

Chapter V

Internal Control Mechanism in Government Departments

TOURISM DEPARTMENT

5 Internal Control Mechanism in Tourism 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. Internationally the best practices in Internal Control have been given in the COSO¹ framework which is a widely accepted model for internal controls. In India, the GOI has prescribed comprehensive instructions on maintenance of internal control in Government departments through Rule 64 of General Financial Rules 2005. A review of Internal Control on selected areas of Tourism Department of the Government of West Bengal has shown that rules, regulations and orders of the Government on budget preparation, expenditure controls, etc, were not adhered to. The existing system could not also ensure timely completion of Centrally Sponsored/State Plan schemes and other tourism promotional works. Non-utilisation of the infrastructural facilities created as well as non-functioning of tourist lodges was indicative of indifferent operational controls.

The Department paid grants of Rs 4.61 crore to a departmental undertaking during 2005-06 without any budget provision for the same which was indicative of lack of financial discipline in the Department.

(Paragraph 5.6.2)

There was no mechanism to monitor the utilisation of funds released by the Department to the implementing agencies for execution of various tourism development schemes and to watch the physical progress of tourism promotion projects.

(Paragraphs 5.7.1)

Out of Rs 60.64 crore paid by the Department to West Bengal Tourism Development Corporation (WBTDCC) for execution of 112 State schemes for promotion of tourism, 42 schemes for Rs 9.47 crore were not started at all. As of March 2008, Rs 41.64 crore remained unutilised.

(Paragraph 5.7.2)

Out of Central assistance of Rs 65.70 crore received during 2002-08 for execution of 30 Centrally Sponsored projects costing Rs 86.29 crore, Rs 50.97 crore remained unutilised as of March 2008. Out of 30 projects,

¹ Abbreviations used in this Review have listed in the Glossary (page 229)

¹ Committee of Sponsoring Organisations of the National Commission on Fraudulent Financial Reporting or the Treadway Commission

only two were completed, 15 remained incomplete for over two to five years and 13 were not started as of March 2008.

(Paragraph 5.7.3)

Tourism infrastructure created between May 2002 and June 2007 at a cost of Rs 3.77 crore under the Darjeeling Gorkha Hill Council remained unutilised as of March 2008 due to non-availability of required facilities. Further, construction of one tourist lodge remained abandoned since January 2004 after incurring expenditure of Rs 45.85 lakh.

(Paragraphs 5.7.4.4 and 5.7.4.5)

There was no control exercised by the Department in the functioning of Government tourist lodges. Out of 43 lodges, ten remained inoperative as these were not commercially viable and two lodges were not at all put into operation since their construction.

(Paragraph 5.7.5)

5.1 Introduction

The main function of the Tourism Department is to promote tourism in the State by developing adequate infrastructure for tourism, maintaining tourist spots/places, running tourist lodges and providing tourism facilities to both domestic and foreign tourists.

5.2 Organisational set up

The Department headed by the Principal Secretary has an integrated administrative set up comprising the Secretariat and the Directorate. The Director of Tourism is responsible for promoting tourism in the State. He is assisted by one Joint Director and three Deputy Directors. There are two Regional Tourist Offices (RTOs) at Kolkata and Siliguri each headed by one Deputy Director. There are five Tourism Information Offices - two at Darjeeling and Cooch Behar under the RTO of Siliguri and three at Durgapur, Digha and Berhampore under the RTO of Kolkata. In addition, there are two Tourism Information Offices outside the State - one in New Delhi and another in Chennai. The Secretary (Tourism) of Darjeeling Gorkha Hill Council (DGHC) is responsible for promoting tourism in the areas under the jurisdiction of DGHC in Darjeeling district. The West Bengal Tourism Development Corporation Limited (WBTDC), incorporated in April 1974 as a fully owned Government Company under the administrative control of Tourism Department, is responsible for operation and maintenance of Government Tourist Lodges handed over by the Department to it and also for executing the tourism development projects assigned to it from time to time by the Department.

5.3 Audit objectives

The audit objectives were to assess whether

- the budgetary and expenditure control were effective;
- the extent to which operational control was effective;
- submission of periodic returns/reports was ensured;
- the internal audit system was effective.

5.4 Audit criteria

The audit criteria used in framing audit comments were as under:

- Budgetary principles and procedure of the State Government;
- Financial Rules and Regulations of the State Government;
- Terms and conditions fixed by Government for execution of tourism development projects.

5.5 Audit coverage

An evaluation of the internal control mechanism in the Department covering the period 2003-08 was conducted during March-April 2008 through test check of records of the Tourism Department, Directorate of Tourism, two Regional Tourist Offices, WBTD and Tourism Wing of DGHC.

AUDIT FINDINGS

5.6 Budgetary and expenditure controls

The Department did not follow the budgeting procedure as prescribed in the West Bengal Financial Rules (WBFR). The expenditure control measures prescribed in Government rules and manuals were not followed either; the accounting system of revenue and expenditure was also deficient as discussed in the succeeding paragraphs:

5.6.1 Budgeting procedure

West Bengal Financial Rules (WBFR) envisaged that each budgeting authority was required to prepare budget estimates (BE) on the basis of actuals of the previous year and revised estimates for the current year and to submit the same to the Finance Department (FD) before 15 October each year.

Scrutiny of records of the Department disclosed that there were delays ranging from 32 to 124 days in sending annual budget estimates during 2003-08. Delay in sending budget proposals to FD affected the quality of scrutiny by the latter and contributed to the eventual mismatch between the budget and the actual expenditure. Further, in absence of proper monitoring and pursuance, DDOs were not submitting monthly expenditure statements showing allotment, expenditure and balance to the Directorate during the period covered in audit. The budget estimates were prepared on *ad hoc* basis by adding 10 per cent to the previous year's allocation under different heads of accounts leading to savings in all the years covered in audit except during 2005-06 and 2007-08 when there was excess expenditure over budget provisions as given in the following table:

(Rupees in crore)

Year	Budget Provision			Expenditure			Excess (+) / Savings (-)		
	Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue	Total
2003-2004	0.20	10.77	10.97	0.20	10.24	10.44	0.00	(-) 0.53	(-) 0.53
2004-2005	0.37	12.01	12.38	0.35	9.62	9.97	(-) 0.02	(-) 2.39	(-) 2.41
2005-2006	4.55	18.00	22.55	3.49	20.76	24.25	(-) 1.06	(+) 2.76	(+) 1.70
2006-2007	9.37	18.50	27.87	9.37	10.64	20.01	-	(-) 7.86	(-) 7.86
2007-2008	3.01	15.33	18.34	3.51	15.36	18.87	(+)0.50	(+) 0.03	(+)0.53

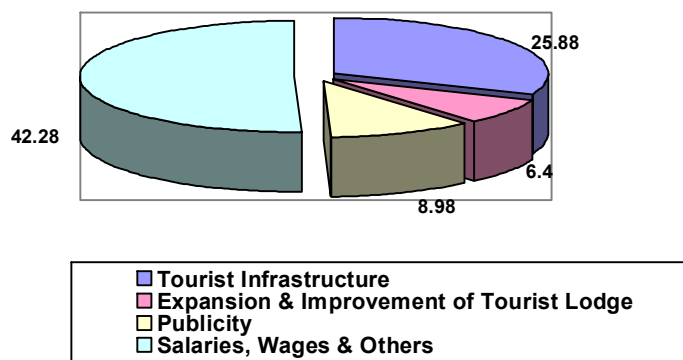
Budget estimates were prepared on *ad hoc* basis without following the prescribed procedure

It would be evident from the above table that even though the Department was responsible for development of tourist infrastructure in the State, the capital expenditure during each of the years 2003-08 represented only 1.9 to 46.8 per cent of total expenditure on tourism during the respective years.

Major segment wise budget provisions and expenditures during 2003-08 are shown below:

Components	2003-04		2004-05		2005-06		2006-07		2007-08	
	Budget	Expdr.	Budget	Expdr.	Budget	Expdr.	Budget	Expdr.	Budget	Expdr.
	(R u p e e s i n c r o r e)									
Tourist Infrastructure	1.10	1.01	1.39	0.89	6.36	5.75	11.26	11.31	6.73	6.92
Expansion & Improvement of Tourist Lodge	1.09	1.06	1.18	0.39	1.09	0.56	2.11	2.15	1.99	2.24
Publicity	0.82	0.64	0.99	1.02	1.70	1.68	1.34	1.52	3.45	4.12
Salaries, Wages & Others	7.95	7.73	8.82	7.67	13.40	16.26	13.16	5.03	6.17	5.59
Total	10.96	10.44	12.38	9.97	22.55	24.25	27.87	20.01	18.34	18.87

Component-wise Expenditure on Tourism during 2003-08



Monthly report on expenditure/release of fund is required to be submitted to Finance Department (FD) by seventh of the following month. But, no such report was furnished by the Department to FD for non-plan funds during the period covered in audit and in respect of plan expenditure such reports had been submitted to FD only from April 2006. Hence, the Department did not exercise effective control over expenditure leading to substantial variation between allotment and expenditure.

According to Rule 380 of WBFR, the anticipated savings out of budget provisions were to be surrendered in time for their re-appropriation. In absence of adequate control over expenditure, the savings could not be assessed properly in time. As a result, the unutilised funds were not surrendered during the financial year for utilisation elsewhere.

5.6.2 Expenditure without budget provision

Any expenditure either under revenue or capital head of accounts is to be incurred only on availability of funds under the budget provision. The

Rupees 4.61 crore was spent during 2005-06 without any allotment

department issued a sanction on 31 March 2006 releasing grants of Rs 4.61 crore to Great Eastern Hotel Authority, a departmental undertaking, without any budget provision with a mention that necessary reappropriation order would be issued, which, however, did not come through. This indicated absence of budgetary control over expenditure.

5.6.3 Rush of expenditure in March

Every year during 2003-07, 54 to 57 per cent of plan funds were released in March

Rule 389A of WBFR provides that rush of expenditure particularly in the closing month of the financial year will be regarded as a breach of financial regularity. Test-check revealed that the Department released 54 to 57 per cent of the plan funds in March each year during 2003-07 as detailed in the following table:

Year	Fund released during the year	Fund released during the month of March	Percentage of funds release in March to total funds released
2003-04	236.07	132.44	56
2004-05	190.62	105.45	56
2005-06	416.21	225.22	54
2006-07	775.69	444.36	57

In addition, Central assistance of Rs 7.10 crore, received by the Department from GOI in June-July 2006 for development of tourism infrastructure in the State, was released to WBTDC (Rs 3.11 crore) and DGHC (Rs 3.99 crore) in March 2007 as detailed in the following table:

(Rupees in crore)

Receipt of Central assistance from GOI			Release of funds by State Government		
Order No.	Date	Amount	Order No.	Date	Amount
5PNE(78)2005	22.06.06	3.11	363 TW	27.03.07	3.11
5PNE(7)2006	31.07.06	3.99	336 TW	14.03.07	3.99

5.6.4 Irregular appropriation of Government revenue and delay in depositing the receipts in Government account

Note 2 below Rule 3.01 of WBTR provides that moneys received on account of the revenue of the Government shall neither be appropriated to meet departmental expenditure, nor kept outside the Government account. In violation of the above Rules, the Deputy Director of Tourism, Kolkata appropriated departmental receipts of Rs 23.67 lakh to meet departmental expenditure during 2004-08, thus vitiating the legislative control over expenditure.

Further, it was seen that in 10 cases there were delays ranging from eight to 27 days in depositing the Government receipts amounting to Rs 0.87 lakh to Rs 3.80 crore during January 2004 to January 2008.

5.6.5 Non-reconciliation of remittances to treasury

According to SR 31(V) of WBTR, after the end of each month a consolidated statement of all remittances made during the month is to be obtained from the treasury and the same should be reconciled with the cash book. None of the

DDOs of the test-checked units collected the statement from the treasury and reconciled the same with cash books during 2003-08. Therefore, the correctness of entries in the cash books was not ensured.

5.6.6 Non-recovery of loans, interest and unutilised grants

Neither any part of the principal nor accrued interest of Rs 1.78 crore has been repaid by the WBTDc on Departmental loan

As of March 2008, the Department provided loans aggregating Rs 0.93 crore to WBTDc. The terms and conditions for repayment of loan of Rs 0.55 crore and payment of interest thereon had not been fixed so far. Interest accrued and due on the loan of Rs 0.93 crore amounted to Rs 1.78 crore as on 31 March 2008. Neither any instalment of principal nor any interest was repaid by WBTDc to the Department till March 2008. The Department also did not take any action for realisation of the same. Thus, in absence of any control over loan management coupled with deficient monitoring over the functioning of WBTDc, the Department sustained a loss of Rs 1.78 crore on account of unrealised interest.

Further, the Department provided mobilisation advance of Rs 50 lakh to WBTDc for construction/renovation of tourist lodges prior to March 2002 and the same was to be adjusted against the project fund provided by the Department subsequently. But, in absence of any control over expenditure the advance of Rs 50 lakh remained unadjusted/ unrealised for years together even though the Department subsequently provided required funds to WBTDc for execution of each development project. Thus, inaction on the part of the Department to get the amount refunded by WBTDc resulted in loss of interest of Rs 36 lakh on the locked up fund of Rs 50 lakh during 2002-08.

5.6.7 Irregular payment of incentive

Excess release of incentive of Rs 2.97 crore to WBTDc

Under the West Bengal Incentive Schemes, 1993, any tourism unit with fixed capital investment exceeding Rs 60 lakh and registered with the Directorate of Tourism was eligible for incentives at a fixed rate² subject to issuance of eligibility certificate by WBTDc after approval of its project by WBTDc.

During 2003-08, the Department released Rs 3.71 crore to WBTDc for payment of incentive to tourism units without verifying required registration certificates, eligibility certificates, claims for incentive and their admissibility, etc. WBTDc submitted UCs for Rs 0.74 lakh in October 2007 while remaining amount of Rs 2.97 crore was retained by it. Thus, release of funds to WBTDc without verifying the requirement of funds for payment of incentive resulted in an extra burden of Rs 2.97 crore on the State exchequer.

5.6.8 Irregular utilisation of Government funds

During 2002-07, the Department paid Rs 2.04 crore to WBTDc for participation in fairs and festivals for promoting tourism in West Bengal, out of which Rs 1.28 crore were utilised for the specified purpose and the balance

² Group A areas: 20 per cent of fixed capital investment subject to maximum of Rs 20 lakh; Group B areas: 15 per cent of fixed capital investment subject to maximum of Rs 15 lakh; Group C areas: 20 per cent of fixed capital investment subject to maximum of Rs 20 lakh; Group D areas: 20 per cent of fixed capital investment subject to maximum of Rs 30 lakh.

amount of Rs 0.76 crore was diverted by WBTDC to meet its own operational expenses.

5.6.9 Loss due to non-observance of norm of Central assistance

According to the standing instructions of GOI, 50 per cent of the cost of preparation of the project report for development of tourism in the State was to be reimbursed by GOI subject to obtaining prior approval of GOI for preparation of the project report. In violation of the same, the Department engaged four consultants for preparation of seven project reports during 2004-07 without obtaining approval of GOI. As a result, its claim (October 2007) for reimbursement of 50 per cent cost (Rs 23.37 lakh) of preparation of these project reports was turned down (January 2008) by GOI. Thus, due to non-observance of the instructions of GOI, the department lost Central assistance of Rs 23.37 lakh.

Loss of central assistance of Rs 23.37 lakh due to non-observance of procedure

5.7 Operational Controls

5.7.1 Tourism infrastructure

The development of tourism infrastructure throughout the State except in Darjeeling was carried out by the Department through WBTDC and other agencies³ while in Darjeeling such activities were done through DGHC.

There was no control mechanism in place for monitoring over physical progress of the projects

The department did not formulate any monitoring mechanism and in absence of the same there was no control over the functioning of the executing agencies of the projects taken up. The Director of Tourism also did not exercise any check over functioning of the executing agencies in implementation of the projects. Thus, there were no control procedures in place for monitoring the physical progress of the projects for which funds had been provided by the Department.

Transfer of funds for the tourism projects without appropriate controls in place for watching proper utilisation of funds *vis-à-vis* the progress of works resulted in non-commencement/non-completion of projects and non-utilisation/diversion of funds, etc, as discussed in the subsequent paragraphs.

5.7.2 Execution of projects under State Plan

- (i) Out of Rs 60.64 crore released by the Department to WBTDC upto March 2008 for execution of 112 State schemes for promotion of tourism in the State, Rs 19 crore (31 per cent) were spent and balance Rs 41.64 crore remained unutilised with WBTDC as of March 2008. Neither WBTDC nor the Department could state the number of schemes completed as of March 2008.

Out of 87 schemes approved by the Department works for 42 did not commence at all

Out of 87 schemes targeted for completion by March 2008, no expenditure was incurred by WBTDC in respect of 42 schemes for which a sum of Rs 9.47 crore was provided by the Department.

³ District Magistrates, Zilla Parisads, Siliguri Jalpaiguri Development Authority (SJDA), Kolkata Metropolitan Development Authority and Ramkrishna Mission,

WBTDCC did not assign any reason for non-commencement of works in respect of these schemes. Besides, WBTDCC diverted scheme funds of Rs 24.98 lakh for maintenance and repairs of tourist lodges without obtaining approval of the Department.

Work of a scheme was not started by one ZP blocking Rs 98.67 lakh

- (ii) The Department paid Rs 98.67 lakh (estimated cost) to Coochbehar Zilla Parishad (ZP) in March 2006 for construction of the project 'Wayside facilities at Unishbisha in Coochbehar' at an identified site measuring 1.69 acres of land. But, the work was not started by ZP due to land disputes. In March 2007, the Department requested ZP to start the work immediately by arranging an alternative site for the project or refund Rs 98.67 lakh to the Department. The ZP neither selected any alternative site for the project nor refunded the amount till March 2008. The project was not started even after two years of release of funds.

One scheme in Malda remains abandoned even after spending Rs 58.10 lakh

- (iii) The department paid (July 2006) Rs 59.22 lakh to the Malda ZP for renovation and upgradation of Piyasbari Parjatak Abas, construction of a day centre and construction of roads at Gour in Malda district at an estimated cost of Rs 73.35 lakh. The scheme was scheduled to be completed by July 2007. But the scheme remained incomplete as of March 2008 after spending Rs 58.10 lakh by ZP up to August 2007. The Department neither released the balance amount of Rs 14.13 lakh nor took any action for completion of the scheme. As a result, the scheme remained incomplete after spending Rs 58.10 lakh.

5.7.3 Execution of centrally sponsored projects

For execution of the Centrally sponsored projects for development of tourism in the State the GOI, Ministry of Tourism (MOT) released 80 *per cent* of the project cost as advance to the Department with the conditions, *inter-alia*, that (i) State Government would not keep such funds unutilised for more than six months, (ii) State Government should furnish to MOT quarterly reports on progress of works and expenditure incurred on the projects and (iii) the projects should be commissioned within the periods ranging from six to thirty months from the date of issue of sanction depending upon the size of the projects. Balance 20 *per cent* was to be released by GOI in the form of reimbursement of the cost of the project on submission of utilisation certificate (UC) by the Department after completion of the projects.

Out of Central assistance of Rs 65.70 crore released by GOI during 2002-08 for execution of 30 projects costing Rs 86.29 crore, only Rs 14.73 crore (22 *per cent*) were utilised leaving an unutilised funds of Rs 50.97 crore parked with the executing agencies as of March 2008 due to non-commencement or non-completion of projects as detailed in the following table:

(Rupees in crore)

Year	Number of projects	Project cost	Amount released by GOI	Expenditure incurred	Number of projects as of March 2008		
					Not started	Completed	Not completed
2002-03	1	2.01	1.60	1.50	Nil	Nil	1
2003-04	6	9.98	6.82	5.50	Nil	2	4
2004-05	6	9.55	7.68	5.97	Nil	Nil	6
2005-06	1	5.00	4.00	0.55	Nil	Nil	1
2006-07	7	29.51	21.76	1.06	5	Nil	2
2007-08	9	30.24	23.84	0.15	8	Nil	1
Total	30	86.29	65.70	14.73	13	2	15

Out of 30 projects taken up under Central assistance, only two were completed while 13 have not yet been started

It transpired from the above table that out of 30 projects taken up during 2002-08, only two projects were completed against the target of completion of 15 projects by July 2008 while thirteen projects were not at all started as of March 2008. Delays ranging from five to 32 months in releasing funds by the Department to the executing agencies coupled with delayed completion of works by the executing agencies were the main reasons given for non-completion of the projects. Due to non-completion of the projects, the balance amount of Central assistance of Rs 20.59 crore was not released by GOI. The details of the projects are shown in *Appendix 5.1*.

5.7.4 Deficient control over implementation of the projects

According to the GOI's orders sanctioning the funds for Centrally sponsored projects, the Department was to submit to GOI quarterly statements on the progress of works and expenditures incurred thereon. Accordingly, the Department was responsible for monitoring the projects implemented by the executing agencies and also for collection of quarterly progress reports from them for onward transmission to GOI. But, the Department did not compel the executing agencies to submit quarterly reports as also insist on timely completion of works. Consequently, the Department could not furnish the quarterly reports to GOI. Absence of any control over execution of the projects vis-à-vis inadequate monitoring over functioning of the executing agencies resulted in excess expenditure on the project, irregular payments to the contractors, release of funds for the projects already executed under other schemes, diversion of project funds, non-utilisation of created infrastructure, etc, as mentioned in the subsequent paragraphs:

5.7.4.1 Extra expenditure on construction work

Extra expenditure of Rs 51.04 lakh on construction work in Vishnupur

The consultant⁴ engaged (January 2004) by WBTDC for preparation of design, drawing, project estimate, tender documents, supervision of works and certification of contractor's bills in respect of the scheme for construction of roads and beautification of bandh at Vishnupur, estimated the cost of the scheme as Rs 80.21 lakh against Rs 52.80 lakh sanctioned by GOI on the basis of the project proposal of the Department. The work was awarded (July 2005) to a contractor⁵ at 29.33 per cent below the estimated cost of Rs 80.21 lakh i.e. at Rs 56.69 lakh whereas the work was completed in September 2006 at Rs 107.73 lakh resulting in extra expenditure of Rs 51.04 lakh. The payments were made by WBTDC only on the basis of the Running Account (RA) bills

⁴ M/s. Anjan Gupta

⁵ M/s Rohit Contructions

certified by the consultant without measuring the volume of work by any official of WBTD/Department. The Department did not also investigate the reasons for such huge excess expenditure over the sanctioned cost. Audit scrutiny revealed the following:

Lack of control over execution and measurement of construction work leading to excess expenditure of Rs 45.84 lakh

- The contractor was paid Rs 24.35 lakh for 48694 m³ of earth excavation and filling work against 1500 m³ (payable Rs 0.75 lakh) specified in the work order.
- The contractor was paid Rs 23.89 lakh for transportation including loading, unloading and spreading of 43445 m³ of earth against 3000 m³ envisaged (payable Rs 1.65 lakh) in work order.
- Against 40907 m³ earth work stated to have been executed by the contractor as mentioned in RA bills, payment was made for 48694 m³ resulting in excess payment of Rs 4.36 lakh⁶.
- There was no provision in the work order for construction of laterite block guard (LBG) wall. In June 2006, the contractor proposed to construct 100 m³ of LBG wall at a cost of Rs 3497 per m³ (considering 20 per cent wastage). Payment was made for 994 m³ of LBG wall after allowing 30 per cent wastage thereby allowing an excess payment of Rs 8.02 lakh.
- Additional payment of Rs 4.70 lakh was made to the contractor on account of idle wages due to delayed issue of drawings by the consultant and stoppage of works owing to public demonstrations at work site. Although the consultant was responsible for delayed issue of drawings, no penal action was taken against the consultant.

5.7.4.2 Irregular release of funds to DGHC

Irregular release of Rs 3.12 crore on works already executed under SCA scheme

An amount of Rs 3.12 crore was paid (January 2005) to DGHC for (i) development of Rangbhang in Darjeeling as a tourist spot (Rs 1.37 crore) and (ii) extension and beautification of Rohini lake (Rs 1.75 crore) even though these projects were already executed by DGHC between August 2002 and May 2005 at a total cost of Rs 3.52 crore out of funds received by it under another scheme (Special Central Assistance). Out of Rs 3.12 crore, Rs 5.41 lakh was spent on the project while DGHC diverted project funds of Rs 37.03 lakh for construction of a guest house (Rs 31.62 lakh) and refund of security deposits for other works (Rs 5.41 lakh). The balance amount of Rs 2.70 crore remained parked with DGHC.

⁶ Including transportation cost for 4141 m³

⁷ Which includes cost of one m³ of laterite bolder (Rs 900), transportation of the same up to 400 km (Rs 1000), sand and cement mortar (Rs 320), cost of labour (Rs 290), hiring charge of tools machines (Rs 248), contractor's profit (Rs 457), Income Tax, VAT and other charges and 20 per cent wastage (Rs 372)

5.7.4.3 Irregular engagement of consultant

For rendering consultancy services in two phases for illumination of Vishnupur temple, Dhakshineswar temple and Coochbehar Palace, WBTDC engaged (between July 2007 and February 2008) a firm⁸ of Tamil Nadu at a fee of Rs 22.30 lakh by negotiation with a single firm without inviting tenders. The consultant was to conduct feasibility study and to prepare project estimate at a fee of Rs 2.80 lakh and to prepare the detailed project reports, undertake tendering process and issue of work orders and supervise and monitor the execution of works at a fee of Rs 19.50 lakh.

WBTDC irregularly paid (July 2007-March 2008) Rs 7.30 lakh to the consultant even though neither the project feasibility reports and project estimates nor any detailed project report, tender documents, etc. in respect of any of the three projects were submitted by the consultant.

Further, the Dhakshineswar temple had already been illuminated by Kolkata Metropolitan Development Authority (KMDA) between January 2004 and December 2007 under a separate scheme for development of Dakshineswar Kali Temple Complex at a cost of Rs 1.13 crore. The existing illumination system at Coochbehar Palace was functioning under Archeological Survey of India (ASI). Thus, possibility of execution of the project at Dakshineswar and Cooch Behar (for which consultancy fee of Rs 4.30 lakh was paid by WBTDC) was doubtful.

5.7.4.4 Created facilities remaining unutilised

Created facilities worth Rs 3.77 crore remaining unutilised under DGHC

The department released funds to DGHC for development of infrastructural facilities for tourism in Darjeeling without proper assessment of feasibility of such schemes. As a result, ten schemes⁹ completed between May 2002 and June 2007 at a total cost of Rs 3.77 crore (State share: Rs 1.74 crore and Central assistance: Rs 2.03 crore) remained unutilised as of March 2008 due to non-availability of required facilities like water supply connection, electricity service connection, furniture and fixtures, etc, needed to be provided for commercial use. Neither the Department nor DGHC took any action for utilisation of the created facilities resulting in unfruitful expenditure of Rs 3.77 crore towards cost of construction of the same.

5.7.4.5 Unfruitful expenditure on abandoned hotel

Unfruitful expenditure of Rs 45.85 lakh on abandoned construction of hotel at Asansol

The Department engaged (March 1996) WBTDC as the executive agency for construction of a hotel viz. Hotel Asansol Inn at an estimated cost of Rs 52 lakh and released Rs 48 lakh to WBTDC between September 1999 and March 2003. In January 2002, WBTDC submitted to the Department a revised estimate of Rs 77.02 lakh on the ground of some changes in specification and additional work. The Department without approving the revised estimate and

⁸ M/s JMR Audio and Laser Lighting of Coimbatore, Tamil Nadu

⁹ Augmentation of accommodation of tourist lodge at Jorepokhri, renovation of tourist lodge at Royvilla, renovation of swiss cottages at Mirik, construction of trekker's huts (six bedded room, eight bedded dormitory, dinning hall and kitchen, etc.), construction of wayside facilities (kitchen, dinning hall, toilet, car parking, etc, at Dilaram, Giddhapahar and Simana) and cafeteria-cum-fast food restaurants

releasing additional funds, decided (May 2002) to hand over the lodge to a management contractor under the condition that the balance work would be completed by the contractor by investing his own funds. But, no action in this respect was taken so far and the construction works remained incomplete resulting in unfruitful expenditure of Rs 45.85 lakh incurred up to January 2004. The balance amount of Rs 2.15 lakh remained parked with WBTDC.

5.7.5 Inadequate control over functioning of tourist lodges

The Department from time to time handed over 43 Government tourist lodges to WBTDC for operation and maintenance. The funds required for maintenance, repairs and renovation of lodges were provided by the Government. There was no prescribed procedure for management of the lodges. However, some of the lodges were being run by WBTDC itself while six lodges¹⁰ were run by management contractors engaged by WBTDC. Although the Department had no direct control over functioning of the lodges, it did not monitor the performance of WBTDC in running the lodges. As a result, ten lodges¹¹ remained closed for a long period and two¹² new lodges were not put into operation as of April 2008. Audit scrutiny disclosed the following:

5.7.5.1 Non-commissioning of tourist lodge

The Department constructed a tourist lodge at Piyali Island in Sunderban, South 24 Parganas at a cost of Rs 38.28 lakh and handed it over (August 1997) to WBTDC for running the lodge. But, the lodge was not put to use as a portion of the lodge was unauthorisedly occupied by the staff of Irrigation and Waterways (I&W) Directorate and some local encroachers. The Department paid Rs 30.05 lakh (2007) to I&W Department for construction of an alternative accommodation for their staff.

The Public Accounts Committee (2006-2007) in its seventh report recommended that the Tourism Department and I&W Department should undertake departmental inquiries to identify the persons involved in encroachment/illegal occupation in the lodge and the persons involved in hiding the fact of that encroachment/illegal occupation and should take appropriate action against them according to law. The Action Taken Note on the recommendations of PAC was not submitted by the Department (June 2008).

Although the staff of I&W Directorate vacated the tourist lodge in February 2007, the same was not put into operation as of March 2008 due to non-engagement of management contractor by WBTDC.

¹⁰ Tourist Lodges at Durgapur (second lodge), Digha (second lodge), Shantiniketan, Kaikhali, Mukutmanipur, Bankura,

¹¹ Tourist Lodges at Bakreswar, Bethuadahari, Durgapur, Gangasagar, Jhargram, Mandar, Maple, Siliguri, Sangrilla, Tiger Hill.

¹² Piyali Tourist Lodge and Mecheda Pathik Motel

5.7.5.2 Loss due to non-functioning of Government tourist lodges

Loss of Rs 57.96 lakh due to non-functioning of Government tourist lodges handed over to contractors

Mecheda Pathik Motel, Purba Medinipur constructed by the Department at Rs 42.75 lakh was handed over to WBTD in November 2001 for running the motel. WBTD in turn handed over the motel to a contractor after more than three years, in March 2005 for running on payment of annual licence fee (ALF) of Rs 4.50 lakh to WBTD; but it did not execute any formal agreement with the contractor in this respect. The contractor did not pay any amount to WBTD till March 2008 on the ground that the motel was not put into operation due to non-availability of the permission for operating a bar. WBTD neither took any action for realisation of ALF nor did it invoke the bank guarantee of Rs 10 lakh submitted by the contractor for payment of ALF. Thus, inaction on the part of the WBTD resulted in a loss of revenue of Rs 13.50 lakh during 2005-08.

Besides, the management contractors ceased to operate two lodges at Gangasagar and Bakreshwar and did not pay ALF of Rs 4.94 lakh for the years 1999-2000 onwards on the ground that operation of the lodges was not profitable. WBTD neither engaged new contractors nor took any action for running the lodges departmentally. The Department also did not take any action in this respect. As a result, the lodges remained closed for over eight years resulting in loss of revenue of Rs 44.46 lakh during 1999-2008.

5.7.6 Non-realisation of license fee

Non-realisation of license fee of Rs 1.62 crore from management contractors of tourist lodges

- (i) According to the agreement (November 1995) executed with the management contractor of the lodge at Santiniketan, the ALF was to be increased from Rs 2.50 lakh to Rs 11 lakh with effect from December 1997. On the request (May 1998) of the contractor for reducing ALF on the ground of low earning of lodge in absence of a bar, WBTD reduced (February 1999) the ALF to Rs 6.45 lakh even though the agreement did not provide for reduction of ALF in absence of bar. This has resulted in a loss of revenue of Rs 45.50 lakh during December 1997 to November 2007.
- (ii) According to the management contract agreement (2002-03) executed with the contractor of the lodge at Durgapur, the ALF was to be paid at Rs 4.80 lakh or 15 per cent of turnover whichever is higher. The contractor did not pay the ALF since his taking over possession of the lodge in 2002-03. WBTD did not take any action for realisation of the same resulting in a loss of revenue of Rs 28.80 lakh during 2002-08.
- (iii) According to the management contract agreement executed (April 1995) with the contractors of the lodge at Digha for 21 years, the ALF was to be gradually¹³ enhanced from Rs 1.08 lakh to Rs 21 lakh. But, the contractor did not pay the enhanced ALF. On the request of the contractor WBTD revised (September 2005) the ALF to Rs 7.70 lakh

¹³ Of Rs 1.08 lakh for first two years was to be enhanced to Rs 15 lakh for third to seventh year, Rs 17 lakh for eighth to twelfth year, Rs 19 lakh for thirteenth to seventeenth year and Rs 21 lakh for eighteenth to twenty first year.

with effect from 1998-99 resulting in a loss of revenue of Rs 55.95 lakh during 1998-08. Further, the contractor did not pay full amount of the revised ALF and the outstanding dues amounted to Rs 31.53 lakh as of March 2008. WBTDG did not take any action either for realisation of the LF resulting in further loss of revenue of Rs 31.53 lakh.

5.8 Administrative controls

5.8.1 Uneconomic operation of tourist vehicles

Deputy Director (DD) of Regional Tourist Office at Siliguri had three mini tourist buses for conducting tours in North Bengal. The office did not maintain any rate chart for hiring of buses. The vehicle booking register indicating the date of booking, particulars of borrowers, bus hiring charge receivable and realised, money receipt number and date, etc, was also not maintained. The amounts of revenue earned were never cross-checked with the entries in the log books in order to ascertain whether hire charges had actually been received from the borrowers. Further, buses were provided to different organisations on credit, but the hire charges were not subsequently realised in such cases. Test check of records revealed that bus hire charges of Rs 0.76 lakh in 47 occasions during June 2006 to January 2008 remained unrealised as of March 2008.

Further, the buses were plying for 19 to 101 days only in a year during 2003-08. Reasons for poor utilisation of buses could not be elucidated by the DD. Due to poor utilisation of the fleet, revenue of only Rs 4.03 lakh was earned during 2003-08 against the operating expenses of Rs 37.73 lakh including salary of three drivers and helpers (Rs 25.67 lakh) resulting in a loss of Rs 33.70 lakh (excluding overheads). The Department did not exercise any control over running the vehicles effectively and efficiently in order to restrict the recurring losses on operating the fleet of tourist vehicles.

5.8.2 Poor performance of Food Craft Institute

The Food Craft Institute at Darjeeling functioning under the Department since April 1995 for imparting training on food production, food and beverage service and front office service to young boys and girls, sustained loss of Rs 1.14 crore during 2002-07 due to high operating cost (Rs 1.44 crore) as compared to the revenue (Rs 0.30 crore) earned during the period despite utilisation of *cent per cent* of training capacity (60 students) in a year. The department did not take any action to make the institute commercially viable.

Further, in absence of any budget of the institute, the department provided funds to the institute on *ad hoc* basis without assessing its requirement. Due to release of funds in excess of requirement, the bank balance (current account) of the institute increased from Rs 11.33 lakh in March 2003 to Rs 85.89 lakh in March 2008 resulting in loss of interest of Rs 10.27 lakh worked out at 5.25 *per cent per annum*.

5.9 Internal Audit

Internal audit is an important management tool of a department to examine and evaluate the level of compliance with the departmental rules and procedures. The Tourism Department had no Internal Audit Wing of its own. The Internal Audit Wing of Finance Department responsible for audit of all the State Government Departments did not ever conduct audit of Tourism Department till March 2008.

5.10 Response to CAG's Audit

The Principal Accountant General (Audit) conducts audit of the Department, Directorate and subordinate offices of the Department and major irregularities are reported through Inspection Reports (IRs). A half yearly report on the pending IRs is also sent to the Department to facilitate monitoring and compliance of audit observations. The head of office is to take action to rectify the irregularities pointed out during audit. But, even after several years of the issuance of IRs, irregularities pointed out were not rectified. As of June 2008, 56 Paragraphs in 21 IRs pertaining to periods from January 1973 to May 2007 were pending settlement indicating lack of responsiveness on the part of the Department to Audit.

5.11 Conclusions

Review of the internal control mechanism revealed that given the range of activities of the Department, the control system was weak and the in-built controls were inadequate. Rules, regulations and orders of the Government on budget preparation, expenditure controls, etc. were not adhered to. The existing system could not also ensure timely implementation of Centrally Sponsored as well as other State Plan schemes and tourism promotional works, and in many cases the funds provided for such works were locked up with the executing agencies. Non-utilisation of the infrastructural facilities created as well as non-functioning of tourist lodges was indicative of indifferent operational controls. There was no system in place for ensuring accountability in the functioning of Government Tourist Lodges either. The system could not also provide reasonable assurance against the loss of resources and misappropriation of the Government money.

5.12 Recommendations

- *Compliance with rules relating to preparation of Budget estimates and Budgetary control may be ensured to avoid persistent savings and incurring of expenditure without budget provisions;*
- *The performance of the executing agencies of the projects for infrastructural development of tourism should be supervised and monitored regularly to ensure timely completion of the projects;*
- *Activities of the agencies engaged in operation and maintenance of Government tourist lodges should be monitored properly to ensure smooth functioning of the lodges;*

- *One full-fledged Internal Audit Wing may be set up to provide reasonable assurance regarding adequacy and effectiveness of internal controls.*

The matter was referred to Government in July 2008; reply had not been received (October 2008).

**Kolkata
The**

**(ARIJIT GANGULY)
Principal Accountant General (Audit)
West Bengal**

Countersigned

**New Delhi
The**

**(VINOD RAI)
Comptroller and Auditor General of India**