was sub-allotted to the cluster without approval of district authority. EO, Hasnabad PS communicated (February 2010) to the Project Director (PD), DRDC that there was no signage of the workshed in the incomplete construction. The cluster, which received the amount, neither submitted UC nor placed any requirement for second installment even after lapse of six years from the date of disbursement of the first installment. In JPI, the construction was found (February 2015) half-complete and lying idle.

<sup>54</sup>50 per cent

<sup>55</sup>11 engaged in tailoring and remaining 9 in embroidery



Name of GP/ Block	Type and purpose of infrastructure	Date of release of funds by district and name of the authority	Observations
Patlikhanpur GP	Work shed for SHGs involved in tailoring activities <b>Estimated Cost:</b> ₹ 5.05 lakh	₹ 5.05 lakh to EO, Hasnabad PS in March 2005	DRDC disbursed the total amount with a condition to complete it within four months. During JPI, the work shed was found (February 2015) incomplete and idle even after lapse of 10 years from release of funds. Scrutiny further revealed that fund was released before formation of cluster contradicting the guidelines. The cluster was yet to be formed. Admitting the observation, district authority stated that the construction was not completed due to wrong planning and estimate.
Hasnabad, Basirhat-I and Deganga Blocks	Joint venture with active participation of a private hatcheries company for poultry farming for women SHGs in three blocks (five units in Hasnabad block, four units in Basirhat-I block and 6.5 units in Deganga block)	DRDC disbursed ₹ 77.50 lakh in October – November 2007 for constructing 15.5 units of poultry sheds at the rate of ₹ 5 lakh per unit as fixed by the company	The company was to provide the inputs to the farm (chicks, feed, medicines and consulting doctors) and market the broiler chickens after chicks were nurtured by the farm. A feasibility report was prepared jointly by ZP and Animal Resources Development Department. No copy of Memorandum of Understanding (MOU) between DRDC and the Joint Venture partner was produced to Audit. Though all five units of poultry sheds were constructed in Hasnabad Block involving a cluster of 10 SHGs, only three units out of 6.5 units targeted in Deganga Block were constructed at a cost of ₹ 17.27 lakh due to land problem. The balance amount of ₹ 15.23 lakh was refunded to DRDC. These three units were handed over to six SHGs for running poultry farming activities. During JPI of Hasnabad and Deganga Blocks (February 2015), it was found that the farming activities have been discontinued as the company stopped supplying inputs for farm and marketing of chicken resulting in non-use of the poultry sheds constructed at a cost of ₹ 42.27 lakh (₹ 25.00 lakh plus ₹ 17.27 lakh). In reply, the district authority, however, claimed to have a MOU, but could not produce records in support.
Bagdah Block	Training Center- cum-Workshop <b>Estimated Cost:</b> ₹ 5.97 lakh	<b>1<sup>st</sup> installment:</b> ₹ 2.97 lakh in 2008-09	Only 1 <sup>st</sup> installments were released by the district authority. Requirements for the balance fund were not on record till date of audit. Due to non-availability of detailed records, reasons for non-disbursement of balance fund could not be ascertained in audit.  District authority, while confirming the facts, stated they would initiate action so that funds provided might not become wasteful.
Bangaon Block	Cluster office-cum -training center <b>Estimated Cost:</b> ₹ 11.87 lakh	<b>1<sup>st</sup> installment:</b> ₹ 2.50 lakh in 2010-11	
Sandeshkhali-I Block	Cluster building <b>Estimated Cost:</b> ₹ 10.13 lakh	<b>1<sup>st</sup> installment:</b> ₹ 5.00 lakh in 2009-10	

Name of GP/ Block	Type and purpose of infrastructure	Date of release of funds by district and name of the authority	Observations
Sandeshkhali-I Block	Cluster building <i>Estimated Cost:</i> ₹ 10.13 lakh	<i>1<sup>st</sup> installment:</i> ₹ 5.00 lakh in 2009-10	
Sandeshkhali-I Block	Cluster building <i>Estimated Cost:</i> ₹ 10.13 lakh	<i>1<sup>st</sup> installment:</i> ₹ 5.00 lakh in 2010-11	
Rajarhat Block	Cluster building <i>Estimated Cost:</i> ₹ 10.13 lakh	<i>1<sup>st</sup> installment:</i> ₹ 5.00 lakh in 2009-10	
Swarupnagar Block	Cluster building <i>Estimated Cost:</i> ₹ 10.13 lakh	<i>1<sup>st</sup> installment:</i> ₹ 5.00 lakh in 2010-11	
<b>Hooghly</b>			
Kishorepur-II GP, Khanakul-I Block	Cluster building <i>Estimated Cost:</i> ₹ 6.86 lakh	₹ 1.88 lakh to cluster (Sarada Sangha) in September 2010 for purchase of land. ₹ 4.98 lakh to EO, Khanakul-I, PS in March 2012 for construction	On submission of UC and land holding documents in the name of cluster, ₹ 4.98 lakh was released for construction of building as per approved plan. During JPI, construction was found (March 2015) incomplete even after lapse of three years from the receipt of funds for building construction. In reply, the district authority admitted the facts as pointed out by Audit and stated that funds under NRLM had already been provided to BDO for completion of the construction. However, the fact relating to further release of funds was not on record.
Arandi-I GP, Arambag Block	Cluster building <i>Estimated Cost:</i> ₹ 7.92 lakh	<i>1<sup>st</sup> installment:</i> ₹ 4.99 lakh in January 2010 <i>2<sup>nd</sup> installment:</i> ₹ 2.93 lakh in September 2010; both the installments to Mahamilan Sangha	During JPI, it was noticed (March 2015) that construction of building was yet to be completed even after four years from the receipt of final installment. In reply, the district authority admitted the facts and stated that local law and order problem was the reason behind such non completion and concerned SHG members took shelter at GP Office.
<b>Birbhum</b>			
Charicha GP, Md. Bazar Block	Cluster building	₹ 3.50 lakh was disbursed to cluster (Matangini Sangha) in 2011-12.	JPI revealed (April 2015) that construction of cluster building was yet to be completed even after lapse of more than three years from the receipt of funds. Admitting the observations, district authority stated that the cluster had failed to submit proposal for additional funds to complete the construction.
<b>Uttar Dinajpur</b>			
Chopra, Kaliaganj and Hemtabad Blocks	(i) Plant for Fibre extraction using pineapple plants at Chopra block  (ii) Plant for Fibre	PD, DRDC, Uttar Dinajpur released (December 2008 and November 2009) ₹ 26 lakh in advance to Mushroom Growers	On request from District Magistrate (DM), Uttar Dinajpur, in September 2008, Mushroom Growers Welfare Society, Agartala, Tripura (society) submitted a project report and trained eight SHG members of the three identified blocks in

Name of GP/ Block	Type and purpose of infrastructure	Date of release of funds by district and name of the authority	Observations
	extraction using banana plants at Kaliaganj and Hemtabad blocks	Welfare Society, Agartala, Tripura.  Further, for creating infrastructure for fibre extraction processing unit, one each in Hemtabad and Chopra block, the district authority disbursed ₹ 14.64 lakh <sup>56</sup> in 2010-11 to the respective PSs.	September 2009 at Coimbatore. Scrutiny of available records revealed that DM without obtaining feasibility report, entering into formal written agreement or ensuring availability of competitive rates through tender, placed work order (December 2008) in favour of the society for procurement and installation of two units of “Fibre Extraction Plant for banana” and two units of “Fibre Extractor for pineapple”. DM also released (December 2008 and November 2009) ₹ 26 lakh in advance to the society without obtaining any security. During JPI, it was found (March 2015) that the society neither supplied any machinery/ equipment nor made any correspondence, though more than five years had elapsed since advance payment, rendering the expenditure of ₹ 40.64 lakh infructuous. District authority, accepting the observations, stated that several correspondence were made to the Society to supply the machineries, but no response received till date.

*Source: Records of respective DRDCs and observations made during joint physical inspection*



**Incomplete workshed-cum-training centre at Chaltaberia under Murarisisha GP., North 24 Parganas**



**Incomplete cluster building at Rautara GP, Habra-I Block, North 24 Parganas**



**Incomplete cluster building at Kishorepur II GP, Khanakul-I Block, Hooghly**

This was indicative of failure on the part of the district authorities, as neither were the bottlenecks behind such non-completion addressed, nor was any effort forthcoming for completion of the assets. As a consequence, the SHGs and their business activities suffered.

### **3.11.3 Utilisation of assets**

Test-check of records of the sampled districts and blocks disclosed instances where created assets could not be put to use at all or assets being partially used or assets even becoming defunct only after brief period of utilisation, etc.

<sup>56</sup> ₹ 8.36 lakh to EO, Hemtabad PS in August 2010 and October 2010 for Banana fibre extraction unit and ₹ 6.28 lakh to Prodhan, Sonarpur GP of Chopra Block for Pineapple fibre extraction unit in August 2010.

### 3.11.3.1 Assets created but never put to use

Instances were noticed where newly created infrastructure remained unused since creation. It has raised doubts not only on the efficacy of planning by the District SGSY Committee (who approved the creation) behind creation of these assets, but also the level of monitoring by the DRDCs/ Panchayat Samities, who were to ensure expeditious completion and utilisation of these assets. Some instances are discussed in Table 3.3.

**Table 3.3: Assets lying idle/un-utilised in four test-checked districts**

Name of the GP/ Block	Type and purpose of infrastructure	Date of release of funds by district and name of the authority	Observations
<b>North 24 Parganas:</b>			
BDO office complex, Hasnabad Block	Market outlet and non-residential meeting hall <b>Estimated Cost:</b> ₹ 13.11 lakh	<b>1<sup>st</sup> installment:</b> ₹ 6.00 lakh in August 2010 <b>2<sup>nd</sup> installment:</b> ₹ 7.11 lakh in March 2011 Both the installments were released to EO, Hasnabad PS	Construction was completed and UCs were also submitted. However, since completion, the shops were not allotted to SHGs for marketing purpose. Further, holding of meetings in meeting hall were also not found in records in the block. During JPI, entire completed construction was found (February 2015) lying unused. In reply, district authority admitted the facts as pointed out by Audit.
<b>Uttar Dinajpur:</b>			
BDO office complex, Raiganj Block	Sale counters <b>Estimated Cost:</b> ₹ 3.96 lakh	₹ 3.96 lakh to EO, Raiganj PS in December 2009	On completion, one counter out of two was handed over to one SHG (July 2014), but the same was not opened for the intended purpose. During JPI, it was noticed (March 2015) that the marketing outlet was constructed behind the office complex and that the site was not suitable for marketing purpose. As such, the completed outlet was found lying idle since completion. District authority, in reply, admitted the facts as pointed out by Audit.
Kaliaganj Block	Vegetable market to facilitate the growers <b>Estimated Cost:</b> ₹ 7.05 lakh	₹ 7.05 lakh to Addl. EO, Zilla Parishad (Uttar Dinajpur) in July 2006	Feasibility report along with number of SHGs, who would avail the benefit of construction of the market, was not on records. It was noticed (March 2015) during JPI that the constructed market was not put to use and was found lying unused. In its reply, district authority admitted the facts and stated that the local market committee did not shift the present local market to the new place of market.
Matikunda-II GP, Islampur Block	Haat shed <b>Estimated Cost:</b> ₹ 1.79 lakh	₹ 1.79 lakh to Sub Divisional Officer (SDO), Islampur in December 2003	During JPI, it was found (March 2015) that the shed was constructed at a place surrounded by agricultural field without any approach road and far from the habitable areas. Interview with the local people revealed that the shed had never been used. In reply, the district authority admitted the Audit observations.
<b>Hooghly:</b>			
Mirgala GP, Chanditala-II Block	Work shed for joint working of existing SHGs under one roof	₹ 2.39 lakh to Prodhan, Mirgala GP in August 2008	It was seen (March 2015) during JPI that there was no entrance to the site of construction. No members of SHG were found allotted with this shed and it was

Name of the GP/ Block	Type and purpose of infrastructure	Date of release of funds by district and name of the authority	Observations
	<b>Estimated Cost:</b> Not available		known from the local people that the site was lying idle since completion. District authority, admitting the fact, stated that presently it was located under municipal area and expressed to take action for its proper utilisation.
<b>Birbhum:</b>			
Barla GP, Nalhati-I Block	Work shed for storing of raw materials and their products related to weaving activities <b>Estimated Cost:</b> ₹ 12.50 lakh	₹ 12.50 lakh to EO, Nalhati-I PS in July 2004	During JPI, it was found (April 2015) that electrification of that building has not yet been done and no machinery or equipment was placed for weaving activities even after the lapse of 10 years from the release of funds. The infrastructure created was found lying idle. In reply, district authority admitted the facts as pointed out by Audit.
Mayureswar GP	Market Complex to facilitate the SHGs for marketing their products <b>Estimated Cost:</b> ₹ 4.67 lakh	₹ 4.67 lakh to EO, Mayureswar-II PS in 2006-07	Scrutiny of records revealed that construction work was completed and all the six stalls of the complex were handed over to the SHGs for starting their activities. During JPI, the complex was found (April 2015) lying unused and it was known from the local people that they did not start their functioning since completion of the complex. The PD, DRDC, Birbhum admitted the facts and pointed out that location was also unsuitable for setting up a market complex. In the absence of any other suitable land, the same land had been selected for constructing the market complex.
Mayureswar GP	Rural <i>Haat</i> <b>Estimated Cost:</b> ₹ 22.00 lakh	₹ 22.00 lakh to AEO, Zilla Parishad, Birbhum in January 2005 ₹ 4.55 lakh to the ZP during 2006-07 for electrification of Rural <i>Haat</i>	JPI revealed (April 2015) that the site was not suitable for marketing activities. It was known that <i>haat</i> activities were not started under the shed since inauguration and that it was lying idle even after incurring an expenditure of ₹ 26.55 lakh. In reply, district authorities stated that the project was done on such location due to non-availability of suitable land in the area.
Alunda GP, Suri-I Block	Work shed for joint activities of SHGs <b>Estimated Cost:</b> ₹ 5.45 lakh	₹ 5.45 lakh to EO, Suri-I PS in August 2007	During JPI, it was found (April 2015) lying idle in dilapidated condition as the concerned SHGs did not start their activities. In reply, district authorities admitted the facts as pointed out by Audit.

Source: Records of respective DRDCs and observations made during joint physical inspection



Unused *Haat* Shed at Jagatgaon under Matikunda –II GP, Islampur, Uttar Dinajpur



Unused Market outlet and non-residential meeting hall in the office complex of BDO, Hasnabad, North 24 Parganas



Unused Market Complex designed to facilitate SHGs for marketing their products at Mayureswar GP, Mayureswar Block, Birbhum

### 3.11.3.2 Infrastructure initially used but subsequently remained idle

Besides the above, a number of instances were noticed where assets and infrastructures created out of SGSY Infrastructure Funds, though used earlier, have since become defunct and on the dates of JPI, were lying unused. *Appendix 3.4* contains the details of such cases, which evidently indicated laxity in planning by the district/ panchayat functionaries.

### 3.11.3.3 Infrastructures being partially utilised

Apart from the above cases, there were instances where only a part of created infrastructure was being put to use due to various deficiencies in planning and execution. Such cases, as observed by Audit, are listed out in *Appendix 3.5*.

### 3.11.4 GoI project of Village Haat

With a view to providing opportunity to the SHGs to market their products locally and directly to the consumers, Ministry of Rural Development (MoRD), GoI initiated (January 2009) special projects under SGSY for setting up of Village *Haats* and accorded administrative approval (May 2009) for constructing three Village *Haats* (at Kamalabari-II GP and Bindole GP in Raiganj Block and at Bangalbari GP in Hemtabad Block) in Uttar Dinajpur at an expenditure not exceeding ₹ 15.00 lakh for each *haat*. Accordingly, the district authority released funds in two installments<sup>57</sup> to EO, Raiganj PS (for Kamalabari-II GP and Bindole GP) and the Pradhan, Bangalbari GP. The said constructions were completed in 2011-12.

Though PD, DRDC in his letter to P&RD Department and WBSRLM, claimed (May 2014) that all three rural *haats* were running successfully, joint physical verification, however, revealed (March 2015) that the one constructed at Kamalabari-II GP was lying idle since completion and was not handed over to SHGs. Moreover, activities at Bindole GP, though started initially, have also ceased. It was seen that the *haat* was constructed at the back side of an existing *haat*. Thus, the project failed to yield the desired impact. The district authority admitted the facts.

### 3.11.5 Diversion of SGSY Infrastructure Funds

From the records, Audit noticed that authorities of test-checked districts incurred expenditure of ₹ 1.07 crore (North 24 Parganas: ₹ 60.36 lakh, Uttar Dinajpur: ₹ 21.76 lakh and Hooghly: ₹ 24.38 lakh) from the SGSY Infrastructure fund for different purposes not related to programme activities as detailed in *Appendix 3.6*.

### 3.11.6 Monitoring

Audit noticed the following:

- No system for periodic monitoring/ physical inspection of the progress of creation of asset utilising infrastructure fund was found in the test-checked districts.

<sup>57</sup> 1<sup>st</sup> installment in 2009-10 and 2<sup>nd</sup> installment in 2010-11 & 2011-12

- District Authority did not maintain detailed records/ registers for the disbursement of infrastructure fund to different PSs/ SHGs/ Clusters in Birbhum District.
- No specific format for monitoring the expenditure under the infrastructure head as specified in the programme guideline for quarterly reporting by the districts to the State for onwards submission of consolidated report to the Central Government was introduced in any of the test-checked districts.

### **3.11.7 Conclusion**

Audit of utilisation of SGSY Infrastructure fund and creation and utilisation of assets disclosed various areas of lax implementation and deficient monitoring. Given the fact that the SGSY Infrastructure fund aimed at bridging the infrastructural gaps in the business of SHGs, instances of under-construction assets remaining incomplete for years together frustrated the basic objective of the fund. There were deficiencies in planning, identification of key activities and formation of clusters. On many occasions, created assets were not put to use since creation, while instances were also noticed where created assets were either partially used or became defunct after an initial period of activities and utilisation. All these represented failure on the part of the district authorities, as the bottlenecks behind such non-completion or non-utilisation of assets were not identified and addressed. As a result, the SHGs and their business activities suffered.

The Department, endorsed (January 2016) the responses of the district authorities without offering any further comments.

## **PUBLIC HEALTH ENGINEERING DEPARTMENT**

### ***3.12 Deficiencies in tender/ contract management under PHE Department***

Public Health Engineering (PHE) Department is responsible for implementation of drinking water supply schemes in rural areas. The activities of the Department are performed through Public Health Engineering Directorate, which comprises 16 circles and 58 divisions in the State. The scheme works involving civil construction, supplies of machinery and ancillary works are generally awarded on turn key basis to a single party at lump sum contract by grouping a number of schemes. This apart, it also executes the works of a scheme or part thereof on item rate contract basis.

Audit covered six<sup>58</sup> Circles and 12 Divisions<sup>59</sup> of four<sup>60</sup> districts in two phases – initially during April 2014 to November 2014 and subsequently in September 2015. Audit scrutinised tender documents/ contract papers/ bills in respect of 231 water supply schemes completed/ under implementation during 2009-10 to 2013-14 in those districts through lump sum contracts with total work order value

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<sup>58</sup> S.E. Eastern Circle, S.E. Murshidabad Circle, S.E. Western Circle, S.E. Planning Circle I, S.E. Planning Circle II and S.E. North Bengal Circle I

<sup>59</sup> E.E. Nadia Division, E.E. Nadia Arsenic Division I, E.E. Nadia Arsenic Division II, E.E. Eastern Mechanical Division, E.E. Alipur Division, E.E. Medinipur Mechanical Division, E.E. Bankura Division, E.E. Bankura Water Supply Division I, E.E. Bankura Mechanical Division, E.E. Murshidabad Division, E.E. Berhampore Division I and E.E. Berhampore Mechanical Division

<sup>60</sup> Bankura, Nadia, Murshidabad and Paschim Medinipur

of ₹ 2249.09 crore. Besides, five Divisions of two more districts<sup>61</sup> were covered to check implementation of smaller works, as these Divisions did not enter into lump sum contracts. Various deficiencies in tender/ contract management like excess expenditure, inadmissible advances, extension of undue advantage to the contractor, etc. were observed in Audit as discussed in subsequent paragraphs.

### 3.12.1 An overview of the system of estimates and tendering followed by the Department

As per provisions of West Bengal Public Works Code<sup>62</sup> read with West Bengal Financial Rules<sup>63</sup>, for every work proposed to be carried out, an administrative approval of the Department is to be obtained to execute the specified work at an approximate cost based on the preliminary designs. After obtaining administrative approval, a detailed estimate<sup>64</sup> must be prepared for technical sanction of the competent authority to ensure technical soundness and economy in expenditure. The contractor is not allowed to deviate from the drawings and specifications unless upon the authority of the Divisional Officer. Further, to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with the contract agreements, a schedule of rates for each kind of work commonly executed should be maintained in the Division and kept up to date. It should be prepared on the basis of the rates prevailing in each locality and necessary analysis of the rates for each description of work and for the varying conditions thereof should be recorded.

The PHE Department does not have a Code/ Manual or Centralised Schedule of Rates (SoR) of its own. However, for formulating, planning and designing of piped water supply schemes, the PHE Department brought out a set of guidelines from time to time. The guidelines were, however, not to be used for the purpose of any tender, quotation, payment, etc.

It was noticed in Audit that

- The tender inviting authority prepared DPR on the basis of its guidelines. However, even in the guidelines, the cost of the materials was arrived at without taking into account the rebate normally allowed in the market and Excise Duty (ED) exemptions admissible on pipes used for drinking water supply schemes. The cost estimate contained in the DPR, was thus inflated.
- Further, unlike PW Department, PHE Department allowed the contractor an option to execute the assigned work following its own design and drawings. Instead of obtaining detailed drawings and specifications for assessing technical viability of the designs proposed by the contractor before considering its financial offer, the Department selected the lowest bidder merely on the basis of financial offer *vis-à-vis* cost estimated in the DPR and asked the selected bidder to submit its detailed design and drawing within 20 days from the placement of work order.

<sup>61</sup> E.E. Alipur Division, E.E. South 24 Parganas Water Supply Division I and E.E. South 24 Parganas Mechanical Division in South 24 Parganas and E.E. Coochbehar Division and E.E. Northern Mechanical Division in Coochbehar

<sup>62</sup> Rule 168, 169, 173, 175, 179, 182 and 185 of WB Public Works Department Code Vol. I

<sup>63</sup> Rule 164, 165, 168 and 249 of West Bengal Financial Rules Vol. I

<sup>64</sup> Consisting of specifications, detailed drawings, statement of quantities supported by detailed measurements and rates of each item of works



- Even the stipulation of submission of detailed design and drawing within 20 days was further diluted as the bidders submitted only a broad outline of their work plan without detailed drawing and design, which were accepted by the Department. In the absence of detailed drawing and design, the financial implication of the offer of the contractor and reasonability of the same remained un-evaluated.

Effectively, not only had the adopted system compromised the competitiveness in the bidding process, but contracts were also awarded without assessing the reasonability of the offer *vis-à-vis* the market price of the materials. This had led to various cases of excess expenditure, which were often tantamount to undue advantage to the contractors as discussed subsequently.

### **3.12.2 Expenditure in excess of market rates**

For preparation of detailed estimates, the PW Code envisaged consideration of cost of material on the basis of the rates prevailing in each locality. As discussed earlier, the test-checked PHE divisions did not consider manufacturers' supply price while preparing estimates. The Western Circle of PHE Directorate, however, followed the practice of allowing discount on basic price of pipes for arriving at the estimates. This practice was, however, not followed in case of turn key contracts.

Comparative analysis of the price accepted by the test-checked divisions for laying of pipe lines *vis-à-vis* detailed estimates based on the practice followed by the Western Circle showed that the accepted price was higher by 45 *per cent*. This has resulted in an excess expenditure of ₹ 198.34 crore<sup>65</sup> (*Appendix 3.7*) for procurement of 11831 km of pipe line for 227 schemes in 13 test-checked divisions.

The Department, in its reply (February 2015) stated that for preparation of DPR, rates were analysed on the basis of market rate with all applicable taxes and rebates doing away with possibilities of arriving at inflated rates. The reply was not acceptable, as the test-checked divisions did not consider excise duty exemption for preparation of DPRs and the rates estimated by the Department were found to be much higher as compared to reasonable estimate following the practice of the Western Circle (already discussed earlier in this para with reference to *Appendix 3.7*).

### **3.12.3 Avoidable expenditure on excise duty**

Pipes and equipment used for drinking water supply schemes<sup>66</sup> were exempted from excise duty (ED) on production of a certificate issued by the concerned District Magistrate. The contract price should, therefore, exclude the ED element while a provision for issuance of exemption certificate to the contractor should have been in place. Alternatively, a clause should have been included in the

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<sup>65</sup> Amount paid to the contractor: ₹ 641.97 crore less value of asset delivered as assessed using the method followed by the Medinipur Division ₹ 443.63 crore

<sup>66</sup> Pipes of outer diameter exceeding 20 cm (substituted by 10 cm w.e.f. 4.12.2009) needed for delivery of water from source to plant (including clear water reservoir) and from there to the first storage point and all items of machinery, including instruments, apparatus and appliances, auxiliary equipment and their components/ parts required for purification of water to make it fit for human consumption, that formed integral part of water supply projects, would be exempted from excise duty.

contracts, making it mandatory for the contractor to pass on the benefit of ED exemption to the Department.

Scrutiny of records of test-checked divisions, however, disclosed that in 73 lump sum/ item-rate contracts (306 schemes), the Department included element of ED in the estimates and awarded contracts based on such estimates. It also did not make it mandatory for the contractor to pass on the benefit of ED exemption to the Department. During 2009-10 to 2013-14, the contractors used pipes of total length of 5327 km (worth ₹ 583 crore) including different machinery/ equipment/ instruments (worth ₹ 191 crore) on which possible exemption of ₹ 60.14 crore could have been availed. However, the Department could not avail itself of the exemption.

### **3.12.3.1 Undue benefit to contractors by issuing ED exemption certificates**

It was further noticed that the Department issued ED exemption certificates for 899.783 km of pipeline worth ₹ 60.86 crore (as detailed in *Appendix 3.8*) and the contractors availed ED exemption (approximately ₹ 6.27 crore at the rate of 10.30 *per cent* including education cess on ED) using these certificates, the benefit of which was not passed on to the Department.

Moreover, ED exemption was not admissible to industrial projects. The Department, however, issued (March 2010) certificates for ED exemption of ₹ 1.43 crore for 21.5 km long pipeline worth ₹ 13.88 crore to a private company for the work of water delivery from Kansabati river to its plant site at Kharagpur, which was an industrial project.

Thus, the Department allowed unwarranted outflow of ₹ 60.14 crore on excise duty and the contractors were extended undue benefit of ₹ 7.70 crore<sup>67</sup>.

Department stated (February 2015) that question of recovery of ED from the bidder did not arise as bidders were normally asked to quote their rates incorporating availability of ED exemption, wherever applicable. The reply may be viewed against the fact that no such certificates were issued in respect of pipes (worth ₹ 583 crore) and machineries/ equipment/ instruments (worth ₹ 191 crore), which indicated that the agency had not excluded ED exemptions in their bid. Moreover, the reply did not offer any cogent reason behind non-consideration of ED exemption while preparing estimates as well as non-inclusion of clause for refund of excise duty, wherever certificates were issued to the contractors.

### **3.12.4 Excess payment due to non-deduction of amount from contractors' bills**

As per clause 8 of conditions of contract (Form-2912) the engineer-in-charge of the work could make alterations to the original specification/ drawing, if felt necessary during the progress of work and such alteration shall be measured, valued and adjusted from the amount of the contract. It was noticed that:

- In case of surface water based water supply scheme in arsenic affected areas in Murshidabad, implemented under Central Sector during 2009-14, the contract provided for 146.36 km of clear water raising mains (CWRM) and 7.5 km of

<sup>67</sup> ₹ 6.27 crore + ₹ 1.43 crore

raw water delivery mains. On execution, it was seen that, lengths of executed works were 110.10 km (lesser by 25 per cent) and 3.65 km (lesser by 51 per cent) for CWRM and raw water delivery mains respectively. Despite such short execution, no deductions were made from the contractor's bills in terms of clause 8 of the contract resulting in over-payment of ₹ 22.07 crore as shown below:

**Table 3.4: Excess payment to contractor under Central Sector, Murshidabad**

Particulars	Length contracted for (in Km.)	Contracted price (₹ in crore)	Executed length (in Km.)	Amount payable (₹ in crore)	Amount released (₹ in crore)	Overpayment (₹ in crore)
For Clear Water Raising Main	146.36	86.26	110.10	64.90	83.61	18.71
For Raw Water Raising Main	7.5	8.64	3.65	5.08	8.44	3.36
<b>Total</b>	<b>153.86</b>	<b>94.90</b>	<b>113.75</b>	<b>69.98</b>	<b>92.05</b>	<b>22.07</b>

*Source: Records of Central Sector, Murshidabad*

The Department stated (February 2015) that equivalent quantities of raising main had been executed by the contractor at Beldanga-I Block of Murshidabad. The reply of the Department is not acceptable as the work at Beldanga-I was executed under separate contract with another contractor. Moreover, the reply was silent on raw water raising main.

### **3.12.5 Extra payments to a contractor**

In Nadia, the Department placed (March 2007) a turn-key work order for execution of 69.65 MLD<sup>68</sup> capacity surface water based piped water supply scheme (PWSS) at a lump sum contract price of ₹ 246.16 crore for completion by March 2009. For supervision of the turn-key project SE, Eastern Circle appointed (March 2007) an agency<sup>69</sup>. Scope of the work of the agency included monitoring construction methods, ensuring adherence to the contract provisions, certification of executed works and contractor's bills, etc. The scheme was completed in March 2011 with an expenditure of ₹ 219.98 crore booked till August 2015. The following deficiencies were noticed in the execution of the scheme:

**3.12.5.1 Payment for unexecuted work:** Under Rule 201 of WBFR, detailed measurements are dispensed with for the works done on lump sum contracts, only if a responsible officer (not below the rank of a Sub-divisional Officer) certifies in the bill that he had satisfied himself that the executed work conformed to the contract.

In the instant case of lump sum contract for PWSS in Nadia, the scope of work included interlinking and remodelling of 15 existing PWSS with new scheme. During execution, the contractor covered only five PWSS (out of 15 contracted for) without executing any remodelling work, while remaining 10 schemes were neither remodelled nor inter-linked. The Executive Engineer, Nadia Division, however, without verifying the actual execution of work as required under Rule of WBFR, released ₹ 2.99 crore on the basis of certificate of supervising agency entered in the measurement books.

<sup>68</sup> The total designed capacity of the scheme consisted of three parts viz. (i) Kaliaganj (25.68 MLD), (ii) Nakashipara (30.08 MLD) and (iii) Krishnanagar (Debagram) (13.89 MLD).

<sup>69</sup> Water and Power Consultancy Services (India) Ltd., a Government of India undertaking

### 3.12.6 Irregular deviations from tendered specifications

Under Rules 169-170 of PW Code, in case of deviation from the originally approved proposal, revised administrative approval of the competent authority must be obtained, even though such modifications entails no change in cost of the work.

With a view to providing safe drinking water to 0.34 lakh population of 197 habitations of Dherua and adjoining *mouzas* in Paschim Medinipur, the Department accorded (May 2012) administrative approval of a sub-surface based PWSS. The SE, Western Circle awarded (October 2012) the work on lump sum contract at ₹ 21.03 crore. The work commenced in October 2012 and though slated for completion by March 2014, was underway as of August 2015. During scrutiny of available documents, following irregularities were noticed:

- **Change of pipe material:** DPR of the work was prepared by the Medinipur Division. In compliance with the DPR, tender document of the work provided for using Ductile Iron (DI) pipes for Rising Main<sup>70</sup>. The Department had procured and issued (November 2013) 6202 m DI pipes worth ₹ 73.08 lakh for the work. The Superintending Engineer (SE), Western Circle, however, on request by the agency, allowed (February 2013) the use of High-Density Poly Ethylene (HDPE) pipes, which were cheaper and less durable. For this deviation, the SE did not take the requisite approval from the higher authority. No deduction was also made from the contractor's bill for using cheaper materials. This way, the contractor was extended undue favour amounting to ₹ 1.26 crore for differential price of two types of pipes<sup>71</sup> with a compromise in durability.

Chief Engineer, Western Zone also opined (May 2013) that the change of type of pipes was highly irregular and not acceptable, as it represented a clear case of deviation from the provision and specification of the accepted tender condition. However, no action was taken by the Department as of August 2015. The DI pipes procured by the Department were lying unused.

The Department in its reply (February 2015) stated that it had taken note of the Audit observation for further action.

### 3.12.7 Lack of co-ordination among Divisions resulting in unfruitful expenditure

As per Department's advice, Alipore Division, South 24 Parganas replaced (November 2012) 40 existing chlorinators with solar electro chlorinator at the Piped Water Supply Schemes (PWSS) at Sagar, Gosaba and Pathar Pratima blocks to reduce the electricity consumption as these schemes were powered by diesel generator. This replacement, however, was done without intimating the Mechanical Division, which was responsible for operation, maintenance and installation of electro-mechanical equipment. The Mechanical Division reconnected (May 2013) the PWSS with conventional chlorinator on the grounds that the solar chlorinators were not functioning effectively. Joint physical

<sup>70</sup> A pipe that supplies water under mains pressure, usually to a roof storage tank.

<sup>71</sup> The rate of HDPE pipe was calculated as per the procedure followed by S.E. (W.C.) for preparation of SoR taking the base price of pipe as the lowest market price of pipe as collected by A.E., Medinipur Sadar Sub-Division.

inspection (September 2015) revealed that the solar chlorinators were still non-functional and lying in dismantled condition. Thus, installation of solar chlorinator without consulting Mechanical Division resulted in an expenditure of ₹ 1.31 crore on their installation becoming unfruitful.

The Department, in its reply (February 2015), attributed the same to the lack of proper training among the operators. It was further added that the solar chlorinators were in good condition and would be put to use after training of the operators. This evidenced lack of inter-Divisional co-ordination and planning before procurement of the chlorinators. Besides, the chlorinators were lying in the same condition as of September 2015, without any evidence of any effort being made to put them back to use.

### **3.12.8 Expenditure on idle wages for guarding of materials at site**

As per WBFR 242 (b), all surplus materials at site of works which have been completed or stopped, should either be transferred to works in progress or be brought on to the stock account. Despite this, it was seen that, the Department incurred an expenditure of ₹ 2.73 crore (*Appendix 3.9*) during 2009-15 on account of guarding of materials for 23 water supply schemes in Bankura, which were completed between 1970-71 and 2008. No record of existence of any surplus material at site could be produced to Audit. Thus, the Department paid ₹ 2.73 crore towards idle wages, without gaining any fruitful service in return.

The Department, in its reply, stated that it had noted the issue for action without specifying anything.

### **3.12.9 Conclusion**

Audit of the PHE Department in respect of tender and contract management in water supply schemes highlighted various systemic as well as operational weaknesses.

Cases also came to notice where undue financial advantage was allowed to contractors through initiation of tendering process and awarding of contracts without detailed estimates, non-evaluation of techno-financial offer of bidders, decrease in scope of work during execution without revising the awarded price, allowing use of cheaper materials in deviation from approved estimates without any price adjustment, etc. Economy in execution was further affected by non-availing of exemption of excise duty on rural water supply materials and incurring idle wages on guarding of sites of long concluded schemes, etc.

Thus, there is scope for the PHE Department to improve its tender/ contract management and bring about higher degree of economy in its operations.

## **SPORTS DEPARTMENT**

### **3.13 Promotion of sports and creation/ utilisation of sports infrastructure in West Bengal**

The National Sports Policy, 2001, aims at broad-basing of sports and achieving excellence in sports at the national and international levels through concerted pursuance by the Central and the State Governments. Broad-basing of Sports

would primarily remain a responsibility of the State Government. In West Bengal, Sports Department<sup>72</sup> is vested with the responsibilities of formation of policies, creation of sports infrastructure, holding of sports events, etc. West Bengal Council of Sport (Council), a registered society constituted in July 1963, is vested with the responsibilities of promotion and development of sports. The Council is, *inter alia*, mandated with systematic organisation of training of youth in all games in demand, encouraging, assisting and supervising the activities of the State Associations and their branches as well as keeping records of athletic performances as well as the activities of sports clubs/ associations, etc.

Audit of activities of the Sports Department including the Council with respect to promotion/ development of sports including creation and utilisation of sports infrastructure covering the period 2010-15 was conducted during February 2015 to April 2015 through test-check of records of the Sports Department, Council, Chief Executive Officer, Vivekananda Yuba Bharati Krirangan (VYBK) and District Youth Officers of four districts<sup>73</sup> selected statistically.

Examination in Audit revealed several instances of deficiencies in creation and utilisation of sports infrastructure, organisation of coaching camps, execution of scheme, irregularities in the functioning of the Council, etc. which are discussed in succeeding paragraphs.

**Performance trend of the State in National Games:** Though West Bengal was the 4<sup>th</sup> most populated State in India, its performance in the National Games has been on the decline, as shown in Table 3.5 below, except for a marginal improvement in the 35<sup>th</sup> National Games:

**Table 3.5: Trend in medal tally of West Bengal in last four national games**

National Games and year	Position in the medal tally	Gold	Silver	Bronze	Total
32 <sup>nd</sup> National Games, 2002	9	12	11	19	42
33 <sup>rd</sup> National Games, 2007	13	12	13	18	43
34 <sup>th</sup> National Games, 2011	18	4	10	21	35
35 <sup>th</sup> National Games, 2015	15	6	12	30	48

*Source: Website of the Ministry of Sports, GoI*

The State was able to win 48 (less than four *per cent*) out of total 1334 medals in the 2015 meet. It participated in only 19 out of 35 events in the 35<sup>th</sup> National Games held in Kerala during January and February 2015.

In this backdrop, the activities of the State in firming up of sports policy and planning have been analysed in the subsequent paragraphs.

### 3.13.1 Policy and planning

National Sports Policy *inter alia* envisaged universalisation or mass participation in sports, prioritisation of sports disciplines on the basis of genetic and geographical variations, proven potential, popularity and performance, harnessing the existing and emerging talent by setting up of sports academies, etc. The State Government introduced the State Sports Policy only in May 2015 *i.e.* after a lapse

<sup>72</sup> As bifurcated (in 2011) from erstwhile Sports and Youth Services Department and continued to function independently

<sup>73</sup> South 24 Parganas, Paschim Medinipur, Purulia and Darjeeling

of 14 years from the formulation of the national policy. It may be mentioned that Haryana, Punjab and Kerala adopted their sports policies back in 2009, 2010 and 2012 respectively.

In comparison to States like Kerala, Haryana and Maharashtra, where organised set-up of Sports Directorates were in place down to the block level, the Department neither has any Directorate nor any district/ block level departmental functionaries. District Youth Officer (DYO), a functionary under the Youth Services Department, discharged the additional responsibilities on behalf of the Sports Department at the district level.

Moreover, the Department has not brought out any Action Plan to achieve the goals envisaged in the Sports Policy by setting out time bound and target oriented measures (like establishment of Sports medicine center for scientific rehabilitation of the injured sports persons, identification of equipment required for improving performance, providing opportunities to budding sports talents either by establishing sports nurseries or through organising tournament in sub-junior/ junior level, etc.<sup>74</sup>).

Thus, delayed promulgation of sports policy, absence of guidelines and structured action plan compounded by the absence of fully functional directorate and dedicated district functionaries have adversely impacted the developmental activities both in terms of intent and direction.

### **3.13.2 Formation of Council**

Though the West Bengal State Council of Sports (Council) (WBSCS) was constituted in July 1963, no Act or Statute was formulated to regulate its activities. The eight-member advisory body of the Council, nominated by the State Government for a specified period, would advise the State Government in all sports related matters including expansion and development of sports and improving their standards. Separate Standing Committees<sup>75</sup> were to be constituted by the Council for the transaction of business or for expanding its activities.

Audit scrutiny revealed that the advisory body of WBSCS had held only one meeting (June 2013) since 2008 against the annual minimum requirement of six meetings envisaged under the notification for formation of the Council, which had affected planning for training of upcoming talents.

- Though required under the notification, no Standing Committee was constituted by the Council during 2010-15.
- The Council did not maintain any record/ statistics of individual sports activities or performance of team game of any club or association.
- The Council, however, appointed 37 coaches (permanent: 15 and *ad hoc*: 22), 15 temporary players and 142 supporting staff in various sporting events but failed to draw up any plan for organised coaching/ training.

The Council, in its reply, stated (September 2015) that efforts were being made to rectify the deficiencies in respect of the advisory body and the Standing

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<sup>74</sup> Sports Policy of Kerala set out definite action plan with these measurable milestones

<sup>75</sup> Finance and Establishment, Planning and Programming, Scrutiny and Recognition of Associations and Clubs, Coaching and Training for each discipline

Committee. The Council noted the observation on non-maintenance of records for future guidance and intimated that annual plan on organised coaching/ training would be prepared in future.

### 3.13.3 Long Term Non-Residential Coaching Scheme

In order to impart expert training in Football, Athletics, Swimming and Volleyball at school level, the State Government introduced (June 1989) a 'Long Term Non-Residential Coaching Scheme' (LTNRCS) in 33 Schools of 15 districts. The Scheme was to be implemented under supervision of the Council in collaboration with the school authorities. Accordingly, the Council appointed 24 regular<sup>76</sup> and 17 contractual<sup>77</sup> staff for the purpose. Salary and wages of the said employees were paid out of the scheme fund.

Scrutiny in Audit revealed (February 2015) that the Government discontinued the scheme in a phased manner<sup>78</sup> and the Council ultimately terminated the scheme in September 2012 and engaged the coaches in different clubs in consultation with the District Sports Authorities.

The Council attributed (September 2015) the decision to the loss of interest among the school authorities in continuing with the scheme and physical education being declared by the West Bengal Board of Secondary Education as an optional subject in Secondary level curriculum from the academic year 2010-11. The reply was not acceptable as it was the responsibility of the Council "to make people, especially the teenagers, conscious of the value of sports and physical culture both as a source of joy and as a means of health and strength". Their efforts should not have been linked with the status of sports in the regular curriculum of secondary education.

#### Best Practices

Kerala Sports Policy had envisaged integration of sports with education and upgradation of one Government school in each district to a Centre of Excellence for sports training, with provision of games-specific training aids. Centralised sports hostels attached to schools have also been set up in 10 districts of Kerala for facilitating training in 17 Olympic events.

### 3.13.4 Organisation of coaching camps

With a view to encouraging mass participation and to pursue excellence in sports through harnessing and nurturing of talents, the Council decided to organise non-residential coaching camps at district and sub-division levels. The coaching camps were to be organised by District Sports Associations (DSA) under the guidance and supervision of District Youth Officers.

During 2012-13 to 2014-15, Council had targeted to organise 342 coaching camps in various disciplines of sports, against which only 164 camps were held (details in *Appendix 3.10*). The Council engaged 37 coaches<sup>79</sup> and 15 players<sup>80</sup> during 2010-15 to facilitate organisation of these camps. It was observed that:

<sup>76</sup> Eight office assistants and 16 junior coaches on regular basis

<sup>77</sup> 15 junior coaches, one typist and one Gr. D staff were appointed on ad hoc basis

<sup>78</sup> Four schools in 2005, three schools in 2008, two schools in 2009, 13 schools in 2010 and 11 schools in 2011

<sup>79</sup> Football - 19, Swimming - six, Volleyball - five, Gymnastics - three, Rifle Shooting - one, Kho-Kho - one, Athletics - one and Weight Lifting - one

<sup>80</sup> Football - five, Swimming - two, Kho-Kho - two, Gymnastic - one, Basketball - one, Handball - one, Hockey - one, Fitness - one and Cricket - one



- The duration of these camps was reduced from 180 days in 2012-13 to 60 days in 2013-14 and 2014-15 without any recorded reason. The Council, in its reply, was also silent on the reasons for such reduction in duration.
- Further, except for Football and Athletics, no coaching camp was organised during 2013-14. No camps were at all organised during April 2013 to December 2013. The Council, in its reply, attributed this to departmental prioritisation.

Audit scrutiny (February 2015) further showed the following

As per the objectives defined in the guidelines on the formation and mandates of the Council, apart from organising systematic coaching and training of youths, it was also the responsibility of the Council to encourage, assist and supervise the initiatives of the State Associations and their branches.

- There was no mechanism to monitor the activities of the coaching camps. There was no evidence of any such supervision being exercised by the Council. Council merely stated (September 2015) that the DSAs submitted reports on performance of the coaching camps including that of the coaches engaged by the Council. The Council, however, did not furnish any such reports to Audit.

In the absence of any effective monitoring or supervision by the Department/ Council on activities of coaching camps, there was little control on the quality of activities in those coaching camps.

Thus, coaching and training activities in the State lacked in focus and coherence.

### **3.13.5 Utilisation and creation of sports infrastructure**

National Sports Policy 2001 envisaged availability of adequate sports facilities throughout the country as a basic requirement for development and broad-basing of sports. During 2011-15, the Department released ₹ 107.09 crore<sup>81</sup> for execution of 70 works to the concerned executing authorities<sup>82</sup>, against which ₹ 62.69 crore has so far been utilised for 34 works. Out of these, only 15 works (21 *per cent* of total works sanctioned) were completed at an expenditure of ₹ 30.35 crore, while 19 works were in progress as of March 2015. The remaining 36 works were not taken up as of March 2015.

#### **3.13.5.1 Unfruitful creation of sports infrastructure**



Test-check of records/ files of Sports Department, Council and concerned executing agencies revealed various instances of works remaining incomplete for years together due to lax implementation, sports infrastructure being used for non-sporting events, premature inauguration of sports infrastructure without completion of facilities, etc. as discussed in **Table 3.6**.

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<sup>81</sup> Against an estimated cost of ₹ 226.96 crore

<sup>82</sup> The concerned district authorities, CEO, VYBK and WBSCS, etc.

Table 3.6: Instances of incomplete sports infrastructure

Details	Funds sanctioned	Present condition
Sports complex at Dumurjala, Howrah including indoor stadium at the disposal of District Youth Officer (DYO), Howrah	A sum of ₹ 1 crore was sanctioned from MPLAD funds (March 2014) to the District Magistrate, Howrah for development of stadium against an estimate of ₹ 5.16 crore. The State Government did not, however, release any fund, for reasons not on record.	The renovation work of the stadium did not commence as of April 2015 and ₹ 1 crore sanctioned from MPLAD remained parked in the PL account of DM, Howrah. No sporting activities were held in the stadium and it was used mainly for shooting of television shows. A joint physical inspection (April 2015) by Audit and officials of DYO revealed that the stadium was lying in a dilapidated condition with no maintenance work since long. The entire premise of the proposed sporting complex was unauthorisedly occupied by 249 encroachers <sup>83</sup> .
Construction of stadia at Salboni and Nayagram, Paschim Medinipur each with seating capacity of 2000 with the financial assistance <sup>84</sup> of GoI	<p><b>Salboni:</b></p> <ul style="list-style-type: none"> <li>Estimated cost: ₹ 3.57 crore (later enhanced to ₹ 5.42 crore)</li> <li>Government released: ₹ 2.25 crore Plus ₹ 0.96 crore</li> <li>Target date of completion: October 2013</li> </ul> <p><b>Nayagram:</b></p> <ul style="list-style-type: none"> <li>Estimated cost: ₹ 3.57 crore</li> <li>Government released: ₹ 1.50 crore</li> <li>Target date of completion: October 2013</li> </ul>	<p>The District authority undertook (June 2012) the construction works without getting possession of required land. There were instances of encroachment of land on both the work sites and consequently, the construction work was being hampered due to land disputes.</p> <p>The eviction process at Salboni has not been completed (March 2015) and encroachment existed within the playing arena. In spite of receiving several intimation from PW authority about such encroachment, there was nothing on record to suggest that any effort was undertaken as prescribed in the West Bengal Public Land (Eviction of Unauthorised Occupants) Act, 1962 to evict the encroachers.</p> <p>At Nayagram, as some portion of the land of the selected site was being used as rural haat, the work site<sup>85</sup> was changed resulting in deviation in layout of the stadium and reduction of the length of athletic track around the playfield.</p> <p>As of March 2015, the structural construction of both the stadia with boundary wall was nearing completion; however, the works on development of playfield with drainage system, peripheral fencing, internal pathway, etc. were yet to be taken up.</p> <p>Thus, the district authority failed to complete construction of two stadia at Salboni and Nayagram even after 18 months from the stipulated date of completion delaying the benefits of these infrastructures.</p>
		
	<b>Salboni Stadium</b>	<b>Nayagram Stadium</b>

<sup>83</sup> Including 113 residential, 106 commercial and 30 clubs, etc. as identified by the Howrah Improvement Trust.

<sup>84</sup> Under Integrated Action Plan for Left Wing Extremism Area Development Fund

<sup>85</sup> From Kharikamathani mouza to Salpathra mouza

Details	Funds sanctioned	Present condition
<p>Mini Indoor Stadium at the Manbhum Sports Association (MSA) complex, Purulia and construction of a Hostel Building of 50 bed capacity within the same campus</p>	<p><b>Stadium:</b></p> <ul style="list-style-type: none"> <li>• <b>Estimated cost:</b> ₹ 5.36 crore, later enhanced (December 2008) to ₹ 11.01 crore</li> <li>• <b>Release:</b> ₹ 8.50 crore (between February 2006 and September 2014)</li> </ul> <p><b>Hostel:</b></p> <ul style="list-style-type: none"> <li>• <b>Estimated cost:</b> ₹ 2.07 crore</li> <li>• <b>Release:</b> ₹ 1.50 crore (between March 2013 and December 2013)</li> </ul>	<p>The district authority started the work in September 2009 with a target of completion by March 2011, at an awarded cost of ₹ 10.86 crore<sup>86</sup>.</p> <p>The physical progress of work was, however, hampered due to non-availability of funds. After executing structural work worth ₹ 4.48 crore, the contract was terminated in January 2014 on request of the contractor. The ground floor and first floor were completed by engaging another contractor for ₹ 1.18 crore. However, the mini indoor stadium remained incomplete for want of funds, though Purulia ZP had approached Department repeatedly. It was further noticed that during 2012-13, there was a budget provision for ₹ 4.88 crore for Capital expenditure on sports, which remained unspent. This indicated lack of urgency and seriousness of the State Government in completing the stadium.</p> <p>The hostel was completed and inaugurated (February 2015). The hostel could not be put to use due to non-completion of the construction of Mini Indoor Stadium representing lack of synchronisation in initiatives of the Department.</p> <p>Hence, benefit of the mini indoor stadium with Sports Hostel at Purulia could not be derived even after incurring an expenditure of ₹ 5.42 crore over a period of five years due to lack of initiative of the State Government.</p>
<p>Sports Academy<sup>87</sup> (for Archery and Volleyball) adjacent to the Jhargram Stadium</p>	<p>Administrative approval of ₹ 5.43 crore (May 2012) plus additional approval for ₹ 1.90 crore</p>	<p>No Detailed Project Report (DPR) was prepared for the work. Some essential items of work viz. construction of Volleyball Court, Gymnasium, Sauna Bath Chamber, Steam generator, Approach road, etc. were not considered in the original estimate. Procurement of furniture and utensils for the hostels were not considered either.</p> <p>The Construction work was structurally completed at an expenditure of ₹ 5.43 crore and the Academy was duly inaugurated (July 2014). However, the district authority could not start the Academy due to non-availability of volleyball court, gymnasium, sauna bath chamber, steam generator, approach road, etc.</p> <p>A separate estimate was approved (March 2015) for residual works not covered under the original estimate.</p> <p>Thus, the benefit of Sports Academy, Jhargram could not be derived even after nine months of its inauguration due to defective planning and incomplete estimation of the project.</p>

<sup>86</sup> of which ₹ 8.14 crore was to be provided by Government and the rest of ₹ 2.71 crore was to be arranged by the district itself.

<sup>87</sup> Which included construction of Boys' and Girls' Hostels, Group C Quarter, Archery Block, Deep Tube-wells, Underground Reservoirs, Drainage system, etc.

Details	Funds sanctioned	Present condition
Modernisation of Indoor Sports Complexes (Khudiram Anushilan Kendra) and Eden Gardens, Kolkata	<p><b>Estimated value:</b> ₹ 6.17 crore<sup>88</sup></p> <p><b>Sanction of funds:</b> ₹ 6 crore from GoI, Ministry of Youth Affairs &amp; Sports under USIS<sup>89</sup> (March 2011)</p> <p><b>Release:</b> ₹ 3 crore (in March 2011)</p>	<p>GoI was to release the balance amount only after submission of the progress report along with the utilisation certificate and statement of expenditure. The work was to be completed within six months and timely completion of the project as per schedule was the “essence of the sanction”. In case of non-utilisation of the grant for the intended purpose, the principal amount along with interest at the rate of 10 per cent per annum was to be refunded by the State Government.</p> <p>Scrutiny in Audit (April 2015) revealed that the work could not be started for reasons not on record. GoI also requested for early execution of the project on several occasions. Subsequently, the Sports Department requested (November 2012 and April 2013) GoI to change the project altogether to installation of new flood lighting system and replacement of Synthetic Track at VYBK (which was a completely different venue in Kolkata). However, the proposal was not acceded to by GoI.</p> <p>Consequently, the State Government had to refund (August 2014) ₹ 3 crore to GoI. In addition, the State Government was also liable to pay interest amounting to ₹ 1.03 crore for blocking Central Funds for nearly 41 months ignoring the repeated reminders from the GoI.</p>
Mini Indoor Stadium at Surer Math, North 24 Parganas	<p><b>Release:</b> ₹ 1 crore to the Council in February 2006</p>	<p>Audit scrutiny revealed that the Council could not initiate and implement the project due to non-submission of plan and estimate by the PWD authority and the amount was lying idle in the current account of the bank. Subsequently, the Council transferred and invested (October 2008) a sum of ₹ 50 lakh as Fixed Deposit in another bank, leaving the balance amount lying in the current account till (April 2015).</p> <p>Thus, the Council not only failed to implement the project and utilise the Government grant for the intended purpose but also sustained a loss of interest of ₹ 72.44 lakh<sup>90</sup> for parking of funds in its Current Account.</p> <p>The Council, in reply, stated (September 2015) that it had moved the State Government for direction on utilisation of allotted amount.</p>
Renovation of Gorkha Stadium, Leborg, Darjeeling	<p><b>Release:</b> ₹ 25 lakh in September 2010 and ₹ 1.67 crore in January 2012</p>	<p>Gorkha Stadium, presently at the disposal of Gorkha Territorial Administration (GTA), is the only stadium in the northern hilly region of West Bengal. The Stadium used to host the All India Brigade of Gorkhas Gold Cup Football Tournament. The structure of East Block of the Stadium was in dilapidated condition. There was no provision of toilet and players’ changing room. Moreover, the playfield was sandy with stone surface without any grass or proper levelling, thereby having scope of injury to the players. Further, due to faulty drainage system, the water remained stagnant in the field during rains. The deficiencies in infrastructure rendered the stadium unsuitable for holding football tournaments and leading national level football clubs discontinued their participation in the tournament from 2010 owing to lack of</p>

<sup>88</sup> ₹ 4.60 crore for electrical work and ₹ 1.58 crore (excluding three per cent contingency) for civil work

<sup>89</sup> Urban Sports Infrastructure Scheme

<sup>90</sup> ₹ 22.04 lakh on ₹ 1.00 crore for two years. and ₹ 50.40 lakh on ₹ 50.00 lakh @ 10 per cent per annum. The calculation was done on the basis of monthly compounding.

Details	Funds sanctioned	Present condition
		infrastructural support in the Stadium. District authority constructed the roof of the north block of the gallery and protection wall on the North-East side of playfield in 2014. No proposal was, however, initiated by the district/ GTA authority to rectify the deficiencies as aforesaid as of March 2015. As a result, infrastructural deficiencies of the stadium persisted hampering the sports activities of the district.

*Source: Records of Department, respective DYOs and observations made during joint physical inspection*

### **3.13.5.2 Sports infrastructure being utilised for non-sporting events**

For creating practice facilities for upcoming swimmers, the Department approved construction of a swimming pool in Purulia for ₹ 1.10 crore and released (May 2009) ₹ 55 lakh as first installment to Purulia Zilla Parishad. The district authority took (September 2009) land belonging to the Purulia Club on lease of 99 years for the pool. As per the agreement, the swimming pool was to be managed by a Managing Committee headed by the SDO, Sadar, Purulia and the cost was to be borne by the State Government. The work was completed for ₹ 1.15 crore and inaugurated in October 2010.

Scrutiny in audit, however, revealed that the depth of the Swimming Pool was less than the minimum standardised depth (1.35 m) prescribed for swimming competitions. As such, it was being used only for learning and recreational purpose on payment of specified subscription only. There was no provision for practice of the promising swimmers and no swimming coaching camp was organised for them.

Thus, due to adoption of faulty specifications, the Government investment did not result in creation of practice facility for the swimmers of the district.

### **3.13.6 Disbursement of grants to the clubs/ organisations**

In order to promote development of sports and games, the State Government introduced (January 2012) a scheme for providing financial assistance to different clubs/ organisations. As per the guidelines<sup>91</sup>, the funds were to be utilised for organisation of different sports events and creation of durable assets related to sports infrastructure. No eligibility criteria for selection of club/ organisation was, however, spelt out in the order. Clubs were to be selected through the respective Members of Legislative Assembly. Accordingly, necessary funds were being placed at the disposal of WBSCS for distribution among the selected clubs. On receipt of Utilisation Certificate (UC) of the first installment, the subsequent installment of the grants were to be released.

During the period from 2011-15, the Council disbursed club grant worth ₹ 176.90 crore to 6006 clubs. Neither was the basis of selection of the clubs on record, nor was it assessed before disbursement of such grants whether the clubs were at all engaged in any sports related activities. Scrutiny in audit revealed that

<sup>91</sup> Issued (January 2013) by Sports Department in concurrence with the Finance Department

- 291 clubs, which were not registered<sup>92</sup>, were granted first installment of assistance. Though the Council was responsible for keeping accurate records on activities of the sporting clubs and compiling a directory/ register of sports organisation and prominent sports clubs, there was no evidence that these clubs were engaged in promoting any sports or related activities.
- Further, Government released ₹ 23.95 crore (September 2013) to the Council for disbursement of the second installment of grant<sup>93</sup> in favour of 2395 clubs/ organisations at the rate of ₹ 1 lakh each. 556 clubs/ organisations failed to submit the stipulated documents either regarding their registration or utilisation of the previous grants. The Council did not disburse the second installment to them and released ₹ 18.39 crore to remaining 1839 clubs/ organisations. In the absence of documentary evidence in support of proper utilisation, there is a substantial possibility of misuse of the first installments of ₹ 11.12 crore released to those 556 clubs.
- It was noticed that 3058 clubs<sup>94</sup> had so far received second and subsequent installments of club grants. However, the Council did not maintain necessary records regarding submission of UCs along with the audited statement of accounts against the received grants. As a result, the number of clubs which received grants without submitting UCs of the previous installments could not be determined.
- The UCs, as submitted by the clubs were not scrutinised and consolidated by the Council. Audit test-checked 432 UCs relating to grants of ₹ 7.55 crore released during 2011-14 and observed that only 34 per cent of the grant was spent on sports and games as shown in Table 3.7 below:

**Table 3.7: Year-wise release of grants vis-à-vis activity-wise expenditure** (₹ in lakh)

Year of disbursement	No. of UCs checked	Total grant to which the UCs relate	Income of club from other sources	Construction of club buildings	Cultural programme	Social activity	Sports & games	Closing balance
2011-12	90	180.00	67.08	74.46	12.40	11.23	77.11	34.85
2012-13	166	289.00	189.78	134.37	27.00	31.54	50.40	260.42
2013-14	176	286.00	135.88	130.90	23.75	29.05	130.50	30.01
<b>Total</b>	<b>432</b>	<b>755.00</b>	<b>392.74</b>	<b>339.73</b>	<b>63.15</b>	<b>71.82</b>	<b>258.01</b>	<b>325.28</b>

Source: Records of the Council and compilation of available UCs by Audit

Thus, though it was stated by the clubs that the entire grants had been spent for the intended purpose, a considerable proportion of club grant was either lying unutilised or spent on purposes not related to sports. Though the Council was responsible for keeping accurate records on activities of the clubs, it did not do the same and instead, continued to release grants without ensuring utilisation of earlier grants for the designated purpose.

The Council stated (October 2015) that there was lack of manpower with expertise to check such huge number of UCs.

Thus, release of grants to clubs without ensuring their meaningful involvement in sports activities, coupled with absence of any monitoring of utilisation of these

<sup>92</sup> Registration under West Bengal Act XXVI of 1961

<sup>93</sup> Those which had received the 1<sup>st</sup> installment of grant at the rate of ₹ 2.00 lakh

<sup>94</sup> 781 clubs got 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> installments, 1058 clubs got 2<sup>nd</sup> and 3<sup>rd</sup> installments and 1219 clubs got 2<sup>nd</sup> installment

grants has rendered the expenditure unfruitful from the viewpoint of development of sports and games in the State.

### **3.13.7 Conclusion**

The sports development activities in the State lacked both in direction and focus due to delay in formulation of Sports policy coupled with absence of definite action plan with measurable milestones. While the Sports Department merely allotted funds, the Council was supposed to perform advisory as well as interventional activities like organising coaching camps, tournaments, spotting talent, implementation of departmental programmes, etc. Indifference towards development of sports would be further evident from slow progress in construction works of sports infrastructures, encroachment of site of construction, delay in preparation of estimate or even refund of Central funds due to lack of preparedness. Efforts of the Council in organising coaching camps were also deficient as holding of camps for many disciplines of sports was sporadic, while quality of coaching imparted in these camps was not monitored by the Council. Grants given to clubs had little impact in development of sports in the State as these were released without ensuring meaningful involvement of the recipient clubs in sports activities and without any monitoring of their utilisation.

## **URBAN DEVELOPMENT DEPARTMENT (SILIGURI JALPAIGURI DEVELOPMENT AUTHORITY)**

### **3.14 Fraudulent payment on sewage pumping stations**

#### **Fictitious certification of execution of works led to fraudulent payment of ₹ 2.17 crore on two sewage pumping stations in Siliguri.**

Siliguri Jalpaiguri Development Authority (SJDA) invited a tender (May 2012) for establishment of two sewerage water main pumping stations at Noukaghat and Fulbari at an estimated cost of ₹ 3.16 crore for treating contaminated sewage water before its discharge into Mahananda river. The scope of work *inter alia* included supply and installation of machinery and equipment<sup>95</sup>, trial run and commissioning of the pumping stations.

Scrutiny (November 2014) of records of the Chief Executive Officer, SJDA, showed various lacunae in the documentation of the contract as discussed below:

- As per Notice Inviting Quotations (e-tender), the work was to be awarded after considering technical bid and financial bid. However, necessary documentation required under the tender procedures, *viz.* list of bidders, comparative statements of technical and financial bids, recommendations of tender selection committee, etc. was not found on record. It was seen that the work order of ₹ 3.08 crore was issued (June 2012) to a private agency on the very date of opening of the tender.

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<sup>95</sup> *Major items to be supplied and installed for each MPS: Five Submersible non-clog sewage pump motor sets (35 LPS for MPS II and 58 LPS for MPS III) with suitable rated submersible motors; five sluice valve of 100 mm diameter and one sluice valve of 350 mm diameter, one lot CI double flanged fittings, pipes, bend, tees, etc.; one set single girder crane with rail and pulley, Bar screen at screen chamber and fabricated grill covers, one 415 volt motor control centre-cum-PDB (LT Panel), etc.*

- As per entries in the measurement book certified by the Assistant Engineer and completion certificate issued (March 2013) by Executive Municipal Engineer, SJDA, the work was shown as having been completed in August 2012 and full payment of ₹ 3.08 crore was released to the agency between June 2012 and March 2013. However, none of the two main pumping stations was commissioned as of September 2015.

Audit observed that records like suppliers' invoice, delivery challans and installation certificates of the various supplied items, required to corroborate actual supply and installation of equipment by the agency, were not available with SJDA.

During joint inspection (November 2014) of the sites conducted by Audit along with Assistant Engineer and Sub-Assistant Engineer of SJDA, it was observed that both the pump houses were locked and not in operation. It was found that:

- At Noukaghat, some items like sluice valves, two sealed boxes, boxes of exhaust fans, etc. were found lying in uninstalled condition.
- At Fulbari, five pump motors and one main panel board were found in uninstalled condition inside the pump house, while there was no power connection at all.



Uninstalled machinery and equipment stacked at the pump sites on the day of joint physical verification (November 2014)

Thus, certification of execution of works by engineering staff of SJDA for full payment to the agency was fictitious.

On this being pointed out by Audit, SJDA got the value of executed works and cost<sup>96</sup> of inventory of various items lying at two sites assessed (December 2014) by the Executive Engineer (Electrical), PWD, Darjeeling Electrical Division. According to the assessment, total value of work executed and items supplied stood at ₹ 0.91 crore only as against total payment of ₹ 3.08 crore. Thus, there was a fraudulent overpayment of ₹ 2.17 crore on unexecuted work/ supply due to fictitious certification of execution of works. After Audit pointed out this irregularity, the Superintending Engineer, SJDA reported (January 2015) the matter to police authorities for investigation.

Thus, there was an unproductive expenditure of ₹ 3.08 crore on two incomplete main pumping stations, which included fraudulent overpayment of ₹ 2.17 crore on unexecuted work. Besides, the basic objective of treating sewage water before discharge into river Mahananda remained unachieved.

<sup>96</sup> Showing comparative statement of rates approved and paid as per work order vis-à-vis assessed rates against each item of work including supply, delivery, installation, testing, trial run and commissioning



The matter was referred to Government in June 2015; reply had not been received (December 2015).

**URBAN DEVELOPMENT DEPARTMENT  
(SILIGURI JALPAIGURI DEVELOPMENT AUTHORITY)**

**3.15 Unfruitful expenditure on centre for perishable cargo**

**A centre for perishable cargo at Siliguri has been a non-starter for more than four years due to lack of initiative of Siliguri Jalpaiguri Development Authority rendering an expenditure of ₹ 7.55 crore on its development unfruitful.**

Siliguri Jalpaiguri Development Authority (SJDA) took up (September 2005) the work of setting up of a centre for perishable cargo (CPC) with the financial assistance of Agricultural & Processed Food Products Export Development Authority (APEDA)<sup>97</sup> for handling<sup>98</sup> consignments of agro products at Bagdogra airport. For this purpose SJDA acquired 3.91 acre of land at a cost of ₹ 0.75 crore. Development of CPC was completed (March 2010) by SJDA at a cost of ₹ 6.68 crore. SJDA also incurred (July 2012 to April 2014) an expenditure of ₹ 11.73 lakh on power supply.

SJDA executed (October 2010) an agreement with Container Corporation of India Limited (CONCOR), a GoI undertaking, for operation and management of the CPC and handed (February 2011) over it to CONCOR. According to the agreement, it was the responsibility of SJDA to liaise with all Government and statutory authorities<sup>99</sup> for necessary licences/ permissions which were essential for setting up the facility.

SJDA engaged (January 2012) an agency for preparation of documents, drawings and liaising with statutory authorities and deposited (September 2012) the necessary fees with the West Bengal Pollution Control Board. SJDA, however, could not produce any record to show that it had ever applied for clearances from authorities like West Bengal Fire & Emergency Services, Agriculture Marketing Directorate, etc. Repeated pursuance by CONCOR with SJDA on this issue between April 2010 and April 2013 also proved futile. Being unable to operationalise the facility in the absence of necessary clearances<sup>100</sup>, CONCOR served a notice (July 2013) to SJDA for termination of agreement and left the site intimating final termination (May 2014). The electricity connection to the facility was disconnected in March 2014.

During joint physical inspection (November 2014) of the CPC by Audit along with representative of SJDA, it was observed that the entire physical infrastructure

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<sup>97</sup> A nodal organisation for export promotion of agricultural products under Government of India. APEDA was to provide one time lump sum grant of ₹2.99 crore and SJDA was to arrange for land and set up and run the facility.

<sup>98</sup> Receiving, weighing, Customs clearance, examination, security check, unitisation, material handling, cold-storage/ warehouse facility, etc.

<sup>99</sup> Airport Authority of India, Defence, Customs, State Government Departments (West Bengal Fire & Emergency Services and Agricultural marketing Directorate), Statutory Authorities (like, West Bengal Pollution Control Board), etc.

<sup>100</sup> Licenses from the Directorate of Agricultural Marketing, WBPCB, West Bengal Fire & Emergency services, permission from Airport Authority of India, etc.

remained idle. The machines, computers and refrigerator vans (procured at a price of ₹ 1.93 crore) were deteriorating due to non-maintenance. Further, the warranty period of the machines had also expired.



Unused infrastructure in perishable cargo centre, Siliguri

Thus, lack of initiative on the part of SJDA to obtain the requisite permissions and licenses for running the CPC led to the facility created at an expenditure of ₹ 7.55 crore<sup>101</sup> remaining a non-starter as of August 2015, even after more than five years. As a result, the intended outcome of better handling of perishable cargo also remained unachieved. In September 2015, it was decided that the Airport Authority of India (AAI) would be requested to take over the facility for operation and management.

The SJDA authority attributed (August 2015 and October 2015) the failure of the project to lack of interest and pursuance on the part of CONCOR. The reply is not acceptable as it was the responsibility of the SJDA to obtain necessary statutory clearances. Moreover, in the same reply, SJDA itself has admitted that requisite documents were not submitted to the Agriculture Marketing Department. Further, no documentary evidence, though sought for by Audit, was furnished in support of clearance obtained from West Bengal Fire & Emergency Services. Reply of the Department was, however, awaited (December 2015).

### URBAN DEVELOPMENT DEPARTMENT (KOLKATA METROPOLITAN DEVELOPMENT AUTHORITY)

#### 3.16 Failure of Kumartuli Urban Renewal Project

**Objective of providing better livelihood environments to the inhabitants of Kumartuli remained unfulfilled as KMDA failed to ascertain the correct legal status of the land and to assess the acceptability of the project among its stakeholders.**

Government of India approved (February 2007) Kumartuli Urban Renewal Project (KURP) under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) with a view to improving the livelihood of clay modellers and image makers of Kumartuli<sup>102</sup>. Scheduled for completion within two years with Kolkata Metropolitan Development Authority (KMDA) as the executing agency, the KURP envisaged construction of a multi-storeyed building for housing, community work space, construction of exhibition-cum-sale building, etc. The

<sup>101</sup> ₹ 6.68 crore + ₹ 0.75 crore + ₹ 0.12 crore

<sup>102</sup> About 528 artisan families viz., Mrith Silpi, Shola Silpi, Saj Silpi, etc. with 300 establishments

Detailed Project Report was prepared by a private organisation (ICICI Winfra) appointed by KMDA.

KMDA took over (between April 2009 and December 2009) two dilapidated Government godowns<sup>103</sup> near Kumartuli as transit camp for temporary relocation of artisans during implementation of the project. KMDA renovated the dilapidated buildings into transit camp comprising of 200 dwelling units with 104 work spaces at a cost of ₹ 5.79 crore<sup>104</sup> and allotted (March 2010) 170 dwelling units and 79 work spaces to the residents of Kumartuli.

Scrutiny of the records of KMDA revealed (October 2014) that at the time of temporary relocation, some artisans were unwilling to shift from their existing work places, as a result of which KMDA was not able to start work of KURP by demolishing all the existing hutments of Kumartuli. The artisans, who had shifted to the temporary transit camp, were, however, not in a position to return to their old hutments at Kumartuli as their portions had been demolished.

Scrutiny of records of KMDA disclosed that KMDA had not properly assessed the right, title and status of land before submission of DPR. While earmarking spaces in the new multi-storeyed building to be constructed, the DPR had categorised the dwellers of Kumartuli on the basis of their specialised vocations (*viz. Mrith Silpi, Saj Silpi, Shola Silpi, etc.*). However, the legal ownership status<sup>105</sup> of the dwellers were not taken into account. It was only after approval of the scheme by GoI that KMDA came to learn that the land on which the KURP project was to be executed was covered under Thika Tenancy Act<sup>106</sup>.

At the time of temporary relocation of residents, some sections of dwellers refused to vacate their existing work places. Some such Thika Tenants also submitted petitions to KMDA objecting to KMDA's negotiations with the *Bharatias*.

As the project remained a non-starter, GoI cancelled the project in May 2014. In its Project Completion Certificate, KMDA authorities stated (February 2015) that no further expenditure would be incurred on this work. Thus, objective of providing better livelihood environments to the inhabitants of Kumartuli remained unfulfilled.

The KMDA authorities, in their reply, stated (September 2015) that the owners of the structures had not opposed the development plan before start of the project; however, they changed their stand later. The reply is not acceptable as before the start of the project, the actual legal title of the land on which the project was to be implemented should have been ascertained by KMDA. Moreover, acceptance of the stakeholders of the projects should have been ensured before start of the project.

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<sup>103</sup> Belonging to Public Health Engineering (PHE) Department and Health & Family Welfare (H&FW) Department

<sup>104</sup> Of which ₹ 3.04 crore was contributed by GoI

<sup>105</sup> There were three main categories of dwellers: **land owner, Thika tenants/ Hut owners** (Any person who occupies, whether under a written lease or otherwise, land under another person, and is liable to pay rent to that another person, and has erected or acquired any structure on such land for residential, manufacturing or business purpose) and **Bharatias** (Any person by whom rent is payable for any structure owned by Thika Tenant, tenant of other lands in his holdings in a bustee or his khas land).

<sup>106</sup> Under the Act, the Controller, Thika Tenancy under Land & Land Reforms Department was to register the Thika Tenants and Bharatias through due process of law as laid down in the Act.

**URBAN DEVELOPMENT DEPARTMENT  
(SHRINIKETAN SANTINIKETAN DEVELOPMENT AUTHORITY)**

**3.17 Excess expenditure on purchase of land**

**Shriniketan Santiniketan Development Authority purchased 7.245 acres of land at a price that was 3.6 times higher than the prevailing market rate for similar land of the same mouza resulting in excess expenditure of ₹ 1.79 crore.**

Additional District Sub Registrar (ADSR), a sub-divisional level officer of the Land & Land Reforms Department, determines the market value of land along with applicable stamp duty and registration charge on transfer of immovable properties. For purchasing any land, intending purchaser has to apply to the ADSR for determining the current market value of the land. The purchaser also needs to quote a price at which he intends to buy the land (known as set forth value). The ADSR compares the quoted set forth value with prevailing sale prices of similar land in the same locality as per its existing records. The higher of the two is declared as the current market value.

Shriniketan Santiniketan Development Authority (SSDA), a statutory authority under administrative control of the Urban Development Department, constituted (March 2012) a three-member sub-committee for identification of suitable land for its future projects. Two private agencies offered 7.245 acres<sup>107</sup> of land at Mehidipur mouza for sale, which was examined by the sub-committee and accepted (December 2012) by SSDA.

Scrutiny of records of the Executive Officer, SSDA revealed (March 2014) that the authority applied (October 2012 and November 2012) to ADSR, Bolpur for determination of the current market value of the said 7.245 acres of land. While applying for the same in October 2012, SSDA quoted ₹ 14.49 lakh as the set forth value. Comparing with the prevailing market price as per its own records, the ADSR had determined the current market value at ₹ 17.06 lakh. However, in November 2012, without any recorded reason, SSDA once again applied for the current market value of the same land quoting the set forth value at ₹ 2.28 crore. As the quoted value was higher than the then prevailing market price, ADSR assessed the current market value as ₹ 2.28 crore. Formal sale deed was executed (November 2012) between SSDA and the private agencies for ₹ 2.28 crore<sup>108</sup>. This was equivalent to a rate of ₹ 31515 per decimal<sup>109</sup>.

Further scrutiny of the records of ADSR, Bolpur revealed that the price of similar land<sup>110</sup> ranged between ₹ 1800 and ₹ 6817 per decimal during the same period. Hence, purchase of land by SSDA at the rate of ₹ 31515 per decimal lacked justification and resulted in excess expenditure of ₹ 1.79 crore<sup>111</sup> compared to the then prevailing rate for similar land in the same area.

<sup>107</sup> 1 acre equals to 100 decimal

<sup>108</sup> This stood at ₹ 2.51 crore including applicable stamp duty (₹ 1598290) and registration and other charges (₹ 684981).

<sup>109</sup> One decimal is one hundredth of an acre.

<sup>110</sup> Land situated in the same mouza and having the same nature and classification during January 2012 to November 2012.

<sup>111</sup> ₹ 31515 - ₹ 6817 = ₹ 24698 per decimal X 724 decimal equals to ₹ 17881352

The matter was referred to Government in July 2015; reply had not been received (December 2015).

## GENERAL

### 3.18 Cash management in Government Departments

**Deficient cash management by DDOs led to cash amounting to ₹ 59.72 lakh not being physically available, though included in the cash balance. Non-adherence to the prescribed provisions is fraught with the risk of misappropriation of public money.**

West Bengal Treasury Rules (WBTR) provides that:

- No money is to be drawn from the treasury unless it is required for immediate disbursement;
- All financial transactions are to be recorded in the cash book as soon as they occur under proper attestation by the Drawing & Disbursing Officer (DDO);
- Cash book is required to be closed every day and 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 and
- Bills and date-wise analysis in respect of closing balances are also to be recorded.

Scrutiny of Cash Book, Bill Register, etc. of 13 DDOs in six<sup>112</sup> districts revealed instances of non-compliance with the above provisions resulting in financial irregularities like misutilisation of undisbursed cash as discussed below:

Physical verification of cash conducted at the instance of Audit by 13 DDOs during March 2014 to May 2015, revealed that ₹ 603.65 lakh were physically available against aggregate closing balance of ₹ 663.37 lakh as per the cash books indicating a shortage of ₹ 59.72 lakh (as detailed in *Appendix 3.11*). Of this shortage, unadjusted vouchers (petty expenses met out of cash and vouchers kept thereagainst, which await recoupment by drawing bills) accounted for ₹ 10.36 lakh, undisbursed cheques not produced before Audit contributed for ₹ 9.45 lakh, while ₹ 0.48 lakh represented advances<sup>113</sup> given unauthorisedly from undisbursed cash for various purposes. As the amounts remained outside the cash book, this practice was fraught with the risk of losses to the Government. Besides, there was shortage amounting to ₹ 39.43 lakh which was attributable to theft/ unexplained cash shortage. This included shortage of ₹ 4 lakh noticed in BDO, Balurghat, Dakshin Dinajpur which was intimated by the BDO as “stolen from SBI”.

Cases of non-adherence to the provisions of Financial Rules by DDOs have been pointed out continuously by Audit in earlier years. Out of the total shortage of ₹ 59.72 lakh, shortage of ₹ 11.73 lakh relating to two DDOs<sup>114</sup> had been detected

<sup>112</sup> North 24 Parganas (two offices), Kolkata (six offices), South 24 Parganas (one office), Nadia (two offices), Howrah (one office) and Dakshin Dinajpur (one office)

<sup>113</sup> The amount of ₹ 0.48 lakh was given advance by the Commissioner of Backward Classes Welfare to staff for attending tribal guests during 2014, payment of telephone bill and furnishing IT Returns during 4<sup>th</sup> quarter of 2013-14 and 1<sup>st</sup> quarter of 2014-15.

<sup>114</sup> Registrar, Calcutta High Court (appellate side), Kolkata : ₹ 10.93 lakh and Superintendent, Sub Divisional Hospital, Uluberia, Howrah : ₹ 0.80 lakh

and reported in the earlier para nos. 3.13 and 3.11 of the General & Social Sector Reports of the C & AG for the years ended 31 March 2013 and 31 March 2014 respectively. However, neither the DDOs nor the respective controlling officers could ensure recovery/ replenishment of the shortages or adjust/ settle the issues till date. Such irregularities, continued to take place indicating the lack of control and monitoring.

Further, it was observed that four other DDOs<sup>115</sup> produced lapsed cheques of ₹ 1.16 lakh before Audit as physical cash balance. Since these cheques had lost their currency, steps need to be taken either to revalidate these lapsed cheques and to remit/ refund the amounts to the proper Heads of Account.

Retention of old vouchers as a part of cash balance should be viewed seriously and immediate actions need to be taken either to adjust or to recover amounts advanced to different staff members unauthorisedly out of cash balances.

Non-adherence to the provisions of Treasury and Financial Rules and inadequate internal control over drawal and disbursement of cash by the DDOs continue to be matters of serious concern exposing the Departments to the risk of misappropriation of public money.

The matter was referred to Government in August 2015; reply had not been received (December 2015).

### 3.19 Lack of response of Government to Audit

Principal Accountant General (PAG) arranges to conduct periodical inspection of Government Departments to test-check compliance to Rules and Regulations in transactions and to verify the regularity in maintenance of important accounting and other records as per prescribed Rules and procedures. These inspections are followed up with Inspection Reports (IRs) issued to the heads of offices inspected, with copies to the next higher authorities. Important irregularities and other points detected during inspection, which are not settled on the spot, find place in IRs. Serious irregularities are brought to the notice of the Government by the office of the PAG.

Under the Regulations on Audit & Accounts, 2007, the officer in charge of the auditable entity shall send the reply<sup>116</sup> to an Inspection Report (IR) within four weeks of its receipt. On intimation of any serious irregularity by Audit, the Government shall undertake *prima facie* verification of facts and send a preliminary report to Audit confirming or denying the facts within six weeks of receipt of intimation. Where the fact of major irregularity is not denied by the Government in the preliminary report, the Government shall further send a detailed report to the Audit within three months of preliminary report *inter alia* indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

<sup>115</sup> Registrar, Calcutta High Court (appellate side), Kolkata : four cheques amounting to ₹ 25344; Superintendent, Sub Divisional Hospital, Uluberia, Howrah : two cheques amounting to ₹ 6000; BDO, Jaynagar – II, South 24 Parganas : six cheques amounting to ₹ 76151; BDO, Balurghat, Dakshin Dinajpur: four cheques amounting to ₹ 8478

<sup>116</sup> Even if it is not feasible to furnish the final replies to some of the observations in the Audit note or inspection report within the aforesaid time limit, the first reply shall not be delayed on that account and an interim reply may be given indicating the likely date by which the final reply shall be furnished

Besides above, the Finance Department of the Government of West Bengal, had issued instructions (June 1982)<sup>117</sup> for prompt response by the executive to 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 inspections.

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

Inspection Reports issued since 1987-88 up to March 2015, relating to 585 offices under five Departments (Land & Land Reforms Department: 62 offices; Social Welfare Department: 264 offices; Public Health Engineering Department: 48 offices; School Education Department: 179 offices and Backward Classes Welfare Department: 32 offices) disclosed that 1673 paragraphs relating to 513 IRs remained outstanding at the end of March 2015. Of these outstanding paragraphs, 77 paragraphs pertaining to 62 IRs had been outstanding for more than 10 years. It was observed that reply within prescribed period of four weeks was received only in case of 22<sup>118</sup> IRs out of 71 IRs issued during the period from April 2014 to March 2015 to these five Departments.

Department-wise and year-wise break-up of the outstanding IRs and paragraphs are detailed in *Appendix 3.12*.

The unsettled IRs contain 166 paragraphs involving serious irregularities like theft/ defalcation/ misappropriation of Government money, loss of revenue and shortages/ losses not recovered/ written off amounting to ₹ 515.18 crore. Department-wise and nature-wise analysis of the outstanding paragraphs of serious nature showed the following position:

**Table 3.8: Analysis of outstanding paragraphs on serious irregularities (₹ in lakh)**

Name of the Department	Cases of theft/ defalcation/ misappropriation		Loss of revenue		Shortage/ losses neither recovered nor written off		Total	
	Para	Amount	Para	Amount	Para	Amount	Para	Amount
<b>Land &amp; Land Reforms</b>	7	13.99	38	5717.63	Nil	Nil	<b>45</b>	<b>5731.62</b>
<b>Social Welfare</b>	Nil	Nil	3	0.23	Nil	Nil	<b>3</b>	<b>0.23</b>
<b>Public Health Engineering</b>	52	444.38	18	934.63	5	174.96	<b>75</b>	<b>1553.97</b>
<b>School Education</b>	8	75.26	20	43961.01	8	82.07	<b>36</b>	<b>44118.34</b>
<b>Backward Classes Welfare</b>	1	4.26	5	109.51	1	0.48	<b>7</b>	<b>114.25</b>
<b>Total</b>	<b>68</b>	<b>537.89</b>	<b>84</b>	<b>50723.01</b>	<b>14</b>	<b>257.51</b>	<b>166</b>	<b>51518.41</b>

Audit Committees, comprising the Principal Secretary/ Secretary of the Administrative Department and representatives of the Finance Department and Audit, were formed in 44 out of 50 Departments under General and Social Sector for expeditious settlement of outstanding Inspection Reports/ paragraphs. Of the 44 Departments, where Audit Committees were formed, only two meetings, one each by two Departments (Sports and Statistics & Programme Implementation Departments), were held during April 2014 to March 2015, wherein 10 Inspection Reports (three and seven IRs respectively) and 19 paragraphs (seven and 12

<sup>117</sup> Vide Memo No. 5703 (72)/FB dated 29.08.1982

<sup>118</sup> Land & Land Reforms: five IRs; Social Welfare: two IRs; Public Health Engineering: eight IRs; School Education: three IRs and Backward Classes Welfare: four IRs.

paragraphs respectively) were settled. Though other 42 Departments had Audit Committees, they did not hold any meeting during this period.

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



(MADHUMITA BASU)  
Principal Accountant General  
(General and Social Sector Audit)  
West Bengal

Kolkata  
The 26 MAR 2016

Countersigned



(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India

New Delhi  
The 30 MAR 2016