Chapter II

Compliance Audit of State Government Departments

CHAPTER - II

FIRE & EMERGENCY SERVICES DEPARTMENT

2.1 Excess payment of GST to a private agency, for supply of Firefighting Motor Vehicles

Fire & Emergency Services Department paid ₹78.61 lakh, in excess of the prescribed rates, to a private agency, for supply of firefighting Motor Vehicles.

The Director General (DG), Fire & Emergency Services, West Bengal, procured Fire Fighting Motor Vehicles, during the financial years 2018-19 and 2019-20, for operational use in Fire Stations throughout the State. As per clause 11 of the Notice Inviting e-Tender (NIT): (i) the agency was required to quote the base price (rate per unit) of the Fire Fighting Motor Vehicles and (ii) separately mention the taxes and any other charges. Further, as per Notification[28] issued by Ministry of Finance, Govt. of India, Special Purpose Motor Vehicles (Fire Fighting Motor Vehicles) were taxable at the rate of 18 *per cent*, with effect from 27 July 2018.

(A) The Department placed (during December 2018 to January 2019) three orders, for supply of three different types of Fire Fighting Motor Vehicles[29], to a private agency at a tendered cost of ₹ 7.40 crore (without applicable Goods and Service Tax). Audit observed (September 2021) that the agency was paid (between March 2019 and January 2020) ₹ 2.07 crore as Goods and Service Tax (GST) @ 28 *per cent,* instead of prescribed rate of 18 *per cent* prevailing at that time, in all the three cases. As a result, the agency was paid an excess amount of ₹ 74.03 lakh[30], as GST.

After the matter was pointed out (September 2021) by Audit, the DG recovered a sum of ₹ 13.12 lakh from the agency in one case, whereas, for the remaining two cases, the DG replied (August 2022) that the agency had actually paid GST @ 28 *per cent* to the tax authority and, as such, no excess payment had been made. However, the fact remains that prevailing rate of GST for the instant vehicles was 18 *per cent* only, and the Department had to incur additional expenditure on GST. Further, the private agency can obtain refund of the excess GST paid at the time of filing its return. Thus, the Department, without proper scrutiny, paid excess GST, resulting in excess payment of ₹ 60.91[31] lakh to the agency.

(B) The Director General, Fire & Emergency Services, West Bengal, placed (June/July 2018) two different supply orders, for purchase of Fire Fighting Motor Vehicles[32], with a private agency. Audit observed (September 2021) that, in both cases, the agency had increased the basic price of the vehicles by

[28] *No. 18/2018-Central Tax (Rate) dated 26 July 2018.*

[29] *30 Completely Fabricated Mid-Size Water Tenders (CFMSWTs), three Multi-Purpose Foam Tenders (MPFTs) and two Mobile Control Room Vans (MCRVs).*

[30] *₹ 7.40 crore @ 28% (-) ₹ 7.40 crore @ 18%.*

[31] *₹ 74.03 lakh-₹ 13.12 lakh.*

[32] *20 Completely Fabricated Water Bowsers (CFWBs) and 20 Completely Fabricated Water Carriers (CFWCs).*

₹ 54,61,016[33] and ₹ 43,72,881[34], respectively, as compared to the prices quoted in the Bid. The DG, without proper scrutiny, paid the amount as claimed by the agency, resulting in excess payment of ₹ 1.16 crore[35]. However, after the matter was pointed out by Audit (September 2021), the DG recovered ₹ 98.34 lakh from the agency. The balance amount of ₹ 17.70 lakh has not been realised till date (August 2022).

Thus, the Department failed to exercise proper checks before making payment to private agencies, resulting in excess payment of ₹78.61 lakh (₹60.91 lakh + ₹ 17.70 lakh), for supply of Fire Fighting Motor Vehicles.

The matter was reported to the Government in July 2022. No reply has been received till date (March 2023).

INFORMATION & CULTURAL AFFAIRS DEPARTMENT

2.2 Detailed Compliance Audit on Implementation of *Lok Prasar Prakalpa,* Information and Cultural Affairs Department, Government of West Bengal

2.2.1 Introduction

The Information and Cultural Affairs Department (I&CAD), Government of West Bengal (GoWB), launched (July 2014) a flagship project, *'Lok Prasar Prakalpa'* (LPP), combining three schemes, *viz.* (i) issuance of Folk Identity Card, (ii) enlistment of Folk Artistes (FAs) for financial assistance *i.e.*, pension to senior FAs (aged above 60 years) and Retainer Fees to FAs below 60 years of age and (iii) Campaign programme with the enlisted FAs. Under LPP, I&CAD proposed to engage the FAs in campaign programmes, to ensure a minimum monthly income to the FAs, to provide economic stability to the FAs, along with the revival of traditional folk art. Exponents of folk songs (*Baul*, *Bhatiali, etc*), folk dances (*Chhau, Lathikhela, etc*) and folk drama (*Bohurupi, Putul Natak, etc.*) are defined as folk artistes in the Scheme notification dated 14.01.2013.

Fig. 2.1: FAs performing a popular dance form (Chhau)

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[33] *Basic price (without GST), as per Bid: ₹ 6,44,40,000 of 20 CFWB and Basic price (without GST), as per Tax invoice: ₹ 6,99,01,016 of 20 CFWB.*

[34] *Basic price (without GST), as per Bid: ₹ 5,16,00,000 of 20 CFWC and Basic price (without GST), as per Tax invoice: ₹ 5,59,72,881 of 20 CFWC.*

[35] *Excess base price (₹ 54,61,019 +₹ 43,72,881) + Excess tax (@18%) paid on excess base price (₹ 9,82,983+₹ 7,87,118) = ₹ 1,16,04,000.*

The objectives of LPP were to:

(a) Bestow dignity on FAs by issuing identity cards;

(b) Uphold and traditional folk forms art and culture of Bengal;

(c) To revive nearly extinct folk forms of art and culture and;

(d) Uplift the socio-economic conditions of the artists associated with folk culture.

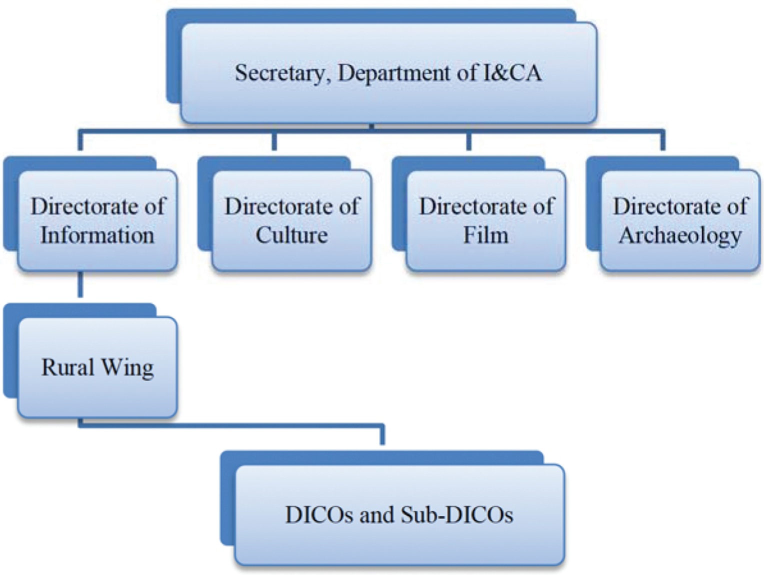
The enlisted beneficiaries are broadly categorised into two categories:- Pensioner (FAs aged 60 years and above) and Retainer (FAs aged below 60 years). Enlisted FAs are issued Folk Identity Cards. The rate for Pensioner and Retainer Fee is ₹ 1,000/- per month. The Retainers are also required to perform for Government programmes, as and when called for, and to be paid ₹ 1,000/- per performance.

- As of May 2022, 1.88 lakh FAs were enlisted ***(Appendix-8).*** As of December 2022, the enlisted FAs had been reduced to 1.87 lakh, due to death and other reasons.
- Monthly pension was being provided to 0.34 lakh elderly FAs.
- Retainer fees were provided to another 1.54 lakh FAs.
- From January 2019 to October 2022, I&CA organised 67,496 programs creating 5,00,159 performance days and disbursed ₹ 50.02 crore as performance fees.

2.2.2 Organisational Set-up

The I&CAD is headed by the Secretary and executes its policies and programmes through the Directorates of Information, Culture, Films and Archaeology. The Directorate of Information implements the LPP scheme through 22 District Information & Culture Offices (DICOs) in the districts and the Folk & Tribal Cultural Centre (FTCC) in Kolkata. The organisational structure of I&CAD is shown below:

Chart 2.1: Organisational structure of I&CAD



2.2.3 Trend of Expenditure

The I&CAD received grant of ₹ 1,184.14 crore for the implementation of LPP and spent ₹ 1,169.31 crore, during the financial years 2017-18 to 2021-22. However, the trend of expenditure was not uniform, as can be seen from **Table 2.1**.

Table 2.1: Year-wise grants received *vis-à-vis* expenditure

(₹ in crore)

Financial Year	Grant received	Expenditure	Saving (-)/ Excess (+)
2017-18	206.29	195.08	(-)11.21
2018-19	255.50	253.48	(-)2.02
2019-20	231.86	231.53	(-)0.33
2020-21	248.15	247.21	(-)0.94
2021-22	242.34	241.98	(-)0.36
Total	**1,184.14**	**1,169.31**	**(-) 14.86**

(Source: Information from I&CAD)

From the above table, it can be seen that, during the financial years 2017-18 to 2021-22, I&CAD could not utilise the entire grant received from the GoWB. The I&CAD could have utilised more funds out of entire grant received for LPP to create more performance days, thereby extending further financial benefits to the FAs.

2.2.3.1 Direct Benefit Transfer system in LPP

After the launch (July 2014) of LPP, I&CAD directed all the 22 districts[36] to maintain a bank account, in the name of '*District Level Folk Identity Card Issuance Committee'* (DLFICIC), of the respective district, to be jointly operated by the District Magistrate and DICO. I&CAD transferred the total allocation of all the districts to the account of the Folk and Tribal Culture Centre (FTCC), which, in turn, remitted the allocations to the respective district DLFICIC bank accounts. The financial benefits were transferred to the beneficiaries according to this process till August 2017.

The Finance Department, GoWB directed (May 2017) all Departments that no budgetary funds, unless approved by the Finance Department, would be transferred to the bank accounts of the Departments, Directorates, societies, PSUs, statutory bodies, Corporations, Boards, *etc*. either directly or through PL/Deposit accounts. As per the direction of the Finance Department, I&CAD closed all the bank accounts, opened for LPP, in the name of the DLFICICs.

Thereafter, the scheme funds were allotted through the Government treasury, to the respective Drawing and Disbursing Officers (DDOs) in the districts. The Treasuries disbursed payments to the respective beneficiaries, according to the bills raised by the DDOs. This arrangement was in operation from September 2017 to September 2020.

[36] *Beneficiaries of the Kolkata district are divided in two groups i.e. beneficiaries of North 24 Parganas and beneficiaries of South 24 Parganas.*

Subsequently, the Finance Department launched (March 2020) the '*Jai Bangla*' portal (www.jaibangla.wb.gov.in), an umbrella pension portal for all the new and existing pension schemes implemented by the State. The bank accounts of all the FAs under the LPP scheme (including retainers) were integrated into the Jai Bangla scheme. From October 2020, I&CAD transferred the allotments pertaining to pension and retainer fees to the FTCC bank account (SBI), from which the funds were transmitted to the respective beneficiary bank accounts, through the Jai Bangla portal.

2.2.4 Audit Objectives

The Detailed Compliance Audit (DCA) of the Implementation of LPP by I&CAD was conducted to ascertain whether:

- There was a reliable database of artistes in the State;
- The guidelines were followed in the selection of beneficiaries;
- Payment of assistance and pension was done as per guidelines and after following due process and;
- Appropriate internal controls and monitoring mechanisms were in place to ensure payment of assistance and pension, as per guidelines.

2.2.5 Audit Scope

The DCA of '*Implementation of LPP*' covered the period from 2017-18 to 2021-22 and the audit was conducted during July to October 2022. Audit test-checked the records in the seven selected districts of Purulia, Bankura, Alipurduar, Hooghly, Birbhum, Murshidabad and Dakshin Dinajpur through sampling, covering 0.80 lakh (42 *per cent*) of the total 1.88 lakh FAs. Records of the I&CAD and FTCC, Kolkata, were also scrutinised. Audit also conducted a joint survey (with departmental officials) of 428 beneficiary FAs, in seven selected districts, and their responses have been incorporated in the Report.

2.2.6 Audit Methodology

The audit methodology involved analysis of records of LPP maintained in the I&CAD, DICO/SDICO offices and related offices, issue of requisitions/ queries/observations, utilization of photographic evidence and joint survey of 428 (three *per cent* of total FAs in selected 21 blocks/municipalities) beneficiary FAs. An entry conference, with Secretary, I&CAD, GoWB, and other officials, to explain the audit objectives, criteria and methodology, was held on 04 August 2022. The exit conference was held on 16th November 2022. The I&CAD submitted replies to the draft report in December 2022. These have been incorporated at appropriate places in the Report.

2.2.7 Audit Criteria

The audit criteria were derived from:

- Guidelines, orders, circulars, memoranda and minutes of different meetings of LPP *etc*., issued by I&CAD.
- West Bengal Financial and Treasury Rules, 2005.

Audit findings

2.2.8 Database of artistes

2.2.8.1 Database management by the Department

The I&CAD maintained a database of FAs, including their names, addresses, folk forms, mobile numbers, bank details, folk identity card numbers, status of the applications, status of the audition of the applicants, folk forms, experience *etc*. Audit observed that the database of the FAs was incomplete and was not updated. The database did not contain any field for capturing information on 'family income' as per the Government order (May 2017) it was a criterion for selection of FAs for enlistment under LPP. Further, analysis of the information of FAs, maintained in the database, showed that, out of the total of 0.80 lakh FAs in the seven districts, the Folk Forms of 5,860 FAs and Experience Forms of 4,816 FAs, were not available, as shown in **Table 2.2.**

Table 2.2: Applications without Folk and Experience forms

District	Total FAs	FAs without Folk Forms	FAs without Experience Forms	FAs without both forms
Purulia	**21,677**	335	536	172
Bankura	**15,188**	4,004	1,826	1,379
Alipurduar	**3,266**	374	5	02
Hooghly	**10,516**	76	250	30
Birbhum	**12,188**	577	870	386
Murshidabad	**13,468**	305	1,064	195
Dakshin Dinajpur	**3,606**	189	265	142
Total	**79,909**	**5,860 (7.33 %)**	**4,816 (6.02 %)**	**2,306 (2.89 %)**

(Source: Information from the I&CAD database and DICOs)

The absence of information indicates weak internal control by I&CAD.

In reply, I&CAD stated (January 2023) that it was taking necessary measures to complete the database containing financial position of the FAs by March 2023. Further, steps would be taken to provide access to individual FAs in existing LPP portal so that FAs can view and upload relevant documents into the portal on their own. Simultaneously, DICOs would also update information containing financial position that would be received by their office physically from FAs.

2.2.8.2 Integration of databases of LPP

I&CAD maintained the detailed database of FAs in its portal www.wblpp.in. This database contained information relating to the FAs, including their bank details. However, this database was not linked with the bank accounts, for the purpose of effecting transfer of funds. I&CAD was modifying/updating the LPP portal, when names of the FAs were deleted, due to death or subsequent exclusion from LPP *etc*. The payments of pension and retainer fees to the FAs were being made through the Jai Bangla scheme (www.jaibangla.wb.gov.in), which contained similar information also linked with the bank accounts of the FAs.

Audit observed that the information of FAs, at these two sites, was not integrated. As a result, the monitoring and control of the implementation of LPP were not effective, for example, when a FA was excluded from LPP in the I&CAD portal, the exclusion would not affect payments to the FA through the Jai Bangla portal, as the two portals were not integrated. Similarly, when payment through the Jai Bangla portal was revoked, the fund would be reverted and would remain parked in the FTCC account, without information relating to the failure of payment being transmitted to the LPP portal of the I&CAD. Thus, due to the absence of integration of the LPP portal with the Jai Bangla portal, I&CAD did not have real-time control over the implementation of LPP, even after the adoption of DBT.

In reply, I&CAD stated (December 2022) that the matter had been taken up with the Finance Department, for integration of the LPP portal with the Jai Bangla Portal.

RECOMMENDATIONS:

State Government may:

1. ***Take steps to ensure that information to ascertain the present financial position of the FAs is captured and the database is complete in all respects.***
2. ***Integrate the LPP database of I&CAD with the Jai Bangla database, to ensure better monitoring and control in LPP.***

2.2.9 Selection of beneficiaries

2.2.9.1 Instructions for proper implementation of LPP

The I&CAD launched (July 2014) LPP by merging three schemes v*iz*. (a) Enlistment for issuance of Folk Identity card (b) Enlistment of Folk Artistes for financial assistance and retainer fee and (c) Campaign programme with enlisted artistes. Though I&CAD issued (July 2014) the guidelines of LPP to the DICOs, it did not notify the detailed procedures to be followed in the implementation of the LPP. Thus, I&CAD did not lay down procedures for the identification of FAs and their enlistment, or the duties and responsibilities of the DICOs in regard to monitoring, control and reporting. Audit observed that, in the absence of centralised instructions relating to the implementation of LPP, the DICOs did not follow a uniform procedure for selection, implementation and monitoring of the scheme, as discussed below:

(a) Out of the seven selected districts, five districts conducted auditions through DICOs. The remaining two districts, *i.e.*, Bankura and Murshidabad, conducted the auditions through the Block Development Officer.

(b) DICO, Purulia, collected life certificates from both retainer and pensioner FAs, whereas the DICOs of Birbhum and Murshidabad did not collect life certificates from retainer FAs. No such instances were noticed in other selected districts.

(c) DICO, Hooghly, stopped pension to FAs receiving assistance from other schemes, such as the Disability Pension scheme *etc*., whereas, in Alipurduar, 43 FAs, who were Government employees or pensioners, continued to receive the financial assistance. In other five districts, no such instances were noticed.

(d) Three years after the launch (July 2014) of the LPP, I&CAD added (May 2017) a restrictive criteria in LPP, which debarred FAs having annual family income of more than ₹ 1.50 lakh from being enlisted under the LPP. In order to enforce this criteria, the guideline suggested submission of income certificates each year, in November, for all the enlisted FAs. Audit, however, observed that in the seven test-checked districts, an amount of ₹ 95.89[37] crore had been disbursed to 79,909 FAs, without ascertaining their income, during financial year 2021-22. During the joint survey of 428 FAs (three *per cent* of the total FAs in the selected 21 blocks/municipality), Audit found 11 FAs[38] having annual family income of more than ₹ 1.50 lakh.

In reply, I&CAD stated (December 2022) that comprehensive guidelines, considering all existing orders and memos, would be issued shortly.

> ***RECOMMENDATION 3:***
>
> ***State Government may issue detailed procedural guidelines, to avoid ambiguity and ensure uniformity in the implementation of LPP.***

2.2.9.2 Audition of applicants

The LPP guidelines (July 2014) provided that FAs would be selected on the basis of their credentials and ability, to be judged through auditions. Audit observed the following irregularities in this regard:

- Records in the LPP database showed that 3.49 lakh FAs had applied (since July 2014 to May 2017) for enlistment under LPP in the State. I&CAD had approved 1.96 lakh applications and rejected 0.08 lakh applications, till September 2017, in the State. Thereafter, I&CAD did not conduct auditions for the remaining 1.45 lakh applicants, which had remained pending till date (as of September 2022). The I&CAD did not furnish reasons for not resuming the selection process, even as applicants waited for the opportunity of being enlisted under the LPP.
- I&CAD observed (May 2017) that 2.91 lakh applications were pending in the State and instructed to complete enlistment, through audition, by July 2017. The I&CAD did not furnish the number of auditions conducted in the whole State between May and September 2017. However, Audit collected data of auditions conducted between May and September 2017 in the selected seven districts. Audit observed that, barring two districts[39] where all the FAs had been enlisted after auditions, records of five districts[40] showed that 6,545 FAs had been enlisted without auditions. The enlistment of the FAs, without conducting auditions, was in violation of the LPP guidelines (July 2014 and May 2017) and without assuring credibility of the selected FAs. Further, the release of financial assistance of ₹ 39.27 crore[41], to these 6,545 FAs after their enlistment (September 2017 to August 2022), was injudicious. The details of FAs selected without auditions and

[37] *79,909 × 12 × ₹ 1,000.*

[38] *One in Birbhum, four in Hooghly and six in Alipurduar.*

[39] *Bankura and Purulia.*

[40] *Birbhum, Hooghly, Murshidabad, Dakshin Dinajpur and Alipurduar.*

[41] *6,545 FAs × 60 months × ₹ 1,000 /month.*

applicants yet to be auditioned in the seven test-checked districts, is shown in **Table 2.3**.

Table 2.3: District-wise FAs selected without auditions and applicants yet to be auditioned.

Sl. no.	District	FAs auditioned during July-August 2017	FAs selected between May July and September 2017	FAs selected without audition	Number of FAs yet to be auditioned as of July 2022
(1)	(2)	(3)	(4)	(5)=(4)-(3)	(6)
1	Birbhum	3,305	6,500	3,195	8,688
2	Hooghly	4,109	5,900	1,791	4,784
3	Murshidabad	7,711	9,000	1,289	23,839
4	Dakshin Dinajpur	1,141	1,294	153	3,064
5	Alipurduar	1,793	1,910	117	2,052
6	Bankura	10,735	10,000	-	8,860
7	Purulia	63,846	14,000	-	89
	Total	**92,640**	**48,604**	**6,545**	**51,376**

(Source: Information from the I&CAD database and DICOs)

- Due to the non-conduct of auditions, 51,376 applicants, in the seven test-checked districts, were denied an opportunity to be enlisted for receiving financial assistance under the LPP.
- I&CAD conducted auditions between May and September 2017 and selected 1.10 lakh FAs in the entire State. Audit scrutiny of the records in test checked districts showed that 162 FAs[42], of the Birbhum, Hooghly and Murshidabad districts had participated in the auditions but had not qualified. Audit, however, observed that these 162 FAs had been included in the list and financial assistance had been released to them, from September 2017 onwards. The DICOs did not furnish the details, as to how these 162 FAs, who had been provided assistance of ₹ 97.20 lakh, during five years (September 2017 – August 2022).
- In reply, I&CAD stated (December 2022) that initiatives would be taken to obtain detail reports of the number of FAs enlisted without audition or not qualified in the audition.

RECOMMENDATIONS:
State Government may:

4. ***Initiate a drive, through wide publication of the eligibility criteria and observing of due process, for enlisting the eligible FAs, through the specified mode (i.e. auditions).***
5. ***Verify cases of irregular enlistment of FAs and take appropriate action. It may also determine and fix responsibility for disbursement of assistance to FAs without auditions and/or despite not qualifying in auditions.***
6. ***Ensure that proper surveys are conducted to enlist all willing and eligible FAs.***

[42] *FAs in Birbhum, 150 FAs in Hooghly and 9 FAs in Murshidabad.*

2.2.9.3 Verification of documents for the enlistment of eligible FAs

The LPP guidelines (May 2017) stated that, for enlistment under LPP and issue of folk identity cards, the applicants would need to submit certificates of participation in cultural programmes organised by the Central and State Governments. However, the DICOs did not ensure the submission of participation certificates, while issuing the folk identity cards. A test-check of 5,463 application forms, in the seven test-checked districts, showed that participation certificates had not been obtained from 5,078 applicants (92 *per cent*),as shown in **Table 2.4**.

Table 2.4: District-wise status of applications processed without documents

Sl. No.	Name of District	Number of applications checked	Participation documents not available
1	Bankura	210	210
2	Purulia	4,075	4,075
3	Dakshin Dinajpur	100	57
4	Alipurduar	535	220
5	Birbhum	300	281
6	Hooghly	68	60
7	Murshidabad	175	175
	Total	**5,463**	**5,078**

(Source: Information from DICOs)

Participation documents were meant to assess the credibility and ability of the FAs and were necessary for enlistment. Failure to check the certificates, before enlisting FAs, was a deviation from the guidelines of the LPP.

In reply, I&CAD stated (December 2022) that DICOs had taken necessary initiatives for enlistment of FAs through the audition process and with approval from the District Level Folk Identity Card Issuance Committees.

The reply needs to be viewed in light of the fact that certificates of participation, in cultural programmes organised by Central Government, State Government *etc*., were essential at the time of application, for enlistment under the LPP, as per guidelines.

2.2.9.4 Monthly pension from Central Government, for Senior FAs

Ministry of Culture (MoC), Government of India, launched (September 2017) a Scheme for Pension and Medical Aid to Artistes (hereinafter referred to as 'Scheme'), to improve the financial and socio-economic status of the elder FAs, aged above 60 years, who had made significant contribution in their respective fields, during their active age, but due to old age, were not living a financially stable life. The eligibility criteria of the Schemes specified that: (i) the annual income of the applicant (including the income of the spouse) should not exceed ₹ 48,000 and (ii) the applicant should receive a pension of at least ₹ 500/- per month from the State Government. The total financial assistance in the Scheme was ₹ 4,000 including pension received from State Government per month per beneficiary.

Audit observed that I&CAD had not propagated the pension scheme of the Central Government, among its 0.34 lakh pensioner FAs. It had also issued orders for recommending FAs for enrolment in the Scheme of the Central Government. The following issues were further observed in this regard:

The guidelines (December 2013) of the I&CAD, regarding extension of Monthly Financial Assistance (MFA) to FAs, mentioned that benefits of the MFA should not be provided to those FAs, who were getting the benefits of state or central government schemes, like Old Age Pension, Widow Pension *etc*. I&CAD launched (July 2014) LPP, by combining three schemes, including the MFA scheme. However, I&CAD did not revise this condition after the launch (September 2017) of the Scheme by the Central Government. Consequently, this condition barred the FAs enlisted in LPP, from availing pension through the Central Government Scheme. Audit observed that I&CAD had stopped (March 2018) pension of one FA in Alipurduar, as he was receiving pension from the Central Government.

In reply, I&CAD stated (December 2022) that after introduction of LPP all FAs enlisted under LPP are enjoying the benefit either through pension/ retainer or performance fee and majority of the FAs have already been covered. The reply is not tenable as coverage under LPP does not restrict the FAs to avail the central assistance.

RECOMMENDATION 7:

State Government may take proper steps to propagate the Pension Scheme of the Central Government among the FAs, to enable them to avail the benefits of the Scheme.

2.2.9.5 Issue of identity cards to FAs enlisted in LPP

(a) The I&CAD had proposed to issue identity cards to FAs aged above 18 years, with experience in traditional folk culture, who had participated in folk programs, organised by the Central and the State Government, under the LPP guidelines of 2014. I&CAD had enlisted 1.87 lakh FAs and generated LPP identity cards in the LPP portal, as of September 2022 in the State. The DICOs were responsible for printing and issuing the identity cards to the respective FAs. The status of the issue of identity cards, in the seven test-checked districts, is shown in **Table 2.5**.

Table 2.5: District-wise status of identity cards not distributed

Sl. No.	District	No. of FAs in the district	Funds utilized (*₹ in lakh)*	No of cards printed	No of cards not distributed
1	Bankura	15,188	4.44	12,000	2,540
2	Purulia	21,677	4.04	4,757	750
3	Birbhum	12,188	0.90	3,000	139
4	Murshidabad	13,468	0	0	0
5	Hooghly	10,516	5.04	6,000	2,000
6	Dakshin Dinajpur	3,606	0	0	30*
7	Alipurduar	3,266	1.24	1,910	131
	Total	**79,909**	**15.66**	**27,667**	**5,590**

(Source: Information from DICOs)
**No cards printed. However, 30 cards lying since April 2017.*

Records in the seven test-checked districts showed that 27,667 LPP identity cards had been printed (March 2018), incurring expenditure of ₹15.66 lakh. However, the DICOs had failed to distribute 5,590 of these identity cards, even after 54 months of printing. The DICOs stated (September 2022) that the cards had not been distributed, since the FAs had not come to receive the cards. The reply was not acceptable, as the DICOs should have been proactive in ensuring distribution of the identity cards, in order to effectively achieve the objectives of the LPP.

Fig. 2.2 and Fig. 2.3: Identity cards printed and not distributed in Birbhum

(b) Before the launch of LPP in July 2014, I&CAD had issued (January 2013) identity cards to FAs. After the launch of LPP, I&CAD decided that the existing identity cardholders would be brought under the aegis of LPP and would be issued LPP identity cards afresh, by September 2014. I&CAD did not furnish the number of existing FAs before launch (July 2014) of LPP, as well as the number of who had subsequently migrated to LPP.

Audit observed that, in Purulia and Alipurduar, 785 FAs and 200 FAs, respectively, were registered under the old schemes. However, even after eight years, they had still not been issued new cards in LPP. The other five districts did not furnish records of the issue of new LPP identity cards to the cardholders of the erstwhile scheme. During the joint survey, Audit met (August 2022) 181 FAs (out of the 428 FAs selected for the joint survey), in the seven test-checked districts, who were yet to be issued LPP identity cards, in place of the identity cards issued to them earlier, under the old schemes.

Delays of eight years, in the issuance of LPP identity cards to the existing FAs of the old schemes, showed poor management of the LPP scheme.

In reply, I&CAD (December 2022) stated that, out of 1.87 lakh FAs, 1.71 lakh identity cards had been distributed upto December 2022, and the remaining FAs would be provided Identity cards within March 2023.

RECOMMENDATION 8:

State Government may review the status of the FAs covered under the old schemes, who were subsequently brought under the aegis of LPP and ensure issue of new identity cards to them.

2.2.10 Performance Fee

2.2.10.1 *Utilization of funds*

Under the LPP scheme (July 2014), the retainer FAs were to be engaged in government programmes to disseminate public messages, through their performances, against performance fees of ₹ 1,000 for each performance. The DICOs were required to arrange at least one performance in each block every week, so that each retainer FA would earn ₹ 4,000 per month, through four programmes. The budget allocation of the fund provisioned for providing performance fee to Retainers for the year 2018-19 to 2021-22 is given in **Table 2.6.**

Table 2.6: Funds received *vis-à-vis* expenditure incurred

(₹ in crore)

Financial Year	Budget allocation	Released by Finance Department	Expenditure incurred for payment of Performance Fee
2018-19	30.00	27.00	24.52
2019-20	8.08	8.08	7.80
2020-21	25.00	17.67	16.38
2021-22	30.00	15.71	15.37
Total	**93.08**	**68.46**	**64.07**

(Source: Budget Publication & Information from I&CAD)

Note: In respect of year 2017-18, ₹ 16.22 crore (54.07 per cent) was utilized out of allocated budget of ₹ 30.00 crore. Fund released for the year by Finance Department is not available.

To achieve its proposed objective of arranging at least 48 programmes each year for each retainer, I&CAD required ₹ 705.60[43] crore , as performance fee, for its 1.54 lakh enlisted retainer FAs. It had, however, budgeted for ₹ 30 crore towards performance fee, during financial year 2021-22, which constituted only 4.25 *per cent* of the funds required in terms of the scheme guidelines. Thus, the budget projections were not in concordance with the provisions of the LPP scheme.

From the above table, it was observed that I&CAD had not been able to utilize the entire amount of funds released by the Finance Department.

2.2.10.2 *Organisation of programmes for FAs*

I&CAD proposed to improve the socio-economic condition of the FAs, by engaging them in campaign programmes of the Government, against Performance Fees. However audit observed that out of seven selected districts, 21,094 retainer FAs in three districts[44] had not been provided programme during 2021-22, while 17,917 FAs in the remaining four districts[45] were not provided any programme till July-August 2022.

Fig. 2.4: Performance of Folk Artists in Government Programme

[43] *₹1,000 × 4 programmes × 12 months × 1.54 lakh retainer FAs.*

[44] *Purulia (12,000), Murshidabad (7,834) & Dakshin Dinajpur (1,260).*

[45] *Hooghly (5,000), Bankura (10,446), Birbhum (1,750) & Alipurduar (721).*

Further, during the joint beneficiary survey in these seven districts, 135 FAs (out of the 428 FAs surveyed) stated that they had not been allotted programmes since enlistment (September 2017), even though they were interested in participating in such programmes. In contrast, the remaining 293 beneficiaries interviewed included five FAs, who were engaged in more than 100 programmes. DICOs did not furnish reasons for such wide discrepancy in allotment of programmes.

In reply, I&CAD stated (December 2022) that equitable distribution of programmes, among the artistes within particular genres, would be done, as far as practicable.

RECOMMENDATION 9

State Government may review the system being followed for engaging FAs, to ensure equitable and unbiased distribution of programmes amongst them.

2.2.10.3 Reimbursement of performance fees by sister Departments

I&CAD issued (July 2015) the Financial and Operational (F&O) guidelines, which stated that the services of the FAs of LPP would be utilized to disseminate public service messages and publicity initiatives of other sister Departments of the State. The performance fees of the FAs (@ ₹ 1,000 *per* programme *per* FA) would be reimbursed from the Budget of the concerned Department. The Planning, Statistics & Programme Monitoring (PS&PM) Department, GoWB, launched (December 2020) the *'Duare Sarkar'* project, involving 24 sister Departments of the State. In this project, the selected seven districts had engaged (December 2020 and March 2022) 33,524 FAs, for 5,327 programmes. The district-wise break-up is given in **Table 2.7**.

Fig. 2.5: Performance of FAs in Government function.

Table 2.7: Status of engagement of FAs in 'Duare Sarkar' programme

Sl. No.	District	No. of programmes	No. of FAs involved	Performance Fees (*₹ in lakh*)
1	Purulia	970	7,673	76.73
2	Bankura	1,078	6,195	61.95
3	Alipurduar	605	3,486	34.86
4	Hooghly	469	2,520	25.20
5	Birbhum	1,114	6,652	66.52
6	Murshidabad	135	654	6.54
7	Dakshin Dinajpur	956	6344	63.44
	Total	**5,327**	**33,524**	**335.24**

(Source: Information from the I&CA database)

While I&CAD had paid Performance Fees of ₹ 3.55 crore to these FAs, it had not sought reimbursement of the performance fees (as of September 2022) from requisitioning Department.

In reply, I&CAD stated (December 2022) that the requisitioning Departments were not making payments to the FAs in due time. As such, I&CAD did not have an alternative but to pay the FAs from its budget.

The reply needs to be viewed in light of the fact that the guidelines issued by the Chief Secretary, Government of West Bengal, provided for reimbursement of the performance fee by the service utilization Departments. The I&CAD needs to coordinate with these Departments, for proper and timely payments to FAs.

2.2.10.4 Direct Benefit Transfer in payment of performance fees

Under the LPP scheme, launched in July 2014, I&CAD provided financial benefits to 1.88 lakh FAs as of May 2022. After implementation (March 2020) of the '*Jai Bangla'* scheme by the Finance Department, the bank accounts of all the FAs under the LPP scheme (including retainers) were integrated into the Jai Bangla scheme. From October 2020, I&CAD transferred the allotments pertaining to pension and retainer fees, to the FTCC bank account, from which the funds were transmitted to the respective beneficiary bank accounts, through the Jai Bangla scheme.

It was, however, observed that I&CAD continued to pay the performance fees to the beneficiaries by drawing bills on the concerned Treasuries. The reason for bypassing the 'Jai Bangla' system and not adopting similar DBT mode for payment of performance fees, was not furnished by I&CAD.

In reply, I&CAD stated (December 2022) that necessary communication has been sent to the Finance Department, for integration of payment of performance fees, through the Jai Bangla portal.

RECOMMENDATIONS:
State Government may –

10. ***Ensure proper validation checks are in place for data of individual FAs in the database. It may introduce linking of beneficiary bank account details with unique identification e.g. Aadhar.***
11. ***Take steps to adopt the DBT system for transfer of Performance fees, to ensure transparency and assurance in the process.***

2.2.11 Cash credit loan facility

I&CA, GoWB, provided financial assistance, in the form of pension and retainer fees, to the FAs, with funds from the State Budget (Finance Department), through direct benefit transfer. I&CAD decided (May 2020) to raise a cash credit loan of up to ₹ 210 crore, from approved financial institutions/banks, to ensure timely payment to the beneficiaries and smooth functioning of the LPP scheme. It entrusted the FTCC, Kolkata, to raise and service the loan, on behalf of I&CA Department. FTCC executed (June 2020) an agreement with the West Bengal State Cooperative Bank Limited (WBSCBL), to raise a cash credit loan of up to ₹ 210.00 crore. According to the conditions of the agreement, FTCC would pay interest on the outstanding principal amount @ 7.85 *per cent*. As this was a cash credit facility, I&CAD was required to pay the outstanding amount as soon as possible, to reduce the interest burden.

Between May and September 2020, FTCC borrowed ₹ 75.19 crore from WBSCBL and used it for paying the pension and retainer fees for the months from June to September 2020. WBSCBL raised (October 2020) a demand on FTCC, for repayment of the loan, amounting to ₹ 76.09 crore (Principal: ₹ 75.19 crore and Interest: ₹ 0.90 crore), outstanding up to September 2020. FTCC, however, repaid the outstanding loan amount in February 2021, after a delay of four months. Due to the delay in repayment of the loan, FTCC had to pay (February 2021) additional interest of ₹ 2.03 crore, for the period from October 2020 to January 2021. FTCC repaid the amount of ₹ 2.03 crore to WBSCBL in February 2021.

Audit observed that there were no records to substantiate that the Finance Department had paucity of funds or inability in mobilizing the budget allocation for LPP till May 2020.

In reply, I&CAD stated (December 2022) that delay in repayment of the loan occurred mainly due to obtaining approval from the Finance Department. However, records to support the assertion that the Finance Department had failed to provide necessary funds to I&CAD, on time, for this purpose were not available.

2.2.12 Internal controls and monitoring mechanism

2.2.12.1 Life and Income certificates of FAs

The LPP guidelines (May 2017) provided that retainer fees and pension to FAs would be released, subject to their submission of life certificates and income certificates, duly certified by a Gazetted Officer, by November each year. Scrutiny of records revealed that DICOs did not enforce timely submission of the certificates from the FAs. Though I&CAD had stipulated the condition of certificates in its guidelines, it did not prescribe a monitoring system to ensure the submission of certificates by FAs. The status of the collection of life and income certificates, in the seven test-checked districts, for the financial year 2021-22, was as shown in **Table 2.8**.

Table 2.8: Year-wise status of Life and Income certificates

Sl. No.	District	Number of enlisted FAs	Number of FAs not submitted	
			Life Certificate	Income Certificate
1	Birbhum	12,188	10,412 (85%)	10,412 (85.42%)
2	Hooghly	10,516	685 (6.5%)	Not provided
3	Murshidabad	13,468	9,457 (70.21%)	9,457 (70.21%)
4	Bankura	15,188	15,188 (100%)	Not provided
5	Purulia	21,677	538(2.48%)	18,073(83.37%)
6	Dakshin Dinajpur	3606	556 (15.42%)	Not provided
7	Alipurduar	3,266	2,765 (84.66%)	Not provided
	Total	**79,909**	**39,601 (51.77%)**	

(Source: Information from DICOs)

From the table, it is evident that, in the selected seven districts, life certificates were not collected from 39,601(51.77%) FAs in the financial year 2021-22. Further, in three selected districts, income certificates from 37,942 (80.12%) FAs were not collected, while other four districts did not provide any such information.

In the Exit Conference, I&CAD stated (November 2022) that, in regard to the process of collection of life certificates for retainers, similar Direct Benefit Transfer schemes of other Departments would be considered and steps would be taken accordingly.

RECOMMENDATION 12:

State Government may instruct districts to ensure collection of life and income certificates. It may also determine and fix responsibility for disbursement of assistance without obtaining requisite certificates.

2.2.12.2 Payment of pension to deceased FAs

Audit observed that cases of demise of FAs were being reported after long delays. During joint survey of the selected FAs, it was observed that 258 (out of the 428 FAs surveyed) had not submitted life certificates, but the I&CAD had continued to release financial assistance to them. Scrutiny of records revealed that I&CAD had continued to release financial assistance to 99 deceased FAs even after their death resulting in avoidable expenditure of ₹ 12.58 lakh **(Table 2.9)** during 2021-22. It was also observed that there was no specific timeline regarding intimation of death of FAs in the guidelines. In the absence of regular monitoring, I&CAD had released ₹ 12.58 lakh to the bank accounts of these deceased 99 FAs.

Table 2.9: Payment to deceased FAs

Sl. No.	District	Number of FAs	Amount released after death (in ₹)
1	Birbhum	17	1,52,000
2	Hooghly	32	3,81,000
3	Murshidabad	8	1,43,000
4	Bankura	20	2,66,000
5	Purulia	2	53,000
6	Dakshin Dinajpur	8	58,000
7	Alipurduar	12	2,05,000
	Total	**99**	**12,58,000**

(Source: Information from DICOs)

Non-enforcement of timely submission of life certificates by the DICOs indicated lack of internal control, in addition to non-compliance with the extant LPP guidelines.

2.2.12.3 Non-submission of Action Taken Reports

The LPP guidelines (July 2014) provided that the DICOs would send Action Taken Reports, in regard to the implementation of LPP, for each month, to I&CAD, by 15th of the following month. Audit, however, observed that the

DICOs were not preparing action taken reports, for furnishing them to I&CAD. In the absence of reporting from the districts to the Department, the overall monitoring of the LPP remained ineffective. The Department had, however, not initiate any steps to obtain these reports from the districts.

2.2.12.4 Conduct of workshops for FAs

With the objective of upgrading the performance of the folk artistes, I&CAD directed (April 2017) districts to conduct workshops on different folk forms, which were popular in the respective districts. As per the instructions conveyed by I&CAD: (i) up to 500 FAs, who had not participated in the earlier workshops, were to participate in these workshops, against receipt of performance fee for a day and (ii) the workshops were to be conducted by inviting experts from relevant fields.

The seven selected districts conducted 16[46] workshops during FYs 2017-18 and 2018-19, but did not conduct any workshops during FYs 2019-20 to 2021-22. During the joint survey of beneficiaries with Audit and Departmental officials, 294 (69 *per cent*), out of the 428 FAs surveyed, stated that they had not been invited to any workshops, while 84 FAs (out of these, 294 FAs) stated that they were not aware of such workshops. Thus, the objective of upgrading the quality of performance of the FAs, through the abovementioned initiative of I&CAD, was not achieved.

In the Exit Conference, I&CAD accepted the audit observation and stated that, at present, workshops are being conducted regularly.

RECOMMENDATION 13:

State Government may review the present system of annual submission of life and income certificates and take steps to ensure that cases of deaths, exclusions, *etc*. ***are taken on record at the earliest.***

LAND & LAND REFORMS AND REFUGEE RELIEF & REHABILITATION DEPARTMENT

LAND REVENUE

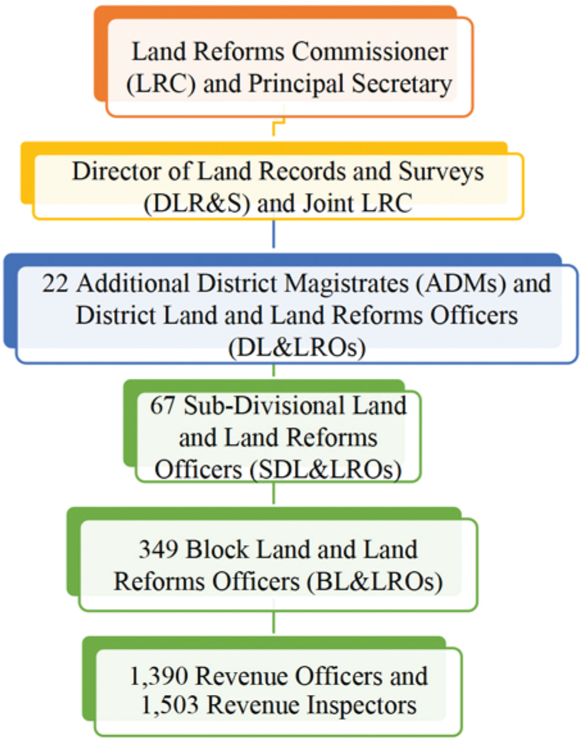
2.3 Tax Administration

Land Revenue consists of receipts from land rent, rates and cess, management of Ex-*Zamindari* Estates, survey and settlement operations *etc*. Assessment and collection of land revenue are governed by the West Bengal Land Reforms (WBLR) Act, 1955; West Bengal Land Reforms (WBLR) Rules, 1965; West Bengal Land and Land Reforms (WBL&LR) Manual, 1991; West Bengal Land Reforms (Amendment) Act, 2003 & 2005 and Kolkata Land Revenue (Amendment) Act, 2003.

The Land and Land Reforms and Refugee Relief and Rehabilitation (L&LR and RR&R) Department is the nodal Department for assessment and collection of land revenue in the State. The organisational set up of the department has been shown in the following chart:

[46] *Three in Birbhum, two in Hooghly, one in Murshidabad, two in Bankura, two in Purulia, three in Dakshin Dinajpur and three in Alipurduar.*

Chart 2.2: Tax Administration



2.4 Internal Audit

The Internal Audit Wing (IAW) of the L&LR and RR&R Department was established with the objective of evaluating accountability, compliance to applicable rules and regulations and safeguarding resources against loss.

During 2021-22, the IAW was headed by the Audit Officer & ex-officio Deputy Secretary who was assisted by 13 Assistant Auditors. While no Internal Audit Officer was posted in the IAW, against sanctioned strength of 16. Thirteen Assistant Auditors posted against the sanctioned strength of 14. There were 49 auditable units under the jurisdiction of IAW, comprising 22 District Land and Land Reforms Officers (DL&LROs), 22 Land Acquisition (LA) Collectors, one First Land Acquisition (FLA) Collector, two Rent Controllers and two *Thika Tenancies*[47] during 2021-22. Of these, IAW planned to audit eight DL&LROs and eight Special Land Acquisition Officer (Spl LAO) during the period, which was 32.65 *per cent* of the total auditable units. The IAW conducted audit of four DL&LROs and four Spl LAO during the period, constituting 50 *per cent* of the planned units.

2.5 Result of Audit

During 2021-22, Office of the Accountant General (Audit-II) West Bengal, conducted test check of the records of the L&LR and RR&R Department, Director of Land Records and Surveys (DLR&S) and five DL&LROs. Audit

[47] *As per the West Bengal Thika Tenancy (Acquisition and Regulation) Act, 2001, Thika Tenancy is the tenancy acquired by a 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 by purchase or gift any structure on such land for residential, manufacturing or business purpose.*

observed several irregularities related to land revenue involving ₹17.94 crore in 90 cases, which fell under the following categories as given in **Table 2.10.**

Table 2.10: Results of audit

(*₹ in crore*)

Sl. No.	Categories	Number of cases	Amount
1.	Non/short realisation of rent, cess and surcharge on land used for commercial purpose	19	5.14
2.	Non-realisation of Government revenue due to non-settlement of long term lease	17	3.14
3.	Non-realisation of annual lease rent	16	0.93
4.	Blockage/loss of revenue due to non-leasing of sairati interest	10	1.16
5.	Non-realisation of Government revenue due to non-renewal of long term lease	5	1.84
6.	Other cases	23	5.73
Total		**90**	**17.94**

During the course of the year, the Department accepted under-assessment and other deficiencies of ₹ 15.70 crore in 92 cases; of which 87 cases involving ₹ 15.63 crore were pointed out during the year 2021-22, and the rest in earlier years. An amount of ₹ 4.19 lakh was realised in eight cases during the year.

Few illustrative cases involving ₹ 5.19 crore are discussed in succeeding paragraphs. It is pertinent to mention that many of these issues have been raised earlier and published in CAG's Audit Report (Revenue Sector) of previous years wherein Government accepted many of the objection and initiated recovery action. However, overall internal control system was not strengthened to the extent that such issues do not re-occur in subsequent years.

2.6 Non-realisation of lease rent and interest

Lack of prescribed action by the Departmental authorities led to non-realisation of annual lease rent and interest of ₹ 55.77 lakh from 36 lessees.

Rule 235 of the West Bengal Land and Land Reforms (WBL&LR) Manual, 1991, provides that the lease rent on long-term lease on land shall be payable annually, according to the Bengali calendar year (BS)[48]. The lease rent falls due on the last day of the year, in respect of which it is to be paid. Further, Rule 303 prescribes interest @ 6.25 *per cent* per annum, for delayed payment of the lease rent, on long-term lease.

As per the WBLR Manual, 1991, Rule 227 (i): "Leases for non-agricultural purposes, short-term or long-term, should be entered in a separate 'Register-X' by the BL&LRO. It is his duty to periodically review the Register and take appropriate action for renewal of the leases and for the timely realisation of lease rent. He shall also periodically report to the District Land and Land Reforms Officer (DL&LRO), regarding violation of conditions of such leases, if any, along with his recommendations, on action to be taken".

[48] *The Bengali year (Bengali Saka-BS) commences on the first day of Baisakh i.e. 14/15 April each year.*

Further, as per Rule 227 (ii), the DL&LRO and the Sub-Divisional Land & Land Reforms Officer (SDL&LRO) should pay special attention to the maintenance of the Register, during their inspection of the block-level offices.

Test-check (December 2021) of the records, at four District Land and Land Reforms Offices[49], along with 45 out of 87 Block Land & Land Reforms Offices, revealed the following lapses: (i) 'Register-X' was not being maintained and updated regularly, which was a lapse on the part of the concerned BL&LROs (ii) there were no records, in the test-checked DL&LR offices, to suggest that periodical reports, along with the recommended course of action, in respect of cases of non-realisation of lease rent, were being submitted by the BL&LROs and (iii) there were no records in support of the concerned DL&LROs/SDL&LROs having offered suggestions to the BL&LROs, regarding proper maintenance of the mandatory registers, during their inspections.

Audit noticed that, in 52 leases (out of the total 241 leases), annual lease rent and interest, in respect of 36 lessees, possessing 674.39 acres of land, were due, for different periods, ranging between one year and 12 years. The concerned BL&LROs had not taken the prescribed action, which had resulted in the non-realisation of annual lease rent and interest, amounting to ₹ 55.77 lakh (annual lease rent: ₹ 51.73 lakh and interest: ₹ 4.04 lakh). Further, the BL&LROs had not taken action to realise the outstanding lease rent. Demand notices were issued by the BL&LROs, only after this had been pointed out in audit.

Further, these lapses, on the part of BL&LROs/SDL&LROs/DL&LROs, indicate that similar instances, in other DL&LR offices, cannot be ruled out. After this being pointed out (December 2021), the DL&LROs accepted the audit observations and stated that: (i) appropriate action would be taken to realise the lease rent in 39 cases, involving ₹ 41.58 lakh (ii) demand notices would be issued to realise the lease rent in nine cases, involving ₹ 13.85 lakh and (iii) BL&LROs would be instructed to realise the lease rent in four cases, involving ₹ 0.34 lakh.

Further, the Department intimated (December 2022) that lease rent of ₹ 5.19 lakh has been realized by Birbhum DL&LRO. Thus, ₹ 50.58 lakh is yet to be realized (March 2023).

2.7 Non-realisation of revenue for land used for commercial purposes

Lack of action by DL&LROs resulted in non-realisation of rent, cess and surcharge of ₹ 4.63 crore, in cases pertaining to land used for commercial purposes.

Sections 22 and 23 of the West Bengal Land Reforms (WBLR) Act, 1955, read with the West Bengal Land Reforms (Amendment) Act, 2003 and 2005, provide that raiyats[50] using land for commercial purposes are liable to pay land revenue at prescribed rates. Further, The Kolkata Land Revenue Act, 2003 and The

[49] *Bankura, Birbhum, Purba Bardhman and North 24 Parganas.*

[50] *'Raiyat' means a person or an institution holding land for any purpose.*

Kolkata Land Revenue (Amendment) Act, 2003[51], provide that a raiyat shall be liable to pay land revenue, within the Municipal areas under the Kolkata Metropolitan Development Authority (KMDA). In addition to rent, cess[52] and surcharge[53] are also to be paid by raiyats in rural areas, whereas surcharge is to be paid by raiyats in urban areas.

According to the WBLR Manual 1991, Rule-297, Bhumi Sahayaks[54] are primarily responsible for collection of Government dues, including land revenue. This is also one of the main responsibilities of a Revenue Inspector[55] and other superior officials, *i.e.* Blocks Land and Land Reforms Officer (BL&LRO). The manual further stipulates that while the collection of revenue continues throughout the year, it should be accelerated during the peak collection season, *i.e.* in the Bengali months of Poush, Magh, Falgun and Chaitra. This is to be achieved by organising collection camps and creating public awareness regarding payment of Government dues, through suitable leaflets and other means of publicity. Active co-operation of the Panchayats needs to be enlisted, for maximising collection efforts during the peak collection season.

According to the WBLR Manual 1991, Rule-313, the Revenue Inspector and the BL&LRO are responsible for checking of the Bhumi Sahayak's accounts, regarding collection of revenue. For this purpose, the BL&LRO is required to draw up a programme in advance, in such a manner that the account of no Bhumi Sahayak remains unchecked for more than a month. The Revenue Inspector is also required to check the accounts of the Bhumi Sahayak posted in his office, at least twice a month. Every month, the BL&LRO has to submit a report to the Sub-Divisional Land and Land Reforms Officer, to the effect that all accounts of Bhumi Sahayaks in his area, for the preceding months, have been checked by himself or a Revenue Officer and that the collection by Bhumi Sahayaks has been accounted for. Bhumi Sahayaks are required to present their collection papers to the BL&LRO once in three months.

According to the WBLR Manual 1991, Rule-324, as soon as possible, after the close of each year, the Bhumi Sahayak is to submit a list of defaulters, in the form of Return-II, to the BL&LRO, through the Revenue Inspector. The return is to be checked at the office of the BL&LRO and cases are to be filed against the defaulters. The filing of certificate cases is required to start after the end of Baisakh and is to be completed by the first of July (mid-Shravan).

A test-check of Bhumi Sahayaks' Collection Registers (Register-III) and Rent Receipt Books, in regard to 23,851 raiyats, using land for various commercial and industrial purposes, such as rice mills, agro industries, cold storage, godowns, garages, shops, markets, crushers, brickfields *etc*., during the financial years 2017-18 to 2020-21, in 45 BL&LROs, under five DL&LROs, revealed (September - December 2021) that:

51 *Vide Notiification No. 2198-L dt. 31.12.2003 of the Kolkata Gazetee.*

52 *Road cess (six per cent) Public Works Cess(25 per cent), Primary Education Cess (10 per cent) and Rural Employment Cess (30 per cent).*

53 *Rural Employment Surcharge (15 per cent).*

54 *'Bhumi SAhayaks' assit the Revenue Inspectors in collection of land revenue, cess and other Government dues from raiyat.*

55 *At the Gram Panchayat level, the Land and Land Reforms work is under the overall charge of a Revenue Inspector.*

222 raiyats, in 557 cases, had not paid land revenue and surcharge of ₹ 2.33 crore, on 1,158.36 acres of land, situated under KMDA.

1,895 raiyats, in 4,063 cases, had not paid land revenue, cess and surcharge of ₹ 2.30 crore, on 6,372.25 acres of land, situated in municipal areas and gram panchayat areas.

The BL&LROs concerned had neither issued demand notices, nor had they initiated action to realise the dues from the raiyats. This resulted in non-realisation of rent, cess and surcharge of ₹4.63 crore.

After this was pointed out in audit, the five DL&LROs accepted (September-December 2021) the audit observations and assured that necessary action would be taken, to ensure realization of the revenue.

The matter was reported to the Government in August 2022. The reply is still awaited (March 2023).

MICRO, SMALL & MEDIUM ENTERPRISES AND TEXTILES DEPARTMENT

2.8 Detailed Compliance Audit on Implementation of the Cluster Development Programme in West Bengal

2.8.1 Introduction

The Micro, Small and Medium Enterprises & Textiles (MSME & T) Department, Government of West Bengal (GoWB) is the nodal agency for the growth and development of the Micro, Small and Medium Enterprises, including the Textiles and Handicrafts sectors. The MSME&T Department comprises of the following:

(i) Directorate of MSME,

(ii) Directorate of Textile (Handloom),

(iii) Directorate of Textile (Powerloom),

(iv) West Bengal Khadi and Village Industries Board, and

(v) Undertakings/Corporations/Societies.

The main objectives of the Department are to: (i) promote and facilitate the growth of Micro Small and Medium Enterprises, as well as the Cottage, Handicrafts, Handloom, Coir and Lac sectors; and (ii) to impart training to new and old entrepreneurs. It aims to do so by identifying and training prospective entrepreneurs and extending infrastructure support to them.

The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI), had adopted[56] (October 2007) the Cluster Development approach as a key strategy for enhancing the productivity and competitiveness of the Micro and Small Enterprises (MSEs) in the country, as well as for their capacity building.

[56] *Revised guidelines of Micro and Small Enterprises Cluster Development Programme, 2010.*

As per the revised guidelines of the Micro and small Enterprises Cluster Development Programme, 2010, a cluster is a group of enterprises located within an identifiable contiguous area and producing same/similar products / complementary products/services, which can be linked together by common physical infrastructure facilities that help address their common challenges. The characteristic features of the enterprises in a cluster are:

(a) Similarity or complementarily in the methods of production, quality control and testing, energy consumption, pollution control *etc*.;

(b) Similar level of technology and marketing strategies/practices;

(c) Similar channels for communication among the members of the cluster;

(d) Common market and skill needs;

(e) Common challenges and opportunities that the cluster faces.

The Cluster Development Programme (CDP), in West Bengal, is being implemented under the 'Micro and Small Enterprises - Cluster Development Programme' (MSE-CDP), through joint funding, with grants by the Government of India (restricted to 70 *per cent* of the project cost or to 90 *per cent,* in case of micro/village, women owned or SC/ST units); funding by Special Purpose Vehicles (SPVs) - of at least 10 *per cent* of the project cost; and gap funding by the State Government.

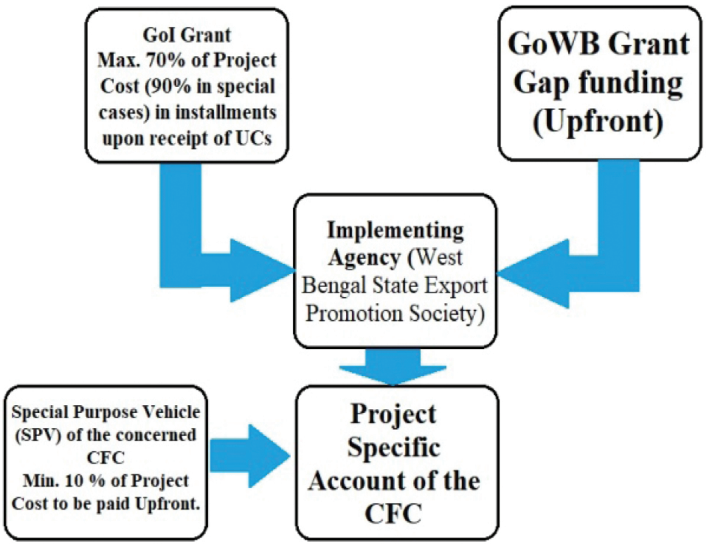


Fig. 2.6: Flow chart of fund flow

The main objectives of the CDP are: (i) strengthening of the institutional framework (ii) providing backward and forward linkages and (iii) creation of need-based Common Facility Centres (CFCs), using modern technology, for enhancing the productivity and competitiveness of the enterprises in the cluster.

The National Level Steering Committee (NLSC)[57] is the Apex body for monitoring the progress of the scheme under the MSE-CDP. Further, a State Level

[57] *The NLSC comprises of Secretary (MSME), GoI, as the chairperson and the following members: (i) Additional Secretary and Development Commissioner (MSME) (ii) Additional Secretary and Financial Advisor, MSME (iii) Adviser (VSE) NITI Aayog (iv) Joint Secretary, Ministry of MSME (v) representative from SIDBI and (vi) representatives from the concerned Industry Association(s).*

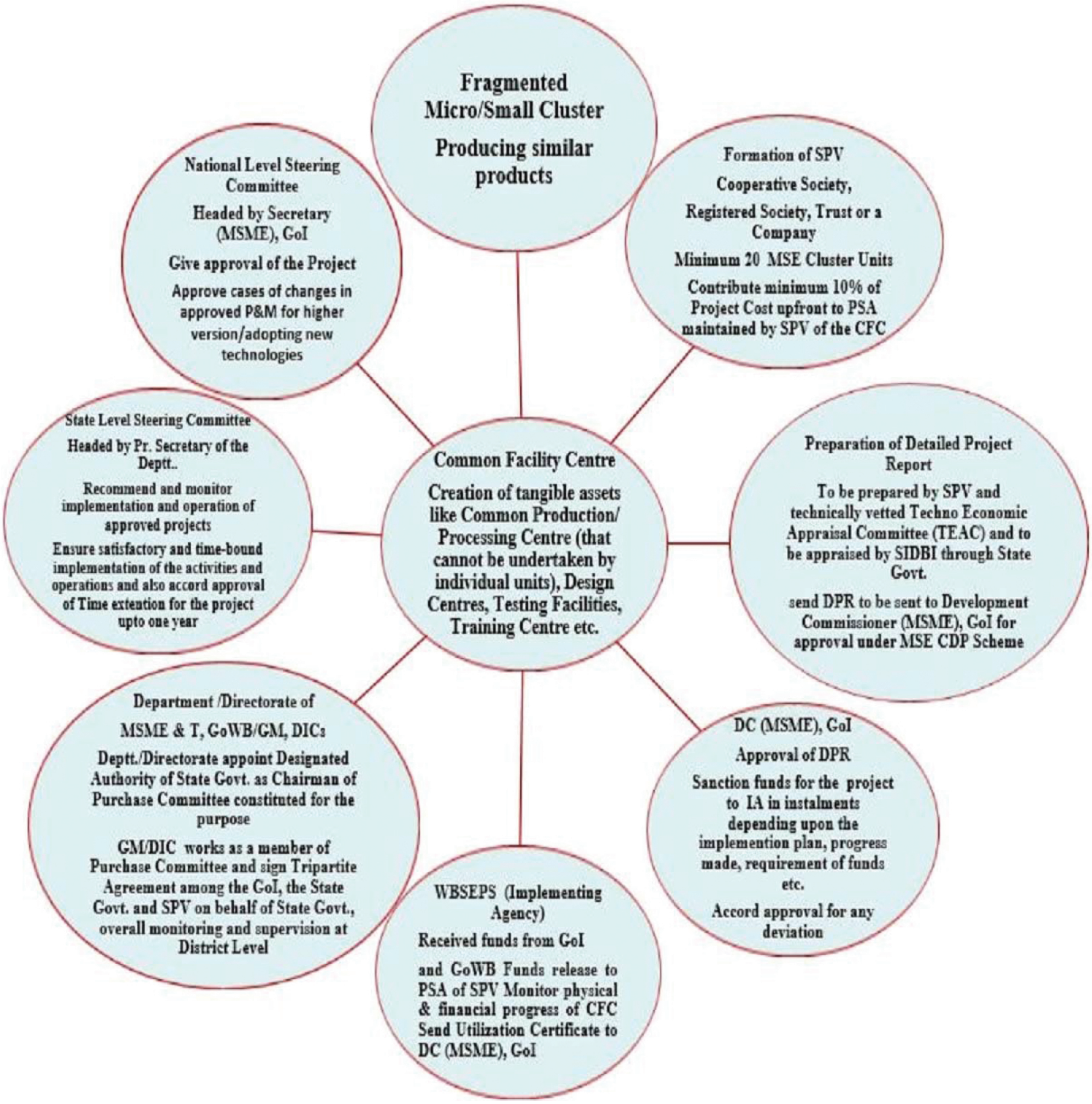


Fig. 2.7: Flow chart of formation of CFC

Steering Committee (SLSC)[58] has been constituted by the State Government, to recommend and monitor the implementation and operation of approved projects in the State, as well as to ensure satisfactory and time-bound implementation of the activities and operations, thereafter. The West Bengal State Export Promotion Society (WBSEPS) was nominated (November 2011) as the Implementing Agency (IA) for the execution of the CDP, under MSE-CDP. The Directorate of MSMEs, comprising of 21 District Industries Centers (DICs) and one Sub-DIC, acts as the monitoring agency for the MSE-CDP, in the districts.

For creation, operation and day-to-day maintenance of CFCs, a Special Purpose Vehicle (SPV) is to be formed, as per the guidelines of the MSE-CDP. The SPV

[58] *The SLSC comprises of ACS/Pr. Secretary/Secretary (Industries/MSME)/ Commissioner/ Director of Industries/MSME, as the chairperson and representatives from the Industry Association(s), Finance Department, Director, MSME-DI and General Managers of the District Industries Centres (DICs) concerned, as members.*

is a legal entity (Co-operative Society, Registered Society, Trust or a Company), with evidence of prior experience of positive collaboration among its members, in which any beneficiary unit in the cluster can become a member. The facilities of CFC can be availed of by all units of the cluster (both- SPV members, as well as non-SPV members), though reasonable preference may be given to the SPV members, in regard to the user charges. The SPV is to be exclusively responsible for the day–to–day running of the CFC. Further, one Central and State Government official each, should be members of the SPV.

The admissible activities under MSE-CDP comprise of the following:

- **Diagnostic Study Report:** for mapping the business processes in the cluster and proposing remedial measures, with a validated action plan.
- **Soft Interventions:** providing technical assistance, capacity building, exposure visits, market development, trust building, *etc*. for the units in the cluster.
- **Detailed Project Report (DPR):** preparing technically feasible and financially viable project reports, for setting up CFC for (i) clusters of MSE units and/or infrastructure development projects therein (ii) new industrial estates/areas or (iii) upgradation of infrastructure in the existing industrial estates/areas/clusters.
    - **Hard Intervention/CFCs:** creation of tangible "assets", like Testing Facility, Design Centre, Production Centre, Effluent Treatment Plant, Training Centre, Research and Development (R&D) Centre, Raw Material Bank/Sales Depot, Product Display Centre, Information Centre and/or any other need-based facility.
    - **Infrastructure Development:** development of land, provision of water supply, drainage, distribution of power, harnessing non-conventional sources of energy for common captive use, construction of roads, creation of common facilities, such as first aid centre, canteen, other need-based infrastructural facilities.

Under the MSME Directorate, 292 clusters were developed (from October 2010 to May 2022), under the Cluster Development Programme (CDP). Out of these, 13 CFCs were taken up under MSE–CDP, in eleven districts, at a project cost of ₹ 88.02 crore. Out of ₹ 51.39 crore released for these 13 CFCs, expenditure of ₹ 45.48 crore had been incurred[59]. Further, five[60] had been fully completed and handed over, one[61] had been partly completed and handed over, four[62] were ongoing, two[63] had been dropped and one[64] had not been taken up.

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59 *The dates of field audit inspection were between May to August 2022.*

60 *CFCs of: (i) Fan Manufacturing Cluster, Bansdroni, Kolkata (ii) Plastic Products Cluster, Rajganj, Jalpaiguri (iii) Honey Processing Cluster, Malda (iv) Roofing Tiles Cluster, Murlu, Bankura and (v) Zari Embroidery Cluster, Budge Budge II Block, South 24 Parganas.*

61 *Lead Acid Storage Battery Cluster, Darjeeling.*

62 *(i) Refractory Bricks Cluster, Salanpur, West Burdwan (ii) Re-rolling Mills Cluster, Jagatballavpur, Howrah (iii) Kaliyaganj Edible Oil Cluster, Uttar Dinajpur and (iv) Silver Filigree Cluster, Magrahat, South 24 Parganas.*

63 *(i) Metal Casting (Foundry) Cluster, Howrah and (ii) Leather Goods Cluster, Santiniketan, Birbhum.*

64 *Rice Mill Cluster, East Burdwan.*

2.8.2 Audit Objectives

The audit objectives were to assess whether the:

i. Clusters had been identified and Special Purpose Vehicles (SPVs) formed, as per the MSE-CDP guidelines;

ii. Creation of CFCs, under 'Hard Intervention' had been taken up in the different clusters, as per the MSE-CDP guidelines;

iii. Desired objectives had been achieved;

iv. Cluster Development Programme (CDP) had been adequately monitored & supervised, with a view to ensuring the timely completion of clusters.

2.8.3 Audit Criteria

- Guidelines for the Micro and Small Enterprises-Cluster Development Programme (MSE-CDP), October 2007 and Revised Guidelines for Micro and Small Enterprises-Cluster Development Programme (MSE-CDP), May 2010.
- Administrative Approval (AA)/Final Approval (FA) and Sanction Orders, relating to the creation of the CFCs.
- General Financial Rules (GFR) 2005 & 2017 and Guidelines of the Central Vigilance Commission (CVC).
- Notifications, guidelines, circulars, orders, amendments *etc*., issued by the Department of Finance and the Department of Micro, Small & Medium Enterprises & Textiles, Government of West Bengal, in regard of MSE-CDP guidelines.

2.8.4 Scope and Methodology

The audit methodology involved: (i) detailed checking of the records/files of the CFCs in the DIC offices (ii) joint site inspections with departmental officials (iii) collecting photographic evidence (iv) holding discussions with departmental officials and SPV members at the different implementing units, in the selected CFCs.

Eight CFCs, out of 13 CFCs, under the MSE-CDP, were selected on the basis of judgemental sampling[65], in eight districts. The audit was conducted between May 2022 and September 2022.

An entry conference was held on 30 June 2022, with Special Secretary, MSME Department, to discuss the audit objectives, audit criteria, scope and methodology. The audit findings were discussed in the exit conference held on 07 December 2022, with the Principal Secretary, MSME Department. The responses to the audit observations, received from the Department, have been suitably incorporated in this Report.

[65] *The following CFCs were not taken up: i) One CFC which had been approved but had not been taken up (ii) one of the two CFCs which had been dropped after expenditure has been incurred, but the expenditure incurred was low and (iii) three out of five CFCs which has been completed and handed over (excluded on the basis of lower expenditure).*

Audit Findings

Details of the project costs, funds released, expenditure incurred and status, in regard to the eight selected CFCs, are as under:

Table 2.11: Present status of the selected CFCs

(₹ in crore)

Sl. No.	Name of the CFC Project, with location	Date of final approval	Target date of completion	Original Project Cost	Funds released	Expenditure incurred	Present status	Objectives of the CFCs
1.	Refractory Bricks Cluster, Salanpur, West Burdwan.	13.02.18	12.02.20	11.72[66]	8.91	8.24 (as of July 2022)	Incomplete, pending supply of Plant and Machinery (P&M).	To provide testing facility, calcination centre, refractory cement processing centre and marketing facility.
2.	Re-rolling Mills Cluster, Jagatballavpur, Howrah	19.10.10	12.03.14	15.56	11.21	11.21 (as of June 2022)	Incomplete, due to non-supply of eight P&M, despite payment having been made.	To provide testing, machine shop and raw material processing facility.
3.	Fan Manufacturing Cluster, Bansdroni, Kolkata	07.06.11	06.06.13	2.06	3.11	3.11 (as of June 2022)	Operative, with focus on the manufacture of fans & automotive parts, rather than on testing facility.	To provide support for enhancing quality, energy efficiency and effective induction of new technology.
4..	Silver Filigree Cluster, Magrahat, South 24 Parganas	29.07.11	25.03.15	1.50	1.26	1.14 (as of June 2022)	Could not be completed due to injunction on power supply.	To design filigree items, melting of silver alloy and casting of silver products.
5.	Leather Goods Cluster, Santiniketan, Birbhum	21.10.09	Not stipulated	3.02	2.65	2.48 (as of August 2022)	Opted out from MSE-CDP, due to short contribution by the SPV. Subsequently, it was taken under the State Cluster Programme.	To provide a design development and training centre, as well as library of technical material.
6.	Plastic Products Cluster, Rajganj, Jalpaiguri	16.05.13	15.05.15	3.79	3.79	4.07 (as of June 2022)	Operative. Spares are being manufactured, in addition to carrying out desired repair & maintenance works.	To provide technological services, including necessary tooling/ maintenance support.
7.	Lead Acid Battery Cluster, Siliguri, Darjeeling	01.02.13	31.01.15	9.37	5.24	5.24 (as of March 2022)	Incomplete. CFC was handed over to the SPV, with only recycling facility. The other two approved facilities were dropped. Operations could not commence due to constraints of working capital (WC).	Development of waste battery recycling, to yield quality and cost competitive raw material, as well as quality component plates for new batteries.
8.	Kaliyaganj Edible Oil Cluster, Uttar Dinajpur	11.07.19	10.07.21	14.49	9.09	5.50 (as of June 2022)	Incomplete, due to non-receipt of response to tenders (invited thrice) for purchase of P & M.	To provide processing services, as well as training services, to increase productivity.

(Source: Information provided by the Department)

[66] *Revised cost - ₹ 11.33 crore.*

From the above table, it is evident that a majority of the CFCs, under the MSE-CDP, were not operational, due to various lapses on the part of the Department, as discussed in the subsequent paragraphs.

> ***RECOMMENDATION 1:***
>
> ***State Government may ensure due diligence as per existing programme guidelines before identification of Clusters.***

2.8.5 Identification of clusters & formation of SPVs

2.8.5.1 Representation in the SPVs

The Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) guidelines state that the SPV membership should be open-ended and any beneficiary unit in the cluster should have the option of becoming an SPV member, as and when it so desires.

Audit observed the following instances of inclusion of ineligible stakeholders:

Table 2.12: Ineligibility of SPV members in CFCs

Name of the CFC	Irregularities in composition of the SPV	Reply of the Department
Silver Filigree Cluster, Magrahat, South 24 Parganas	Out of 410 members of the SPV, 52 were traders, who were ineligible, as all stakeholder members of the SPV should have been artisans, as per the approved DPR of the CFC.	The Department did not furnish reply.
Re-rolling Mills Cluster, Jagatballavpur, Howrah	The SPV is comprised of members associated with consultancy services, financial services, medical centre, mushroom & floriculture, entertainment, wholesale, marketing, infrastructure development *etc.*, who are not associated with the activities of re-rolling mills.	The Department stated (December 2022) that the SPV was formed as per guidelines of MSE-CDP. The reply is not tenable, as inclusion of members not related to cluster, is against the concept of CDP as per Para 1 of the MSE-CDP guidelines.
Leather Goods Cluster, Santiniketan, Birbhum	The then GM, DIC, Birbhum, who was assigned with the monitoring of the CFC, enrolled himself as one of the members of the SPV, despite not being associated with the leather sector.	The Department stated (December 2022) that the CFC project was dropped by GoI and SPV was formed as per guidelines and amendments. The reply is not tenable, as the guidelines permitted membership of only those who were associated with the activity of the CFC. Thus, inclusion of the GM, as member was tantamount to conflict of interest, as per Para 1 of the MSE-CDP guidelines.
Plastic Products Cluster, Rajganj, Jalpaiguri	Out of 33 stakeholders, trade licences (Udyam[68]) of 23 traders were produced to Audit, out of which five were not associated with the manufacturing of plastic products[69].	The Department did not furnish reply.

[67] *'Udyam' is an online system of registering Micro, Small and Medium enterprises, launched by GoI on 1st July 2020.*

[68] *Associated with plastic goods shop, waste plastic scrap supply and trading.*

2.8.5.2 Rotation of Management (office Bearers) of the SPV

Para 6(xi) of the Administrative Approvals (AAs) of the CFCs of the Fan Manufacturing and Silver Filigree Cluster, required that the Management (office bearers) of the SPV should be appointed on rotation basis.

Audit observed the following instances of non-rotation of Office Bearers:

Table 2.13: Non-rotation of office bearers

Name of the CFC	Audit observations	Reply
Fan Manufacturing Cluster, Bansdroni, Kolkata	One Director had been holding charge since March 2010 and three directors since April 2015.	The Department stated (December 2022) that the SPV had been formed as per the MSE-CDP guidelines and it was functioning in accordance with the administrative approval of GoI.
Silver Filigree Cluster, Magrahat, South 24 Parganas	Six members of the SPV are continuing as Directors of the Board since 2009.	The Department stated (December 2022) that the SPV had been formed as per the MSE-CDP guidelines, and it was functioning in accordance with the administrative approval of GoI.

The replies are not tenable as non-rotation of four Directors in the CFC of the Fan Manufacturing Cluster and six members of the CFC of the Silver Filigree Cluster, was against the provisions in the AAs of GoI.

RECOMMENDATIONS:
State Government may–

2. ***Ensure that Detailed Project Reports for CFCs are based on realistic cost estimates to ensure viability of projects.***
3. ***Ensure Compliance of the guidelines and AA of GoI, in regard to representation and rotation of members in SPVs.***
4. ***Determine and fix responsibility for wilful inclusion of ineligible members in SPVs.***

2.8.6 Creation of CFCs under 'Hard Intervention'

2.8.6.1 Procurement of Plant & Machinery (P&M)

The Administrative Approvals of the selected CFCs stipulated that the purchase of P&M should be made as per the GoI purchase procedure *i.e.*, through a Purchase Committee, chaired by the designated Authority nominated by the Department and having members from the Ministry of MSME (Govt. of India), Technical expert (if required), officer from the Implementing Agency, members from SPVs, representative from the concerned Bank *etc.* and GM, DIC concerned.

Clause 9 (a) (ii) of the MSE-CDP guidelines stipulated that the approval of NLSC, was required, in cases of changes in the approved Plant & Machinery, (P&M), for higher versions/adoption of new technologies.

Audit observed the following instances of deviations, in purchase of P&M, without approval of NLSC.

(a) CFC of the Silver Filigree Cluster, Magrahat, South 24 Parganas

Para 11 of the Administrative Approval (July 2011) of the CFC stipulated that, in case of misutilization, diversion or non-utilization of funds, in accordance with the condition of the sanction, the Implementing Agency (IA) was to return the entire amount of grant-in-aid, along with interest @ 10 *per cent* per annum. As per the AA (2011), GoI sanctioned ₹ 1.19 crore for the project, out of which, ₹ 96 lakh was for procurement of P&M. GoI released ₹ 50 lakh as the 1st instalment.

Audit observed that seven machines had been procured (October 2021), at an additional cost of ₹ 35.11 lakh, in place of two approved machines. Further, the purchase proposals of 15 approved machines, costing ₹ 76.04 lakh, had been dropped (October 2018). All these changes had been made without obtaining required approval from the NLSC, GoI. Due to the deviation, the entire amount of grant-in-aid of ₹ 50 lakh, needed to be refunded to GoI, along with interest @ 10 *per cent* per annum, in conformity with clause no. 11 of the AA.

Further, joint physical verification[69] of the CFC revealed (06 July 2022) that only the ground floor had been constructed. However, the Tool Room[70], which had been provided for in the DPR, had not been constructed on the ground floor. Similarly, the first floor, which had provision for a polishing room, office room, design office-cum-Library and Seminar-cum-Training room, had not been constructed. Thus, the aforesaid approved facilities, which were an integral part of the activity of the CFC, were not created, frustrating its objectives.

(b) CFC of the Fan Manufacturing Cluster, Bansdroni, Kolkata

Audit observed that four machines, costing ₹ 22.47 lakh, approved by DC, MSME, GoI, had not been purchased/delivered, without any reasons being available on record.

Further, 22 machines, costing ₹ 29.93 lakh, had been purchased outside the purview of the approved P&M. These deviations in procurement, had been made without the required approval of NLSC.

(c) CFC of the Lead Acid Battery Cluster, Siliguri, Darjeeling

The objective of the CFC was to recycle waste batteries and manufacture new batteries from these recycled products. The CFC had been approved (February 2013) with facilities like: (i) Waste Battery Recycling Plant (ii) Component Plate Development Facility (CPDF) and (iii) Testing Laboratory for raw materials, as well as finished batteries.

Audit observed that, during FYs 2016-17 to 2019-20, the SPV had purchased only six[71] items, out of the 26 approved item of P&M, at a cost of ₹ 2.61 crore, for the two facilities (Waste Battery Recycling Plant and Testing Facility). None of the 11 P&M items, earmarked for the CPDF, had been purchased. Thus, 20 items of P & M, of the CFC, had been dropped unauthorisedly, on the basis

69 *of audit with SPV members and DIC.*

70 *For providing service related to development of tooling as well as roll polishing and other maintenance activities for stakeholder's equipments.*

71 *Battery (scrap/waste cutting automatic machine, Rotary Furnace, Melting & Refining pots, Air Pollution Control System for pots, Ingot Casting System and Analytical Optical Emission Spectrometer.*

of the decision of the SPV, without the required approval of NLSC, as shown in **Table 2.14.**

Table 2.14: Facility-wise items of P&M not purchased in the CFC of the Lead Acid Battery Cluster, Siliguri, Darjeeling

Facilities to be provided	Total No. of items of P&M to be purchased	Approved cost (₹ *in crore*)	No. of items of P&M purchased	No. of items of P&M not purchased	Cost of items of P&M not purchased (₹ *in crore*)
Waste Battery Recycling Plant	7	3.22	5	2	0.92
Component Plate Development Facility	11	2.20	0	11	2.20
Testing Laboratory for Raw Materials	8	0.65	1	7	0.34
Total	**26**	**6.07**	**6**	**20**	**3.46**

Consequently, the expected outcome, of achieving cost-effectiveness in battery manufacturing, through re-cycling of scrap batteries, could not be achieved, due to dropping of the approved CPDF and Testing Laboratory by the SPV without obtaining the required approval from NLSC. Post-handover (March 2022), the incomplete CFC is inoperative, owing working capital constraints of the SPV, due to which, the amount of ₹ 5.24 crore, spent on its development, remains blocked.

(d) CFC of the Plastic Products, Rajganj, Jalpaiguri

The Detailed Project Report (DPR) of the CFC mentioned a Salt Bath[72], having an estimated cost of ₹ 6.36 lakh, as being a basic component of the CFC. Audit observed that, instead of purchasing the approved Salt Bath, the CFC had purchased an unapproved Hand Operated Hydraulic Press and Ball Geared Precision Lathe, at a cost of ₹ 8.85 lakh, without the concurrence of the NLSC.

Fig. 2.8: Showing shed of approved component plate development facility which was subsequently dropped by SPV

In regard to the CFCs of the Silver Filigree, Fan Manufacturing and Lead Acid Clusters, the Department stated (December 2022) that need-based deviation had been done, considering the market demand, which had been approved by the tender and purchase committee, without increasing the approved cost.

[72] *'Salt Bath' is a device for heating or cooling of an article, by immersing it in a liquid consisting of fused salts.*

The reply is not tenable, as deviations in the purchase of approved items of P&M, had to be approved by NLSC/DC, MSME, GoI, as per guidelines. The Department did not furnish any reply, in regard to the CFC of the Plastic Products Cluster.

RECOMMENDATION 5:

State Government may ensure that all the deviations from the Administrative Approvals are approved by the NLSC/ DC, MSME, GoI, as stipulated in the guidelines of MSE- CDP.

2.8.6.2 Payments and Recoveries of advances

Rule 159 of GFR, 2005, stated that: (a) ordinarily, payments for services rendered or supplies made, should be released only after the services have been rendered or supplies made (b) it may, however, become necessary to make advance payments, in the following types of cases:

(i) advance payments demanded by firms holding maintenance contracts for servicing of air-conditioners, computers, other costly equipment *etc*.

(ii) advance payments demanded by firms against fabrication contracts turn-key contracts, *etc*.

(c) such advance payments, to private firms, should not exceed thirty *per cent* of the contract value.

In regard to the CFC of the Re-rolling Mills Cluster, Jagatballavpur, Howrah, Audit observed that, advances amounting to ₹ 6.37 crore, had been paid (during FYs 2011-12 to 2013-14), to four agencies, which had been entrusted, by the SPVs, with non-admissible supplies/works, as detailed in ***Appendix-9***, in violation of the GFRs. Further, three out of four such agencies were SPV members [73], to whom the award of work had resulted in conflict of interest.

It was further observed that one of the agencies[74], to whom advance of ₹ 4.33 crore had been paid (between June 2012 and May 2013), for supply of machines, had not delivered 50 out of 74 machines, costing ₹ 1.76 crore, even after a lapse of nine years. Consequently, the project had remained stalled. The SPV had lodged an FIR (October 2019) against the defaulter agency, after six years. The amount was yet to be recovered (as of July 2022).

The Department stated (December 2022) that the SPV had, on several occasions, been asked to recover the amount from the concerned machine supplier, and a certificate case would be initiated under the Public Demand Recovery Act.

RECOMMENDATION 6 :

State Government may determine and fix responsibility for placement of supply orders on members of SPVs as well as release of advances for procurement of plant and machinery in violation of GFRs.

2.8.6.3 Construction of CFC building out of GoI funds

Clause 3 of the AAs (June 2011) of CFCs, under the MSE-CDP, stipulated that, before release of the 1st instalment of GoI assistance, necessary infrastructure,

[73] *M/s. H. R. International Ltd, M/s. H. R. Infracom Ltd and M/s.Alankar Commotrade Pvt. Ltd.*

[74] *M/s. H. R. International.*

like water, construction of building for installation of machinery and equipment *etc*., should be completed. The guidelines of MSE-CDP also reiterated that the entire cost of land and building, for the CFCs, was to be met by funds from the SPVs/State Government.

Audit observed that, in the CFC of the Fan Manufacturing Cluster, an amount of ₹ 5.20 lakh had been spent, out of the GoI share of ₹ 1.34 crore, for construction of building.

The Department stated (December 2022) that machines had been procured by utilizing GoI funds and UC for the same had also been submitted to GoI, through the IA. The reply is not tenable, since a portion of GoI grant had been utilized for construction of the CFC building, which was inadmissible.

2.8.6.4 Compliance of SIDBI's Appraisal Reports

A. The MSE-CDP guidelines stated that the DPR, prepared for each CFC, by the SPV, is to be forwarded to the Small Industries Development Bank of India (SIDBI), through the IA, for its appraisal. Further, Para 3 of the AAs of four Clusters[75] also mandated that the SPVs were to comply with the terms & conditions of the SIDBI Appraisal Report, which would be monitored by the IA for compliance. Further, the first instalment of GoI's fund was to be released after fulfilment of the conditions stipulated in the AA, including those specified in the Appraisal Reports.

Audit observed that, as per SIDBI's Techno Economic Appraisals (TEAs) of CFC Projects, the SPVs of the four CFCs had acquired 7.96 acres of land, of different classifications, such as DANGA, SAHARI, DOLA, VITA[76] *etc*. SIDBI had recommended, in this regard, that the SPVs furnish necessary approval, for conversion of such land, to industrial land, to GoI. However, cross-check of the details of these lands with 'Banglarbhumi', the official website of the Land & Land Reforms & Refugee Relief and Rehabilitation Department, GoWB, by Audit revealed that the land of three CFCs[77] had not been converted to industrial land, while the land of one CFC[78] had been partially converted to industrial land, as shown in ***Appendix - 10***.

The Department stated (December 2022) that the concerned SPVs had been instructed to ensure conversion of the land.

B. As per Clause 9.1.3 (i) of SIDBI's TEA Report for the CFC of the Kaliyaganj Edible Oil Cluster, Uttar Dinajpur, special permission was required for purchase and storage of Hexane, a highly inflammable solvent, from the Ministry of Industry (GoI)/Department of Fire (GoWB). The TEA report stipulated the following conditions:-

(i) Registration with the Secretariat for Industrial Approvals (SIA),Ministry of Industry, Udyog Bhavan, New Delhi

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[75] *(i) Plastic Products, Jalpaiguri (ii) Lead Acid Battery, Siliguri (iii) Kaliyaganj Edible Oil, Uttar Dinajpur and (iv) Refractory Bricks, Salanpur, West Burdwan.*

[76] *Danga, Dola and Sahari – Agricultural Land, Vita – Bastu non-Agricultural Land.*

[77] *(i) Plastic Products, Jalpaiguri (ii) Lead Acid Battery Cluster, Siliguri (iii) Kaliyaganj Edible Oil, Uttar Dinajpur.*

[78] *Refractory Bricks, Salanpur, West Burdwan.*

(ii) Approval of the layout, detailed site plan, section-wise layout and plant layout, by the Chief Inspector of Factories/Factory Inspection Authority, of the State Government.

(iii) Approval of the Solvent Storage Tank layout, by the Chief Controller of Explosives, Nagpur/Zonal Office.

(iv) Obtaining Solvent Extraction Order (SEO) Licence, from the Directorate of Vanaspati Vegetable Oils and Fats, Ministry of Agriculture and Irrigation, Department of Food, Krishi Bhavan, New Delhi, in terms of the Solvent Extracted Oil, Deoiled Meal and Edible Flour Control Order.

(v) Obtaining No-objection certificate, from the Fire Department, for the location of the plant, on the proposed premises.

(vi) Approval from the Boiler Inspectorate, for the proposed high pressure streamline in the Solvent Extraction Plant.

The above conditions were to be fulfilled, to ensure the safety of the plant. Audit, however, observed that the stipulated conditions and required approvals, as recommended by SIDBI, had not been complied with.

The Department stated (December 2022) that necessary steps would be taken for compliance.

2.8.6.5 Fixation of user charges

Clause 5(iii) (m), of the Guidelines of MSE-CDP, requires that user charges, for the services of the CFCs, be so designed, as to at least meet all the running expenses, with reasonable growth, close to the prevailing market prices, as decided by the management of the SPV.

Audit observed that neither of the two CFCs[79] which were in operation, out of the eight selected CFCs, had introduced user charges. In the absence of prescribed rates, the two CFCs were collecting user charges in an arbitrary manner.

The Department stated (December 2022) that user charges had since been fixed. It did not, however, furnish documents in support of this assertion.

2.8.6.6 Insurance of P&M of the CFCs, by the SPV

Clause 13 of the Tri-partite Agreement[80], drawn up in terms of the MSE-CDP guidelines, required SPVs to insure all the P & M, fixtures and equipment, of the concerned CFCs, for a minimum period of 10 years, at their own cost.

P &M had been procured in six CFCs out of eight selected CFCs. In four[81] out of these six CFCs, P & M worth ₹11.44 crore was procured, wherein these items of P&M had not been insured by the SPVs, though this was required under the MSE-CDP guidelines. Audit further observed that two items of P&M[82], of ₹ 0.35 lakh, had been stolen (August 2019) in the CFC of the Re-rolling Mills

[79] *CFCs of the Fan Manufacturing Cluster, Bansdroni, Kolkata and Plastic Products Cluster, Rajganj, Jalpaiguri.*

[80] *Among GoI, GoWB and the SPV concerned.*

[81] *CFCs of the: (i) Silver Filigree, Magrahat, South 24 Parganas, (ii) Fan Manufacturing, Bansdroni, Kolkata, (iii) Re-rolling Mills, Jagatballavpur, Howrah and (iv) Lead Acid Battery, Siliguri, Darjeeling.*

[82] *'WOLF' brand angle grinder M/C duly fitted with 9 inches and 7 inches dia grinding wheel.*

cluster, Jagatballavpur. However, claim could not be made in this regard, as insurance had not been taken for those machinery items.

The Department stated (December 2022) that all the concerned GM, DICs, had now been instructed to take necessary action in this regard. However, the copy of the instructions had not been provided to Audit.

2.8.6.7 Prospects of operation of the CFCs

(a) CFC of the Re-rolling Mills Cluster, Jagatballavpur, Howrah

Para 6 (e) (iv) of the AA of the CFC stipulated that it should start functioning within 24 months from the date of actual release of the first instalment of GoI grant-in-aid.

Audit observed that GoI had released the first instalment in March 2012. Expenditure of ₹ 11.21 crore had been incurred (upto June 2022) on civil works and procurement of P&M. The SPV had intimated (December 2016) the GoWB that most of the P&M, installed in testing, raw materials processing and machine shop facilities, may not be useful and would not serve the purpose of the CFC. Moreover, NIFFT, Ranchi[83], also confirmed (July 2018) that the testing facilities and raw material processing facilities, were not applicable, as the project had passed a considerable work life. The 25 machines purchased (between October 2012 and November 2013) at a cost of ₹2.41 crore, had remained idle, as the remaining eight machines were not supplied by the agency. The SPV requested (January 2019) Director, MSME, WB, for revival of the machine shop and requested for additional funds of ₹ 85.90 lakh for its effective utilization. However, further action was not taken by the Department in this regard.

Fig. 2.9: Dilapidated condition of the incomplete CFC of the Re-rolling Mills Cluster, Jagatballavpur, Howrah

Dy. Director (DD), GoI, calculated that an amount of ₹ 3.60 crore, along with accrued interest, was due on account of unspent GoI funds, and requested (August 2019) the Department to refund the amount to GoI (***Appendix-11***). The Dy. Director (DD), GoI also instructing that consent be obtained from the

[83] *National Institute of Foundry and Forge Technology.*

National Small Industries Corporation Ltd. (NSIC), Howrah[84], for utilisation of the idle machinery, in the machine shop facilities of the NSIC, who are in the business of imparting training on foundry and metal fabrication.

Audit observed that neither had any communication been initiated with NSIC, for utilisation of the idle machinery, nor steps had been taken to refund the GoI share. Thus, the CFC had remained non-functional, even after ten years and the amount of ₹ 11.21 crore, incurred on civil works and procurements of P&M, had remained unfruitful, without achievement of the desired objectives. Further, the machines had remained idle in the CFC building, with the SPV not being ready to take charge of them. During joint physical verification (July 2022), Audit observed that the machine shop of the incomplete CFC had been unauthorisedly rented out to a third party, by the SPV, for a contractual period of five years, from July 2019 to June 2024, at a monthly rent of ₹ 0.20 lakh, without the knowledge of the Department.

The Department stated (December 2022) that project had already been closed by GoI, which had instructed refund of ₹ 3.60 crore, against its release of ₹ 6.15 crore. It was, however, noted that amount had not been refunded till date (December 2022) and the entire expenditure had remained unfruitful.

(b) Kaliyaganj Edible Oil Cluster, Uttar Dinajpur

Para 4 of the Final Approval (FA) of the CFC stipulated that the IA was to ensure that the CFC should start functioning within two years, from the date of issue of FA. Para 9 of the FA further stipulated that escalation in the cost of project would be borne by the SPV/State Govt.

GoI accorded (July 2019) the FA of the CFC, at an approved cost of ₹ 14.49 crore (GoI share : ₹ 8.98 crore, GoWB share : ₹ 4.00 crore and SPV contribution: ₹ 1.50 crore), with scheduled completion by July 2021. The project had initially been sent to GoI, for approval, in October 2013. Subsequently, the DPR was resubmitted in January 2017, without cost escalation, despite the fact that the revised DPR had been submitted after a gap of four years. Thus, the Department failed to consider the escalation in the project cost, taking into account the market prices at the time of submission of revised DPR, in October 2017. The SPV received the first instalment of GoI share, amounting to ₹ 3.59 crore, in November 2019. It then demanded funds, amounting to ₹ 11.20 crore. Further, due to escalation of the cost of P&M, the SPV placed (February 2021) an additional demand for GoI funds, amounting to ₹ 5.81 crore[85], to the Department, overriding Para 9. Further, despite having incurred expenditure of ₹ 5.50 crore, on civil works (as of September 2022), the CFC could not be made functional, even after a time lag of 38 months, leading to non-achievement of the desired objectives.

The Department stated (December 2022) that the GoI funds had been transferred to the IA, as per GoI instructions. However, it did not provide documents in support of this assertion.

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84 *A Central PSU fostering growth of MSME sector, with the aim of supporting MSMEs and generating the skilled manpower for industries.*

85 *GoI Share stipulated in AA ₹ 8.98 crore. GoI fund released ₹ 3.59 crore. ₹ 5.39 crore actually due from GoI (₹ 8.98 – ₹ 3.59). Demand for additional fund made by SPV ₹ 11.20 crore. ₹ 5.39 crore actually due. Thus, ₹ 5.81 crore additional demand (₹ 11,20 – ₹ 5.39).*

RECOMMENDATION 7 :

State Government may take suitable action against the officials concerned for the wasteful expenditure incurred.

2.8.6.8 Contribution of SPV and their utilisation

Clauses 9(e) and (g) of the modified guidelines of the MSE-CDP required that the share of the cluster beneficiaries should be as high as possible and upfront[86], but not less than 10 *per cent* of the total cost of the CFC.

Audit observed that, subsequent to the CFC of the Santiniketan Leather Goods Cluster having been dropped (November 2012) from the list of projects being implemented under the MSE - CDP, after expenditure of ₹ 1.95 crore had been incurred on the CFC. GoWB had revived the project (April 2018), with an additional cost of ₹ 2.06 crore and fixed the share of the SPV at ₹ 20.65 lakh. In this regard, Audit noted that, while the contribution of the SPV should have been ₹ 40.16 lakh[87], the SPV had contributed only ₹ 27.40 lakh, leading to short contribution of ₹ 12.76 lakh. Further, the SPV had been able to utilise only ₹ 7.00 lakh, out of the available funds, with the residual amount remaining in the Project Specific Account (PSA).

The Department stated (December 2022) that such issues will be included in a set of guidelines, to be prepared for State funded CFCs.

2.8.6.9 Registration of land for CFC

Clause 8A (a) of the Guidelines of the MSE-CDP stipulated that the transfer/ procurement of land, for the CFC, should be in the name of the SPV.

Audit observed that, in the CFC of the Leather Goods Cluster, Santiniketan, Birbhum, the Sriniketan Santiniketan Development Authority (SSDA), Bolpur, had delivered (June 2008) possession of the leasehold land of one acre, in the name of the SPV, at a consideration of ₹ 27.60 lakh, for a period of 30 years. However, records revealed that registration/lease hold rights of the land were awaited, even after a lapse of over 14 years and 03 months (as of August 2022). The GM/DIC, Birbhum, was required to monitor the transfer of lease hold rights in favour of the SPV, before commencement of work of the CFC. The SPV had made a few communications, with SSDA, Bolpur, on this issue, but without any positive result. However, GM/DIC, Birbhum, had not made due efforts to expedite the process.

The Department stated (December 2022) that correspondence would be made with SSDA, at the Department level, in this regard.

2.8.6.10 Execution of agreement with SPV

The Guidelines of the MSE–CDP required that a tripartite agreement be executed, between the GoI, GoWB and the concerned SPV, for CFC projects.

The Santiniketan Leather Goods Cluster, Santiniketan, Birbhum, had been dropped from the MSE-CDP and had been revived (April 2018) under funding

86 *The contribution from SPV should be contributed first, followed by GoWB.*

87 *10 per cent of ₹401.59 lakh (₹195.16 lakh +₹ 206.43 lakh).*

from the State Government. Accordingly, the Department should have executed a bilateral agreement between the GoWB and the SPV, in line with the MSE-CDP guidelines.

Audit, however, observed that no such agreement, which was necessary for safeguarding the interest of the beneficiaries/assets, had been executed.

The Department stated (December 2022) that, as of now, there are no guidelines for the State funded CFCs. However, necessary clauses would be included in the proposed guidelines for State funded CFCs.

2.8.6.11 Operation of Project Specific Accounts (PSAs) of CFCs

Project Specific Accounts (PSAs) are to be maintained in a bank, for keeping the GoI, GoWB and SPV contributions and incurring expenditure therefrom. In a meeting held in August 2017, by the Director, MSME, GoWB, it was decided that the SPV of the Re-rolling Mills Cluster, Jagatballavpur, Howrah, be prohibited from operation of the PSAs, until further instructions from the Department, in view of irregularities noticed in the purchase of machinery.

Audit, however, observed that there were no records regarding communication of this embargo, either to the SPV, or to the concerned bank (State Bank of India). Audit further observed that the PSA had been operated (for the period from April 2021 to March 2022) unilaterally by the SPV of the CFC, as was evident from the bank statement of the PSA. The PSA was to be operated jointly by the SPV and the GM, DIC, Howrah. Funds amounting to ₹ 4.00 crore had been withdrawn unilaterally, by the SPV, from the account, for opening term deposits in favour of the SPV, for 365 days, without the knowledge of the concerned GM, DIC, Howrah.

The Department stated (December 2022) that necessary communication would be made with the Chief General Manager of the concerned Bank.

2.8.6.12 Submission of Utilization Certificates

The Administrative Approvals of the CFCs required that the IAs submit their Utilization Certificates (UCs) in Form GFR 19A. The UCs were to disclose the achievements against specified quantified and qualitative targets; specify reasons for shortfalls, if any; and the checks exercised thereon. They were also required to provide details of the activity-wise physical and financial progress.

Audit observed that the IAs did not have information of the component-wise actual expenditure incurred by the SPVs, on the creation of the CFCs, or the unutilized funds lying with the SPVs and the interest accrued thereon. After releasing funds to the SPVs, the entire funds were shown as having been utilized, in the UCs, without the actual expenditure having been verified. Audit also observed that UCs had been submitted by the CFCs without details of their activity-wise physical and financial progress. In the absence of this vital information, monitoring of the progress of execution of the CFCs, by the GoI, could not be ensured.

The Department stated (December 2022) that, henceforth, UCs would be submitted along with the required information/enclosures.

2.8.7 Tendering process

2.8.7.1 Publication of NIT

Rule 150 of GFR, 2005, stipulated that, subject to the exceptions incorporated under Rules 151 (Limited Tender Enquiry) and 154 (Single Tender Enquiry), invitation to tenders, by advertisement (Advertised Tender Enquiry), should be used for procurement of goods of estimated value of ₹ 25 lakh and above. In such cases, advertisements were to be given in the Indian Trade Journal (ITJ), published by the Director General of Commercial Intelligence and Statistics, Kolkata, and at least one national daily, having wide circulation. Further, as per order (April 2013) of MSME-DI, e-tendering became mandatory for procurement of P&M, for CFCs.

(a) Audit observed that, other than the CFC of the Silver Filigree Cluster, Magrahat, South 24 Parganas, for which NITs had been published, on two occasions (out of five), in the Indian Trade Journal, none of the other five[88] CFCs, which had procured P&M, had published NITs in the said Journal, or in any of the widely published national dailies, thus detracting from the objectives of open competition, wide participation and competitive rates. Further, none of these six CFCs had gone in for e-tendering, even though it had been made mandatory from April 2013 onwards.

(b) For procurement of P&M of the CFC of the Kaliyaganj Edible Oil Cluster, Uttar Dinajpur**,** NITs were restrictively invited thrice, through local newspapers and the private website of C1 India[89], incurring expenditure of ₹ 5.76 lakh on publicity. However, due to non-receipt of bids, P&M could not be procured, even though the 1st installment of GoI funds of ₹ 3.59 crore had been released (February 2020) to the SPV. Non-publication in widely published dailies, as well as in the e-procurement portal, hampered the prospect of getting prospective bids.

The Department accepted (December 2022) the audit observation and stated that the GMs, of the DICs, would be instructed to guide SPVs in this regard.

2.8.7.2 Splitting of works

Rule 149(viii) of GFR, 2017, stated that a demand for goods shall not be divided into small quantities to make piecemeal purchases, to avoid obtaining sanction of higher authorities/tendering.

Audit observed that, in the CFC of the Silver Filigree Cluster, Magrahat, South 24 Parganas, 22 works/ supplies/repairs of similar nature, in three categories[90], valued at ₹13.53 lakh, as detailed in ***Appendix-12***, had been split into 22 quotations, to avoid inviting tenders. The estimated cost of all the NIQs had been fixed below rupees one lakh, to avoid tendering.

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[88] *CFCs of: (i) Refractory Bricks Cluster, Salanpur, West Burdwan (ii) Re-rolling Mills Cluster, Jagatballavpur, Howrah (iii) Fan Manufacturing Cluster, Bansdroni, Kolkata, (iv) Plastic Products Cluster, Rajganj, Jalpaiguri and (v) Lead Acid Battery Cluster, Siliguri, Darjeeling.*

[89] *C1 is a website for on-premises procurement performance solutions across industries, for digitalizing and transforming all or part of the procurement process.*

[90] *purchase of equipment (date of NIQ 25.01.22), civil works (date of NIQ 01.02.22) and works of repair/ replacements (date of NIQ-29.09.20).*

The Department accepted (December 2022) the audit observation and stated that the GMs, of the DICs, would be instructed to guide SPVs in this regard.

2.8.7.3 Eligibility of bidders

(a) CFC of the Re-rolling Mills Cluster, Jagatballavpur, Howrah

- A sealed tender was invited (September 2011) from reputed manufacturers/ authorised dealers, for supply of equipment/machinery[91], for the Machine Shop and Raw Material Processing facilities of the CFC.

  The supply orders of four works, costing ₹ 8.55 crore, were entrusted (November, 2011 and February, 2012) to two agencies [92], who had a common director. Audit observed that both these agencies had been mainly associated with the activities of spinning, weaving and finishing of textiles, as well as civil construction works. Records relating to the verification of the credentials of these firms, in regard to supply of mechanical items, were not available. As such, both these agencies, which had no experience in supply of mechanical items, had been entrusted with supplies and works costing ₹ 8.55 crore, against the total value of supply/ works costing ₹ 11.64 crore, as detailed in ***Appendix-13***.

- A sealed tender was invited (September 2011) from reputed contractors, for civil works and/or building construction, for the Raw Material Processing Facility, Machine Shop facility, Testing facility & Administrative facility, of the CFC.

  Audit observed that an agency[93], which was one of the members of the SPV, was entrusted with the civil works (Machine shop & Testing facility portion) valued at ₹ 57.32 lakh, even though its main activity was wholesale of goods[94]. The basis of selection of a wholesale dealer, for execution of civil works, was not available on records.

In both the above cases, there was a direct conflict of interest, as the one agency and a common director of the other two agencies, being members of the SPV, were also involved in supplies/ works related to setting up of the CFC.

The Department stated (December 2022) that SPV had removed the specific member and lodged an FIR for recovery. The reply is not convincing, in the absence of records furnished in support of the removal of the defaulter member.

(b) CFC of the Plastic Products Cluster, Rajganj, Jalpaiguri

Para 5.1.4 (vii) of CVC guidelines stipulated that in case a bid is submitted by a non-manufacturer of an item, the said non-manufactures is required to furnish the Manufacturers Authorization Certificate and also the Manufacturer's Confirmation of extending the required warranty for that product, along with the bid document. This is necessary to ensure quotations from responsible parties offering genuine products, backed by warranty obligations from the concerned manufacturers.

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91 *For Planning, Shaping, Slotting, Boring, Milling, Drilling etc.*

92 *M/s. H. R. International Ltd. and M/s.H R Infracon Ltd.*

93 *Alankar Commotrade Pvt. Ltd.*

94 *Goods without any particular specialization (as evident from the website of the agency).*

Quotations were invited (August 2015), from eligible original equipment manufacturers, for supply, installation, commissioning and trial run of the CFC's Gas Nitriding Plant.

Audit, however, observed that, without obtaining either the Manufacturers Authorization Certificate, or the Manufacturer's Confirmation of extending the assured warranty for the product, a supply order of ₹ 27.30 lakh, was placed (December 2015) upon a non – manufacturer, M/s. Technotherm Projects Pvt. Ltd., with the stipulation that supply be completed within 60 days. The firm, however, supplied (May 2016) only part of the plant and was paid ₹ 24.72 lakh thereagainst. The residual work had to be executed (December 2018) by engaging another agency (M/s. Quartet Thermal Engineering (P) Ltd.), through quotation for ₹ 10.60 lakh. Thus, in addition to the delay of 34 months extra expenditure of ₹ 8.02 lakh had to be incurred, due to erroneous selection of an ineligible supplier.

The GM, DIC, Jalpaiguri, stated (September 2022) that 5.84 lakh had been recovered from the defaulter vendor but did not provide documents in support of this statement.

2.8.7.4 Acceptance of bids

As per order[95] of Finance Department, GoWB, the selection of an agency, under the two bid system, should be made on the basis of at least three tenders. If the number of tenders received is less than three, tenders should be invited afresh. Audit observed the following violations to the said stipulation, in regard to the acceptance of bids:

(a) CFC of the Fan Manufacturing Cluster, Bansdroni, Kolkata

Audit observed that, out of the total 110 items of P&M, purchased (during May 2015 and June 2017) at a cost of ₹ 1.24 crore, only two bids had been received in regard to 35 items, out of which the lowest bids for 30 items, had been accepted and purchase orders issued for ₹ 63.85 lakh, as detailed in ***Appendix-14***. Further, single bids were received in case of 12 items, out of which bids for two items had been accepted without the required assessment of reasonability of rates and purchases had been made at the total bid price of ₹ 0.17 lakh, without resorting to re-tendering, as detailed in ***Appendix-15***.

(b) CFC of the Re-rolling Mills Cluster, Jagatballavpur, Howrah

From the comparative statement of the Raw Material Processing facility (November 2011), made available to Audit, it was observed that only two bids had been submitted for supply of 'Equipment/machinery' for 'Raw Material Processing Facilities'. However, re-tendering had not been carried out, although this was required under the extant rules. The item-wise lowest prices of the two bids had been accepted @ ₹ 6.63 crore and work orders had been issued to the two bidders.

(c) CFC of the Plastic Products Cluster, Rajganj, Jalpaiguri

Six items of P&M, costing ₹ 77.75 lakh (July 2016), had been procured by the SPVs, on the basis of two bids received and eight items of P&M, costing

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[95] *Audit Branch Notification no. 5400-F(Y) dated 25.06.12.*

₹ 36.53 lakh, had been procured by the SPVs, on the basis of single bids received, as detailed in ***Appendix-16.*** Further, seven items of P&M, costing ₹ 63.61 lakh, had been procured by the SPVs on the basis of "spot quotations" obtained (May 2017 to September 2018), as detailed in ***Appendix-17***, in violation of the Finance Department's order.

In reply, the Department stated (December 2022) that a comprehensive checklist in this regard would be prepared and circulated to the DICs, for compliance.

2.8.7.5 Other observations

(a) Expenditure on prohibited items of work

Clause 10 (h) (i) of the modified guidelines of the MSE–CDP, 2016, prohibits the construction of sheds/ structures from project funds. The guidelines specify that, if required, the same may be built by the entrepreneurs, according to their needs.

Audit observed that, in the CFC of the Silver Filigree Cluster, Magrahat, South 24 Parganas, six sheds[96] had been created (February 2022) from project funds, at a cost of ₹ 5.76 lakh, in violation of the guidelines (***Appendix-12***).

The GM, DIC, South 24 Parganas, stated (July 2022) that the Purchase Committee in its meeting held in January 2022, had decided to get the sheds constructed, in order to accommodate all the machinery items. The reply was, however, not tenable, as creation of such sheds was not allowed from project funds, as per the guidelines of the MSE-CDP.

(b) Lack of justification for execution of work

Joint physical inspection (June 2022) of the CFC of the Silver Filigree Cluster, Magrahat, South 24 Parganas, revealed that six Melting Furnaces, which had been purchased in February 2014, at a cost of ₹ 4.74 lakhs, had not been commissioned, due to the absence of power supply. The power supply could not be provided due to injunction from court, by a neighbouring resident, arising out of a land dispute in regard to erection of the transformer.

Fig. 2.10 Melting Furnace of Silver Filigree lying idle

Audit observed that, although the furnace had not been commissioned, a sum of ₹ 3.26 lakh was incurred (December 2020) for repair of the Furnaces. The necessity of repairs of the furnaces, prior to their commissioning, was not available on records.

The GM, DIC, South 24 Parganas, concerned stated (July 2022) that the work had been taken up for customised modification, as per the requirements of

[96] *Roof top East & West side, Electric Meter Room & Surrounding, Bye-Lane East side, DG set surrounding, staircase room & surrounding sheds.*

the stakeholders. The reply may be viewed in the light of the fact that the furnaces could not be operated in the absence of the required power connection.

2.8.8 Achievement of desired objectives

2.8.8.1 Assessment of outcomes

Paragraphs 7 and 8 of the AAs of all the test-checked CFCs stipulated that expected outcomes were to be measured, for the CFCs which were in operation. To measure the expected outcomes, the Department was required to conduct assessment of their activities, post-operation.

Audit observed the following instances of non-assessment of outcomes, in two of the completed and handed over CFCs in operation.

(a) CFC of the Fan Manufacturing Cluster, Bansdroni, Kolkata

The Department was required to measure outcomes on 11 parameters, in regard to the testing facilities developed. The IA has handed over the CFC, to the SPV, in September 2017 and the CFC had been in operation since then.

Audit, however, observed that the Department had not carried out the required assessment. Further, there had been a decline of 97 *per cent* in the realization of testing & service charges, from ₹ 9.79 lakh[97] in FY 2017-18 (FY of hand over) to ₹ 0.21 lakh in FY 2021-22[98].

The MSE-CDP guidelines stipulated that the CFC would not sell/market products/bi-products directly by itself. However, it was noticed that, instead of focusing on the testing facility, the CFC was manufacturing fans, the revenue of which had increased by 122 *per cent*, from FY 2017-18 to FY 2021-22.

The GM, DIC, Kolkata, stated (July 2022) that the decline in user charges beyond FY 2019-20, had taken place due to the pandemic and rising trend in the sales of fans. The reply was not tenable, as, after the pandemic, the user charges had declined drastically in FY 2021-22 and sales of fans was not the objective of the CFC.

(b) CFC of the Plastic Products Cluster, Rajganj, Jalpaiguri

The IA had handed over (December 2018) the CFC to the SPV. It was, however, noted that assessment of the expected outcomes, on the five parameters[99] stipulated in the AA, had not been conducted. Instead, the SPV had projected the following eight tangible benefits, in the handing over note of the CFC, the basis of which was not produced to Audit:

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[97] *As per the audit report of the SPV of the Fan Manufacturing Cluster for the financial year 2017-18.*

[98] *As per the audit report of the SPV of the Fan Manufacturing Cluster for the financial year 2021-22.*

[99] *Savings in maintenance costs, savings in transport costs, savings due to reduced down time, savings due to increased productivity and savings due to quality improvement.*

Table 2.15: Tangible benefits shown as outcomes, during handing over of the CFC

Parameters	Before setting up of CFC	After setting up of CFC
	Outcomes	Outcomes
No. of Units	125	More than 150
Turnover (₹)	120 crore	200 crore
Domestic Sales (₹)	120 crore	200 crore
Exports	NIL	NIL
Employment (Direct)	2,000	2,500
Employment (Indirect)	5,000	6,000
Profitability	5-6 *per cent*	8-9 *per cent*
Growth of business	5-6 *per cent*	10-12 *per cent*

Consequently, Audit was not in a position to verify the outcomes projected by the SPV, which were different from the outcomes on the parameters specified in the AA. Further, proper methodology, for assessment in regard to these eight benefits, projected by the SPVs, had not been specified/adopted.

The GM, DIC, Jalpaiguri, admitted (September 2022) that the outcomes had not been assessed, attributing this to lack of knowledge by the SPV members. The reply is not tenable, as GM, DIC, was the Monitoring and Implementing Authority (IA) of the project and had submitted a written undertaking, in regard to ensuring compliance with the terms & conditions of the grant-in-aid. Therefore, the GM, DIC, should have ensured that the stipulated terms & conditions of the FA were duly complied with/adhered to.

RECOMMENDATION 8:

State Government should ensure that the expected outcomes are assessed as per the stipulated parameters. In case of shortfalls in outcomes, reasons thereof should be analyzed and necessary corrective measures adopted.

2.8.9 Monitoring and supervision

2.8.9.1 Implementing Agency

Audit observed the following lapses on part of the IA (West Bengal State Export Promotion Society), in the implementation of the selected CFCs, under the MSE–CDP:

A. To address bottlenecks in the implementation of the CDP-MSE projects in West Bengal, it was decided (March 2013), in a meeting headed by the Principal Secretary of the Department, to augment the strength of the IA (WBSEPS) and to make it a more professional outfit, by adopting the following measures:

- engaging two Project Management Specialists (as Project Managers), on contract basis, to look after implementation of the CFCs, from the planning to the completion stage.
- engaging a Financial Expert, on contract basis, for maintaining the accounts and managing the finances.
- empaneling an engineering firm/experts, for assessment of civil works, quality of P&M *etc*., according to need. Payment to this agency/individual

would be made on the basis of the work done, at Government approved rates.

Audit observed that the IA neither had in-house technical expertise, nor had it engaged any consultant, although it had been decided in the meeting, to do so. As such, it had been unable to properly assess the actual requirement of P&M for the CFCs, in case of the Silver Filigree and Fan Manufacturing Clusters, which resulted in deviations from the approved DPR, as detailed in Para 2.8.6.1.

B. Para 2 (xviii) of the order relating to release of funds by GoI, required that the interest earned from the funds placed in bank account, would be indicated in the UCs. Such interest could either be adjusted in deciding the next release of funds or it be refunded to GoI, after the grants-in-aid sanctioned had been utilized.

Audit, however, noticed that the UCs submitted by the IA did not mention the interest accrued on the funds kept in the Project Specific Account (PSA). The IA had not refunded the interest accumulated in the PSAs of the eight test-checked CFCs. In reply, the GM, DICs, for three of these CFCs[100] admitted (between September and October 2022) that the interest accumulated in the PSAs had been utilized.

C. The AAs of all the test-checked CFCs had stipulated that the IA would submit quarterly reports on the implementation and functioning of the CFCs, on a regular basis, to DC, MSME. Accordingly, the IA was required to obtain such information from the respective SPVs. Audit, however, observed that the IA had not obtained such information from the CFCs and had also not submitted quarterly progress reports on implementation & functioning of the CFCs.

D. The AAs of all the test-checked CFCs had stipulated that the first installment of GoI funds would be released to the IA after receipt of the progress made in regard to creation of infrastructure for installing machinery and equipment, at the site earmarked for the CFC, including adequate load sanction from the Electricity Authorities, water connection, construction of building/shed for installation of machinery and equipment *etc*. Audit, however, observed that the IA had submitted requests for release of GoI assistance, without ensuring completion of the pre-requisite criteria. In case of the CFC of the Silver Filigree Cluster, Magrahat, South 24 Parganas, the request for release of GoI assistance had been made without ensuring power supply, resulting in blockage of funds.

E. The release orders of GoI funds stipulated that performance-cum-achievement reports be submitted to the sanctioning authority. Audit, however, observed that the IA had not furnished such reports, for the eight selected CFCs, to the DC, MSME, GoI.

F. Para 11 of the AAs of all the eight selected CFCs had stipulated that the purchase of P&M be made as per the General Financial Rules, 2017, of GoI, as well as the purchase provisions contained in CVC guidelines, through a Purchase Committee, chaired by the Designated Authority of the State Government, with members from the Ministry of MSME, GoI; Technical expert; IA; SPVs, GM-DICs concerned and other stakeholders.

[100] *Refractory Bricks Cluster, Salanpur, Paschim Bardhaman; Silver Filigree Cluster, Magrahat, South 24 Parganas and Plastic Products Cluster, Rajganj, Jalpaiguri.*

Audit observed that the representative of the IA had rarely attended the meetings for procurement of P&M, as detailed below:

Table 2.16: Attendance of IA at the meetings of the Purchase Committees (PCs)

CFC	Total number of meetings of the PC, held upto August 2022	Number of meetings in which members of the IA were present	Reply of the IA
Silver Filigree Cluster, Magrahat.	22	06	WBSEPS claimed to have a limited number of officers, due to which they could not attend all the meetings of the PCs, held in different DICs/Sub-DICs across the State.
Fan Manufacturing Cluster, Bansdroni	05	02	
Re-rolling Mills Cluster, Jagatballavpur	*	*	
Refractory Bricks Cluster, Salanpur.	16	07	
Leather Goods Cluster, Shantiniketan	*	*	
Plastic Products Manufacturing Cluster, Rajganj	38	06	
Lead Acid Storage Battery Cluster, Siliguri	*	*	
Kaliyaganj Edible Oil Cluster, Uttar Dinajpur	13	01	

** Information not provided by IA.*

Thus, important decisions, including decisions regarding purchase of P&M, had been taken, in the meetings of the Purchase Committees, without inputs from the IA. The IA even did not have copies of the minutes of the PC meetings, for monitoring compliance of the same by the SPVs.

2.8.9.2 Monitoring agency (GM/DIC)

The Administrative Approvals of the selected CFCs stipulated that purchase of P&M should be made as per GoI's purchase procedure, through a Purchase Committee, chaired by the Designated Authority, Department of MSME, Government of West Bengal, and having members from the Ministry of MSME (Govt. of India), Technical expert (if required), an Officer from the Implementing Agency, a representative from the concerned Bank *etc.* and the GM, DIC, concerned. Further, the district set-up of the Department was to look after and monitor the implementation of the CFCs.

Audit, however, observed that the Department had not nominated a Designated Authority, for chairing the PCs of the CFCs and, in its place, the DICs of the concerned Districts had been nominated to the chair. The DICs had also not maintained records/ information related to the implementation of the CFC, for the purpose of monitoring and solely relied upon the records/ information provided by the SPVs. The DICs had not conducted any physical inspections of the CFCs. Further, the GM, DICs, did not effectively perform their duties as Chairpersons of the PCs, as, in the meeting of the PCs, decisions had been taken to deviate from the approved P&M and building plans without obtaining the required approval of NLSC. Besides, the GM, DICs, had been unable to check irregularities in the tendering process.

RECOMMENDATIONS:
State Government may ensure -

9. ***That the IA is in possession of requisite technical expertise, as well as the manpower required for supervising implementation of the CFCs. Further, it should ensure adherence to the terms and conditions stipulated in the FA/ sanctions, including SIDBI Appraisal Reports, if any.***
10. ***Submission of periodic physical and financial progress reports, along with UCs, by the IA, to the DC, MSME, GoI.***
11. ***Specific timelines may be fixed for utilization of funds and completion of various components of the schemes, failing which the funds released should be surrendered.***

2.9 Irregular disbursement of subsidies to an enterprise, in violation of the guidelines of the West Bengal Incentive Scheme-2013

District Industries Centre, Uttar Dinajpur, disbursed subsidies, amounting to ₹ 1.59 crore, to an enterprise, in violation of the guidelines of the West Bengal Incentive Scheme–2013

Government of West Bengal launched (February 2014) the West Bengal Incentive Scheme-2013 (WBIS-2013), with the objective of promoting the growth and development of micro, small and medium enterprises. The scheme was valid from April 2013 till March 2018. All micro, small and medium enterprises in the manufacturing sector, in the State, were eligible for different types[101] of subsidies under WBIS-2013, according to the notifications issued (February 2014 and May 2015) in regard to implementation of the scheme.

As per the scheme guidelines, the eligibility criteria, for receiving subsidies under WBIS-2013, were that: (i) the enterprise should commence its commercial production during the validity of the scheme and (ii) it should submit its first application, to the concerned District Industries Centre (DIC), within 12 months of commencing commercial production.

Test-check (February 2022) of the records of DIC, Uttar Dinajpur, revealed that an enterprise[102] had commenced its commercial production in September 2013. Accordingly, it should have submitted its first application, for availing subsidies, within September 2014. Audit observed that the enterprise had submitted its first application to the concerned DIC in August 2015 *i.e.* 23 months after the commencement of production, instead of the stipulated 12 months. Thus, the enterprise was not eligible for receiving any subsidy under the scheme.

The General Manager (GM), DIC, Uttar Dinajpur, however, disbursed (March 2017) subsidies amounting to ₹1.41 crore[103], to the enterprise, in violation

[101] *State Capital Investment Subsidy, Interest Subsidy, Power Subsidy, Electricity Duty Subsidy etc.*
[102] *CNG Agrocare Pvt. Ltd.*
[103] *State Capital Investment Subsidy (₹ 50.00 lakh), Interest on Term Loan Subsidy (₹ 88.23 lakh) and Power Subsidy (₹ 2.62 lakh).*

of the guidelines of WBIS-2013. Further, the DIC disbursed (February 2021) an additional amount of ₹ 0.18 crore[104], based on the subsequent application (December 2017) of the enterprise, which was also irregular.

In reply, Department stated (December 2022) that the enterprise had applied (31 July 2014) for Eligibility cum Registration Certificate (ECRC) within one year from the date of commencement of commercial production (DOCP) and the date of application of ECRC was considered as date of first application for subsidy.

The reply was not tenable as the applicant applied for its first subsidy on 21 August 2015 *i.e.* after the guidelines were modified. Thus, the modified guidelines should have been followed and accordingly subsidy should not have been disbursed. Similar instance was noticed in other DIC (Purba Medinipur) where the enterprise was denied the subsidy as the enterprise submitted the first application after a delay of five months. Thus, the DICs followed different yardsticks while giving subsidies to the enterprises in their respective areas without following the guidelines uniformly throughout the State.

Thus, the GM, DIC, Uttar Dinajpur, made irregular disbursement of subsidies, amounting to ₹1.59 crore, in violation of the WBIS-2013 guidelines.

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.10 Wasteful expenditure due to improper survey

PHED, without proper survey, awarded the piped water supply scheme to an agency, for the construction of River Bed Tube Wells (RBTWs), on river beds which had large-scale mining activities and were prone to flooding, resulting in: (i) the complete washing out of 74 of the RBTWs so installed, by heavy floods and (ii) wasteful expenditure of ₹3.17 crore.

As per Rule 21 of GFR 2005: (i) every officer incurring or authorising expenditure from public money should be guided by high standards of financial propriety (ii) every officer should also enforce financial order and strict economy and ensure that all relevant financial rules and regulations are observed and (iii) every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Superintending Engineer, Bankura Western Circle, Public Health Engineering Department (PHED), awarded (December 2012) two piped water supply schemes[105], in Onda Block (Scheme-A) and Indus Block (Scheme-B), of Bankura District. The project envisaged providing piped water using sub-surface

[104] *Interest subsidy.*

[105] *Scheme-A: 'Surveying, planning, designing, delivery, erection, construction, commissioning and completion of piped water supply scheme in Onda Block of Bunkura district with sub surface/ ground water as source followed by 6 months of trial run and subsequent operation and maintenance for 5 years.*

Scheme-B: Surveying, planning, designing, delivery, erection, construction, commissioning and completion of piped water supply scheme in Indus Block of Bunkura district with sub surface/ ground water as source followed by 6 months of trial run and subsequent operation and maintenance for 5 years.

water [by construction of River Bed Tube Wells (RBTWs)] and groundwater [by the construction of Ground Water Tube Wells (GWTWs)]. The work was awarded to a contractor, on turnkey basis, at the tendered costs of ₹ 80.89 crore and ₹ 58.50 crore, in Onda and Indus Blocks, respectively, for completion within January 2017. The scope of the works, *inter alia*, consisted of the construction of RBTWs, GWTWs, Clear Water Reservoirs, Over Head Reservoirs, distribution pipeline networks *etc*. As per the sanctioned estimate, 70 RBTWs (on Darakeswar riverbed) were to be installed in the Onda Block and 45 RBTWs (on Darakeswar and Damodar riverbeds) in the Indus Block.

Audit observed (December 2021) that, before and during the execution of the aforesaid schemes, the agency had repeatedly (September 2014, April 2015, November 2015, August 2017, September 2017 *etc*.) informed the Executive Engineer, Bankura Water Supply Division, PHED, that: (i) it was not feasible to make the sub-surface water-based scheme successful, as the depth of sand in the river bed was insufficient to construct the RBTWs, due to extensive sand mining from the river beds in these areas and (ii) consequently, there was every chance of washing away of the RBTWs, during high discharge in the river in the monsoon period. The agency had alternatively proposed for installation of a proportionate number of GWTWs on the river bank and also agreed to accept the payment[106] meant for RBTWs. The Executive Engineer, Bankura, PHED, had himself conducted (October 2017) a field survey and intimated (November 2017) the Additional District Magistrate (ADM), Bankura, regarding extensive sand mining in those areas. However, PHED neither took action to stop the sand mining in the area (other than writing a letter to ADM, Bankura), nor stopped the construction of the RBTWs, even though the agency had agreed to construct a proportionate number of GWTWs, at the rate of RBTWs.

Scrutiny revealed that, in the Onda and Indus Blocks, 51 and 23 RBTWs, respectively, were laid, with the trial runs having been completed in July 2017, at a cost of ₹ 3.17 crore. However, after one year of trial runs, all the 74[107] installed RBTWs were washed away, along with collecting lines and electromechanical components, during a flash flood in August 2018. The PHED immediately proposed (August 2018) for the restoration of flood-affected RBTWs, by sinking 33 GWTWs[108] and the work was awarded (February 2019) to an agency, at a tendered cost of ₹ 3.11 crore. The work is in progress (September 2022).

Thus, the PHED, without a proper survey, awarded the works to the agency for construction of RBTWs, on river beds which had large-scale mining activities and were prone to flooding, resulting in complete washing out of the RBTWs so installed, by a flash flood, resulting in wasteful expenditure of ₹ 3.17 crore.

The matter was reported to the Government in May 2022; reply is awaited (March 2023).

[106] *In Onda Block, the cost of construction of each RBTW and GWTW was ₹ 4,01,700.00 and ₹ 5,16,471.43, respectively and, in the Indus Block, the cost of construction of each RBTW and GWTW was ₹3,87,033.33 and ₹ 92,880.00, respectively.*

[107] *51 (in Onda Block) + 23 (in Indus Block).*

[108] *A Ground Water Tube Well is a type of water well in which a long, wide, stainless steel tube or pipe is bored underground. The lower end is fitted with a strainer, and a pump lifts the Ground Water. The required depth of the well depends on the depth of the ground water table.*

2.11 Wasteful Expenditure

Failure of the Department to assess the availability of water for the Mathurabill water supply scheme, resulted in wasteful expenditure of ₹ 2.30 crore.

As per Rule 21 of GFR 2005: (i) every officer incurring or authorising expenditure from public money should be guided by high standards of financial propriety (ii) every officer should also enforce financial order and strict economy and ensure that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers and (iii) every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The Chief Engineer (Head Quarters), Public Health Engineering Department (PHED), Government of West Bengal, accorded administrative approval (March 2010) of ₹ 11.93 crore, for the construction of a pond-based piped water supply scheme, capable of producing 3.80 MLD (Million Litres per day) treated water, using Mathurabill[109] water body as the source. The objective was to supply arsenic-free water to the arsenic affected 15 mouzas[110] under Majhipara-Palasi & Shibdaspur Gram Panchayat, Barrackpore – I Block, North 24 Parganas district. The project was aimed to be completed within three years. However, the work orders for various components were issued between August 2010 and January 2015. Expenditure of ₹ 11.93 crore had been incurred on the project, till March 2019. However, even after incurring this expenditure, water could not be provided to the beneficiaries.

The scheme was originally conceived with Mathurabill pond, a rain-fed reservoir, as a source to supply water throughout the year. However, apprehending scarcity of water during less rainfall, the Department decided (August 2011) that the command area of this project would be covered by another adjacent Habra-Gaighata surface water supply scheme[111], utilising some of the already created components[112] of the Mathurabill project. In the revised project profile of Habra Gaighata Scheme, it was specifically mentioned that the construction activities of Mathurabill could continue, except for components like raw water intake[113], raw water main[114], clear water reservoir[115] *etc*. This indicated that assets such as Raw Water Intake, Raw Water Rising Main, Water Treatment Plant[116] and Clear Water Reservoir[117] of the

[109] *Mathurabill is a rain-fed pond, located in North 24 Parganas District, Barrackport-I Block.*

[110] *Mouza is a unit of specific land area, for revenue settlement and revenue collection.*

[111] *Surface water based water supply scheme for arsenic affected areas of Habra – Gaighata & Adjoining Mouzas under District North 24 Parganas of 125.74 MLD.*

[112] *Overhead Reservoir, distribution system etc.*

[113] *Raw water intake is a point on water source from where raw water is pulled in with pipes for treatment and supply.*

[114] *The pipe line laid for carrying raw water from the intake point to the Treatment Plant.*

[115] *Reservoir where treated water is stored.*

[116] *It is a main part of the Plant in which a combination of various process are used to treat raw water for removing contaminants and undesirable components.*

[117] *A reservoir for the storage of filtered water of sufficient capacity to prevent the need to vary the filtration rate with variations in demand.*

Mathurabill Project, would not be utilised, in the revised scope of the project. A schematic diagram of the project, indicating the utilisation of the created assets, is shown below:

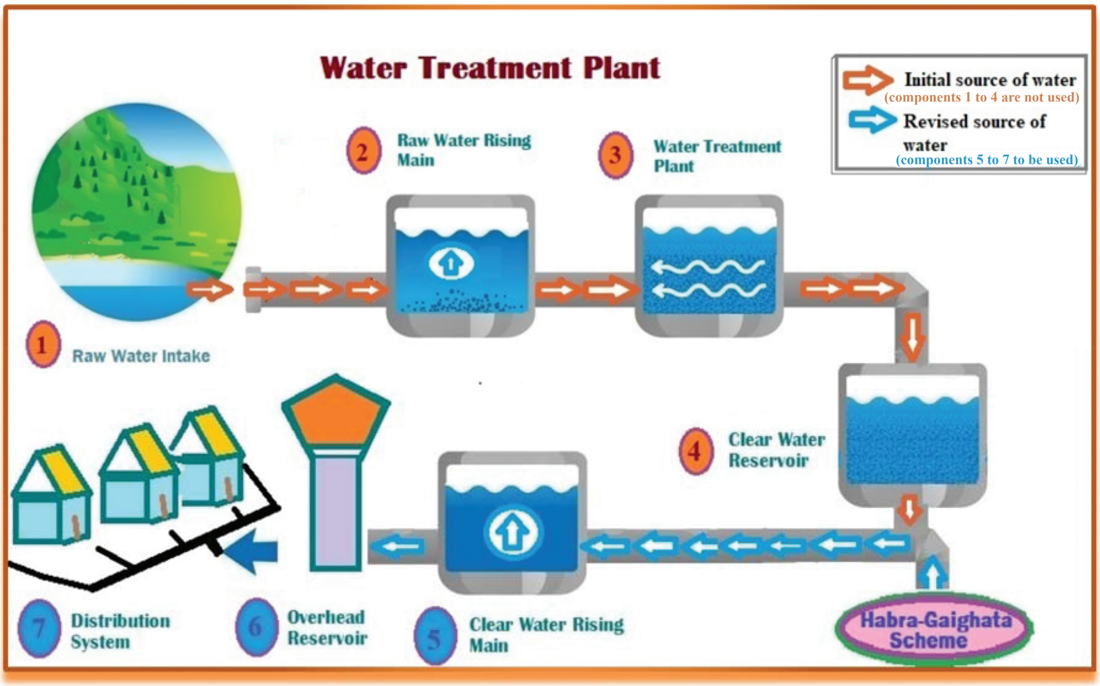

Fig. 2.11: Flowchart of Water Treatment Plant

Audit observed (August 2021) that even after the decision to abandon the proposal of drawing water from Mathurabill and its treatment, in August 2011, the Department went ahead with the construction of components like Raw Water Intake, Raw Water Rising Main, Water Treatment Plant and Clear Water Reservoir of the Mathurabill project. The construction was undertaken from March 2012 to January 2015. Details of the same are shown in the **Table 2.17** below:

Table 2.17

Item No.	Description of Item	Estimated cost (₹ in lakh)	Tendered cost (₹ in lakh)	Date of commencement	Expenditure incurred (₹ in lakh)	Date of completion	Status
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Raw water intake	108.67	108.44	26.08.2010 and 28.01.2014	103.54 (100.62 +2.92)	10.09.2014	Abandoned
2	Raw water rising main						
3	Water Treatment Plant	106.40	109.48	11.04.2012	106.72	Terminated in August 2019	Abandoned
4	Clear water Reservoir	29.32	25.84	15.01.2015	19.52	08.06.2015	Abandoned
Total Expenditure					**229.78**		

The assets so created, incurring expenditure of ₹ 2.30 crore[118], remained unutilised and are in a dilapidated condition, as shown below:

Fig. 2.12: Dilapidated condition of Water Treatment Plant

Fig. 2.13: Dilapidated condition of Clear Water Reservoir

From the above, it was evident that the Department had failed to assess the availability of water throughout the year, from the rain-fed Mathurabill pond, before commencement of the project. Further, despite abandoning the idea of drawing water from Mathurabill and its treatment plant, the Department continued to construct components of the initial project, which would not be utilised under the revised scope of the project, resulting in wasteful expenditure of ₹ 2.30 crore.

The matter was reported to the Government (August 2022); reply is still awaited (March 2023).

2.12 Excess expenditure due to violation of the Indian Standard code

The Department, in violation of the Indian Standard Code, provided excess trench width, while executing works under the drinking water supply scheme, resulting in excess expenditure of ₹1.19 crore.

Clause 6.2.2 of the Indian Standard (IS) Code 7634 (Part 3): 2003[119] recommends that: (i) trenches for burial of Unplasticized Polyvinyl Chloride (UPVC) pipes should be of adequate width, while being as narrow as practical and (ii) if expansion and contraction are not a problem and snaking[120] of UPVC pipe is

[118] *(₹100.62-Raw Water Intake+ ₹2.92- Raw Water Main+₹106.72-Water Treatment Plant + ₹19.52 lakh- Clear Water Reservoir).*

[119] *Deals with Plastics Pipes selection, handling, storage and installation for potable water supplies.*

[120] *'Snaking' is a process used to remove clogs that cause blockage in pipes and drains, by a long, supple metal cable with an uncoiled spring at one end and a handle on the other side.*

not required, minimum trench width may be obtained, by joining pipes outside the trench and then lowering the pipe into the trench, after testing.

Further, the code stipulates the width of 'unsupported' (*i.e.* without shoring[121] *minus* minimum width 450 mm) trench and 'supported' (*i.e.* with shoring-minimum width 900 mm) trench, for laying UPVC pipes of different diameters, for drinking water supply.

The Executive Engineer, Bankura Division, Public Health Engineering Department (PHED), took up (December 2017) the work of laying pipeline, under drinking water supply schemes[122], for five blocks[123] in Bankura District, at an estimated cost of ₹ 37.82 crore, for completion within October 2018. The work was completed in December 2018 and ₹ 38.76 crore was paid to the agency.

The scope of the work *inter-alia* included laying of UPVC pipes of different diameters, varying between 63 mm and 315 mm, through unsupported (without shoring) trench and restoration of laterite/moorum[124] roads to their original condition.

Audit scrutiny (December 2021) of the Measurement Books revealed that UPVC pipes, totalling 2,39,365.40 m, had been laid in these five blocks, through unsupported trenches, having widths varying from 1.0 m to 1.20 m (which involved restoration of road works, by laterite/moorum of 2,72,718.34 sq m).

Audit, however, observed that, as per the IS Code, for laying of UPVC pipes having diameter between 63 mm and 315 mm, the width of unsupported narrow trench should have been between 450 mm and 710 mm. Considering the maximum trench width of 710 mm, for laying 2,39,365.40 m of UPVC pipes, the quantity of earthwork, for restoration of laterite/moorum roads to their original condition, would have been 1,69,949.43 sq m[125] only. Due to this violation of the IS Code, there was extra expenditure of ₹1.19 crore[126].

The Department replied (October 2022) that: (i) the IS Code stipulates the width of trenches, for burial of different diameter water supply pipes along the road, but it is not applicable for the road proper and (ii) Selection of roller is guided by the nature of work. Due to the underlying water supply pipes, static road rollers, with a minimum roller drum width of 1,200 mm, as available in that locality, were selected.

The reply may be viewed in light of the fact that the relevant IS Code does not stipulate that the code is applicable for laying pipelines along the road only and

121 *'Shoring' is a temporary structure used to prevent the collapse of the main under–construction structure. Most commonly, shoring support is required during the early stages of construction, which involve excavation.*

122 *Improvement work for laying balance portion of Pipe line for Simlipal, Sarenga, Onda, Indus & Bishnupur Blocks Potable Water Supply scheme under BRGF (Phase-I) Dist.-Bankura under Water Supply Division, PHE Directorate.*

123 *Simlapal, Sarenga, Onda, Indus and Bishnupur.*

124 *Laterite is a soil and rock type rich in iron and aluminium. Moorum is a type of laterite soil, which is red in colour, due to a higher amount of iron oxide. Laterite/Moorum are used for filling work in road construction, as they can be compacted easily to form hard surfaces.*

125 *2,39,365.40 mtr x 0.710 mtr =1,69,949.43 sq mtr.*

126 *Excess quantity executed = (2,72,718.34 sq mtr - 1,69,949.43 sq mtr) = 1,02,768.91 sq mtr. Hence, excess expenditure =1,02,768.91 sq mtr @ ₹115.50 per sq mtr = ₹1.19 crore.*

not on the road proper. Further, as per the Schedule of Rates of PWD (Roads) 2015-16, where the width of the widened portions is insufficient to permit the use of conventional rollers, compaction is to be carried out, with the help of lightweight vibratory roller, double drum walks behind roller, vibratory plate compactor or vibratory tamper or any other appropriate equipment, approved by the Engineer. Hence, the Department should have explored the use of narrow rollers, instead of conventional road roller and the excess expenditure of ₹ 1.19 crore could have been avoided.

PUBLIC WORKS DEPARTMENT

2.13 Wasteful expenditure

Construction of a newly laid layer of Bituminous Macadam, without wearing course, in contravention of IRC provisions and MoRTH specifications, led to damage of road and wasteful expenditure of ₹ 2.50 crore.

Section 504.5 of the Ministry of Road Transport & Highways (MoRTH) specifications for road & bridge works (5th Revision), published by the Indian Roads Congress (IRC), stipulates that: (i) Bituminous Macadam (BM)[127] be covered with either the next pavement course or wearing course[128], as the case may be, within a maximum of 48 hours and (ii) if any delay in laying the wearing course is expected, on part of the contractor, the course is to be covered by Seal Coat[129], before the road is opened to any traffic. In such cases, the Seal Coat is to be considered incidental to the work and is not to be paid for separately.

Further, Para 9.2 of IRC: SP 72-2015 provides that, for the successful performance of a road pavement, it is necessary that adequate lateral support of the pavement be provided by the construction of roadside shoulders.

Superintendent Engineer, Western Circle-I, Public Works Department (PWD), awarded (June 2018) the work[130] of two roads, at a tendered cost of ₹ 37.41 crore, for completion by December 2019. As of March 2022, however, the work had remained incomplete and a sum of ₹ 11.61 crore had been incurred (vide the 7th running account bill).

Test-check of the records of the Executive Engineer, Asansol Division, PWD, revealed that, in respect of the road, 'NH-2 at Tildang to Silampur road via Sandhipur from 0.00 km to 24.25 km', the work *inter alia* consisted of the construction of 150 mm Water Bound Macadam (WBM) Grade-I, 50 mm

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[127] *BM consists of crushed aggregates and bituminous binder, heated and mixed in a hot mix plant at specified temperature, transported to the construction site, laid with a paver and compacted by a roller.*

[128] *The top layer of the road surface. As such it is designed to be impervious to the ingress of water.*

[129] *Seal Coat is a thin protective wearing surface that is applied upon base course as an impervious layer.*

[130] *Strengthening of road from NH2 at Tildang to Silampur Road via Sandhipur from 0.00 to 24.25 km and Widening & Strengthening of road from Panagarh Bazar to Rondiha from 0.00 to 8.226 km.*

Bituminous Macadam (BM) and Wearing Course of 20 mm Premix Carpet (PC) & Seal Coat (SC). During the financial year 2019-20, the Division had laid 50 mm BM over 22.17 km of the road, against the total length of 24.25 km. Audit, however, observed that the BM layer had not been covered with the wearing course of PC and SC, till the date of audit (March 2022), in violation of MoRTH specifications and tender provisions.

During joint physical verification (March 2022) of the road, with the concerned departmental officers, Audit observed that the Road had been opened to vehicular traffic, without laying the wearing course over the executed BM layer. The BM layer remained exposed to rain, affecting the durability of the road. Further, in a few str*etc*hes, the Water Bound Macadam (WBM) had also not been covered with a wearing coarse bituminous layer and, thus, remained exposed to rain and traffic, for a long period of time causing damage to the layer/road. Audit also observed that the construction of hard shoulders, (which are required for lateral support of the pavement), along both sides of the road, had not been taken up. As a result, the BM at the edge of the road had been damaged at various stretches and numerous depressions were noticed across the pavement surface.

Fig. 2.14 Dilapidated condition of road

Fig. 2.15: Potholes generated

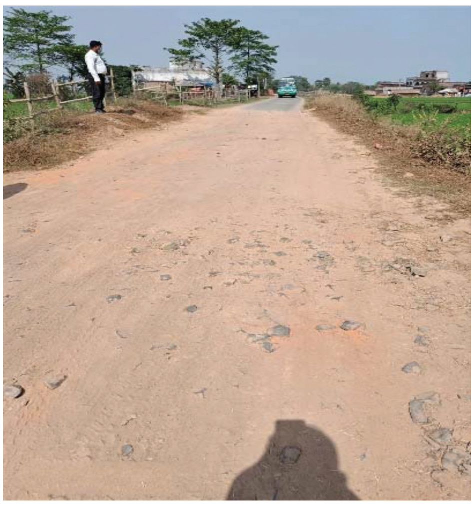


Fig. 2.16: Uncovered non-bituminous layers

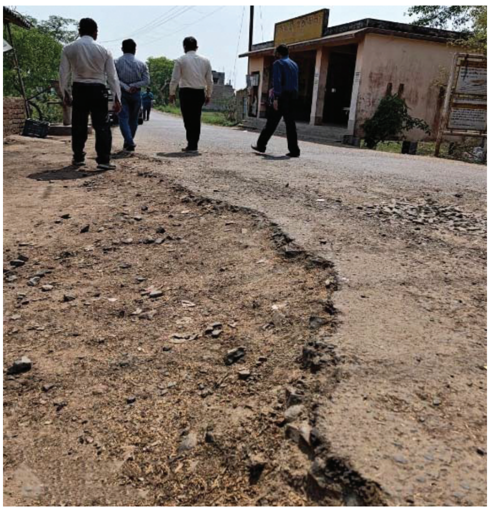


Fig. 2.17: Damage of edge

Hence, the expenditure incurred by the Department on laying the BM layer, in contravention of the relevant IRC provisions and MoRTH specifications, at a cost of ₹ 2.50[131] crore, was wasteful.

The matter was reported to the Department (May 2022). Reply is awaited (March 2023).

2.14 Wasteful expenditure

The laying of PVC pipelines by the Public Works Department, without confirming their usage by the intended authority and in violation of extant rules, led to wasteful expenditure of ₹ 2.39 crore.

Public Works Department (PWD) Code 168 (1) stipulates that 'for every work (excluding repairs) initiated by, or concerned with, the requirements of another Department, it is first necessary to obtain the concurrence of the Department concerned requiring the work'. Further, Rule 166 of the West Bengal Financial Rules (WBFR) requires that 'an application for administrative approval should be submitted to the authority competent to accord it, accompanied by a preliminary report, by an approximate estimate and by such preliminary plans, information as to the site and other details, as may be necessary, fully to elucidate the proposals and the reasons therefore'. Rule 35 of the West Bengal Financial Rules (WBFR) specifies that 'every officer incurring or authorizing expenditure from public money should be guided by high standards of financial propriety and the expenditure should not be *prima facie* more than the occasion demands'.

The Superintendent Engineer, North Bengal Construction Circle-I, Cooch Behar, Public Works Department (PWD), awarded (May/October 2017) a contract for widening and improvement works[132] (four in number), at a tendered cost of ₹ 30.21 crore, in Coochbehar Town. Additional Chief Secretary, PWD, during his visit (January 2018) to Coochbehar Town, instructed the Department to lay pipeline under the road crossing, which could be used by the West Bengal State Electricity Development Corporation Limited (WBSEDCL), in future, for laying electric cables in town areas. This was in light of the decision (August 2017) by the Government, declaring Cooch Behar a Heritage Town. The estimate of the works were, accordingly, revised by the Chief Engineer, on the direction of Additional Chief Secretary, PWD, and the work orders were issued again (June 2018), at a tendered cost of ₹ 43.46 crore, incorporating new components, which *inter alia* included the laying of Polyvinyl Chloride (PVC) pipes at the road crossing, for

[131] *Tender item No. 8 for laying BM: Amount ₹ 2.78 crore (less) contractual percentage of 9.99% = ₹2.50 crore.*

[132] *Work-1: Widening and Improvement of riding quality of M.J.N Road (1.26 km except Ch. 0.320 km to 0.620 km), Magazine Road (1.12 km), Sibendra Narayan Road (2.04 km), MN Road (1.81 km) etc.*

Work-2: Widening and Improvement of riding quality of Biswa Singha Road (2.370 km), Hajrapara Road (0.45 km), Hospital back side-1 (0.45 km), Kalika Das Road (0.84 km), Silver Jubilee Road (1.78 km).

Work-3: Widening and Improvement of riding quality of Temple Street (0.70 km), PVNN Road (0.45 km), Central Excise Back Side Road (0.300 km), Priyanath Babu Road (1.20 km) etc.

Work-4: Widening and Improvement of riding quality of Kalighat-II Road (2.20 km), Netaji Road (0.82 km), Panthasala Road (0.57 km), Pilkhana Road (2.65 km), MB Road (0.48 km) etc.

laying underground electrical cables, to avoid further damage of roads in future. The works were completed (FY 2018-19) at a cost of ₹ 43.44 crore[133].

Audit observed (February 2019) that the PWD had laid the underground PVC pipes for electrical cables, to be laid by WBSEDCL in future, without holding discussions with the Company. The pipelines were laid at a cost of ₹ 2.39 crore, without obtaining user requirements from the WBSEDCL. Further, the Department did not initiate communication with WBSEDCL to use the already laid pipelines, even after it became aware that the Urban Development & Municipal Affairs Department (UD&MAD) had accorded (June 2018) administrative approval of ₹ 51.00 crore to WBSEDCL, for laying an underground electrical network in the Coochbehar town. Resultantly, WBSEDCL has not utilised the PVC pipes laid by PWD, even after a lapse of more than three years.

In reply to the audit query, WBSEDCL confirmed (August 2022) that it did not utilise the PVC pipes and there was little scope to use such pipes in future, as it has its own underground network.

Hence, the expenditure of ₹ 2.39 crore incurred by the Department, in violation of the extant PWD code and WBFR, remained wasteful. The matter was reported to the Department (March 2019/ September 2022); reply is still awaited (March 2023).

2.15 Undue benefit to the contractor by allowing interest free Mobilisation Advance

Public Works Department extended undue benefit, by allowing interest-free Mobilisation Advance to a contractor, resulting in loss of interest of ₹ 5.34 crore.

Public Works Department (PWD) issued a Memorandum[134] in June 2015, wherein it was stated that: (i) Mobilisation Advance (MA) @ 10 *per cent* of the tendered amount at 10 *per cent* simple interest could be sanctioned to a contractor, on specific request, as per the terms of the contract (ii) the MA would be released only after the submission of an unconditional Bank Guarantee, from a Scheduled Bank, by the concerned contractor, for the amount of advance and interest, which would remain valid for the entire contract period and (iii) the MA, together with the interest on the MA, would be recovered from the Running Account bills of the contractor.

The Superintending Engineer (SE), North Bengal Construction Circle No. I, PWD, awarded (September 2016) the contract of a work[135], on Engineering, Procurement, Construction (EPC) basis, to a contractor, for completion by September 2019, at a lumpsum amount of ₹ 276.46 crore. Subsequently, based on the model study report of the IIT, Roorkee, the scope of work was modified by including the construction of two additional minor bridges, side drain with service road, reconstruction of washed-out guide bunds[136] *etc*. Accordingly, the contract

[133] *₹ 9.21 crore + ₹ 8.74 crore+ ₹ 13.36 crore + ₹ 12.13 crore = ₹ 43.44 crore.*

[134] *No: 292-W(C)/1M-184/15 dated 15.06.2015.*

[135] *"Construction of long span high level road bridge over River Teesta with approaches near Haldibari, connecting Sub-Divisional head-quarters at Mekhliganj with par Mekhliganj/ Haldibari in the district of Coochbehar, West Bengal".*

[136] *These are provided for guiding the flow of water in a given cross section and in particular alignment i.e., straight and non-twisted approach to bridge structure.*

price was revised (August 2021) to ₹ 328.92 crore. Due to the change in scope of the work, the contractor was granted time extension, up to December 2021. As of March 2022, the work was still in progress and an amount of ₹ 356.94 crore had been paid (January 2021) to the contractor, up to the 43rd RA Bill.

Audit observed (March 2022) that the SE had invited (December 2015) bids for 'Request-for-Qualification' (RFQ) cum 'Request-for-Proposal' (RFP), in two stages, for short listing of bidders and selection of the 'lowest financial proposal' from the shortlisted bidders, respectively. The RFQ-cum-RFP did not contain provision of offering interest free MA to the successful bidder[137], for execution of the work. However, in the contract agreement with the successful bidder, the SE was found to have allowed an interest free MA @ 10 *per cent* of the contract price. Accordingly, the contractor was paid an amount of ₹ 2764.70 lakh, as interest free MA (two instalments of ₹ 13,82,35,000.00 each, in November 2017 and December 2017, respectively). It was further observed that the amount of the MA had been deducted from the Running Accounts Bills of the contractor (during January 2019 and January 2021), without deduction of interest thereof, in deviation of the Departmental memorandum of June 2015. Reasons for waiving off interest on the MA, in the tender agreement, despite the extant standing order of the Department, were not found available on records.

In its reply, the Department stated (August 2022) that the Memorandum of Public Works Department regarding grant of MA, as mentioned in the Audit Para, is not applicable in case of Engineering, Procurement and Construction (EPC) mode of contract. It was further stated that the MA had been allowed, as per the conditions of the e-NIT and contract agreement, duly approved by the competent authority, as also the guidelines of EPC contracts, issued by MoRTH.

The reply is not acceptable, as the Memorandum did not mention that it is not applicable for EPC contracts. Further, the benefit of providing interest free MA was not mentioned in the tender inviting document. Audit further observed that, in another work[138], awarded in December 2018, executed through the EPC mode of contract, the mobilization advance, along with interest @ 10 *per cent*, was recovered from the contractor's bills, by the Executive Engineer, Howrah Highway Division, PWD. Thus, the Department, by allowing interest free MA, in deviation of the Departmental order, as well as the Notice Inviting Tender documents, had extended undue benefit to the selected contractor, amounting to ₹ 5.34 crore (details in ***Appendix -18***).

2.16 Avoidable expenditure

Execution of excess thickness of Dense Bituminous Macadam (DBM), by the Public Works Department, for the pavements of roads, in violation of provisions of the *Indian Roads Congress,* led to avoidable expenditure of ₹ 2.05 crore.

The Public Works Department (PWD), Government of West Bengal, executes different road works, based on its Schedule of Rates (SOR), Ministry of Road

137 *S P Singla Construction Pvt. Ltd.*

138 *Reconstruction of 4-Lane Bridge (ROB) adjacent to Majherhat Station at 5.8 km of Diamond Harbour Road.*

Transport and Highways (MOR&TH) specifications, provisions of Indian Roads Congress (IRC) *etc*. Components of pavements are mainly designed following IRC provisions, on the basis of the strength of sub-grade[139] soil, which is expressed in terms of California Bearing Ratio[140] (CBR) and the projected traffic volume (expressed in *msa*[141]). Further, as per IRC guidelines[142], Viscous Grade (VG)-40 grade bitumen should be used when *msa* of the road exceeds 30, provided that the air temperature in that location exceeds 40 degree Celsius in summer. The guidelines[143] also provide that the unit thickness of Dense Bituminous Macadam (DBM) with VG-30 equals to 0.833-unit thickness of DBM with VG-40.

A. The Superintendent Engineer, North Bengal Highway Circle, Public Works Roads Directorate (PWRD), awarded (March 2018) a contract, for widening and improvement work of State Highway (SH)-16, at a tendered cost of ₹ 25.88 crore, for completion within March 2019. The work was completed at a cost of ₹ 27.04 crore (January 2020).

Audit observed (March 2020) that the *msa* of the road was calculated as 35 and 09, for a design life of 15 years (for non-bituminous layers) and five years (for bituminous layers), respectively. As per the IRC guidelines[144], the thickness of the pavement is 70 mm of DBM, for CBR of 05 *per cent* and *msa* of 10, using VG-30 bitumen, which is equivalent to 60 mm DBM with VG-40[145]. This indicated that thickness of 60 mm DBM with VG-40 grade, would be sufficient to serve the purpose. However, the implementing Division (Coochbehar Highway Division), PWRD, in violation of the provisions, laid 70 mm DBM with VG-40 grade, instead of 60 mm, resulting in avoidable expenditure of ₹ 0.62 crore, as depicted in the **Table 2.18** below:

Table 2.18

Executed quantity of DBM for 70 mm thickness (TI - 14)	Required quantity for 60 mm DBM	Excess executed quantity of DBM (for 10mm)	Rate allowed for DBM (Gr-II) (₹)	Extra expenditure incurred (₹)	Less: Contractual *per cent (13.96%)* (₹)	Net avoidable expenditure incurred (₹)
(1)	**(2)**	**(3)=(1)-(2)**	**(4)**	**(5)=(3)x(4)**	**(6)**	**(7)=(5)-(6)**
5,763.867 m^3	(5,763.867/0.070) x 0.060 = 4,940.457 m^3	(5,763.867-4,940.457) = 823.41 m^3	8,802.82 per m^3	72,48,330	10,11,866.87	62,36,463.15

In reply, the Department stated (November 2022) that 100 mm thickness (30 mm BC + 70 mm DBM), using VG-40 bitumen, was provided instead of 110 mm (40 mm BC +70 mm DBM), using VG-30 bitumen.

139 *The native material underneath a constructed road.*

140 *The California Bearing Ratio (CBR) is a penetration test for evaluation of the mechanical strength of natural ground, subgrades and base courses, beneath new carriageway construction.*

141 *Million Standard Axles.*

142 *IRC-37-2012: Clause 10.11.*

143 *IRC- 37-2012: Annexure-III.*

144 *IRC-37-2012 "Guidelines for the design of flexible pavements": clause 10 Plate 3 Page 26.*

145 *IRC-37-2012: Annexure-III.*

The reply is not acceptable since, as per IRC guidelines[146], VG-40 bitumen is recommended for BC, as well as DBM, only for traffic greater than 30 *msa*. For *msa* value 10, as per IRC guidelines[147], the equivalent thickness of BC and DBM layer, with VG-40 bitumen is 33 mm and 58 mm, respectively (*i.e.* 91mm thickness), instead of 40 mm and 70 mm respectively (*i.e.* 110 mm thickness). Thus, bituminous layers of 90 mm, instead of 100 mm, would have been sufficient and economical.

B. The Superintendent Engineer (SE), Western Circle-II, Public Works Department (PWD), awarded (December 2014) a contract for widening and improvement work[148], at a tendered cost of ₹ 43.91 crore, for completion within December 2015. The work was completed in June 2016, at a cost of ₹ 43.91 crore.

Audit observed (May 2019) that, as per IRC, 100 mm DBM was sufficient for the road, which had CBR of 06 *per cent* and *msa* value of 27, for design life of 10 years, as considered in the estimate. The implementing Division (Hooghly Construction Division), PWD, in violation of IRC provisions and the sanctioned estimate, laid 125 mm DBM (one layers each of 75 mm and 50 mm), instead of 100 mm (two layers of 50 mm), resulting in avoidable expenditure of ₹ 1.43 crore, as shown in the **Table 2.19** below:

Table 2.19

Tender Item no. & Item	Quantity executed with 75mm thickness	Rate of 75mm DBM (₹ *per* m^2)	Rate of 50mm DBM (₹ *per* m^2)	Difference in Rate (₹ *per* m^2)	Amount of extra avoidable expenditure (₹)	Net avoidable expenditure after contractual premium @ 19.17% above (₹)
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(5)x(2)	(7)
TI-7.1-75mm DBM	56,046.17 m^2	639.69	425.81	213.88	1,19,87,154.80	1,42,85,092.00

The SE stated (January 2020) that (i) in the DPR, 110 mm DBM had been considered and (ii) the technical sanction had been accorded as per the old schedule of rates, wherein the DBM items were on area basis, of 75 mm & 50 mm and, if two layers of 50 mm were considered, it would be under specification. The reply is not tenable, as, in the approved DPR, 100 mm DBM was considered.

The observation was reported to the Government (October 2022); reply is still awaited (March 2023).

146 *Clause 10.1 of IRC 37-2012.*

147 *Plate 3 of IRC 37-2012 and IRC-37-2012: Annexure-III.*

148 *Widening and strengthening of intermediate lane existing carriage way to two lane carriage way from 36 kmp to 54 kmp Kotulpur-Arambagh Road.*

TRANSPORT DEPARTMENT

MOTOR VEHICLES TAX

2.17 Introduction

Motor Vehicles taxes, fees and fines are one of the major sources of revenue receipts of Government of West Bengal. Annual collection of revenue in the form of Taxes on Vehicles is given in **Table 2.20** below:

Table 2.20

Financial Year	Revenue Receipt (₹ in crore)
2017-18	2,317.23
2018-19	2,562.58
2019-20	2,600.81
2020-21	2,336.33
2021-22	2,647.15

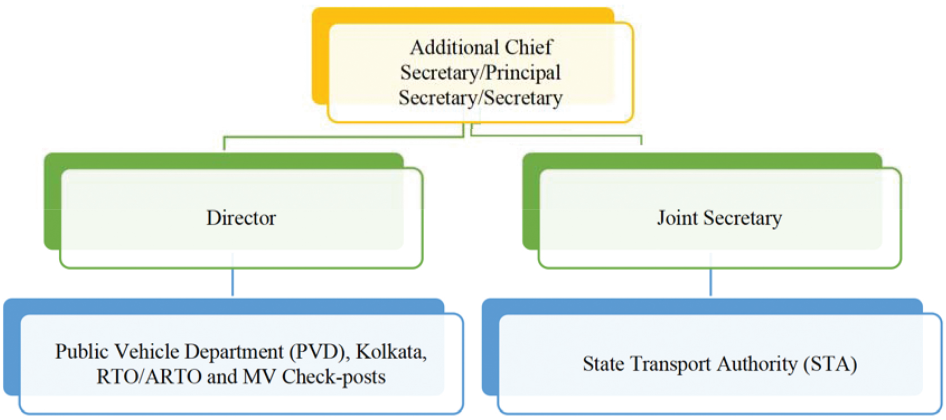
(Source: Finance Account (Vol. I), Government of West Bengal)

The major portion of revenue collection comes from the taxes, fees and fines collected during the activities viz. registration of vehicles, collection of Motor Vehicle revenue and issue of driving licenses and permits for various categories of vehicles on road *etc*.

2.18 Tax Administration

The receipts from the Transport Department are regulated under the provisions of the Central and State Motor Vehicles Acts and Rules made thereunder and are under the administrative control of the Transport Department as detailed in the chart below:

Chart 2.3: Tax Administration



Transport Directorate has been set up (August 2016) as an executive arm of the Department for execution of Public Policy initiatives of the Department in the ground level. The Directorate also looks after regulatory functions under the Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, the West Bengal Motor Vehicles Rules, 1989 and various other relevant rules/orders. Legal compliances, standardisation of business processes across the Unit offices (RTOs/ARTOs and Check-Posts) including Revenue Collection, supervision and co-ordination *etc*. are major functions of the Directorate.

The registration, license and collection of taxes, fees and fines related activities are looked after by Regional Transport Authorities (RTAs) located at the District Headquarters as well as Additional Regional Transport Offices in sub-divisional towns. The Public Vehicles Department (PVD) in Kolkata looks after the said work within Kolkata Municipal Corporation (KMC) area.

2.19 Internal Audit

Absence of internal audit wing in the Department was earlier pointed out in the Audit Report 2010 (No.5 Government of West Bengal) – "Performance audit on collection of Motor Vehicles Taxes, fees and fines of Government of West Bengal" (paragraph 4.15). It was concluded in the said Report, that in absence of internal audit, weakness in the functioning of the department remained undetected (paragraph 5.1). Further Audit recommended establishment of internal audit wing for conducting periodical audit and preparing a manual on internal control mechanism in the Department (paragraph 5.2). However, the Department has not yet constituted the IA wing.

2.20 Results of Audit

During 2020-22, office of the Accountant General (Audit-II), West Bengal conducted test check of 20 units. Audit observation relating to road tax, additional tax, special tax, audio fee, special fee, video fee, dealer's tax, permit fee, fitness fee and other irregularities involving ₹ 1,194.09 crore were observed. These have been categorised as shown in the **Table 2.21** below:

Table 2.21: Results of audit

Sl. No.	Caption	2020-21		2021-22	
		No. of Paras	Money value (₹ *in crore*)	No. of Paras	Money value (₹ *in crore*)
1.	Non realisation of permit fees and late fees	8	0.47	14	2.67
2.	Lack of monitoring of credit of government revenue into government account:	4	24.92	10	2.11
	• Non realisation of penal interest from agency bank for delayed credit of govt revenue into Government Account	(2)	(0.32)	(4)	(0.0003)
	• Holding of government money by the agency bank and	(1)	(24.60)	(5)	(0.47)
	• Delay in deposition of government revenue into the agency bank by the local office	(1)	(0)	(1)	(1.64)
3.	Non-realisation of tax, additional tax and special fees	12	527.08	11	581.25
4.	Non-realisation of Audio fee and Video fee	11	0.22	10	2.19
5.	Non-realisation of special tax and penalty	10	0.06	7	0.09
6.	Short-realisation of tax from LMV/Omni bus (private use)	4	0.009	8	0.40
7.	Short-realisation of road tax from contract carriage vehicles	7	0.03	7	0.13
8.	Non/Short-realisation of dealer's tax	9	0.038	11	12.19
9.	Short realisation of fitness fee	6	0.08	11	1.76
10.	Others	22	0.05	68	38.34
	Total	**93**	**552.957**	**157**	**641.13**

An amount of ₹ 25.65 crore was realised by the Department as was intimated to audit during 2020-22[149].

2.21 Compliance Issues

Collection of motor vehicles taxes, fees and fines is mainly guided by the following provisions:

- West Bengal Motor Vehicles Tax (WBMVT) Act, 1979,
- West Bengal Additional Tax and One-time Tax on Motor Vehicles (WBATOTMV) Act, 1989,
- The Motor Vehicles (MV) Act, 1988,
- Central Motor Vehicles (CMV) Rules, 1989.

For effective implementation of these provisions, it was essential that all the provisions were mapped properly in the VAHAN software to prevent any non/ short realisation of government revenue.

Audit was conducted in 20 units during the period 2020-22. The cases mentioned in the succeeding paragraphs are those which came to the notice in the course of test audit for the period 2021-22 as well as those which came to notice in 2020-21, but could not be featured in the previous Audit Report.

Few illustrative cases involving ₹ 31.05 crore are discussed in succeeding paragraphs. It is pertinent to mention that many of these issues have been raised earlier and published in CAG's Audit Report (Revenue Sector) of previous years wherein the Government accepted many of the objections and initiated recovery action. However, overall internal control system was not strengthened to the extent that such issues do not re-occur in subsequent years.

2.22 Non-realisation of tax and penalty

Despite availability of information regarding non-payment of motor vehicle taxes by defaulter vehicle owners, the RTOs/ ARTOs did not monitor this aspect, nor did they review the data available with VAHAN, in this regard. As a result, demands were not raised and taxes and penalty, amounting to ₹ 12.68 crore, remained unrealised.

Section 3 of the West Bengal Motor Vehicles Tax (WBMVT) Act, 1979, prescribes that transport vehicles, such as contract carriage, goods carriage, stage carriage *etc.,* are required to pay tax, on quarterly or yearly basis, at a prescribed rate. Sections 3 & 4 of the West Bengal Additional Tax & One-time Tax on Motor Vehicles Act, 1989, prescribes imposition of additional tax at a prescribed rate and Section 10 of the same Act prescribes the imposition of penalty, amounting to twice the amount of tax due, after expiry of the admissible period of 75 days. Section 12 prescribes that, if the tax due in respect of a transport vehicle is not paid within the prescribed period, the permit shall be invalid, from the date of expiry of the period, till the tax is actually realised. Section 14 of the WBMVT Act, 1979, prescribes recovery of tax and penalty, in the same manner as arrears of land revenue, in case of non-payment of taxes and penalties or fine. Further, Section 16 of the WBMVT Act, 1979, empowers the Department to search,

[149] *Fin. Year 2020-21: ₹ 0.03 crore & Fin. Year 2021-22: ₹ 25.62 crore.*

seize and keep in custody the vehicles of those owners, who have defaulted in the payment of Government dues.

Audit scrutiny (between September 2021 and April 2022) revealed that, in regard to 15,516, out of 4,85,744 transport vehicles, in 12[150] Registering Authorities, the vehicle owners had not paid taxes and penalties of ₹ 12.68 crore[151], as of March 2020 (as detailed in ***Appendix-19***). Details of vehicles being off roads or having been transferred to other States, were not available on record.

Audit observed that, though information about non-payment of motor vehicle taxes, by defaulter vehicle owners, was available in the VAHAN[152] database, the authorities did not monitor this aspect, or review such data. As a result, the concerned authorities had neither sent lists of defaulter vehicles to the Enforcement Wing, nor had they issued demand notices to the tax defaulters.

Lack of monitoring by the taxation authorities, for ensuring that demand notices were issued to all defaulters and proper action, under the provisions of the Act, was initiated to enforce the recovery of motor vehicle tax, resulted in non-realisation of motor vehicles tax and penalty, amounting to ₹ 12.68 crore.

The matter was reported to the Government (August 2022); reply is awaited (March 2023).

2.23 Non-realisation of penal interest from agency banks, for delayed credit of Government revenue

Department failed to claim & realise penal interest of ₹ 84.28 lakh, for delayed credit of Government revenue, by agency banks, during FYs 2016-17 to 2019-20.

Rule 3.01 of the West Bengal Treasury (WBT) Rules, 2005, prescribes that all moneys received by or tendered to Government employees, on account of the revenues of the State, shall, without undue delay, *i.e.*, within the next working day at the latest, be paid in full into the treasury linked bank or any other bank authorized by the Finance Department and shall be included in the Government Account. Further, the WBT Rules, 2005, prescribe[153] the procedure for handling State Government transactions, by the Agency Banks, which are required to send the Reciept/Payment Scrolls to the Government Sub-Treasuries/Treasuries on a daily basis. They also prescribe[154] charging of penal interest, of two percentage points above the Bank Rate, as notified by the Reserve Bank, on delayed receipt of ₹ 10 lakhs and above (revised to one lakh & above in March 2007)[155], if the period of delay exceeds the prescribed time for credit of such transactions. Moreover, the Reserve Bank of India (RBI), vide its Circular[156],

[150] *Alipore, Bangaon, Barrackpore, Baruipur, Basirhat, Behala, Hooghly, Howrah, Kasba, PVD Kolkata, Salt Lake and Uluberia.*

[151] *₹ 6.34 crore tax and ₹ 6.34 crore penalty.*

[152] *'Vahan' is the national vehicle registry portal, which intends to collate all the information available with the Road Transport Departments of all States.*

[153] *Appendix-21- Para 5.1 of PART-I of the Kolkata Gazette, Extraordinary, June 14, 2005.*

[154] *Appendix-21- Para 5.11A (a) of PART-I of the Kolkata Gazette, Extraordinary, June 14, 2005.*

[155] *Reserve Bank of India, vide no. RBI/2006-2007/291 DGBA. GAD. No. H-14061/ 31.04. 08/ 2006-2007 dated March 21, 2007.*

[156] *Circular No. DGBA.GAD No.H-3203/42.01.011/2014-15 dated January 21, 2015.*

had fixed (January 2015) the norm for agency banks, for payment of government revenue, through Debit/ Credit cards and Net banking, as being the T+1 working day, where "T" is the day when money is available with the receiving bank branch. RBI issues guidelines[157], from time to time, on the maintenance of State Government accounts and recovery of interest on delayed remittance of State Government remittances.

Audit scrutiny of the Bank Statements of 11[158] Registering Authorities (RAs), under the Transport Department, for the financial years from 2016-17 to 2019-20, revealed that ₹ 586.83 crores of Government revenue had been credited into the Government account, with delays by the Agency banks, as detailed in the **Table 2.22** below:

Table 2.22: Loss of interest due to delay credit

Name of the office	Financial Year	Total cases	Amount credited belatedly (₹ *in crore*)	Cumulative daily amount[159] qualified for calculation of interest (₹ *in crore*)	Period of delay in credit (range in days)	Penal interest due for delayed credit (₹ *in crore*)
Alipore	2019-20	39	11.08	20.41	1 to 4	0.0042
Barasat	2018-20	389	130.83	587.15	1 to 6	0.128
Barrackpore	2018-20	412	123.60	660.16	1 to 20	0.1441
Bashirhat	2017-20	319	68.40	115.11	1 to 15	0.0243
Behala	2017-20	977	31.81	121.42	1 to 15	0.0269
Bongaon	2017-20	221	8.24	0.655	2 to 370	0.0126
Burdwan	2016-18	38	6.03	114.40	5 to 39	0.0251
Hooghly	2017-20	664	130.89	741.16	1 to 181	0.1607
Jalpaiguri	2016-19	160	24.32	155.21	1 to 188	0.0351
Murshidabad	2018-19	256	51.52	1,241.97	1 to 251	0.2817
Nadia	2017-18	1	0.01	0.48	4	0.0001
		3,476	**586.73**	**3,758.125**		**0.8428**

However, the Agency banks had not credited the amount of penal interest into the Government account. Thus, penal interest of ₹ 84.28 lakh, due from the Agency banks, for delayed credit of Government money in the Government account, had not been realised. Delayed credit of revenue in the Government account affects the ways & means position of State Government. The RBI charges interest, in case a State Government does not maintain a mutually agreed daily minimum balance with the Bank. During FYs 2016-17 to 2019-20, GoWB had to take

[157] *Appendix-21 to sub-rule 3 (c) of T.R 2.33 and the Reserve Bank of India, vide circular no. DGBA, GAD. No. 1377/31.04.08/2002-03 dated February 22, 2003.*

[158] *Alipore, Barasat, Barrackpore, Bashirhat, Behala, Bongaon, Burdwan, Hooghly, Jalpaiguri, Murshidabad and Nadia.*

[159] *The amount credited belatedly was multiplied by the period of delay of the corresponding amount to get cumulative daily amount of delayed credit.*

Ways & Means Advances (W&MAs) and pay interest[160] thereon. Thus, prompt credit of revenue, into the Government Account, is a desirable practice and, in case agency banks have failed to do so, the Department should promptly claim interest on such delays.

The matter was reported to the Government from March 2019 to December 2021 and November 2022. Reply is still awaited (March 2023).

Given the scale and quantum of the amount noticed, similar instances in the Department need to be checked and corrective action taken, on priority.

2.24 Non-realisation of permit fees and late fees

Registering Authorities did not realise permit fees and late fees of ₹ 2.40 crore from 1,525 transport vehicles plying without updated permits.

Section 66 of the Motor Vehicles (MV) Act, 1988, provides that the owner of a transport vehicle can use his vehicle in a public place only after obtaining a permit from the prescribed authority. Section 81 of the Act prescribes that a permit may be renewed on an application made not less than 15 days before the date of its expiry. Fees for application and grant/renewal of permit, in regard to different kinds of vehicles, are realisable as per the rates specified in Schedule-'A' of Rules 126 and 127 of the West Bengal Motor Vehicles (WBMV) Rules, 1989. Further, in terms of Rule 151 of the WBMV Rules, 1989, the application for renewal of a permit may be received after expiry of the period of the permit, provided a late fee, as prescribed in Schedule E3, is paid.

Audit observed (between February 2020 and March 2022) from the scrutiny of the permit registers and analysis of the *VAHAN* database of 12 Registering Authorities (RAs)[161], that 1,525 transport vehicles, whose permits had expired between March 2011 and November 2020, were still plying and the permits of these vehicles had not been renewed till June 2022. The owners of these vehicles had, however, paid the fitness fees and road taxes, which was indicative of the fact that these vehicles were on the road and were not idle.

As per the MV Act, 1988 (192 A), if a motor vehicle is found to be plying without valid permit, it shall be punished for the first offence, with a fine of upto ₹ 5,000/- and, for any subsequent offence, with imprisonment upto one year and fine upto ₹ 10,000/-. However, the concerned authorities had neither sent the list of such defaulting vehicles to the Enforcement Wing of the Department to ensure compliance, nor had they issued demand notices, to ensure timely collection of revenue. This had resulted in non-realisation of permit fees and late fees of ₹ 2.40 crore (as of June 2022).

The matter was reported to the Government (August 2022). Reply is awaited (March 2023).

160 *Amount of Interest on W&MA (₹ in crore).*

2016-17	*2017-18*	*2018-19*	*2019-20*
0.285	*1.05*	*20.75*	*10.67*

161 *Alipur, Bankura, Barasat, Birbhum, Hooghly, Howrah, Jalpaiguri, Kalimpong, Paschim Medinipur, Puraba Medinipur, PVD, Kolkata and Uttar Dinajpur.*

2.25 Short-realisation of fitness fee

Registering Authorities (RAs) failed to levy fees for conducting fitness tests at enhanced rate, for delayed production of vehicles, in contravention of the existing provision of the Motor Vehicle Rules, resulting in short realization of ₹ 1.78 crore.

Section 56(1) of the Motor Vehicles Act, 1988, stipulates that, subject to the provisions of Sections 59[162] and 60[163], a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness (CF).

Further, Rule 57 (6) of the West Bengal Motor Vehicles Rules, 1989, provides that the owner shall be liable to pay 150 *per cent* of the prescribed fees, for non-submission of application within the stipulated period[164], and also for delayed production[165] of vehicle for inspection, for renewal of CF.

Audit analysed the data of 11 Regional Transport Offices (RTOs)/Additional Regional Transport Offices (ARTOs) between October 2020 and February 2021 and found that 78,046, out of 2,83,021 transport vehicles, were produced belatedly for inspection, for renewal of CF, during the period between April 2016 and March 2020. The RTOs/ARTOs, however, realized normal fees, as specified in the Notification dated 29 December 2016, instead of @ 150 *per cent.* This resulted in short realization of fitness fee of ₹ 177.66 lakh, as detailed in **Table 2.23** below:

Table 2.23: Short realization of fitness fees

(₹ *in lakh*)

Sl. No.	Name of the RA	Period of analysis of data	No. of CFs issued during the period	No. of defaulter vehicles	Amount of fitness fee, including application fee realizable	Amount of fitness fee, including application fee realised	Amount of short realisation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)-(7)
1	Alipore	2019-20	29,944	10,064	86.21	64.18	22.03
2	Barasat	2019-20	36,745	12,738	112.64	83.52	29.12
3	Baruipur	2017-20	13,649	1,553	12.77	9.54	3.23
4	Behala	2017-20	12,611	3,971	33.24	24.81	8.43
5	Barrackpore	2018-20	44,105	12,368	121.29	89.08	32.21
6	Howrah	2018-20	40,419	10,025	93.87	69.26	24.61
7	Kalimpong	2019-20	2,669	1,066	10.01	7.38	2.63

162 *Power of Central Govt. to fix the age limit of motor vehicles, by notification in the Official Gazette, considering the public safety, convenience and objects of the Act.*

163 *Registration of vehicles belonging to the Central Govt. by notification in the Official Gazette, for use for government purpose relating to defence of the Country and unconnected with any commercial enterprise.*

164 *If no date, time and place for the next inspection is endorsed on the CF, an application for renewal shall be made not less than one month before the date of expiry of the CF.*

165 *If the owner fails to produce the vehicle for inspection on or before the expiry of the last CF.*

Sl. No.	Name of the RA	Period of analysis of data	No. of CFs issued during the period	No. of defaulter vehicles	Amount of fitness fee, including application fee realizable	Amount of fitness fee, including application fee realised	Amount of short realisation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)-(7)
8	Kasba	2016-20	25,155	5,593	46.19	33.85	12.34
9	Purba Medinipur	2016-18	13,237	1,257	6.54	4.78	1.76
10	PVD, Kolkata	2019-20	28,313	10,178	83.02	62.13	20.89
11	Salt Lake	2016-20	36,174	9,233	76.64	56.23	20.41
Total			**2,83,021**	**28,046**	**682.42**	**504.76**	**177.66**

The provision of levying 150 *per cent* of normal fees for belated submission of vehicles, for renewal of fitness, was not mapped in VAHAN software, resulting in short realization of ₹ 1.78 crore.

Two RTOs[166] admitted the audit observation and stated that the short realization was due to non-mapping of the enhanced rate in the VAHAN software. However, they did not furnish reports of further realization of the amount.

The matter was reported to the Department (August 2022); reply is awaited (March 2023).

2.26 Non-realisation of tax from dealer or manufacturer having possession or control of motor vehicles

Registering Authorities under the Transport Department did not collect tax from dealers or manufacturers at the time of first registration of motor vehicles, resulting in loss of Government revenue, amounting to ₹13.35 crore.

Section 3(2) of the West Bengal Motor Vehicles Tax Act, 1979, prescribes for imposition of tax from dealers or manufacturers who keep in their possession or control any motor vehicle, whether or not the motor vehicle is driven in public place on the basis of a trade certificate, at the rate specified in part 'H' of the schedule. The tax is to be collected by the Taxing Officer having jurisdiction at the time of first registration of the motor vehicle, whether temporary or permanent, as a lump sum, irrespective of the period of use, and is not refundable.

Audit analysed the data from *e-VAHAN* software and observed that, during April 2016 to March 2020, 7,22,739 motor vehicles were registered for the first time (whether temporary or permanent), by 14 Registering Authorities (RAs) under the Transport Department. Audit observed that the applicable tax, payable by the dealers or manufacturers, under Section 3(2) of the West Bengal Motor Vehicles Tax Act, 1979, was not assessed and collected for 5,76,443 of these Vehicles. As a result, there was loss of Government revenue, amounting to ₹ 13.35, crore as detailed in **Table 2.24** as follows:

[166] *RTO Barasat and ARTO Behala.*

Table 2.24: Non-realisation of Dealer's Tax

Sl. No.	Name of the RA	Total number of vehicles registered	Number of cases	Total Amount of Non-realisation of Dealer's Tax (₹ in lakh)
1	Alipore	43,506	36,506	88.99
2	Barasat	53,183	40,670	97.06
3	Barrackpore	76,959	63,441	167.27
4	Baruipur	94,435	81,850	172.62
5	Basirhat	30,967	29,528	60.23
6	Bongaon	30,830	27,766	63.14
7	Behala	24,536	16,180	34.33
8	Hooghly	62,835	54,757	117.96
9	Howrah	86,181	72,344	201.59
10	Kalimpong	3,491	2,788	7.03
11	Kasba	53,648	33,383	74.8
12	PVD, Kolkata	31,935	18,626	40.53
13	Saltlake	66,410	39,811	88.25
14	Uluberia	63,463	58,793	121.41
	Total	**7,22,379**	**5,76,443**	**1,335.21**

(Source: Data analysed from e-VAHAN software)

In reply, RA, Barasat and RA, Uluberia, accepted (in September 2022 and December 2021) the Audit observation and RA, Uluberia, reported realization (in September 2022) of ₹ 0.22 lakh only. Further, RA, Hooghly, RA, Howrah and RA, PVD, Kolkata, replied (October 2021, April 2022 and August 2022 respectively) that this tax is not applicable for two wheelers, as per order[167] issued by Special Secretary to the Government of West Bengal.

The reply is not acceptable, as the above mentioned order is only a reproduction of sub-section (3) of Section 9A of the West Bengal Additional Tax[168] and One-time Tax[169] on Motor Vehicles Act, 1989. Moreover, both the Additional Tax and One-time Tax are payable by the registered owner of the motor vehicle and not by the dealer or manufacturer of the vehicles.

These instances have been noticed during test-check by Audit. Given the scale and quantum of amount noticed, it can be said that similar instances in the Department need to be checked and corrective action taken on priority.

Thus, failure of the Department to collect the applicable tax from dealers or manufacturers of motor vehicles, resulted in loss of Government revenue, amounting to ₹ 13.35 crore.

[167] *Memo No. 3258-WT/3M-17/2017 dated 17.07.2017.*

[168] *Additional tax -Every owner of a registered motor vehicle or every person, who owns or keeps in his possession or control any motor vehicle as described in Schedule I, shall pay the additional tax at the rate specified therein against such vehicle.*

[169] *One-time Tax - the owner of any motor vehicle other than battery operated motor vehicle, being less than 10 years old, when applying for first registration or assignment of fresh registration mark or change of address on removal of such motor vehicles from another State, shall pay one-time tax at the rates specified in part I of Schedule IV for a period of five years, in lieu of annual tax payable under the West Bengal Motor Vehicles Tax Act,1979.*

The matter was reported to the Government in August 2022. Their reply is still awaited (March 2023).

URBAN DEVELOPMENT & MUNICIPAL AFFAIRS DEPARTMENT

2.27 Unfruitful expenditure on construction of Water Supply Project at the Export Promotion Industrial Park

In violation of the directions of the State Planning Board, the Asansol Durgapur Development Authority (ADDA) started the construction of a water supply project, without obtaining necessary permission from the Railways. ADDA later terminated the contract, without planning for its ultimate completion, resulting in unfruitful expenditure of ₹ 42.36 crore and the project remaining incomplete even after nine years.

The Asansol Durgapur Development Authority (ADDA) was created[170] (1981) as a nodal body, entrusted with planning and providing infrastructure for the industrial belt, as well as overall development of the Asansol and Durgapur sub-divisions. An Export Promotion Industrial Park (EPIP) is located 10 km east of Durgapur, with a number of industries[171] in operation in that area. These industries were initially meeting their water demand by tapping groundwater aquifers, or by drawing water from nearby ponds. Subsequently, the availability of underground water became scarce and, with the local ponds also drying up during summer, the industries were subjected to severe shortage of water.

In order to overcome the water shortage, the project *"Construction of 5 MGD Water Treatment Plant at EPIP, Durgapur"* was accorded (August 2013) in-principle approval, at a project cost of ₹ 70.29 crore, by the State Planning Board (SPB), which was functioning under the Planning Department, Government of West Bengal, subject to the following conditions:

- No land acquisition would be done to implement the full project.
- Necessary permissions, required from Damodar Valley Corporation (DVC), Railway, National Highway Authority of India (NHAI) and others, would be obtained, before starting the project.
- The project was to be completed within a span of two and half years.

ADDA issued (December 2013) Notice for Inviting Tender (NIT) for the work[172]. The estimated tender value was ₹ 69.94 crore. After evaluation of the technical and financial bids received, the work was awarded (August 2014) to

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[170] *Under the West Bengal Town & Country Planning Act, 1979.*

[171] *15 very big industries, requiring 21,500 Kilo litre of water daily + 10 other industries, requiring 500 Kilo liter daily + 6 upcoming industries, requiring 200 Kilo litre daily.*

[172] *Design, construction, commissioning, Trial Run for 3 months and Operation & Maintenance for a period of 12 months after completion of trial run, of a Water Supply System, comprising of a 5 MGD (20 working hours in a day) Water Treatment Plant, along with Raw Water Drawal System, Raw Water Rising Main, Clear Water Reservoir, Clear Water Pump House including Pumping arrangement and other ancillary units, at EPIP, Durgapur, West Bengal, on Turnkey Basis.*

the successful bidder[173], at the tendered amount of ₹ 58.89 crore. The work was to be completed by July 2016.

Audit observed (December 2021) the following irregularities, on part of ADDA/ Department, in the execution of the project:

- ADDA issued (August 2014) the work order without securing the required permission from the Railways. The Executive Engineer (EE) applied for permission to use Railway land for the proposed underground water pipeline only in September 2015, *i.e.* one year after the issue of the work order. Provisional approval from the Railway was received in October 2016, subject to deposit of ₹ 30.97 lakhs. The EE deposited the required amount in March 2017, *i.e.* after a delay of five months. Final permission from the Railways was received only in March 2017. Thus, the entire period of two and half years, allowed by the SPB for completion of the project, was lost in securing the required permission.
- The cost estimate in the DPR had been prepared based on the rates prevailing in 2012. By the time the permission from Railways was received, five years had elapsed. As a result, contractor observed (September 2018) that the rates had become unworkable due to increased input costs and the introduction of GST. The consultant[174] hired by ADDA for management of the bidding process had also observed that, if prior permissions were not obtained before starting the project, it would not be possible to complete the project within the scheduled time frame and cost. Ignoring the conditions stipulated by the SPB and suggestion of the consultant, ADDA went ahead with the tendering process, without obtaining the required permission beforehand.

Audit further observed (December 2021) that ADDA terminated (September 2018) the contract, citing slow progress of the work, with order for forfeiture of ₹ 4.71 crore, which included ₹ 3.53 crore retained from the Running Account bills as Security Deposit and ₹ 1.18 crore to be recovered by invoking the bank guarantee submitted by the contractor. However, ADDA could not forfeit the bank guarantee, as it failed to give necessary instructions to the issuing bank to effect invocation of the bank guarantee within its validity *i.e.* March 2018. ADDA also imposed liquidated damages of ₹ 58.88 lakh, which the contractor did not pay. When the contract was terminated, the physical progress was about 74 *per cent*, the financial progress was around 72 *per cent* and the contractor had been paid ₹42.36 crore (last payment in December 2017). The contractor, thereafter, initiated (October 2018) an arbitration case, which was still pending (as of July 2022).

The Board of ADDA decided (December 2018) to complete the balance work by inviting a fresh tender. Executive Engineer (EE), ADDA, submitted (July 2020) that: (i) since the project was to be executed on turnkey basis, it did not have an estimate of the quantity of different items to be executed (ii) accordingly, undertaking the balance work in the conventional manner would be cumbersome, as framing a Bill of Quantities (BOQ) would consume considerable time and could not be done in-house. Additional Chief Engineer

[173] *SMS Paryavaran Limited.*

[174] *Bengal Urban Infrastructure Development Limited.*

(ACE), ADDA, proposed (June 2021) that the incomplete work could be taken up under Public Private Partnership (PPP), in the Build Operate and Transfer (BOT) mode, wherein the selected concessionaire would: (i) execute the balance work and (ii) continue operation, maintenance and management of the project for a period of 20/25 years. However, no decision had been taken by the Department in this regard (as of July 2022).

The joint site visit conducted by Audit revealed (December 2021) that the work site was abandoned and was in a dilapidated condition. Audit observed that transformers, pumps and motors, supplied by the contractor and valued at ₹ 1.49 crore, had not been installed/tested, due to non-completion of work. Further, this equipment was susceptible to damage, due to prolonged non-use.

Fig. 2.18 and Fig. 2.19: Abandoned site in dilapidated condition (December 2021)

Thus, issue of work order for the project, without obtaining prior permission from the Railways, in violation of the conditions laid down by the SPB; termination of the contract without planning in regard to the manner of completion of the remaining work; and the resultant inability to get the balance work completed, has resulted in unfruitful expenditure of ₹ 42.36 crore, on the proposed water supply work at EPIP. Further, the envisaged benefits could not be provided to the industries, even after nine years, hampering the promotion of commerce and industry in the region.

The matter was reported to the Department (February 2022) but reply has not been received (March 2023).

2.28 Loss of revenue due to delay in revision of development charges

Laxity on part of the Midnapore Kharagpur Development Authority (MKDA) and the Urban Development and Municipal Affairs Department, resulted in loss of opportunity to earn additional revenue of ₹1.13 Crore.

Sections 102, 103 and 104 of the West Bengal Town and Country (Planning & Development) (WBT&C) (PD) Act, 1979, prescribe that, with the previous sanction of State Government, every Planning or Development Authority shall levy a development charge, for carrying out development and/or change of use of land, in the whole or any part of the planning area, for which permission from the concerned Planning or Development Authority is required, at rates not exceeding those specified in Section 103.

Audit observed (February 2021) that the Midnapore Kharagpur Development Authority[175] (MKDA) had finalized development charges in January 2005, based on the notification of Urban Development and Municipal Affairs Department (UD&MAD), GoWB, published in March 2003. Subsequently, UD&MAD revised (September 2008) the development charges for different categories of development activities. However, MKDA did not initiate action to revise its rates in terms of the UD&MAD's notification and continued to levy development charges at the old rates of January 2005.

Later, after four years, in its Board meeting (August 2012), MKDA proposed enhancement of the development charges and forwarded (November 2012) the proposal to UD&MAD, for its approval. The proposal was, however, rejected (February 2013) by the UD&MAD, on the ground that it was not in conformity with the provisions of the West Bengal Town & Country (Planning & Development) Act, 1979. In December 2015 (*i.e.*, after a lapse of another three years), MKDA requested UD&MAD for enhancement of the development charges. Since approval was not received, MKDA again appealed (November 2016) to UD&MAD, to approve the said proposal for enhancement of the development charges. UD&MAD finally approved (March 2017) the enhanced development charges, which had been proposed earlier (in November 2016) by the MKDA.

Audit observed (February 2021) that the Siliguri Jalpaiguri Development Authority had modified its rates in November 2008, *i.e.* immediately after the UD&MAD's order was published in September 2008. The Asansol Durgapur Development Authority had also modified its rates in November 2011. MKDA, however, initiated action for enhancement of the development charges only in November 2012, after a delay of four years, and was able to finally implement the enhanced charges only in 2017, *i.e.* eight years after the UD&MAD's order.

To assess the probable extent of additional revenue earning opportunity foregone, due to above mentioned delays, From the records maintained at the Land Development and Permission section of the MKDA, Audit analyzed (March 2021) 24 cases[176], which were decided between 2013 and 2017[177]. In these cases, MKDA had collected an amount of ₹28.30 lakh at the old rates (as per the rates of January 2005), instead of ₹ 141.47 lakh, which it could have collected, if the rates had been revised on the basis of the September 2008 Notification of the UD&MAD, GOWB. This resulted in revenue forgone, amounting to ₹ 113.17 lakh ***(Appendix -20),*** in 24 out of 30 cases.

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[175] *Formed vide Notification No. 825 / T & CP / C -2 / 1 – S / 2003 dated 21.03.2003, as per Sections 11 (1) & (3) of the WBT&C (P&D) Act, 1979.*

[176] *Only cases above Rupees one lakh, including erection charges and penalty, were considered. Out of 30 such cases, 24 cases were scrutinised, while records pertaining to the remaining six cases were not made available to Audit.*

[177] *As the proposal for enhancement of development charges was first taken by MKDA in August 2012and the rate was revised in March 2017.*

In reply, the MKDA stated (February 2021) that, due to lack of sufficient infrastructure, the earlier Board could not take up the matter with the UD&MAD before 2012. The Authority further stated (October 2021) that timely pursuance with UD&MAD could not be done, due to shortage of manpower. The reply is not tenable, since enhancement of development charges, being a crucial element of revenue for the MKDA, should have been prioritized by the MKDA. The delay of four years in preparing the initial proposal, as well as three years taken to resubmit the proposal after initial rejection by the UD&MAD, is indicative of laxity on part of the MKDA.

Thus, delay on the part of MKDA, to initiate proposals for revision of rates and the subsequent delay in approval of the increased development charges by UDD, resulted in loss of opportunity to generate additional revenue of ₹ 113.17 lakh ***(Appendix-20*)**, in the cases test-checked by Audit.

The matter was referred to Government in November 2021; reply has not been received (March 2023).

2.29 Unfruitful expenditure on construction of community hall

The community hall constructed by the Jaigaon Development Authority was neither properly maintained, nor utilised, due to lack of planning and violation of conditions in the sanction order, leading to unfruitful expenditure of ₹ 1.29 crore.

The Jaigaon Development Authority (JDA) was set up in April 1987, under the Urban Development and Municipal Affairs Department, to develop Jaigaon, a town adjacent to the Bhutan border, and the surrounding areas.

The JDA, in its 32nd Board Meeting, decided (February 2014) to take up the work of construction of a Community Hall at Jaigaon. The Executive Officer (EO), JDA, requested (09 January 2015) the District Magistrate, Alipurduar, for sanction of the work, under the Border Area Development Programme (BADP)[178]. The work of construction of a community hall was admissible, in terms of the BADP guidelines. The work was sanctioned (29 January 2015) by the District Magistrate, Alipurduar, for an amount of ₹1.23 crore, with the condition that the JDA should ensure maintenance of the asset so created, till it is handed over to the appropriate authority for operation.

Test-check of records of the JDA (March 2022) revealed that JDA had not prepared any Detailed Project Report (DPR), prior to taking up the project, for identifying the different components of the project, such as site location, mode of operation and maintenance, appropriate authority to whom the assets would be handed over for operation, the Benefit Cost Ratio *etc*. The work was approved on the basis of a detailed cost estimate, which was preceded by a one-page preface, which mentioned that execution of the community hall would enable the people of JDA area to celebrate various occasions. The estimate did not contain any mention of a specific site having been earmarked for the construction of the community hall.

The work of construction of the Community Hall was awarded (March 2015) to a contractor, at the tendered cost of ₹ 98.29 lakh, with the completion period

[178] *A centrally sponsored scheme to meet the special development needs of people living in remote areas situated near the international border.*

being eight months. The scope of work included construction of a single-story building, having a hall with a stage, four dormitories with attached bath, one dining hall, one office room and one storeroom.

Audit observed (March 2022) that it had been decided (February 2014 and June 2015) that the Community Hall would be constructed at a site behind the Jaigaon Primary Health Centre, approximately 600 metres from the JDA office, in the Jaigaon town. Subsequently, the Assistant Executive officer (AEO) requested (05 June 2015) the EO for a change of the earmarked site, on the ground that local people had raised certain objections and proposed that the work be executed at a site which was approximately 1.5 km away from the JDA office.

The EO, JDA, approved (05 June 2015) the new location on the same day that the request had been made, without conducting a feasibility study about the new location. The proposal regarding change of site was not placed before the Board of JDA for approval, whereas the previous site had been approved by the Board.

Test-check of records further revealed that that the civil work had been completed (June 2017) at a cost of ₹98.51 lakh. The work of installation and supply of electrical equipment/fittings related to the community hall was awarded (April 2017) to a different contractor and this work was completed (August 2017) at a cost of ₹ 12.28 lakh. An additional work, of construction of a boundary wall, was awarded (July 2017) to another contractor and was completed (February 2018) at a cost of ₹ 17.94 lakh. Thus, the construction of the Community Hall was finally completed in February 2018, at a total cost of ₹ 1.29 crore.

Audit observed that the community centre was situated at a remote location (away from the prominent market area of Jaigaon), in the Jaigaon-II Gram Panchayat area. The newly created asset was left unattended, without any security arrangement, which made it vulnerable to thefts. JDA subsequently lodged (October 2017 and August 2018) police complaints, regarding theft of four air conditioners, four ceiling fans *etc.,* with the Jaigaon Police Station. In clear violation of the sanction order issued by the District Magistrate, the JDA neither maintained the newly created asset, nor handed it over to an appropriate authority for operation and maintenance.

During the joint site inspection with JDA officials, Audit observed (March 2022) that the Community Hall was in a dilapidated condition. All the sanitary and plumbing fittings, most of the doors and windows, the front grill and all the electrical equipment, except the Electrical Meter, were missing. Further, the community hall was unusable, in the observed condition.

***Fig. 2.20 and Fig. 2.21: Building in dilapidated condition with damaged roof, stolen doors** etc.*

The AEO, JDA, accepted (March 2022) the lapse regarding security arrangement for the Community Hall and stated that, after construction of the community hall, it had been decided that JDA would operate and maintain the property. Subsequently, in the 49th Board meeting, it was decided (September 2019) that the community hall would be given on lease to the Jaigaon-ll Gram Panchayat, on a rent of ₹10,000 per month. However, the Pradhan of the said Gram Panchayat declined to take over the Community Hall.

The reply may be viewed in the light of the facts that: (i) the JDA had failed to plan for operation and maintenance of the community hall, prior to its construction (ii) the decision to change the location was taken by the EO, without checking the feasibility of the new location and without approval of the Board (iii) the decision to lease out the community hall was taken 17 months after its construction, when the electrical equipment/fittings had already been stolen and the building was damaged and (iv) even after more than four years since its construction, the JDA has not been able to hand it over to an appropriate authority for usage, nor has it been able to utilise the hall itself.

Thus, lack of planning on part of JDA, regarding the site selection and manner of operation/ maintenance of the Community Hall, coupled with failure to maintain the created asset, resulted in unfruitful expenditure of ₹ 1.29 crore.

The matter was reported to Government in April 2022; reply is awaited (March 2023).