

## Chapter I

### 1 Overview of State Public Sector Undertakings

#### 1.1 Introduction

1.1.1 The State Government's Public Sector Undertakings (PSUs) comprise 81 Government Companies and 10 Statutory Corporations. As on 31 March 2014, there were 91 PSUs as per the details given in table 1.1. Of these, only one Company<sup>1</sup> was listed on the stock exchange(s). They employed a total of 59,037 employees as of 31 March 2014<sup>2</sup>.

Table 1.1 : Total number of PSUs

Type of PSUs	Working PSUs	Non-working PSUs <sup>3</sup>	Total
Government Companies <sup>4</sup>	65	16	81
Statutory Corporations	09	01	10
<b>Total</b>	<b>74</b>	<b>17</b>	<b>91</b>

1.1.2 Out of total 91 PSUs, among the working PSUs, 38 State PSUs<sup>5</sup> had finalised their annual accounts for 2013-14 as of September 2014, registering a turnover of ₹ 37,212.69 crore, which was equal to 5.26 per cent of State Gross Domestic Product (GDP)<sup>6</sup> for 2013-14<sup>7</sup>. Besides the State PSUs, there were also 10 Departmental Undertakings (DUs) which carried out commercial operations. Audit findings in respect of these DUs are incorporated in other Audit Reports for the State under the respective departments.

1.1.3 During the year 2013-14, no new company or corporation was added to audit jurisdiction.

#### 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 up capital is held in any combination by the Government(s), Government Companies and Corporations controlled by Government(s) is

<sup>1</sup> WEBFIL Limited.

<sup>2</sup> As per the details provided by 86 PSUs. Remaining five non-working PSUs did not furnish the details till January 2015.

<sup>3</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>4</sup> Includes three 619-B companies.

<sup>5</sup> Thirty-six Government Companies and two Statutory Corporations.

<sup>6</sup> Advance Estimates at Current Prices- ₹ 7, 07,848 crore.

<sup>7</sup> The working results of all 91 PSUs in the State based on their latest finalised accounts show a total turnover of ₹ 39,699.02 crore (5.61 per cent of GDP) and net loss of ₹ 702.37 crore.

treated as a 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 Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject 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 nine working Statutory Corporations, the CAG is the sole auditor for seven<sup>8</sup>. In respect of West Bengal State Warehousing Corporation and West Bengal Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is done by the CAG. In case of one non-working corporation, *i.e.*, Great Eastern Hotel Authority, only Compliance audit is undertaken by the CAG.

### 1.3 Investment in State PSUs

**1.3.1** As on 31 March 2014, the investment (capital and long term loans)<sup>9</sup> in 91 PSUs (including 619-B companies) amounted to ₹ 43,444.95 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	
74 Working PSUs	13,231.30	26,617.37	39,848.67	606.60	2,121.58	2,728.18	42,576.85
17 Non-working PSUs	121.63	730.13	851.76	-	16.34	16.34	868.10
<b>Total</b>	<b>13,352.93</b>	<b>27,347.50</b>	<b>40,700.43</b>	<b>606.60</b>	<b>2,137.92</b>	<b>2,744.52</b>	<b>43,444.95</b>

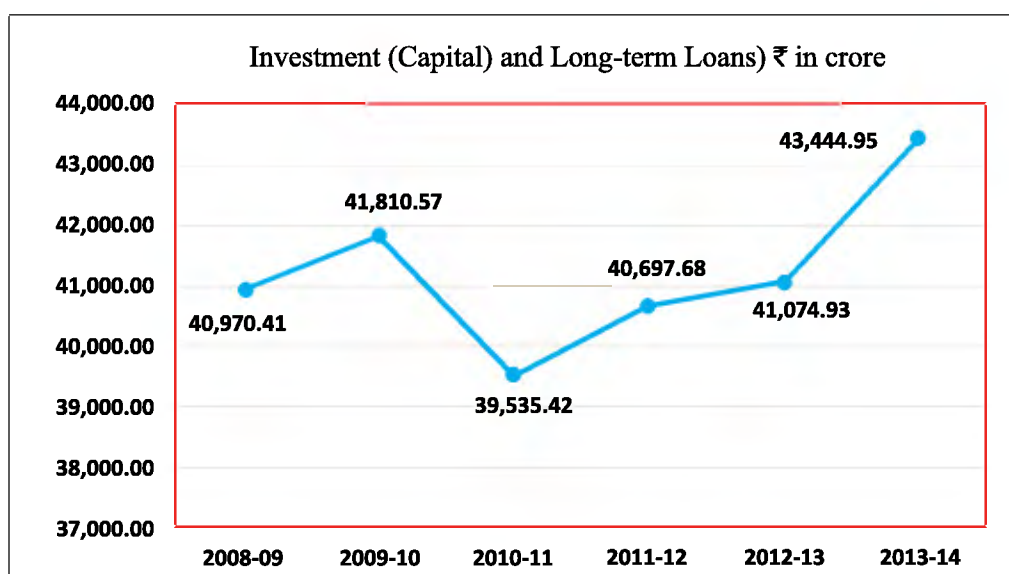
*Source: Audited accounts of State PSUs for 2013-14 where available, or information furnished by the PSUs except five non-working that had not furnished information.*

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

**1.3.2** As on 31 March 2014, of the total investment in State PSUs, 98 *per cent* was in working PSUs and the remaining two *per cent* was in non-working PSUs. This total investment consisted of 32.13 *per cent* towards capital and 67.87 *per cent* in long term loans. The investment had grown from ₹ 40,970.41 crore in 2008-09 to ₹ 43,444.95 crore in 2013-14 as shown in **Chart 1.1**, at an annual average compound rate of 1.18 *per cent* as compared to 3.4 *per cent* over the period 2007-08 to 2012-13.

<sup>8</sup> 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 Backward Classes Development and Finance Corporation and West Bengal Industrial Infrastructure Development Corporation.

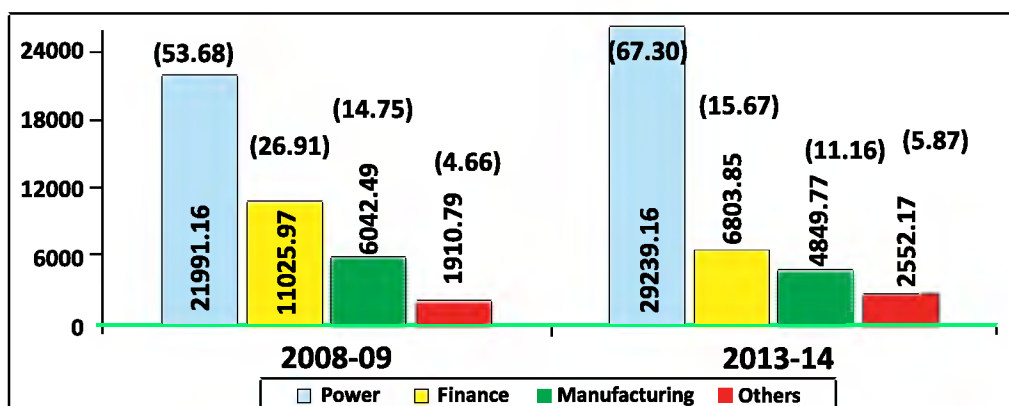
<sup>9</sup> Includes investment (capital and long-term loans) by the State Government, the Central Government and others.

**Chart 1.1 : Total investments in State PSUs**

**1.3.3** Investment and percentage of investment out of total investment thereof in the important sectors at the end of 31 March 2009 and 31 March 2014 are indicated below in **Chart 1.2**. The investment in PSUs was concentrated in power sector (between 53.68 to 67.30 per cent during the five years ending 31 March 2014).

**Chart 1.2 : Sector-wise investment in State PSUs**

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



In absolute terms, investments rose by ₹ 7,248.00 crore in power sector during the period 2008-14 while it declined by ₹ 4,222.12 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 converted into equity and interest waived in respect of State PSUs are given in

**Annexure 1.4.** The summarised details are given in table 1.3 for three years ended 2013-14.

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

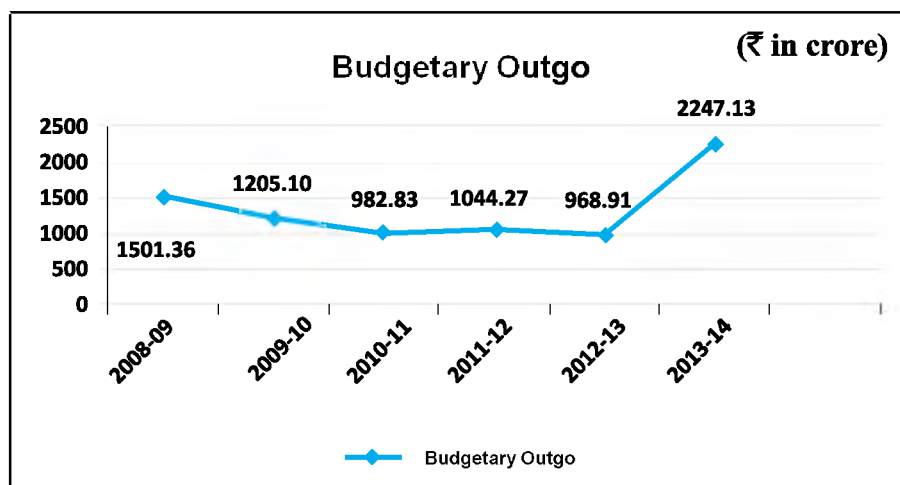
(Amount ₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	14	85.83	12	210.22	12	761.75
2	Loans outgo from budget	30	444.72	27	201.80	29	538.00
3	Grants/Subsidy outgo <sup>10</sup>	17	513.72	22	556.89	28	947.38
4	Total Outgo (1+2+3)	61	1,044.27	45	968.91	50 <sup>11</sup>	2,247.13
5	Loans converted into Equity	1	15.23	1	0.50	1	380.00
6	Guarantees issued	3	400.56	3	685.72	2	1,309.73
7	Guarantee Commitment	17	24,232.98	17	6,999.01	15	6,542.76

Source: As provided by PSUs concerned.

**1.4.2 Chart 1.3** shows the total budgetary outgo towards equity, loans and grants/ subsidies for past six years.

**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 increased from ₹ 1,501.36 crore in 2008-09 to ₹ 2,247.13 crore in 2013-14. Significant beneficiaries of equity, loans and subsidy/ grants from the State budget were The West Bengal Power Development Corporation Limited (₹ 878.88 crore), North Bengal State Transport Corporation (₹ 232.94 crore), The Calcutta Tramways Company (1978) Limited

<sup>10</sup> Amount represents outgo from the State Budget only.

<sup>11</sup> The figure represents number of PSUs which have received outgo from the Budget under one or more heads *i.e.* equity, loans, grants and subsidies.

(₹ 219.20 crore), Calcutta State Transport Corporation (₹ 176.20 crore) and West Bengal Scheduled Castes and Scheduled Tribes Development & Finance Corporation (₹ 132.18 crore). Majority of loans given from the budget was to the manufacturing and power sectors which received 33.59 per cent (₹ 180.71 crore) and 44.90 per cent (₹ 241.54 crore) of the total loans (₹ 538.00 crore) respectively during 2013-14.

**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 the liquidation of loans. During 2013-14, the State Government had guaranteed loans aggregating ₹ 1,309.73 crore to two PSUs. At the end of 2013-14, guarantee commitment by the Government was ₹ 6,542.76 crore in respect of 15 PSUs. During the year West Bengal Infrastructure Development & Finance Corporation Limited and West Bengal State Electricity Transmission Company Limited paid guarantee commission of ₹ 17.00 crore and ₹ 0.12 crore respectively to the State Government while ₹ 141.81 crore were outstanding from 17 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 on 31 March 2014 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>12</sup>	Difference
Equity	11,092.45	12,800.21	1,707.76
Loans	10,757.49	7,630.87	3,126.62
Guarantees	3,659.48	6,542.76	2,883.28

**1.5.2** Audit observed such differences in respect of 60 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** As per latest finalised accounts 38 PSUs had earned profits, only four PSUs<sup>13</sup> declared dividend of ₹ 0.74 crore for the financial year 2013-14.

<sup>12</sup> Figures from annual accounts for 2013-14, where finalised, or information furnished by the State PSUs. Five non-working PSUs did not furnish information.

<sup>13</sup> New Town Telecom Infrastructure Development Company Limited, Webel Technology Limited, Saraswati Press Limited and West Bengal Text Book Corporation (P) Limited.

## 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	2009-10	2010-11	2011-12	2012-13	2013-14
1	Number of working PSUs	72	72	74	74	74
2	Number of accounts finalised during the year	74	69	73	74	83
3	Number of accounts in arrears	62	59	69	67	60
4	Average arrears per PSU (3/1)	0.86	0.82	0.89	0.91	0.81
5	Number of working PSUs with arrears in accounts	41	41	46	43	36
6	Extent of arrears (years)	1 to 6	1 to 7	1 to 3	1 to 4	1 to 5

**1.6.2** It would be evident from the above table that in 2013-14, there was some improvement in arrears of accounts over the previous two years. It would be seen from **Annexure 1.3** that till September 2014, the accounts of 36 working PSUs were in arrears. One PSU<sup>14</sup> had arrears of accounts for five years whereas two<sup>15</sup> PSUs had arrears of accounts for four years each. Five<sup>16</sup> PSUs also had arrears of accounts for three years each. The PSUs having arrears of accounts need to take effective measures to bring their accounts up to date.

**1.6.3** There were also arrears in finalisation of accounts by non-working PSUs. Out of 17 non-working PSUs, 12 PSUs had arrears of accounts for two years 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. 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 only closed corporation could not be wound up as all the accounts related to it were not yet closed. The Government may take a decision regarding revival/ winding up of non-working PSUs.

<sup>14</sup> Refer Serial No.B-6 of **Annexure 1.3**

<sup>15</sup> Refer Serial No.A-7 and B-5 of **Annexure 1.3**

<sup>16</sup> Refer Serial No.A-2, 8, 11, 24 and 26 of **Annexure 1.3**.



**1.6.4** The State Government invested ₹ 1,844.44 crore (Equity: ₹ 36.70 crore, Loans: ₹ 217.88 crore and Grants/ Subsidy: ₹ 1,589.86 crore) in 36 working PSUs during the years from 2009-10 to 2013-14 for which accounts have not been finalised as detailed in **Annexure 1.5**. In the absence of accounts and their subsequent audit, it cannot be ensured whether investments made and expenditure incurred has been properly accounted for and the purposes of investments have been achieved or not. Hence Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Moreover, 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** 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 at regular interval by the Principal Accountant General (PAG)/ Accountant General (AG), of the arrears in finalisation of accounts, but improvement in position of areas in accounts of working PSUs was nominal. In respect of non-working PSUs, the position has deteriorated. As a result of this, the net worth of these PSUs could not be assessed in audit. Arrears of accounts were addressed from time to time to 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 of the PSUs with special focus on liquidation of arrears and compliance with the provisions of the Companies Act, 1956.*

## **1.7 Performance of PSUs**

**1.7.1** Out of 74 working PSUs, 38 PSUs (Government Companies: 36, Statutory Corporations: two) had finalised their annual accounts for 2013-14 till September 2014. The investment (capital and long-term loans) in these 38 PSUs as on 31 March 2014 was ₹ 39,191.28 crore<sup>17</sup>, which represented 90.21 *per cent* of the investment in all State PSUs.

**1.7.2** Financial position and working results in respect of these 38 PSUs, who finalised their annual accounts for 2013-14, are detailed in **Annexures 1.2, 1.6** and **1.8**. **Table 1.6** provides details of profit/ loss and turnover of these 38 PSUs and State GDP for 2012-13<sup>18</sup> and 2013-14:

<sup>17</sup> Capital: ₹ 12,958.34 crore, Loans: ₹ 26,232.94 crore.

<sup>18</sup> Among 38 PSUs, 31 PSUs finalised accounts for 2012-13 in last year. Seven more PSUs finalised accounts for 2013-14 and also cleared the arrear accounts. Therefore, the figures for 2012-13 and 2013-14 are not comparable.

**Table 1.6 : Statement showing profit/ loss and turnover of 38 PSUs and State GDP**  
(₹ in crore)

Particulars	2012-13 <sup>19</sup>	2013-14
Turnover	36,755.18	37,212.69
State GDP <sup>20</sup>	5,76,865	7,07,848
Percentage of Turnover to State GDP	6.37	5.26
Net profit (+)/ loss (-)	(-)542.96	(-)374.27

Source: Accounts of PSUs.

**1.7.3** Out of the 38 PSUs that had finalised their accounts for 2013-14, 22 PSUs had earned an aggregate profit of ₹ 614.19 crore, while 15 PSUs incurred a loss of ₹ 988.46 crore and one company had not yet started any operations<sup>21</sup>. Major contributors to profit were West Bengal State Electricity Transmission Company Limited (₹ 368.76 crore), The West Bengal Power Development Corporation Limited (₹ 78.43 crore) and West Bengal Infrastructure Development & Finance Corporation Limited (₹ 53.20 crore). Heavy losses were incurred by Haldia Petrochemicals Limited (₹ 464.63 crore), The Durgapur Projects Limited (₹ 226.16 crore) and West Bengal Housing Infrastructure Development Corporation Limited (₹ 89.31 crore).

**1.7.4** Some other key parameters pertaining to the 38 working PSUs that had finalised their accounts for 2013-14 are given below: -

**Table 1.7 : Statement of key parameters pertaining to 38 PSUs**  
(₹ in crore)

Particulars	2012-13 <sup>22</sup>	2013-14
Return on Capital Employed ( <i>per cent</i> )	2,412.78 (6.44)	2,769.55 (6.51)
Debt	25,296.12	26,232.94
Turnover <sup>23</sup>	36,755.18	37,212.69
Debt/ Turnover Ratio	0.69:1	0.70:1
Interest Payments <sup>24</sup>	2,957.97	3,143.82
Accumulated Losses (-)/ Profits (+)	(-) 1,751.90	(-) 2,644.97

Source: Accounts of PSUs.

**1.7.5** Out of 74 PSUs, 36 PSUs (including seven statutory corporations) did not finalise their accounts for 2013-14. Financial position and working results in respect of these 36 PSUs, based on the latest finalised annual accounts, are indicated in **Annexures 1.3, 1.7 and 1.9**.

<sup>19</sup> Figures of turnover, net profit (+) / Loss (-) etc. for 2012-13 is in respect of 31 PSUs that had finalised their accounts till September 2013.

<sup>20</sup> Advance Estimates for 2012-13 and 2013-14 at Current Prices.

<sup>21</sup> Serial No. A-23 of **Annexure 1.2**.

<sup>22</sup> Figures of the column for 2012-13 is in respect of 31 PSUs that had finalised their accounts till September 2013.

<sup>23</sup> As per the accounts as of 30 September 2014.

<sup>24</sup> As per the accounts as of 30 September 2014.



## 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 internal audit/ internal control system in respect of 27 companies for the year 2013-14 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	9	A-2, A-3, A-14, A-21, A-26, A-33, A-35, A-36 & C-3
2	Absence of internal audit system commensurate with the nature and size of business of the company	3	A-30, A-33 & C-1
3	Non maintenance of cost records	5	A-2, A-4, A-10, A-16 & A-32
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-2, A-8, A-22, A-30, C-1 & C-4
5	Absence of clear credit policy and policy for providing doubtful debts/ write off and liquidated damages.	10	A-2, A-4, A-6, A-9, A-10, A-13, A-16, A-29, A-30 & A-33
6	Absence of security policy for software / hardware and backup of past records	7	A-2, A-6, A-9, A-13, A-30, A-35 & A-36
7	Absence of effective system of monitoring of advances/ outstanding dues	11	A-2, A-7, A-8, A-11, A-13, A-16, A-19, A-22, A-29, A-30 & A-33
8	Absence of vigilance department or absence of existence/ effectiveness of delineated fraud policy.	23	A-2, A-3, A-4, A-5, A-6, A-7, A-8, A-10, A-11, A-13, A-16, A-19, A-20, A-21, A-22, A-29, A-30, A-32, A-33, A-35, A-36, C-1 & C-3

*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 State Electricity Distribution Company Limited (2013-14)**

- Trade Payables do not include ₹ 111.75 crore towards liability against transmission charges as recognised by the West Bengal Electricity Regulatory Commission (WBERC) through APR orders payable by the company to the West Bengal State Electricity Transmission Company Limited. Non-consideration of the liability has resulted in understatement of 'Trade Payables' and 'Purchase of Power & Transmission Charges' to the tune of ₹ 111.75 crore each. Consequently 'Profit before Tax' was overstated by the same amount.

**The Durgapur Projects Limited (2013-14)**

- On account of estimated amount of sale of energy for the year 2011-12 & 2012-13, ₹ 105.39 crore was already booked in the accounts for the year 2012-13. However, the above does not include ₹ 42.85 crore on account of sale of energy allowed by the WBERC for the year 2012-13. Therefore, Accounting for sale of energy has resulted in overstatement of 'Sale of Energy' and 'Other Current Assets' by ₹ 62.54 crore (₹ 105.39 crore less ₹ 42.85 crore) each. Consequently, Loss for the period has been understated by ₹ 62.54 crore.

**West Bengal State Electricity Transmission Company Limited (2013-14)**

- Capital Work-in-Progress (CWIP) includes ₹ 113.34 crore towards cost of construction of the Teesta Low Dam Project 220 KV Single Circuit Transmission line. Non-capitalisation of this cost of construction has resulted in overstatement of CWIP by ₹ 113.34 crore with corresponding understatement of Fixed Assets - Tangible Assets and Depreciation and amortisation expenses by ₹ 108.41 crore and ₹ 4.93 crore respectively. Consequently, Profit for the year was overstated by ₹ 4.93 crore.

**West Bengal Industrial Development Corporation Limited (2013-14)**

- Advance from Customers/ Lessee includes ₹ 89.86 crore being the lease premium received up to March 2014, from a private party on account of leasing out 498.49 acres of land for 99 years. Since the lease deed was executed (April 2012) and physical possession of land was handed over and land had been utilized by the lessee, the amount received by the company should have been recognised as sale. The related cost of acquisition of land and development expenditure of ₹ 83.06 crore shown under the head Current Assets-inventories, should have been charged as expenses.

Non-adjustment of the same has, resulted in understatement of Revenue from 'Operation' by ₹ 89.86 crore and overstatement of 'Stock (Project)' and 'Reserves and Surplus' by ₹ 83.06 crore and ₹ 6.80 crore respectively.

#### **Durgapur Chemicals Limited (2013-14)**

- Other Expenses does not include ₹ 41.73 lakh against the loss arising from rejection of insurance claim on loss/ damage of factory sheds due to hail storm during 2013-14. Non inclusion of the above had resulted in understatement of 'Other Expenses' and overstatement of 'Tangible Assets (Buildings)' by ₹ 41.73 lakh each. Consequently, loss for the year is understated by ₹ 41.73 lakh.

#### **Gluconate Health Limited (2013-14)**

- Other Expenses does not include ₹ 30.42 lakh being the commission payable to the liaison agent for procurement of business *vis-a-vis* realization of payment during the year 2013-14. This has resulted in understatement of 'Commission' and 'Loss for the year' by ₹ 30.42 lakh each.

#### **West Bengal Surface Transport Corporation Limited (2011-12)**

- Pay and allowances of the employees of the company amounting to ₹ 22.28 lakh has been deducted from the head 'Employee Benefit Expenses' instead of charging the same under the above head. This has resulted in understatement of the "Employee Benefit Expenses" and loss for the year by ₹ 44.56 lakh each.

#### **West Bengal Plywood & Allied Products Limited (2011-12)**

- Interest does not include ₹ 23.90 crore being the interest on Unsecured Loan from Government of West Bengal for the period from 2006-07 to 2011-12. Non - inclusion of interest has resulted in understatement of "Interest on Unsecured Loan". Consequently, accumulated loss has been understated by ₹ 23.90 crore.

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

#### **Haldia Petrochemicals Limited (2013-14)**

- Long-term Loans and Advances include a balance of ₹ 133.07 crore as 'MAT Credit Entitlement'. As the company is suffering losses for several years, the obligation of payment of income tax-from which the benefit of this entitlement would be enjoyed- appears to be remote. Due to absence of convincing evidences of future taxable income, the Long-term Loans and Advances and Shareholders' Funds are overstated to that extent.

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

**1.10.1** Table 1.9 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	Calcutta State Transport Corporation	2008-09	2009-10	18.04.2013	Not furnished by the Government
2	North Bengal State Transport Corporation	2008-09	Accounts are not furnished since 2009-10.		
3	South Bengal State Transport Corporation	2011-12	2012-13 2013-14	26.08.2014 Accounts not furnished	Not furnished by the Government
4	West Bengal Backward Classes Development and Finance Corporation	2009-10	2010-11 2011-12 2012-13	16.11.2012 19.07.2013 05.08.2014	Not furnished by the Government
5	West Bengal Electricity Regulatory Commission	2012-13	2013-14	11.09.2014	Not furnished by the Government
6	West Bengal Financial Corporation	2012-13	2013-14	13.10.2014	Not furnished by the Government
7	West Bengal Industrial Infrastructure Development Corporation	2011-12	2012-13 2013-14	27.03.2014 Audit in Progress	Not furnished by the Government
8	West Bengal Minorities Development and Finance Corporation	2007-08	2008-09 2009-10 2010-11 2011-12 2012-13	29.10.2010 25.08.2011 10.01.2013 03.06.2013 25.04.2014	Not furnished by the Government
9	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation	2008-09	2009-10 2010-11 2011-12 2012-13	26.10.2012 21.04.2014 Audit in progress Audit in progress	Not furnished by the Government
10	West Bengal State Warehousing Corporation	2007-08	2008-09 2009-10 2010-11 2011-12 2012-13	28.01.2010 11.05.2011 30.03.2012 24.07.2013 13.06.2014	Not furnished by the Government

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 encompass 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 responses to them. Finance Department, Government of West Bengal instructed (October 2009) all the administrative departments to submit illustrative 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, 2010-11 and 2011-12 along with 2012-13 were presented to the State Legislature in August 2005, July 2006, March 2007, March 2008, July 2009, July 2010, September 2011, September 2012 and July 2014 respectively, 16 departments, whose activities were commented upon did not submit their explanatory notes on 68 out of 224 paragraphs/ Performance Audits as of September 2014 (**Annexure 1.10**).

### ***1.11.2 Outstanding action taken notes on the Reports of the Committee on 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 seven months to 74 months, 10 departments did not furnish the ATNs on 43 recommendations relating to 14 COPU Reports presented (July 2008 - February 2014) to the State Legislature (**Annexure 1.11**).

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

Anomalies/ deficiencies noticed during the periodical inspections of Government Companies as well as Statutory Corporations and not settled on the spot are communicated through 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 four weeks. A half-yearly report is being sent to the Principal Secretary / Secretary of the department in respect of pending IRs to facilitate monitoring of the audit observations in those IRs.

Inspection Reports issued up to September 2014 pertaining to 68 PSUs disclosed that 95 paragraphs relating to 92 IRs remained outstanding at the end of September 2014. The department-wise break up of IRs and audit

observations as of September 2014 is given in **Annexure 1.12**. In order to expedite settlement of the outstanding paragraphs, Audit Committee Meetings are held with the PSUs at least once in every month. However, during October 2013 to January 2015, 12 audit committee meetings were held with different PSUs and the pending IRs were settled.

Similarly, draft paragraphs and Performance Audits on the working of PSUs are forwarded to the Addl. Chief Secretary/ Principal Secretary/ Secretary of the respective administrative department concerned, seeking confirmation of the facts and figures and their comments thereon within a period of six weeks. It was, however, noticed that two Performance Audit reports and five draft paragraphs forwarded to five departments during May to September 2014, as detailed in **Annexure 1.13**, had not been replied so far (January 2015).

It is recommended that the Government should ensure that **(a)** procedure exists for action against the officials who fail to submit replies to inspection reports/ draft paragraphs/ performance audit reports 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.