

## Chapter I

### Introduction

#### 1 Overview of State Public Sector Undertakings

**1.1** The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In West Bengal, the State PSUs occupy an important place in the state economy. The State PSUs registered a turnover of ₹ 21,674.57 crore for 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 5.90 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of West Bengal State PSUs are concentrated in power and manufacturing sector. The State PSUs incurred a loss of ₹ 139.98 crore in the aggregate for 2009-10 as per their latest finalised accounts. They had employed 71,752\* employees as of 31 March 2010. The State PSUs do not include eight prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report No. 1 for the State.

**1.2** As on 31 March 2010, there were 92 PSUs as per the details given below. Of these, only one company<sup>§</sup> was listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non working PSUs <sup>¶</sup>	Total
Government Companies <sup>♦</sup>	63	19	82
Statutory Corporations	09	01	10
<b>Total</b>	<b>72</b>	<b>20</b>	<b>92</b>

**1.3** During the year 2009-10, audit of West Bengal Trade Promotion Organisation was entrusted to CAG.

### Audit Mandate

**1.4** Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one

\* As per the details provided by 73 PSUs. Remaining 19 PSUs did not furnish the details.

§ WEBFIL Limited.

¶ Non working PSUs are those which have ceased to carry on their operations.

♦ Includes two 619-B companies.

in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

**1.5** The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

**1.6** Audit of statutory corporations is governed by their respective legislations. Out of ten statutory corporations, CAG is the sole auditor for Calcutta State Transport Corporation, South Bengal State Transport Corporation, North Bengal State Transport Corporation, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minorities Development and Finance Corporation, West Bengal Industrial Infrastructure Development Corporation and West Bengal Backward Classes Development and Finance Corporation. In respect of West Bengal State Warehousing Corporation, West Bengal State Financial Corporation and Great Eastern Hotel Authority the audit is conducted by Chartered Accountants and supplementary audit by CAG.

### Investment in State PSUs

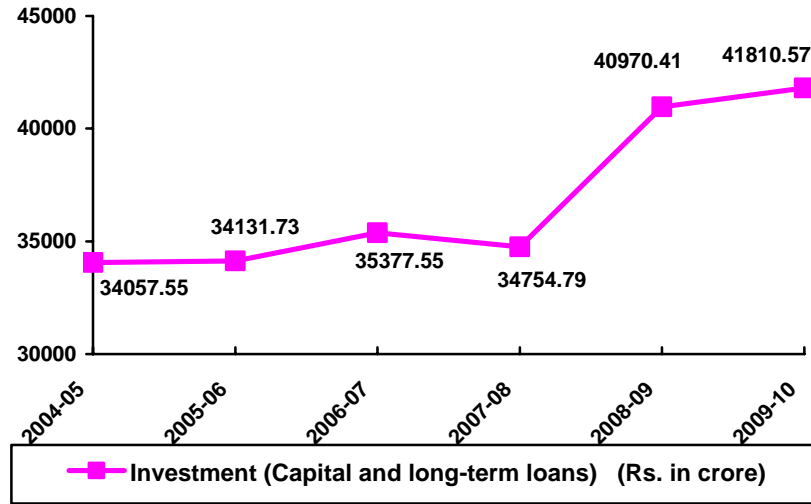
**1.7** As on 31 March 2010, the investment (capital and long-term loans) in 92 PSUs (including 619-B companies) was ₹ 41,810.57 crore as per details given below.

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	12,142.21	27,144.50	39,286.71	458.38	1,617.67	2,076.05	41,362.76
Non working PSUs	104.42	325.41	429.83	-	17.98	17.98	447.81
<b>Total</b>	<b>12,246.63</b>	<b>27,469.91</b>	<b>39,716.54</b>	<b>458.38</b>	<b>1,635.65</b>	<b>2,094.03</b>	<b>41,810.57</b>

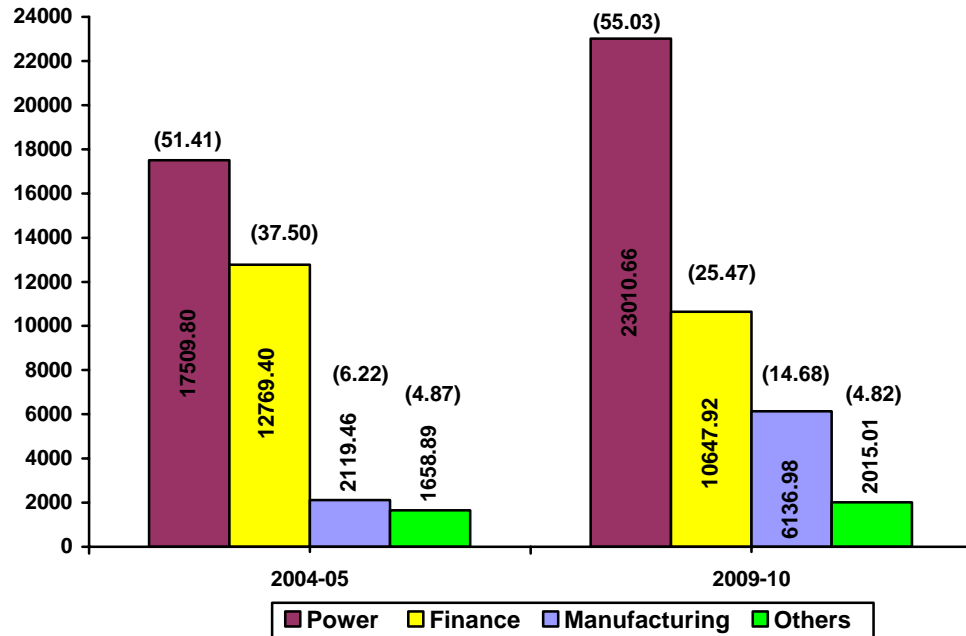
A summarised position of government investment in State PSUs is detailed in **Annexure 1**.

**1.8** As on 31 March 2010, of the total investment in State PSUs, 98.93 *per cent* was in working PSUs and the remaining 1.07 *per cent* in non working PSUs. This total investment consisted of 30.39 *per cent* towards capital and 69.61 *per cent* in long-term loans. The investment has grown by 22.76 *per cent* from

₹ 34,057.55 crore in 2004-05 to ₹ 41,810.57 crore in 2009-10 as shown in the graph below.



**1.9** The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The investment in PSUs was concentrated in power and finance sector which ranged between 51.41 to 55.03 *per cent* (power) and 37.50 to 25.47 *per cent* (finance) during the six years ending 31 March 2010. In absolute term investment was raised by ₹ 5,500.86 crore in power sector while it was reduced by ₹ 2,121.48 crore in finance sector.



(All figures are ₹ in crore except figures in brackets which show the percentage of total investment)

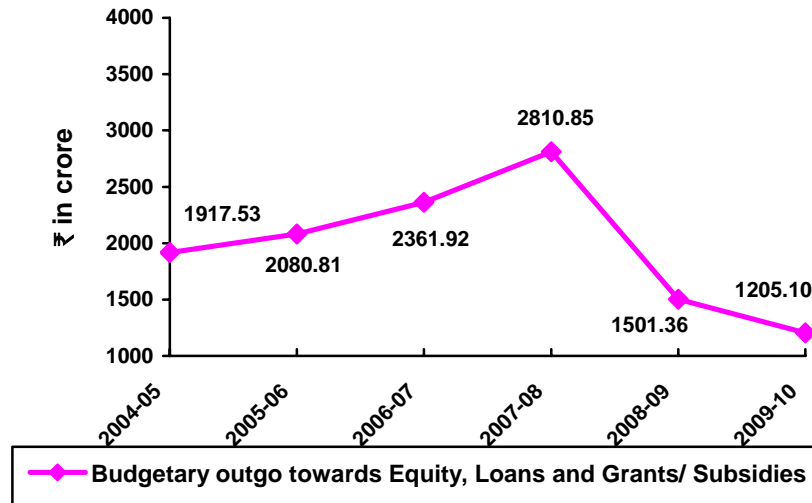
**Budgetary outgo, grants/subsidies, guarantees and loans**

**1.10** The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2009-10.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	14	1,552.37	15	593.69	15	520.44
2	Loans given from budget	28	909.52	26	500.93	26	222.32
3	Grants/subsidy received <sup>⊗</sup>	20	348.96	24	406.74	24	462.34
4	Total outgo (1+2+3)	42 <sup>#</sup>	2,810.85	45 <sup>#</sup>	1,501.36	47 <sup>#</sup>	1,205.10
5	Loans converted into equity	-	-	2	311.85	1	508.72
6	Guarantees issued	9	2,623.42	10	1,670.19	11	3,361.33
7	Guarantee Commitment	27	18,651.78	24	23,190.09	21	26,327.22

**1.11** The details regarding budgetary outgo towards equity, loans and grants/subsidies for past six years are given in a graph below.



The budgetary outgo towards equity, loans and grants/subsidies has declined from ₹ 1,917.53 crore in 2004-05 to ₹ 1,205.10 crore in 2009-10 due to increase in number of non working companies and restructuring of PSUs.

<sup>⊗</sup> Amount represents outgo from State Budget only.

<sup>#</sup> The figure represents number of PSUs which have received outgo from budget under one or more heads i.e. equity, loans, grants/subsidies.

**1.12** Except West Bengal Infrastructure Development and Finance Corporation Limited all other PSUs are liable to pay guarantee commission at the rate of one *per cent per annum* to the State Government on the maximum guarantee sanctioned irrespective of the amount availed or outstanding as on 1 April of each year till liquidation of loan. During 2009-10, the State Government had guaranteed loans aggregating ₹ 3,361.33 crore to 11 PSUs. At the end of 2009-10, guarantee commitment by the Government was ₹ 26,327.22 crore against 21 PSUs. During the year three PSUs paid guarantee commission of ₹ 4.79 crore to the State Government while ₹ 114.26 crore is outstanding against 19 PSUs.

### Reconciliation with Finance Accounts

**1.13** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	9,711.80	10,708.70	996.90
Loans	11,300.60	8,250.47	3,050.13
Guarantees	9,254.90	26,327.22	17,072.32

**1.14** Audit observed that the differences occurred in respect of 67 PSUs and some of the differences were pending reconciliation since many years. In order to reconcile discrepancy in figures of investment on equity and loans made by State Government in Government companies /corporations as indicated in Audit Report (Commercial) and the Finance Accounts, the matter was taken up with Principal Secretary of Finance department in November 2008 but no response was received either from the concerned administrative departments or from the managements of the concerned PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

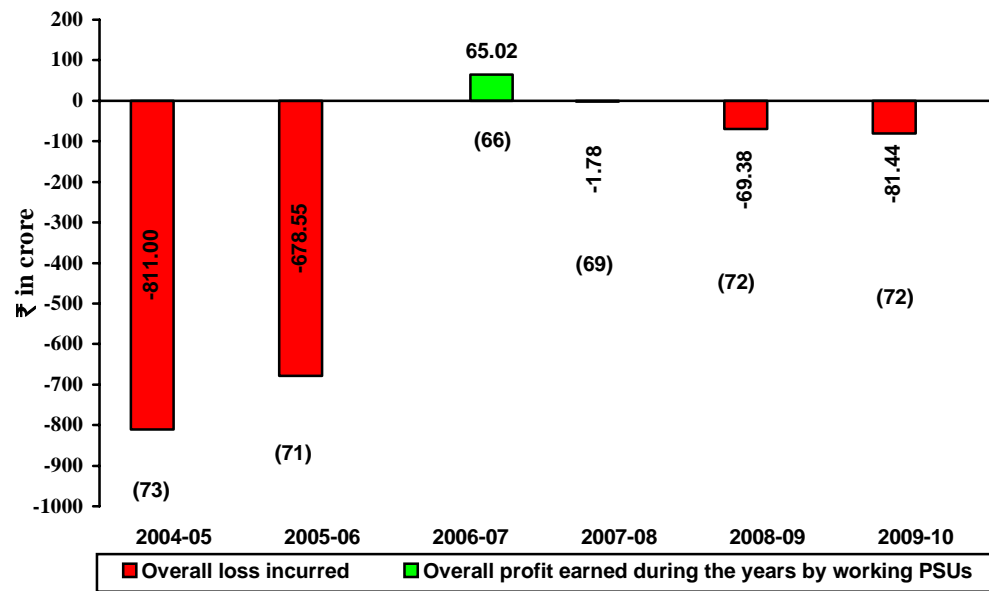
### Performance of PSUs

**1.15** The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure 2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10.

(₹ in crore)						
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover <sup>∞</sup>	9,932.70	10,623.04	12,530.81	6,630.89	17,295.92	21,669.75
State GDP	1,90,245	2,07,495	2,39,334	2,77,869	3,17,837	3,67,620
Percentage of Turnover to State GDP	5.22	5.12	5.24	2.39	5.44	5.89

It would be seen from above that in terms of turnover PSUs had played a significant role in State GDP. The percentage of turnover to State GDP hovered around five per cent during the last six years except in 2007-08. In 2007-08 the turnover shrunk due to delayed finalisation of accounts by two re-structured PSUs in power sector.

**1.16** Profit (loss) earned (incurred) by State working PSUs during 2004-05 to 2009-10 as per their latest finalised accounts are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

It could be seen from the chart above that overall loss incurred by the working PSUs had decreased from ₹ 811 crore in 2004-05 to ₹ 81.44 crore in 2009-10. According to latest finalised accounts out of 72 working PSUs, 32 PSUs earned profit of ₹ 562.87 crore and 36 PSUs incurred loss of ₹ 644.31 crore during 2009-10. Three working PSUs<sup>∞</sup> prepared their accounts on a 'no profit no loss' basis, while one working PSU<sup>\*</sup> have not yet submitted their first accounts. The major contributors to profit were West Bengal State Electricity Transmission Company Limited (₹ 174.68 crore), Haldia Petrochemicals Limited (₹ 134.64 crore), West Bengal Rural Energy Development Corporation Limited (₹ 99.41 crore), and West Bengal State Electricity Distribution Company Limited (₹ 71.05 crore). Heavy losses were incurred by The Durgapur Projects Limited (₹ 172.57 Crore), The Calcutta Tramways Company (1978) Limited (₹ 110.19 crore),

<sup>∞</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September.

<sup>∞</sup> Sl. nos. A-21, 22, 63 of Annexure 2.

<sup>\*</sup> Sl. nos. A-32 of Annexure 2.

Calcutta State Transport Corporation (₹ 46.98 crore), and The Kalyani Spinning Mills Limited (₹ 41.72 crore).

**1.17** The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, inefficient operation and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 5,033.47 crore and infructuous investment of ₹ 214.55 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	(1.78)	(69.38)	(81.44)	(152.60)
Controllable losses as per CAG's Audit Report	1,358.14	1,321.35	2,353.98	5,033.47
Infructuous Investment	2.23	84.35	127.97	214.55

**1.18** The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be eliminated or the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

**1.19** Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (Per cent)	6.73	6.14	7.67	6.93	6.83	6.46
Debt	28,654.91	28,171.06	28,667.74	25,701.20	29,226.67	29,105.56
Turnover <sup>r</sup>	9,932.70	10,623.04	12,530.81	6,630.89	17,295.92	21,669.75
Debt/ Turnover ratio	2.88:1	2.65:1	2.29:1	3.87:1	1.69:1	1.34:1
Interest payments <sup>z</sup>	2,640.15	1,933.47	1,677.11	2,163.73	2,606.69	2,693.44
Accumulated losses (-)	(-) 10,260.12	(-) 10,671.41	(-) 10,232.99	(-) 4,617.69	(-) 5,248.69	(-) 5,019.44

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

**1.20** The above parameters indicate no significant improvement in financial position of the PSUs. The return on capital employed actually decreased from 6.73 per cent in 2004-05 to 6.46 per cent in 2009-10. The debt turnover ratio had improved from 2.88:1 in 2004-05 to 1.34:1 in 2009-10 mainly due to restructuring in power sector companies and inclusion of one major 619-B company namely Haldia

<sup>r</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September of respective years.

<sup>z</sup> As per latest finalised accounts as of 30 September of respective years.

Petrochemicals Limited. Consequently, accumulated loss decreased from ₹ 10,260.12 crore in 2004-05 to ₹ 5,019.44 crore in 2009-10.

**1.21** As per the recommendations of the Tenth Finance Commission the State must adopt a modest rate of return on the investment made in commercial, promotional and commercial & promotional public enterprises at the rate of six *per cent*, one *per cent* and four *per cent* respectively, as dividend on equity. Though 32 PSUs earned an aggregate profit of ₹ 562.87 crore as per their latest finalised accounts only four PSUs (West Bengal Forest Development Corporation Limited, Saraswati Press Limited, New Town Electric Supply Company Limited and West Bengal State Seed Corporation Limited) declared dividend of ₹ 1.31 crore.

### **Conclusion**

**1.22** The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

### **Arrears in finalisation of accounts**

**1.23** The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Number of Working PSUs	71	66	69	72	72
2	Number of accounts finalised during the year	82	79	77	67	74
3	Number of accounts in arrears	85	62 <sup>∞</sup>	53 <sup>∞</sup>	67 <sup>∞</sup>	62 <sup>∞</sup>
4	Average arrears per PSU (3/1)	1.20	0.94	0.77	0.93	0.86
5	Number of Working PSUs with arrears in accounts	40	36	33	43	41
6	Extent of arrears	1 to 12 Years	1 to 6 years	1 to 4 years	1 to 5 Years	1 to 6 Years

<sup>∞</sup> No. of arrear accounts at the end of each year may not tally with previous year due to addition (+) and deletion (-) of working PSUs arising from interchanging of status between working and non working and new additions during the respective years. The net impact on each year are: 2006-07: No. of PSUs (-) 5, No. of accounts (-) 10; 2007-08: No. of PSUs (+) 3, No. of accounts (-) 1; 2008-09: No. of PSUs (+) 3, No. of accounts (+) 9; 2009-10: No. of accounts (-) 3.



**1.24** It would be evident from the above table that there was overall improvement in finalisation of arrears account in 2009-10. Out of 72 working PSUs, only 31 PSUs<sup>Y</sup> had finalised their accounts for the year 2009-10 up to September 2010, as can be seen from **Annexure 2**. The main reasons as stated by the companies for delay in finalisation of accounts is lack of trained staff. The matter of arrear in accounts and their non submission in State Legislature also attracted attention of Committee on papers of the West Bengal Legislative Assembly. They expressed concern and recommended (July 2009) time bound action plan to pull up the arrears.

**1.25** In addition to above, there were also arrears in finalisation of accounts by non working PSUs. Out of 20 non working PSUs, two<sup>∞</sup> had gone into voluntary winding up process. Of the remaining 18 non working PSUs, 16 PSUs had arrears of accounts for one to eight years while two PSUs had finalised their accounts for the year 2009-10.

**1.26** The State Government had invested ₹ 535.83 crore (Equity: ₹ 32.42 crore, loans: ₹ 89.31 crore and grants/ subsidy: ₹ 414.10 crore) in 25 PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts also bears the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

**1.27** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measure was taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (May 2010) with the Chief Secretary/ Finance Secretary to expedite the clearance of backlog in accounts in a time bound manner.

**1.28 In view of above state of arrears, it is recommended that:**

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**

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<sup>Y</sup> Refer Sl nos. A-3, 8, 10, 12, 19, 20, 23, 25, 26, 27, 28, 29, 30, 35, 37, 38, 40, 42, 43, 44, 45, 46, 47, 49, 53, 54, 57, 61, 62, 63 & B-2 of **Annexure 2**.

<sup>∞</sup> Refer Sl nos. C-10, 19 of **Annexure 2**.

- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

**Winding up of non working PSUs**

**1.29** There were 20 non working PSUs (19 companies and one Statutory corporations) as on 31 March 2010. Of these, seven PSUs have commenced voluntary liquidation process. The numbers of non working companies at the end of each year during past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non working companies	14	19	20	22	19
No. of non working corporations	-	1	1	1	1
<b>Total</b>	<b>14</b>	<b>20</b>	<b>21</b>	<b>23</b>	<b>20</b>

The non working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, two non working PSUs incurred an expenditure of ₹ 46.50 lakh towards salary and establishment expenditure. This was financed by the State Government.

**1.30** The stages of closure in respect of non working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1	Total No. of non working PSUs	19	1	20
2	Of (1) above, the No. under			
(a)	Liquidation by Court (liquidator appointed)	-	-	-
(b)	Voluntary winding up process completed	2	-	2
(c)	Voluntary winding up process started	5	-	5
(d)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	7	1	8
(e)	Yet to take any decision for closure	5	-	5

**1.31** The process of voluntary winding up under the Companies Act is much faster and needs to be adopted / pursued vigorously. After completion of voluntary winding up process the name of the four companies were struck off from the register of companies during the year. The Government may make a decision regarding winding up of five non working PSUs where no decision about their continuation or otherwise has been taken after they became non working. The Government may consider setting up a cell to expedite closing down its non working companies.

<b>Accounts comments and Internal Audit</b>
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**1.32** Fifty-three working companies forwarded their audited 64 accounts to PAG during the period from October 2009 to September 2010. Of these, 55 accounts of 45 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	11	111.05	12	123.71	8	545.62
2	Increase in loss	22	61.93	18	100.79	7	114.71
3	Non disclosure of material facts	13	1,231.83	9	196.54	7	174.28
4	Errors of classification	11	2,029.64	6	64.55	16	140.56

During the period 2007-08 to 2009-10 out of 66, 60 and 64 accounts finalised, 43, 49 and 55 accounts respectively were selected for supplementary audit. Aggregate money value in respect of decrease in profit and increase in loss in 2009-10 was mainly due to non compliance of generally accepted accounting policies by three power sector companies viz. West Bengal Power Development Corporation Limited (₹ 490.06 crore), The Durgapur Projects Limited (₹ 101.03 crore) and West Bengal State Electricity Distribution Company Limited (₹ 42.45 crore). Moreover, there was further scope for betterment in the areas of disclosure and errors of classification.

**1.33** During the year 2009-10 statutory auditors had given unqualified certificates for 32 accounts and qualified certificates for 32 accounts. Further, there was scope for improvement in compliance by companies with the accounting standards as there were 83 instances of non compliance in 26 accounts during the year.

**1.34** Some of the important comments in respect of accounts of companies are stated below.

**West Bengal Housing Infrastructure Development Corporation Limited (2008-09)**

- Profit for the year was overstated by ₹ 28.53 crore due to accounting of sale of land in previous year but accounted for in current year.

**West Bengal Fisheries Corporation Limited (2008-09)**

- Loss for the year was understated by ₹ 3.26 crore on account of non provisioning of claim disallowed by Government of West Bengal.

**The West Bengal Power Development Corporation Limited (2009-10)**

- Profit for the year was overstated by ₹ 490.06 crore due to recognition of revenue on fixed cost pending approval by West Bengal Electricity Regulatory Commission (WBERC).

**West Bengal State Electricity Distribution Company Limited (2009-10)**

- Profit for the year 2009-10, was overstated by ₹ 42.45 crore due to accounting of revenue realisable (₹ 43.59 crore) for which WBERC had not passed any order and short accounting of revenue (₹ 1.14 crore) arising from average/ lower billing on defective meters and wrong categorisation of consumers.

**The Durgapur Projects Limited (2009-10)**

- Loss for the year was understated by ₹ 101.03 crore due to non provision for doubtful debt and recognition of other income by writing back of interest charged previously on loan without approval of the lender.

**Shalimar Works (1980) Limited (2008-09)**

- Loss for the year was understated by ₹ 6.90 crore due to non adjustment of cost towards liquidated damages and interest on advance from buyers for supply of three vessels after completion of the contract.

**West Bengal Tourism Development Corporation Limited (2008-09)**

- Profit for the year was overstated by ₹ 4.77 crore on account of non provision for arrears of pay and allowance of the employees and expenditure incurred on an abandoned project coupled with wrong accounting of interest earned on unspent project fund on which Company had no ownership.

**1.35** Similarly, nine working statutory corporations forwarded their 10 accounts to PAG during the period from October 2009 to September 2010. Of these, eight accounts of seven statutory corporations pertained to sole audit by CAG which was completed. Of the remaining two accounts, both were selected for supplementary audit. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	26.56	4	4.83	3	7.44
2.	Increase in loss	5	148.87	5	33.87	5	13.16
3.	Non disclosure of material facts	4	9.57	4	2.88	2	10.17
4.	Errors of classification	-	-	6	86.23	7	119.57

Money value of comments having impact on profit and loss accounts had come down in subsequent years compared to 2007-08 due to persistent follow up for rectification of accounting policies by CAG and statutory auditors and improved compliances with generally accepted accounting policies by the Management. However, there was further scope for betterment in the areas of disclosure and errors of classification.

**1.36** During the year, all 10 accounts received qualified certificates. The compliance of accounting standards by the Statutory corporations remained poor as there were six instances of non compliance in four accounts during the year.

**1.37** Some of the important comments in respect of accounts of statutory corporations are stated below.

**West Bengal Backward Classes Development and Finance Corporation (2008-09)**

- Loss for the year was understated by ₹ 3.15 crore due to short/non provision for doubtful debts, arrear of salary and accounting of income where recoverability was not certain.

**West Bengal Industrial Infrastructure Development Corporation (2008-09)**

- Profit for the year was overstated by ₹ 6.84 crore due to non accounting of loss on sale of land and non provision for bad debts and arrear of salary of the employees.

**South Bengal State Transport Corporation (2008-09)**

- Loss for the year was understated by ₹ 4.62 crore due to non accounting of liability for employee compensation (₹ 4.22 crore) and non charging off intangible asset (₹ 40 lakh).

**North Bengal State Transport Corporation (2006-07)**

- Loss for the year was understated to the extent of ₹ 5.25 crore due to non provision for doubtful receivables, employees share of provident fund,

interest payable on loan and liability for compensation awarded by Motor Accident Claim Tribunal.

**1.38** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 25 companies<sup>£</sup> for the year 2008-09 and 16 companies<sup>¤</sup> for the year 2009-10 are given below.

Sl. No	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to Sl. No. of the companies as per Annexure 2
1	Non fixation of minimum/ maximum limits of store and spares	21	A-4, A-10, A-16, A-17, A-26, A-27, A-28, A-29, A-30, A-36, A-38, A-39, A-40, A-45, A-51, A-52, A-60, A-61, A-63, C-2, C-14
2	Absence of internal audit system commensurate with the nature and size of business of the company	9	A-4, A-13, A-23, A-25, A-52, A-53, A-61, A-63, C-2
3	Non maintenance of cost record	22	A-4, A-6, A-10, A-14, A-16, A-19, A-23, A-26, A-29, A-30, A-35, A-39, A-43, A-51, A-53, A-54, A-56, A-60, A-61, A-63, C-14, C-18
4	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	19	A-7, A-8, A-10, A-12, A-16, A-26, A-27, A-28, A-29, A-30, A-35, A-36, A-38, A-40, A-43, A-56, A-63, C-14, C-18
5	Absence of clear credit policy and policy for providing doubtful debts/ write off and liquidated damages.	15	A-7, A-10, A-16, A-26, A-27, A-28, A-29, A-38, A-42, A-51, A-54, A-56, A-63, C-14, C-18
6	Absence of security policy for software / hardware and backup of past records	8	A-8, A-10, A-12, A-23, A-30, A-39, A-52, A-56
7	Absence of effective system of monitoring of advances/ outstanding dues	16	A-7, A-10, A-16, A-17, A-19, A-28, A-30, A-36, A-39, A-41, A-51, A-52, A-54, A-56, C-2, C-18
8	Absence of vigilance department or existence/ effectiveness of delineated fraud policy.	26	A-10, A-12, A-17, A-19, A-23, A-25, A-27, A-28, A-30, A-35, A-37, A-38, A-39, A-40, A-42, A-43, A-45, A-51, A-54, A-56 A-57, A-60, A-63, C-2, C-12, C-18

<sup>£</sup>Sl. no. A-4, 7, 8, 10, 11, 12, 13, 16, 17, 19, 23, 26, 29, 35, 39, 51, 52, 54, 56, 57, 60, 61; C-2, 12 & 14 in **Annexure 2**.

<sup>¤</sup>Sl. no. A-12, 19, 25, 27, 28, 30, 35, 37, 38, 40, 42, 43, 45, 53, 63; & C-18 in **Annexure 2**.

<b>Status of placement of Separate Audit Reports</b>
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**1.39** The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	West Bengal State Warehousing Corporation	2007-08	2008-09	28.01.2010	Not stated by the Government
2	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation	2006-07	2007-08	Audit in progress	
3	West Bengal Backward Classes Development and Finance Corporation	2007-08	2008-09	07.05.2010	Not stated by the Government
4	South Bengal State Transport Corporation	2007-08	2008-09	06.07.2010	Not stated by the Government
5	West Bengal Minorities Development and Finance Corporation	2007-08	2008-09	02.11.2010	
6	Calcutta State Transport Corporation	2007-08	2008-09	Audit in progress	
7	North Bengal State Transport Corporation	2006-07	2007-08	Audit in progress	
8	West Bengal Financial Corporation	2008-09	2009-10	Audit in progress	
9	West Bengal Industrial Infrastructure Development Corporation	2007-08	2008-09	Audit in progress	
10	West Bengal Electricity Regulatory Commission	2008-09	2009-10	Audit in progress	

The matter of placement of SARs in Legislature was taken up with the highest authority of the Government by the CAG. Consequently, there is a marked improvement in placement of SARs as would be evident from the table, only four SARs were not placed compared to 16 SARs in 2008-09.

<b>Disinvestment, Privatisation and Restructuring of PSUs</b>
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**1.40** The State Government undertook (August 2007) second phase Public Sector Restructuring programme with the financial assistance from Department of International Development, Government of United Kingdom. The second phase to

be implemented from 2007-08 to 2010-11, will cover PSUs in the power and transport sector as well as 23 PSUs in other sectors. Among them the Government had decided to disinvest majority share in four<sup>f</sup> PSUs and retained 10<sup>♦</sup> PSUs after restructuring and business optimisation process. Though reform in power sector companies were completed in 2009-10, the further development of reform for transport and other sectors are awaited.

### Reforms in Power Sector

**1.41** The State has West Bengal Electricity Regulatory Commission (WBERC) formed in 6 January, 1999 under the Section 17 of erstwhile Electricity Regulatory Commission Act, 1998<sup>◊</sup> with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2009-10, WBERC issued 26 orders (six on annual revenue requirements and 20 on others).

**1.42** Memorandum of Understanding (MOU) was signed in March, 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2010)
<b>Commitments made by the State Government</b>			
1	Reduction in transmission and distribution losses	20 per cent by 2005	25.27 per cent
2	100 per cent electrification of all villages	By March 2007	37,467 mouzas (98.83 per cent) were electrified.
3	100 per cent metering of all consumers	December 2002 (Revised)	99.69 per cent achieved.
4	West Bengal Electricity Regulatory Commission (WBERC)		
	i) Establishment of WBERC	NA	Constituted in January 1999.
	ii) Implementation of tariff orders issued by WBERC during the year		Tariff orders of 2009-10 was implemented.

<sup>f</sup> W.B. Film Development Corporation Ltd., The Kalyani Spinning Mills Ltd., West Dinajpur Spinning Mills Ltd. and W.B. Handicraft Dev. Corpn. Ltd.

<sup>♦</sup> W.B. Mineral Dev. & Trading Corpn. Ltd., W.B. Pharmaceutical & Phytochemical Dev. Corpn. Ltd., The Infusion (India) Ltd., W.B. Dairy & Poultry Dev. Corpn. Ltd., Electro-Medical & Allied Industries Ltd., W.B. Small Industries Dev. Corpn. Ltd., W.B. Tourism Dev. Corpn. Ltd., W.B. State Minor Irrigation Corpn. Ltd., W.B. Agro Industries Corpn. Ltd., W.B. State Warehousing Corporation.

<sup>◊</sup> Now Section 82(1) of the Electricity Act 2003.



Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2010)
<b>Commitments made by the Central Government</b>			
5	Funds under Accelerated Power Development and Reform Programme (APDRP)	NA	₹ 679.17 crore received upto 2009-10.
6	Waiver of late payment surcharge on dues to CPSUs after securitisation	NA	No such case occurred.
7	Payment of reform-based incentives	NA	No payment was received during the year.
<b>General</b>			
8	Monitoring of MOU		Monthly progress reports were submitted to the State Government by WBSEDCL.

Though WBSEDCL claimed to achieve target of 100 *per cent* and 99.69 *per cent* metering of all distribution feeders and consumers respectively, aggregate transmission and distribution loss recorded in 2009-10 at 25.27 *per cent* was way above the target agreed to in the MOU.