CHAPTER IV

4A.1 WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED

4A.1.1 Procurement in excess of requirement

Failure to assess the requirement before placing purchase orders led to procurement of equipment valued at Rs 1.92 crore in excess of requirement

(a) KTPS purchased one gearbox in March 1993 for its Coal mill on urgent requirement basis at a total cost of Rs 87.67 lakh from BHEL. The gearbox was not, however, used till July 1996 when the Manager, Mechanical Division further placed an indent for procurement of another four gearboxes. However, GM placed an order in February 1997 on BHEL for supply of one gearbox within February 1998 at a total cost of Rs 56.75 lakh. The gearbox was received in stores in May 1999. However, both the gearboxes remained unutilised till March 2001.

Thus, procurement of a gearbox without assessing actual requirement resulted in blocking up of Rs 56.75 lakh besides loss of interest of Rs 12.49 lakh (at the rate of 12 *per cent* per *annum*).

(b) During overhauling of L.P. turbine of unit I of KTPS in July 1997, the BHEL Engineers observed development of minor cracks in 58 blades out of 120 blades. At the instance of BHEL, the KTPS procured 120 blades from BHEL in January 1998 at a cost of Rs 1.35 crore when 30 blades were already in stock. Scrutiny in audit revealed that only 30 blades were replaced during the period from April 2000 to July 2000 in two occasions leaving entire stock of newly procured 120 blades idle in stores till March 2001.

Thus, placement of the order without assessing the requirement led to idle investment of Rs 1.35 crore with consequential loss of interest of Rs 51.47 lakh (at the rate of 12 *per cent* per *annum*).

The matter was reported to the Government/ Management (May 2001); their replies had not been received so far (September 2001).

4A.2 THE DURGAPUR PROJECTS LIMITED

4A.2.1 Wasteful expenditure

Injudicious decision of the Board of Directors to install a Mechanical Coke Cutter without entering into a long term arrangement with probable customers for sale of 80 mm size coke before installing a Mechanical Coke Cutter resulted in wasteful expenditure of Rs 2.85 crore

MCC installed without entering into long term agreement with customers - wasteful expenditure of Rs 2.85 crore

The Durgapur Projects Limited (Company) produced and sold Coke of different categories[⊗] only to Bokaro Steel Plant (BSP) under a conversion arrangement. The Board of Directors (BOD) assessed in December 1994 that BSP and other steel plants[1] had demand of coke upto a size of 80 mm and expected a long term conversion arrangement for 4 to 5 years with BSP and other steel plants. To meet the immediate requirement of BSP, short term arrangement was made by installing a departmental screening and crusher to keep the coke size within 80 mm.

The BOD decided (December 1994) to install a Mechanical Coke Cutter (MCC) in the existing coke screening station to ensure sized coke up to 80 mm to the consumers. The Company placed two letters of intent on M/S EPIL[2] in January 1996 for design, engineering, supply and commissioning of MCC at a cost of Rs 2.60 core with the provision for price escalation up to a ceiling of 5 *per cent.* The work was to be completed by 9 April 1997.

Scrutiny in audit revealed (August 2000) that the decision to install the MCC was taken by the BOD on the assumption of demand for 80 mm size coke from different steel plants. However, the Company had not obtained any firm commitment from the steel plants for sale of coke up to 80 mm size. Further, the Company had not conducted any market study as regards the demand for 80 mm size coke.

Against the stipulated date of completion by April 1997, the work was actually completed in December 1997 and the MCC was commissioned in February 1998 at a cost of Rs 2.72 crore. The time and cost over-run was due to increase in scope of work and delay in payment to EPIL by the Company.

Meanwhile, BSP discontinued the existing coke conversion arrangement with effect from January 1997. The Company also failed to enter into long term agreement with any other steel Company and the assumed demand for coke did not materialise. Further, steel plants started consuming 125 mm size coke and the MCC remained idle since March 1998. Further prospect for use of MCC was, therefore, altogether bleak.

[⊗] Hard (above 40 mm), Nut (20 mm to 40 mm), Pearl (10 mm to 20 mm) and Breeze (0 mm to 10 mm)
[1] Tata Iron and Steel Company Limited, Malavika Steel Limited.
[2] Engineering Projects (India) Limited.

In reply the Government/ Management stated (March/ June 2001) that due to withdrawal of BSP from the conversion deal and non-fulfilment of assumption in regard to the demand of coke with size up to 80 mm the coke cutter could not be used.

The contention is not acceptable. The decision of the BOD to instal the MCC without assessment of the market demand and without entering into long term arrangement with probable consumers was injudicious, resulting in wasteful expenditure of Rs 2.85[♦] crore.

4A.3 WEST BENGAL INFRASTRUCTURE DEVELOPMENT FINANCE CORPORATION LIMITED

4A.3.1 Loss due to injudicious borrowing of funds

The Company borrowed funds ostensibly to meet urgent requirements and thereafter parked these funds in short-term deposits at lower rates of interest at a loss of Rs 0.53 crore

The Board of Directors of West Bengal Infrastructure Development Finance Corporation Limited (Company) authorised in March 2000, the Chairman and the Managing Director to borrow funds jointly on behalf of the Company up to a maximum limit of Rs 200 crore from banks and other financial institutions for meeting 'any urgent need of funds'. The Company, however, neither prepared any budgets, estimates, cash or fund forecasts etc. to assess the requirement of funds.

Between February 2000 and January 2001, the Company borrowed Rs 887 crore from 6[3] scheduled commercial banks on 16 occasions, at interest rates ranging between 12.75 *per cent* and 13.50 *per cent* for 'pressing disbursement' against various ongoing projects and also for meeting the requirement of the Government of West Bengal for implementing various infrastructure development projects. However, the details of such projects were not available and Rs 712 crore *i.e.* 80 *per cent* was transferred to the Deposit Account of the Company with Pay and Accounts Officer, Kolkata to improve the Ways and Means position of the State Government.

Parking of borrowed funds in short term deposit at lower rate of interest at a loss of Rs 0.53 crore

Scrutiny in audit revealed (February 2001) that on 5 occasions, the Company borrowed Rs 25 crore to Rs 100 crore and parked these amounts in short-term deposits with 2[4] private sector banks for 15 to 31 days at lower rates of interest ranging between 9.25 *per cent* and 12 *per cent*. This indicated that the Company had no immediate requirement of the fund. On maturity, the amounts in these short-term deposits were again transferred to the Deposit Account. The Company paid interest of Rs 1.84 crore to the banks against

[♦] Rs 2.72 crore plus fees paid to MECON Rs 0.13 crore.
[3] Allahabad Bank, Bank of Baroda, ICICI Bank Limited, Indian Overseas Bank, UCO Bank and Centurion Bank
[4] Centurion Bank and HSBC Limited

Rs 1.31 crore earned on retaining these borrowed funds in short-term deposits. As a result, the Company sustained a loss of Rs 52.92 lakh due to injudicious borrowing of funds for which no responsibility was fixed.

The Company stated (June 2001) that "it was utter folly on the part of the audit officers to try to trace out the movement of each of the borrowings of WBIDFC from banks to its Deposit Account". The fact that these funds were raised ostensibly to meet urgent requirements and thereafter parked at lower rates of interest in short-term deposits was not disputed.

The matter was reported to the Government (May 2001); their reply had not been received so far (September 2001).

4A.4 WEST BENGAL STATE LEATHER INDUSTRIES DEVELOPMENT CORPORATION LIMITED

4A.4.1 Extra expenditure and payment of idle wages

Delay in depositing cost of land resulted in payment of idle wages of Rs 3.52 crore and extra expense towards cost of land of Rs 0.18 crore

The Hon'ble Supreme Court of India directed (December 1996) that the tanneries operating in Tangra, Tiljala, Topsia and Pagladanga residential areas on the eastern fringe of Kolkata were to be relocated in the Calcutta Leather Complex, Bantala (CLC). The Hon'ble Supreme Court in its verdict, inter-alia, outlined (December 1996) the following modalities for such relocation :

(i) The tanneries desirous to be relocated in the CLC would deposit 25 *per cent* of the cost of land at the rate of Rs 600 per square metre within 28 February 1997, failing which these would be closed on 15 April 1997.

(ii) After depositing 25 *per cent* cost of the land, the tanneries would be permitted to function at their present location only upto 30 September 1997.

It was observed (May 2000) in audit that the Company failed to pay the aforesaid initial cost (Rs 3.75 lakh) of land measuring 2500 square metres for relocation of its Common Facilities Centre (CFC) at Pagladanga by due date despite having sufficient funds.

In the mean time the Principal Secretary of the Cottage and Small Scale Industries Department (C&SSI)* sought (January 1997) the advice of the Commerce and Industries Department (C&I) for continuance of the operations of CFC at Pagladanga on the ground that the leather processing at CFC did not produce polluting effluents. C&I Department observed (March 1997) that the

* Administrative Department of the Company

Apex Court's order did not make a distinction between the tanneries operating at different levels of processing and advised the Company for relocating the CFC.

Delay in payment of cost of land led to extra expenditure of Rs 0.18 crore besides payment of idle wages of Rs 3.52 crore

As a result, the Company could not deposit the initial cost of the land and had to close down its operations at CFC, Pagladanga from 15 April 1997. The operations have not been resumed till date (July 2001). The Government decided (May 1997) to acquire land at the new site and requested (September 1997) M/s. M. L. Dalmia & Co (M/s. MLD), the developer/ contractor appointed by the C&I Department on BOT[@] basis, to allot 2500 square metres of land to the Company at Rs 600 per square metre. However, land was acquired at the rate of Rs 1300 per square metre by paying Rs 32.50 lakh (February 2001). The physical possession of land was yet to be taken (April 2001). In the meantime an expenditure of Rs 3.52 crore was incurred towards idle wages from April 1997 to April 2001.

Thus, despite the Supreme Court's clear order, the C&SSI and C&I Departments inordinately delayed taking a decision on relocation of the CFC leading to an additional expenditure of Rs 17.50 lakh[*] towards the cost of land besides idle wages of Rs 3.52 crore. No responsibility was fixed for extra expenditure incurred by the Company.

While accepting the fact the Management stated (May 2001) that steps were taken for receiving physical possession of the land at a very early date.
The matter was reported to the Government (January 2001); their reply had not been received so far (September 2001).

4A.5 GREATER CALCUTTA GAS SUPPLY CORPORATION LIMITED

4A.5.1 Infructuous expenditure

Pressure Reducing Station installed without laying requisite main line for supply of coal gas resulted in an infructuous investment of Rs 0.83 crore.

To market coal gas as an alternative industrial fuel for use by the industrial units located in and around Delhi Road and Rishra-Serampore belt, Greater Calcutta Gas Supply Corporation Limited (Company) decided (August 1991) to instal a Pressure Reducing Station (PRS) at Dankuni Township of Coal India Limited. Further, to transmit the gas, a 16 kilometre industrial line was

[@] Build, operate and transfer
[*] Rs 32.50 lakh minus Rs 15.00 lakh being the cost of land of 2500 square metres at original rate of Rs 600 per square metre

proposed to be laid at Dankuni. It was assessed (August 1991) that the market demand of coal gas would be around 5.5 million cubic feet per day.

Installation of PRS without laying pipe line resulted in infructuous investment of Rs 0.83 crore

Scrutiny in audit (June 2000) revealed that while assessing the prospect of marketing coal gas, as early as in April 1995, the Company was aware that the industrial consumers were prepared to switchover to coal gas only if the Company would bear the line laying cost up to their factory points. On its part, the Company had also assessed that given the huge cost involved in laying (Rs 8 crore) and erection of the PRS (Rs 1 crore), it could not afford to venture into the project unless the consumers contributed towards the cost of laying the gas line. However, the consumers were not interested in sharing the cost.

The Company went ahead with the project and commissioned the PRS in July 1997 at a total cost of Rs 82.67 lakh. The PRS functioned till March 1998 and thereafter, remained idle.

The Government stated (April 2001) that the PRS at Dankuni would be useful in the event of problems at Bally PRS and if receipt of gas from a second source *viz*. Bangladesh and Asansole - Raniganj fructifies. The reply is not tenable as the PRS was not installed as a stand-by for Bally PRS. Further, there was no prospect of obtaining natural gas from Bangladesh in near future and coal bed methane gas from Asansole – Raniganj was still in the preliminary stage which does not justify the commissioning of PRS in July 1997 at a cost of Rs 82.67 lakh.

Thus, due to installation of the PRS without installing the requisite pipe line for transmitting coal gas or receiving any firm demand from the consumers, investment of Rs 82.67 lakh proved to be infructuous.

4A.6 THE SHALIMAR WORKS (1980) LIMITED

4A.6.1 Avoidable payment of excise duty

Failure to avail excise duty exemption on specified goods resulted in an avoidable expenditure of Rs 0.35 crore towards excise duty

Failure to follow the excise rules resulted in avoidable expenditure of Rs 0.35 crore towards excise duty

In terms of the general exemption No. 19 of the Central Excise and Salt Act, 1944, all goods which are used for manufacture or repair of ships are exempted from payment of central excise duty from 16 March 1995. To avail this exemption, the requisite certificate (Form CT-2) for procurement of excisable goods under rule 192 of Central Excise Rules, 1944 duly filled in and approved by the Excise authority must be submitted by the applicant to the supplier at least 30 days prior to delivery. On receipt of Form CT-2, the supplier should collect the AR-3 Form from the Excise authority in order to deliver the goods without payment of excise duty.

Though the Company manufactures/ repairs marine vessels since inception, it failed to avail of the aforesaid excise duty exemption. Audit observed (July 2000) that the Company paid Rs 35.51 lakh towards excise duty on procurement of goods valued at Rs 2.77 crore during October 1997 to December 1999 for use in the manufacture/ repair of ships. This payment of excise duty was avoidable. Reasons for failure in submitting the requisite certificate to the supplier to claim the exemption were not on record.

The Company first availed the benefit of excise duty exemption only in December 1999 and issued (January 2000) instructions to avail this benefit regularly.

Thus, the Company's negligence and failure to follow the prescribed procedure resulted in avoidable payment of Rs 35.51 lakh towards excise duty.
The Government/ Management stated (December 2000) that the concerned suppliers did not agree to allow exemption. The contention is not acceptable as the suppliers did not agree in case of supplies made during the year 2000 while audit point is related to procurement made during 1997 to 1999.

4A.7 WEST BENGAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

4A.7.1 Undue benefit to a defaulting private company

The Company allowed interest rebate of Rs 0.14 crore to a private sector company which defaulted repayment of loan

Plastosen Limited (M/S PL), a private sector company, approached (July 1997) West Bengal Industrial Development Corporation Limited (Company) for equipment finance of Rs 1.50 crore to import two stretch blow moulding machines from Japan so as to enhance the production capacity of its plastic processing factory at Rajarhat, North 24-Parganas district. The Company sanctioned (August 1997) the loan, which was to be secured by way of hypothecation of all capital goods/ equipment created/ to be created out of the loan. The loan bearing interest of 21.25 *per cent* per *annum* with rebate of 4 *per cent* for timely payment was repayable in 10 half yearly instalments. The loan was disbursed in September 1997. M/S PL approached (April 1998) the Company for re-scheduling repayment of the loan and for availing the rebate of four *per cent* for timely payment on the interest overdue on the plea of its financial stringency.

Audit observed (April 2000) that M/S PL defaulted in re-paying the instalments of interest and principal as per schedule. Against interest dues of Rs 95.96 lakh till March 2000, M/S PL paid only Rs 32.90 lakh while no re-payment was made towards principal, despite having free reserves of Rs 2.10 crore and Rs 2.62 crore as on 31 March 1998 and 1999 respectively.

Despite being aware of the sound financial position of M/S PL the Managing Director again approved (June 1999) rescheduling repayment of the principal, in 30 quarterly instalments of Rs 5 lakh each from October 1999 and allowed rebate of four *per cent* towards interest since drawal of loan, ostensibly on the ground of financial stringency faced by M/S PL. Further, rate of interest was revised to 17.25 *per cent* per *annum* and penal interest of 4 *per cent* was to be paid in case of default.

M/S PL was allowed the rebate of four *per cent* from September 1997 to March 1999 aggregating for Rs 11.49 lakh. WBIDC again allowed a rebate of Rs 9.90 lakh during 1999-2000 despite continued defaults, out of which an amount of Rs 7.27 lakh was claimed as penal interest.

Thus, the Managing Director of the Company extended undue benefit to a private Company by allowing Rs 14.12 lakh as rebate on interest. Further the entire loan amount of Rs 1.50 crore is still outstanding.

The matter was reported to the Government (December 2000); their reply had not been received so far (September 2001).

4A.8 THE KALYANI SPINNING MILLS LIMITED

4A.8.1 Payment of avoidable carrying charges

The Kalyani Spinning Mills Limited incurred avoidable carrying charges due to booking for cotton in excess of immediate requirement that amounted to Rs 3.72 crore between April 1995 and March 2000

The Kalyani Spinning Mills Limited (Company) procures raw cotton for its mills at Kalyani and Habra from Cotton Corporation of India (CCI). Till October 1999, the contracts with CCI provided that complete delivery of the contracted cotton was to be taken by the Company within 30 days of the contract. In case of failure, the Company was liable to pay a carrying charge at the rate of 1.9 *per cent* per month for the first 60 days and 2.1 *per cent* thereafter, which was reduced (October 1999/ January 2000) to 1.8 and 2 *per cent* per month respectively. Cotton being a seasonal crop, it is imperative that the Company forecasts its requirement of raw cotton to obviate the payment of carrying charges.

Scrutiny in audit revealed (July 2000) that during the period from April 1997 to March 2000, the Company executed 101 contracts with CCI for supply of 74320 bales[@] of cotton at rates varying from Rs 11000 to Rs 27000 per candy. As the contracts were in bulk lots in excess of immediate requirements, there were delays of 18 to 285 days beyond the scheduled dates on the part of the Company in taking delivery of the cotton. This resulted in payment of carrying charges of Rs 2.15 crore during April 1997 to March 2000 which was avoidable. Although the Company had paid substantial carrying charges of Rs 1.57 crore during 1995-96 and 1996-97, it had not taken any remedial action to minimise the incidence of carrying charges in 1997-98 and 1998-99.

The Company stated (July 2000/ February 2001) that cotton being a seasonal crop, from March onwards the Company was bound to contract in bulk to ensure smooth flow of cotton till August. Further, inadequate working capital and quality complaints arising against cotton procured from private traders limited the options of the Company. The reply, however, was not tenable as 27263 bales (37 *per cent*) of cotton were received between September and March and carrying charges were paid thereon indicating that there was absence of co-ordination in the execution of contracts and actual requirement of cotton. Moreover, the annual booking of cotton ranged from 37995 bales in 1997-98 to 10359 bales in 1998-99 against average annual procurement of 23,179 bales between 1995-96 and 1999-2000, whereas closing stock as at March 2000 increased by 92 *per cent* over March 1999.

The matter was reported to the Government (February 2001); their reply had not been received so far (September 2001).

4A.9 MAYURAKSHI COTTON MILLS (1990) LIMITED

4A.9.1 Loss due to under insurance

Mayurakshi Cotton Mills (1990) Limited suffered a loss of Rs 0.44 crore due to under insurance of its plant/ machinery and stock

Mayurakshi Cotton Mills (1990) Limited (Company) took out in April 1994 a fire insurance policy from United India Insurance Company (UIIC), Suri, Birbhum to cover the risk of fire, flood, lightning, explosion, storms, cyclone etc. for its factory building, machinery/ accessories and stocks at Panchra, Birbhum at an assured value of Rs 1.92 crore with an annual premium of Rs 0.56 lakh. In April 1995, the UIIC after a joint assessment with the Factory Manager of the Company advised the Managing Director (MD) to enhance the sum insured to Rs 2.72 crore with annual premium of Rs 0.85 lakh. However, MD did not take any action till April 1996 and thereupon only enhanced the

[@] 100 bales are equal to 48 candies

Under-insurance of plant/ machinery and stock resulted in loss of Rs 0.44 crore

policy value to Rs 2.30 crore, leaving the property under insured by Rs 42.82 lakh up to 1999-2000 (Rs 36.45 lakh for processed and waste stock, Rs 6.32 lakh for plant/ machinery and Rs 0.05 lakh for building).

Meanwhile, a fire brokeout in November 1997 at the spinning unit of the new factory shed due to short circuit causing extensive damage to the building, machinery and stock. Surveyors of the UIIC assessed the loss at Rs 80.96 lakh. After deducting the salvage value, the Company lodged in a net claim of Rs 79.42 lakh with UIIC in December 1997. After the final survey UIIC, however, settled in September 1998 the loss at a lesser value of Rs 33.59 lakh on the ground of under-insurance of property (mainly processed and waste stock).

Thus, due to under-valuation of the insurance cover, the Company suffered a loss of Rs 44.38 lakh[#] for which responsibility has not been fixed.

The Management stated in September 2000 that the coverage value of insurable property had since been enhanced to Rs 2.50 crore from April 2000. Failure to take timely cognisance of the advice of the UIIC and arbitrary reduction in value of processed and waste stock resulted in a loss of Rs 44.38 lakh.

The matter was reported to the Government and the Management (March 2001); their replies had not been received so far (September 2001).

4A.10 WEST BENGAL TEA DEVELOPMENT CORPORATION LIMITED

4A.10.1 Unfruitful expenditure on Mini Hydel Power Project

Expenditure of Rs 1.36 crore on a mini hydel project at Rungmook Cedars Tea Estate and Rs 22.31 lakh on its operation and maintenance proved unfruitful due to non-completion of its linkage to a perennial water source

The Ministry of Non-conventional Energy Sources, Government of India, sanctioned in February 1994 a proposal of the State Government for setting up a 0.5 MW mini hydel project at the Rungmook Cedars Tea Estate (RCTE), West Bengal Tea Development Corporation Limited (Company). Fifty *per cent* share of the direct project cost of Rs 1.50 crore was to be contributed by the State Government. The Commerce and Industries Department decided in July 1994 that the project would be implemented through the West Bengal Renewable Energy Development Agency (WBREDA) and the State

[#] Excluding the cost of additional premium of Rs 1.45 lakh ({Rs 0.85 lakh (-) Rs 0.56 lakh}= Rs 0.29 lakh per *annum* x 5 years) payable had the enhanced coverage of Rs 272.40 lakh been obtained from 1995-96 to 1999-2000

Government's share would be paid by the Company as owner, after obtaining interest bearing loan from the State Government. The project was to be operated mainly with water sourced through an intake tank from Khong Khola, a perennial river.

Out of the Company's share of Rs 75 lakh payable within September 1995, it paid Rs 59.57 lakh between June 1995 and February 1996, while the balance of Rs 15.43 lakh was still due (May 2001).

The project was completed in July 1996 at a cost of Rs 1.81 crore and handed over to the Company in September 1997. The Company entrusted (July 1997) the operation and maintenance of the plant to M/S A N Sharma and Co. at an annual service charge of Rs 8.50 lakh.

Non-payment of Rs 0.75 crore led to non-operation of 3 out of 4 units

The hydel plant was, however, installed without constructing the vital link between the main source of perennial water i.e. Khong Khola and the Intake Tank, due to non-payment of Rs 75 lakh to WBREDA as committed (March 1994) by the Company. As a result, only a single unit of the hydel plant could be operated and the remaining three units remained idle for want of adequate water. Thus, only 18 *per cent* of the available capacity was utilised. To overcome the shortfall in generation of electricity, RCTE had to operate the Diesel Generating Sets (DGS) throughout the year to run the factory.

Unfrutiful expenditure of Rs 1.36 crore alongwith infructuous operational expenditure of Rs 0.22 crore

The Company was also incurring a recurring expenditure of Rs 8.50 lakh per *annum* towards operation and maintenance of four units, though only one was in operation since installation. As these three units were lying idle since installation, the expenditure of Rs 1.36 crore incurred on their installation proved to be unfruitful and the expenditure of Rs 22.31 lakh towards operation and maintenance between September 1997 and March 2001 for three idle units proved to be infructuous.

The matter was reported to the Government/ Management (June 2001); their replies had not been received so far (September 2001).

4A.10.2 Extra expenditure due to non-payment of gratuity

Retention of 101 employees of the Rungmook Cedars Tea Estate for 2 to 12 years beyond their dates of superannuation resulted in extra expenditure of Rs 0.34 crore towards additional gratuity and wages paid at higher rate to the superannuated employees in service

The West Bengal Tea Development Corporation Limited (Company) assessed in November 2000 that there are 690 staff in excess of the requirement in its Rungmook Cedars Tea Estate (RCTE) and RCTE was incurring an extra expenditure of Rs. 1.72 crore per annum on account of salary, wages and other benefits of these extra staff.

Failure to pay gratuity to the superannuated employees resulted in extra expenditure of Rs 0.34 crore

Despite having excess staff the Company retained 101 employees in service for periods ranging from 1 to 12 years beyond their dates of superannuation due to its failure to pay gratuity on retirement. Of these 101 employees, 31 employees retired in May 2000 and the remaining 70 employees continue to remain in service (as on 31 March 2001) even 1 to 13 years after the date of their superannuation. Of the 31 employees, 1 employee was retained till the age of 85 years and 30 employees till an average age of 62 years.

As a result of not superannuating the employees on due date, the Company paid an extra amount of Rs 5.95 lakh to the 31 employees superannuated and would have to pay extra amount of Rs 18.38 lakh to the 70 employees towards gratuity as on 31 March 2001.

The prevailing practice in the tea industry is that when a vacancy arises due to retirement of any worker, a member of his family is employed against that vacancy. Had the company followed this practice, it could have saved Rs 17.54 lakh by appointing 31 fresh workers against retirement of 31 existing workers on the scheduled dates of retirement because the company would have paid total wages of Rs 28,049 per month to the new workers as against Rs 64,577 per month paid to the existing 31 workers. Similarly, the Company incurred total extra expenditure of Rs 10.14 lakh (on an average of Rs. 15,441 per month) up to 31 March 2001 due to retention of 28 superannuated workers in service. The balance 42 superannuated workers in service were paid minimum wages of Rs 982.80 per month.

In reply the Manager, RCTE stated (February 2001) that the company did not pay gratuity to the employees on their due dates of retirement due to shortage of fund. Scrutiny in audit (March 2001), however, revealed that the Company had sufficient fund in current accounts (on an average Rs 72 lakh) for payment of gratuity in time and thus the extra expenditure of Rs 15377 per month on account of excess payment of wages could have been avoided. No responsibility was fixed for retention of these employees in service beyond their dates of superannuation.

Thus, failure of the company to pay gratuity to the workers on the due dates of retirement despite availability of fund resulted in extra expenditure of Rs 33.63 lakh.

The matter had been reported to the Government/ Management (June 2001); their replies had not been received so far (September 2001).

4A.11 WEST BENGAL DAIRY & POULTRY DEVELOPMENT CORPORATION LIMITED

4A.11.1 Loss due to injudicious borrowing of fund

Loss of Rs 0.18 crore by borrowing funds ostensibly to implement the projects and thereafter parking these funds in short-term deposits at lower rate of interest

West Bengal Dairy & Poultry Development Corporation Limited (Company) decided in June 1998 to borrow funds from West Bengal Infrastructure Development Finance Corporation Limited (WBIDFC) for implementation of 15 projects. On the basis of project reports prepared and furnished by the Company, WBIDFC sanctioned (March 1999) loan of Rs 11.17 crore at interest rate of 16 *per cent per annum* for execution of these projects. An agreement was also entered into between the Company and WBIDFC in May 1999 which, *inter-alia*, stipulated utilisation of loan amount exclusively for the project purposes only and prohibited diversion of borrowed funds.

The Company approached WBIDFC (June 1999) for release of 10 *per cent* of the sanctioned amount as mobilisation advance to commence the work on the sanctioned projects and accordingly, WBIDFC released Rs 1.12 crore to the Company the same day. However, instead of taking up the project work, the Managing Director, in contravention of the contractual provision, invested the entire fund (Rs 1.12 crore) in the short term deposit in Punjab National Bank at a far lower rate of interest of 10.25 *per cent per annum* during the period from 04 June 1999 to 03 June 2000.

This indicated that the Company had no requirement of fund immediately. On maturity Rs 1 crore was again invested for a further period of one year from 4 June 2000 to 3 June 2001. The projects were not taken up for execution even as of April 2001, reasons for which were not on record.

Against the interest burden of Rs 33.28 lakh to WBIDFC, Rs 15.54 lakh was earned by the Company by retaining the borrowed funds in short term deposit contrary to the provision of the agreement. As a result, the Company sustained a loss of Rs 17.74 lakh due to injudicious borrowing of mobilisation advance without any requirement.

The matter was reported to the Government and Management (May 2001); their replies had not been received so far (September 2001)

4A.12 WEST BENGAL LIVESTOCK PROCESSING DEVELOPMENT CORPORATION LIMITED

4A.12.1 Payment of idle wages

Failure of the Government to wind up the defunct Company led to payment of idle wages of Rs 1.25 crore to its employees

Payment of idle wages of Rs 1.25 crore due to failure to wind up the defunct company

West Bengal Livestock Processing Development Corporation Limited (Company), incorporated in April 1974 to create facilities for efficient, modern and hygienic slaughter of animals constructed an abattoir at Durgapur in January 1982 at a cost of Rs 1.06 crore. A mention was made in Paragraph 4A.13 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 that the abattoir was closed in June 1984 due to failure to persuade local butchers to utilise the facilities and lack of co-ordination among the officers to achieve organisational goals. Further, another abattoir project at Andul Mourigram, Howrah started in February 1977 could not be implemented due to failure to obtain prior approval of the State Government to the financing pattern and thus the expenditure of Rs 18.91 lakh incurred on the project up to December 1991 proved to be infructuous. Consequently, seven employees at Durgapur and 11 employees at Andul Mourigram, Howrah in the categories of engineer, accountant, clerk etc. remained idle between April 1983 and March 2000 and were paid Rs 1.25 crore.

Scrutiny in audit revealed (February 2001) that after a lapse of 10 years, the Company, with the approval of the State Government sold the Durgapur abattoir in August 1994, to M/S Frigerio Conserva Allana Limited (FCAL) for Rs 87.27 lakh, while the land at Andul Mourigram was handed over in July 1994 by the State Government to M/S FCAL on long lease for establishment of an ultra-modern abattoir. As the Company was inoperational since July 1984, its continued existence after the sale/ transfer of abattoirs was not justified.

The Principal Secretary directed (March 1996) WBLPDCL to send the names of employees to the Labour Department to draw up a scheme for their re-deployment. However, no action was taken.

Subsequently, at the instance of the Minister-in Charge, Animal Resources Development Department, seven employees at Durgapur were placed at the disposal of the Assistant Director, Animal Resources Development Department, Durgapur State Poultry Farm from 01 September 1997, with the direction that salary shall be drawn by WBLPDCL.

Thus, failure of the Government to wind up the Company even after closure of its activities for the past 17 years led to payment of idle wages of Rs 1.25 crore to its employees till 1999-2000 and shall continue till its liquidation.

The matter was reported to the Government and the Management (April 2001); their replies had not been received so far (September 2001).

4A.13 SUNDARBAN SUGARBEET PROCESSING COMPANY LIMITED

4A.13.1 Payment of idle wages

Failure to instal the effluent treatment plant led to stoppage of production and payment of idle wages to the staff since December 1990

Effluent treatment plant not installed - payment of idle wages of Rs 0.87 crore

Mention was made in Paragraph 4A.11(b) of the Report of the Comptroller and Auditor General of India (Commercial) – 1991-92 that Sundarban Sugarbeet Processing Company Limited (SSPCL) started commercial production of alcohol in November 1988 without installing an effluent treatment plant (ETP) despite distilleries falling under the 'Red' category of most polluting industries. SSPCL stopped production since November 1990 due to an objection (November 1990) from the Pollution Control Board. As a result, the plant costing Rs 1.08 crore along with eight permanent and 54 casual employees remained idle since December 1990.

After eight years, SSPCL submitted a viability study report in August 1998 to the State Government, for installation of an ETP at a cost of Rs 62 lakh. However, the Government took no action to install the ETP. On the other hand, the Government released loans of Rs 87.43 lakh from December 1990 to March 2000 for payment of salaries* and wages to the employees of SSPCL who continued to remain idle.

Thus, without attempting to systematically plan the revival of SSPCL, the Government merely channelled Rs 87.43 lakh of funds to SSPCL for payment of salary and wages to idle employees.

The matter was reported to the Government and the Management (May 2001); their replies had not been received so far (September 2001)

* Salary cost of part-time top-management not included

4B.1 WEST BENGAL STATE ELECTRICITY BOARD

4B.1.1 RURAL ELECTRIFICATION WORKS IN MIDNAPORE, BANKURA AND PURULIA DISTRICTS

1 Introduction

West Bengal State Electricity Board (Board) has been taking up schemes for electrification of all the 38,024* mouzas$^{\Re}$ in the State since 1970-71in phases. The schemes envisaged electrification of virgin mouzas, intensification of electrified mouzas, extension of service connections to irrigation pumps and domestic connections under 'Lokdeep- Kutirjyoti' scheme.

These works are executed by the Board through Rural Electrification Wing headed by the Deputy Chief Engineer (RE) who is assisted by 12 Divisional Engineers placed in the districts.

The execution of rural electrification (RE) works in the districts of Midnapore, Bankura and Purulia for the period 1996-97 to 2000-2001 was reviewed. A few cases of irregularities noticed during the course of audit are discussed in subsequent paragraphs.

2 Funding

The Board could not draw loan of Rs 117.60 crore from REC due to failure to identify the mouzas and execute the works in time

2.1 For execution of RE works, the Board obtained loans from Rural Electrification Corporation Limited (REC) at interest rates of 6.25 *per cent* to 13.50 *per cent* per *annum*. Up to 1993-94, REC sanctioned Rs 242.89 crore for execution of 295 schemes in those three districts, against which Board drew only (Rs 125.29 crore) 52 percent. As the Divisional Engineers failed to identify the mouzas, submit the quarterly progress reports, implement the schemes in time and also failed to boost customers interest to take connection to pump sets even after completion of scheme period, the balance amount of Rs 117.60 crore could not be drawn, indicating failure to monitor the execution of schemes.

Plan Assistance of Rs 130.44 crore was adjusted against dues of the Board up to March 2001

Further, failure to repay the principal and also to pay the interest dues led to accumulation of total outstanding to Rs 447.80 crore** as of March 2001. Meanwhile, the Government of India (GOI) deducted Rs 130.44 crore from the plan assistance to the State Government during March 1998 to March 2001 against the dues to REC.

* 1981 census

$^{\Re}$ Mouza is the administrative unit in the lowest rung identified by a Jurisdiction Ledger Number maintained by Land Revenue Authorities

** Principal-Rs 52.55 crore,normal interest Rs 270.28 crore and penal interest-Rs 124.97 crore

2.2 As REC stopped financing new schemes from 1995-96, the State Government decided (December 1997) that the RE works would be funded through loans from West Bengal Infrastructure Development Finance Corporation Limited (WBIDFC). Accordingly, the Board entered (March 1998) into an agreement with WBIDFC for loans aggregating Rs 17.56 crore up to March 2001 for execution of RE works in these three districts[♣] at interest rate of 15 *per cent* per *annum*. The Board utilised the entire amount for procurement of materials.

The Board diverted Rs 7.91 crore of grants towards working capital

Besides, the Board received Rs 32.68 crore under ZPPDP[1] (Rs 12.76 crore), MPLADS[2] (Rs 15.22 crore), RD[^] Directorate (Rs 4.27 crore) and Lokdeep-Kuthirjyoti (Rs 0.43 crore) programmes for electrification/ re-electrification of mouzas in three districts. Scrutiny in audit revealed that out of total fund of Rs 32.68 crore received, the Board spent Rs 24.77 crore (ZPPDP : Rs 12.26 crore, MPLADS : Rs 8.11 crore, RD : Rs 3.97 crore, Lokdeep-Kuthirjyoti : Rs 0.43 crore) for RE works in three districts and diverted the balance amount of Rs 7.91 crore to meet its own working capital needs, thereby frustrating the purpose for which fund was availed. In addition, under MPLADS programme, the fund utilisation was very poor and was only Rs 1.43 crore (34 *per cent*), Rs 3.28 crore (51 *per cent*) and Rs 3.40 crore (72 *per cent*) in Purulia, Bankura and Midnapore districts respectively. Further, the unutilised fund under MPLADS (Rs 7.11 crore) was not kept in the savings bank account of the nationalised bank, as required under the scheme.

The Government/ Board stated (August 2001) that 50 *per cent* of the fund was received during 2000-2001 under MPLAD at the fag end of the financial year (January to March 2001) and hence finalisation of the schemes *vis-à-vis* utilisation of fund could not be made. Test check of records of Bankura and Midnapore districts, however, revealed that out of the total amount of Rs 11.08 crore received upto 2000-2001, only Rs 1.63 crore was received during January – March 2001 and thus the Board had adequate fund till December 2000 to execute the works.

As analysed in Audit, poor utilisation of fund was attributable to failure to provide matching materials to the contractors by the Material Controller of the Board and failure on the part of the Divisional Engineers to identify the mouzas besides delay in issue of erection orders to the contractors.

The Government/ Board stated (August 2001) that in order to overcome the problems of non-availability of quality material, Zonal Managers had since been given power to procure material locally.

♣ Midnapore : Rs 11.80 crore, Bankura : Rs 4.35 crore and Purulia : Rs 1.41 crore

1 Zilla Parishad Power Development Programme

2 Member of Parliament's Local Area Development Scheme.

^ West Bengal Rural Development

3 Implementation of schemes

The Board prepared the scheme for a particular part of a block after conducting detailed survey of the mouzas in the area, total household and prospective number of category wise consumers. On the basis of such survey the requirement of infrastructure (line, substation etc.) and expected growth in the load was decided and the financial viability of the scheme was determined and submitted the same to REC for sanction of loans. After receipt of sanction orders, the work orders for the execution of the scheme were issued by the Deputy Chief Engineer, (RE) to the concerned divisions who, in turn, issued the erection orders to the enlisted contractors for electrification of mouzas included in the scheme.

3.1 Creation of feeding sources

Erection of 33/11 KV sub-stations was a pre-requisite for electrification of mouzas as feeding sources for newly electrified areas. Test check of records relating to construction of 33/11 KV substation including line etc. revealed the following.

There was a cost overrun of Rs 3.80 crore in erection of five 33/11 KV Sub-stations

(a) The work order for 33/11 KV sub-station at Raipur, Bankura was issued in May 1987at an estimated cost of Rs 34.11 lakh to be completed by June 1989. The land for the sub-station was acquired only in December 1989 and layout for the sub-station structure was finalised in May 1994. The 33 KV line from 33/11 KV sub-station at Simlapal to the proposed sub-station at Raipur had a crossing over Kangsabati river. Actions for construction of the river crossing was initiated in January 1994 and only the designs for towers, foundations etc. were finalised by October 1994. Though the order for construction of river crossing was placed in May 1995, the contractor backed out and order was cancelled in July 1996. The crossing was completed in January 1997 by a new contractor and the sub-station was commissioned in April 1997 at a cost of Rs 1.35 crore. Thus, due to delay in taking decisions at different stages, there was a cost overrun of Rs 1.01 crore and time overrun of more than seven years. The Government/ Board accepted (August 2001) the audit observation.

(b) Work order for erection of 33/11 KV sub–station at Indpur, in the district of Bankura (estimated cost Rs 1.78 crore) was issued in August 1991. The work was to be completed by July 1993. The Board, however, delayed identification of site for the sub-station. The site was acquired only in July 1997 and a fresh work order was issued in November 1997 at an estimated cost of Rs 2.79 crore. The sub–station was commissioned in March 2000 with only one transformer instead of two and connected to a temporary feeding source due to delay in construction of river and the railway crossings. Thus, inordinate delay in identifying the suitable site resulted in time-over-run of more than six years alongwith cost escalation of Rs 1.01 crore.

(c) Revised estimate for construction of 33/11 KV sub–station at Neturia, Purulia was for Rs 1.22 crore in July 1996 against the original estimate of

Rs 20.33 lakh (May 1987). The work was completed in September 1999 at a cost of Rs 1.32 crore against the scheduled date of completion by May 1989. This led to cost overrun of Rs 1.12 crore and time overrun of 10 years. In the absence of records, reasons for time and cost over-run could not be analysed in audit. The Government/ Board (August 2001) accepted the point.

(d) The Board received (March 1988) Rs 39.85 lakh as loan from REC for execution of a 33/11 KV sub-station at Goaltore, Midnapore at a cost of Rs 97.97 lakh. The work order for the same was, however, issued only in March 1990 to be completed by January 1992. The land for the sub-station was requisitioned in November 1990. After protracted correspondences with the Land Acquisition Authorities, 1.92 acres of land was taken over in November 1997 and at the same time, actions for construction of the sub-station was initiated. The order for drawal of a 33 KV line from 132/33 KV sub-station at Chandrakona Road to the proposed sub-station was placed in November 1996. The work was, however, hampered due to delay in obtaining permission for railway crossing, re-alignment of the line and shifting of poles from encroached forest land. Meanwhile, the validity of RE scheme expired in March 1992 and a revised work order (estimated cost Rs 2.55 crore) was issued in December 1998 envisaging financing from WBIDFC loan. The entire loan amount was received between March 1998 and February 2001. The sub-station was commissioned in March 2001 after a delay of nine years. Audit was not furnished the actual expenditure incurred on the scheme. Further, the Board did not refund the loan amount of Rs 39.85 lakh to REC but diverted the same for meeting its working capital requirement. The Government/ Board (August 2001) accepted the audit observation.

(e) The installation of 33/11 KV sub-station at Indus, Bankura was included in the REC scheme sanctioned in March 1987 at an estimated cost of Rs 31.28 lakh. Though the work order was issued in June 1987 to be completed by June 1989, the land for the sub-station was requisitioned in January 1991 and acquired only in 1991-92 for reasons not on record. The execution of the work was started in May 1992 but the same remained suspended for (17 months) from September 1994 to January 1996 for want of rail poles, line materials and litigation over the sub-station land. After clearing all the deadlocks, the work was completed in June 1996 at a cost of Rs 96.43 lakh resulting in cost overrun of Rs 65.15 lakh and time overrun of seven years. The Government/ Board accepted (August 2001) the audit observation.

Thus, inordinate delay in completing the above works ranging from 7 to 10 years resulted in cost overrun of Rs 3.80 crore.

3.2 Electrification of Mouzas

As per the terms and conditions of REC loans, schemes were to be completed in all respect within 2 to 5 years. Audit scrutiny revealed that 5711, 2501 and 1608 mouzas were electrified in Midnapore, Bankura and Purulia against the target of 10468, 3540 and 2452 mouzas respectively as on 31 March 2001.

Test check of 62 closed schemes revealed that the Board received (March 1987 - November 1997) Rs 32.79 crore for electrification of 4474 Mouzas in

3 districts. In case of 20 schemes, though the expenditure of Rs 9.33 crore exceeded the loan fund of Rs 8.34 crore received, the achievement was only 639 mouzas against the target of 1055 mouzas, while in 42 schemes the Board received loan of Rs 24.45 crore and incurred expenditure of Rs 15.16 crore in electrifying only 1462 mouzas against the target of 3419 mouzas. The balance amount of loan of Rs 9.29 crore was diverted for other purposes. Audit scrutiny revealed that delay in execution of works led to expiry of scheme period and premature closure of scheme. As a result 2373 mouzas remained unelectrified in spite of receiving funds for the work.. As analysed in audit, delays were attributable to (i) improper survey of route length. (ii) inordinate delay in issuing work orders by the RE Wing of the Board (iii) inordinate delay in issuing erection orders by the executing divisions (iv) shortage of matching materials etc. Thus, the Board failed to take steps for speedy implementation of the schemes.

3.3 Energisation of pump sets

On receipt of the decision of the State Government (December 1997) for making fund available as loan from WBIDFC, target for energisation of 855 and 276 pump sets in the district in Midnapore and Bankura at an estimated cost of Rs 2.65 crore and Rs 85.03 lakh respectively was fixed in March 1998. The works were to be completed by December 1998, which were, however, extended from time to time up to December 2000. Against this target, actual number of pump sets energised was 508 and 155 in Midnapore and Bankura after incurring an expenditure of Rs 2.27 crore and Rs 60.25 lakh respectively till March 2001. The reasons for delay in energisation were attributable to non-availability of matching materials and lack of interest of prospective consumers. The Board, however, did not take any step to boost the customers interest. Consequently, the Board was deprived of potential revenue of Rs 15.37 lakh *per annum* against 468 unenergised pump sets.

Scrutiny in audit revealed that the pump sets taken up for energisation in Bankura through WBIDFC scheme included 60 cases where connections were scheduled to be effected under a REC scheme[∞] by November 1992 which was extended up to November 1994. The Board, however, failed to provide service connection though connection charges at the rate of Rs 1050/ 4050 per connection was realised during November 1990 to August 1992. Meanwhile, the said REC scheme (SPA) was closed in June 1995. Ultimately, these pump sets were energised only in March 2001 after availing loan from WBIDFC. Due to such inordinate delay for more than eight years, the Board sustained loss of potential revenue of Rs 15.76 lakh.

3.4 Lokdeep-Kuthirjyoti Scheme

The State Government introduced (1985-86) the 'Lokdeep' scheme for providing two light points of 60 watts each to the people below poverty line and belonging to SC, ST and weaker section of the society. Subsequently, 'Kuthirjyoti' was introduced by GOI in 1988-89. The Board was to realise a flat rate of Rs 5 per beneficiary up to June 1997 and Rs 6 thereafter as energy

[∞] Special purpose Agriculture (SPA)

charge per month. While the bills for consumption were to be raised by the respective Group Electric Supply (GES) offices of the Board, responsibility of realisations of bills was vested with the Panchayat.

Scrutiny in audit revealed that against the targeted beneficiaries of 4553, 8000 and 1744 in Midnapore, Bankura and Purulia for the period 1996-97 to 2000-2001, the actual number of covered beneficiaries was only 2360, 2355 and 06 respectively, even after utilisation of entire fund of Rs 42.62 lakh received from the GOI as grant. The Government/ Board stated (August 2001) that delay in identification of beneficiaries by Zilla Parishads was the main reason for shortfall in achieving target.

The Board did not prefer bills for Rs 1.18 crore to the consumers

Further scrutiny revealed that officer incharge[5] of GES failed to raise any bill except in Bankura district (for the year 2000-2001). As a result, the Board failed to realise revenue of Rs 1.18 crore.

The Government/ Board stated (August 2001) that the efforts were under-way for realisation of dues through respective panchayat.

4 Operation and maintenance of RE installations

(a) The construction wing of the Board was to hand over the electrified mouzas to the operation and maintenance wing for their operation. But both the wings did not maintain any record regarding handing over and taking over. The Government/ Board stated (August 2001) that with the increase in volume of mouzas electrification, the system of preparation of handing-over and taking-over booklet was stopped. Thus, the actual number of operated mouzas in the State was not known to the Board.

The Board failed to operate 524 mouzas as the installations were either stolen or not erected fully leading to further investment of Rs 26.20 crore

(b) Details available in 11 GES offices[®] of Midnapore and Bankura districts revealed that out of 1519 mouzas declared electrified, only 995 mouzas were being supplied with power by these GES offices. In the balance 524 mouzas either the networks were stolen or the mouzas were declared electrified without completing the works. Recently these works were being executed at an estimated cost of Rs 26.20 crore. The Board did not keep the records to show the number of mouzas revitalised against these 524 mouzas. As a result, the extent of revitalisation done so far alongwith the expenditure incurred thereon could not be ascertained in audit. In reply, the Government/ Board stated (August 2001), that revitalisation of mouzas was a continuous process and as such the number of mouzas revitalized, where the installations were stolen, were not identifiable. The reply is indicative of the fact that the Board was entirely unaware about the progress of revitalisation works even after expenditure of considerable amount.

[5] Asstt. Enginner (Electrical)/ Sr. Station Superintendent/ Station Superintendent

[®] Onda, Sarenga, Joypur, Simlapal in Bankura and Gorbeta, Binpur, Jhargram, Chandrakona Road, Amlagora, Barua and Manickpara in Midnapur

In the operated 995 mouzas there were only 51000 number of domestic connections whereas in the said mouzas the total number of residential household were 259000. The facility of supply of power was availed by only 19.7 percent of the total households. The Board did not take any action to cover more consumers. Further, there were 5000 intending consumers who were awaiting service connections from the Board for more than one year.

(c) Though there was low growth of consumers, the Divisional Engineers delayed in releasing service connections in these three districts. A test check revealed that in case of 130 low and medium voltage industrial consumers, the delay ranged from 8 to 160 months. The SE stated that the delays were due to non-availability of meters, failure to install transformers of required capacity and also to arrange additional poles, etc. The reply is not tenable because the Board had realised the cost of meters from the consumers and the same could have been procured out of such fund. Further, augmentation works could have been planned properly in order to accommodate these consumers in the related sub-stations. The Government/ Board stated (August 2001) that efforts had been made to avoid such delay in releasing service connections.

The Board suffered loss of Rs 0.60 crore due to repeated failure of over-loaded transformers

(d) A test check of records i.e. transformer-wise load pattern vis-à-vis capacity of the transformers as per transformers register in respect of Midnapore, Bankura and Purulia districts revealed that in 58 cases due to over-loading, the transformers got damaged on 194 occasions leading to extra expenditure of Rs 60.27 lakh towards replacement cost. In another 466 cases, transformer load was only 598 KVA i.e., 4.85 percent of installed capacity of 12338 KVA, resulting in idle investment of Rs 99.25 lakh towards installation of transformers of higher capacity. Thus, the Board did not properly assess the actual capacity required in the electrified areas before installation of transformers with 10 – 100 KVA capacity resulting in under utilisation / over loading of the capacity of transformers.

The Government/ Board stated (August 2001) that the growth and demand of load did not match with the capacity of transformer installed on some possible load. Hence there arose over/ under utilisation. However, the fact remains that such over/ under utilisation could have been avoided by augmenting the transformer capacity and encouraging prospective consumers to take connections.

5 Non-return of materials

For implementing the rural electrification works in Midnapore, Bankura and Purulia districts store materials were issued by the divisions to the contractors without assessing the actual requirement. As a result store materials, valued at Rs 1.22 crore, were lying with different contractors till date. In most cases the respective contractors left the site without handing over the materials. In some cases, whereabouts of the contractors were not traceable. Hence the chance of recovery of materials from the contractors was remote, resulting in loss of Rs 1.22 crore to the Board. No responsibility was fixed.

The Government/ Board stated (August 2001) that attempts were under-way to realise the cost of materials lying with the defaulting contractors.

4B.1.2 Extra expenditure

Failure to invite open tenders for assessing the market rate before extending the contract for evacuation and disposal of dry/ moist fly ash at Bandel Thermal Power Station resulted in extra expenditure of Rs 0.53 crore

General Manager (GM) of Bandel Thermal Power Station (BTPS), after inviting limited tenders (May 1996), placed (July 1997) an order on Das & Brothers (D & B), Hooghly for evacuation and disposal of 135000 cubic metres (cum) dry/ moist fly ash beyond 5 kilometre radius of BTPS at the rate of Rs 37.56 per cum. The contractual period of the job was for one year from the date of commencement of work (09 September 1997).

Extention of contract without assessing market rate led to extra expenditure of Rs 0.53 crore

Scrutiny in audit revealed (July 2000) that before completion of the contractual period, the GM with the approval (February 1998) of the Board extended (April 1998) the existing contract for a period of one year at a reduced rate of Rs 35.68 per cum. The same was again extended (August 1999) by the GM for a further period of six months with effect from 10 September 1999 at a further reduced rate of Rs 34.61 per cum without obtaining the approval of the Board and assessing the market rate.

In February 2000, it was decided in the meeting taken by the Member (F&A) to float fresh tenders and also to extend the existing contract for a period of six months from 10 March 2000 or till the placement of the fresh contract whichever was earlier, at the rate of Rs 34.25 per cum.

Accordingly, fresh open tenders were invited (March 2000) against which seven offers (including D&B) were received. The lowest offer quoted was Rs 10.90 per cum, while D&B, the second lowest tenderer, offered a rate of Rs 15 per cum. The GM placed the order on the lowest tenderer, Hooghly Chinsurah Adarsha Cooperative Labour Contract & Construction Society Limited (HCACLCCS), Hooghly for evacuation/ disposal of 135000 cum of dry/ moist fly ash, after closing the existing contract with effect from 10 June 2000.

Thus, extension of the contract without assessing the market price by resorting to open tenders led to an extra expenditure of Rs 53.42 lakh (with reference to the lowest rate of Rs 10.90 per cum obtained in the open tender) towards evacuation/ disposal of 2.15 lakh cum of ash by D&B during the extended period from 9 September 1998 to 10 June 2000.

The Government/ Board stated (May 2001) that as the normal tendering procedure would take quite a long time and the job involved was of extreme emergency it was found reasonable to extend the validity of the existing order with rebates. The contention is not acceptable as the Board did not initiate any action for tendering before completion of the scheduled date of completion (September 1998), instead went on extending the existing contract. Further, subsequent tendering (March 2000) took only three months for placing order on HCACLCCS in June 2000.

4B.1.3 Extra expenditure

Belated payment of way leave compensation by the Board led to delay in completion of a project and extra expenditure of Rs 0.32 crore

Payment of way leave was delayed resulting in extra expenditure of Rs 0.32 crore

West Bengal State Electricity Board (Board) placed two orders in February 1996 on Sun Steel Industries (Private) Limited, Kolkata (SSIPL) for fabrication and supply of 1221 Metric Tonnes (MT) of tower accessories and for survey and erection of Arambag – Midnapore 220 KV D/C transmission line with 228 towers at an agreed value of Rs 2.94 crore and Rs 2.25 crore respectively. The terms of the contracts, *inter-alia*, provided for completion of supply by 15 June 1997 and erection by 30 June 1997. In case of delay, liquidated damages up to 5 *per cent* of the contract value were to be levied.

Scrutiny in audit revealed (June 2000) that the work was not completed in time by SSIPL due to delays by the Board in handing over the approved bill of materials, identifying the tower spotting profile and issue of drawings. These delays were mainly attributable to belated payment of compensation for way leave.

SSIPL supplied 728.134 MT of materials (against contracted 1221 MT) and completed 50 towers (against 228 targetted) within scheduled time in June 1997. The work was finally completed in July 1998 after a delay of 13 months at a total cost of Rs 6.05 crore as against the contractual cost of Rs 5.19 crore. Considering its own culpability for the delay, the Board granted in May 2000 both price escalation and extension of time for the orders up to 13 June 1998 and 11 August 1998 respectively.

It was observed in audit that out of price escalation of Rs 86.78 lakh, Rs 32.20 lakh was attributable to delays on the part of the Board.

The Government/ Board stated (April 2001) that due to non-availability of way-leave there was delay in undertaking the detailed survey needed to finalise drawings and prepare tower spotting profile. The reply was not tenable as the Board should have paid compensation in time to ensure 'way leave' before placement of order for procurement of material.

Thus, belated payment of way-leave compensation led the Board to incur extra expenditure of Rs 32.20 lakh.

4B.2 CALCUTTA STATE TRANSPORT CORPORATION

4B.2.1 Poor cash management

Calcutta State Transport Corporation sustained a loss of Rs 0.32 crore due to avoidable payment of interest

Calcutta State Transport Corporation (Corporation) had been operating current accounts with United Bank of India and State Bank of India. It had also maintained fixed deposits with seven banks*. However, the Corporation neither prepared periodical cash flow statements to ensure gainful deployment of funds nor specified the upper limit of balances in various current accounts maintained by depots.

Poor cash management led to avoidable payment of interest of Rs 0.32 crore

Test check of records for the three years up to March 2000 revealed that amounts ranging from Rs 3.02 crore to Rs 8.43 crore were retained in short term deposits of 15 to 181 days at interest rates of 5.5 to 12.5 *per cent per annum*. On the other hand, the Corporation was paying interest of 18 *per cent per annum* on availing the cash credit facility with the West Bengal State Co-operative Bank for repayment of loans. While the Corporation had earned interest of Rs 26.10 lakh on these deposits it had paid Rs 58.10 lakh by way of interest on the cash credit availed. It was noticed in audit that the Corporation had balance ranging from Rs 31.70 lakh to Rs 97.90 lakh during the three

* Indian Bank, Oriental Bank of Commerce, Bank of Baroda, State Bank of Travancore, Syndicate Bank, Standard Chartered Bank, Union Bank of India

years period in current account. As the Corporation had adequate liquidity by way of current account deposits, the short term deposits could have been used and cash credit reduced to that extent. Had the funds been kept in the cash credit account payment of interest of Rs 32.00 lakh would have been avoided.

The Management stated (August 2001) that idle fund was kept in short term deposit to make it available in case of requirement.

The matter was reported to the Government (February 2001); their reply had not been received so far (September 2001).

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Countersigned

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The **Comptroller and Auditor General of India**