

## Overview

### I 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 2014, 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 0.59 lakh employees. The 38 working PSUs that finalised accounts for 2013-14 registered a turnover of ₹37,212.69 crore. This turnover was equal to 5.26 per cent of State GDP.*

#### **Investments in PSUs**

*As on 31 March 2014, investment (capital and long term loans) in 91 PSUs was ₹43,444.95 crore. It grew over ₹40,970.41 crore in 2008-09, at a compound annual growth rate of 1.18 per cent. Power sector accounted for nearly 67.30 per cent of total investment in 2013-14. Government contributed ₹ 2,247.13 crore towards equity, loans and grants/ subsidies during 2013-14.*

#### **Performance of PSUs**

*Out of 74 working PSUs, 38 prepared accounts for 2013-14. During the year 2013-14, 22 PSUs earned profit of ₹614.19 crore and 15 PSUs incurred loss of ₹988.46 crore. 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).*

#### **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 36 working PSUs were in arrears for periods ranging from one to five years. There were 17 non-working PSUs of which five finalised their accounts for the year 2013-14 while 12 PSUs had arrears of accounts for one to eight 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 I)

## II Performance Audits relating to Public Sector Undertakings

Performance Audit relating to '*Project Management of New Thermal Power Units in West Bengal*' in respect of West Bengal Power Development Corporation Limited and The Durgapur Projects Limited was conducted. Executive summary of audit findings is given next:

### **Introduction**

*Government of West Bengal (GoWB) planned to set up 14 thermal power generating units in the tenth (2002-07) and eleventh (2007-12) plan periods, through West Bengal Power Development Corporation Limited (WBPDC) and the Durgapur Projects Limited (DPL). While no unit was commissioned in the tenth plan, WBPDC and DPL commissioned seven units between 2008-12.*

### **Financial Position**

*While WBPDC had earned profit in all these years, DPL incurred losses in all the five years.*

### **Planning**

*Given the long gestation period for thermal power stations, planning for capacity addition was not taken up sufficiently in advance. This led to mismatch between demand and availability of power and additional cost of ₹ 3,125.15 crore on purchase of power. Besides, there were deficiencies in detailed project reports.*

### **Project implementation and execution**

*Both WBPDC and DPL had not laid down a detailed project implementation schedule (PIS) or set up a dedicated project implementation team (PIT). This led to delays in completion ranging from 12 to 24 months and performance of the projects was not satisfactory. Work was held up on account of non-completion of pre-tender formalities on time, awarding works without considering manufacturing capacity and order position of vendor and belated release of mobilisation advance which were of controllable nature.*

*Projects were commissioned with incomplete components leading to loss of generation, avoidable expenditure and problems in operation. Besides, poor execution of projects had led to forced shutdown and consequent loss of generation. Other deficiencies included consumption of auxiliary energy and oil in excess of regulatory norms, leading to disallowance of fuel costs aggregating to ₹ 394.61 crore by the regulator.*

*WBPDC and DPL had not closed the project contracts and the regulator had withheld admitted project costs of ₹ 416.19 crore.*

*At all seven units, plant availability factor (PAF) was below norm in one or more years.*

### **Environment management**

*Both WBPDC and DPL had failed to achieve many parameters for air, water and noise pollution. West Bengal Pollution Control Board had observed on multiple occasions non-compliance of the parameters and failure to implement ameliorative measures. Consequently, both PSUs had forgone rebate and incurred additional expenditure of ₹ 1.99 crore on water cess. Moreover, while first energy audit at two units had not been taken up within mandated period, in the remaining five units it had not been done within the statutory three years. Moreover, all recommendations had not been implemented by WBPDC.*

### **Internal control and monitoring**

*WBPDCCL had belatedly constituted a Project Appraisal and Monitoring Committee (PAMC) in November 2009, while DPL had no such committee. PAMC had observed need for a robust monitoring mechanism that would indicate individual responsibility and accountability. WBPDCCL of late had taken steps to implement this mechanism.*

### **Conclusion**

*Both WBPDCCL and DPL did not have a framework for project planning and execution to implement these projects on time. Further, WBPDCCL and DPL did not have an adequate monitoring mechanism with well-defined accountability structure. Pollution parameters were also not met leading to forgoing rebate of ₹ 1.99 crore on account of water cess. All these factors led to the units not being commissioned within the scheduled time and performance and environmental standards remained unachieved.*

### **Recommendations**

*There are three recommendations - WBPDCCL put in place a cost control mechanism to ensure that the expenses it incurs do not exceed the regulatory norms, projects be commissioned only after they are complete in all aspects and quality requirements have been duly met prior to such acceptance and WBPDCCL needs to adhere to the suggestions of PAMC and develop a strong project monitoring mechanism. DPL also needs to develop a similar mechanism.*

(Chapter 2.1)

Another Performance Audit relating to '**Development of Industrial Parks/ Growth Centres and allotment of land**' of West Bengal Industrial Development Corporation Limited and West Bengal Industrial Infrastructure Development Corporation was conducted. Executive summary of audit findings is given below:

### **Introduction**

*West Bengal Industrial Development Corporation Limited (WBIDC) (incorporated in 1967 under the Companies Act 1956) and West Bengal Industrial Infrastructure Development Corporation (WBIIDC) (incorporated in November 1973 under the West Bengal Industrial Infrastructure Act 1974) were established under Commerce and Industries Department (C&I), Government of West Bengal (GoWB) to provide necessary infrastructure for development of industries.*

### **Financial position and working results**

*Both PSUs were earning overall profits mainly from their non-project activities like lending and interest income. However, their infrastructure development activities were incurring losses.*

### **Industrial Policy and Planning**

*Between 2009-10 and 2013-14, WBIDC disbursed incentives of ₹ 949.45 crore on behalf of GoWB. It took more than a year to disburse incentives arising from excessive documentation while applying for incentives by entrepreneurs.*

*WBIDC prepared a Strategic Plan and a Mission-Vision Statement. WBIDC's Board deliberated (September 2011) on suggested strategies for implementation but took no further action.*

**WBIIDC had not prepared mandatory overall and schematic budgets and programmes of work.**

#### **Acquisition of land**

**WBIDC had paid ₹ 2.03 crore in excess on purchase of land through two intermediaries in deviation of its own practice. Besides, it did not maintain complete records of land acquisition proposals or followed them up. Consequently, six proposals had lapsed leading to blocking of ₹ 13.58 crore. Similarly, WBIIDC had not followed up for one proposal resulting in blocking of ₹ 1.36 crore.**

**Moreover, selection of sites by WBIDC and WBIIDC was not appropriate with industrial parks (IPs) and growth centres (GCs) being set up on acquired land that was non-contiguous or at locations where there was no demand for industrial land.**

#### **Development of infrastructure and its maintenance**

**Delays in preparation of master plans and awarding of contracts led to cost overrun. At four IPs, WBIDC had short recovered operation and maintenance charges of ₹ 1.36 crore. WBIIDC had not realised dues of ₹ 4.46 crore from various units.**

#### **Allotments and monitoring**

**WBIDC allotted land to projects without appraisal or appraisals were done after approval. Besides, four new integrated steel plant projects were approved prior to appraisal. Consequently, many projects had not taken off and 5,625 acres land remained idle.**

**Shortcomings in determination of prices for allotment of land and modules led to under-recovery of cost, discriminative pricing and allotment below prevailing market rates.**

#### **Project implementation**

**Both PSUs had allotted land for projects that had not commenced any activity for 14 months to 38 years beyond scheduled dates of implementation. Even after grant of extension, many units had not commenced operation.**

#### **Conclusion**

**Infrastructure development activities were yet to become profitable for both WBIDC and WBIIDC. Besides, in case of both the PSUs, close follow up of acquisition proposals was often lacking resulting in lapsed proposals and blocking of funds. Further PSUs failed to ensure distribution of Rehabilitation and Resettlement benefits to the land givers. Despite mega steel projects being non-starters; 5,625 acres of land allotted to them by WBIDC could not be reclaimed due to faulty development agreements. Moreover, the internal control processes were weak.**

#### **Recommendations**

**There are three recommendations - PSUs may develop land bank/ database on unused land available with other Departments for industrial use, strengthen their appraisal and monitoring mechanism to see that the land in IPs/ GCs is effectively utilised and ensure effective internal control in the areas of land acquisitions, appraisal of projects and allotment of land to entrepreneurs as well as to oversee functioning after the projects are implemented.**

(Chapter 2.2)

### III 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 ₹ 8.85 crore due to non-safeguarding of financial interests of organisation in three cases.

*(Paragraphs 3.2, 3.3 and 3.8)*

- Defective/ deficient planning in two cases involving ₹ 4.45 crore.

*(Paragraphs 3.4 and 3.5)*

- Non-compliance with statutes/rules/directives/ procedures in one case involving ₹ 1.97 crore.

*(Paragraph 3.6)*

- Inadequate/ deficient monitoring in two cases involving ₹ 2.95 crore.

*(Paragraphs 3.7 and 3.9)*

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

**West Bengal Forest Development Corporation Limited** had not defined ownership of the IT assets or assigned competency based roles and responsibility for IT assets within the organisation; ensured proper documentation providing insight into its existing IT system; prepared role based physical or logical access and authentication to information systems, drawn up business continuity plan, defined role of third party service providers and laid down privacy policy to secure information shared by their customers.

*(Paragraph 3.1)*

**Sundarban Infrastructure Development Corporation Limited** did not realise or short realised agency charges of ₹ 4.94 crore on 32 deposit works executed till March 2013. Further, its failure to ensure ownership of land before taking up an eco-tourism project at Bakkhali led to unfruitful expenditure of ₹ 2.06 crore.

*(Paragraphs 3.2 and 3.3)*

**Mackintosh Burn Limited** incurred loss of ₹ 2.35 crore on construction of an underground reservoir-cum-booster pumping station due to preparation of initial design without considering the actual soil condition. Moreover, it retained balances in non-interest bearing current account while paying interest on outstanding cash credit balance due to lack of proper cash management leading to avoidable payment of interest of ₹ 2.10 crore.

*(Paragraphs 3.4 and 3.5)*

**West Bengal State Electricity Distribution Company Limited** had under-reported value of set of generator motor main circuit equipment in 2010-11, forgoing expenditure of ₹ 1.97 crore.

*(Paragraph 3.6)*

**All five state transport undertakings** had to forego subsidy of ₹ 2.15 crore on high speed diesel as they failed to lodge claims in time for the specified period in the prescribed manner. **Two State Transport Undertakings** incurred avoidable expenditure of ₹ 1.85 crore due to delays ranging from 20 to 278 days in implementing Government order for procurement of diesel at cheaper rates from retail outlets.

*(Paragraphs 3.7 and 3.8)*