

Overview

1 Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. Accounts of Government companies are audited by Statutory Auditors appointed by the CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2013, the State of West Bengal had 74 working PSUs (65 companies and nine Statutory corporations) and 17 non-working PSUs (16 companies and one corporation), which employed 0.65 lakh employees. The 31 working PSUs that finalised accounts for 2012-13 registered a turnover of ₹ 36,755.18 crore. This turnover was equal to 6.37 per cent of State GDP.

Investments in PSUs

As on 31 March 2013, investment (capital and long term loans) in 91 PSUs was ₹ 41,074.93 crore. It grew over ₹ 34,754.79 crore in 2007-08, at a compound annual growth rate of 3.4 per cent. Power sector accounted for nearly 65.11 per cent of total investment in 2012-13. Government contributed ₹ 968.91 crore towards equity, loans and grants/ subsidies during 2012-13.

Performance of PSUs

Out of 74 working PSUs, 31 prepared accounts for 2012-13. During the year 2012-13, 19 PSUs earned profit of ₹ 688.28 crore and 11 PSUs incurred loss of ₹ 1,231.24 crore. Major contributors to profit were West Bengal State Electricity Transmission Company Limited

(₹ 333.02 crore), The West Bengal Power Development Corporation Limited (₹ 131.66 crore), West Bengal State Electricity Distribution Company Limited (₹ 81.72 crore) and West Bengal Housing Infrastructure Development Corporation Limited (₹ 62.36 crore). Heavy losses were incurred by Haldia Petrochemicals Limited (₹ 960.11 crore), The Calcutta Tramways Company (1978) Limited (₹ 137.02 crore) and The Durgapur Projects Limited (₹ 68.03 crore).

Arrears in accounts and quality of accounts

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

The accounts of 43 working PSUs were in arrears for periods ranging from one to four years. There were 17 non-working PSUs of which three finalised their accounts for the year 2012-13 while 14 PSUs had arrears of accounts for one to seven years. State Government needs to take appropriate action to clear arrears in a time bound manner.

Placement of SARs

There was delay in placement of SARs in State Legislature in respect of Statutory Corporations. The Government should ensure prompt placement of SARs in the Legislature.

(Chapter 1)

2 Performance audits relating to Government Company

Performance Audit relating to '*Implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)*' in respect of West Bengal State Electricity Distribution Company Limited was conducted. Executive summary of audit findings is given next:

Introduction

Rajiv Gandhi *Grameen Vidyutikaran Yojana* (RGGVY) was launched (April 2005) by Government of India (GoI) as a flagship programme to provide access to electricity to all rural households by 2009. As on March 2013, 12,594 villages with 9.92 lakh BPL rural households (RHHs) were electrified by West Bengal State Electricity Distribution Company Limited (WBSEDCL) under RGGVY scheme against the target of 14,113 villages with 15.39 lakh BPL RHHs by 2009. Out of ₹ 997.98 crore provided by Government of India, for electrification of nine districts and one Mahakuma Parishad (Siliguri), WBSEDCL spent ₹ 923.63 crore till March 2013.

Planning and Preparation of Detailed Project Reports (DPRs)

WBSEDCL prepared DPRs without adequate field survey. One hundred fifty six villages that did not qualify under RGGVY were included in DPRs and ₹11.49 crore was estimated for their electrification.

Inclusion of sales tax and sundries which should not be included in estimates increased the project cost by ₹ 37.79 crore for 10 projects.

Contract Management

Estimates put to tender were inflated by ₹ 62.36 crore due to inclusion of sales tax, sundries, franchisee charges and overhead charges which were not payable to the contractors. WBSEDCL allowed different rates for ex-works price of same material to same contractors working on different packages in the same or adjoining districts. This resulted in extra expenditure of ₹ 18.92 crore.

WBSEDCL released ₹ 145.43 crore as interest free mobilisation advance to contractors. Due to delay in completion of works ₹19.63 crore remained unadjusted which led to loss of interest of ₹ 1.51 crore.

Sales tax of ₹ 8.32 crore was paid to contractors in- spite of exemption of sales tax on materials used in RGGVY. Similarly, excise duty of ₹ 97.40 lakh and service tax of ₹ 74.79 lakh were paid to contractors in excess of prevailing rates of taxation.

Project execution

Despite delays in execution of works, liquidated damages of ₹ 57.86 crore were not levied as per terms of Letters of Award for work.

In 217 villages of six districts, service connections could not be provided to 15,433 BPL RHHs inspite of creating infrastructure at a cost of ₹ 6.25 crore.

Scheme impact

WBSEDCL energised 2,412 villages after delays of 16 to 829 days from creation of required infrastructure.

Delays in billing beyond 90 days resulted in accumulation of dues. As a result 14,513 consumers with aggregate dues of ₹ 1.95 crore had defaulted in payment and consequently supply was disconnected defeating objective of the scheme.

Financial operation

Due to delayed opening of a separate RGGVY bank account by nine to 25 days, interest of ₹ 0.39 crore could not be earned and credited to RGGVY account. Further, ₹ 1.99 crore as interest could not be earned as RGGVY fund of ₹ 5.86 crore was retained (2009-13) in corporate account of WBSEDCL.

Project monitoring

Third party inspection agencies (TPIAs) inspected 4,939 villages and reported 42,677 defects against which only 12,679 defects were rectified till March 2013. At SMP, Birbhum and Nadia 96, 41 and 30 villages out of 127, 91 and 124 villages respectively were inspected by TPIAs after completion of guarantee period of one year, defeating the purpose of inspection.

Conclusion and recommendations

DPRs were prepared without drawing up RE plan or conducting field surveys leading to omission of BPL RHHs and inclusion of electrified/ unsuitable villages. Tenders were floated without due diligence leading to variations in prices of the same materials and excess payment of taxes and duties. Work had been delayed on account of belated delivery of materials, inadequate deployment of manpower, lack of co-ordination etc. leading to shortfall in the numbers of BPL RHHs electrified. Progress of work was not commensurate with the quantum of fund received. Moreover, monitoring was ineffective.

There are four recommendations - DPRs need to be prepared with proper field surveys, appropriate clauses be incorporated in contracts to safeguard the interest of WBSEDCL, applicability of correct rate of taxes and duties be ensured and system of monitoring needs to be strengthened.

(Chapter 2)

3 Performance audits relating to Statutory Corporation

Another Performance Audit relating to ‘*Financial Assistance to entrepreneurs and recovery of loans*’ of West Bengal Financial Corporation was conducted. Executive summary of audit findings is given below:

Introduction

West Bengal Financial Corporation (WBFC) was set up in 1954 under the State Financial Corporations Act, 1951. It is the key state level lending institution for the Micro, Small and Medium Enterprises (MiSME), with a Head Office at Kolkata, Regional Offices at Siliguri, Durgapur and Kolkata and 11 Branch Offices throughout the State.

WBFC is managed by a Board of Directors consisting of 10 Directors including Managing Director and four directors nominated by financial institutions. The Managing Director of WBFC is the chief executive.

Operational and financial performance

Despite being the key state level lending institution for financing MiSME, WBFC financed only 2.10 *per cent* of new units that had come up in last five years. WBFC became increasingly dependent on bonds as SIDBI, being its source of finance, had gradually phased out re-finance loans. WBFC’s equity base of ₹ 147.35 crore was almost wiped out due to accumulated losses of ₹ 128.42 crore. Its non-performing assets remained above 26 *per cent* at the end of 2012-13. It had to bear avoidable interest burden due to absence of proper planning for redemption of bonds.

Sanction and disbursement of loan

WBFC had framed (February 2008) an entrepreneur evaluation policy which seemed to discourage sanction of loan to first time entrepreneurs. WBFC also did not subscribe to the Credit Guarantee Fund Trust Scheme for Micro and Small Enterprises (MiSE). This was another obstacle for new MiSEs to receive loans.

WBFC did not prepare industry-wise appraisal manual. It did not rate credit risk or subscribe to Credit Information Bureau (India) Limited for credit history of borrowers until January 2013.

Instances of deficient appraisal, absence of due diligence, incorrect assessment of working capital and acceptance of flawed security in appraisal, sanction and disbursement of loans were noticed in audit.

Audit also observed high concentration of credit to defaulting sectors and loans to ineligible borrowers.

Monitoring and recovery performance

WBFC had adopted monitoring and follow up guideline in January 2008. However, it did not ask for progress report of the projects or the annual accounts from the borrowers.

Low number of inspections coupled with failure to verify books of accounts of borrowers resulted in default in repayment of loans.

WBFC failed to invoke the provisions of the State Financial Corporations Act, 1951 as also adopt the procedures specified in the recovery manual to promptly recover its dues from defaulting borrowers.

Internal Control and Internal Audit

Allocation of duties and responsibilities was diffused. Besides, the requirement of having updated information on borrowers as per ‘Know your client’ prescribed by Reserve Bank was not followed.

Conclusion and Recommendations

WBFC was not a significant source of financing for MiSME units in the State. Its appraisal mechanism was inadequate. WBFC did not follow its own monitoring and follow-up guideline. Internal control processes were weak.

There are three recommendations – Government may review the objectives and viability of WBFC. Further WBFC should strengthen its appraisal mechanism and ensure greater compliance with its monitoring and follow-up guidelines.

(Chapter 3)

4 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 ₹ 190.10 crore due to undue favour/ benefit to contractors in two cases.
(Paragraphs 4.1 and 4.5)
- Loss of ₹ 42.85 crore due to non-safeguarding of financial interests of organisation in two cases.
(Paragraphs 4.7 and 4.9)
- Defective/ deficient planning in one case involving ₹ 19.58 crore.
(Paragraph 4.2)
- Non-compliance with statutes/ rules/ directives/ procedures in three cases involving ₹ 17.20 crore.
(Paragraphs 4.3, 4.8 and 4.10)
- Inadequate/ deficient monitoring in two cases involving ₹ 2.78 crore.
(Paragraphs 4.4 and 4.6)

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

The West Bengal Power Development Corporation Limited (WBPDC) and The Durgapur Projects Limited selected a private-sector partner, to set up a joint venture (JV) company for operation of captive coal mines, without open tender. Moreover, there were contractual drawbacks in terms and conditions. Further, **WBPDC** pursued with Ministry of Coal for allotment of coking coal block without ascertaining the suitability of the coal available therein and incurred avoidable expenditure of ₹ 6.68 crore.

(Paragraphs 4.1 and 4.2)

West Bengal State Electricity Distribution Company Limited (WBSEDCL) incurred additional interest of ₹ 1.83 crore on avoidable cash credit availed arising from lack of monitoring of daily remittances of total collections by banker. Further, WBSEDCL determined service charges for collection of bills at a higher rate on account of calculation on incorrect data leading to excess expenditure of ₹ 1.25 crore.

(Paragraphs 4.4 and 4.5)

Mackintosh Burn Limited and West Bengal Industrial Infrastructure Development Corporation persistently failed to bill service tax on recipients of their services and had to incur avoidable expenditure of ₹ 7.98 crore towards service tax and interest thereon.

(Paragraph 4.8)

Calcutta State Transport Corporation paid excess incentive of ₹ 1.44 crore to its crew members on long distance routes.

(Paragraph 4.9)

West Bengal State Warehousing Corporation suffered loss of warehousing charges of ₹ 3.30 crore due to inadequacies in recovery system.

(Paragraph 4.10)