

# **CHAPTER V**

## **INTERNAL CONTROL MECHANISM IN GOVERNMENT DEPARTMENTS**

## CHAPTER-V

### Internal Control Mechanism in Government Departments

#### IRRIGATION AND WATERWAYS DEPARTMENT

##### 5.1 INTERNAL CONTROL MECHANISM IN IRRIGATION AND WATERWAYS DEPARTMENT

###### **HIGHLIGHTS**

*Internal Control is an integral component of an organisation's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve organisational objectives. An evaluation of Internal Controls in the Irrigation and Waterways Department revealed that weaknesses existed in the Department such as non-compliance to rules, manuals and codes in the area of budget preparation, expenditure, accountal of transactions, maintenance of stores etc.*

**Non-observance of budgeting procedure such as compilation of inputs from field offices made the budget provisions unrealistic and resulted in 21 to 58 per cent savings on an average on Capital Account during 2002-2007.**

*(Paragraphs 5.1.5.1 and 5.1.5.3)*

**Expenditure control mechanism was non-functional. The Chief Engineers/ Superintending Engineers did not maintain control register for annual plan outlay and expenditure incurred thereagainst to watch the flow of expenditure.**

*(Paragraph 5.1.5.4)*

**Recommendations of the Committee on Public Accounts in 1988-1989 to make a fair balance between expenditure and collection of revenue had not been implemented. Government spent Rs 12.41 crore to collect Rs 25.40 lakh against the demand of Rs 6.15 crore for the year 2005-2006.**

*(Paragraph 5.1.5.10)*

**Departmental Code had not been updated since its preparation in 1960. Even the Guard files of important instructions of the Department or Chief Engineers were not maintained in the Directorate.**

*(Paragraph 5.1.6.1)*

**None of the test-checked Divisions maintained the property register. As a result the management was unaware of the actual status of the assets at their disposal, encroachment, if any, and their safe custody.**

*(Paragraph 5.1.6.3)*

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*Abbreviations used in this review have been listed in the Glossary (page 233)*

**Unplanned and unnecessary procurement of stores in excess of requirement resulted in blocking of Rs 3.69 crore. In violation of codal provision, annual physical verification of stores was not conducted in any of the test-checked Divisions since 1983-1984.**

*(Paragraphs 5.1.8.1 to 5.1.8.3)*

**During 2005-2006, 80 routine repair and maintenance works at an estimated cost of Rs 66.07 lakh were commenced in West Medinipur Division even before the finalisation of the tender agreement. In four other test-checked divisions Rs 19.99 crore were spent in excess of administrative approval.**

*(Paragraphs 5.1.9.1 and 5.1.9.3)*

**Vigilance cells at the Department/Directorate level did not submit any periodical report/returns to the higher authority on overall status of the cases instituted indicating poor monitoring and accountability. Similarly, Superintending Engineers/Executive Engineers did not carry out inspections of the units under their control, though required under rules**

*(Paragraph 5.1.10 and 5.1.11.2)*

**The Department had no Internal Audit Wing. Internal Audit Wing of the Finance Department also was not effective.**

*(Paragraph 5.1.12)*

### **5.1.1 Introduction**

Internal Controls in an organisation are meant to give reasonable assurance that its operations are carried out according to laid down rules and regulations and in an economical, efficient and effective manner.

The Irrigation and Waterways (I&W) Department is responsible for creation and maintenance of irrigation facilities through Major and Medium Irrigation projects/schemes, flood control and management of the drainage system of the State.

### **5.1.2 Organisational set-up**

The Secretary, I&W Department is responsible for the overall planning and management of water resources of the State. The I&W Directorate under the Department consists of eight Chief Engineers (CEs) who hold technical charges for execution and maintenance of different schemes and works and are assisted by 30 Superintending Engineers (SEs) and 84 Executive Engineers (EEs). EEs are drawing and disbursing officers. The Revenue Officers under the I&W Department collect water tax (Revenue) for supplying water for irrigation.

### **5.1.3 Audit objectives**

The audit objectives were to assess whether:

- Budgetary expenditure and cash controls were adequate and effective;

- Administration including establishment and inventory related controls were complied with;
- Operational controls were adequate to achieve the objectives of the Department in an economic, efficient and effective manner;
- Timely investigation and disposal of vigilance cases were done;
- Monitoring was adequate and effective and
- Internal Audit arrangement was effective.

#### **5.1.4 Audit Coverage and Methodology**

Internal Control Structure of the Department was reviewed between December 2006 and March 2007 through test-check of records of 16<sup>1</sup> Division Offices, eight<sup>2</sup> Circle Offices, Directorate and the Department for the period 2002-2007.

The methodology adopted was to test-check records with reference to the provisions of the Departmental Code, West Bengal Budget Manual, West Bengal Financial Rules (WBFR), West Bengal Treasury Rules, Central Public Works Account Code (CPWA), Government orders and instructions. The sample for audit, *inter-alia*, covered records relating to budget and expenditure, manpower policies, inventory control, internal audit and various control registers.

An Entry Conference was held in December 2006 with the Secretary of the Department and subsequently the findings as well as recommendations of audit were discussed in an Exit Conference held in July 2007. The replies of the Department were taken into account and suitably incorporated in the relevant paragraphs of the review.

### **Audit Findings**

#### **5.1.5 Financial Management and Budgetary Control**

Control over budget and expenditure was essential for optimal utilisation of limited resources to achieve the objectives of the Department. The following shortcomings were noticed in control over preparation of the budget and expenditure thereof as detailed in the succeeding paragraphs:

<sup>1</sup> Kakdwip Irrigation, Basirhat Irrigation, Damodar Canals, East Midnapur Irrigation, West Midnapur Irrigation, Purulia Irrigation, Ganga Anti erosion, Malda Irrigation, Metropolitan Drainage -I, Kolkata Outfall, Metropolitan Drainage Mechanical-I, Kangsabati Mechanical, Teesta Resource -I, Teesta Resource-II, Teesta Canal-I and Teesta Canal -II Division

<sup>2</sup> Eastern, Damodar Irrigation, Western Irrigation-II, Central Irrigation, Metropolitan Drainage, Mechanical & Electrical, Teesta Resource and Mahananda Barrage Circle

**5.1.5.1 Budget preparation without inputs from estimating officers**

**Budget estimates were prepared without obtaining inputs from estimating officers**

West Bengal Budget Manual stipulates that the budget estimates are to be prepared by the Chief Engineer-I and to be submitted by 1 November to the Secretary, I&W Department who will in turn submit the same to the Finance Department by 1 December of each year. For this purpose, EEs of the working Divisions are to submit their budget estimates to SE by 15 September each year and the SEs are to prepare Circle-wise budget estimates and submit the same to CE-I by 15 October each year. Two circles out of eight test checked circles did not submit their budget estimates at all and in five<sup>3</sup> circles there was delayed submission of budget proposals ranging between seven and 120 days during 2002-2007.

CE-1 also delayed submission of budget proposals during 2002-2007 varying between 46 to 109 days. Department also submitted the budget to the Finance Department after delays ranging between 59 and 80 days. The Controlling Officer did not enforce financial discipline to obtain budget estimates from the estimating officers in time. Thus, the budget had not been prepared on the basis of actual or estimated expenditure as per the procedures laid down in the Budget Manual.

The Department stated (July 2007) that as per prevailing practice budgets were prepared within the amount specified by the State Development and Planning Department after consultation with the Planning Commission. However, the reply was neither in accordance with the provisions of the Budget Manual nor was there any document in support of the stated practice furnished to audit.

**5.1.5.2 Expenditure without budget provision**

Rule 382 of West Bengal Financial Rules (WBFR) stipulates that no expenditure should be incurred without any budget provision. An expenditure of Rs 17.43 crore was incurred by the Department without making any provision in the budget as detailed below :

**Rupees 17.43 crore were spent without budget provisions**

| Year         | Description of work                       | Major Head of Account | Expenditure without budget provision (Rupees in crore) |
|--------------|---|-----------------------|--|
| 2002-2003    | Kangsabati Reservoir Project (Grant-66)   | 4701                  | 6.78   |
| 2002-2003    | Flood Control and Drainage (Grant-68)     | 2711                  | 1.46   |
| 2004-2005    | Kangsabati Reservation Project (Grant-32) | 4701                  | 2.39.  |
| 2005-2006    | Teesta Barrage Project (Grant-32)         | 2700                  | 5.95   |
| 2005-2006    | ACAfor Irrigation Sector (Grant-32)       | 4700                  | 0.85   |
| <b>Total</b> |   |                       | <b>17.43</b>   |

Expenditure without budget provision indicated that the budget formulation and expenditure control system was deficient and the Divisional Officers concerned

<sup>3</sup> Damodar, Eastern, Metropolitan, Western and South Central Circle

had violated the stipulated rules. The Department accepted the audit observations and stated (July 2007) that the point was noted for future guidance.

### 5.1.5.3 Non-utilisation of funds

#### Deficient budgetary control led to persistent non-utilisation of funds

Rule 373 of WBFR stipulates that after receiving the amount of grant for a particular year from the Finance Department, the I&W Department should make arrangement for distributing and communicating the sanctioned funds among the Drawing and Disbursing Officers (DDOs) at the beginning of the financial year. The DDOs would then plan their work programme as per the availability of fund for the current year.

No such communication was received by the DDOs from the Department regarding forthcoming funds for execution of works. Finance Department released funds to the Department as and when requisitioned. The Department also released funds to the DDOs as per their demands. Funds provided in the budget could not be utilised for want of any previous work plan by the Divisional Officers. As a result, huge savings in the Capital Account for the period 2002-2007 were noticed as detailed below :

| Year                          | Revenue Expenditure |                    |             | Capital Expenditure |                    |             | Percentage of fund unutilised |
|-------------------------------|---------------------|--------------------|-------------|---------------------|--------------------|-------------|-------------------------------|
|                               | Budget grant        | Actual expenditure | Savings (-) | Budget grant        | Actual expenditure | Savings (-) |                               |
| ( R u p e e s i n c r o r e ) |                     |                    |             |                     |                    |             |                               |
| 2002-2003                     | 288.23              | 218.21             | 70.02       | 361.25              | 151.58             | 209.67      | 58                            |
| 2003-2004                     | 262.83              | 204.19             | 58.64       | 149.74              | 118.42             | 31.32       | 21                            |
| 2004-2005                     | 246.88              | 239.61             | 7.27        | 218.59              | 145.05             | 73.54       | 34                            |
| 2005-2006                     | 289.90              | 289.51             | 0.39        | 249.54              | 157.14             | 92.40       | 37                            |
| 2006-2007                     | 362.60              | 361.30             | 1.30        | 357.41              | 176.42             | 180.99      | 51                            |

Source : Appropriation Accounts.

From the above, it was evident that the Department could not utilize 21 per cent to 58 per cent of the funds budgeted on Capital Account in the said period though the Finance Department had not delayed the release of grants. This indicated deficiency in planning and control of expenditure.

The Department stated (July 2007) that phasing of expenditure of all schemes was known to the DDOs but could not clarify the reasons for the persistent savings during 2002-2007.

### 5.1.5.4 Weak expenditure control system

As per the Budget Manual, the Controlling Officer is required to keep constant watch over the progress of expenditure and liability and also to take remedial action such as obtaining supplementary grants or timely surrender of funds in case of any probable savings. The CE-I is to compile the expenditure statement for watching the trend of expenditure with a view to enforcing financial discipline. No record/register was maintained by CE-I to watch the timely receipt of quarterly expenditure statement from the SEs. Due to non-functioning of

envisaged controls, the excess or savings under various sub-heads could not be detected and surrendered as per rules. The Department admitted (July 2007) the audit observation and stated that steps were being taken in that regard.

#### 5.1.5.5 Rush of expenditure in March

**Control mechanism for preventing rush of expenditure in March was not effective**

Rule 389-A of WBFR stipulates that rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity. The Department did not prepare its works programme systematically to facilitate proportionate release of funds during the financial year. Consequently, there was rush of expenditure in all test-checked Divisions during March each year as shown below:

| Year                          | Total works expenditure during the year | Expenditure incurred during the month of March | Expenditure incurred in the last five days of March | Percentage of expenditure in March | Percentage of expenditure in the last five days of March |
|-------------------------------|---|--|---|------------------------------------|--|
| ( R u p e e s i n c r o r e ) |   |  |   |                                    |  |
| 2002-2003                     | 59.57                                   | 28.11  | 21.62   | 47                                 | 36   |
| 2003-2004                     | 44.91                                   | 19.38  | 14.68   | 43                                 | 33   |
| 2004-2005                     | 62.72                                   | 26.29  | 23.90   | 42                                 | 38   |
| 2005-2006                     | 82.02                                   | 32.91  | 24.97   | 40                                 | 30   |
| 2006-2007                     | 101.32                                  | 28.53  | 19.71   | 28                                 | 19   |

The expenditure in March ranged between 28 to 47 *per cent* of the total expenditure and 19 to 38 *per cent* in last five days of March alone during 2002-2007. The funds released by the Directorate through Letter of Credit (LOC) during the last month of the financial year ranged between 28 to 43 *per cent* of the total release during the respective financial year. Release and utilisation of funds at the fag end of the financial year was indicative of imprudent financial management in violation of provision of WBFR. The Department stated (July 2007) that fund released by GOI in February/March 2007 was about 40 *per cent* of the total fund released. The reply of the Department was, however, not tenable as actual release of fund by the GOI in March during 2003-2006 was only 22 *per cent* against expenditure of 28 to 47 *per cent* during the period.

#### 5.1.5.6 Non-reconciliation of issue of cheques and remittances

Para 22.3.1 of CPWA Code provides that Divisional Officers should prepare in Form 51 the reconciliation statement of Certificate of Treasury Issues (CTI) relating to encashment of cheques issued by the Division and Consolidated Treasury Receipts (CTR) regarding remittances of Government revenue to the bank of the previous month after reconciliation with the Bank/Treasury. But the same were in arrears since 1971 in all test-checked Divisions. In absence thereof, the possibility of serious irregularities viz. fraud, misappropriation etc. cannot be ruled out.

**5.1.5.7 Non-maintenance of accounts records**

**Records of outstanding balances of Rs 89.57 crore under suspense heads not maintained**

Suspense Registers for Purchase, Stock, Cash Settlement Suspense Account (CSSA) and Miscellaneous Public Works Advances (MPWA) are required to be maintained with item wise details so that outstanding balances under Suspense heads could be watched/monitored properly and cleared by timely adjustment to appropriate heads of account. In 16 Divisions, EEs did not maintain any accounts/records for the Suspense heads, though huge outstanding balances under each category were noticed as of March 2007 as detailed below :

*(Rupees in crore)*

| MPWA  | CSSA (Old) | CSSA (New) | Stock | Purchase |
|-------|------------|------------|-------|----------|
| 16.30 | 32.65      | 5.06       | 5.36  | 30.20    |

In the absence of relevant registers, the liabilities could neither be identified nor cleared. As a result of non-clearance of items, the possibility of misappropriation/non-accountal of materials by the concerned Divisions could not be ruled out.

**5.1.5.8 Diversion of fund**

EE, Malda Irrigation Division received (March 2003) LOC of Rs 18.84 lakh for construction of bed bars and falling apron between spurs 17 and 18 to protect erosion of the left bank of river Ganga. The amount was diverted for payment of compensation of land acquired for some other works without obtaining any approval.

Furthermore, an expenditure of Rs 4.10 crore was incurred during 2002-2006 for maintenance of vehicles but booked in Repairing Charges on Tools and Plants (RCTP) head by diverting LOC meant for execution of Non-Plan works in the test-checked Divisions.

**5.1.5.9 Lapsed deposits not credited to the Government Account**

SR 422 of West Bengal Treasury Rules and Subsidiary Rules (WBTR&SR) provides that any amount remaining unclaimed for more than three complete years should be credited to the Government account as 'lapsed deposit'. In 10 test checked divisions<sup>4</sup>, security deposit of Rs 97.91 lakh remained unclaimed for more than three years but had not been credited to Government account as 'lapsed deposit' in violation of the above provision.

<sup>4</sup> Basirhat, Kakdwip, Damodar Canal, GAE-I, Malda, TRD-I, TCD-I, West and East Medinipur and Purulia Irrigation Division.



#### **5.1.5.10 Lack of control over collection of revenue**

**Inadequate control and monitoring led to poor collection of water rate**

Rule 8 of WBFR provides that the Controlling Officer should see that all the dues to Government are regularly received, checked against demands and deposited timely into the treasury. The Department should accordingly arrange to receive from their subordinate officers accounts and returns for the amount paid into treasury and compare the same with the figures recorded in the books of Accountant General (AG). The same had not been done (actual date of last reconciliation was not available from the Department).

**The Department spent Rs 12.41 crore to collect Rs 25.40 lakh as water rates**

The water rates were assessed and levied by the Department under two Acts based on the land surface actually irrigated by canal water. Rate of water supplied for irrigation purpose was last revised by the Department in 1977. The Committee on Public Accounts (PAC) in its Seventh Report (1988-89) desired that the system of assessment and collection of water rates should be modernised, so that there was a fair balance between the expenditure incurred and the collection made. The recommendation of the PAC is yet to be implemented by the Department. The Department did not maintain any record for crop-wise area irrigated upto 2004-2005. During 2005-2006, crop-wise irrigated area was 1160.58 thousand hectare and the demand for water rate was Rs 6.15 crore. But the Government spent Rs 12.41 crore to collect only Rs 25.40 lakh as against demand of Rs 6.15 crore for 2005-2006. Demand and collection of revenue for 2006-2007 was not available. The poor collection, in comparison to the amount due, was indicative of inadequate control and monitoring. The Department stated (July 2007) that revision of water rate was under consideration and issued instructions in June 2007 to be followed by the Revenue Officers.

#### **5.1.5.11 Loss of Revenue**

**Lack of control over unauthorised hoardings led to recurring loss of Rs 12.80 lakh per annum**

As per Paras 250 and 76 of Departmental Code and Rule 281 of WBFR, the responsibility to maintain a register and to keep watch over all assets lay on the Divisional Officer. However, in Metropolitan Drainage Division-I (MDD-I) unauthorised advertisements had been displayed on five unauthorised hoardings erected over Bagjola Canal near VIP crossing and Jatragachi Bridge crossing on 160 m<sup>2</sup> area for a long period. The Division did not maintain any record of the date from which such hoardings were erected and advertisements displayed thereon. MDD-I lodged an FIR with the police station only in June 2005. The non-maintenance of records resulted in a recurring loss of Government revenue of Rs 12.80 lakh every year taking into account the rate of Rs 0.08 lakh /m<sup>2</sup>/year of the Public Works Department. Besides, possibility of existence of more such unauthorised hoardings and consequential loss of revenue could not be ruled out.

#### **5.1.6. Administrative controls including establishment and stores management**

##### **5.1.6.1 Up-keep of Codes and Manuals**

Documentation of procedure for various functions of the Department and its updation are essential. Further, Guard Files containing correction slips and

important departmental instructions issued by Government or Chief Engineers from time to time are also to be maintained for effective control to achieve the objectives. The Code of I&W Department was prepared in 1960 and no updation had been undertaken since then. No Guard files of important instructions issued either by the Department or Chief Engineers were also maintained in the Directorate. As a result, compliance with the instructions issued from time to time by the Department/Directorate to achieve the objectives of the Department could not be monitored.

#### **5.1.6.2 Non-maintenance of establishment cash book**

SR 31 (i) of WBTR provides that every officer receiving money on behalf of the Government should maintain an establishment cash book in TR Form 4. The two test checked Divisions<sup>5</sup> did not maintain any establishment cash book although an amount of Rs 14.35 crore was received and disbursed on account of establishment charges during 2002-2006. Furthermore, four Divisions<sup>6</sup> did not record the disbursement of Rs 25.48 crore on account of establishment charges in the cash book maintained for that purpose during 2002-2006. Thus, the Controlling Officers failed to exercise control over establishment transactions which might lead to fraud and embezzlement of Government money.

#### **5.1.6.3 Asset Register not maintained**

Rule 281 of WBFR stipulates that each Divisional Officer will keep a register of all immovable Government property including land and buildings within his Division. None of the test checked Divisions maintained the above register. As a result the management was unaware of the actual status of the assets at their disposal, encroachment, if any, and their safe custody.

EE, Kolkata Drainage Outfall Division took over possession of Kolkata Drainage Outfall System (KDOS) in May 1968 from Kolkata Municipal Corporation (KMC) alongwith Dry Weather Flow Channel (DWFC) and Storm Weather Flow Channel (SWFC) without executing any agreement. As a result, the total land received by the Department was not on record as required under Rules. It was also seen that 650 spots measuring 84300 m<sup>2</sup> and 473 spots (area not on record) were unauthorisedly occupied by local people since 1970. However, the Department had neither taken steps for eviction of the unauthorised occupants nor made efforts to ascertain the total land handed over by KMC. Thus, inaction on the part of the Department facilitated encroachment of Government land for a period of more than thirty years. The Department stated (July 2007) that steps would be taken to take up the matter with Kolkata Municipal Corporation (KMC) for recording the total land under possession of the Department and instructions would be issued for periodical monitoring to stop any lapses.

**Lack of control over Government land led to encroachment of 1123 spots over 30 years**

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<sup>5</sup> Basirhat Irrigation and Metropolitan Drainage Mechanical Division.

<sup>6</sup> Kakdwip, Purulia, East Medinipur and Malda Irrigation Division.

### **5.1.7 Manpower Management**

The manpower of an organisation should be so utilised that maximum possible output is derived from the available manpower. The Department did not furnish information regarding the sanctioned strength and men-in-position, though called for. As a result, utilisation of human resources in the activities of the Department could not be examined. Test-check, however, showed non-utilisation of human resources in the following cases:

#### **5.1.7.1 Expenditure on idle manpower of River Research Institute**

The River Research Institute (RRI) was set up in Kolkata in 1943 with its field offices at Haringhata Central Laboratory (set up in 1953), Flood Forecasting Cell at Siliguri (set up in 1969) and 16 site offices all over the State. The field offices at Haringhata and Siliguri had become defunct since 1986 and the RRI also stopped conducting any research activity since 1990 due to lack of suitable infrastructure and fund constraints.

Considering the importance of RRI, an Expert Committee formed by the Department, recommended (November 1991) various measures for modernisation of the RRI. Subsequently, the Committee on Estimates, 2005-2006 gave its own recommendations and urged for immediate implementation of the modernisation scheme. The Department, however, did not take any action except keeping the RRI establishment live by spending Rs 20.77 crore during 2002-2007 alone.

Government in reply (July 2007) admitted the fact and stated that RRI could be utilised at an optimum level in the near future.

#### **5.1.7.2 Unproductive expenditure on idle staff of a workshop**

Construction of Kangsabati Dam was completed way back in 1979. Forty two (42) officials attached to Gorabari workshop under EE, Kangsabati Mechanical Division remained idle since 1991. The strength had been reduced to 13 as on March 2007 due to retirement. The Department did not take any step during the last 16 years to utilise the services of those officials by deploying them elsewhere. A sum of Rs 1.15 crore was spent on pay and allowances of idle staff during 2002-2007 without rendering any service to the Government.

### **5.1.8. Stores management and inventory controls**

A sound system of stores management involves planning of purchase requirements, efficient and economic procurement, control over issue, timely and proper accounting and safe physical custody of stores. The Department did not have effective inventory management controls as discussed below :

**Rupees 20.77 crore was spent on idle manpower of River Research Institute**

**Rupees 1.15 crore was spent on idle staff of a workshop during 2002-2007**

#### **5.1.8.1 Excess procurement**

**Excess procurement of stores led to blocking of Rs 3.69 crore**

Rule 101 of WBFR provides that procurement of stores must be made in the most economical manner in accordance with the definite requirement. Materials viz. steel, MS rod, cement, PVC pipes, hume pipes, etc. worth Rs 3.69 crore were procured during 1990-1991 to 2004-2005 in nine Divisions<sup>7</sup> and were lying unutilised for more than 10 years. These were neither utilized in works nor transferred to other Divisions. The possibility of a part of these stores becoming obsolete could not be ruled out.

#### **5.1.8.2 Obsolete store articles**

**Unserviceable materials of Rs 38.69 lakh not disposed**

Para 325 of the Irrigation Code stipulates that Sub-Divisional Officer should submit to the Executive Engineer a list of unserviceable articles and will dispose of those articles with the orders of Superintending Engineer. Unserviceable materials valuing Rs 38.69 lakh were lying in stores of 12<sup>8</sup> Divisions from 1983-1984 to 2005-2006 without any effective steps being taken for their disposal.

#### **5.1.8.3 Absence of physical verification of stock and stores**

**Physical verification of stores not conducted since 1983-1984**

Para 316 of Irrigation Code stipulates that Divisional Officer should conduct physical verification of stock throughout the Division at least once in a year. In violation of codal provision, annual physical verification of stores was not conducted in any of the test checked Divisions since 1983-1984. Thus, it could not be ascertained in audit whether physical balance in stock agrees with the book-balance.

#### **5.1.8.4 Deficiency in stores accounting**

**Profit or loss on stores remained unadjusted due to non-maintenance of Priced Stores Ledgers**

Divisional Officer is responsible for management and accounting of all stock and stores materials. He is required to maintain Priced Stores Ledger (PSL) in which receipt and issue of materials (Quantity and Value) are to be entered and tallied at the end of each day and closed at the end of each month with reference to the Bin Cards. The Bin Cards and PSL showing quantity and value of materials were not maintained in any of the test checked Divisions. Due to non-maintenance of PSL, the adjustment of profit or loss on stores in the works accounts was not done. Reserve Stock limit was also not fixed for any of the test-checked Divisions.

#### **5.1.8.5 Fraudulent drawal of cement**

Para 45.7 of CPWD Manual Volume-II provides that the signature of the officer on the issue challan of store should be tallied with the specimen signature in the records by the store keeper. In Damodar Canals Division, 48.60 MT of cement

<sup>7</sup> Basirhat, Malda, East and West Medinipur, Purulia, Damodar Canal, Kakdwip, Kangsabati Mechanical, and Teesta Resources-I.

<sup>8</sup> Kakdwip, East Medinipur, West Midanpore, GAE-I, Malda, KDOD, TRD-I, Damodar Canals, Damodar Head Works, Right Bank Irrigation, Lower Damodar Irrigation and Basirhat Irrigation Divisions.

valuing Rs 1.50 lakh was fraudulently lifted by the contractor by forging the signature of the Katwa Irrigation Sub-Divisional Officer between July 2001 and August 2002. An FIR was lodged in August 2002 and Departmental enquiry was also conducted but the matter was pending with the Chief Engineer for decision. Thus, failure of the store keeper to tally the signature of the concerned SDO with the specimen signature resulted in occurrence of the fraudulent drawal and no corrective/punitive measures had been taken as of March 2007. The Department stated (July 2007) that no action could be taken for want of final police report. However, there was no evidence of action taken by the Department to follow up the matter with the concerned authority.

### 5.1.9. Operational Controls

Control over execution of works is essential for economic, efficient and effective utilisation of available resources to achieve the objectives of the Department. Deficiencies observed in this regard are discussed below:

#### 5.1.9.1 Expenditure without Administrative Approval

**Rupees 19.99 crore spent on 10 schemes without administrative approval**

Para 171 and 173 of Irrigation Code stipulates that Administrative Approval is required to be obtained for all original works and expenditure should be limited within the approved amount.

Expenditure incurred in excess of administrative approval in four test-checked Divisions is given below :

| Name of the Division      | Works/Scheme executed           | Period of execution    | Administrative approval received | Expenditure incurred | Excess expenditure over administrative approval |
|---------------------------|---------------------------------|------------------------|----------------------------------|----------------------|---|
| ( Rupees in crore )       |                                 |                        |                                  |                      |   |
| Purulia Irrigation        | Seven Medium Irrigation Schemes | 1974-1975 to 2005-2006 | 4.51                             | 22.42                | 17.91   |
| East Medinipur Irrigation | Tamluk Drainage Scheme          | 1997-1998 to 2005-2006 | 8.48                             | 8.96                 | 0.48  |
| Malda Irrigation          | Ganga Left Bank Protection Work | 2004-2005 to 2006-2007 | 28.44                            | 29.88                | 1.44  |
| Basirhat Irrigation       | Maskata Khal Drainage Scheme    | 1982-1983 to 2003-2004 | 0.52                             | 0.68                 | 0.16  |
| <b>Total</b>              |                                 |                        | <b>41.95</b>                     | <b>61.94</b>         | <b>19.99</b>                                    |

Thus, the expenditure of Rs 19.99 crore incurred in excess of the administrative approval was unauthorised and breach of financial discipline.

The Department stated (July 2007) that expenditure in excess of administrative approval would be regularised by submitting revised estimate to the competent authority.

### 5.1.9.2 Failure of controls leading to bad spending

Various cases of diversion of funds, expenditure without approval of higher authorities as well as excess and unfruitful expenditure were noticed due to non-linking of available information, delay, lack of monitoring and follow up/co-ordination with other Government Departments as shown below:

| Name of the work  | Details of the case   |
|---|---|
| <b>Non-linking of the information available</b>   |   |
| <p>Work on the left bank of Ganga at the upstream of Farakka Barrage from spur 17 upto 3 km upstream within Panchanandapur-Sukurulla (estimated cost: Rs 23.01 crore)</p> <p>Protection of the right bank of the river Ganga-Padma at Chintamoni and Moya in Murshidabad district</p> | <p>The work was offered (December 2004) to a private firm through negotiation on the basis of analysed rate included in the schedule of works, though a revised Schedule of Rates (SOR) with much lower rates for boulder and stone metals, had already been enforced by that time. As a result, an <b>undue benefit</b> of Rs 1.22 crore accrued to the contractor.</p> <p>A Memorandum of Understanding was signed (August 2002 with retrospective effect) for this work between Murshidabad Zilla Parishad (MZP) and Superintending Engineer, Central Irrigation Circle (SE/CIC) for supply of boulders from Pachami quarry at Rs 773.35/m<sup>3</sup> (155 km from work site) and Rs 640.80/ m<sup>3</sup> (105 km from work site after opening of the bridge at Raghunathgunj) in December 2001. Ganga Anti Erosion Division-I (GAE-I) in January 2002 informed that after opening of the bridge the boulders were to be brought from Nalhati quarry site at a distance of 60 km only at much cheaper rate of Rs 467.15/ m<sup>3</sup>. The SE/CIC, however, ignoring the suggestion of EE/GAE-I entered into an agreement for supply of boulders from Pachami resulting in an <b>excess expenditure</b> of Rs 91.23 lakh towards supply of 53377.89 M<sup>3</sup> of boulder.</p> |
| <b>Delay and lack of proper monitoring</b>  |   |
| <p>Cement concrete lining of a Canal in Uttar Dinajpur district</p>   | <p>EE, Teesta Canal Division-II awarded the work to a contractor at a tendered cost of Rs 27.85 lakh in January 1988 for completion by June 1988. The work could not be completed in time due to delay in handing over the site to the contractor. The Department terminated the contract in February 1990. The contractor was paid Rs 0.26 lakh against the work done for Rs 0.39 lakh up to November 1989. The contractor took the matter under arbitration in 1992 and later referred to the Hon'ble High Court whereupon another Arbitrator declared an award of Rs 40.92 lakh in June 2003. Due to inadequate representation of the case by the department the Court passed a decree against the Government in December 2003. This resulted in an <b>avoidable expenditure</b> of Rs 40.92 lakh.</p>   |
| <p>Anti-erosion work for protection of the right bank of the river Ganga/Padma at Mukshinagar and Maheshpur for Rs 2.44 crore</p>   | <p>The work was awarded to 27 contractors in May 2004 by the EE, GAE-I with the instructions to complete the work within 30 days. The work involved supply of 27332 m<sup>3</sup> boulders and 1958 m<sup>3</sup> stone metals by contractors. However, only 25426 m<sup>3</sup> boulders and 1595 m<sup>3</sup> stone metals were supplied and the work remained incomplete till February 2007 after a lapse of three years, though an expenditure of Rs 1.92 crore was incurred for the work. No action had been taken against the contractors for inordinate delay in execution of the work rendering the expenditure <b>unfruitful</b>. The Department stated (July 2007) that the concerned officer would be directed to take effective steps in this regard.</p>  |
| <b>Lack of follow up/ co-ordination with other Government departments</b>   |   |
| <p>Acquisition of 9.776 hectare of land required in connection with construction of minor canals.</p>   | <p>Executive Engineer (EE), Teesta Canal Division-I (TCD-I) placed Rs 27.71 lakh to the Land Acquisition Collector, Uttar Dinajpur between March 2001 and March 2002 for acquisition of land for the work. There was no evidence on record regarding follow up action on the part of the EE, TCD-I for early possession of the land. The amount of Rs 27.71 lakh remained blocked as of March 2007.</p>   |
| <p>Construction of Railway Bridge over a canal</p>  | <p>TCD-I deposited Rs 96.75 lakh during 1998-1999 to the Railway Authority for the work. In the absence of proper follow up, the work had not yet been started as of March 2007 after a lapse of nine years. As a result, the intended benefit could not be achieved besides blocking of fund for Rs 96.75 lakh with the Railway Authority</p>  |

### **5.1.9.3 Work executed without observing tender formalities**

**Rupees 0.66 crore spent on 80 works without observing tender formalities**

Para 15.1.5 of CPWD Manual provides that work should not be commenced without prior execution of contract document. In West Medinipur Division during 2005-2006, 80 works relating to routine repair and maintenance having an estimated cost of Rs 66.07 lakh were commenced well before the finalisation of the tender agreement, out of which 63 works were actually completed before the finalisation of the tenders. Thus, commencement and completion of work without finalisation of tender agreement in violation of codal provision was indicative of lack of control of the Divisional Officer as well as the loss of competitive price advantage which might have accrued to the Department.

### **5.1.9.4 Deficiencies in maintenance of Register of Works**

Para 10.6 of Central Public Works Account Code provides that a Register of Works is to be maintained in each division office showing the sanctioned amount of estimate/revised estimate of each work, expenditure under each sub-head of account, attestation of each expenditure by the Divisional Officer as a token of his check before submission of the monthly accounts and the completion note of the works after making all adjustments. The Register maintained in test checked divisions did not contain the above information as per provision. As a result, correctness of expenditure in the monthly accounts remained unchecked and physical as well as financial progress of works could not be ascertained.

The Department stated (July 2007) that instruction would be issued to maintain the Register of Works in a proper manner.

### **5.1.9.5 Non maintenance of Check Measurement Register**

**Execution of works remained unverified due to non-maintenance of Check Measurement Register**

As per Departmental orders of July 1958 and May 1960 prescribed percentage check of measurement for each executed work should be exercised by both Divisional and Sub-Divisional Officers and is to be recorded in the Register maintained for this purpose in the Division. No Register was maintained in any of the 16 test checked Divisions showing details of the checks exercised by the concerned authorities. In the absence of such Register, supervisory control over execution of works was not verifiable by the higher authorities.

### **5.1.9.6 Improper maintenance of Measurement Book Movement Register**

Rule 295 of Irrigation Code Volume-I stipulates that a register should be maintained for noting details of issue of measurement book (MB), its subsequent movement and eventual return to the Division after it was exhausted for the purpose of preservation. In all the test checked Divisions, a register was maintained for issue of MB for the first time. But its subsequent movement and return of the exhausted book for preservation was not on record which was in violation of the codal provision. As a result of improper maintenance of the Measurement Book Movement Register, MB, if any required at any point of time,

may not be traceable and thereby the accountability cannot be fixed up for any subsequent irregular additions and alterations in the MB.

#### ***5.1.9.7 Site instruction books not maintained***

Para 26.2 of CPWD Manual Volume-II provides that for every work, a site instruction book should be issued to the contractor by the Division to note down instructions issued from time to time by the authority. The book should be submitted to the Division along with the final bill to monitor whether the instructions issued were followed by the contractors. Scrutiny of records, however, revealed that no site instruction books were issued to the contractors in eight Divisions out of the test checked Divisions to issue instructions for proper execution and monitoring of works.

#### ***5.1.9.8 Irregularities in maintenance of Contractor's Ledger***

Para 10.7.2 of CPWA Code provides that transactions with contractors in connection with the jobs awarded to them are recorded in the Contractor's Ledger and to be closed yearly, brought forward to the next year against unadjusted payments and the recordings are to be attested by the Divisional Accounts Officer. None of the test checked Divisions maintained ledger as per the provision as a result of which payments were made to the contractors without verifying the unadjusted balances against them. The Department stated (July 2007) that Divisional officers would be directed to follow rules in this regard.

#### ***5.1.10 Inadequate follow up of Vigilance cases***

**Timely investigation and disposal of vigilance cases not done**

With a view to investigating complaints/allegations against officials two vigilance cells were set up, one at the Department for dealing with the cases from the rank of Assistant Engineer and above and the other at the Directorate for the rank upto Sub-Assistant Engineer for disposal of the cases after proper investigation. The procedure to be adopted as regards the complaints/allegations lodged had neither been recorded in the Departmental code nor was the relevant order available with the Directorate/Department.

Out of 545 cases lodged in the Department between 1998 and 2006, only 114 cases had been disposed of upto 2006. Records of cases lodged prior to 1998 were not available.

Out of 2138 cases lodged in the Directorate between 1975 and 2006, only 214 cases had been disposed of.

Neither of the cells had prepared and submitted any periodical report/returns to the higher authority indicating overall status of the cases instituted. There was, thus, no monitoring over functioning of the cells. As a result investigation and disposal of vigilance cases remained unattended for years together.



### **5.1.11. Monitoring**

Monitoring controls at various levels of governance provide assurance of the reliability of reporting in the Department. Besides, these controls enable the Department to identify the key problem areas, constraints and managerial needs for the improvement in policy formulation, allocation of resources and setting of performance standards.

#### **5.1.11.1 Non functional Monitoring Cell**

The department created a Monitoring Cell in May 1997 consisting of one Director, five Deputy Directors, two Research Officers and 51 other officials to monitor and evaluate the performance of different schemes. The Cell neither received any report of progress of works nor monitored and evaluated the execution of works by the Divisions. Thus, the purpose of creation of the cell was frustrated.

#### **5.1.11.2 Inadequate inspection by senior officers**

**Periodical inspection of field offices by the senior officers remained pending for 2 to 16 years**

Rule 161 and 162 of WBFR provides that SEs and EEs were required to conduct annual inspection of Divisions and Sub-divisions under their respective control. All 34 Divisions under the test checked Circles were not inspected by SEs for a period varying from 4 to 10 years and all 49 Sub-divisions under the test checked Divisions were not inspected by EEs for a period varying from 2 to 16 years. Thus, the compliance by the Divisional Officer and Sub-divisional Officers with the prescribed rules, procedures and instructions was not ensured by the higher authorities.

### **5.1.12 Weak Internal Audit System**

**The Department has no Internal Audit wing**

There was no Internal Audit Wing of the Department. The Internal Audit Wing of the Finance Department conducted audit of only 23 working Divisions out of 87 working Divisions since 1998. The Internal Audit Wing of Finance Department had neither prepared any audit plan nor maintained any periodicity register to monitor the progress of internal audit. The reports were issued after a lapse of three to 19 months after completion of audit. Against 27 inspection reports issued, action taken notes on two inspection reports were received during May and August 2004. Reminders for action taken notes on 18 out of 25 outstanding reports were issued in June 2005 after a lapse of 40 months. No reminder was issued in respect of other inspection reports. Thus, the internal audit in the department was not effective.

#### **5.1.12.1 Lack of response to Statutory Audit**

Accountant General (Receipt, Works and Local Bodies Audit), West Bengal arranges to conduct periodical inspection of the department and the unit offices under it. The audit findings are communicated through Inspection Reports (IRs) to the heads of the offices/department for compliance and necessary rectification of

defects. A half yearly report on pending inspection reports is also sent to the Secretary of the department to facilitate monitoring and compliance of audit observations.

**1089 paragraphs of  
580 Audit Inspection  
Reports were  
pending settlement**

As of June 2007, 1089 paragraphs relating to 580 IRs issued upto December 2006 were awaiting settlement. Of these, 409 paragraphs relating to 301 Inspection Reports were more than 10 years old. Even the first reply for 419 paragraphs relating to 115 IRs was not received till June 2007. In response to the State Government's order of August 1972, the Department constituted the Audit Committee in June 1989 and only one meeting was held (August 2001) during 1989-2007 against requirement of at least one meeting in each quarter. This indicated lack of responsiveness to audit by the Department.

### **5.1.13 Conclusion**

The internal controls in the Department of Irrigation and Waterways were found to be not working. The non-observation of budgetary control resulted in persistent non-utilisation of fund. Inadequate control and monitoring resulted in poor collection of revenue. The Department did not have any effective inventory management resulting in unplanned procurement and utilization of stores. Actual position of physical balance in stock with book balance could not be ensured due to non-verification of stores and stock at regular intervals. Non-observation of the prescribed procedure for maintenance of registers coupled with inadequate supervision by the superior officers diluted the supervisory control over progress of works and fixation of accountability. Investigation and disposal of vigilance cases were also poor. The monitoring system was ineffective. The Department did not have an effective internal audit system in the absence of which the extent of compliance with the existing rules, procedures and instructions could not be monitored on a regular basis.

### **Recommendations**

- *Pre-Budget scrutiny of schemes/activities may be introduced and budget prepared accordingly as per provisions in the Budget Manual.*
- *Monitoring of monthly flow of expenditure vis-à-vis budget provisions should be ensured to enforce financial discipline.*
- *The Department should urgently update the Irrigation Code for smooth functioning of the Department.*
- *Purchase/procurement of stores as per actual requirement and proper utilisation, maintenance and regular physical verification of the stores thereof should be ensured.*
- *Laid down procedures for maintenance of records and registers should be followed and action taken for non-adherence of rules and procedures.*

- *Periodical inspection of field offices should be ensured and activities of the Department should be monitored by effective utilisation of the Monitoring Cell.*
- *The Department should consider setting up an internal audit wing to strengthen its internal controls for ensuring compliance with the rules, regulations and orders of the Government.*

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