Chapter 4

Functioning of West Bengal Police Housing & Infrastructure Development Corporation Limited

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HOME & HILL AFFAIRS DEPARTMENT

(West Bengal Police Housing & Infrastructure Development Corporation Limited)

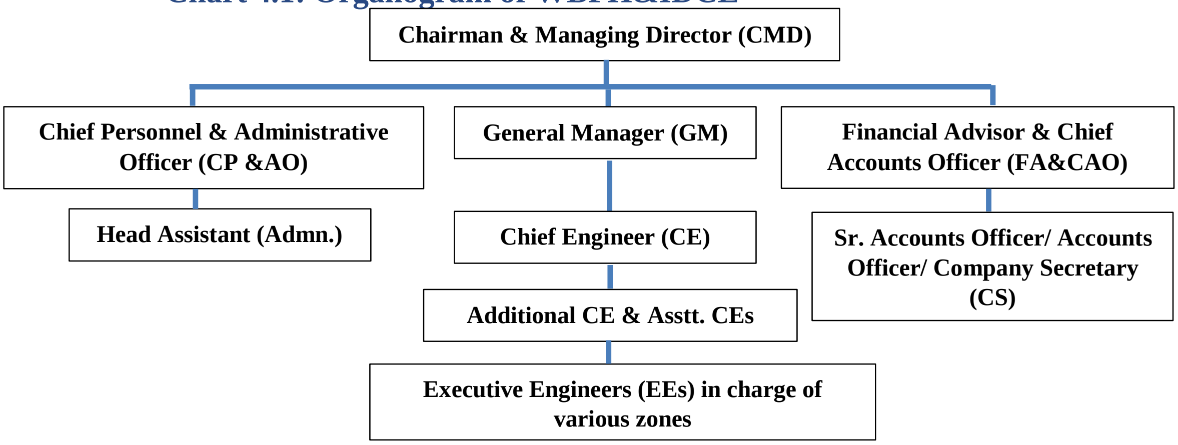
4.1 Introduction

West Bengal Police Housing & Infrastructure Development Corporation Limited (WBPH&IDCL), formerly West Bengal State Police Housing Corporation Limited, was incorporated under the Companies Act, 1956, in March 1993, under the administrative control of the Home & Hill Affairs Department, Government of West Bengal (GoWB). WBPH&IDCL was formed with the objective of construction of buildings for residential and non-residential purposes including offices for Police, Home Guards, Prisons, Vigilance and Fire & Emergency Services Department or any other Department/ Directorate/ Undertaking/ Corporation of GoWB or Government of India (GoI) or any other local body or any other duly incorporated Private/ Public enterprise. Being the Nodal Agency for construction works of different departments, the WBPH&IDCL received construction requisitions from different departments and carried out construction activities *viz.*, award, execution and monitoring of the works. On completion, the works are handed over to the requisitioning department/ directorate. Later, in April 2015, Kolkata Police Housing & Infrastructure Development Corporation Limited, another organization working under the same department to undertake the works under Kolkata Police, was also merged with WBPH&IDCL.

WBPH&IDCL (Corporation) is headed by Chairman & Managing Director (CMD). The management of the Corporation is vested in a Board of Directors (BoD) comprising eight Directors including CMD. The CMD, being the Chief Executive Officer, looks after everyday activities of the Corporation.

CMD is assisted by Chief Personnel & Administrative Officer (CP&AO), General Manager (GM) and Financial Advisor & Chief Accounts Officer (FA&CAO). CP&AO looks after the administrative part of the organization. The responsibility of the engineering part of the organization is vested upon the GM assisted by Chief Engineer and other engineering personnel. The brief organogram is shown in **Chart 4.1**.

Chart 4.1: Organogram of WBPH&IDCL



4.2 Audit objective, criteria, coverage and methodology

The audit aimed to assess

- the level of compliance to the relevant rules and regulations in the functioning of the Corporation and
- its resource managements to achieve the objective of the projects assigned to it.

Audit comments were framed with reference to:

- Memorandum of association/ Articles of association of the Corporation, BoD minutes, agenda notes and resolutions, Delegation of Powers (DoP) and circulars;
- Orders and instructions issued by Government of West Bengal/ Government of India;
- West Bengal Public Works Department Code, Central Vigilance Commission's (CVC) guidelines, National Building Code (NBC) 2005;
- West Bengal Financial Rules (WBFR), West Bengal Treasury Rules (WBTR);
- The Companies Act, 1956 and 2013, Income Tax Act, Goods & Services Tax (GST) Act, Central Public Works Department (CPWD) manual 2014; and
- West Bengal Works Department manual.

The compliance audit covered a period from 2016-17 to 2020-21. Apart from scrutiny of records of the Corporation, Audit also performed joint physical inspection of the works/ materials alongwith representatives of the Corporation.

During 2016-21, 161 projects valuing ₹ 231.69 crore were completed by the Corporation. Out of the 161 completed projects, 13 projects valuing ₹ 133.89 crore (58 *per cent* of the total completed project cost) were selected[56] for scrutiny in audit. The financial position and working results of the Corporation are shown in ***Appendix 4.1***.

Audit Findings

In course of assessment of the level of compliance in the functioning of the Corporation in utilising its resources, adherence to the norms for construction works and achievement of targets assigned to it by requisitioning Departments, the following observations were made as discussed in the subsequent paragraphs.

4.3 Status of physical and financial progress of assigned works

4.3.1 Delays in completion of projects

The construction activities were assigned to the Corporation mainly by Home & Hill Affairs (H&HA) and Correctional Administration (CA) Departments, on behalf of whom the Corporation executes construction works. A brief outline of the number of such works undertaken and fund position during 2016-17 to 2020-21 is given below:

[56] *Through statistical sampling (Simple Random Sampling without replacement method after stratifying the completed works in two strata, i.e. above ₹ 2.00 crore and below ₹ 2.00 crore)*

Table 4.1: Number of works undertaken and status thereof *(₹ in crore)*

Year	Works awarded during the year			Status of works as of October 2021		Expenditure incurred on works as of October 2021
	Number	Sanctioned cost	Amount released to Corporation	Number completed	Number of works pending for completion	
2016-17	47	439.51	145.44	33	14 (42 %)	19.40
2017-18	38	472.49	191.12	16	22 (58 %)	72.78
2018-19	185	626.61	257.58	71	114 (62 %)	145.69
2019-20	135	124.49	289.76	39	96 (71 %)	36.17
2020-21	9	18.68	120.73	2	7 (78 %)	48.72
Total	**414**[57]	**1,681.78**	**1,004.63**	**161**[58]	**253**[59] **(61 %)**	**322.76** *(32 % of amount received)*

Source: Records furnished by the Corporation

As would be evident from the table, during 2016-21, 414 works with total sanctioned cost of ₹ 1,681.78 crore were awarded to the Corporation of which 253 works were pending completion. Among the 253 incomplete works, 192 works were pending completion beyond their scheduled date of completion for various period ranging up to 1,406 days. Further analysis of delays showed the following position:

Table 4.2: Range of delays in incomplete works

Total number of delayed works	Number of works delayed by period									
	Less than three months	Physical progress *(per cent)*	Three to six months	Physical progress *(per cent)*	Six months to one year	Physical progress *(per cent)*	One year to two years	Physical progress *(per cent)*	More than two years	Physical progress *(per cent)*
192	16	0 to 50	16	0 to 50	37	0 to 50	28	0 to 50	09	0 to 50
	03	>50	04	>50	44	>50	21	>50	14	>50
Total	**19**		**20**		**81**		**49**		**23**	

Source: Records furnished by the Corporation

It would be evident from **Table 4.2** that 106 projects (55 *per cent)* were lying incomplete, with the physical progress being upto 50 *per cent* for varying periods extending beyond two years even. Thus, as many as 72 projects have been lying unfinished even after passage of more than one year from the target date of completion, which is a matter of concern. Such delays in completion were mainly attributable to delay in acquisition of land, initiation of work without ensuring availability of clear site, slow disbursement of payment due to inadequate fund flow, non-availability of raw materials and skilled labour, pandemic, *etc.*

It was observed that of the 192 incomplete works, 17 projects sanctioned during 2016-17 to 2017-18, remained incomplete and consequently ₹ 11.17 crore was lying with the Corporation, as of March 2021. Further, there were 59 projects (29 incomplete projects), in respect of which, ₹ 30.96 crore was spent in excess of funds received, as of November 2021, rendering the entire expenditure requiring regularisation through receipt of funds from requiring bodies.

It was further observed that of above mentioned 192 incomplete works

- There were 35 numbers of works with physical progress of 1 to 25 *per cent* involving expenditure of ₹ 8.92 crore. In nine numbers of cases though physical progress was shown as 1 to 25 *per cent*, but expenditure involved was not available.

[57] *H& HA: 403 and CA: 11*
[58] *H& HA: 156 and CA: Five*
[59] *H& HA: 247 and CA: Six*

- There were 44 numbers of works with physical progress of 26 to 50 *per cent* involving expenditure of ₹ 114.87 crore. In 10 numbers of cases though physical progress was shown as 26 to 50 *per cent*, but expenditure involved was not available.
- There were 44 numbers of works with physical progress of 51 to 75 *per cent* involving expenditure of ₹ 169.63 crore. In three numbers of cases though physical progress was shown as 51 to 75 *per cent*, but expenditure involved was not available.
- There were 28 numbers of works with physical progress of more than 75 *per cent* involving expenditure of ₹ 31.05 crore. In 10 numbers of cases though physical progress was shown as more than 75 *per cent*, but expenditure involved was not available.

Further, in respect of remaining nine numbers of works there was no physical progress. However, in respect of one such work there was an expenditure of ₹ 1.42 lakh.

4.3.2 Accumulation of funds received from requisitioning bodies

Such delayed progress in construction works resulted in gradual accumulation of unspent balance of lump sum advance funds received from requisitioning bodies (mostly H&HA Department and CA Department) from ₹ 419.35 crore in 2016-17 to ₹ 708.34 crore in 2020-21 as given in **Table 4.3** below:

Table 4.3: Accumulation of advance funds received from requisitioning bodies

(₹in crore)

Year	Opening Balance	Advance received during the year	Fund surrendered	Funds available during the year	Expenditure on construction during the year	Closing Balance
A	B	C	D	E=(B+C)-D	F	G=E-F
2016-17	293.31	145.44	0	438.75	19.40	419.35
2017-18	419.35	191.12	53.41	557.06	72.78	484.28
2018-19	484.28	257.58	111.51	630.35	145.69	484.66
2019-20	484.66	289.76	54.17	720.25	36.17	684.08
2020-21	684.08	120.73	47.75	757.06	48.72	708.34
Total		1,004.63			322.76	

Source: Records furnished by the Corporation

However, such delay was also a factor behind loss of Finance Commission grant to the State Government as discussed in the next paragraph.

4.3.3 Delayed execution of project leading to non-receipt of Central Assistance of ₹72.00 crore

Records showed that GoI had recommended ₹ 253.00 crore as grant-in-aid under 13th Finance Commission (award period 2010-15) for up-gradation of Police Administration in West Bengal which included creation of Police training facilities both for West Bengal Police (₹ 91 crore) and Kolkata Police (₹ 72 crore) and for creation of Police Housing facility (₹ 90 crore).

For construction of the Kolkata Police Training Academy (KPTA) at Kamardanga, Howrah, Home Department (presently H&HA Department), GoWB entrusted the work to the erstwhile Kolkata Police Housing and Infrastructure Development Corporation Limited (KPH&IDCL) and accordingly, the KPH&IDCL submitted (December 2013) an estimate of ₹ 72.00 crore. The State Government accorded administrative approval for the work in March 2014. The work order for the construction was awarded by the Corporation in April 2015 to Mackintosh Burn Limited (MBL) after observing tender formalities.

Since the project got abnormally delayed, the department was unable to submit requisition for the funds under 13th Finance Commission which closed in 2015. As there was inordinate delays in initiation of work by both the Department and KPH&IDCL, Ministry of Finance, GoI did not release any funds for the Kolkata Police Training Academy.

Thus, the State was deprived of the Finance Commission grant of ₹ 72 crore (sanctioned cost) towards the construction of KPTA, Kamardanga and the entire expenditure was later borne by the State Government.

The authorities, in reply, attributed (January 2022) the delay to multiple factors such as shortage of manpower owing to the merger of KPH&IDCL with the WBPH&IDCL, time being lost in the process of finalisation and engagement of consultant, irregular nature of land raising the necessity of technical investigation of the land and cancellation of the first tender due to non-availability of sufficient number of qualified bidders. The reply was indicative of administrative failure on the part of the Corporation as it failed to submit requisition for the Finance Commission grants even after one year from the administrative approval of the project by the State Government (in March 2014).

4.4 Services of Consultants

In the absence of appropriate in-house expertise, the Corporation engaged consultants for preparation of architectural drawing and structural design of the works. Following e-tender system, the Corporation went for competitive bidding. Scope of work of consultancy services included preparation of master plan and concept design, detailed architectural design and drawing, preparation and obtaining necessary statutory clearances from urban local bodies, fire service, *etc.* The consultant was also to undertake periodic construction supervision.

Audit, however, observed various deficiencies in selection of Consultant and management of their services as discussed below.

4.4.1 Excess expenditure on engagement of consultants

Records of the Corporation showed that during 2016-17, two consultants *viz.*, M/s Salient[60] and M/s Ideator[61] had been engaged for different projects in the State with consultancy fees at the rate of 1.25 *per cent* and 1.23 *per cent* of project cost respectively. Component-wise break-up of the consultancy fees showed that preparation of architectural and structural design accounted for 35 *per cent* (in respect of M/s Salient) and 50 *per cent* (for M/s Ideator) of the accepted fees.

Against Notice Inviting Tender (NIT) issued in February 2017 by the Corporation for appointment of consultant, six technically qualified bids were

[60] *was selected through e tender by KPH&IDCL in August 2014*
[61] *was selected through e tender by WBH&IDCL in March 2015*

received. Of the same, the lowest financial bid (opened in April 2017) offered a rate of 0.59 *per cent* of approved project cost. Considering the large volume of upcoming projects, tender committee recommended for preparation of a panel of technically qualified firms. After inclusion of additional items (periodic site supervision and preparation of detailed estimate) and on negotiations, letters of acceptance (LoA) were issued (July 2017) to all six technically qualified agencies for consultancy cost at the rate of 0.88 *per cent* (0.59 *per cent* being the lowest bid plus 0.23 *per cent* for periodic site supervision *plus* 0.06 *per cent* on preparation of detailed estimates).

It was observed that even after the empanelment of the above six agencies at a lower rate of consultancy charges, the Corporation continued to issue work orders to M/s Salient (three orders) and M/s Ideator (13 orders) at consultancy fees at the rate of 1.25 *per cent* and 1.23 *per cent* of the project cost as per old contracts. This resulted in excess expenditure of ₹ 40.99 lakh[62] and excess unpaid liability of ₹ 13.96 lakh.

In reply, the Corporation stated (January 2022) that considering the work load and to maintain continuity of works, consultancy works were assigned to different consultants. Thereafter, a new panel of consultants with same rate of consultancy fees was prepared and no work order was issued to any consultant as per the earlier contracts. The reply of the Corporation is not acceptable as the Corporation issued work order to the previous consultants (M/s Salient and M/s Ideator) at higher rates even after acceptance of lower rates offered by the new panel of consultants. Moreover, M/s Salient and M/s Ideator did not participate in the NIT issued in February 2017.

4.4.2 Absence of penal clause and performance linked payment

According to the policy framed by GoWB[63], consultants should be appointed only for specialized jobs. The agreement should contain adequate provisions for professional liability, performance linked payment, penal clause for deficiencies in services, professional misconduct and delay in services.

The consultant, M/s Salient was appointed (August 2014) for the work "Architectural and Engineering Design as well as periodic supervision of proposed construction of Kolkata Police Training Academy" at Kamardanga, Howrah. The scope of work of the consultant *inter alia* included preparation of building design & detailed engineering services; master plan & concept drawing; detailed architectural design & drawings; preparation and obtaining various sanction and arranging for No Objection Certificate (NOC) from different bodies and periodic construction supervision. The time allowed for completion of the work was 90 days from the issue of the order.

As per guidelines, for cases having financial implications of more than ₹ 5.00 lakh, a Consultancy Tender Evaluation Committee (CTEC) comprising of at least three members at appropriate level should be constituted for selection of consultants. The Committee was also to monitor the progress of the assignment and may take penal steps till satisfactory progress has not been achieved.

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[62] ₹23.81 lakh and ₹17.18 lakh excess expenditure in favour of M/s Salient and M/s Ideator respectively, Excess liability of ₹ 7.53 lakh and ₹ 6.43 lakh in favour of M/s Salient and M/s Ideator respectively

[63] GO No. 8385-T(Y) dated 21.11.13

However, in the instant case, though the contract had substantial financial implications (₹ 62.50 crore), no committee was set up for selection of consultant for architectural and engineering design. It was observed that the delivery of working drawings from the consultant was very poor from the beginning.

- The consultant (M/s Salient) issued first set of working drawing (foundation layout of Administrative Block) only by the middle of August 2015. Though the consultant had been engaged eight months prior to issue of work order (April 2015) for construction, the consultant had not submitted the work drawings of all the blocks at a time preventing simultaneous construction of all the blocks. Even for a particular block drawing of different segments were received part by part. As a result, the contractor engaged in construction could not make a proper work programme. There was no written correspondence with the consultant from Corporation's side to pursue the matter. It was also observed that bills of consultant were passed by the Corporation with certification that consultant had submitted all structural designs and drawings ignoring these instances of delays and under performances.
- Further, the previous estimate on entire electrical aspect was not in line with actual requirement. This necessitated enhancement in the ratings of transformer and DG Set as well as modifications in the ratings of all feeder pillar boxes, high tension and low tension switchgears, allied cables, *etc.*, after re-calculation of total connected load and critical analysis[64].
- The fire detection work in concealed layout could not be done in three buildings (Administrative, Academic and Quarter Guard) due to submission of relevant drawings of fire safety system in the building after completion of all structural part of the three buildings.

It was observed that agreement with the consultant did not contain any clause for professional liability, work performance linked payment, penal clause for deficiencies in services, delay in services, *etc*., which limited the scope of the Corporation on making the consultant accountable for discrepancies, delays and deficiencies in its services.

In reply the Corporation accepted (January 2022) the fact that there was no penal clause in the contract with the consultant and stated that the same would be incorporated in the future contracts.

4.5 Non-adherence to West Bengal Financial Rules

As per an amendment in West Bengal Financial Rule (WBFR) in April 2013, all projects with estimated cost of ₹ 5.00 crore and above meant for execution through Public Sector Units should be vetted by the Chief Engineer of Public Works Department.

However, in the following projects, though the value of detailed estimates were more than ₹ 5.00 crore, the same were not vetted by Chief Engineer of Public Works Department. Instead, the estimated costs were vetted by the Chief

[64] *Dry type Transformer 500 KVA enhanced to 1,000 KVA, 250 KVA DG Set enhanced to 400 KVA,Three panel HT VSB switchgear installed, LT Panel & Feeder Pillar Board included, Modification of Feeder Pillar Box, Modification of DG Panel, Capacitor Power Bank, Cables wires, etc., inclusion of two submersible motor pumps.*

Engineer of the Corporation which violated the provisions of West Bengal Financial Rules.

Table 4.4: Detailed cost estimates of the projects vetted by the Chief Engineer of the Corporation

Sl. No.	Name of the project	Preliminary cost estimate	Detailed cost estimate	Estimated amount put to tender
		(₹ in crore)		
1.	Construction of Office of the Superintendent of Police (SP) at Alipurduar	7.64	7.14	6.39
2.	Construction of East Bidhannagar Police Line (PL), East Police Station (PS), Force Barrack & Lady Police Barrack under Bidhannagar Police Commissionerate	19.98	-	17.46
3.	Construction of Kolkata Police Training Academy at Kamardanga	72.00	62.50	-
4.	Construction of New Officers' Mess in Swami Vivekananda State Police Academy (SVSPA) at Barrackpore (Balance Work)	NA	5.58	5.14

Source: Records of the Corporation

The Corporation stated (January 2022) that the estimates had not been forwarded to Public Works Department (PWD) for checking as it had a full-fledged Engineering wing, comprising of technical personnel, from Sub-Assistant Engineers to Chief Engineer, similar to PWD. The reply of the Corporation was not acceptable as, being a Public Sector Undertaking, the Corporation was required to abide by the stipulations of WBFR.

4.6 Deficiencies in management of contract

4.6.1 Granting of extension without recovery of compensation for delayed completion of work

As per agreements, the works were to be executed within the stipulated period of the contract with all due diligence by the contractor and the contractor was liable to pay as compensation an amount equal to 1.5 *per cent* or two *per cent* on the tendered value for every month or every week that the work remained unfinished (measured against the work programme as per Clause A of the agreement) after the specified date. The entire amount of compensation to be paid under the provisions should not exceed 10 *per cent* of the tendered amount of work as shown in the tender.

It was observed in audit that there had been lapses by the Corporation and the contractor in ensuring timely completion in respect of seven works as detailed in ***Appendix 4.2.1*** and ***Appendix 4.2.2***. There was abnormal delay in completion of the works ranging between 131 and 995 days. The Corporation allowed Extension of Time (EOT) in multiple occasions as per prayer of the contractor.

- The Clause 2B of agreements, stipulated that progress of work was to be reviewed every three months. However, such review of works were not documented in any of these cases.
- Clause 5 of agreements provided that the contractor was to ask for extension of time only on the grounds of unavoidable hindrance in execution. The contractor should immediately report such hindrances to the Corporation within seven days of occurrence of such hindrance. The Corporation, only after satisfying itself of the reasonability of the extension application,

would authorise such extension of time. However, due to non-maintenance of Hindrance Register, the nature of hindrance, items of work hindered, date of starting of hindrance, date of removal of hindrance, *etc.*, were not available.

- The Contractor did not furnish any revised work programme schedule while praying for extension and the Corporation also did not insist for the same.
- In seven projects, EOT had been allowed on 24 occasions. Of these 24 occasions, as per available records on 15 occasions *(details in* ***Appendix 4.2.1****)*, the same was done based on factors attributable to the Contractors (*e.g.*, non-availability of materials, labour trouble, *etc*.) or extension were allowed without assigning reasons or even without having any formal application from the Contractors against which a compensation of ₹ 1.04 crore could have been realised. In the remaining nine occasions extensions *(details in* ***Appendix 4.2.2****)* were allowed owing to various overlapping factors (attributable to the Contractors as well as Corporation).

Thus, undue lenience was shown to the contractors on a number of occasions in spite of having enabling provisions in the contract for realisation of compensation.

The Corporation agreed with the audit observation in respect of two works[65], but, attributed the extension in respect of other four projects to delay due to rainfall and waterlogging[66], addition of allied works[67] and supplementary items[68], local agitation[69], *etc*. The reply, was, however, not supported by records. However, from records made available during audit, it was observed that extension of time was allowed for shortage of material, labour problem, shortage of cash due to demonitisation on three occasions pertaining to three different projects and no specific reasons on two occasions. Extension of time owing to heavy rainfall was not tenable as time for completion was fixed after full consideration of slowing down or stoppage time due to waterlogging in monsoon.

4.6.2 Short recovery of Security Deposit

As per tender agreement, the earnest money of successful tenderer (at the rate of two *per cent* of the amount put to tender), was to be converted as a part of Security Deposit (SD) after acceptance of tender. The balance of eight *per cent* of the 10 *per cent* of Security Deposit should be realised by recovering from each progressive bill of the contractor. In all cases the amount of recovery of the final bill would be so adjusted to result in Security Deposit equivalent to 10 *per cent* of total value of work so executed.

Records revealed that there was short recovery of SD to the extent of ₹ 85.25 lakh in respect of nine projects, details of which are shown in ***Appendix 4.3***, which went against the interest of the Corporation and would restrict its scope for invoking penal clause during defect liability period.

[65] *Kitchen Block at Barrackpore, Construction of Urban Police Station Building at Habra.*
[66] *Residence of Sub-Divisional Police Officer (SDPO), Dinhata*
[67] *SP Office, Alipurduar*
[68] *Jangal Mahal Safe House, Jhargram*
[69] *Kolkata Police Training Academy, Kamardanga*

While accepting the audit observation the Corporation replied (January 2022) that presently Security Deposit was being deducted on the gross value of the work done excluding Goods and Services Tax (GST).

4.6.3 Performance Bank Guarantee not collected from the contractor

As per tender clause, Performance Bank Guarantee (PBG) from any Nationalized Bank in favour of the Corporation amounting to 10 *per cent* of the estimated amount put to tender should be submitted by the successful bidder within 15 days from issue of Letter of Acceptance of the tender. The PBG was to be released in instalments based on completion of the work (in terms of financial progress). However, in the following two cases the Corporation did not obtain any PBG (total amounting to ₹ 8.00 crore) in respect of the following two projects:

Table 4.5: Cases of PBG not realised *(₹ in crore)*

Sl. No.	Name of the project	Name of the contractor	Estimated amount put to tender	Amount of Performance Bank Guarantee
1.	Construction of Kolkata Police Training Academy at Kamardanga	Mackintosh Burn Limited	62.50	6.25
2.	Bidhannagar PL, East PS and Male/ Female Barrack	Mackintosh Burn Limited	17.46	1.75

Source: Records of the Corporation

The Corporation accepted (January 2022) the audit observation and noted it for future guidance.

4.6.4 Non-adoption of clause of PWD Code in respect of release of Security Deposit

The Corporation was to adhere to the PWD Code on refund of Security Deposit to contractors on completion of execution of works. As per this norm, Security Deposit was to be released in three instalments (30, 30 and 40 *per cent*) on expiry of first, second and third year of the defect liability period.

However, in respect of five[70] of the 13 test-checked projects, it was observed that under Clause 17 of the agreements, security deposit would be refundable to the contractor just after the completion of one year from the issue of completion certificate by the Engineer-in-charge or date of handing over (whichever was later). Thus, the Corporation did not sufficiently protect the interest of the work/ Government and shown undue lenience to contractors in contravention of existing rule. As a result, defect liability, if any, cropped up in the second and third year would be vested upon the Corporation rather than on the contractor.

In reply the Corporation accepted (January 2022) the audit observation and noted it for future guidance.

4.7 Deficiencies in work execution

4.7.1 Extra financial burden due to repeated change in plan

The administrative approval for construction of a new Officers' Mess in Swami Vivekananda State Police Academy (SVSPA), Barrackpore amounting to ₹ 6.03 crore was accorded in August 2016. The work order was issued to

[70] *Construction of SP Office at Alipurdrar, Construction of Jangal Mahal Safe House, Construction. of four storied Barrack along with Kitchen Block at Barrackpore, Construction of Model Rural Police Station at Jibantala, South 24 Pargana and Construction of New Officers' Mess in SVSPA at Barrackpore (Original work)*

M/s Aparna Construction, lowest bidder, in February 2017 at the tendered value of ₹ 4.14 crore (against the estimated amount put to tender, *i.e.*, ₹ 4.87 crore) with the stipulation to complete the work within 270 days, *i.e.*, by November 2017.

Initially the work could not be started by the agency due to site problem. The foundation drawing was issued to the agency in July 2017 (after a lapse of five months from the date of issue of work order). The drawing was revised in January 2018 (after a lapse of 11 months from the date of issue of work order). The agency resumed work, but with very slow progress and between July 2017 and April 2018, the agency executed some works at foundation and tie beam. The drawing was further revised in May 2018 (after lapse of 15 months from the date of issue of work order). The reasons for change of foundation drawing were not on record. The agency did not resume the work as per the third revised drawing even after repeated requests made by the Executive Engineer. Extension of time to complete the work was allowed up to August 2018. However, the agency did not resume the work and the work site was kept idle for several months and finally the contract was terminated in July 2018 with forfeiture of Security Deposit.

However, as per prayer of the contractor (August 2018), the contract was subsequently honourably terminated in September 2018 without imposition of any penalty on the consideration that the delay was mainly attributable to non-availability of site and repeated change of drawings. The agency was paid a sum of ₹ 40.46 lakh up to 3rd and Final Bill in September 2018.

Again, a detailed estimate for ₹ 5.14 crore was prepared (August 2018) for the balance work of the building and the balance work was executed at the cost of ₹ 4.66 crore by another contractor selected through tender. The building was inaugurated in January 2021. However, the date of completion of the work could not be ascertained due to non-issuance of completion certificate or handing over note or non-submission of final bill by the contractor.

Thus, failure on the part of the Corporation/ requiring bodies to hand over a clear site coupled with multiple changes in foundation drawing led to extra financial burden amounting to ₹ 0.92 crore[71].

4.7.2 Quality testing of concrete not done as per requirement

As per Technical Specification of Agreements, test for concrete should be conducted taking minimum of one set of six cubes for every 28 or 30 cubic meter (cum) or part thereof concrete poured and they should be considered as representative for said quantity. A register should be maintained at site by the contractor with the details entered initialled by the contractor and the Engineer-in-Charge.

Records revealed that cube testing was not done as per requirement and cube testing register was also not maintained properly in case of nine projects elaborated in ***Appendix 4.4***. It was observed that of these nine projects:

[71] *Value of balance work as per work order dt. 28.11.2018*	*₹465.59 lakh*
Add: Value of work done by M/s Aparna Construction vide work order dt. 16.02.2017	*₹ 40.46 lakh*
Total	***₹ 506.05 lakh***
Less: Value work would have been done by the earlier agency (M/s Aparna Construction)	*₹ 414.01 lakh*
Extra financial burden	***₹ 92.04 lakh***

- No cube testing was done at all in case of one project (Construction of Bidhannagar Police Lines).
- Number of tests was less than 30 *per cent* of normative requirement in case of four projects.
- In four projects number of actual tests ranged between 30 and 50 *per cent.*

The Corporation, in reply, accepted (January 2022) the audit observations in respect of seven works, whereas, in respect of the Construction of office at Alipurduar, it was stated that testing was done as per technical specification of the agreement. However, in audit it was observed that against a requirement of 50 tests, only 24 tests were conducted and none of the test conducted were within the age of seven days. Though testing was stated to be have done in respect of Jangal Mahal Safe House, the same was not done as per requirement.

4.7.3 Miscellaneous deficiencies in the process of work execution vis-à-vis norms

In course of scrutiny of records in respect of execution of 13 selected works various deficiencies were noticed, which are tabulated in ***Appendix 4.5***. It was observed that

(i) Under National Building Code (NBC) 2005, **Work break down structure** was to be prepared by the Corporation to assess component-wise time taken to complete the work. In none of the test-checked 13 projects the same was prepared. In reply the Corporation accepted (January 2022) the audit observations.

(ii) NBC and Construction and Demolition Waste Management Rules, 2016, envisaged preparation of waste management plan by which local bodies can improve the collection, segregation, recycling, treatment and disposal of **construction waste** in an environmentally sound manner. In eleven projects, out of 13 test-checked, the same was not prepared by the Corporation. In reply, the Corporation accepted the audit observation.

(iii) In 11 projects, there were no documented efforts for optimum utilisation of **renewable energy** and arrangement for **rainwater**, in violation of NBC. The Corporation accepted the audit observation.

(iv) In case of 10 projects, the contractors did not adhere to the mandatory requirement of obtaining **labour licence** from the competent authority, though it was provided for in the agreements. On the other hand, no clause for **insurance coverage** for the labours was incorporated in the agreements, though the same had been vested upon the contractors in the tender documents. In reply the Corporation accepted the audit observation.

(v) As per tender agreements, cement, reinforcement, *etc*., should be of approved brand in accordance with relevant code of practice and manufacture and should accordingly be procured and supplied by the agency at his own cost. Authenticated evidence for **purchase of cement, reinforcement**, *etc.*, should be submitted along with challans and test certificates. In 10 test-checked projects, such certificates or challans in respect of cement, reinforcement, *etc.*, were not obtained by the Corporation. While accepting the audit observation the Corporation stated that it has been noted for future guidance.

(vi) In none of the 13 projects, **registers to record important data** like mandatory tests, cement, reinforcement (only maintained for construction of Office-*cum*-Residence of SDPO at Dinhata) hindrance, register of dismantle materials, pour card for laying concrete and drawing were maintained. Such omissions were fraught with the risks of manipulation/ tampering of records.

(vii) As per Tender agreement, **site book/ work order book** was to be kept at work site under the custody of Assistant Engineer or his authorised representative. Books should be machine numbered pages in duplicate. Instruction to contractors from officers of the Corporation were to be recorded in the book. The contractor or his authorised representative would regularly note the entries in the work order book and also record thereon the action taken or to be taken to comply the said instruction. Except for four projects[72], no such work order book was maintained in respect of other nine projects.

(viii) In seven out of 13 test-checked projects, no **"as built" drawing** (for both electrical and civil works) was submitted by the contractor to the Corporation, though the same had been made mandatory in the tender agreement. Without this drawing, maintenance of building and its future extension would be difficult. The Corporation accepted the audit observation in respect of seven works.

(ix) In nine out of 13 projects, **building sanction plans** were not obtained from respective Urban Local Bodies (ULBs). This was in contravention of statutory provisions which required local body to verify that all municipal laws are followed during construction of buildings. The Corporation accepted the audit observation and noted for future guidance.

(x) On six projects, **detailed cost estimates were prepared without architectural & structural drawing & design** enhancing the scope for supplementary tender in respect of all the six projects and substitute supplementary tender in four projects. Also on 345 items, there were excess execution above the permissible limit[73] in five projects and 380 items were not executed at all in respect of four projects as detailed in ***Appendix 4.6***. It also hindered the smooth progress of work.

Though the Corporation in reply stated that the Construction of Bidhannagar Police Line, East Bidhannagar Police Station, Male & Female Barrack, *etc.*, the consultant submitted detailed estimate; but the same could not be produced to audit. Moreover, the Corporation stated that due to lack of manpower and absence of any Superintending Engineer, no separate technical sanction was taken from Chief Engineer as he was the tender inviting authority. The reply is not acceptable since no work should be undertaken without obtaining the technical sanction for the work.

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[72] *Construction of Barrack at State Armed Police (SAP),13th Battalion, Barjora,; Construction of SP Office at Alipurduar; Construction of Office-cum-Residence of SDPO at Dinhata and Construction of Jangal Mahal Safe House at Jhargram*

[73] *The Engineer-in-Charge was competent to execute excess quantum of work upto 10 per cent of the estimate of each item in Bill of Quantity (BOQ)*

(xi) Besides, there were instances of work being taken-up without **soil testing** (Urban Police Station at Habra), soil test report being available only after technical sanction was accorded (Construction of Lady Police Barrack at Barrackpore), *etc.* The Corporation accepted the audit observation.

(xii) Neither in-house nor third party **quality assurance agency** was engaged for monitoring quality of work in any of the 13 projects.

The Corporation stated (January 2022) that a full-fledged technical wing existed in the organisation and all works executed by it were duly supervised by the engineers. The reply of the Corporation is not in consonance with the fact of considerable shortage of engineering personnel during the period of audit. In April 2016 there was 30 *per cent* shortage in engineering staff compared to the sanctioned strength, while in March 2021, the shortage stood at 25 *per cent* (*discussed in details in paragraph 4.8*).

4.8 Manpower

The Corporation had 79 sanctioned posts in April 2016, the sanctioned posts were later enhanced (March 2021) to 195 by GoWB. The CMD was authorised by BoD to fill all the necessary posts as per the approved set-up. The details of sanctioned strength *vis-à-vis* actual deployment as on 01 April 2016 and 31 March 2021 are given in ***Appendix 4.7***.

It may be seen that considering the increase in activities of the Corporation, GoWB had substantially increased sanctioned posts of Sub-Assistant Engineers since April 2016; however, many of the new posts are yet to be filled-in. As of November 2021, 25 posts of Sub-Assistant Engineer out of 91 posts remained vacant indicating 27 *per cent* shortage.

Posts of Architect (one post) and Assistant Architect (one post), though created, were yet to be filled-in as of November 2021.

Vacancies at supervisory Engineering posts like Assistant Chief Engineers (three out of four posts lying vacant) and Executive Engineers (four vacant posts out of 14) can have potential adverse effects on monitoring and supervision activities on construction works.

Besides, vacancies in the cadre of Accounts Officer (Projects) assumed significance in view of occurrences of various deficiencies in financial management in respect of project works.

The Corporation in its reply stated (January 2022) that filling-up of the vacancies in different ranks/ posts depended upon the financial condition as well as volume of ongoing projects of the Corporation. Owing to pandemic situation of Covid-19, recruitment to the vacant posts could not be processed for last few years. Besides, permanent appointment is a policy matter which also depends upon the financial strength of the Corporation. The Corporation, however, noted the observation for future reference. The reply of the Corporation may be viewed with the fact that the sanctioned posts were enhanced due to increase in volume of works of the Corporation over the years and for smooth functioning of the Corporation. Such vacancies at multiple cadres resulted in deficient monitoring of ongoing projects of the Corporation. Besides, the Corporation has made recruitment during the Covid-19 period as well.

4.9 Miscellaneous issues of non-compliance to rules/ regulations

4.9.1 Realisation of excess Agency Fee as Administrative & Supervision Charges

In terms of Finance Department's order issued in June 2012 agency fee would be charged at a rate of 8.5 *per cent* of sanctioned estimated cost for buildings above G+3 with basements for works involving exclusive and customized drawing and design and five *per cent* of estimated cost for all the components taken together for buildings upto G+3 (without basement). No contingency overhead charges other than 8.5 or 5 *per cent* as mentioned above would be payable.

However, the Corporation while preparing estimated cost for buildings upto G+3 considered 8.5 *per cent* as agency fee in the form of Administrative & Supervision (A&S) charges instead of five *per cent* in contravention of the above Government order. The cost estimate so submitted by the Corporation was administratively approved by the Department.

This way, the Corporation realised agency fees of ₹ 2.74 crore (3.5 *per cent* excess rate) in excess of the form of A&S charges on account of the six projects violating the above mentioned order of Finance Department as detailed in ***Appendix 4.8***.

In reply, the Corporation accepted (January 2022) the audit observation and stated that presently the agency fees as provided in Finance Department's order is being considered.

4.9.2 Non-recovery of royalty from the contractor's bill

In terms of notification issued in October 2016, in exercise of powers conferred by Clause (g) of sub-section 15 of Mines and Minerals (Development and Regulation) Act, 1957 and sub-rule (1) of Rule 35 of the West Bengal Minor Mineral Concession Rules, 2016, the State Government prescribed the rates of royalty of ordinary sand and ordinary earth as ₹ 53.00 per cubic meter (cum) and ₹ 29.00 per cum respectively. It was noticed in audit that the rates of contractors for executing items of the works were inclusive of royalty and cess. The Corporation released the bills of the contractors without taking proof of payment of royalty and cess on the materials used in the work and it did not deduct the amount for royalty and cess from the bills of the contractors in terms of the Government order stated above. Resultantly, there was loss of Government revenue to the extent of ₹ 19.25 lakh due to non-deduction of royalty from the contractor's bills while making payment as detailed in the ***Appendix 4.9***.

In reply, the Corporation, citing the West Bengal Government Order, stated that royalties were not required to be deducted from contractors' bills if executing contractors were merely purchasers of minor minerals utilised in the work. However, an undertaking/ challans would be obtained from executing contractors accordingly. The reply of the Corporation is not acceptable because as per tender agreement, if the contractors collected the materials from the authorised quarry holder or commercial establishment who directly or indirectly paid the royalty to the Government, necessary certificate or cash memo for sale in that respect from them should have to be produced to the Engineer-in-Charge, failing which necessary deduction from the dues of the contractors may be made as fixed by the Engineer-in-Charge.

4.9.3 Excess expenditure over funds received

Being the Nodal Agency for carrying out construction related activities on behalf of different departments, the Corporation received construction requisitions from requiring bodies and carried out construction activities and handed over completed constructions to them. It was, therefore, imperative that the Corporation obtained required funds in advance from the requiring bodies to incur construction related expenses. It was, however, revealed that excess expenditure over allotment of fund received from the requisitioning body (H&HA Department) amounting to ₹ 5.77 crore was incurred by the Corporation in the five works as detailed in the ***Appendix 4.10***. It is seen that out of those five works, two were handed over to the requisitioning body in June 2020 and July 2020; however, the Corporation was yet to receive ₹ 4.16 crore from the requisitioning body as of November 2021.

Thus, Corporation's own funds of ₹ 5.77 crore remained blocked-up as of November 2021 resulting in loss of interest income from Bank Deposit to the extent of ₹ 27.88 lakh.

In reply, the Corporation stated that (January 2022) excess expenditure was incurred out of own fund for smooth completion of the project for which Utilisation Certificate (UC) was submitted to the department for release of fund for necessary adjustments. However, the Corporation should have protected its own interest by obtaining necessary funds from the requisitioning bodies well in advance for smooth completion of the project.

4.9.4 Avoidable payment of interest on Income Tax

As per Section 208 of the Income Tax Act 1961 (IT Act), every assessee was required to pay advance tax if the tax payable during a financial year was ₹ 10,000 or more. Again, as per Section 234C of the same Act, assessee was required to pay 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of the tax due on or before 15th day of June, September, December and March respectively of the financial year concerned. If the assesse failed to pay such tax or the advance tax paid was less than 90 *per cent* of the assessed tax, then assessee would be liable to pay simple interest at the rate of one *per cent* per month for the period from the 1st day of April of the assessment year to the date of determination of total income on the amount of shortfall (Section 234B of IT Act). On account of violation of the above sections during the financial years 2016-17 and 2017-18, an avoidable interest aggregating to ₹ 8.75 lakh was paid by the Corporation under section 234B and 234C.

Thus, failure of Corporation to pay advance tax as required under Sections 234B & 234C of IT Act resulted in avoidable payment of ₹ 8.75 lakh as interest.

The Corporation, in its reply, stated that payment of Advance Income Tax is normally based on the estimated annual income of the assesse for each financial year as per the provisions of Income Tax Act. The said estimation does not always match with assessee's actual income and as a result there may be either shortfall or excess payment of Advance Tax resulting in interest receivable or payable from/ to the Income Tax authority. The interest payable under Section 234 can only be avoided by paying excess amount of Advance Tax resulting in loss of interest and blockage of fund.

The above reply of the Corporation is not acceptable as interest under Section 234B is payable by the assesse where the advance tax paid by the taxpayer is less than 90 *per cent* of the assessed tax and interest under Section 234C is levied, if advance tax paid in any instalment(s) is less than the required amount. Hence the estimation of income may not exactly match with the actual income and actual tax liability and only 90 *per cent* of the assessed tax have to be deposited as advance tax. Besides, the contention of blockage of fund and loss of interest is not acceptable as the rate of penal interest levied by Income Tax authority is much higher (*i.e.*, one *per cent* per month) than the rate of interest which could be earned by the Corporation.

4.9.5 Non-availing of auto sweep facility led to loss of interest

An efficient and effective fund management system ensures both adequate liquidity to meet day-to-day expenses and enables investment of surplus fund in appropriate instruments to maximise interest income. Banks provide auto sweep facility in savings and current account to enable their customer to fulfil both objectives. Auto sweep facility provides automatic investment of surplus funds into term deposits from savings account. It also allows automatic encashment of term deposits as and when funds are required to meet up an immediate expenditure.

Scrutiny of available bank account statements for the period from November 2016 to March 2021 revealed that a current account maintained with a private bank was not enabled with auto sweep facility. Had the Corporation availed auto sweep facility in the said current account wherein it retained huge balances, it could have earned interest of ₹ 1.09 crore as detailed in ***Appendix 4.11***.

In reply, while accepting the audit observation, the Corporation stated that the said current account was opened with the bank for deposit of EMD. However, the auto sweep facility would have earned interest on the deposit in the account.

4.9.6 Improper monitoring leading to surrender of fund of ₹ 4.50 crore

In June 2019, Finance Department, ordered all departments and all offices and companies under them to refund all funds transferred to Local Fund/ Personal Ledger/ Deposit/ Bank Accounts during 2018-19 and lying unutilized upto end of March 2019 to appropriate Government account by first week of July 2019.

The Corporation received ₹ 50 lakh from H&HA Department in June 2018 for "Construction of Office-*cum*-Residence of Circle Inspector and Double Storied Garage-*cum*-Barrack at Krishanganj, Nadia". In response to the above order, the Corporation was required to refund ₹ 50 lakhs which remained unutilised in its bank account, it was, however, observed that instead of refunding ₹ 50 lakh, it inadvertently refunded ₹ 5.00 crore thereby resulting in excess surrender of ₹ 4.50 crore made out of funds pertaining to other projects. Realising this, the Corporation intimated (September 2019) H&HA Department about the matter and requested it to take necessary action to release the excess surrendered fund of ₹ 4.50 crore at the earliest. Since then, the authority has sent three reminders to the department, however, the excess surrendered fund has not been received by the Corporation till date (September 2021).

Thus, it can be said that lack of proper monitoring and internal control resulted in erroneous surrender of ₹ 4.50 crore from funds pertaining to other projects.

The Corporation, in its reply (November 2021) stated that it had tried its best to get the amount re-released from the Department.

4.9.7 Retention of Auction Money, advance from Government of West Bengal and Interest on 13th Finance Commission

As per WBFR all moneys received by or on behalf of Government should be deposited into appropriate Government accounts without delay.

The Corporation irregularly retained huge fund amounting to ₹ 41.53 lakh on account of auction money of which ₹ 24.68 lakh pertained to April 2016 without depositing the same into Government accounts. The details of the funds such as date of receipt, purpose, *etc.*, were not made available to audit.

Besides, funds on account of interest of ₹ 1.39 crore on fund received under 13th Finance Commission (FC) mainly for the purpose of Police Housing was retained by the Corporation for years together which was neither utilised nor surrendered. The unspent fund needed to be surrendered to the proper Head of Account unless specific approval for their utilisation is received from GoWB/ GoI.

While accepting the audit observation the Corporation stated that after ascertaining the detail of the auction money and advance from GoWB, the same would be deposited to the respective Head of Government Accounts. However, the reply was silent about observation on retention of interest on funds under 13th FC.

4.9.8 Retention of forfeited Security Deposit including Earnest Money Deposit

The works of construction of two Police Stations at Patuli and Bansdroni were entrusted to an agency M/s Atlantic Projects Ltd. in August 2015. However, due to unsatisfactory performance of the contractor owing to non-execution of proportionate work as per the schedule of execution of work, the Corporation terminated (April 2018) both the contracts after serving notices and the entire Security Deposit including Earnest Money Deposit amounting to ₹ 41.16 lakh (Patuli PS: ₹ 23.41 lakh and Bansdroni PS: ₹ 17.75 lakh) of the agency was forfeited as per agreement. Both the above mentioned works were completed by engaging other contractors and after completion of the works the same were handed over to the concerned Police Authority (Patuli PS in January 2021 and Bansdroni PS in July 2021). However, the amount of forfeited Security Deposit and Earnest Money Deposit of ₹ 41.16 lakh, which should have been transferred to the Government account, was retained with the Corporation as of November 2021.

In reply, the Corporation stated that the amount of forfeited Security Deposit including Earnest Money Deposit would be transferred to the respective heads of Government account.

4.9.9 Non/ Short deposit of Labour Welfare Cess

Under the Building and Other Construction Workers' Welfare Cess (BOCWW) Rules, 1998, for all construction works, BOCWW Cess is to be mandatorily levied and deposited with the BOCWW Board within 30 days of its collection. The cess so collected is a means to provide health and welfare measures for the workers engaged in building and other construction works.

Records, however, showed that since March 2020 the Corporation has deposited the collected cess to the Board only once in December 2020 and that too only partially. Out of ₹ 89.47 lakh lying with the Corporation as of November 2020, only ₹ 30.51 lakh was deposited. As of March 2021, such un-deposited balance accumulated to ₹ 1.43 crore as shown below:

Table 4.6: Collection of cess and deposit there-against

Month	Opening Balance	Cess collected	Cess available with Corporation	Cess deposited with Board	Closing Balance of Cess lying with Corporation
February 2020	16,23,867	11,36,094	27,59,961	16,23,867	11,36,094
March 2020	11,36,094	19,14,487	305,0,581	0	30,505,81
April 2020	30,50,581	52,1,475	35,72,056	0	35,72,056
May 2020	35,72,056	61,973	36,34,029	0	36,34,029
June 2020	36,34,029	47,932	36,81,961	0	36,81,961
July 2020	36,81,961	5,22,249	42,04,210	0	42,04,210
August 2020	42,04,210	8,72,291	50,76,501	0	50,76,501
September2020	50,76,501	14,27,622	650,4,123	0	65,04,123
October 2020	65,04,123	18,96,135	84,00,258	0	84,00,258
November 2020	84,00,258	5,46,515	89,46,773	0	89,46,773
December 2020	89,46,773	26,64,031	1,16,10,804	30,50,581	85,60,223
January 2021	85,60,223	8,29,994	93,90,217	0	93,90,217
February 2021	93,90,217	8,31,566	1,02,21,783	0	1,02,21,783
March 2021	1,02,21,783	40,96,403	1,43,18,186	0	1,43,18,186

Source: Records furnished by the Corporation

In reply, the Corporation stated that there was no short deposit of Labour Welfare Cess during 2016-21. The reply is not tenable as from the above table it is evident that there was not only short deposit but also non-deposit of Labour Welfare Cess.

4.9.10 Short deduction of Labour Welfare Cess

As per tender agreement, Labour Welfare Cess at the rate of one *per cent* of cost of construction was to be deducted from every bill of the selected agency. However, the Corporation while making payment of each bill deducted cess on amount payable after consideration of GST at the rate of 12 *per cent* instead of value of cost of construction. This resulted in short deduction of cess to the tune of ₹ 5.75 lakh in respect of the 12 projects as detailed in ***Appendix 4.12***.

In reply, the Corporation accepted the audit observation and stated that presently Labour Welfare Cess has been deducted on the total value of work done.

4.10 Internal Control Mechanism

Internal controls are processes designed to safeguard an organisation to meet its objectives. Internal controls minimise risk, protect assets, ensure accuracy of records, promote operational efficiency and encourage adherence to policies, rules, regulations and laws. In this respect, the following were observed.

4.10.1 Absence of Internal Audit

The Corporation had no internal audit wing or inspection wing of its own. Internal audit was conducted by outsourced Chartered Accountants (CA) and was mainly confined to preliminary checking of accounts, payment of statutory dues, *etc*. All matters arising in connection with tenders, selection of agencies, awarding works contracts and related activities were within the scope of audit of the said outsourced internal auditor. However, the reports submitted by the said CA firm did not include any observations on regularity in time extension cases, analysis of delay in completion of projects, payment to/ recovery from contractors, *etc*. In this regard, it was seen that the internal audit reports were submitted to CMD and there was no practice/ procedure in the Corporation to place these reports before BoD. Besides, follow-up/ corrective action on Internal Audit Reports (such as retention of unspent scheme funds, interest on 13^{th} FC funds, advance from Government for a long time, retention of forfeited EMD without depositing the same into Government account, non-deposition of labour cess, non-maintenance of fixed asset register, *etc*.) had not been taken by the Corporation.

The Corporation, in reply, stated that the Internal Audit Reports for the financial years 2019-20 and 2020-21 had been placed (August 2021) before BoD. Besides, the issues pointed out by the internal auditor and suggestions provided by them had been noted and considered by the management for necessary actions. The reply is not tenable as the Internal Audit Reports for the years 2016-17 to 2018-19 were not placed before BoD. Even, Internal Audit Reports for 2019-20 & 2020-21 were placed in August 2021 before BoD, which undemined the sanctity of the process of placement of Internal Audit Reports. The reply is also silent on non-inclusion of issues in the auditor's report as stated in the audit observations.

4.10.2 Non-maintenance of important records

The Corporation did not maintain any Fixed Deposit (FD) register and the details of FDs opened and matured could not be readily ascertained. Besides, the Measurement Book (MB) issue register has not been maintained by the Corporation. Hence the details of movement of MBs could not be ascertained.

In reply, it was stated that the Corporation is currently maintaining FD register on the basis of audit observation. The MB register was maintained by the Corporation zone-wise. The reply is silent on the non-maintenance of MB issue register.

4.10.3 Irregular or non-maintenance of periodical reports

Progress reports were to be submitted by the Corporation to the Administrative Department on quarterly basis and as and when required by them. The reports were last submitted to the department for the quarter ending December 2019. It was observed that out of 20 quarters during the period 2016-17 to 2020-21 the reports were not submitted to the administrative department for six quarters. Further, it was also noticed that the department had not called for any progress report during 2016-17 to 2020-21. Hence, it reflected lack of proper monitoring in this aspect.

The Corporation, in its reply, stated that the progress reports are being prepared by different zones and reviewed monthly by the General Manager and sent to the Administrative Department as when required by them. The reply is silent on the observation that the reports were not submitted to the Administrative Department for six quarters reflecting lack of proper monitoring.

4.10.4 Inadequacies in the format of the reports maintained by the Corporation

The Corporation failed to devise a prescribed format for periodical progress reports for works executed by it incorporating all the important details of the work. In the absence of prescribed format, the progress reports prepared by the Project Engineer at headquarters of the Corporation lacked details like NIT no. and date, estimated amount put to tender, contract value, work order no. & date, date of commencement of work, scheduled date of completion, name of the executing agency (in many cases), details of delays, time extension allowed, penalties recovered, if any, allotment of fund received, *etc*. Hence the progress reports prepared were not meaningful enough to ensure adequate monitoring of the progress of works executed by the Corporation.

The Corporation stated that important details [74] were being captured in Corporate Project Management System (CPMS). The reply is not tenable as the Corporation too admitted that the progress reports lacked important details as pointed out by Audit.

4.10.5 Improper maintenance of Asset Register

The asset register maintained by the Corporation was basically a fixed assets purchase register in which necessary information required under CARO[75] 2016 issued by Ministry of Corporate Affairs applicable for Companies registered under Companies Act, was not incorporated.

The asset register did not capture important particulars and sufficient description of the asset to make identification possible, *e.g.*, classification, residual value, useful life, rate(s)/ basis of depreciation/ amortisation, depreciation/ amortisation for the current year, accumulated depreciation/ amortisation, date of revaluation, adjustment for revaluation or for any increase or decrease in cost, *etc.* Hence, the register, in its present form, did not give a complete or true picture of the assets maintained by the Corporation.

The Corporation accepted the audit observation and stated that it would be noted for future guidance.

4.11 Conclusions and Recommendations

Conclusions:

The Compliance Audit on the functioning of the West Bengal Police Housing & Infrastructure Development Corporation Limited (WBPH&IDCL) threw light on various operational/ managerial deficiencies which impeded progress of works assigned to the Corporation.

Substantial number of projects got delayed beyond target dates, though flow of funds was not a constraint. This led to accumulation of advance funds received from requiring bodies. Such delay also culminated in non-accrual of Finance Commission grant to the State in one occasion.

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[74] *like NIT No. and date, estimated amount put to tender, contract value, work order No. & date, date of commencement of work, scheduled date of completion, name of the executing agency (in many cases), details of delays, time extension allowed, penalties recovered, if any, allotment of fund received, etc.*

[75] *Companies Auditor Report Order*

The management of services of the consultants were inadequate and resulted in instances of excess expenditure on consultancy and projects being affected by delays/ under-performances by consultants. These contracts with consultants should be reviewed and streamlined through incorporation of accountability and under-performance linked penal measures.

Granting of extension in a routine manner, delays controllable by the Contractors', compensation not recovered in spite of having enabling clause in the contracts and Performance Bank Guarantee not collected (in two cases) threw a poor light on project execution and management. The Corporation did not uniformly adopt the norms followed by PW Department and refunded security deposits without waiting for defect liability period. All these represented dilution of deterrence measures built in the agreements against under performance.

There were multiple instances of non-compliance to various norms of planning/ drawing/ documentation/ record maintenance, *etc.*, associated with construction works. Multiple change in plan after award of work in one project adversely affected progress and led to cost escalation. As regards quality testing of works, the Corporation did not adhere to the normative requirements.

Availability of Manpower also calls for attention of the Government. Though there was enhancement in number of posts under the Corporation during last five years, a number of crucial technical and supervisory engineering posts remained vacant as of date. Such vacancies at the various levels of technical cadre factored behind deficient monitoring on ongoing projects and dependence on outsourced consultants for project managements.

There is further scope for improving financial management as evidenced from instances of avoidable payment of interest under IT Act, non-recovery of royalty from Contractor's Bill, erroneous surrender of excess funds, retention of funds including auction money, labour welfare cess and forfeited security deposits, *etc.*

Recommendations:

- ***The contracts with consultants should be reviewed and streamlined through incorporation of accountability and under-performance linked penal measures.***
- ***The instances of lax financial management and non-adherence to West Bengal Financial Rules should be reviewed and appropriate action taken to prevent recurrence of the same.***
- ***The work of internal audit should be critically evaluated and punitive measures initiated for non-compliance in respect of the scope of the assigned work.***

The matter has been referred to the Government in January 2022; reply was awaited (April 2022).