

### **3.1 Audit of non-compliance with rules and regulations**

For sound financial administration and financial control it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authorities. This not only prevents irregularities, misappropriation and frauds, but also helps in maintaining financial discipline.

In the course of audit of State Government Departments and their functionaries, various cases of non-compliance with departmental codes and manuals, Government orders/rules as well as non-adherence to the stipulations imposed by various scheme guidelines etc. were noticed. Some major cases of deviations from norms/rules are discussed in the succeeding paragraphs. As these were arising only out of test-check of some offices, the Government should ascertain occurrence of similar cases in other departments/districts and evolve adequate mechanism to arrest these irregularities.

## **DEVELOPMENT AND PLANNING DEPARTMENT**

### **3.1.1 Member of Parliament Local Area Development Scheme (MPLADS)**

#### **3.1.1.1 Introduction**

Member of Parliament Local Area Development Scheme (MPLADS) was introduced in December 1993 enabling Members of Parliament (MPs) to recommend works for provision of certain basic facilities with emphasis on the creation of durable community assets. The scheme was fully funded by the Government of India (GoI). The annual entitlement of an MP is ₹ Two crore. Under MPLADS, Lok Sabha MPs can recommend works for their constituencies, whereas elected members of Rajya Sabha can do so in the State of their election. Nominated members, however, can recommend works anywhere in the country. The Development and Planning department is the nodal department in the State for supervision, monitoring and co-ordination of MPLADS. District Magistrate (DM) is the district nodal authority and works are executed through different State Government agencies like municipalities, corporations, zilla parisads and panchayat samitis etc.

A long paragraph on MPLAD scheme for the period 1997-2000 featured (para No. 3.8) in the Report of the Comptroller and Auditor General of India (Civil), Volume I for the year ended March 2000. Some major irregularities highlighted in the previous report were as under:

- Non-completion of works recommended by MPs.
- Execution of inadmissible works
- Non-furnishing of Utilisation Certificate (UC)
- Non-maintenance of Asset Registers
- Lack of monitoring

### **3.1.1.2 Audit Objectives**

Objectives of Audit were to assess whether:

- the works sanctioned under MPLADS were completed within the stipulated timeframe.
- Works executed were admissible.
- works undertaken by the district authorities were in accordance with the scheme guidelines and whether funds were managed effectively.
- monitoring mechanism was effective.

### **3.1.1.3 Scope and coverage of audit**

Audit was carried out by examining the records of Development and Planning department and district nodal authorities of five selected districts<sup>1</sup> (comprising 30 MPs) including Kolkata relating to transactions of MPLAD Scheme of 14<sup>th</sup> Lok Sabha and Rajya Sabha MPs for the period from 2004-05 to 2009-10. Records of 446 selected implementing agencies (IAs)<sup>2</sup> were also examined. The districts were selected by applying simple random sampling without replacement method.

### **3.1.1.4 Audit Findings**

The major Audit findings of the current Audit are enumerated below:

#### **3.1.1.4.1 Incomplete works**

As per the scheme guidelines the work taken up should be completed within a year of sanction. Since inception of the scheme, out of 68421 works recommended in the State, 64907 works valued ₹ 1450.98 crore were sanctioned, of which 7294 works (11 *per cent*) valued ₹ 143.14 crore remained incomplete as of March 2010.

In five selected districts, out of 6921 works estimated to cost ₹ 226.65 crore sanctioned between 2004-05 and 2009-10, 4590 works valued at ₹ 124.52 crore were completed. Balance 2331 works (34 *per cent*) valued ₹ 102.13 crore remained incomplete as of March 2010, which included 392 works valued at ₹ 11.50 crore taken up five years ago. Expenditure incurred on incomplete works amounted to ₹ 57.31 crore (**Appendix 3.1**).

Moreover, 520 works valued at ₹ 17.64 crore sanctioned from 1994-95 to 2003-04 in these five districts remained incomplete after incurring ₹ 11.73 crore.

The district authority did not maintain records regarding non-commencement or abandonment of sanctioned works nor did the implementing agencies (IAs) report the same to the district authorities. In the absence of any information, the abandoned works were treated by the nodal authorities as incomplete works.

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<sup>1</sup>Hooghly, Kolkata, Paschim Medinipur, Purulia and South 24 Parganas districts. Commissioner, Kolkata Municipal Corporation (KMC) was the nodal authority for MPLADS in case of Kolkata

<sup>2</sup>127 in Hooghly, 130 in Kolkata, 89 in Paschim Medinipur, 32 in Purulia and 68 in South 24 Parganas districts

The department replied (December 2010), that Kolkata Municipal Corporation and the District Magistrates must be provided with separate manpower by Ministry of Statistics and Programme Implementation, (MOSPI), Government of India for looking after MPLADS works exclusively. However, whether this proposal was taken up with MOSPI was not stated.

#### **3.1.1.4.2 Sanction of funds less than estimated cost of works**

The scheme guidelines stipulated that in case the amount recommended by the MP is less than the estimated value of work and no other sources were identified to make good the deficit, the work should not be sanctioned.

In violation of this stipulation, authorities of four test checked districts released ₹ 2.41 crore (between 2004-05 and 2008-09) for 26 such works (**Appendix 3.2**) with a total estimated cost of ₹ 11.64 crore without identifying sufficient sources of additional funds to complete the works. While additional funds of ₹ 1.41 crore had been mobilised in three cases, it was not sufficient to complete the works. Resultantly, all the 26 works remained incomplete after spending funds ranging between six to 83 *per cent* of the estimated cost. Audit observed that such works were shown as completed in the records of four district authorities, as utilisation certificates had been received for amount of the entire funds sanctioned.

In reply (December 2010) department stated that sometimes MPs recommend funds less than the estimated cost with the supposition that the residual funds would be made available from other sources. The reply is, however, to be viewed in light of the fact that it was the responsibility of the district authorities to ensure that MPLAD funds were used only to supplement other funds, where necessary. Thus, expected outcome of these 26 works remained unachieved even after utilisation of ₹ 2.41 crore of MPLADS funds.

#### **3.1.1.4.3 Execution of inadmissible works**

It was the duty of the DM to bring to notice of MPs any inadmissible works being recommended by them so that MPs could recommend alternative works. However, forty four inadmissible works valued ₹ 1.84 crore *viz.* constructions of Government buildings, renovation works and purchase of movable items, prohibited under the scheme, were sanctioned in five selected districts (**Appendix-3.3**).

In reply (December 2010) department stated that it had cautioned the district authorities from not sanctioning inadmissible works under MPLADS guidelines and the concerned MPs to be apprised forthwith, preferably within 45 days from the day of recommendation. Department also circulated (August 2010) a recent clarification regarding purchase of movable items issued by MOSPI to the District Authorities.

#### **3.1.1.4.4 Delayed sanction of recommended works**

The MPs recommended works based on estimates proposed by the communities. It was the responsibility of the DM to verify admissibility and technical feasibility of those estimates before sanctioning the works. The sanctions were to be accorded within 45 days from the date of receipt of

recommendations. In case of delay due to genuine reasons, a clarification for delay should be incorporated in the sanction letter in terms of para 3.12 of the guidelines.

In five selected districts, out of 5379 works valued ₹ 169.30 crore, for which dates of sanction were available, 2925 works valued ₹ 78.90 crore were sanctioned after 45 days but within one year, 525 works valued ₹ 14.34 crore were sanctioned within two years and 135 works valued ₹ 7.33 crore were sanctioned after 2 years of obtaining recommendations (*Appendix 3.4*).

In reply (December 2010), the department accepted that recommendations of schemes were not made available to district authority (DA) along with plan and estimates which led to loss of time in verification of land clearance and technical viability and admissibility of the schemes and in many cases time limit of 45 days could not be maintained by the DA. Further, absence of separate complement of technical manpower for MPLAD scheme compounded the problem.

#### 3.1.1.4.5 Works executed through user institutions

As per guidelines, concerned Panchayati Raj Institutions (PRIs) would preferably be identified by nodal districts as Implementing Agencies in rural areas. However, in five selected districts, out of 6921 works sanctioned during 2004-10, 1450 works (21 per cent) worth ₹ 50.03 crore were executed directly through user institutions. Of the said works, UCs of only 881 works valued ₹ 25.78 crore were obtained till July 2010. The district-wise break-up is shown below:

Table No.3.1 Works executed by beneficiary institutions

District	Works executed by beneficiary institutions		UC obtained	
	No of works	Amount (₹ in Crore)	No of works	Amount (₹ in Crore)
KMC	342	12.38	77	2.55
South 24 Parganas	284	8.02	253	6.97
Hooghly	475	13.84	295	8.76
Paschim Medinipur	206	10.40	130	2.90
Purulia	143	5.39	126	4.60
<b>Total</b>	<b>1450</b>	<b>50.03</b>	<b>881</b>	<b>25.78</b>

(Source: Data base of district authorities)

Audit observed that such a practice was prone to serious risks. In the test checked districts, the execution of works were neither monitored by district authorities nor any physical verification of works carried out. Thus the nodal districts did not ensure whether expenditure of which UCs have been received has actually been incurred for creation of community assets of durable nature. Scrutiny of records in five selected districts where MPLADS works were implemented directly by user institutions revealed the following:

- Procedures relating to preparation of bid document, tendering, etc, were not followed for civil works. Generally labour was engaged

locally and materials were procured from local market against spot quotations.

- In South 24 Parganas district:
  - One college procured one diesel generator set, an inadmissible item at a cost of ₹ 3.54 lakh against funds of ₹ three lakh sanctioned for development purposes.
  - One school spent ₹ 8.50lakh against sanctioned funds of ₹ 10 lakh for fixing of false ceiling and wall lining of the Auditorium and submitted the utilisation certificate (UC) for the full amount of ₹ 10 lakh in December 2008 despite the fact that the balance amount of ₹ 1.50 lakh remained unutilised with the school.
  - DM, South 24 Parganas released ₹ 5.09 lakh in May 2008 to the Village Education Committee for construction of classroom of Rajapur Free Primary School at Taldi-I under Canning-I block. During Physical inspection (9 July 2009) of the work by Audit, the constructed class room was not found, however, UC for the entire amount of ₹ 5.09 lakh was received by the DM. The misappropriation had been confirmed after investigation by Block authority and FIR was lodged by district authority. The Superintendent of Police, South 24 Parganas reported (November 2010) that the person was absconding.

#### **3.1.1.4.6 Maintenance of bank account for scheme funds**

According to scheme guidelines, district authorities and IAs should deposit scheme funds in Nationalised Banks and separate accounts should be opened for each MP for the purpose. Interest accrued on these accounts was to be used for permissible works recommended by the MP concerned. District authorities of test checked districts maintained separate bank accounts for each MP but, IAs of test checked districts maintained a single savings bank account for transactions of MPLADS funds. As a result, the interest accrued against each work was not ascertainable. IAs did not refund the interest to the district authorities and thus it could not be gainfully utilised.

#### **3.1.1.4.7 Unspent balances of former Rajya Sabha MPs**

Guidelines stipulate that balance funds, not committed for works left by the predecessor Rajya Sabha MP in a particular State should be equally distributed by the State Government among the successor elected Rajya Sabha MPs in that State. Unspent balances aggregating ₹ 7.84 crore of former Rajya Sabha MPs were not returned to nodal department for distribution among successor Rajya Sabha MPs and the entire amount remained parked with the nodal district authorities. Thus, the present MPs could not recommend works to that extent, depriving the constituencies.

In reply (December 2010), department stated that while it had distributed the unspent balance of nine Ex-MPs, necessary action is being taken to distribute expeditiously the unspent balance of remaining Ex-MPs.

### **3.1.1.5 Monitoring**

A Monitoring Committee mandated to review the progress of implementation of work with district authorities and MPs at least once a year was not formed as of March 2010. The department stated (May 2009) that the monitoring committee had not been constituted due to limitations on the number of committees in the State.

In contravention to the scheme guidelines, system of inspection of works by officers of nodal departments was not put in place. The department stated (May 2009) that such provision was not complied with due to acute shortage of officers in the rank of Deputy Secretary. Thus, the nodal department was not in a position to follow guidelines on monitoring. Further, guidelines stipulated that the district authorities shall inspect at least 10 *per cent* of the works under implementation every year. While four test checked district authorities could not furnish any record in support of inspections conducted, DM, South 24 Parganas inspected 59 works during August to December 2007 against 982 works sanctioned during 2004-09. DMs, Hooghly and South 24 Parganas stated (June/July 2009) that monitoring of such a large number of works and maintenance of records of inspections were not possible due to shortage of staff on MPLADS works.

Thus, due to inadequate monitoring, instances of irregularities in execution of works were noticed, which included non-existence of assets stated to have been created indicating misappropriation of funds despite UCs having been furnished.

In reply (December 2010), the department stated that the Chief Secretary, Government of West Bengal conducts annual meeting to review the progress of MPLADS. The Additional Chief Secretary, Government of West Bengal conducts video Conference annually with the District and Divisional heads. During November 2010, department held one meeting with District Planning Officers and another with representatives of Hon'ble MPs. In the reply department also expressed the inability of District Authorities to conduct annual inspection of at least 10 *per cent* of MPLADS work as they have no separate set up for the same. However, in April 2010 department issued instructions to District Authorities to make regular field visits.

### **3.1.1.6 Conclusion**

Though MPLADS works were required to be completed within a year of sanction, works were found incomplete ever after five years from the year of recommendation. Works remained incomplete as sanctioned amounts were less than estimated cost. Substantial amounts of scheme funds were spent on inadmissible works. On a number of occasions, works were executed through beneficiary institutions leading to misappropriation of funds without creation of asset. Instances of execution of works without following tendering procedures and expenditure on inadmissible items were also noticed.

IAs did not maintain separate bank accounts for each MP violating the scheme guidelines. Interests earned on scheme funds were not refunded.

Unspent balances of former Rajya Sabha MPs had not been distributed amongst the successor Rajya Sabha MPs.

Oversight by the nodal department was inadequate as the monitoring committee required to be constituted under scheme guidelines was not formed. District authorities, in turn, did not conduct stipulated inspection.

### 3.1.1.7 Recommendations

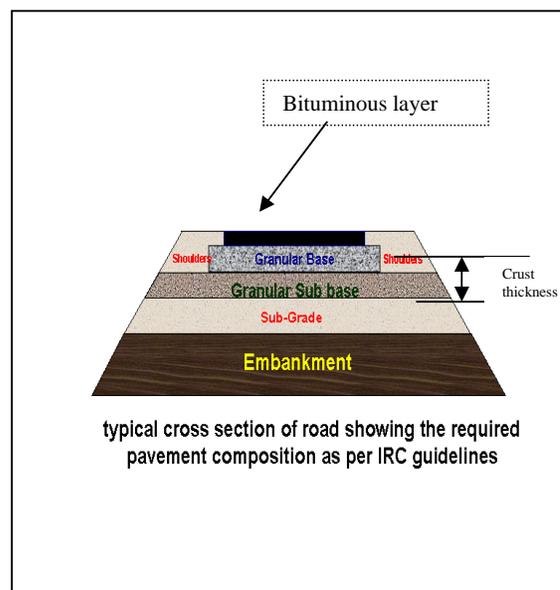
- *District authorities should strictly adhere to the provisions of the scheme guidelines while sanctioning scheme funds for works recommended under the MPLADS.*
- *The district authorities should select Panchayati Raj Institutions (PRIs), Urban Local Bodies (ULBs) and Government Departments or agencies only as IAs for execution of works.*
- *The State Government should constitute review committee as required under scheme guidelines and ensure supervision of works by the nodal department and authority in order to optimise the benefits of the scheme.*

## HOUSING AND PUBLIC WORKS DEPARTMENT

### 3.1.2 Wasteful and avoidable expenditure

**Failure to adhere to technical norms in road construction resulted in wasteful expenditure of ₹ 2.24 crore and avoidable expenditure of ₹ 2.94 crore**

Guidelines for the design of flexible pavements of the Indian Road Congress



stipulate that the crust thickness of a road should be designed on the basis of CBR<sup>3</sup> value of the sub-grade and projected traffic volume during the design life of the road. The required crust thickness of non-bituminous and bituminous surfacing has also been specified in the IRC guidelines, as deviation from the norms may affect stability and the life span of the road.

Records of two divisions of Housing department and ten divisions of Public Works department responsible for

<sup>3</sup> California Bearing Ratio is a unit to measure the strength and plasticity of the sub-grade/soil

execution of road works were examined between March 2010 and May 2010 to see whether these design norms were adhered to. The results of audit are enumerated below:

**3.1.2.1 Extra expenditure of ₹1.27 crore and avoidable expenditure of ₹0.53 crore on construction and repairs of road**

Superintending Engineer, New Town Construction Circle (SE, NTCC) of Housing department awarded (June 2005) the work of construction of East-West Corridor (0.00 Km to 6.13 Km) in New Town to an agency for ₹16.60 crore. The work was scheduled to be completed by December 2005. The proposed crust thickness included laying of 300 mm granular sub-base, 250 mm granular base with Wet Mix Macadam and bituminous wearing course<sup>4</sup> of 20 mm thick Premix Carpet (PC) with 6 mm thick seal coat on the top. The sanctioned estimate (September 2004) indicated that strengthening of the pavement with 113 mm of bituminous layers would be taken up later. The work was delayed as the department failed to hand over layout of road alignment in some stretches to the agency. The construction of the road upto 4.95 km was completed by June 2008 at a cost of ₹ 13.95 crore including expenditure of ₹ 1.27 crore on wearing courses. Finally, SE, NTCC rescinded the contract (December 2008) accepting the agency's plea of cost escalation.

Considering the CBR value and design traffic of the road the required crust thickness as per IRC specifications was 660 mm with 110 mm of bituminous layers. As evident from above, the strengthening with bituminous layers as per IRC specifications was not done. Consequently the road was completely damaged by October 2009 as the existing bituminous layers could not sustain the load of traffic and gave way. As a result, the department had to repair the underlying layers of Wet Mix Macadam at a cost of ₹0.53 crore prior to taking up the strengthening work on the completed portion of the road. Further, the department awarded (October 2009) the balance work of the road (4.95 Km to 6.00 Km) and strengthening of the completed section of the road with bituminous layers at a cost of ₹ 23.01 crore. The work due to be completed by April 2010 was in progress, as of December 2010.

Thus, the department's failure to adhere to IRC specifications in respect of crust thickness resulted in wasteful expenditure of ₹ 1.27 crore on wearing course and avoidable expenditure of ₹ 0.53 crore on repairs.

**3.1.2.2 Avoidable expenditure of ₹2.41 crore due to insufficient provision of crust thickness**

Superintending Engineer, Southern Circle, PWD awarded (April 2005) the work of Improvement and Strengthening of Budge Budge Trunk (BBT) Road from 8 km to 21 km under Central Road Fund (CRF) to an agency at a cost of ₹ 14.35 crore for completion by June 2006. The work was completed in February 2007 after incurring an expenditure of ₹ 14.25 crore. The work consisted of widening the carriage width of the road from 5.5m to 7m and strengthening the existing road surface with a designed life of five years.

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<sup>4</sup> Topmost Bituminous layer of the road which protects the underlying bituminous layers

Scrutiny of records revealed (April 2010)) that the crust composition of the pavement after execution of the work was 675 mm (400 mm sub-base/base and 275 mm of bituminous layers) in the original width of 4.5m of the road surface and 685 mm (460 mm of sub-base/base and 225 mm of bituminous layers) over the widened portion of the road surface. IRC guidelines provide for 750 mm (580 mm of sub-base/base and 170 mm of bituminous layers) of crust thickness considering the CBR value and design traffic. The designed life of the road was five years. Scrutiny revealed that the stretch of the road where improvement work had been undertaken at a cost of ₹ 14.25 crore was totally damaged within two years. Consequently, the department had to incur (December 2008 to March 2010) ₹ 2.41 crore on patch repairs.

The concerned Executive Engineer admitted (April 2010) that the crust thickness of the road needed to be increased. Thus, due to non adherence to IRC specification, the department had to incur avoidable expenditure of ₹ 2.41 crore.

### **3.1.2.3 Wasteful Expenditure of ₹0.97 crore due to non-adherence to IRC specifications**

Superintending Engineer, Western Circle-I (SE/WC-I) awarded (November 2006) the strengthening work of Wilcox Road (5.4 km) to an agency at a cost of ₹ 0.94 crore for completion by March 2007. The work *inter alia* included Bituminous Macadam as profile corrective course and 20 mm thick Mix Seal Surfacing (MSS) as wearing course. The work was completed in August 2007 at a cost of ₹ 0.97 crore.

The department did not conduct any traffic survey to assess the expected traffic of the road which along with the CBR value determined the crust thickness. The strengthening work failed to cater to the heavy traffic and the road was damaged (by January 2008) after execution. The agency responsible for the work refused to rectify the defects during the contractual maintenance period of three years attributing the damage to failure of the sub-grade. As a result the division had to expend (during 2007-08 and 2008-09) ₹ 26.63 lakh on repair and maintenance through other agencies. To assess the reasons for frequent failure of the road the division conducted (March 2009) soil investigation through quality control division of Public Works (Roads) department. The results revealed very low CBR value (three *per cent*). Accordingly, an estimate of ₹ six crore was prepared for strengthening the road to provide the required crust thickness of 825 mm. The same was yet to be approved as of January 2011.

Audit observed that the existing crust thickness was not sufficient (400 mm) to bear the traffic load considering the condition of sub-grade. Thus, the department in disregard of the IRC specification executed the strengthening work without traffic survey and insufficient provision of crust thickness which resulted in wasteful expenditure of ₹ 0.97 crore.

The matter was reported to the Government in June 2010; reply had not been received till February 2011.

## COMMERCE AND INDUSTRIES DEPARTMENT

### 3.1.3 Unauthorised retention of subsidy by a Government company

#### **West Bengal Industrial Development Corporation Limited unauthorisedly retained ₹ 10.63 crore towards processing fees from subsidy released by the State Government for disbursement to power intensive industries of the State**

In order to attract entrepreneurs to establish industries in the State, State Government introduced 'West Bengal Incentive to Power Intensive Industries Scheme 2005' in May 2005. The scheme, effective from April 2004, was valid up to March 2009 and provided for payment of incentives to new and expanding industries<sup>5</sup>. West Bengal Industrial Development Corporation Limited (Company) was the authorised agent for operation of the scheme. The incentive was payable quarterly by way of re-imburement of part of net energy charges<sup>6</sup> paid by the industries.

The units were to periodically claim the incentive after obtaining admissibility certificates from the designated power utilities<sup>7</sup>. On receipt of the same, the Company disbursed the incentive from the funds placed with it by the State Government.

There was no provision for payment of any fee to the company for operation of the scheme. Audit observed that the Company unauthorisedly deducted and retained ₹ 10.63 crore towards processing fees while releasing incentives<sup>8</sup> to 154 companies (December 2005 to March 2009) despite reservations of the beneficiaries.

The Company replied (September 2008) that it had charged processing fees to meet its administrative costs. The Company requested (March 2007) the Government to bear the processing fee of five *per cent*. The Government had yet to respond to the proposal (January 2011).

The Management stated (June 2009) that the State Government had neither approved nor rejected the Company's proposal for collection of processing fees. In case of rejection, the company would refund the fees so collected. The reply is not acceptable, as the fact remains that the Company has unauthorisedly retained ₹ 10.63 crore (as of January 2011) from the subsidy without specific approval of Government, depriving the beneficiary industries of full benefits of the incentive. The department has also failed to resolve the issue after a lapse of more than 21 months since the closure of the scheme.

The matter was referred to Government in September 2010; reply had not been received (February 2011).

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<sup>5</sup> Those drawing power through high tension and extra high tension connection having actual monthly maximum demand of 1500 KVA and above.

<sup>6</sup> Energy charges computed after allowing rebate on energy charges as approved by the West Bengal Electricity Regularity Commission

<sup>7</sup> West Bengal State Electricity Board (now West Bengal State Electricity Distribution Company Limited) or the Durgapur Projects Limited

<sup>8</sup> Company disbursed incentive amounting to ₹ 437.78 crore to 154 units

## HEALTH AND FAMILY WELFARE DEPARTMENT

### 3.1.4 Extra expenditure due to purchase of medicines at higher rates

**The Superintendent, Sub Divisional Hospital, Islampur procured medicines from non-approved firms at higher rates in violation of the guidelines of Director of Health Services incurring an extra expenditure of ₹ 1.21 crore. Expenditure on purchase of medicines exceeded the allotment persistently, highlighting absence of any control by the Directorate of Health Services.**

With a view to restrict purchase of drugs / equipment within the limit of allotted funds, Director of Health Services (DHS) issued (February 2003) guidelines for strengthening the system of purchase of medicines effective from April 2003. The guidelines *inter alia* stipulated that purchases should be made only from firms approved by Central Medical Store (CMS) under DHS and expenditure on this account should not exceed the allotment. These instructions reiterated by the DHS in April 2007, also prohibited purchase of medicines at rates higher than those approved by the CMS. Superintendents of hospitals were responsible for obtaining the lists of approved firms and rates from CMS.

Scrutiny (December 2009) of the records of the Superintendent, Sub Divisional Hospital, Islampur, revealed that in violation of the said orders, medicines were procured in excess of the budgeted expenditure during 2004-05 to 2006-07 and also in 2008-09 at an average of 495 *per cent* each year. An expenditure of ₹ 3.54 crore was incurred on procurement of medicines for the years 2004-09 against allotment of ₹ 0.67 crore only, leading to an excess expenditure of ₹ 2.87 crore as indicated in the table below.

**Table No.3.2 Year-wise allotment over expenditure**

Year	Allotment	Expenditure	Excess expenditure	Percentage of excess
2004-05	₹ 14 lakh	₹ 87.29 lakh	₹ 73.29 lakh	524 <i>per cent</i>
2005-06	₹ 11 lakh	₹ 95.87 lakh	₹ 84.87 lakh	772 <i>per cent</i>
2006-07	₹ 10 lakh	₹ 64.09 lakh	₹ 54.09 lakh	541 <i>per cent</i>
2007-08	₹ 21 lakh	₹ 30.54 lakh	₹ 9.54 lakh	45 <i>per cent</i>
2008-09	₹ 11 lakh	₹ 76.50 lakh	₹ 65.50 lakh	595 <i>per cent</i>
<b>Total</b>	<b>₹ 67 lakh</b>	<b>₹ 354.29 lakh</b>	<b>₹ 287.29 lakh</b>	

(Source: DDO-wise treasury accounts)

Such persistent excesses in expenditure were indicative of lack of budgetary control. The excess expenditure has not yet been regularised by the department as of July 2010 resulting in negative balances in treasury account under respective Heads of account.

Further scrutiny disclosed that during 2004-05 to 2008-09, purchases were made from firms not approved by CMS at rates higher than those approved by CMS leading to extra expenditure of ₹ 1.21 crore during this period as under:

**Table No.3.3 Year-wise purchases at higher rates**

(₹ in lakh)

Names of non-approved suppliers	Illustrative items of medicines and surgical instruments procured at rates higher than CMS rates	Excess expenditure incurred due to purchase at higher rate				
		2004-05	2005-06	2006-07	2007-08	2008-09
Dinajpur Wholesale Consumers' Co-op Society Ltd	Inj. Dextrose (5%), Inj. Ringer lactate, Inj. Decadram, Inj. Deriphylin, Tab. Norfloxacin, Inj. Ampicillin, Tab. Erythromycin, normal saline, IV Set, Jelco (adult and child), disposable syringes, etc.	34.06	15.52	21.81	-	-
M/s Aparna	Inj. Ampicillin, Inj. Diazepm, IV Dextrose (5%), IV Ringer lactate, Tissue forceps, Glucostic one touch ultra, Disp. ET Tube, Surgical gloves etc.	0.45	-	12.79	0.16	7.39
Khetwat MS Agency	Inj. Oxytocin, Inj. Mag Sulph, Cap Amoxycillin, IV Metogyl, IV Mannitol etc.	-	-	-	2.24	19.82
Deep Enterprise	Jelco (24G), Jelco (26G), IV Set, Surgical gloves, Nebuliser etc.	-	-	-	-	4.59
Nilkanta MA	Inj. Diazepam, Inj. Ampicillin, Cap Amoxycillin, IV Dextrose (5%), IV Ringer lactate etc.	-	-	-	1.74	-
<b>Total</b>	<b>Grand total</b>	<b>34.51</b>	<b>15.52</b>	<b>34.60</b>	<b>4.14</b>	<b>31.80</b>
		<b>120.57 i.e. 1.21 crore</b>				

Source: Records of Islampur SD Hospital

In the absence of monitoring by DHS, Islampur SD Hospital authorities continued this malpractice over the years.

Deputy Director of Health Services stated (May 2010) that under decentralised purchase system, the Heads of institutions were solely responsible for procurement of medicines from CMS approved firms at prescribed rates and there is no internal checking system in CMS for procurement activities by the decentralised hospitals as a routine procedure. The department also failed to exercise internal control in spite of excess expenditure over allotment being incurred by the Superintendent for five consecutive years.

Thus, there was no monitoring and control by the DHS to ensure compliance with its directives leading to persistent excess expenditure on purchase of medicines in SD Hospital, Islampur. Out of ₹ 2.87 crore incurred in excess of allotment during 2004-09, ₹ 1.21 crore pertains to procurement of medicines from non-approved firms at rates higher than those approved by CMS in clear violation of the guidelines of DHS.

The Finance (Internal Audit) department instructed the Health and Family Welfare (H&FW) department to look into the matter. The matter was referred to Government in July 2010. No reply has been received (February 2011).

## LAND & LAND REFORMS AND TECHNICAL EDUCATION & TRAINING DEPARTMENTS

### 3.1.5 *Non-fulfilment of objectives and inadmissible expenditure under RSVY*

**Implementation of a project at a cost of ₹ 29.78 lakh under RSVY scheme without providing for manpower supplement and operational expenditure led to non-fulfilment of its basic objectives, while inadmissible expenditure of ₹ 64.59 lakh was incurred in two districts out of RSVY funds in violation of stipulations.**

Rastriya Sam Vikas Yojana (RSVY) was introduced by the Government of India (GoI) in 2004-05 for three years, with the objective of reducing imbalances and speeding up development through focussed programmes for backward areas. RSVY was launched in eight districts<sup>9</sup> of West Bengal with effect from the year 2004-05. District Magistrates of the districts were to be allotted ₹ 15 crore every year for implementation of programmes aimed at filling up critical gaps in social and physical infrastructure. RSVY guidelines stipulated special attention for the sustainability of projects so that they were useful even after the scheme was over. The expenditure on staff/establishment was not to be met from RSVY funds.

Test check of records of three District Magistrates<sup>10</sup>, however, revealed cases of non-compliance to RSVY guidelines. In Uttar Dinajpur district, the objectives of a project taken up under RSVY was not fulfilled owing to deficient planning and non-provisioning for recurring expenses, while in other two districts inadmissible expenditure was incurred in violation of stipulations imposed under the scheme guidelines.

(i) With a view to imparting training<sup>11</sup> among unskilled automobile mechanics in the unorganised sector to sustain their livelihood, DM, Uttar Dinajpur approved (April 2007) a project titled “Auto Feel” under RSVY (2005-06). The project envisaged setting up a motor vehicle maintenance plant under the management, supervision and monitoring of Raiganj Polytechnic<sup>12</sup> at an estimated cost of ₹ 32.03 lakh. The installation of the plant was completed in December 2007 at a cost of ₹ 29.78 lakh<sup>13</sup>.

Audit scrutiny (November 2009) of the records of the DM, Uttar Dinajpur along with the records of the Principal, Raiganj Polytechnic revealed that though the equipment was demonstrated to the students of the Polytechnic, training programmes for unskilled automobile mechanics as envisaged were

<sup>9</sup> Bankura, Birbhum, Dakshin Dinajpur, Jalpaiguri, Paschim Medinipur, Purulia, South 24 Parganas and Uttar Dinajpur.

<sup>10</sup> Bankura, South 24 Parganas and Uttar Dinajpur.

<sup>11</sup> On working mechanism of motor vehicle engine, safety precaution, tools and equipments in automotive workshop, etc.

<sup>12</sup> A technical college under the department of Technical education and Training, Government of West Bengal

<sup>13</sup> ₹ 22.07 lakh for equipments and machinery, ₹ 7.50 lakh for construction work and ₹ 0.30 lakh for stationeries and others

not organised since the inception of Auto Feel project. The Principal attributed (November 2009 and January 2011) the same to shortage of trainers and non-availability of funds for meeting running expenses. The Principal proposed (December 2007 and January 2008) to the DM as well as the Directorate of Technical Education and Training for sanction of ₹ 0.69 lakh for every six months as running expenses on remuneration of trainers and other staff and cost of maintenance. However, sanction was not accorded as of January 2011. In the meantime the warranty period of all the machines installed, whose estimated life was nine to 12 years, expired. Thus, lack of foresight in making provision of manpower and running expenses resulted in non-accrual of benefits to the unskilled automobile mechanics in the unorganised sector despite procurement and installation of plant and machinery in 2007.

(ii) The RSVY guidelines *inter alia* stipulated that RSVY funds should be used for projects and programmes and not for meeting establishment and staff costs.

Test check (November 2009) of the records of the DMs, Bankura and South 24 Parganas, however, revealed that in violation of the above mentioned stipulation, expenditure of ₹64.59 lakh<sup>14</sup> was incurred from RSVY funds towards administrative/ establishment costs, including cost of purchase of computers. While DM, Bankura attributed (June 2010) this expenditure to payment to contractual employees due to acute shortage of staff at the District Headquarters and block level, the DM, South 24 Parganas did not furnish any explanation.

Thus, implementation of “Auto Feel” project without provision of required manpower and funds led to the non-achievement of objective after more than two years from the date of creation of assets at a cost of ₹29.78 lakh. Moreover, two DMs incurred inadmissible expenditure of ₹64.59 lakh out of RSVY funds in violation of scheme guidelines.

The matter was referred to Government in June 2010; reply had not been received (February 2011).

## LAND AND LAND REFORMS DEPARTMENT

### **3.1.6 Loss of revenue owing to non-adherence to Government order**

#### **Non-collection of administrative cost in violation of revised land acquisition procedure led to loss of Government revenue amounting to ₹ 73.90 lakh**

Land Acquisition (LA) Collector, Burdwan initiated (May 1989) eight LA cases for acquisition of 305.05 acres of land in Hirapur, Burdwan on a

<sup>14</sup> District	Inadmissible expenditure	Purpose of expenditure
DM, Bankura	₹37.67 lakh	Payment to 22 contractual employees between January 2005 and February 2009
DM, South 24 Parganas	₹26.92 lakh	Purchase of computers and accessories for use in Irrigation divisions and DM's office between April 2008 and August 2009

proposal of Company “X”<sup>15</sup>. The company deposited ₹ 0.89 crore in 1989 as advance and the possession of the land was handed over to the Company in August 1989. The LA cases could not materialise due to pendency of Hon’ble High Court cases<sup>16</sup>. Based on the prayer of the Company (October 2005) for speedy disposal of the acquisition cases, the LA Collector estimated the cost of acquisition at ₹ 40.07 crore in February 2006 and started the land acquisition proceedings afresh.

Meanwhile, the State Government issued (June 2006) an order enumerating a revised procedure for effective and efficient disposal of LA cases. The order *inter alia* provided that administrative cost at the rate of 10 *per cent* on LA cost was to be collected from the body for which the land was being acquired in all cases of land acquisition. Accordingly, the final award of ₹ 37.38 crore<sup>17</sup>, declared between November 2006 and December 2006, included *inter alia* an administrative cost of ₹ 3.04 crore (10 *per cent* of LA cost of ₹ 30.37 crore).

However, based on a court order (June 2008) on a petition<sup>18</sup> filed in 2007 for higher valuation of land, the LA Collector enhanced the LA cost by ₹ 7.39 crore.

Audit scrutiny (November 2009) of the records of the Special Land Acquisition Officer (SLAO), Burdwan revealed that though it was mandatory to collect 10 *per cent* of the LA cost from the requiring body, the LA Collector did not claim the additional administrative cost of ₹ 73.90 lakh<sup>19</sup> on the enhanced land value of ₹ 7.39 crore. Against a total amount of ₹ 44.76 crore<sup>20</sup> claimed by the SLAO, the Company deposited ₹ 43.85 crore up to November 2009.

Thus, there was a loss of Government revenue amounting to ₹ 73.90 lakh owing to non-collection of administrative charges from the company in violation of revised land acquisition procedure.

The matter was referred to Government in June 2010; Reply had not been received (February 2011).

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<sup>15</sup> IISCO Steel Plant, Burnpur

<sup>16</sup> Being aggrieved with the award for acquisition of land, some of the affected land losers filed four writ petitions in Kolkata High Court in 1989 *inter alia* for the following.

- 1) Prohibiting the management from disturbing and interfering with peaceful possession of land.
- 2) To provide service to one member of each family of the petitioners.
- 3) Restraining the Government from implementing acquisition order passed by the LAO Burdwan.

The Hon’ble High Court, however, disposed all the writ cases by directing the LAO to proceed for acquisition in April 1999.

<sup>17</sup> LA cost: ₹ 30.37 crore **plus** administrative cost ₹ 3.04 crore **plus** capitalised value of land: ₹ 3.96 crore

<sup>18</sup> By one of the land losers

<sup>19</sup> 10 percent of ₹ 7.39 crore

<sup>20</sup> Out of total receivable amount of ₹ 45.50 crore, ₹ 44.76 crore (Enhanced LA cost: ₹ 37.76 crore **plus** administrative cost: ₹ 3.04 crore **plus** capitalised value of land: ₹ 3.96 crore) was claimed

### **3.2 Audit against propriety/ expenditure without justification**

Audit against propriety/ expenditure without justification endeavours to bring to light every matter which appears to involve improper expenditure or waste of public money or stores even though the accounts themselves may be in order and no obvious irregularity has been committed. The objective is to support a reasonably high standard of public financial morality and sound financial administration and devotion to Government's financial interests.

However, in many occasions instances came to notice where decision of the Department or functionaries was questionable from the point of view of propriety. In the succeeding paragraphs some major instances of Government expenditure becoming either unfruitful or wasteful or were tantamount to undue benefit to some outside agencies are discussed.

#### **URBAN DEVELOPMENT DEPARTMENT**

##### **3.2.1 KMDA's decision to revoke cancellation of long term lease leading to loss of ₹3.10 crore**

Kolkata Metropolitan Development Authority (KMDA) has been disposing plots of land, flats and commercial spaces created in organised townships, housing and commercial complex schemes at different locations in Kolkata and Howrah. Test check of 13 such allotment cases between 2000 and 2009 revealed the following irregularities:

KMDA leased out three plots of bulk land<sup>21</sup> for 99 years in East Kolkata Area Development Project (EKADP) to three private parties for commercial purposes. Possession was handed over to the three parties in March 2000, June and October 2002 on receipt of full lease premium of ₹ 1.72 crore without entering into any lease/license deed. The lease deeds in respect of the first two cases executed in May 2001 and October 2003 stipulated that the projects had to be completed within three years from the date of execution of lease deed. In case of non-completion of the project without sufficient justification, KMDA could take back possession of the land. In respect of the other allotment only a license deed was executed in November 2002 stipulating that the proposed project was to be completed within three years.

In all the cases the lessees/ licensee had neither started construction within the stipulated period nor requested KMDA for extension of time. As a result, all allotments were cancelled (April and July 2008). The writ petition filed in the Honorable High Court by one lessee, against the cancellation of allotment was dismissed in April 2008 on the grounds that the power exercised by the KMDA was as per terms and the conditions of the lease deed. Subsequently,

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<sup>21</sup> 18.16 cottah allotted to D.C. Industrial plant Services Ltd. for the purpose of construction of office building, 10 cottah allotted to M/s Dolly distributors for the purpose of construction of hotel cum restaurant and 12.04 cottah allotted to M/s Vishnupriya Projects Pvt. Ltd. for the purpose of carrying hotel business.

considering the representations (April 2008 and July 2008) by the lessees, KMDA revoked (July 2008 and May 2009) the cancellation of all the allotments and allowed an extension of another three years (from the date of revocation) for completion of the projects.

The cancellation orders had been issued following the laid down procedures and in accordance with the conditions of the lease agreement. Hence the revocation of the cancellation orders was not justified. The Honorable High Court also dismissed the writ petition filed by one of the allottees against the cancellation order.

In the meantime, the lease rate of land in the area has increased from ₹ 3.53 lakh (between May 2001 and October 2003) to ₹ 10 lakh (in November 2006) and ₹ 15 lakh in February 2009. Thus, KMDA could have re-allotted the plots at the enhanced rates to augment the generation of revenue. Therefore, KMDA's decisions to favour the lessees was injudicious and cost the State exchequer ₹ 3.10 crore<sup>22</sup>.

The department while accepting (September 2010) the Audit contention stated that henceforth in case of revocation of cancellation order, current land rate along with penalty for extension of time would be applicable as per decision taken in November 2009. The fact remains that Government had already been put to loss of revenue worth ₹ 3.10 crore.

## PUBLIC WORKS AND PUBLIC WORKS (ROADS) DEPARTMENTS

### 3.2.2 Loss of ₹3.65 crore due to non-realisation of license fee on hoarding

Public Works department (PWD), issued (September 2002) guidelines for installing of hoardings on the road side land of PWD by private agency/ individual/ municipality/ panchayat/ local bodies etc. and a schedule of reserve charges for display of advertisements thereon stipulated that a contract would be entered into for three years. In case of any breach of contract the department would have the power to terminate the agreement and unrealised rent, if any, would be recovered under Bengal Public Demand Recovery Act, 1913. In November 2002 the department ordered that contracts in force could not be extended on expiry. Audit of three PW divisions<sup>23</sup> in and around Kolkata where majority of the hoardings existed was conducted to examine whether:-

- the guidelines have been strictly adhered to and
- the department realised the licensee fee as per the agreements and took effective steps against unauthorised hoardings.

Audit scrutiny of the test checked divisions revealed the following:-

<sup>22</sup>  $[18.16 \text{ cottah} \times (\text{₹}10.00 \text{ lakh} - 3.53 \text{ lakh})] + [10 \text{ cottah} \times (\text{₹}15.00 \text{ lakh} - 3.53 \text{ lakh})] + [12.04 \text{ cottah} \times (\text{₹}10.00 \text{ lakh} - 3.53 \text{ lakh})] \times 1 \text{ cottah} = 0.0837 \text{ acre} / 0.0339 \text{ hectre.}$

<sup>23</sup> (1) Barasat Highway Division-I, PW@D, (2). City Division, PWD (3) Howrah Division, PWD

### **3.2.2.1 Loss of ₹1.51 crore due to non-realisation of license fee on hoarding**

The Executive Engineer (EE), Barasat Highway Division-I, Public Works (Roads) Department (PWRD) entered into a license agreement for three years (November 2001) at an annual license fee of ₹ 6.12 lakh with a private agency for display of advertisements covering an area of 520 square metres (sqm.). As per the agreement, the licensee had to beautify and maintain a theme park at the site and to bear the cost of Government advertisements in the space above the display during the period of agreement.

Audit noticed that the agency deposited (May 2002) ₹ 1.53 lakh only. As per agreement the license fee for each quarter was payable within thirty days of commencement of the following quarter. The agreement also provided for termination of the license agreement in case of any violation of the payment schedule. Audit observed that the agency did not deposit the fee and the department neither took any initiative to realise the outstanding dues of license fee from February 2002 to November 2004 nor terminated the agreement for breach of contract.

Subsequently, the annual license fee had been enhanced to ₹ 8000 per sqm per annum w.e.f. September 2002 for the Kolkata Municipal Area. In spite of default in payment, the department allowed (July 2003) the agency additional display area of 557 sqm. above the existing hoardings at the old rate. The department also offered (November 2004) renewal of contract for 520 sqm. of display space subject to payment at prevailing rate of ₹ 41.99 lakh<sup>24</sup> per annum. This was also in contravention to the Government order that agreement for advertisement on hoarding should not be renewed after expiry. But the agency filed a writ petition in the Honorable High Court at Kolkata (January 2005) challenging the proposed enhancement of annual license fee.

The Honorable High Court (May 2005) directed the Government to renew the license agreement either on the same financial terms or at a rate not more than double the existing rate. The department neither appealed against the judgment nor acted up on the directions of the Honorable High Court, but allowed the agency to use the entire 1078 sqm. area without a valid agreement and realising any dues.

The EE, Barasat Highway Division (August 2008) admitted and confirmed the facts and figures. Thus, inaction on the part of the department led to loss of ₹ 1.51 crore<sup>25</sup>.

### **3.2.2.2 Loss of ₹1.32 crore due to non realisation of license fee on hoarding**

Executive Engineer (EE) City Division, PWD entered into agreements between July 2004 and April 2007 with 10 advertisement agencies for erection

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<sup>24</sup>  $524.84 M^2(5600 sqft) \times ₹8000/annum$

<sup>25</sup>  $15^{th}$  February 2002 to  $14^{th}$  November 2004 i.e. 33 months @ ₹51000 per months = ₹16,83,000 and  $15^{th}$  November 2004 to  $31^{st}$  January 2010 i.e. 62 months @ ₹1,02,000 per month = ₹63,24,000 for uppermost portion:- from  $4^{th}$  July 2003 to  $14^{th}$  November 2004 i.e. 16 months @ ₹51,000 per month = ₹8,16,000 and from  $15^{th}$  November 2004 to  $31^{st}$  January 2010 i.e. 62 months @ ₹1,02,000 per month = ₹63,24,000

of hoardings on 1150 sqm area at different locations at ₹83.08 lakh per annum. As per the agreements license was granted for three years. The fee was to be paid in advance annually and the agreements were liable to be terminated in case of breach of any terms and conditions.

Audit noticed that the agencies did not deposit the license fee regularly as per the agreement. As a result outstanding dues from the agencies accumulated to ₹ 1.32 crore as of April 2010. Nine of the ten agreements had expired between June 2007 and February 2008. The agencies, however, continued to use the space unauthorisedly. The EE issued demand notices to all agencies for payment of outstanding license fee only in November 2008.

Thus, department's failure to stop/ restrict the unauthorised use of public space resulted in non-realisation of outstanding dues of ₹ 1.32 crore.

### ***3.2.2.3 Loss of revenue of ₹0.82 crore due to failure of the department to realise rent from the unauthorised hoardings***

Section 8 of the West Bengal Highways Act, 1964 provides that any person may use or occupy temporarily any land appertaining to or adjoining a highway after obtaining permission of PWD subject to such conditions and on payment of such fee as may be prescribed. Accordingly, PWD was required to identify spots at vantage points and select agencies to display hoardings on payment of rent/ charges as specified in the guidelines to augment the revenue.

In Howrah division of PWD, Audit observed (April 2010) that there were 40 unauthorised hoardings occupying 504 sqm. area on three roads. The hoardings were installed prior to January 2002 and were still (April 2010) in use commercially. The concerned municipalities (Howrah Municipal Corporation and Bally Municipality) were also collecting advertisement tax from the agencies as per the West Bengal Municipal Act 1993. Despite being aware of their existence, the department had not taken any effective steps to remove the hoardings till April 2010.

Thus, failure of the department to take action on unauthorised hoardings resulted in a loss of revenue of ₹ 0.82 crore till March 2010.

### ***3.2.2.4 Conclusion***

Considering the potential for generating revenue through levy of license fee from hoardings, the department awarded contracts for installing hoardings but did not take affirmative steps for recovery of license fee. Though the guidelines for advertisements provided for upfront payment of annual license fee, the department has been causing losses due to inaction in enforcing relevant clauses of the agreement for recovery of license fee.

The matter was reported to the Government in May 2010; reply had not been received as of February 2011.

**PUBLIC HEALTH ENGINEERING DEPARTMENT**

**3.2.3 Undue favour to a supplier**

**The department deliberately terminated a valid contract to extend undue financial benefit of ₹ 6.63 crore to a supplier.**

The West Bengal Financial Rules provide that every officer incurring or authorising expenditure from public funds should be guided by high standards of financial propriety. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The Resource Division (RD) procures pipes centrally as per indents received from various divisions for use in different water supply schemes in Public Health Engineering department (PHED). Audit scrutiny of procurement of Ductile Iron (DI) pipes during the years 2007-08 and 2008-09 revealed that Superintending Engineer, Mechanical Circle-II invited bids from reputed manufacturers/authorised dealers for the scheduled quantity of different diameter of pipes. The offered bids were evaluated in the Tender Selection Committee and the lowest offer of ₹48.43 crore was accepted (March 2008). As per terms of contract the rates offered by the agency would be valid for one year. Three work orders valuing ₹ 30.03 crore were issued between March and May 2008 for delivery of pipes as per previous requirement of consignee Divisions. The work order included materials under excise duty exempted category valuing ₹ 24.79 crore, supply of which was subject to submission of Project Authority Certificate (PAC) by the district administration for valid Excise Duty exemption within sixty days from the date of issue of PAC.

After supplying pipes worth ₹ 17.56 crore (till August 2008) to the consignee divisions the agency prayed (September 2008) for termination of the contract due to non-furnishing of PAC by the consignee divisions and abnormal price hike. Accordingly, the SE immediately terminated (9 September 2008) the tender despite the contract being valid for one year upto January 2009.

Subsequently, SE accepted (23 September 2008) another supply order for DI pipes valuing ₹ 43.36 crore at the enhanced rate and placed three work orders on the same agency for ₹ 37.58 crore. This included undelivered materials of the previous supply order. The agency completed the supply of pipes by June 2009 against payment of ₹ 37.46 crore.

The Executive Engineer (RD, PHED) replied (January 2010) that pipes worth ₹ 12.47 crore could not be supplied by the agency due to non-furnishing of PAC by the respective consignee divisions in spite of issue of repeated reminders. The reply is not tenable. Scrutiny revealed that two out of three test checked consignee divisions<sup>26</sup> did not receive the copy of the work orders of May 2008. After receiving the revised work order of September 2008 at the enhanced rate, the concerned consignee divisions submitted PAC within one month and received the materials. The other division received the work order

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<sup>26</sup> Siliguri Water Supply Division, Purulia Division, New Town Kolkata Water Supply Division-I

(May 2008) but did not submit PAC. The same was, however, obtained in October 2008 as per work order of September 2008 and materials received by the division accordingly.

Thus it is evident that instead of insisting for PAC from the consignee divisions, the SE terminated the contract during the period of its validity and procured the undelivered pipes at a much higher rate by inviting fresh tender from the same agency. This resulted in undue financial benefit of ₹ 6.63 crore to the agency and calls for investigation.

The matter was reported to the Government in March 2010; reply had not been received.

## TRANSPORT AND URBAN DEVELOPMENT DEPARTMENTS

### 3.2.4 Loss of ₹ 18 crore on account of toll collection.

Hoogly River Bridge Commissioners (HRBC) and Kolkata Metropolitan Development Authority (KMDA) collect toll tax from Vidyasagar Setu and Barrackpore Kalyani Expressway respectively. Paras 4.1.5 and 4.1.9 of the Comptroller and Auditor General's Audit Report (Civil) for the years 2002-03 and 2003-04 had highlighted loss of revenue due to poor administrative control and short/non-collection of toll tax in HRBC and KMDA respectively. Audit noticed that the autonomous bodies had not taken necessary measures to optimise revenue generation from toll tax resulting in loss of ₹ 16.68 crore as brought out in the following paras.

#### ***3.2.4.1 Undue benefit resulted in loss of ₹12.69 crore.***

To maximise the generation of revenue from toll tax on Vidyasagar Setu, HRBC entered into an agreement (April 2006) with an agency for a period of five years for a consideration of ₹ 20.07 crore per annum. This was 87.60 per cent of the reserve price (₹ 22.91 crore) fixed on the basis of traffic survey report conducted by Rail India Technical and Economic Services (RITES) in July 2004.

The agreement (March 2006) stipulated that during its currency, if the rates of toll levied on the vehicles were revised there would be a corresponding revision of agreed consideration amount. The decision of the Vice Chairman would be final and binding on the contractor. Audit, however, noticed that the agreement did not provide for periodic revision of the consideration amount on the basis of the annual traffic growth as projected in the survey reports.

In August 2008, the rates of toll tax were revised in respect of three<sup>27</sup> out of five categories of vehicles. Consequently, the Transport department enhanced the consideration amount by ₹ 7.20 crore annually for the rest of the validity period of the agreement. The basis of enhancement was the traffic survey data of February 2008 only for those three categories of vehicles. If the traffic

<sup>27</sup> 1. Heavy goods truck with trailer, 2. Lorry and Trekker without trailer, 3. Matador, Tempo-truck, pick-up Van.

survey data of February 2008 had been considered uniformly for all categories of vehicles by the Government, the annual toll collection would have been ₹ 40.28 crore. Thus, the consideration amount as per the agreement would have been ₹ 35.29<sup>28</sup> crore against the consideration amount of ₹ 27.27 crore per annum as determined by the Transport department.

In view of the above, the department's failure to include a suitable clause in the agreement to enhance the consideration amount taking into account the annual growth of traffic is inexplicable. The undue favour thus extended to the toll operator resulted in loss of revenue to the extent of ₹ 12.69 crore<sup>29</sup> till March 2010.

The department (September 2010) accepted the audit contention that there was no provision in the agreement to enhance the premium amount taking into consideration the annual growth of traffic.

#### ***3.2.4.2 Flawed decision of KMDA resulted in loss of ₹5.31 crore to the department***

KMDA entered into (September 2006) an agreement with an agency to collect toll tax from Barrackpore Kalyani Expressway for a period of two years. The agreement stipulated that the agency was liable to pay ₹ 4.88 lakh per week in advance. In case of default, KMDA could take over the vacant and peaceful possession of the toll plaza within 24 hours from the specified day of the week and forfeit the security deposit.

Audit observed that the agency, from the very beginning of contractual period, delayed in depositing the toll tax collection. KMDA (16 January 2009) extended the validity of agreement upto March 2009 despite outstanding dues of ₹ 2.45 crore and also filed (18 January 2009) a money suit to realise the outstanding amount. The case is still pending as of July 2010.

However, KMDA did not engage any other agency for collection of toll tax after the expiry of the extended period of agreement in March 2009 and allowed the existing agency to collect toll from the road unauthorisedly. KMDA demolished the toll booths in January 2010 and recovered ₹ 1.19 crore as part realisation of outstanding dues during this period leaving ₹ 1.26 crore unrealised till August 2010. In February 2011 in response to an audit query Executive Engineer intimated that KMDA had entered into a Licence Agreement (August 2010) with another agency for collection of toll tax from the Expressway for a period of two years with effect from November 2010 (month of handing over the site). Thus, KMDA sustained loss of revenue of minimum ₹ 4.05 crore<sup>30</sup> between April 2009 and October 2010 due to delay in engagement of agency for collection of toll tax.

The department replied that the time extension was granted to minimise the outstanding dues during the period of extension. The decision does not seem

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<sup>28</sup> 87.60 per cent of ₹40.28 crore

<sup>29</sup> (₹35.29 crore - ₹27.27 crore) i.e. ₹8.02 crore for 19 months from September 2008 to March 2010

<sup>30</sup> At the rate of ₹4.88 lakh per week for 83 weeks (April 2009 to October 2010)

to be correct as KMDA had already filed a money suit (January 2009) for recovery of outstanding dues.

Thus, the flawed decision of KMDA to allow extension of the contract period and delay in engagement of new agency to collect toll tax resulted in loss of ₹ 4.05 crore, besides ₹ 1.26 crore remaining unrealised (August 2010).

In view of the above the department may include a suitable clause in such agreements to revise the consideration amount taking the annual growth of traffic in to account in future.

## IRRIGATION AND WATERWAYS DEPARTMENT

### 3.2.5 Avoidable expenditure on work that was not technically feasible.

**Irrigation and Waterways department incurred avoidable expenditure of ₹ One crore on precast concrete blocks for canal lining despite the work not being technically feasible.**

The Irrigation and Waterways department (I&WD) was entrusted with the improvement of the drainage channels<sup>31</sup> to improve their design drainage capacity under Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The scheme was administratively approved (April 2007) by the Kolkata Metropolitan Development Authority, at an estimated cost of ₹ 21.50 crore for completion by April 2010. The scope of work *inter alia* included de-siltation, improvement of existing lining and providing new lining and ancillary works.

I&WD entrusted Phase-I of the work in different reaches to 20 agencies in January 2008 at a tendered amount of ₹ 11.04 crore. The work due to be completed by May 2008 mainly consisted of de-siltation and lining of the canals with precast cement concrete blocks. In 2000-01, the department had attempted improvement work in Branch VI of the canal by dry method, however, the work had to be abandoned due to heavy dry weather flow. The department again, faced the same difficulty during execution of the present work; the canals, except Mahishadhara, could not be dried up by construction of cross bundh as dry weather flow was very heavy. Consequently, the department decided (July 2009) to drop the lining component and adopted wet excavation method for de-siltation of canals. Meanwhile, the agencies had cast (between January and July 2008) 221,074 blocks at a cost of ₹ 1.77 crore for canal lining. Only 87851 blocks could be laid successfully in some stretches of Mahisdhara Khal.

Audit scrutiny (May 2010) revealed that the tenders for the works provided for payment at composite rate of ₹ 3644 *per* cubic metre both for casting and laying of blocks on the canal bank. The department, without assessing the feasibility of the work methodology in view of the previous experience, paid ₹ One crore to the agencies only for casting of 133,223<sup>32</sup> blocks. This violated

<sup>31</sup> Howrah Drainage Channel (HDC), Branch-I-VI and Mahisdhara Khal

<sup>32</sup> (221,074 blocks cast – 87851 blocks laid) = 133,223

the tender provision regarding payment at composite rate. The agreement also had no provision for recovery from the agencies in case of loss or shortages.

Physical verification of the blocks conducted (January 2010) by the department revealed shortage of 70074 blocks valuing ₹ 52.64 lakh. The department did not take any action for recovery of the shortages from the agencies responsible. The department also failed to utilise the remaining 63185 blocks valuing ₹ 47.46 lakh for more than two years. As the scheme was technically not feasible, the contracts were terminated between March and April 2010.

In reply (August 2010), the department stated that recovery would be made in case of short receipt of blocks from the agencies and provision had been made in the revised DPR for utilisation of all the blocks. The reply is however, not tenable as the tenders were terminated without taking over the custody of the blocks and in the absence of any enabling contract provision, there was no scope for recovery of shortages. Besides, the utilisation of the blocks in the proposed work is an afterthought as the department failed to utilise those earlier.

Thus, the department's decision to improve the drainage canals using a method which was not technically feasible resulted in avoidable expenditure of ₹ One crore including loss of ₹ 52.64 lakh due to pilferage of 70074 blocks.

### 3.3 Persistent/Pervasive irregularities

An irregularity is considered persistent if it is of continuing nature and occurs year after year. On the other hand, it becomes pervasive when it is prevailing in the entire system. The scope of this section is to bring to light certain irregularities of recurrent nature which have been noticed on several occasions during earlier audits as well as in many departments. Recurrence of such irregularities is not only indicative of lack of responsiveness of the Government, but also testifies absence of effective monitoring. Such lack of seriousness on the part of the Executive leads to deviations from the rules and regulations culminating in weakening of the quality of administration.

#### GENERAL

##### 3.3.1 Cash management in Government Departments

**Non-adherence to the provisions of Treasury Rules by 21 DDOs in nine districts resulted in mis-management of public money to the tune of ₹ 3.21 crore.**

As per West Bengal Treasury Rules (WBTR), no money is to be drawn from the treasury unless it is required for immediate disbursement<sup>33</sup>. All financial transactions are to be recorded in the Cash Book of respective units as soon as they occur under proper attestation by the Drawing and Disbursing Officer (DDO). The cash book is required to be closed every day, while the head of the office is required to physically verify the cash balance at the end of each month and record a certificate to that effect. Bill-wise and date-wise analysis in respect of closing balance is also to be recorded<sup>34</sup>.

Scrutiny of the records of 21 DDOs in nine<sup>35</sup> districts including Kolkata disclosed financial irregularities due to non-compliance with the above provisions. In the course of physical verification of cash conducted by 21 DDOs at the instance of Audit during April 2009 to June 2010, against the aggregate closing balance of ₹ 28.19 crore as per cash book, ₹ 24.98 crore was physically found, indicating a shortage of ₹ 3.21 crore<sup>36</sup> (*Appendix 3.5*). Further, cash verification was not conducted at the end of each month by the DDOs of nine units for periods varying from three to 101 months

Cases of misappropriation and misutilisation of cash due to non-adherence to the provisions of financial rules by DDOs were mentioned repeatedly in the reports of the Comptroller and Auditor General of India for the years ended March 1997 to 2002, 2004 and 2006 to 2009. Nevertheless, such irregularities

<sup>33</sup> *Subsidiary Rules 229 under Treasury Rule 16*

<sup>34</sup> *Subsidiary Rules 31 under Treasury Rule 10*

<sup>35</sup> *Bardhaman, Cooch Behar, Howrah, Kolkata, Nadia, North 24 Parganas, Purulia, South 24 Parganas and Uttar Dinajpur.*

<sup>36</sup> *Unexplained cash shortage/theft constituted ₹0.07 crore, ₹2 crore was shown as unauthorised advance from undisbursed cash for various purposes, Unadjusted vouchers accounted for ₹0.24 crore and lapsed cheques aggregated to ₹0.90 crore.*

continued due to inaction on the part of Government departments. In response to the para, the Finance department intimated (August 2010) that it has requested the concerned departments to look into the matter.

Thus, non-adherence to the provisions of Treasury and Financial Rules and inadequate internal control over drawal and disbursement of cash by DDOs led to serious financial irregularities and exposed the departments concerned to the risk of misappropriation of public money.

### **3.3.2 Follow up action on earlier Audit Reports**

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India, Government of West Bengal upto 2008-2009 revealed that Action Taken Notes on 287 paragraphs (selected:32 from 1997-1998 to 2008-2009 and not selected: 255 from 1981-1982 to 2008-2009) involving 41 Departments remained outstanding as of September 2010. The names of the Departments are given in **Appendix 3.6**.

The administrative Departments were required to take suitable action on the recommendations made in the Reports of the Public Accounts Committee (PAC) presented to the State Legislature. Following the circulation of the Reports of the PAC, heads of Departments were to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat within six months.

It was observed that the Action Taken Notes on 28 Reports of the PAC, presented to the Legislature between 1991-92 and 2009-10 had not been submitted by 16 Departments<sup>37</sup> to the Assembly Secretariat as of September 2010. Out of these, 15<sup>38</sup> Reports of the PAC had suggested recovery, disciplinary action, etc. A few significant cases are elaborated below:

**Table No.3.4 Significant recommendations of PAC**

Year of Audit Report with para number	PAC Report number and year	Name of the department(s)	Gist of the Audit Para	Recommendation of PAC
4.3.3 of AR 2003-2004	48 <sup>th</sup> PAC Report 2005-2006	PWD and PWD (Roads)	Payment of price escalation by the Executive Engineers ignoring contract provision led to inadmissible payment of ₹ 5.47 crore to contractors	The department should make due efforts to recover the excess payments on account of price escalation from the contractors as quickly as possible and report to the Committee within six months positively

<sup>37</sup> Agriculture, Commerce and Industries, Finance, Fisheries, Home, Housing, Irrigation and Waterways, Municipal Affairs, Panchayats and Rural Development, Public Health Engineering, Public Works, Public Works (Roads), School Education, Social Welfare, Transport and Urban Development.

<sup>38</sup> 36<sup>th</sup> PAC Report 1999-2000, 3<sup>rd</sup> PAC Report 2001-02, 29<sup>th</sup> PAC Report 2004-05, 48<sup>th</sup> PAC Report 2005-06, 9<sup>th</sup> PAC Report 2006-07, 1<sup>st</sup> PAC Report 2007-08, 10<sup>th</sup> PAC Report 2007-08, 12<sup>th</sup> PAC Report 2007-08, 4<sup>th</sup> PAC Report 2006-07, 15<sup>th</sup> PAC Report 2007-2008, 19<sup>th</sup> PAC Report 2008-09, 21<sup>st</sup> PAC Report 2008-09 and 27<sup>th</sup> PAC Report 2008-09, 28<sup>th</sup> PAC Report 2009-10, 30<sup>th</sup> PAC Report 2009-10

Year of Audit Report with para number	PAC Report number and year	Name of the department(s)	Gist of the Audit Para	Recommendation of PAC
4.9 of AR 2001-2001 Vol-I	10 <sup>th</sup> PAC Report 2007-2008	Public Works (Roads)	Though initial technical bid of March 1995 was cancelled and fresh technical bid was opened in August 1996, the EE, 24 Parganas Highway Division paid price escalation with reference to March 1995 (Base month) resulting in excess payment of ₹ 62.29 lakh to the contractor	The Committee recommended that the department should investigate the matter thoroughly in order to find out the person/persons responsible for excess payment of ₹ 62.29 lakh and recover the same from the contractor
2.16 of AR 2000-2001 Vol-2	4 <sup>th</sup> PAC Report 2006-2007	Municipal Affairs	Lack of accountability in Kolkata Municipal Corporation	The Committee recommended that Municipal Affairs department and KMC should undertake a joint enquiry about the financial mismanagement of KMC to identify the persons responsible for the situation and to take punitive actions against them as per the extant rules. The Committee further desired that the department should inform the Committee about the actions taken against the identified persons both in service and/or retired from service.
3.13 of AR 2000-2001 Vol I	9 <sup>th</sup> PAC Report 2006-2007	Finance (Taxation)	Unjustified printing of ungummed and unperforated Entertainment Tax Stamps without considering the willingness of the exhibitors to use such stamps resulted in a loss of ₹ 73.14 lakh towards cost of production and their disposal	It was recommended that the department should investigate as to why the order for printing of ungummed and unperforated Entertainment Tax Stamps was placed in such a large quantity at a time without recording the reasons behind it and should take actions against the person/persons who would be found responsible in this regard. The Committee also instructed the department to be more careful and rational in dealing with such situations in future.
4.3.3 of AR 2002-2003	15 <sup>th</sup> PAC Report 2007-2008	Public Works (Roads)	Arbitrary recommendation made by the Chief Engineer, Public Works (Roads) Directorate for acceptance of abnormally higher rates than that quoted by the agency in the work of widening and strengthening of Calcutta-Basanti road at 53 KMP to 86 KMP (length 33 Kms) of South 24 Parganas district resulted in undue benefit of ₹ 1.53 crore to the agency	Considering the gravity of the matter, the Committee recommended that the matter be referred without delay to the Vigilance Commissioner for thorough investigation. The Committee also desired that the Commission should be requested to leave no stone unturned to divulge the facts and thereby submit the report within three months.
4.4.13 of AR 2002-2003	28 <sup>th</sup> Report of PAC 2009-2010 in respect of recommendations made in the 3 <sup>rd</sup> Report of PAC 2006-2007.	Urban Development	Maintenance cost (Rs79.38 lakh) as well as electricity charges (₹ 1.63 crore) required to be borne by the flat owners as per agreement was borne by Howrah Improvement Trust.	The Committee recommended that Howrah Improvement trust (HIT)/Urban Development department (UDD) should pursue vigorously two long pending court cases involving 20 flats to get settled those cases in order to take subsequent actions thereon and

Year of Audit Report with para number	PAC Report number and year	Name of the department(s)	Gist of the Audit Para	Recommendation of PAC
				<p>should intimate the Committee about the position in this regard within 6 months from the date of presentation of this Report.</p> <p>Committee further recommended that HIT/UDD should intimate the Committee about the current status of the leaning building within 6 months from the date of presentation of this Report.</p> <p>The Committee desired that HIT/UDD should prepare individual ledger account of each allottee of flat to get proper figures of monthly instalments outstanding from each of the defaulting allottees and should take firm actions including legal actions against the defaulting dwellers/allottees who have not been paying their monthly instalments for long since.</p> <p>It was also stipulated by the Committee that HIT/UDD should inform the Committee within 6 months from the date of presentation of this Report whether all other flats, which were ready for disposal, have been disposed of or not and if not, reasons thereof and also the current position of sale proceeds.</p>
4.4.14 or AR 2002-2003	28th Report of PAC 2009-2010 in respect of recommendations made in the 3rd Report of PAC 2006-2007.	Urban Development	Flats constructed by Howrah Improvement Trust at a cost of ₹ 86.60 lakh remained unallotted due to non-fixation of price of flats. Shops constructed at a cost of ₹ 30.60 lakh at a different place in violation of agreement also remained vacant for refusal of traders to move there	<p>The Committee recommended that the Urban Development department (UDD) should take appropriate actions against persons responsible for this unfruitful investment on rehabilitation project.</p> <p>The Committee also suggested that UDD should prepare a timeframe for completion of the rehabilitation project.</p> <p>As recommended by the Committee, UDD should submit their Action Taken Reports to the Committee within three months from the date of submission of the Report.</p>

*Source: PAC Reports*

Thus, the follow up on the recommendations of the PAC and action taken by the administrative Departments could not be ascertained in audit.

The matter was referred to Government in July 2010; reply had not been received (February 2011).

### 3.4 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people. Proper oversight on the part of Government would ensure that public money is put to good use and the desired outcome of the same is derived.

The objective of this section is to bring to light cases of failure of oversight and governance at various levels of administration. Resultantly, funds released by Government for creation of assets for benefit of public remained unutilised / blocked or expenditure incurred thereon became unfruitful/unproductive/infructuous.

Some major cases of laxity in governance resulting in avoidable/ unfruitful/ additional expenditure from the Government exchequer are discussed in this section.

## HEALTH AND FAMILY WELFARE DEPARTMENT

### 3.4.1 Lack of co-ordinated efforts leading to non-commissioning of Cath-Lab system

**Lack of planning and co-ordination between Bardhaman Medical College Authorities, WBSEDCL and Zilla Parishad in ensuring requisite infrastructure for commissioning of sophisticated Cath-Lab system worth ₹ 2.70 crore resulted in non-commissioning of the machine for 29 months and non-accrual of the intended benefit in patient care.**

For providing better patient care services in Cardiology, the Health & Family Welfare (H&FW) department accorded (January 2008) administrative approval and financial sanction for purchase and installation of a Cath-Lab System<sup>39</sup> in the Super-speciality wing (department of Cardiothoracic and Vascular Surgery) of Bardhaman Medical College (BMC). The same was to be purchased from Company “X”<sup>40</sup> (Company) at a cost of ₹ 2.70 crore for which the Principal, BMC placed the order in February 2008. As per the order, the company was required to supply the machine within 90 days from the date of opening of the letter of credit (March 2008). The machine was to be installed in the Anamay buildings<sup>41</sup> of the BMC. The Company, before delivery of the system, had requested (July 2008) the Principal to arrange for requisite power supply<sup>42</sup>, a prerequisite for installation of the Cath-Lab

<sup>39</sup> A catheterisation Laboratory or Cath-Lab is an examination room with diagnostic equipment used to support the catheterisation procedure. In the present case the system comprised of one AXIOM Artis detector system- ₹2.60 crore, plus Turnkey Systems- ₹0.09 crore

<sup>40</sup> M/s Siemens Ltd, the Indian agent of the manufacturer

<sup>41</sup> The building was under the control of the Bardhaman Zilla Parishad, which was running an Out Patient Dispensary with Medical and Paramedical staff of a nearby Primary Health centre. The No Objection Certificate had been given by the ZP in October 2007 to the BMC authorities for setting up its super speciality wing.

<sup>42</sup> Power line of three phase, 410 Volt, 50 Hz, 150 KVA power line (125 KVA exclusively for Cath-Lab and 25 KVA for Air conditioning and light load)

system. The Company delivered the system to BMC in July 2008 and completed the mechanical installation in August 2008.

Scrutiny (December 2009) of the records of BMC revealed that the Principal, BMC moved the West Bengal State Electricity Distribution Company Limited (WBSEDCL) in September 2007 for arranging uninterrupted power supply in that building. The Zilla Parishad, in response, intimated (December 2007) requirement of a 250 KVA power line. After a joint inspection of site (April 2008), the WBSEDCL asked the BMC to deposit a sum of ₹ 6.35 lakh. The Principal, BMC deposited ₹ 6.80 lakh (inclusive of price escalation) after 10 months in February and March 2009. The delay was attributed to time taken to arrive at the exact amount payable by the BMC to the WBSEDCL. Audit observed lack of co-ordination between BMC and WBSEDCL on various issues like suitable site for installation of high voltage transformer, completion of requisite work, approval of Chief Electrical Inspector, etc. with each party blaming the other. The department, being the user of the machine, should have intervened in the matter to clear the bottlenecks and expedite the process.

Resultantly, even after 29 months from its mechanical installation, the Cath-Lab could not be commissioned as of January 2011 owing to non availability of requisite power supply. Meanwhile the Company reported (August 2009) that the interior of the Cath-Lab had been damaged by water seepage from the roof. Moreover, it apprehended that high humidity and extreme environmental condition to which the Cath-Lab was exposed was potentially damaging for the machine. Further, the damages could only be ascertained after availability of electric power.

In March 2010, WBSEDCL installed the high voltage power line. Zilla Parishad completed the internal electrical connection in June 2010. However, date of commissioning of the Cath-Lab machine after demonstration by the supplier was not yet fixed by BMC authorities (January 2011).

The Principal stated (September 2010) that the system was not commissioned and handed over by the company. Further, no record about fixing of responsibility for such lapse could be produced by the Principal, BMC.

Thus, lack of proper planning before procurement of sophisticated Cath-Lab system coupled with lack of co-ordination among the parties involved in ensuring requisite infrastructure for the commissioning of such sophisticated system worth ₹ 2.70 crore not only resulted in non-commissioning of the same for 29 months and non-accrual of the intended benefit in patient care, but also led to substantial possibility of damage to the machine.

The matter was referred to Government in July 2010; reply had not been received (February 2011).

### 3.4.2 Medical equipments lying idle

#### **Procurement of sophisticated medical equipments without arranging for basic infrastructure resulted in equipments worth ₹ 1.98 crore remaining non-operational**

Mention was made in paragraph 3.1.11 of the Civil Audit Report for the year ended 31 March 2007 that owing to infrastructural deficiencies equipment costing ₹ 2.25 crore procured during March 1999 to March 2006 remained uninstalled in some test checked urban hospitals as of March 2007. The department intimated (September 2009) that those equipments were being utilised in other hospitals where required and where necessary infrastructure was available.

Subsequent audit of Burdwan Medical College (BMC), however, revealed that the practice of procurement of medical equipment without arranging for necessary infrastructure continued to be a matter of concern as would be evident from below.

Health and Family Welfare department accorded financial sanction between December 2007 and September 2008 for purchase of surgical and cardiovascular equipments for use in BMC. Consequently, sophisticated equipments worth ₹ 8.19 crore were procured by BMC during 2006-09.

Records of the Principal, BMC revealed that machines worth ₹ 1.98 crore (*Appendix 3.7*) received between February 2008 and March 2009 remained in-operative as of January 2011 due to non-installation or lack of infrastructure required for functioning. It was noticed that most of the uninstalled machines were procured for use in a super specialty unit of the hospital, the infrastructure of which was inadequate (January 2011).

Thus, procurement of sophisticated medical equipments without creating basic infrastructure resulted in equipments worth ₹ 1.98 crore lying unused in the medical college depriving patients of adequate medical care.

The matter was referred to Government in June 2010; Reply had not been received (February 2011).

### 3.4.3 Deficient system of storage leading to wastage of polio vaccines

#### **Failure of the Directorate of Health Services to arrange for alternative storage facility and ensure uninterrupted maintenance coverage for the Walk-in-Fridge coupled with inherent deficiencies, led to damage of 31.92 lakh doses of oral polio vaccine.**

Ministry of Health and Family Welfare, Immunisation wing, Government of India (GoI) supplies Oral Polio Vaccines (OPV) to the State Government for the Universal Immunisation Programme and Intensified Pulse Polio Immunisation. The vaccines, being extremely heat sensitive, are to be preserved at a temperature between *minus* 18 and *minus* 20 degree Celsius. The OPV received by the State Government are centrally stored and preserved in the Walk-in-Fridge (WIF), installed at Central Family Welfare Store

(CFWS), Bagbazar, Kolkata, under the Directorate of Health Services (DHS), for onward distribution to districts.

Guidelines issued by the Ministry of H&FW for handling the storage units stipulated that as the hold-over time in WIF is only few hours, minor repairs were to be arranged within two hours. Moreover, smooth functioning of the cold storage units required regular maintenance. Besides, monitoring of temperature maintained by the WIF was essential. Further, alternative storage arrangements had to be identified in advance to take care of any contingency arising out of breakdown of equipment.

Scrutiny (December 2008) of the records of the CFWS, Kolkata revealed that no alternative storage arrangement was made by the DHS. Moreover, there was no system of monitoring of temperature maintained by the WIF beyond office hours and during holidays, since the CFWS remained inaccessible. Scrutiny further revealed that instead of entering into fresh Annual Maintenance Contract (AMC)<sup>43</sup> for the year 2008-09, the State Family Welfare Officer (SFWO) extended (May 2008) the validity of the earlier AMC up to June 2008 only in case of breakdowns. The fresh AMC for 2008-09, was, however, entered into on 5 August 2008. Thus, the WIF was under breakdown coverage rather than regular maintenance coverage from April 2008 onwards, whereas there was no coverage at all during July 2008.

On 21 July 2008 it was reported by the staff of CFWS that the WIF had not been maintaining requisite temperature for a few days. On 3 August 2008 it was detected that the WIF had stopped functioning and the temperature escalated to 40 degree Celsius resulting in damage of 31.92 lakh doses of OPV worth more than ₹ 1.05 crore<sup>44</sup>. Thus due to lack of adequate preparedness, neither effective efforts could be made to prevent the breakdown, nor the vaccines could be shifted to any alternative place having requisite storage facility. An enquiry was conducted by the Deputy Director of Health Services regarding the cause of such breakdown without fixing any responsibility for such loss. The damaged vaccines were lying in the godown of CWFS for want of destruction order (August 2010).

SFWO stated (August 2010) that presently the WIF is under maintenance contract with “Voltas Limited” and an agency was also engaged to supply back-up power to the WIF. One WIF also has been provided by the GoI in 2009-10. Besides, arrangements have been made for availability of the keys at all times at CFWS, Bagbazar for monitoring and recording of temperature of the storage facilities.

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<sup>43</sup> AMC of WIF as well as coolers and generators installed in the districts for the year 2007-08 had been given to M/s Steel Wing International, through tender. Though the Agency tendered the lowest bid twice in March 2008 and June 2008, the fresh AMC for 2008-09 was, however, not awarded to it in view of adverse reports from district authorities

<sup>44</sup> 22.78 lakh doses of Oral Polio Vaccine (Routine) at expiry date : January 2010

the rate of ₹4.62 per dose = ₹105.24 lakh

9.14 lakh doses of mOPV (price not available) expiry date : December 2009

Thus, failure of the DHS to arrange for alternative storage facility and ensure uninterrupted maintenance coverage to the WIF led to wastage of 31.92 lakh doses of polio vaccines worth more than ₹ 1.05 crore.

### URBAN DEVELOPMENT DEPARTMENT

#### 3.4.4 Avoidable expenditure due to absence of co-ordination and inadequate planning

##### **The decision to continue with SDBC work coupled with failure to lay protective wearing course before the rainy season resulted in an avoidable expenditure of ₹ 50.24.lakh**

Superintending Engineer, Traffic and Transport Circle-III (S.E, TTC-III), Kolkata Metropolitan Development Authority (KMDA) awarded (October 2006) the face lifting work of Park Circus Connector from P.C.Rotary to Bridge No-4 to an agency for ₹ 1.79 crore for completion by June 2007. The work consisted of laying of 50 mm Lean Bituminous Macadam (LBM) as profile corrective course and 25 mm Semi Dense Bituminous Concrete (SDBC) as wearing course over the entire surface of the road. The contract stipulated three years' maintenance warranty from the date of completion of the work.

Scrutiny of records revealed that laying of LBM was completed by May 2007 but SDBC could not be laid before monsoon due to delay in finalising the design mix. The work was completed in December 2007 at a cost of ₹ 1.49 crore including an expenditure of ₹ 33.93 lakh on SDBC.

Clause 501.8.3.5 of Specifications for Road and Bridge Works of Indian Road Congress (IRC) guidelines stipulates that profile corrective course should be covered by base/ wearing course at the earliest opportunity. The LBM laid in May 2007 remained uncovered without any wearing course during the monsoon. As a result, the newly laid LBM surface got damaged (July 2007) and the department had to incur an additional expenditure of ₹ 16.81 lakh on relaying LBM (between October and November 2007) through the same contractor to correct the profile of the road stretch before laying of SDBC.

Meanwhile, in order to minimise the inconvenience of regular maintenance, KMDA decided (July 2007) to provide another layer of wearing course of 25 mm thick Bituminous Mastic Asphalt (BMA) on the above stretch of the road through a separate tender. The work of laying BMA commenced in April 2008 was completed in September 2008 at a cost of ₹ 1.62 crore. There was thus no need to continue with the work of laying the wearing course of SDBC.

In reply (December 2010), the department stated that a wearing course of SDBC was required to ensure a uniform surface before laying of mastic asphalt. The reply is not tenable as the profile of the road had already been corrected by LBM.

Thus, absence of coordination and inadequate planning resulted in avoidable expenditure of ₹ 50.24 lakh<sup>45</sup>.

<sup>45</sup> ₹16.81 lakh LBM+ ₹33.43 lakh on SDBC

## GENERAL

### 3.4.5 Response of Government to audit

Principal Accountant General (Audit) (PAG) arranges to conduct periodical inspection of Government Departments to test-check transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs).

Important irregularities and other points detected during inspection, which are not settled on the spot, find place in IRs. These IRs are issued to the heads of offices inspected with copies to the next higher authorities. Government of West Bengal, Finance department Memo No 5703(72)/FB dated 29 June 1982 provided for prompt response by the executive to the IRs issued by the PAG to ensure rectificatory action in compliance with the prescribed rules and procedures and secure accountability for the deficiencies, lapses, etc. noticed during inspection.

The heads of offices and next higher authorities are required to comply with observations contained in the IRs and rectify defects and omissions promptly and report compliance to PAG. Serious irregularities are also brought to the notice of the Government by the office of the PAG. A six monthly report showing the pendency of IRs is sent to the Principal Secretary/Secretary of the department to facilitate monitoring over settlement of outstanding audit observations in the pending IRs.

Inspection Reports issued up to June 2010 relating to 371 offices of Health and Family Welfare, Food and Supplies, Higher Education, Backward Classes Welfare, Public Works, Waster Resources Investigation and Development Departments and four commercial undertakings<sup>46</sup> disclosed that 2304 paragraphs relating to 722 IRs remained outstanding at the end of June 2010. Of these, 101 IRs containing 142 paragraphs had been lying unsettled for more than 10 years.

Department-wise and year-wise break-ups of the outstanding IRs and Paragraphs are detailed in **Appendix 3.8**.

Initial replies, which were required to be received from the respective heads of offices within six weeks from the date of issue of the IRs, were not received upto June 2010 in respect of 173 IRs.

These unsettled IRs contain 207 paragraphs involving serious irregularities like, theft/defalcation/misappropriation of Government money, loss of revenue and shortage/losses not recovered/written off amounting to ₹ 35.22 crore. department-wise and nature-wise analysis of the outstanding paragraphs of serious nature showed the following position:

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<sup>46</sup> Under Food and Supplies, Food Processing Industries & Horticulture, Animal Resources Development Departments.

Table No.3.5 Analysis of outstanding paragraphs

(₹ in lakh)

Name of the department	Cases of theft/defalcation/misappropriation		Loss of revenue		Shortage losses not recovered/written off		Total	
	Para	Amount	Para	Amount	Para	Amount	Para	Amount
<b>Health and Family Welfare</b>	54	463.20	59	1206.69	49	414.54	162	2084.43
<b>Food and Supplies</b>	02	0.16	01	27.82	03	11.14	06	39.12
<b>Higher Education</b>	05	7.56	02	186.99	02	0.32	09	194.87
<b>Backward Classes Welfare</b>	01	0.90	01	0.81	05	1.69	07	3.40
<b>Public Works</b>	-	-	-	-	16	1140.00	16	1140.00
<b>Water Resources Investigation and Development</b>	-	-	-	-	07	60.00	07	60.00
<b>Total</b>							207	3521.82

Audit committees, comprising of the Principal Secretary/Secretary of the administrative department and representatives of the Finance department and the PAG, were formed in 51 out of 56 Departments of Government for expeditious settlement of the outstanding Inspection Reports. Of the 51 Departments where audit committees were formed, meetings were held only by twelve Departments on 44 occasions from July 2009 to June 2010. As a result of the meetings of these committees, it was possible to settle 413 paragraphs. Meetings were not held by the other 39 Departments, including Health and Family Welfare department, inspite having the highest number of outstanding paras, with money value being more than ₹ 22 crore. The matter has been taken up with the Government for formation of audit committees in the remaining Departments, and with the Health and Family Welfare department to convene meetings expeditiously.

It is recommended that Government should ensure that a procedure is in place for (i) action against the officials failing to send replies to IRs/paras as per the prescribed time schedule, (ii) recovery of loss/outstanding advances/overpayments in a time-bound manner and (iii) holding at least one meeting of each audit committee every quarter.

The matter was referred to Government in July 2010; reply had not been received (February 2011).