

CHAPTER-I

1 Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 74 Government companies (60 working and 14 non-working¹ companies) and 11 Statutory corporations (all working) as against 75 Government companies (62 working companies and 13 non-working companies) and 11 Statutory corporations (all working) as on 31 March 2005 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors 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. The audit arrangements of the Statutory corporations are as shown below :

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	West Bengal State Electricity Board (WBSEB)	Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 172 (a) and 185 (2) (d) of the Electricity Act, 2003.	Sole audit by CAG
2.	Calcutta State Transport Corporation (CSTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	North Bengal State Transport Corporation (NBSTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
4.	South Bengal State Transport Corporation (SBSTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
5.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBCSTDFC)	Under Section 27 (2) of West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation Act, 1976	Sole audit by CAG
6.	West Bengal Minorities Development and Finance Corporation (WBMDFC)	Under Section 25 (2) of the West Bengal Minorities Development and Finance Corporation Act, 1995	Sole audit by CAG
7.	West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	Section 25(2)(b) of the West Bengal Industrial Infrastructure Development Corporation Act, 1974	Sole audit by CAG
8.	West Bengal Financial Corporation (WBFC)	Section 37(6) of the State Financial Corporations Act, 1951	audit by Chartered Accountants and Supplementary audit by CAG
9.	West Bengal State Warehousing Corporation (WBSWC)	Section 31(8) of the Warehousing Corporations Act, 1962	audit by Chartered Accountants and Supplementary audit by CAG

¹ Non-working companies are those which are under the process of liquidation, closure, merger, etc

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
10.	Great Eastern Hotel Authority (GEHA)	Section 19(1) of Great Eastern Hotel (Acquisition of Undertaking) Act, 1980 read with rules made there under	audit by Chartered Accountants and Supplementary audit by CAG
11.	West Bengal Backward Classes Development and Finance Corporation	Section 26(2) of the West Bengal Backward Classes Development and Finance Corporation Act, 1995	Sole audit by CAG

The State Government had constituted the West Bengal Electricity Regulatory Commission (WBERC) in January 1999, under the erstwhile Electricity Regulatory Commissions Act, 1998 and its audit is entrusted to the CAG, under Section 104(2) of the Electricity Act, 2003[#].

During the year, the audit of one company viz. West Bengal State Police Housing Corporation Limited, which was incorporated as a Government company on 13 March 1993 was entrusted to the CAG. Further, two companies viz. Engel India Machine & Tools (1987) Limited and West Bengal Chemical Industries Limited ceased to be Government companies from this year as the State Government had divested its majority shares in these companies, as discussed in Paragraph 1.22.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment in 73 working PSUs (62 Government companies and 11 Statutory corporations) at the end of March 2005 and 71 working PSUs (60 Government companies and 11 Statutory corporations) respectively at the end of March 2006 was as follows :

(Amount : Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loan	Total
2004-05	73	4,847.79	519.80	28,417.99	33,785.58
2005-06	71	5,742.37	179.88	27,953.55	33,875.80 [∞]

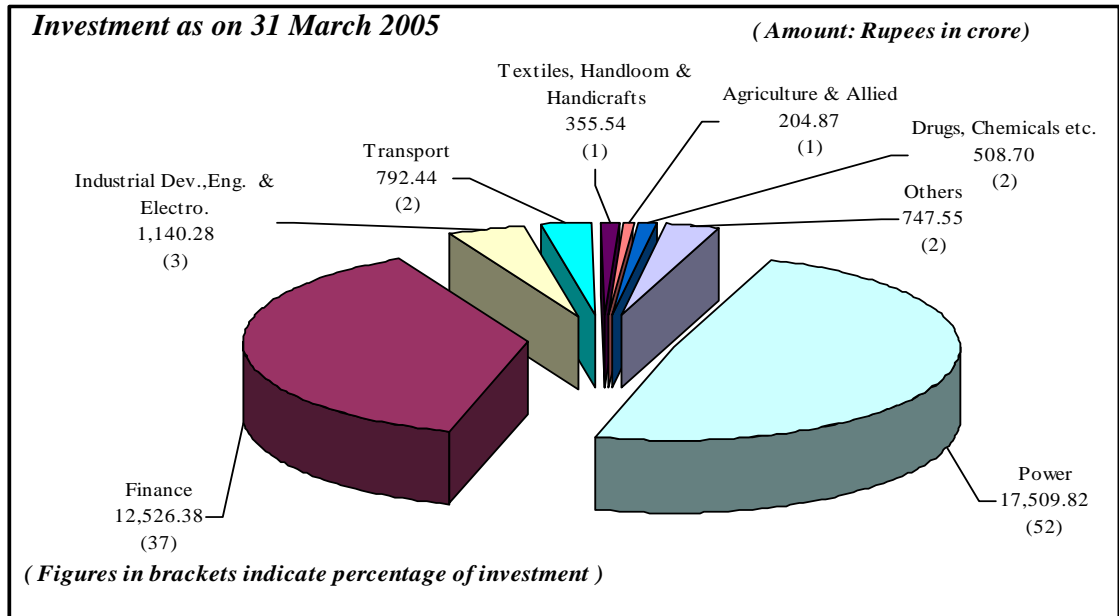
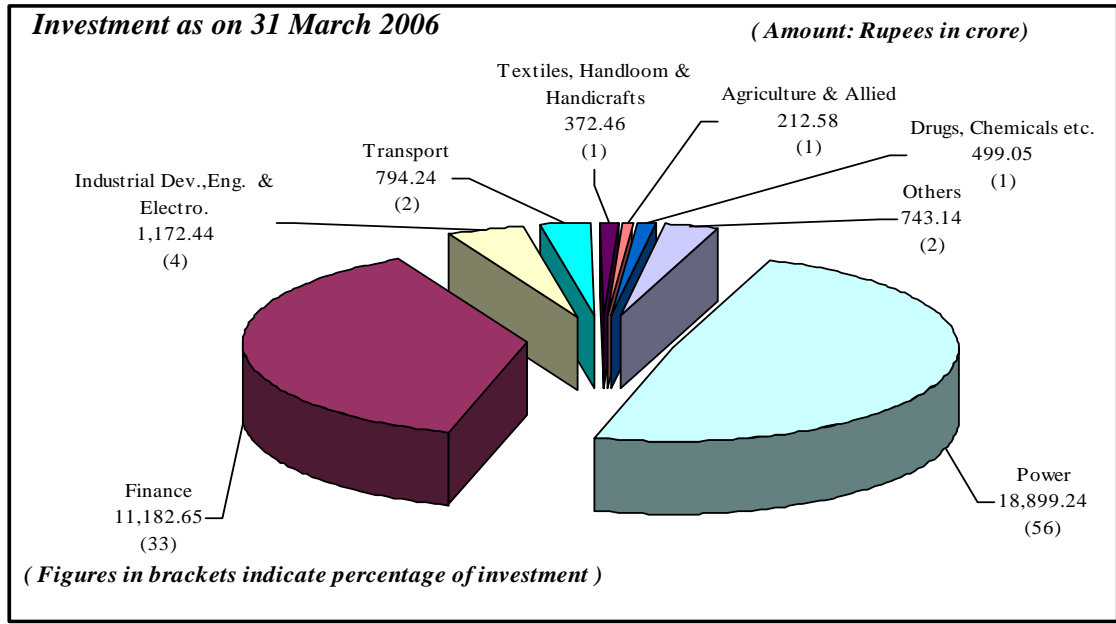
As on 31 March 2006, the total investment in the working Government companies and Statutory corporations comprised of 17.48 per cent equity capital and 82.52 per cent loans, compared to 15.89 and 84.11 per cent respectively, as on 31 March 2005. An analysis of investment in the working PSUs is given in the following paragraphs.

[#] Erstwhile Electricity Regulatory Commissions Act, 1998 now replaced by the Electricity Act, 2003.

[∞] State Government's investment in the working PSUs was Rs 19,738.84 crore (others : Rs 14,136.96 crore). Figure as per Finance Account 2005-06 is Rs 19,348.29 crore. The difference is under reconciliation.

Sector wise investment in the working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2005 are indicated in the following pie charts.



Working Government companies

1.3 The total investment in 62 and 60 working Government companies at the end of March 2005 and March 2006 respectively was as follows:

(Amount : Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2004-05	62	3,205.68	516.65	18,852.76	22,575.09
2005-06	60	4,091.51	166.79	17,986.96	22,245.26

The summarised statement of Government investment in the working Government companies in the form of equity and loan is detailed in **Annexure-1**.

The debt equity ratio of working Government Companies decreased from 5.06: 1 in 2004-05 to 4.22: 1 in 2005-06 mainly due to conversion of Government loan and interest thereon (Rs 393.66 crore) into equity in case off West Bengal Electronics Industry Development Corporation Limited, The West Bengal Power Development Corporation Limited and The Durgapur Projects Limited as well as repayment of loan (Rs.852.47 crore) by West Bengal Infrastructure Development Finance Corporation Limited.

Working Statutory corporations

1.4 The total investment in 11 working Statutory corporations at the end of March 2006 and March 2005 was as follows:

(Amount: Rupees in crore)

Sl. No.	Name of corporation	2004-05		2005-06	
		Capital	Loan	Capital	Loan
1.	West Bengal State Electricity Board (WBSEB)	1,352.62	8,483.87	1,352.62	8,814.67
2.	Calcutta State Transport Corporation (CSTC)	9.62	247.87	9.62	256.98
3.	North Bengal State Transport Corporation (NBSTC)	10.70	150.23	10.70	166.70
4.	South Bengal State Transport Corporation (SBSTC)	11.01	107.11	11.01	111.05
5.	West Bengal Financial Corporation (WBFC)	80.97	328.72	82.47 (0.50)	351.36
6.	West Bengal State Warehousing Corporation (WBSWC)	7.61	-	7.61	-
7.	West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	-	96.34	-	96.34
8.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC)	135.15	34.25	140.40	36.04
9.	West Bengal Minorities Development and Finance Corporation (WBMDFC)	29.94 (3.15)	75.79	29.94 (12.59)	93.56
10.	West Bengal Backward Classes Development and Finance Corporation	4.49	23.07	6.49	21.91
11.	Great Eastern Hotel Authority (GEHA)	-	17.98	-	17.98
	Total	1,642.11 (3.15)	9,565.23	1,650.86 (13.09)	9,966.59

(Figures in brackets indicate share application money)

The summarised statement of Government investment in the working Statutory corporations in the form of equity and loans is given in **Annexure-1**.

Budgetary outgo, grants/ subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/ subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government companies and working Statutory corporations are given in **Annexures-1** and **3**.

The budgetary outgo[®] in the form of equity capital, loans and grants/ subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2005-06 are given below:

(Amount : Rupees in crore)

	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	11	11.10	3	5.87	13	53.34	4	11.79	11	164.47	4	17.44
Loans	31	820.85	4	2,257.28	30	976.19	6	543.67	28	353.74	4	555.04
Grants	12	15.25	4	8.93	9	17.38	6	83.20	9	18.22	3	399.34
Subsidy	4	89.70	4	155.73	4	77.76	3	154.20	5	95.30	5	477.26
Total outgo	44 [#]	936.90	9 [#]	2,427.81	44 [#]	1,124.67	10 [#]	792.86	41	631.73	8	1449.08

During the year 2005-06 the Government had guaranteed loans aggregating Rs 1,615.78 crore obtained by six working Government companies (Rs 1,416.47 crore) and five working Statutory corporations (Rs 199.31 crore). At the end of the year, the amount outstanding against guarantees aggregated Rs 16,053.11 crore against 23 working Government companies (Rs 14,159.05 crore) and nine working Statutory corporations (Rs 1,894.06 crore) as compared to Rs 12,383.96 crore in 25 working companies and Rs 1,785.54 crore in nine working Statutory corporations at the end of the previous year. The guarantee fees paid/ payable to the Government by 14 Government companies and three Statutory corporations during 2005-06 was Rs 80.37 crore and Rs 31.78 crore respectively.

There were four cases of default (companies : 3, corporations : 1) in the repayment of guaranteed loans aggregating Rs 259.91 crore during the year.

Finalisation of accounts by working PSUs

1.6 The position of finalisation of accounts is detailed in **Annexure-2**.

As could be seen from **Annexure-2**, out of 60 working Government companies only 28 companies[†] and out of 11 working Statutory corporations, only three[†] corporations had finalised their accounts for the year 2005-06 by September 2006. During the period from October 2005 to September 2006,

[®] Under reconciliation with the figures as per Finance Accounts-2005-06.

[#] These are the actual number of Companies/Corporations which had received budgetary support in the form of equity, loans, grants and subsidies from the Government during the respective years.

[†] Sl. Nos. A-3,4,8,11,12,14,15,16,17,18,20,21,22,24,25,27,36,38,43,44,45,48,49,51,56,58,59 & 60 of **Annexure 2**

[†] Sl. Nos. B-1, 5 & 8 of **Annexure 2**

28 working Government companies finalised 46 accounts of previous years, while four Companies did not finalise any accounts. Similarly, four working Statutory corporations finalised five accounts for previous years during this period.

The accounts of 32 working Government companies and eight working Statutory corporations were in arrears for periods ranging from one to 12 years as on September 2006 as detailed below :

Sl. No.	No. of working PSUs		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1	-	1994-95 to 2005-06	12	A-39	-
2	1	1	2000-01 to 2005-06	6	A-34	B-3
3	1	-	2001-02 to 2005-06	5	A-30	-
4	1	-	2002-03 to 2005-06	4	A-7	-
5	3	1	2003-04 to 2005-06	3	A-10,13,50	B-7
6	6	3	2004-05 to 2005-06	2	A-6,29,33,41,42&53	B-6,9 & 10
7	19	3	2005-06	1	A-1,2,5,9,19,23,26,28,31,32,35,37,40,46,47,52,54,55,&57	B-2,4 & 11

Financial position and working results of working PSUs

1.7 The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures-4 & 5** respectively.

According to the latest finalised accounts of 60 working Government companies and 11 working Statutory corporations, 38 companies and eight corporations had incurred losses for the respective years aggregating Rs 333.47 crore and Rs 440.66 crore respectively. Twenty companies and three corporations earned an aggregate profit of Rs 92.20 crore and Rs 3.38 crore respectively. The West Bengal Rural Energy Development Corporation Limited and West Bengal State Police Housing Corporation Limited had finalised their accounts for the pre-operative stage.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 28 working Government companies, which finalised their accounts for 2005-06 up to September 2006, 13 companies earned an

aggregate profit of Rs 88.05 crore. Similarly, six profit earning companies, which finalised their accounts for the previous years during October 2005 to September 2006, earned an aggregate profit of Rs 4.14 crore.

Of these 19 profit earning working companies, 14 companies earned profit successively for two or more years, but only four companies[®] declared dividend of Rs 2.58 crore for the years 2004-05 and 2005-06. The State Government has not formulated any policy for payment of minimum dividend.

Loss incurring working Government companies

1.9 Of the 38 loss incurring working companies, 34 companies had accumulated losses aggregating Rs 2,305.91 crore, which exceeded their aggregate paid up capital of Rs 290.98 crore.

Despite poor performance and complete erosion of their paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to the available information, the total financial support so provided during 2005-06 by the State Government to 24 companies out of these 34 companies was Rs 172.45 crore by way of equity (Rs 9.93 crore), loans (Rs 53.77 crore), subsidy (Rs 95.03 crore); grants (Rs 13.72 crore).

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of the three working Statutory Corporations, which finalised their accounts for 2005-06 by September 2006, only West Bengal Financial Corporation earned profit of Rs 1.27 crore.

Though three corporations earned profit successively for two or more years, only West Bengal Financial Corporation declared dividend of Rs.5.67 lakh for the year 2004-05.

Loss incurring Statutory corporations

1.11 Two Corporations² finalised its accounts for 2005-06 up to September 2006 and incurred a loss of Rs 259.29 crore. Similarly, out of the four working Statutory corporations which finalised their accounts for the previous years (September 2006), none had earned any profit. Of the eight loss incurring Statutory corporations, six had accumulated losses aggregating Rs 6,756.94 crore which exceeded their aggregate paid up capital of Rs 1,466.42 crore by more than four times.

[®] Webel Technology Limited, West Bengal Forest Development Corporation Limited, Saraswaty Press Limited and West Bengal Power Development Corporation Limited

² West Bengal State Electricity Board & West Bengal Minorities Development & Finance Corporation.

Despite poor performance and complete erosion of the paid up capital, the State Government continued to provide financial support to these Statutory corporations in the form of contribution towards equity, further grant of loans, subsidy etc. According to the available information, the total financial support during 2005-06 provided by the State Government to these corporations was Rs 1,429.47 crore by way of equity (Rs 2.00 crore), loans (Rs 555.04 crore), subsidy (Rs 477.26 crore) and grants (Rs 395.17 crore).

Operational performance of the working Statutory corporations

1.12 The operational performance of the Statutory corporations is given in **Annexure-6**. The following points were noticed with regard to the operational performance of Statutory corporations :

Calcutta, North Bengal and South Bengal State Transport Corporations

1.12.1 In case of the North Bengal State Transport Corporation, the loss per kilometre substantially increased from Rs 11.07 in 2003-04 to Rs 14.41 in 2004-05 and further to Rs 14.87 in 2005-06 and in South Bengal State Transport Corporation, the loss per kilometre significantly decreased from Rs 13.55 in 2000-04 to Rs 6.19 in 2004-05, but marginally increased to Rs 6.87 in 2005-06, while in Calcutta State Transport Corporation, the loss per kilometre decreased from Rs 12.87 in 2003-04 to Rs 12.38 in 2004-05, but again increased significantly to Rs 17.78 in 2005-06.

West Bengal Financial Corporation

1.12.2 The amount overdue for recovery of loans increased from Rs 520.48 crore in 2003-04 to Rs 564.03 crore in 2004-05 and to Rs 563.41 crore in 2005-06, while the total loans disbursed increased marginally from Rs 101.37 crore in 2003-04 to Rs 110.98 crore in 2004-05 and to Rs 114.72 crore in 2005-06.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2006), the capital employed[▲] worked out to Rs 18,952.54 crore in 60 working companies and the total return[▽] thereon amounted to Rs 1,321.45 crore which was 6.97 per cent as compared to the total return of Rs 1,199.31 crore (7.61 per cent) in 62 working companies during 2004-05. Similarly, during 2005-06, the capital employed and the total return thereon in the case of 11 working Statutory corporations as per their latest finalised accounts (up to September 2006) worked out to Rs 4,010.77 crore and Rs 26.08 crore respectively compared to the total return of Rs 176.57 crore in the previous year. The details of capital

[▲] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in the finance companies and corporations where it represents a mean of aggregate of the opening and closing balances of paid-up capital, free reserves and borrowings (including refinance).

[▽] For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure-2**.

Power sector reforms

Status of implementation of MOU between the Government of India and the Government of West Bengal

1.14 A Memorandum of Understanding (MOU) was signed on 5 May 2001 between the Government of India and the Government of West Bengal as a joint commitment for implementation of a reforms programme in the power sector with identified milestones. The status of implementation of the reforms is discussed below :

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2006)
	Commitments made by the State Government		
1	Reduction in transmission and distribution losses	20 per cent by 2005	29.27 per cent
2	100 per cent electrification of all villages	By March 2007	31,731 mouzas (84 per cent) were electrified.
3	100 per cent metering of all the distribution feeders	September 2002 (Revised)	100 per cent achieved.
4	100 per cent metering of all consumers	December 2002 (Revised)	97 per cent achieved.
5	Securitisation of outstanding dues of CPSUs	-	Dues securitised.
6	West Bengal Electricity Regulatory Commission (WBERC)	-	
	i) Establishment of WBERC		Constituted in January 1999.
	ii) Implementation of tariff orders issued by WBERC during the year		Tariff orders of 2005-06 have been implemented.
7	Timely payment of subsidy		During the year subsidy amounting to Rs 252.21 crore relating to previous years had been received from the State Government .
	Commitments made by the Central Government		
8	Funds under Accelerated Power Development and Reform Programme (APDRP)		Funds aggregating Rs 502.18 crore received till 31 March 2006.
9	Waiver of late payment surcharge on dues to CPSUs after securitisation		Late payment surcharge of Rs 761.97 crore was waived by CPSUs.

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2006)
10	Payment of reform-based incentives		WBSEB received Rs 74.02 crore as incentive for timely payment of power purchase claims.
	General		
11	Monitoring of MOU		Monthly progress reports were submitted to the State Government by WBSEB.

West Bengal Electricity Regulatory Commission

1.15 The West Bengal Electricity Regulatory Commission (Commission) was formed on 6 January 1999 under Section 17 of the erstwhile Electricity Regulatory Commissions Act, 1998[§] with the object of determining electricity tariff, advising in the matters relating to electricity generation, transmission, distribution etc. in the State. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of the accounts of the Commission has been entrusted to the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts for the year ended 31 March 2006 and earned a surplus of Rs 73.05 lakh in 2005-06.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.16 The total investment in the non-working PSUs (all Government companies) at the end of March 2005 and 2006 respectively was as follows :
(Amount : Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loan	Total
2004-05	13	32.55	2.50	236.92	271.97
2005-06	14	36.03	2.40	217.51	255.94 ^σ

As substantial investment of Rs 255.94 crore was involved in all the non-working companies, effective steps need to be taken for their expeditious liquidation or revival.

Budgetary outgo, grants/ subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 The details regarding the budgetary outgo, grants/ subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the

[§] Now Section 82 (1) of the Electricity Act, 2003

^σ State Government's investment in the non-working PSUs was Rs 223.64 crore (others : Rs 32.30 crore). Figure as per Finance Accounts 2005-06 is Rs 60.06 crore. The difference is under reconciliation.

State Government in respect of the non-working PSUs are given in **Annexures- 1 and 3**.

The State Government had provided a budgetary support[†] of Rs 2.80 crore by way of loans to West Bengal Sugar Industries Development Corporation Limited.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of the total establishment expenditure of non-working PSUs and the sources of financing them during the last three years up to 2005-06 are given below :

(Amount: Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by			
			Government by way of			Others [‡]
	Government companies		Equity	Loans	Grants	
2003-04	10	14.44	-	12.56	0.31	2.43
2004-05	13	9.37 ³	-	3.20	-	2.82
2005-06	14	2.80	-	2.80	-	-

Note: There is no non-working Statutory corporation

Finalisation of accounts by the non-working PSUs

1.19 Only Apollo Zipper India Limited finalised the accounts for the year 2005-06 by September 2006. The accounts of remaining 12 non-working companies were in arrears for periods ranging from one to four years as on September 2006, while accounts of a defunct company viz. Lime Light Industries (Private) Limited were in arrears for 22 years, as shown in **Annexure-2**.

Financial position and working results of the non working PSUs

1.20 The summarised financial results of the non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. It would be seen that against the paid-up capital of Rs 18.97 crore in four companies, their negative net worth was Rs 419.73 crore. Further, cash loss[®] in six companies, as per their latest accounts was Rs 41.12 crore while accumulated loss was Rs 345.21 crore in 12 companies. Five Companies had a positive net worth of Rs 3.30 crore, and the remaining five companies were zero networth companies.

[†] Under reconciliation with the figures as per Finance Accounts 2005-06

[‡] Including unsecured loans from holding company.

³ Out of the total establishment expenditure of Rs 9.37 crore, source of funding the balance establishment expenditure of Rs 3.35 crore was not available since these Companies are closed

[®] Loss excluding depreciation.

Status of placement of the Separate Audit Reports on the accounts of Statutory corporations in the Legislature

1.21 The status of placement of various Separate Audit Reports (SARs) on the accounts of the Statutory corporations issued by the Comptroller and Auditor General of India, in the Legislature by the Government is given in **Annexure-7**.

It would be observed from the Annexure that 23 SARs relating to eight Corporations were not placed for periods ranging from one to six years. The matter was reviewed by the Committee on Papers of the West Bengal Legislative Assembly who recommended (July 2005) timely submission of the Annual Accounts and Audit Reports on the table of the House within nine months from the date of closing of their accounts. The situation had, however, not improved despite the Committee's recommendation. Thus, due to non-placement of the Reports in the Legislature, the issues brought out in the SARs could not attract attention of the esteemed Members of the Legislative Assembly.

Disinvestment, privatisation and restructuring of Public Sector Undertakings

1.22 Out of 23 PSUs taken up for closure (eight companies), privatisation (11 companies/corporations) and restructuring (four companies) under first phase, seven* were closed till September 2005. During October 2005 to August 2006 eight^ more PSUs were closed after paying compensation of Rs 16.66 crore~ to 2,252 employees. As a part of the process of restructuring, the Government also paid Rs 30.94 crore to 835 employees of three^ other companies under the Early Retirement Scheme.

Further, the Government undertook (May 2005/ January 2006) financial restructuring in respect of four@ companies by way of conversion of Government loan and interest of Rs 393.66 crore into equity and had written off loan and interest of Rs 47.76 crore. During the year, the Government disinvested 74 per cent equity of Engel India Machines & Tools (1987) Limited and West Bengal Chemical Industries Limited in favour of two private enterprises. In the second phase, the Government took up (January 2006) restructuring of another 22 loss incurring PSUs and appointed (August 2006) three consultants for business optimisation studies. Further development were awaited (September 2006).

* Sl. Nos C-1,6,7,8,9,10,13 of **Annexure-1**

^ Sl. Nos. A-3,13,17,33; B-10; C-3,4,12 of **Annexure-1**

~ Compensation amount in respect of Sl. Nos. A-3,13,33, C-3,4,12 of **Annexure-1** is not known

^ Sl. Nos A-16,19,31 of **Annexure-1**

@ Sl. Nos. A-21,48,49; C-5 of **Annexure-1**

Results of audit of the accounts of PSUs by the Comptroller and Auditor General of India

1.23 During the period from October 2005 to September 2006, the audit of the accounts of 52 Government companies (working : 45 and non-working : 7) and six working Statutory corporations were selected for review. The net impact of the important audit observations made as a result of review of these PSUs was as follows :

Details	Number of accounts			Rupees in crore		
	Government companies		Working Statutory corporations	Government companies		Working Statutory corporations
	Working	Non-working		Working	Non-working	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Decrease in profit	4	3	1	57.12	32.56	0.21
Decrease in losses	2	-	-	222.50	-	-
Increase in losses	9	-	4	11.80	-	992.37
Non-disclosure of material facts	5	-	4	140.91	-	208.55
Errors of classification	10	3	6	791.87	32.56	226.88

Errors and omissions noticed in the case of Government companies

1.24 Some of the major errors and omissions noticed during audit in the case of Government companies are tabulated below :

Sl. No.	Name of the Company	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	West Bengal Small Industries Development Corporation Limited	2004-05	Loss was understated due to non provision of liability for arrear salary/ wages and permanent diminution in value of investment.	9.64
2	West Bengal Industrial Development Corporation Limited	2004-05	Profit was overstated due to (a) non-accountal of expenses like pre-operative, electricity, operation/ maintenance, insurance etc. and income like rent, pro-rata lease premia and interest, (b) non-provision for investment made in closed company and (c) short provision of gratuity.	5.52
3	West Bengal Infrastructure Development Finance Corporation Limited	2003-04	Overstatement of loss due to non-accountal of interest income on accrual basis.	221.94
4	West Bengal Housing Infrastructure Development Corporation Limited	2004-05	Profit was overstated due to crediting of interest earned in fixed deposit to other income instead of project cost/ work-in-progress.	1.76
5	West Bengal Power Development Corporation Limited	2004-05	Overstatement of profit due to non-provision for redundancy of old boiler materials.	47.93

Errors and omissions noticed in case of Statutory corporations

1.25 Some of the significant errors and omissions noticed during audit in the case of the Statutory corporations are tabulated below :

Sl. No.	Name of the Corporation	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	West Bengal State Electricity Board	2004-05	Understatement of net deficit due to overstatement of revenue and understatement of expenditure.	964.55
2	Calcutta State Transport Corporation	2004-05	Loss was understated due to non/under provision for interest, compensation award of court, guarantee fees and doubtful debts.	1.45
3	North Bengal State Transport Corporation	1998-99	Understatement of loss due to non-provision for interest, doubtful debts and liability for recoupment of loss of P.F. Trustee Board..	10.99

Audit assessment of the working results of West Bengal State Electricity Board (WBSEB)

1.26 Based on the audit assessment of the working results of WBSEB for the three years up to 2004-05 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of WBSEB and not taking into account the subsidy/subventions receivable from the State Government, the net deficit of WBSEB will be as given below :

Sl. No.	Particulars	2002-03	2003-04	2004-05
		(Rupees in crore)		
(1)	(2)	(3)	(4)	(5)
1.	Net deficit as per the books of accounts	915.29	304.93	285.05
2.	Subsidy from the State Government	-	-	-
3.	Net deficit before subsidy from the State Government (1+2)	915.29	304.93	285.05
4.	Net increase in net deficit on account of audit comments on the annual accounts of WBSEB	951.76	371.73	964.55
5.	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government (3+4)	1,867.05	676.66	1,249.60

Persistent irregularities and system deficiencies in financial matters of the PSUs

1.27 The following persistent irregularities and system deficiencies in the financial matters of the PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action had been taken by these PSUs so far.

Sl. No.	Name of the Government companies/ Statutory corporations	Nature of irregularities
Government Companies		
1	West Bengal Power Development Corporation Limited (WBPDC)	Non-adjustment of accounts arising from conversion of entire loan (Rs 709.09 crore) to equity in 2001-02 by the Company in violation of the State Government's order

Sl. No.	Name of the Government companies/ Statutory corporations	Nature of irregularities
		of conversion over a period of five years beginning from 2002-03.
2	West Bengal Housing Infrastructure Development Corporation Limited	Non-provision for the shortfall between cost and sale value of flats constructed for economically weaker section.
3	West Bengal Infrastructure Development Finance Corporation Limited	Accounting of interest income on cash basis instead of accrual basis in violation of provision {Section 209(3) (6)} of the Companies Act, 1956.
4	West Bengal Industrial Development Corporation Limited	Non provision for advances made to purchase equity shares of nine companies, closed between 1986 and 2000.
	Statutory corporations	
5	West Bengal State Electricity Board	(i) Commitment to capital expenditure, amount of capital liabilities falling due for repayment in the subsequent year, unconditional obligation for power purchase, classification of expenditure were not suitably disclosed. (ii) Advance of Rs 79.21 crore shown against WBPDCCL was not accepted by the party. (iii) Inter unit transfers in many cases were neither responded to nor accepted in time for matching and accounting under appropriate head leading to accumulation of debit balances of Rs 196.75 crore. (iv) Priced Stock Ledger, Deposit & Works, Debt Stock and Sundry Creditors Registers were neither updated/ maintained nor reconciled with General Ledger.
6	West Bengal Backward Classes Development and Finance Corporation	(i) Preparation of accounts in non-approved format. (ii) Non-maintenance of Fixed Asset Register.
7	West Bengal Financial Corporation	(i) Accounting of income and expenditure on cash basis instead of accrual basis. (ii) Provision for liabilities like leave encashment, non-performing asset etc. was shown in Profit & Loss Appropriation account instead of charging to P&L account leading to exhibition of fictitious book profit.
8	West Bengal Industrial Infrastructure Development Corporation	(i) Debtors' confirmation was not obtained. (ii) Sundry Debtors' Ledger, Fixed Assets Register, Growth Centre wise expenditure statement's were not maintained. (iii) Bank reconciliation statements were not prepared for all banks. (iv) Consolidated trial balance was not prepared.
9	Calcutta State Transport Corporation	(i) Non-disclosure of pension liabilities and non-recovery of employer's contribution (1977-2003) to PF Trustee

Sl. No.	Name of the Government companies/ Statutory corporations	Nature of irregularities
		Board after commencement (April 1997) of Pension Scheme.
		(ii) Unclaimed gold and silver items collected from vehicles were not evaluated and physically verified.
		(iii) Balances were not confirmed by the sundry debtors and sundry creditors.
		(iv) Though statutorily required, 98 per cent of Depreciation Reserve Fund was not invested.

Reports of Statutory Auditors for improvement in internal audit/ internal control on the directions of Comptroller and Auditor General of India.

1.28 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the internal control/ internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619 (3) (a) of the Companies Act, 1956 and to identify the areas needing improvement.

Important findings of the Statutory Auditors on the internal audit/ control systems in respect of these State Government companies are indicated in **Annexure-8**.

An analysis of 29 such reports received from the Statutory Auditors revealed that nine companies had not delineated the scope and programme of work of internal auditors while non-fixation of norm for manpower requirement as well as non-maintenance/ preparation of cost ledger and accounts were noticed in 10 and 15 companies respectively. In 14 Companies, there was no vigilance department.

Recommendations for closure of PSUs

1.29 Even after completion of more than five years of their existence, the turnover of 13[¶] Government companies (working : 12, non-working : 1[§]) and one[¶] working Statutory corporation had been less than rupees five crore in each of the preceding five years of their latest finalised accounts. Similarly, 19[®] working Government companies and one[®] working Statutory corporation had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, Government may either improve the performance of the above 32 Government companies and two Statutory corporations or consider their closure/ disinvestment.

[¶]Sl. Nos. A-9, 10, 22, 23, 25, 28, 37, 44, 46, 56, 57, 58; C-11 and B-6 of **Annexure-2**.

[§]The accounts of one non-working company (Sl. No. C-14) for period after commencement of commercial operations was not available.

[®] Sl. Nos. A-2, 4, 6, 8, 11, 12, 14, 15, 16, 18, 26, 29, 30, 31, 32, 34, 36, 45 & 59 and B-5 of **Annexure-2**.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.30 The position of discussion of Audit Reports (Commercial) by the COPU as at the end of March 2006 is shown below :

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews / paragraphs discussed by COPU	
	Reviews	Paragraphs	Reviews	Paragraphs
1998-99	6	20	2	5
2000-01	4	19	1	4
2001-02	5	14	-	2
2002-03	3	24	-	2
2003-04	3	27	-	-
2004-05	4	21	-	-
Total	25	125	3	13

During the period from September 2005 to March 2006 COPU discussed four paragraphs.

Deemed Government companies

1.31 There were two deemed Government companies, viz. Webfil Limited and Haldia Petrochemicals Limited covered under Section 619-B of the Companies Act, 1956. **Annexure-9** indicates the details of the paid-up capital, investment by way of equity, loans and grants and the summarised working results of these Companies based on the latest available accounts.