

# Chapter-I

## 1 Overview of State Public Sector Undertakings

### 1.1 Introduction

**1.1.1** 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 27 working State PSUs<sup>1</sup> who had finalised their annual accounts for 2011-12 as of September 2012, registered a turnover of ₹ 29,457.81 crore during 2011-12, which was equal to 5.36 *per cent* of State Gross Domestic Product (GDP)<sup>2</sup> for 2011-12. These 27 PSUs incurred a loss of ₹ 286.23 crore in the aggregate for 2011-12. The State PSUs had employed an aggregate of 63,851<sup>3</sup> employees as of 31 March 2012. The State PSUs do not include Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in other Audit Reports for the State.

**1.1.2** As on 31 March 2012, there were 89 PSUs as per the details given below. Of these, only one Company<sup>4</sup> was listed on the stock exchange(s).

**Table 1.1 : Total number of PSUs**

| Type of PSUs                      | Working PSUs | Non-working PSUs <sup>5</sup> | Total     |
|-----------------------------------|--------------|-------------------------------|-----------|
| Government companies <sup>6</sup> | 65           | 14                            | 79        |
| Statutory corporations            | 09           | 01                            | 10        |
| <b>Total</b>                      | <b>74</b>    | <b>15</b>                     | <b>89</b> |

**1.1.3** During the year 2011-12, audit of West Bengal Swarojgar Corporation Limited, DPL Coke Oven Limited and Paschimbanga Agri Marketing Corporation Limited were added to our audit jurisdiction. Further, two<sup>7</sup> companies were amalgamated during the year while three were wound up.

### 1.2 Audit Mandate

**1.2.1** Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by the Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the paid

<sup>1</sup> Twenty six Government companies and one Statutory corporation.

<sup>2</sup> Advance Estimate at current prices - ₹ 5,49,876 crore.

<sup>3</sup> As per the details provided by 76 PSUs. Remaining 13 PSUs did not furnish the details.

<sup>4</sup> WEBFIL Limited.

<sup>5</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>6</sup> Includes three 619-B companies.

<sup>7</sup> West Bengal Rural Energy Development Corporation Limited was amalgamated with West Bengal State Electricity Distribution Company Limited from 13 October 2011.

up capital is held in any combination by the 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.

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

**1.2.3** Audit of Statutory corporations is governed by their respective legislations. Out of 10 Statutory corporations, the 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 and West Bengal Financial Corporation the audit is conducted by Chartered Accountants and supplementary audit by the CAG, while only transaction audit of Great Eastern Hotel Authority is undertaken by the CAG.

### 1.3 Investment in State PSUs

**1.3.1** As on 31 March 2012, the investment (capital and long term loans)<sup>8</sup> in 89 PSUs (including 619-B companies) was ₹ 40,697.68 crore as per details given below.

Table 1.2 : Aggregate investment in PSUs

| Type of PSUs     | Government companies |                  |                  | Statutory corporations |                 |                 | Grand Total      |
|------------------|----------------------|------------------|------------------|------------------------|-----------------|-----------------|------------------|
|                  | Capital              | Long Term Loans  | Total            | Capital                | Long Term Loans | Total           |                  |
| Working PSUs     | 12,022.90            | 26,507.47        | 38,530.37        | 493.35                 | 1,286.41        | 1,779.76        | 40,310.13        |
| Non-working PSUs | 94.59                | 292.40           | 386.99           | -                      | 0.56            | 0.56            | 387.55           |
| <b>Total</b>     | <b>12,117.49</b>     | <b>26,799.87</b> | <b>38,917.36</b> | <b>493.35</b>          | <b>1,286.97</b> | <b>1,780.32</b> | <b>40,697.68</b> |

Source: Audited accounts of State PSUs for 2011-12 where available, or information furnished by the PSUs

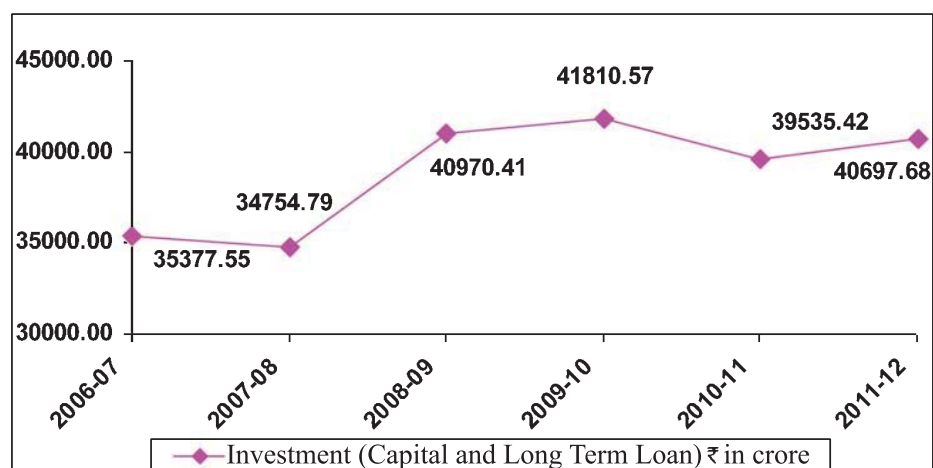
A summarised position of Government investment in State PSUs is detailed in **Annexure 1.1.**

**1.3.2** As on 31 March 2012, of the total investment in State PSUs, 99 per cent was in working PSUs and the remaining one per cent was in non-working PSUs. This total investment consisted of 30.98 per cent towards capital and 69.02 per cent in long term loans. The investment has grown by

<sup>8</sup>Includes investment (capital and long-term loans) by the State Government, the Central Government and others.

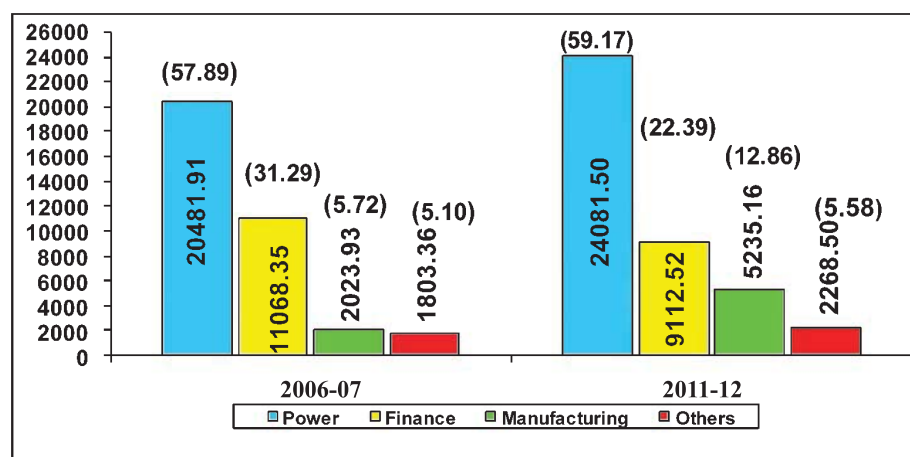
15.17 per cent from ₹ 35,377.55 crore in 2006-07 to ₹ 40,697.68 crore in 2011-12 as shown in the graph below.

Chart 1.1 : Total investment in State PSUs



**1.3.3** Investment and percentage of investment out of total investment thereof in various important sectors at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart. The investment in PSUs was concentrated in power and finance sectors which ranged between 57.89 to 59.17 per cent (power) and 31.29 to 22.39 per cent (finance) during the six years ending 31 March 2012.

Chart 1.2 : Sectorwise investment in State PSUs



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

In absolute terms, investments rose by ₹ 3,599.59 crore in power sector while it declined by ₹ 1,955.83 crore in finance sector.

## 1.4 Budgetary outgo, grants/ subsidies, guarantees and loans

1.4.1 Details regarding budgetary outgo from the State Government 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 1.4**. The summarised details are given below for three years ended 2011-12.

**Table 1.3 : Budgetary outgo to PSUs for three years**

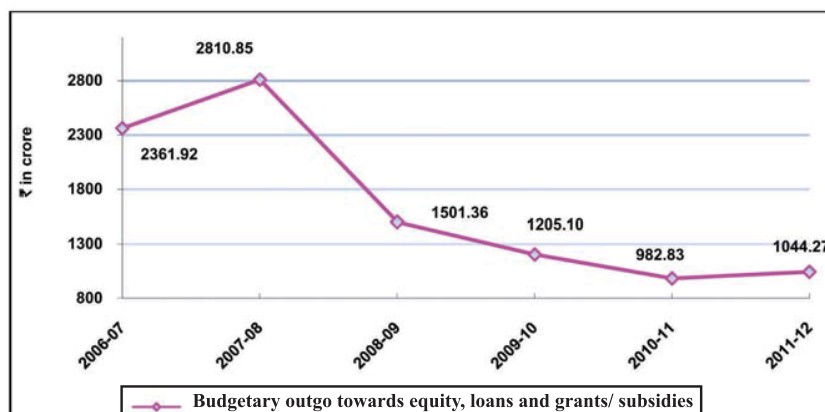
(Amount ₹ in crore)

| Sl. No. | Particulars                        | 2009-10          |           | 2010-11          |           | 2011-12          |           |
|---------|------------------------------------|------------------|-----------|------------------|-----------|------------------|-----------|
|         |                                    | No. of PSUs      | Amount    | No. of PSUs      | Amount    | No. of PSUs      | Amount    |
| 1       | Equity Capital outgo from budget   | 15               | 520.44    | 12               | 66.84     | 14               | 85.83     |
| 2       | Loans outgo from budget            | 26               | 222.32    | 29               | 286.57    | 30               | 444.72    |
| 3       | Grants/ Subsidy outgo <sup>9</sup> | 24               | 462.34    | 28               | 629.42    | 17               | 513.72    |
| 4       | Total Outgo (1+2+3)                | 47 <sup>10</sup> | 1,205.10  | 52 <sup>10</sup> | 982.83    | 61 <sup>10</sup> | 1,044.27  |
| 5       | Loans converted into Equity        | 1                | 508.72    | -                | -         | 1                | 15.23     |
| 6       | Guarantees issued                  | 11               | 3,361.33  | 7                | 578.21    | 3                | 400.56    |
| 7       | Guarantee Commitment               | 21               | 26,327.22 | 19               | 24,438.60 | 17               | 24,232.98 |

Source: As provided by PSUs concerned.

1.4.2 Details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below.

**Chart 1.3 : Budgetary allocation towards equity, loans and grants/ subsidies in State PSUs**



1.4.3 Budgetary outgo towards equity, loans and grants/ subsidies has declined from ₹ 2,361.92 crore in 2006-07 to ₹ 1,044.27 crore in 2011-12 due to increase in number of non-working companies and restructuring of PSUs. The significant beneficiaries of subsidy and grants from the State budget were the five State transport undertakings and financing sector, which received 80.80 per cent (₹ 415.10 crore) and 11.45 per cent (₹ 58.42 crore) of the total

<sup>9</sup> Amount represents outgo from the State Budget only.

<sup>10</sup> The figure represents number of PSUs which have received outgo from the budget under one or more heads i.e. equity, loans, grants/ subsidies.

amount of subsidy and grants (₹ 513.72 crore) respectively. The majority of loans given from the budget was to the State transport undertakings and manufacturing sector, which received 13.08 *per cent* (₹ 58.16 crore) and 77.34 *per cent* (₹ 343.95 crore) of the total amount of loans (₹ 444.72 crore) respectively.

**1.4.4** PSUs are liable to pay guarantee commission at the rate of one *per cent per annum* to the State Government on the maximum amount of loan guaranteed irrespective of the amount availed or outstanding as on 1 April of each year till liquidation of loan. During 2011-12, the State Government had guaranteed loans aggregating ₹ 400.56 crore to three PSUs. At the end of 2011-12, guarantee commitment by the Government was ₹ 24,232.98 crore in respect of 17 PSUs. During the year West Bengal State Electricity Transmission Company Limited paid guarantee commission of ₹ 0.39 crore to the State Government while ₹ 127.65 crore were outstanding from 19 PSUs.

## 1.5 Reconciliation with Finance Accounts

**1.5.1** Figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with those 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 2012 is stated below:

**Table 1.4 : Reconciliation of differences with Finance Accounts**

| (₹ in crore)              |                                |   |            |
|---------------------------|--------------------------------|---|------------|
| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of PSUs <sup>11</sup> | Difference |
| Equity                    | 9,333.83                       | 10,512.10                                   | 1,178.27   |
| Loans                     | 11,374.03                      | 8,398.74                                    | 2,975.29   |
| Guarantees                | 10,192.46                      | 24,232.98                                   | 14,040.52  |

**1.5.2** We observed such differences in respect of 56 PSUs and some of these were pending reconciliation since many years. No action has been taken for reconciliation even though the matter was brought to the notice of the concerned administrative departments and the managements of the concerned PSUs earlier. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

**1.5.3** The State Government did not formulate any dividend payment policy for PSUs. Though 34 PSUs had earned profits as per their latest finalised accounts, only six PSUs (West Bengal Forest Development Corporation Limited, Saraswaty Press Limited, New Town Telecom Infrastructure Development Company Limited, West Bengal Financial Corporation, Mackintosh Burn Limited and West Bengal Text Book Corporation Pvt. Limited) declared dividend of ₹ 2.92 crore for the financial year 2011-12. As there is no specific dividend policy, the State Government should formulate a dividend policy to yield reasonable return on the investment made in all the profit earning companies.

<sup>11</sup> Figures from annual accounts for 2011-12, where finalised, or information furnished by the State PSUs.

## 1.6 Arrears in finalisation of accounts

**1.6.1** 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 details of progress made by working PSUs in finalisation of accounts by September immediately following the close of each financial year.

**Table 1.5 : Arrears of Accounts of the State PSUs**

| Sl. No. | Particulars                                     | 2007-08 | 2008-09          | 2009-10          | 2010-11          | 2011-12          |
|---------|---|---------|------------------|------------------|------------------|------------------|
| 1       | Number of working PSUs                          | 69      | 72               | 72               | 72               | 74               |
| 2       | Number of accounts finalised during the year    | 77      | 67               | 74               | 69               | 73               |
| 3       | Number of accounts in arrears                   | 53      | 67 <sup>12</sup> | 62 <sup>12</sup> | 59 <sup>12</sup> | 69 <sup>12</sup> |
| 4       | Average arrears per PSU (3/1)                   | 0.77    | 0.93             | 0.86             | 0.82             | 0.89             |
| 5       | Number of working PSUs with arrears in accounts | 33      | 43               | 41               | 41               | 46               |
| 6       | Extent of arrears (years)                       | 1 to 4  | 1 to 5           | 1 to 6           | 1 to 7           | 1 to 3           |

**1.6.2** It would be evident from the above table that in 2011-12, there was no improvement in arrears of accounts over the previous two years. It would be seen from **Annexure 1.3** that till September 2012, the accounts of 46 PSUs were in arrears, while accounts of a PSU<sup>13</sup> were not yet due. Six<sup>14</sup> PSUs had arrears in accounts for as much as three years aggregating to 18 arrear accounts. Three of these PSUs had each submitted arrears accounts for only one year during October 2011 to September 2012, the remaining three had not even submitted even one year's arrear accounts in the same period. The PSUs having arrears of accounts need to further take effective measures for early clearance of backlog of the remaining accounts and ensure that the same are up to date.

**1.6.3** There were also arrears in finalisation of accounts by non-working PSUs. Out of 15 non-working PSUs, 14 PSUs had arrears of accounts for one to eight years. While no decision had as yet been taken about the continuation or closure of six non-working Government companies, the liquidation process in respect of the remaining eight had not started. 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 names of the three<sup>15</sup> companies were struck off from the Register of

<sup>12</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: 2008-09: No. of PSUs (+) 3, No. of accounts (+) 9; 2009-10: No. of accounts (-) 3; 2010-11: No. of accounts (-) 6; 2011-12: No. of accounts (+) 9.

<sup>13</sup> Refer Serial No. A-10 of **Annexure 1.3**.

<sup>14</sup> Refer Serial Nos. A-6, 12, 18, 33, 36 & B-7 of **Annexure 1.3**.

<sup>15</sup> Webel Capacitors Limited, Webel Power Electronics Limited and Webel Toolsind Limited.

Companies by the Registrar of Companies, Government of India during the year. Delays in winding up of the remaining closed companies were attributed (September 2012) by the Government to the Government's nominee directors' unwillingness to furnish the requisite indemnity bond required for winding up of these companies. The sole closed corporation was not wound up as all accounts related to it were not yet closed. The Government may take a decision regarding winding up of non-working PSUs in view of their non functioning.

**1.6.4** The State Government has invested ₹ 1,001.81 crore (equity: ₹ 76.24 crore, loans: ₹ 183.44 crore and grants/ subsidy: ₹ 742.13 crore) in 46 working PSUs during the years from 2004-05 to 2011-12 for which accounts have not been finalised as detailed in **Annexure 1.5**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments made and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. 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.

**1.6.5** 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. The concerned administrative departments and officials of the Government were informed every quarter by the PAG/ AG, of the arrears in finalisation of accounts, but no remedial measure was taken. As a result of this, the net worth of these PSUs could not be assessed in audit. Arrears in accounts were addressed to (July 2012) the Chief Secretary/ Finance Secretary by the AG to expedite clearance of backlog in accounts in a time bound manner.

**1.6.6** *In view of above state of arrears, it is recommended that – the Government may monitor and ensure timely finalisation of Accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.*

## **1.7 Performance of PSUs**

**1.7.1** Out of 74 working PSUs, 27 PSUs (Government companies : 26, Statutory corporation : one) had finalised their annual accounts for 2011-12 till September 2012. The investment (capital and long-term loans) in these 27 PSUs as on 31 March 2012 was ₹ 11,331.75 crore, which represented 28 per cent of the investment in all State PSUs.

**1.7.2** The financial position and working results in respect of these 27 PSUs, who had finalised their annual accounts for 2011-12, are detailed in **Annexures 1.2, 1.6 and 1.8**. The table below provides the details of profit/ loss and turnover of these 27 PSUs and State GDP for 2010-11 and 2011-12:

**Table 1.6 : Statement showing profit/ loss and turnover of 27 PSUs and State GDP**

| Particulars                         | ₹ in crore) |            |
|-------------------------------------|-------------|------------|
|                                     | 2010-11     | 2011-12    |
| Turnover                            | 25,071.80   | 29,457.81  |
| State GDP <sup>16</sup>             | 4,73,890    | 5,49,876   |
| Percentage of Turnover to State GDP | 5.29        | 5.36       |
| Net profit (+)/ loss (-)            | (-)322.49   | (-) 286.23 |

**1.7.3** Out of the 27 PSUs that had finalised their accounts for 2011-12, 13 PSUs earned an aggregate profit of ₹ 674.35 crore, while 14 PSUs incurred a loss of ₹ 960.58 crore. The major contributors to profit were West Bengal Power Development Corporation Limited (₹ 380.30 crore), West Bengal State Electricity Transmission Company Limited (₹ 171.67 crore) and West Bengal State Electricity Distribution Company Limited (₹ 73.48 crore). Heavy losses were incurred by Haldia Petrochemicals Limited (₹ 746.39 crore), The Durgapur Projects Limited (₹ 87.49 crore) and The Calcutta Tramways Company (1978) Limited (₹ 52.58 crore).

**1.7.4** Some other key parameters pertaining to the 27 State PSUs who had finalised their accounts for 2011-12 are given below:

**Table 1.7 : Statement of key parameters pertaining to 27 PSUs and State GDP**

| Particulars                                    | ₹ in crore)        |                     |
|--|--------------------|---------------------|
|  | 2010-11            | 2011-12             |
| Return on Capital Employed ( <i>per cent</i> ) | 2,003.95<br>(7.60) | 2,472.26<br>(10.44) |
| Debt   | 23,837.52          | 25,408.89           |
| Turnover <sup>17</sup>                         | 25,071.80          | 29,457.81           |
| Debt/ Turnover Ratio                           | 0.95:1             | 0.86:1              |
| Interest Payments <sup>18</sup>                | 2,347.32           | 2,758.49            |
| Accumulated Losses (-)/ Profits (+)            | (-) 817.70         | (-) 1,123.38        |

**1.7.5** Out of 74 working PSUs, 47 PSUs (including eight statutory corporations) had not finalised their accounts for 2011-12. The financial position and working results in respect of these 47 PSUs, based on the latest finalised annual accounts, are indicated in **Annexures 1.3, 1.7 and 1.9**. In view of the fact that the arrears in annual accounts varies from PSU to PSU, no comparison or analysis is being attempted.

## 1.8 Internal Audit and Internal Control System

**1.8.1** 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

<sup>16</sup>Quick estimates for 2010-11 and advance estimates for 2011-12 at current prices.

<sup>17</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September of respective years.

<sup>18</sup> As per latest finalised accounts as of 30 September of respective years.



internal audit/ internal control system in respect of 16 companies for the year 2011-12 are given below:

**Table 1.8 : Deficiencies in internal control system**

| 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 1.2 |
|---------|---|---|---|
| 1       | Non-fixation of minimum/ maximum limits of store and spares   | 5   | A-1, A-8, A-13, A-14 & A-26.                              |
| 2       | Absence of internal audit system commensurate with the nature and size of business of the company   | 1   | A-8.  |
| 3       | Non maintenance of cost records   | 3   | A-9, A-10 & A-13.   |
| 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 | 6   | A-8, A-9, A-10, A-11, A-14 & A-26.                        |
| 5       | Absence of clear credit policy and policy for providing doubtful debts/ write off and liquidated damages.   | 6   | A-7, A-8, A-9, A-10, A-22 & A-26.                         |
| 6       | Absence of security policy for software / hardware and backup of past records   | 3   | A-8, A-14 & A-26.   |
| 7       | Absence of effective system of monitoring of advances/ outstanding dues   | 5   | A-7, A-8, A-9, A-10 & A-22.                               |
| 8       | Absence of vigilance department or existence/ effectiveness of delineated fraud policy.   | 9   | A-1, A-7, A-8, A-9, A-11, A-13, A-14, A-22 & A-26.        |

Source: Statutory Auditors' report of respective PSUs

## 1.9 Comments of the CAG of India and Statutory Auditors on Accounts of PSUs

**1.9.1** Some of the important comments of the CAG of India, under Section 619 (4) of the Companies Act, in respect of accounts finalised during the year, are as follows:

### West Bengal Power Development Corporation Limited (2010-11)

- Profit for the year was overstated by ₹ 474.87 crore due to inclusion of claim towards Fuel and Power Purchase Cost Adjustment (₹ 149.06 crore), excess credit (₹ 324.30 crore) of return on equity in the profit and loss account and non-charging of depreciation (₹ 1.51 crore) on assets put to use but not capitalised.

### The Durgapur Projects Limited (2011-12)

- Loss for the year 2011-12 was understated by ₹ 30.43 crore due to non inclusion of reserve for unforeseen exigencies (₹ 5.04 crore) required as per WBERC regulation and non provision of claim towards development of infrastructure (₹ 25.39 crore).

**West Bengal Housing Infrastructure Development Corporation Limited (2010-11)**

- Profit for the year 2010-11 was overstated by ₹ 23.34 crore due to non inclusion of compensation payable to the allottees for delayed delivery of plots while profit for the same year was understated by ₹ 10.92 crore due to non-provision of income from sale of land (₹ 8.89 crore), non-adjustment of cost price against sale of flats registered between August 2008 and March 2010 (₹ 0.42 crore) and overvaluation of cost of sales (₹ 11.61 crore).

**Haldia Petrochemicals Limited (2011-12)**

- Loss for the year was understated by ₹ 15.25 crore due to non provision of fixed assets retired from active use.

**West Bengal Infrastructure Development Finance Corporation Limited (2010-11)**

- Profit for the year 2010-11 was overstated by ₹ 14.00 crore due to non provision of guarantee commission claimed.

**Kalyani Spinning Mills Limited (2009-10)**

- Loss for the year was understated by ₹ 9.76 crore due to non- provision of liability against the dues of Cotton Corporation of India and arrear salary and wages of the employees of the Company for the period April 2008 to November 2009.

**West Bengal Tourism Development Corporation Limited (2010-11)**

- Profit for the year was overstated by ₹ 4.50 crore due to wrong booking of interest (earned on investment of project surplus funds) as income.

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

- Loss for the year was understated by ₹ 5.16 crore due to non provision of unadjusted receivables (₹ 2.81 crore), unrealised dues (₹ 1.55 crore) and miscellaneous expenditure (₹ 0.80 crore).

**West Bengal Industrial Infrastructure Development Corporation (2009-10)**

- Profit for the year was overstated by ₹ 1.24 crore due to wrong accounting of receipt against allotment of land and shed (₹ 0.89 crore) and non provision of unrecoverable water charges, maintenance and service charges (₹ 0.35 crore).

**1.9.2** An important comment of the Statutory Auditors, in respect of accounts finalised during the year is as follows:

**West Bengal Industrial Development Corporation Limited (2010-11)**

- Profit for the year 2010-11 was overstated by ₹ 117.94 crore due to non provision of 'doubtful assets' classified as per RBI norms.

**1.10 Placement of Separate Audit Reports (SARs)**

**1.10.1** The following table shows the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

**Table 1.9 : Status of Separate Audit Reports**

| 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<br>2009-10<br>2010-11                  | 28.01.2010<br>11.05.2011<br>30.03.2012        | Not furnished by the Government               |
| 2       | West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation | 2006-07                                     | 2007-08<br>2008-09<br>2009-10                  | 10.01.2011<br>30.03.2012<br>Audit in progress | Not furnished by the Government               |
| 3       | West Bengal Backward Classes Development and Finance Corporation                      | 2008-09                                     | 2009-10<br>2010-11                             | 21.10.2011<br>Audit in progress               | Not furnished by the Government               |
| 4       | South Bengal State Transport Corporation  | 2009-10                                     | 2010-11  | Audit in progress                             | -   |
| 5       | West Bengal Minorities Development and Finance Corporation                            | 2007-08                                     | 2008-09<br>2009-10<br>2010-11                  | 02.11.2010<br>26.08.2011<br>Audit in progress | Not furnished by the Government               |
| 6       | Calcutta State Transport Corporation  | 2008-09                                     | 2009-10  | Audit in progress                             | -   |
| 7       | North Bengal State Transport Corporation  | 2007-08                                     | 2008-09  | 07.06.2012                                    | Not furnished by the Government               |
| 8       | West Bengal Financial Corporation   | 2010-11                                     | 2011-12  | Audit in progress                             | -   |
| 9       | West Bengal Industrial Infrastructure Development Corporation                         | 2007-08                                     | 2008-09<br>2009-10<br>2010-11                  | 09.11.2010<br>30.03.2012<br>Audit in progress | Not furnished by the Government               |
| 10      | West Bengal Electricity Regulatory Commission   | 2010-11                                     | 2011-12  | Audit in progress                             | -   |

Source: As provided by respective PSUs.

It would be observed from the table that 11 SARs were not placed for periods ranging from three months to 27 months though the matter was taken up earlier by the PAG with the Chief Secretary/ Principal Secretary.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the Legislature.

## **1.11 Follow-up action on Audit Reports**

### ***1.11.1 Outstanding departmental replies on paragraphs appeared in the Audit Reports***

Reports of the CAG contain observations arising out of scrutiny of accounts and transactions of various Government companies and Statutory corporations. Therefore, it is necessary that the executives give appropriate and timely response to them. Finance Department, Government of West Bengal instructed (October 2009) all the administrative departments to submit explanatory notes to the West Bengal Legislative Assembly with corrective/remedial action taken or proposed to be taken on the observations included in the Audit Reports within two months from the date of presentation of laying of the Audit Reports in the State Legislature.

Though the Audit Reports for the years 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 were presented to the State Legislature in August 2005, July 2006, March 2007, March 2008, July 2009, July 2010, September 2011 and September 2012 respectively, 14 departments, whose activities were commented upon did not submit their explanatory notes on 43 out of 196 paragraphs/ reviews as of September 2012, as indicated in **Annexure 1.10**. It would be seen from the annexure that the departments largely responsible for non-submission of explanatory notes were Power and Non-Conventional Energy Sources, Commerce and Industries, Public Enterprises, Transport, Information Technology and Water Investigation & Development. Government failed to respond to even paragraphs/ reviews highlighting important issues like misappropriation, fraud, system failure, mismanagement, non-adherence to extant provisions, etc.

### ***1.11.2 Outstanding action taken notes on the Reports of the Committee of Public Undertakings (COPU)***

Reports of the COPU presented to the Legislature contain recommendations and observations on which administrative departments are required to submit their Action Taken Notes (ATNs) within six weeks from the date of receipt of COPU recommendations. Even after lapse of two to 50 months, 10 departments did not furnish the ATNs on 42 recommendations relating to 19 COPU Reports presented (July 2008 - July 2012) to the State Legislature (**Annexure 1.11**).

### ***1.11.3 Response to the Inspection reports, draft paragraphs and reviews***

Irregularities/ shortcomings noticed during the periodical inspections of Government companies/ corporations and not settled on the spot are communicated through the Inspection Reports (IRs) to the respective heads of PSUs and the concerned departments of the State Government. The heads of PSUs are required to furnish their replies to the IRs through the respective heads of the departments within a period of six weeks. A half yearly report is

being sent to the Principal Secretary/ Secretary of the departments in respect of pending IRs to facilitate monitoring of the audit observations in those IRs.

Inspection Reports issued up to September 2012 pertaining to 41 PSUs disclosed that 102 paragraphs relating to 54 IRs remained outstanding at the end of September 2012. The department-wise break up of IRs and audit observations as of September 2012 is given in **Annexure 1.12**. In order to expedite settlement of the outstanding paragraphs, Audit Committees were constituted in 16 out of 23 departments. These Committees were to meet, at least, once every month. However, during October 2011 to September 2012, no such committee meeting was held.

Similarly, draft paragraphs and performance reviews on the working of PSUs are forwarded to the Principal Secretary/ Secretary of the administrative department concerned demi-officially seeking confirmation of the facts and figures and their comments thereon within a period of six weeks. It was, however, noticed that nine draft paragraphs forwarded to five departments during April to July 2012, as detailed in **Annexure 1.13** had not been replied so far (December 2012). Besides, two departments had not furnished separate replies to the performance audits (December 2012).

It is recommended that the Government should ensure that **(a)** procedure exists for action against the officials who failed to send replies to inspection reports/ draft paragraphs/ reviews and ATNs on recommendations of COPU, as per the prescribed time schedule; **(b)** action to recover loss/ outstanding advances/ overpayment is taken within the prescribed period and **(c)** system of responding to audit observations is revamped.