

CHAPTER I

1. Functioning of State Public Sector Undertakings

1.1 Introduction

State Public Sector Undertakings (PSUs) comprise State Government Companies¹ and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people; they occupy an important place in the state economy. During the year 2016-17, three PSUs were added to audit jurisdiction². As on 31 March 2017, there were 92 PSUs in West Bengal. The details of the State PSUs in West Bengal as on 31 March 2017 are as follows:

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working	Non-working PSUs	Total PSUs
Government Companies	64	18	82
Statutory Corporations	9	1	10
Total	73	19	92

The working PSUs registered a total turnover of ₹ 35,271.91 crore during the year 2016-17 as per their latest finalised accounts (September 2017). This turnover was equal to 2.82 *per cent* of Gross State Domestic Product (GSDP)³ for 2016-17. Further, the total turnover was 89.42 *per cent* of the aggregate investment (₹ 39,443.37 crore) in these working PSUs. The working PSUs incurred aggregate losses of ₹ 189.89 crore as per their latest finalised accounts (September 2017). Their Return on Equity⁴ (RoE) was negative at 1.77 *per cent*. They had employed 47,377 employees at the end of March 2017. Only one PSU⁵ was listed on the Calcutta Stock Exchange.

As on 31 March 2017, there were 19 PSUs that were non-working⁶ for the last two to 11 years. The total investment in these non-working PSUs was ₹ 1,168.06 crore.

¹ Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.

² Bengal Birbhum Coalfields Limited, Biswa Bangla Marketing Corporation Limited and West Bengal Biotech Development Corporation Limited.

³ Gross State Domestic Product at current prices (Advance Estimates) - ₹ 12,51,067.42 crore. (Source : Economic Review 2016-17, Government of West Bengal).

⁴ Percentage of aggregate net loss after taxes for the year as per latest accounts of working PSUs and preference dividend to total shareholders' fund (paid-up share capital, share application money and free reserves and surplus as reduced by accumulated losses and deferred revenue expenditure).

⁵ WEBFIL Limited.

⁶ Non-working PSUs are those which have ceased to carry on their operations.

1.2 Accountability framework

A Government Company or any other Company owned or controlled⁷, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. The process of audit of Government Companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, a Government Company is any company in which not less than fifty-one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government/ Governments, or partly by the Central Government and partly by one or more State Governments. This includes a company which is a subsidiary company of such a Government Company.

Further, as per sub-section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-section 5 or sub-section 7 of Section 139, if considered necessary, by an order, cause test audit to be conducted on the accounts of such Company. The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

1.2.1 Statutory Audit

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act who shall submit a copy of the Audit Report to the CAG including the financial statements of the Company under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of nine working Statutory Corporations, CAG is the sole auditor for seven Corporations⁸.

⁷ Control is defined in Section 2(27) of the Companies Act 2013. Also see General Circular No. 33/2014 of 31 July 2014 of Ministry of Corporate Affairs, Government of India.

⁸ 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.

In respect of the remaining two⁹ working statutory corporations, audit is conducted by Chartered Accountants and supplementary audit by CAG. In the case of one non-working corporation, *i.e.*, Great Eastern Hotel Authority, only compliance audit is undertaken by the CAG.

1.2.2 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the Legislature under Section 39(4) of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

1.3 Stake of Government of West Bengal

The State Government has a financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

1.4 Investment in State PSUs

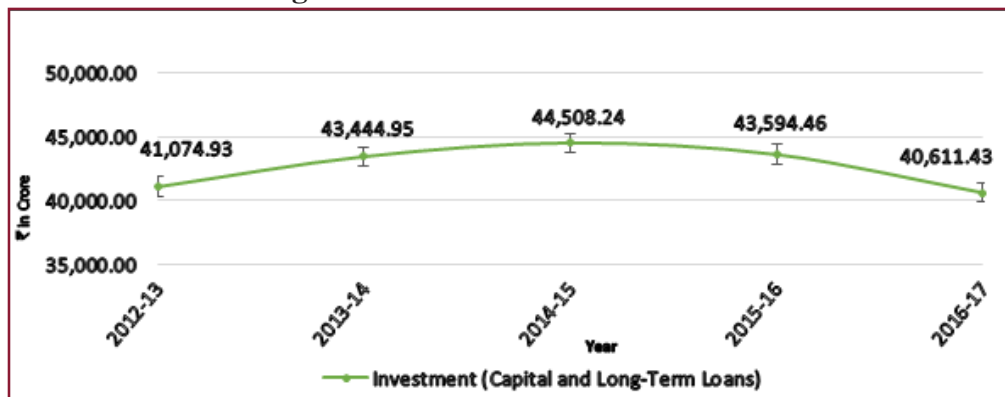
As on 31 March 2017, the investment (capital and long-term loans) in 92¹⁰ PSUs was ₹ 40,611.43 crore. As on 31 March 2017 of the total investment in state PSUs, 97.12 *per cent* was in working PSUs and the remaining 2.88 *per cent* in non-working

⁹ West Bengal State Warehousing Corporation and West Bengal Financial Corporation.

¹⁰ The investment was calculated as per information submitted by the PSUs as well as the current accounts submitted by them. However, four working PSUs had not submitted the information as sought for.

PSUs. This total investment consisted of 36.20 per cent towards capital and 63.80 per cent in long-term loans. Investment had gone up from ₹ 41,074.93 crore in 2012-13 to ₹ 44,508.24 crore in 2014-15 and thereafter declined to ₹ 40,611.43 crore in 2016-17, as shown in **Figure 1.1** as follows:

Figure 1.1: Total investment in PSUs



The annual average compound rate of decline of investment from 2012-13 to 2016-17 was 0.23 per cent.

1.4.1 Sector-wise summary of investment

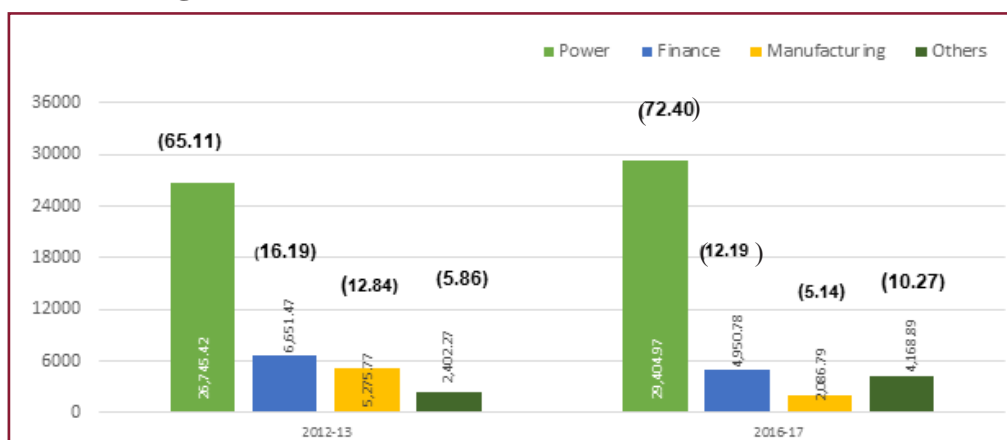
The sector wise summary of investments in the state PSUs as on 31 March 2017 is given in **Table 1.2**.

Table 1.2: Sector-wise investment in PSUs (₹ in crore)

Name of Sector	Government Companies		Statutory Corporations		Total Investment
	Working	Non-Working	Working	Non-Working	
Power	29,404.92	0.05	Nil	Nil	29,404.97
Manufacturing	1,141.96	944.83	Nil	Nil	2,086.79
Finance	2,800.41	51.89	2,098.48	Nil	4,950.78
Service	1,123.63	Nil	1,073.42	16.34	2,213.39
Infrastructure	1,510.93	Nil	96.34	Nil	1,607.27
Agriculture and Allied	107.28	154.55	7.61	Nil	269.84
Miscellaneous	78.39	Nil	Nil	Nil	78.39
Total	36,167.52	1,151.72	3,275.85	16.34	40,611.43

The investment in different sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in **Figure 1.2**.

Figure 1.2: Sector-wise investment in PSUs (₹ in crore)



The thrust of PSU investment was mainly in power sector which increased from 65.11 per cent to 72.40 per cent during 2012-13 to 2016-17. In absolute terms, investments rose by ₹ 2,659.55 crore in power sector during the period 2012-17 while it declined by ₹ 1,700.69 crore and ₹ 3,188.98 crore in finance and manufacturing sectors respectively during the same period.

1.5 Disinvestment, Restructuring and Privatisation of PSUs and reforms in power sector

The Government of West Bengal had decided (February 2017) to restructure state PSUs for improving operational efficiency and optimally utilising their manpower/assets. It planned to restructure/ merge 45 PSUs with other PSUs and to continue the operations of 44 PSUs. Accordingly, standard operating procedures (SOPs) were issued in June 2017. Cabinet decision was taken for 100 per cent stake sale of one working PSU¹¹ and formal closure of two working PSUs¹². Till September 2017, application for amalgamation of 10 PSUs had been filed with the National Company Law Tribunal. Further developments were awaited (November 2017). To initiate corporate insolvency process, insolvency suit was filed against one PSU¹³ by its financial creditor.

1.6 Special support and returns during the year

The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of state PSUs for three years ended 2016-17 are given in **Table 1.3**.

¹¹ Durgapur Chemicals Limited.

¹² National Iron and Steel Company (1984) Limited and Neo Pipes and Tubes Company Limited.

¹³ West Bengal Essential Commodities Supply Corporation Limited.

Table 1.3: Details regarding budgetary support to PSUs (₹ in crore)

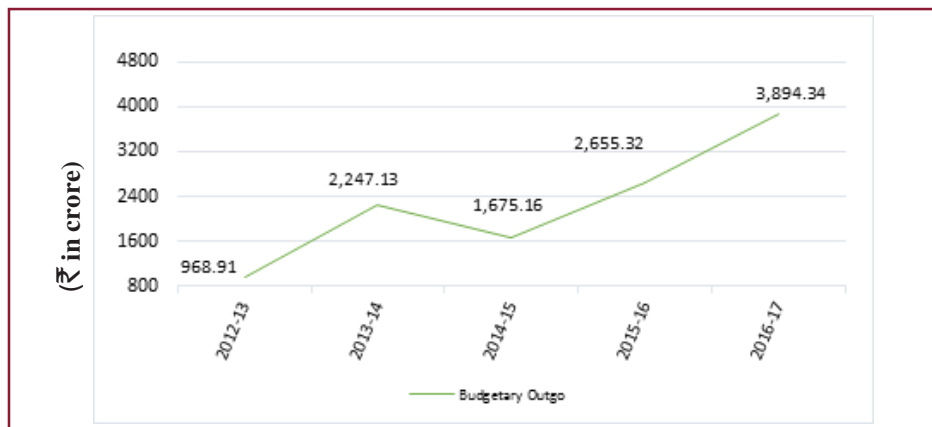
Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	15	236.90	13	968.60	17	554.71
2.	Loans given from budget	29	490.07	28	716.83	24	2,171.98
3.	Grants/ Subsidy from budget ¹⁴	24	948.19	23	969.89	29	1,167.65
4.	Total Outgo (1+2+3)15	48*	1,675.16	50*	2,655.32	52*	3,894.34
5.	Loans converted into Equity	1	500.00	Nil	Nil	Nil	Nil
6.	Guarantees issued	Nil	Nil	4	2,022.74	1	150.00
7.	Guarantee Commitment	19	8,060.49	16	5,219.16	10	3,270.81

***Some of the PSUs received assistance under more than one head**

1.6.1 Trend of budgetary outgo

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in **Figure 1.3**.

Figure 1.3: Budgetary outgo towards Equity, Loans and Grants/ Subsidies



Budgetary outgo towards equity, loans and grants/ subsidies increased from ₹ 968.91 crore in 2012-13 to ₹ 3,894.34 crore in 2016-17. Significant beneficiaries

¹⁴ Amount represents outgo from the State Budget only.

¹⁵ The figure represents number of PSUs which have received outgo from the State Budget under one or more heads, i.e., equity, loans, grants and subsidies.

of equity, loans and subsidy/ grants from the state budget were four¹⁶ PSUs in the power sector, which had received 52.40 per cent (₹ 2,040.76 crore).

1.6.2 Guarantee commission payable by PSUs to the State Government

PSUs are liable to pay guarantee commission at the rate of one per cent per annum to the State Government on the outstanding amount of loan guaranteed as of 31 March. At the end of 2016-17, guarantee commitment by the Government was ₹ 3,270.81 crore in respect of 10 PSUs. During the year, two PSUs paid guarantee commission of ₹ 0.34 crore to the State Government while ₹ 25.92 crore was outstanding from 13 PSUs.

1.7 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of state PSUs should agree with that 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 2017 is shown in **Table 1.4**:

Table 1.4: Equity, loans, guarantees outstanding as per finance accounts vis-a-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	12,602.15	14,506.10	1,903.95
Loans	9,477.09	4,909.74	4,567.35
Guarantees	5,638.42	3,270.81	2,367.61

Audit observed that the differences occurred in respect of various PSUs and some of the differences were pending reconciliation for many years. No action had 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.

1.8 Arrears in finalisation of accounts

The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.*, by September end in accordance with the provisions of Section 96 (1) the Act. The Chief Executive and Directors to the Board appointed by the State Government are responsible for

¹⁶ The West Bengal Power Development Corporation Limited: ₹ 1,851.90 crore; The Durgapur Projects Limited: ₹ 59.37 crore; West Bengal State Electricity Distribution Company Limited: ₹ 114.57 crore and West Bengal State Electricity Transmission Company Limited: ₹ 14.92 crore.

preparation of the PSUs' accounts, with the administrative departments responsible for monitoring compliance. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.5 provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2017.

Table 1.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of Working PSUs	74	74	73	70	73
2.	Number of accounts finalised during the year	74	83	69	61	79
3.	Number of accounts in arrears	67	60	64	72	77
4.	Number of Working PSUs with arrears in accounts	43	36	40	41	40
5.	Extent of arrears (numbers in years)	1 to 4	1 to 5	1 to 5	1 to 6	1 to 9
6.	Number of PSUs having up to date accounts in respective years.	31	38	33	29	33

It can be observed that the number of accounts in arrears has increased from 67 (2012-13) to 77 (2016-17). It would be seen from **Annexure 1** that till September 2017, the accounts of 40 working PSUs were in arrears. The arrears pertained to the period ranging from one to nine years. Several correspondences and meetings were held with the PSUs' Managements and their Statutory Auditors to pull up the arrear accounts. But these PSUs did not adhere to their action plans with regard to pulling up arrears. The Administrative Departments concerned were also pursued for finalisation of arrear accounts in a time bound manner. Concrete steps should be taken by the PSUs for preparation of accounts as per statutory requirements with special focus on clearance of arrears in a time bound manner.

1.8.1 Government investment in working PSUs with arrears in accounts

The State Government had invested ₹ 2,055.90 crore in 40 working PSUs {equity: ₹ 34.50 crore, loans: ₹ 562.50 crore and grants ₹ 1,458.90 crore} during the years for which accounts have not been finalised as detailed in **Annexure 1**. In the absence

of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose, for which the amount was invested, was achieved or not. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

1.8.2 Arrears in accounts of non-working PSUs

In addition to above, as on 30 September 2017, there were arrears from one year to 11 years in finalisation of accounts by 13 out of 19 non-working PSUs. Six non-working PSUs had up-to-date accounts while 13 PSUs had arrears of 60 accounts ranging over the years from 2006-07 to 2016-17.

The issue was pursued on a regular basis and the status intimated to the Chief Secretary to the Government of West Bengal (October 2016, May 2017 and November 2017). Responsibility needs to be fixed for failure to prepare accounts in time to safeguard the assets of these PSUs.

1.9 Placement of Separate Audit Reports

The status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2017) on the accounts of Statutory Corporations in the Legislature has been shown in **Annexure 2**. Twenty-two SARs in respect of the 10 Statutory Corporations have not either been issued to Government or placed in the Legislature. Audit was in progress in respect of 13 accounts. In case of nine accounts, SARs have been issued to Government during April 2015 to September 2017. These are yet to be placed in the State Legislature. Accounts in respect of one Statutory Corporation are pending since 2013-14 onwards.

1.10 Impact of non-finalisation of accounts

As pointed out above (**Paragraph 1.8**), the delay in finalisation of accounts may also result in risk of fraud and wastage of public money, apart from violation of the provisions of the relevant statutes. In view of the above, state of arrears of accounts, the actual contribution of PSUs to the state GDP for the year 2016-17 could not be ascertained and their contribution to state exchequer was also not reported to the State Legislature.

1.11 Performance of PSUs as per their latest finalised accounts

The financial position and working results of Government Companies and Statutory Corporations are detailed in **Annexure 3**. A ratio of PSU turnover to state GDP shows the extent of PSU activities in the State Economy. The details of turnover of working PSUs with up-to-date accounts and state GDP for a period of five years ending 2016-17 were as depicted in **Table 1.6**.

Table 1.6: Details of working PSUs’ turnover vis-a-vis state GDP

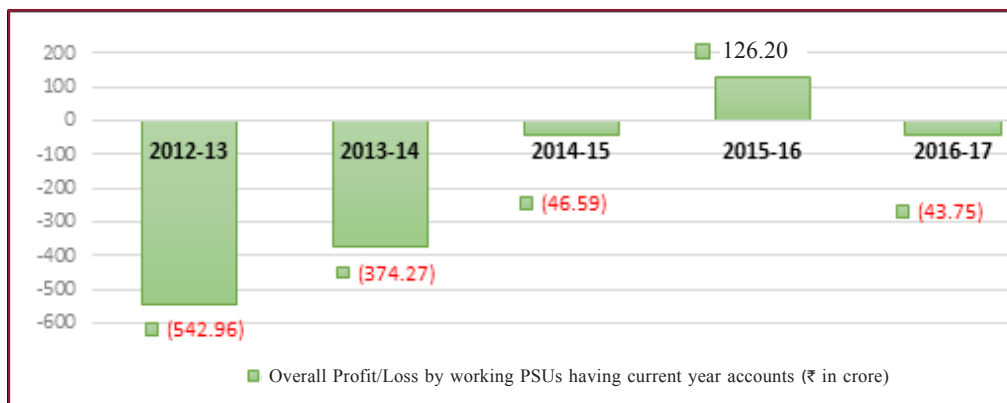
(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover ¹⁷	36,755	37,213	28,079	26,217	31,113
(No. of working PSUs having up-to-date accounts)	(31)	(38)	(33)	(29)	(33)
State GDP	5,76,865	7,07,848	8,00,868	10,39,923	12,51,067
Percentage of Turnover to state GDP	6.37	5.26	3.51	2.52	2.49

As such, in respect of state GDP, the percentage of turnover of working PSUs with up-to-date accounts had declined in a regular manner from 2012-13 to 2016-17.

1.11.1 Trend of aggregate profits earned/ losses incurred by working PSUs

Figure 1.4 : Overall profit/ losses incurred by working state PSUs during 2012-13 to 2016-17



During the year 2016-17, there were 33 working PSUs with up-to-date accounts, of which 21 PSUs earned profit of ₹ 621.59 crore and 11 PSUs incurred loss of ₹ 665.34 crore while one PSU¹⁸ incurred nominal loss. The major contributors to profit were West Bengal State Electricity Transmission Company Limited (₹ 371.17 crore) and West Bengal Power Development Corporation Limited (₹ 107.85 crore). Heavy losses were incurred by The Durgapur Projects Limited (₹ 536.12 crore), Durgapur Chemicals Limited (₹ 26.75 crore) and West Bengal State Electricity Distribution Company Limited (₹ 25.29 crore).

1.11.2 Trend of key parameters of working PSUs with up-to-date accounts

Some other key parameters of working PSUs having up-to-date accounts in respective years during 2012-13 to 2016-17 are as shown in **Table 1.7:**

¹⁷ Turnover as per the current finalised accounts as of 30 September of respective years.

¹⁸ Sl. No. 1 of **Annexure 3**

Table 1.7: Key Parameters of state PSUs (₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Return on Capital Employed¹⁹ (Per cent)	2,412.78 (6.44)	2,769.55 (6.51)	2,984.14 (7.40)	2,901.99 (7.06)	3,506.34 (10.19)
Debt	25,296.12	26,232.94	23,604.19	22,185.77	20,549.01
Turnover²⁰	36,755.18	37,212.69	28,079.44	26,217.46	31,113.19
Debt/ Turnover Ratio	0.69:1	0.70:1	0.84:1	0.85:1	0.66:1
Interest Payments	2,957.97	3,143.82	3,029.73	2,775.79	3,549.98
Accumulated Profits /(-)losses	(-)1,751.90	(-)2,644.97	(-)190.07	126.20	100.67

1.11.3 Aggregate profits/ losses in working PSUs with arrears in accounts

In respect of those PSUs having arrears in accounts, 20 working PSUs earned profit of ₹ 204.32 crore while 19 working PSUs incurred losses of ₹ 350.46 crore as per their latest finalised accounts as on 30 September 2017. One PSU, which had come under audit jurisdiction in 2016-17, did not submit its arrear accounts from inception²¹. Four PSUs declared dividend of ₹ 1.10 crore.

1.11.4 Erosion of Capital due to losses

The total paid-up capital and accumulated losses of the 73 working state PSUs as per their latest finalised accounts were ₹ 14,433.10 crore and ₹ 3,367.36 crore respectively as detailed in **Annexure 3**. Analysis of investment and accumulated losses disclosed that in respect of 30 working PSUs, their entire net worth had been eroded. The total accumulated loss of these PSUs was ₹ 9,026.60 crore against their paid-up capital of ₹ 1,717.68 crore.

Further, of these 30 PSUs, the negative net worth of three PSUs exceeded ₹ 1,000 crore each, *i.e.*, West Bengal Transport Corporation Limited {(-) ₹ 1,635.84 crore}, Calcutta State Transport Corporation {(-) ₹ 1,378.28 crore} and The Durgapur Projects Limited {(-) ₹ 1,093.88 crore}.

¹⁹ Ratio of return on capital employed (net profit/ loss *plus* interest charged in profit and loss account) to capital employed *i.e.* shareholders' funds *plus* long term borrowings. In respect of finance sector PSUs, capital employed is worked out as the mean of the aggregate of opening and closing balances of shareholders' funds *plus* long term borrowings.

²⁰ Turnover of working PSUs as per their accounts for the current financial year as of 30 September of that year.

²¹ West Bengal Biotech Development Corporation Limited was incorporated in 2008-09. The audit of the PSU was entrusted in 2016-17. However, no information or accounts were submitted by the PSU. Therefore, the accounts for 2008-09 to 2016-17, *i.e.* nine years were considered as arrear account. Refer Sl. No. 34 of **Annexure 1**.

1.12 Non-working Public Sector Undertakings

Non-working PSUs are not contributing to the State Economy and may be considered either to be closed down or revived. There were 19 non-working PSUs (18 Companies and one Statutory Corporation) as on 31 March 2017. The number of non-working companies at the end of each year during past five years are as follows in **Table 1.8**.

Table 1.8: Non-working PSUs

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
No. of non-working companies	16	16	17	18	18
No. of non-working corporations	1	1	1	1	1
Total	17	17	18	19	19

1.12.1 Current status on closure of non-working PSUs

During 2016-17, 12 non-working PSUs had incurred an expenditure of ₹ 43.59 crore towards employees' cost²². This expenditure was financed by the State Government through non-plan loans to these PSUs. These non-working PSUs were taken under Government's decision (February 2017) for merger/restructuring of state PSUs. The Government informed (August 2017) that the cabinet decision was taken for formal closure of one non-working PSU²³ while formal winding-up process of three non-working PSUs²⁴ had been initiated by their administrative departments.

1.13 Comments on Accounts

Sixty-four working companies forwarded their audited 66 accounts to PAG/AG during the year 2016-17. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given in **Table 1.9**.

Table 1.9: Impact of audit comments on working Companies (₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	6	176.64	5	20.96	3	14.94
2.	Decrease in profit	16	327.92	14	507.22	8	35.25
3.	Errors of classification	5	134.83	2	56.31	6	172.69
4.	Non-disclosure of material facts	7	194.39	6	204.40	3	75.84

Note: Increase in Profit includes Decrease in Loss and vice-versa.

²² Seven non-working PSUs did not submit requisite information.

²³ Lily Products Limited.

²⁴ West Bengal Plywood and Allied Products Limited, Krishna Silicate and Glass (1987) Limited and The Carter Pooler Engineering Company.

During the year, the Statutory Auditors did not give unqualified certificates on any account. An adverse certificate was given on the accounts of one PSU²⁵.

1.13.1 Audit comments on Statutory Corporations

Similarly, nine working Statutory Corporations forwarded their 13 accounts to PAG/AG during the year 2016-17. Of these, 12 accounts of six Statutory Corporations pertained to sole audit by CAG. The remaining account was selected for supplementary audit. The Audit Reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given in **Table 1.10**.

Table 1.10: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	4	34.35	4	22.50	2	2.66
2.	Decrease in profit	3	15.25	4	203.63	7	30.59
3.	Errors of classification	Nil	Not applicable	2	1.81	4	11.69
4.	Non-disclosure of material facts	Nil	Not applicable	2	154.56	2	1.20

Note: Increase in Profit includes Decrease in Loss and vice-versa.

1.14 Response of the Government to Audit

Performance Audits and Paragraphs

For the Report of the Comptroller and Auditor General of India (for the year ended 31 March 2017), one Performance Audit Report, One Follow-up Audit Report and 11 Audit Paragraphs involving four departments were issued to the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. Replies in respect of Follow-up Audit and eight compliance audit paragraphs were awaited for 23 to 33 weeks from the State Government (January 2018).

1.15 Follow up action on Audit Reports

As per the Constitutional provisions *vide* Article 151(2), the Reports of the Comptroller and Auditor General (CAG) of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. Further, under the legislative provisions *vide* Section 19 A(3) of CAG (Duties, Powers and Conditions of Service) Act 1971, the State Government shall cause every Report in relation to audit of accounts of a Government Company or a Corporation, to be laid before the Legislature of the State, as soon as may be after it is received.

The Reports of the CAG of India, in respect of accounts of the State were not being laid before the Legislature in a timely manner. Audit noticed that the Reports for the years 2011-12 and 2012-13, which were submitted to the Governor in March 2013

²⁵ Saraswati Press Limited-Sl. No 63 of Working Government Companies in **Annexure 3**

and April 2014 respectively, were laid before Legislature in July 2014. Similarly, the Reports for the years 2013-14 and 2014-15, which were submitted to the Governor in April 2015 and March 2016 respectively, were also tabled together in July 2016.

The pattern indicates that laying of Reports of CAG before the Legislature has been reduced to a biennial exercise by the State Government. Such violation of Constitutional and Legislative obligations deprived the Legislature of the opportunity to exercise control over the Executive in respect of finances and its utilisation in the State.

1.15.1 Replies outstanding

The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executives. The Finance Department, Government of West Bengal issued Manual for Financial Advisors (January 2016) for all Administrative Departments. As per the manual, the heads of Administrative Departments as well as the PSUs have to furnish the replies/explanatory notes to paragraphs/ performance audits included in the Audit Reports of the CAG of India within a period of one month of their presentation to the Legislature, duly signed by Secretary/ Joint Secretary.

Out of 258 paragraphs/ performance audits, explanatory notes to 39 paragraphs/ performance audits in respect of 15 departments were awaited (September 2017).

1.15.2 Discussion of Audit Reports by COPU

The status as on 30 September 2017 of Performance Audits (PAs) and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as shown in **Table 1.11**.

Table 1.11: Reviews/Paras appeared in Audit Reports vis-à-vis discussed as on 30 September 2017

Period of Audit Report	Number of PAs/ Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2005-06	4	26	Nil	14
2006-07	4	21	Nil	6
2007-08	3	20	1	6
2008-09	2	21	2	9
2009-10	2	21	Nil	6
2010-11	2	15	Nil	6
2011-12	2	14	1	6
2012-13	2	10	Nil	2
2013-14	2	9	1	8
2014-15	1	10	Nil	2
2015-16 <i>(subsequently tabled in the Legislature on 7 March 2018)</i>	2	10	2	7
Total	26	177	7	72

1.15.3 Compliance to Reports of Committee on Public Undertakings (COPU)

According to Rules of Procedure of COPU, Action Taken Notes (ATNs) on the recommendations contained in the COPU Reports are to be submitted by the Government within three months of their receipt. The statement in **Annexure 4** indicated the details of 22 COPU reports where Action Taken Notes are yet to be received from the departments as on 30 September 2017.

These reports of COPU contain 50 recommendations in respect of paragraphs pertaining to eight departments, which had either appeared in the Reports of the CAG of India for the years 2003-04 to 2014-15 or were taken up for *suo-motu* study.

1.16 Coverage of this Report

This Report contains one Performance Audit on 'Management of Works by three PSUs', one Follow-up Audit to 'Performance Audit on Production and Marketing Performance of Saraswaty Press Limited' and 11 Compliance Audit observations involving financial effect of ₹ 819.21 crore. The Compliance Audit observations include two Thematic Audits on 'Compliance with rules made under Mines and Minerals (Development and Regulation) Act, 1957' and 'Vehicular Emission by State Transport Undertakings in West Bengal during the period from 2012-13 to 2016-17'. These audit findings related to PSUs which fall under four Departments viz. Public Works; Industry, Commerce and Enterprises; Transport as well as Power and Non-Conventional Energy Sources.

The number of PSUs, investment, turnover, and Return on Equity (RoE) in respect of all PSUs under these four departments is given in **Table 1.12(a)** :

Table 1.12(a): Overall profile of all PSUs under the administrative control of four Departments covered in this Report

Sl. No.	Name of Department	No. of PSUs	Investment (₹ in crore)	Turnover (₹ in crore)	Return on Equity (in per cent)
1	Public Works	4	986.66	790.20	(-) 0.17
2	Industry, Commerce and Enterprises	20	1,750.69	627.57	Not applicable
3	Transport	7	1,760.13	489.95	Not applicable
4	Power and Non-Conventional Energy Sources	7	29,404.97	29,348.38	(-) 0.69
	Total	38	33,902.45	31,256.10	

It can be seen that aggregate investment in and turnover of PSUs under the Power and Non-Conventional Energy Sources Department was higher than the other three departments put together. While two departments had negative RoE, the negative net worth and losses of PSUs under remaining two departments were a matter of concern.

The investment, turnover and RoE in respect of the PSUs commented upon in the Report are as follows: -

Table 1.12(b): Key parameters of the PSUs covered in the Report

Sl. No.	Name of PSU	Investment (₹ in crore)	Turnover as per latest accounts (₹ in crore)	Return on Equity (in per cent)
1	Mackintosh Burn Limited	1.91	637.04	11.11
2	Westinghouse Saxby Farmer Limited	68.92	118.49	Not applicable
3	Britannia Engineering Limited	47.83	34.67	Not applicable
4	Sarasawaty Press Limited	5.50	86.44	15.03
5	West Bengal Text Book Corporation Limited	0.10	308.06	44.77
6	West Bengal Mineral Development and Trading Company Limited	65.48	52.62	Not applicable
7	West Bengal Transport Corporation Limited	229.97	52.98	Not applicable
8	West Bengal Surface Transport Corporation Limited	275.26	28.35	Not applicable
9	North Bengal State Transport Corporation	314.13	158.83	Not applicable
10	South Bengal State Transport Corporation	273.21	108.59	Not applicable
11	Calcutta State Transport Corporation	486.08	97.72	Not applicable
12	West Bengal Power Development Corporation Limited	13,119.42	8,718.32	1.41
13	West Bengal State Electricity Distribution Company Limited	8,313.67	18,351.64	(-)1.17
14	West Bengal State Electricity Transmission Company Limited	3,920.81	1,258.92	10.94
15	West Bengal Highway Development Corporation Limited	868.00	Nil	(-)0.20
	Total	27,990.29	30,012.67	

(Not applicable – The shareholders’ funds of these PSUs is negative.)