

Overview

1 Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2012, the State of West Bengal had 74 working PSUs (65 companies and 9 Statutory corporations) and 15 non-working PSUs (14 companies and one corporation), which employed 0.64 lakh employees. The 27 working PSUs registered a turnover of ₹ 29,457.81 crore as per their finalised accounts for 2011-12. This turnover was equal to 5.36 per cent of State GDP indicating an important role played by State PSUs in the economy.

Investments in PSUs

As on 31 March 2012, the investment (capital and long term loans) in 89 PSUs was ₹ 40,697.68 crore. It grew by over 15.17 per cent from ₹ 35,377.55 crore in 2006-07. Power and finance sectors accounted for nearly 81.56 per cent of total investment in 2011-12. The Government contributed ₹ 1,044.27 crore towards equity, loans and grants/ subsidies during 2011-12.

Performance of PSUs

Out of 74 working PSUs, 27 had prepared accounts for 2011-12. During the year 2011-12, 13 PSUs earned profit of ₹ 674.35 crore and 14 PSUs incurred loss of ₹ 968.58 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).

Arrears in accounts, quality of accounts and winding up

The quality of accounts of PSUs needs improvement. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

The accounts of 46 working PSUs were in arrears for periods ranging from one to three years. There were 15 non-working PSUs of which one had finalised their accounts for the year 2011-12 while 14 PSUs had arrears of accounts for one to six years. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

Placement of SARs

There was delay in placement of SARs in State Legislature by three to 27 months in respect of 11 SARs. The Government should ensure prompt placement of SARs in the Legislature.

(Chapter 1)

2 Performance audits relating to Government Companies

Performance Audits relating to 'Performance of power transmission utility in West Bengal' in respect of West Bengal State Electricity Transmission Company Limited and 'Performance and workings for the period 2007-08 to 2011-12' of West Bengal Tourism Development Corporation Limited were conducted. Executive summary of audit findings of '*Performance of power transmission utility in West Bengal*' is given below:

Introduction

National Electricity Policy prepared by Government of India in February 2005 envisaged that transmission system required adequate and timely investment besides efficient and co-ordinated action to develop a robust and integrated power system for the country. Transmission of electricity and grid operations in West Bengal are managed and controlled by West Bengal State Electricity Transmission Company Limited, incorporated on 16 February 2007.

As on 31 March 2012, the Company had transmission network of 11,095.44 circuit kilometres and 103 sub-stations (SSs) (including three switching SS) with installed capacity of 19,236.10 Mega Volt Ampere (MVA). The Company's system availability in 2007-12 was 99.71 per cent.

Planning and Development

The National Electricity Plan (XI Plan) proposed construction of seven 400 KV and four 220 KV lines by the Company. Two out of seven 400 KV lines were completed by WBSEB and two lines were completed by WBPDC. None of the remaining projects could be completed by the Company during review period. Out of 32 projects envisaged (June 2006) in the Perspective Plan, only one project could be completed, 14 projects have been dropped; seven projects have been postponed to the XII Plan and one project is yet to be taken up. Land acquisition was pending for two projects, three projects were held up due to right of way and four projects were in progress.

The Company prepared a revised long term Perspective Plan in February 2011 and nine projects out of 11 projects envisaged for completion in this plan by 2011-12 were in progress. Two projects were completed.

In five years the Company had added 5,945 MVA of transformation capacity against planned addition of 9,535.50 MVA. Similarly against planned addition of 5,713.70 circuit KM of lines, the Company could add 1,467.50 circuit KM.

Project Management of Transmission System

Most projects were delayed during execution because of non availability of

Right of Way (ROW) from land owners. Projects were also delayed due to lapse of time between survey and execution of the project, changing of route alignment and absence of forest clearances.

Since the Company could not solve problem of non-availability of ROW from the land owners, it was unable to complete the transmission lines associated with the sub stations. As a result, the sub stations though completed could not be put to use to their full capacity.

Performance of Transmission System

The Company had excess transformation capacity in its system over potential maximum demand in the State after leaving 30 per cent as margin. At the same time these substations were inadequately and unevenly dispersed across the State. Consequently certain substations remained overloaded while others remained underloaded.

There were 1,222 instances of voltage being below Indian Electricity Grid Code norms and 955 instances when voltages were above the norm. 95 EHT lines were found to exceed the thermal loading limit. Violating Indian Electricity Grid Code norms, the Company operated five 220 KV substations with single bus bar. Nine 220 KV SS operated without bus bar protection panel of which seven SSs were highly loaded. 91 Current transformers failed during 2011-12 due to bursting, insulation problem, oil leakage and lightning. Company's transmission losses were normatively within CEA's prescribed limit. However, in the absence of 100 per cent boundary metering exact losses remained unascertained. The Company had system availability of over 99 per cent.

Grid Management

State Load Despatch Centre (SLDC) is networked with three out of four area load dispatch centers. Out of 103 substations and 16 power generating units, only 38 substations and nine generating units had Remote Terminal Unit (RTU) for efficient energy management system.

Despite improvement in overall grid frequency during 2009-12, instances of Grid Code violations were noticed. Although SLDC communicated 44 grid code violation messages on behalf of Eastern Region Load Despatch Centre, it

did not communicate any warning in 1,537 blocks for drawal of energy beyond schedule at low grid frequency. To prevent additional energy generation at times of high frequency, SLDC had lowered the scheduled generation, but failed to effectively reduce higher generation by operators in 15,617 blocks. During 2009-12, the State had injected 2,957.765 MU energy to the national grid as Unscheduled Interchange (UI) while it drew 2,506.337 MU from the national grid as UI.

The Company had not taken adequate steps for disaster management. Diesel Generating sets and synchronoscopes were not available at any critical substation.

Energy accounting and audit

The Company had installed boundary meters at 79 GT, 1,390 TD and 23 Interstate interface points for energy accounting. However, it was yet to install meters at 59 TD points. Also, 67 feeders of 11 KV embedded within Company's SS remained unmetered. Consequently, the Company was unable to accurately calculate the total outflow of energy from its system and thus the transmission loss in its system also could not be determined.

Financial Management

The Company's total profit increased by 132.89 *per cent* from ₹ 81.32 crore in 2007-08 to ₹ 189.39 crore in 2008-09 due to recovery of higher transmission charges and SLDC charges. Subsequently, profit declined to ₹ 171.67 crore (9.36 *per cent*) in 2011-12 due to increase in employee cost due to revision of pay and allowances. The debt-equity ratio remained at about two *per cent*. Employee costs, depreciation and interest and finance charges were the major expenditures while transmission charges were mainstay revenue.

In all the five years, the Company failed to file their tariff petition within the original due dates. Subsequently, West Bengal Electricity Regulatory Commission extended the due dates and condoned

delays. In 2007-08, West Bengal Electricity Regulatory Commission disallowed recovery of ₹ 3.50 crore through tariff on account of incentive allowed to its employees.

Material Management

Stock retained by the Company ranged from 105 to 351 times of its monthly consumption during 2007-12. The Company did not identify minimum/maximum stock requirement and purchases were not as per material requirement plans. The Company retained ₹ 4.27 crore of obsolete stock.

The Company had also not undertaken category wise physical verification of stores until December 2009 when there was an effort to identify and classify inventory. In January 2011, the Company appointed Pricewaterhouse Coopers to prepare a standardised inventory master list and codification of store items. The work was scheduled to be completed by July 2011 but remained incomplete (June 2012).

Monitoring and Control

Although operational and maintenance data was collected and MIS prepared, no action was taken on those data. However, between April 2009 and September 2009, the Company adopted manuals to standardise maintenance schedules, operating procedures and safety. Internal technical audit guidelines were prepared in September 2010 and technical audits were undertaken through corporate monitoring cell.

In March 2008, the Company adopted an Internal Audit Charter to incorporate the best standards in the Company's internal audit practices. However, audits conducted did not conform to these norms. An Internal Audit Manual was prepared through Ernst and Young but remained to be adopted by the Company. Audit Committee meetings were regularly held.

(Chapter 2.1)

Executive summary of audit findings of ‘**Performance and workings for the period 2007-08 to 2011-12**’ of West Bengal Tourism Development Corporation Limited is given below:

West Bengal Tourism Development Corporation Limited (Company) was incorporated on 29 April 1974 as a wholly owned Government Company to develop, promote and publicise tourism in the State.

The Company’s resources comprise 36 tourist lodges (25 under own management and 11 leased out), two tourists’ information bureaux, three vessels, six AC buses along with 429 employees as of March 2012 to provide facilities and services to the tourists. The Company implements various tourist infrastructure developmental projects with grants from the Government of India (GoI) and Government of West Bengal (GoWB).

Performance audit covered the period from 2007-08 to 2011-12 to assess the performance and workings of the Company.

Physical and financial performance

Tourist inflow in the State ranged between 204.48 lakh and 302.29 lakh during 2007-12. Despite being in operation for more than 38 years in the tourism sector, the overall share of the Company in the State’s tourism sector was negligible (0.44 *per cent*). The paid up share capital of the Company is ₹ 9.99 crore. However, 33 *per cent* of the paid up capital of the Company was eroded by March 2012.

Planning

The State Government did not clearly spell out the role of the Company in implementation of State Tourism Policy in terms of specific activities/ programmes. Besides, the Company had also not prepared strategic plan for development of tourism in the State. The Company had neither identified critical/ nodal areas for planning to augment tourism nor evolved clear milestones/ deliverables for overall development of tourism in the State.

Project management

Central and State Government together released ₹ 112.29 crore (GoI - ₹ 96.15 crore, GoWB - ₹ 16.14 crore) to seven agencies for development of 67 projects (including 57 to the Company) against total sanctioned cost of ₹ 159.56 crore.

Fifteen projects were completed in 2007-12 (expenditure: ₹ 10.10 crore), while 27 were ongoing for 13 to 54 months (expenditure: ₹ 43.42 crore) and the remaining 25 projects were not taken up as on March 2012. Out of 57 projects allocated to the Company for implementation, 13 projects were completed with delays of three to 46 months while 23 projects were in progress with delays of two to 30 months due to poor planning, lack of monitoring, and lack of co-ordination and non availability of land. Remaining 21 projects were not taken up.

Operational Performance

During 2007-12, the Company incurred operational losses of ₹ 9.52 crore from its 11 to 19 lodges. It had neither fixed standard occupancy ratio nor worked out break-even turnover to operate the lodges profitably.

Despite having spent ₹ 16.72 crore towards renovation of 19 lodges during 2007-08 to 2011-12, the Company failed to attract adequate number of tourists to its 10 newly renovated lodges. Moreover, the Company had not applied for Star category rating. The food-cost ratio at 10 out of 13 lodges exceeded the norm.

The Company leased out 11 lodges to private operators but failed to realise substantial revenue through execution of standard lease agreement.

Marketing management

The Company did not form an independent marketing cell to formulate a policy/plan for marketing and promotion of tourism business. Although Tourist Reception Centres (TRCs) supplemented the marketing efforts, no targets for business of TRCs were fixed by the Company. Further, the Company did not chalk-out a well-defined marketing strategy to tap prospective tourists to its lodges.

Monitoring and internal control

The Company did not prepare any purchase policy/ manual and maintain records of land in its possession and the title deeds of immovable properties. It has

not reconstituted the Audit Committee since June 2009. The Company neither took remedial action on the irregularities pointed out by the internal auditors nor

was the matter reported to the Board of Directors for corrective action.
(Chapter 2.2)

3 Compliance audit

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Loss of ₹ 148.75 crore due to non-safeguarding of financial interests of organisation in six cases.
(Paragraphs 3.1, 3.3, 3.4, 3.6, 3.11 and 3.12)
- Defective/ deficient planning in three cases involving ₹ 34.78 crore.
(Paragraphs 3.2, 3.7 and 3.9)
- Non-compliance with rules / directives / procedures in two cases involving ₹ 1.68 crore.
(Paragraphs 3.5 and 3.13)
- Lack of fairness, transparency and competitiveness in operations in one case involving ₹ 1.58 crore.
(Paragraph 3.14)
- Inadequate/ deficient monitoring in two cases involving ₹ 4.07 crore.
(Paragraphs 3.8 and 3.10)

Gist of some of the important audit observations is given below:

Three state power utilities (**West Bengal Power Development Corporation Limited, The Durgapur Projects Limited and West Bengal State Electricity Distribution Company Limited**) had not billed monthly variable/ fuel cost adjustment due to which additional interest of ₹ 113.04 crore was incurred. Further, **West Bengal Power Development Corporation Limited** incurred avoidable expenditure of ₹ 2.50 crore on repair of the generator transformer along with non-realisation of capacity charges of ₹ 29.19 crore.

(Paragraphs 3.1 and 3.2)

The Durgapur Projects Limited incurred extra expenditure of ₹ 22.57 crore on short term purchase of power at higher rates. They also lost revenue of ₹ 3.89 crore due to belated revision of rates for supply of water.

(Paragraphs 3.3 and 3.4)

West Bengal State Electricity Distribution Company Limited had given irregular appointment to 126 employees.

(Paragraph 3.5)

West Bengal Electronics Industry Development Corporation Limited suffered loss of additional rental income of ₹ 4.79 crore due to its failure to revise rate at par with market rent and ₹ 2.12 crore due to non-compliance with protocol along with non-billing of bandwidth used by clients. They also incurred infructuous expenditure of ₹ 1.81 crore by not ensuring the objective of spreading e-Governance to underprivileged rural citizens. Further, their poor monitoring mechanism had resulted in unfruitful expenditure of ₹ 0.97 crore.

(Paragraphs 3.6, 3.7, 3.8 and 3.9)