

## CHAPTER-I

### 1 Overview of Government companies and Statutory corporations

#### Introduction

1.1 As on 31 March 2007, there were 75 Government companies (56 working and 19 non-working<sup>1</sup>) and 11 Statutory corporations (10 working and one non-working) as against 74 Government companies (60 working and 14 non-working) and 11 Statutory corporations (all working) as on 31 March 2006 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 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)		
4.	South Bengal State Transport Corporation (SBSTC)		
5.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC)	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

<sup>1</sup> Non-working companies are those which are in 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 transaction 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 formed (January 1999) the West Bengal Electricity Regulatory Commission (WBERC), under the erstwhile Electricity Regulatory Commissions Act, 1998 and its audit is conducted by the CAG, under Section 104(2) of the Electricity Act, 2003<sup>#</sup>.

During the year, three newly incorporated companies viz. West Bengal Industrial Land Holding Private Limited, New Town Telecom Infrastructure Development Corporation Limited and West Bengal Text Book Corporation Private Limited, came within purview of audit of the CAG. Further, two companies viz. Apollo Zipper India Limited and West Bengal Agro Textile Corporation 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** As on 31 March 2007, the total investment in 66 working PSUs (56 Government companies and 10 Statutory corporations) was Rs 34,976.45 crore as against Rs 33,875.80 crore as on 31 March 2006. The details of investment during the last two years ending March 2007 were as follows :

(Amount : Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loan	Total
2005-06	71	5,742.37	179.88	27,953.55	33,875.80
2006-07	66	6,539.88	79.70	28,356.87	34,976.45 <sup>2</sup>

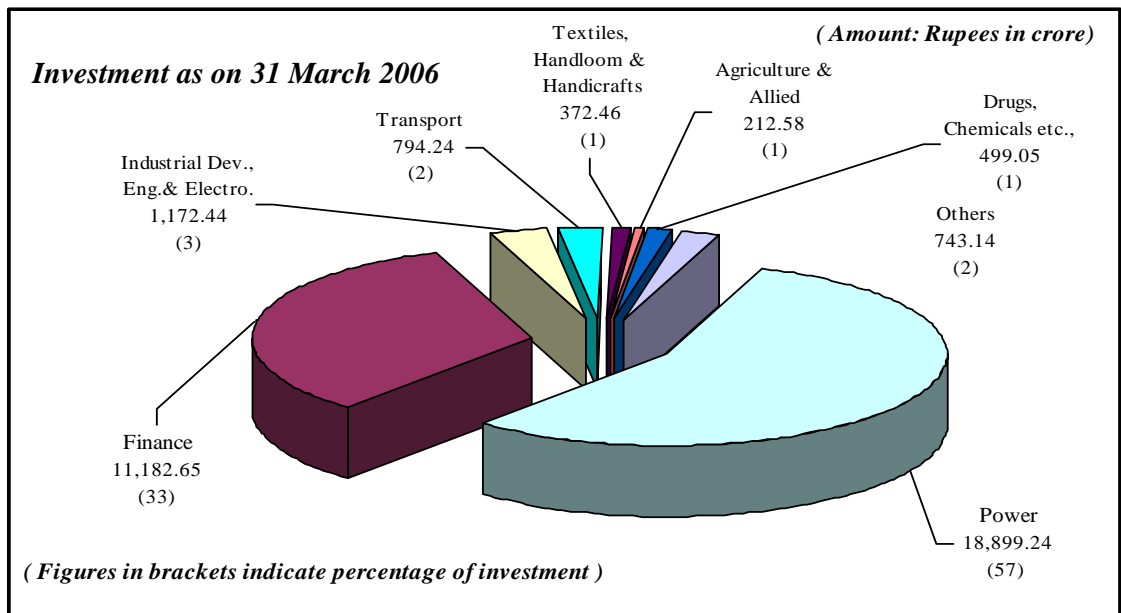
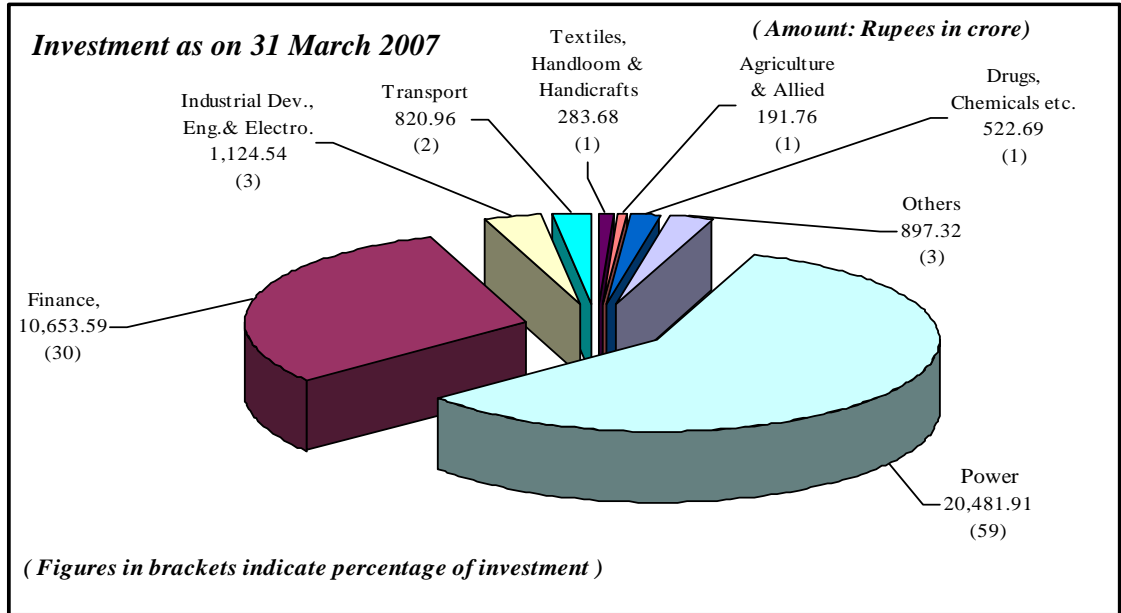
As on 31 March 2007, the total investment in the working Government companies and Statutory corporations comprised of 18.93 *per cent* equity capital and 81.07 *per cent* loans, compared to 17.48 and 82.52 *per cent* respectively, as on 31 March 2006. An analysis of investment in the working PSUs is given in the following paragraphs.

<sup>#</sup> Erstwhile Electricity Regulatory Commissions Act, 1998 now replaced by the Electricity Act, 2003.

<sup>2</sup> State Government investment in working PSUs was Rs. 19,799.94 crore (others : Rs 15,176.51 crores). Figure as per Finance Accounts 2006-07 is Rs. 21,341.55 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 2007 and 31 March 2006 are indicated in the following pie charts.



**Working Government companies**

**1.3** The total investment in working Government companies at the end of March 2007 and March 2006 was as follows:

(Amount : Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2005-06	60	4,091.51	166.79	17,986.96	22,245.26
2006-07	56	4,858.16	77.07	17,781.54	22,716.77

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 4.22: 1 in 2005-06 to 3.60: 1 in 2006-07 mainly due to conversion of State Government loans (Rs 144.57 crore) into equity of The Durgapur Projects Limited, receipt of fresh equity (Rs 650 crore) by West Bengal Power Development Corporation Limited and The Durgapur Projects Limited as well as repayment of loans (Rs 752.50) by West Bengal Infrastructure Development Finance Corporation Limited and West Bengal Power Development Corporation Limited.

**Working Statutory corporations**

**1.4** The total investment in 10 working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Sl. No.	Name of corporation	2005-06		2006-07	
		Capital	Loan	Capital	Loan
1.	West Bengal State Electricity Board (WBSEB)	1,352.62	8,814.67	1,352.62	9,360.24
2.	Calcutta State Transport Corporation (CSTC)	9.62	256.98	9.62	266.08
3.	North Bengal State Transport Corporation (NBSTC)	10.70	166.70	10.70	166.70
4.	South Bengal State Transport Corporation (SBSTC)	11.01	111.05	11.01	115.37
5.	West Bengal Financial Corporation (WBFC)	82.47 (0.50)	351.36	84.47 (1.50)	396.06
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)	140.40	36.04	147.00	43.00
9.	West Bengal Minorities Development and Finance Corporation (WBMDFC)	29.94 (12.59)	93.56	50.00 (1.13)	109.49
10.	West Bengal Backward Classes Development and Finance Corporation	6.49	21.91	8.69	22.05
	<b>Total</b>	<b>1,650.86 (13.09)</b>	<b>9,948.61</b>	<b>1,681.72 (2.63)</b>	<b>10,575.33</b>

(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<sup>⊗</sup> 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 2006-07 are given below:

(Amount : Rupees in crore)

	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	13	53.34	4	11.79	11	164.47	4	17.44	12	705.56	4	20.40
Loans	30	976.19	6	543.67	28	353.74	4	555.04	24	730.98	3	523.92
Grants	9	17.38	6	83.20	9	18.22	3	399.34	12	22.93	4	10.53
Subsidy	4	77.76	3	154.20	5	95.30	5	477.26	5	119.87	4	227.52
Total outgo	44 <sup>#</sup>	1,124.67	10 <sup>#</sup>	792.86	41 <sup>#</sup>	631.73	8 <sup>#</sup>	1,449.08	36 <sup>#</sup>	1,579.34	8 <sup>#</sup>	782.37

During the year 2006-07 the Government had guaranteed loans aggregating Rs 1,522.77 crore obtained by four working Government companies (Rs 1,408.43 crore) and six working Statutory corporations (Rs 114.34 crore). At the end of the year, the amount outstanding against guarantees aggregated Rs 18,563.84 crore against 19 working Government companies (Rs 17,133.86 crore) and eight working Statutory corporations (Rs 1,429.98 crore) as compared to Rs 14,159.05 crore in 23 working companies and Rs 1,894.06 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 2006-07 was Rs 114.61 crore and Rs 115.41 crore respectively.

There were five cases of default (companies : 4, corporations : 1) in the repayment of guaranteed loans aggregating Rs 158.61 crore during the year.

***Finalisation of accounts by working PSUs***

**1.6** The accounts of 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 619B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the

<sup>⊗</sup> Under reconciliation with the figures as per Finance Accounts-2006-07.

<sup>#</sup> 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.

Legislature within nine months from the end of relevant financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per provisions of their respective Acts.

Out of 56 working Government companies only 28 companies<sup>Y</sup> and out of 10 working Statutory corporations, only two<sup>T</sup> corporations had finalised their accounts for the year 2006-07 up to September 2007, as can be seen from **Annexure-2**. During the period from October 2006 to September 2007, 24 working Government companies finalised 40 accounts of previous years, while four Companies did not finalise any accounts. Similarly, six working Statutory corporations finalised nine accounts for previous years during this period, while two corporations had not finalised any accounts.

The accounts of 28 working Government companies and eight working Statutory corporations were in arrears for periods ranging from one to six years as on September 2007 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	-	2001-02 to 2006-07	6	A-26	-
2	1	-	2002-03 to 2006-07	5	A-28	-
3	1	1	2003-04 to 2006-07	4	A-6	B-3
4	1	1	2004-05 to 2006-07	3	A-5	B-9
5	5	2	2005-06 to 2006-07	2	A-25, 36, 42, 45 & 48	B-6 & 7
6	<u>19</u>	4	2006-07	1	A-1,4, 9, 14, 15, 23, 27, 29, 30, 35, 37, 40, 41, 47, 49, 50, 51, 52 & 53.	B-1, 2, 4 & 5

### ***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 56 working Government companies and 10 working Statutory corporations, 31 companies and seven corporations had incurred losses for the respective years aggregating Rs 250.36 crore and Rs 441.12 crore respectively. Twenty three companies and three corporations earned an aggregate profit of Rs 754.92 crore and

<sup>Y</sup> Refer Serial Nos. A-2,3,7,8,10,11,12,13,16,17,18,19,20,21,22,24,31,32,33,34,38,39,43,44,46,54,55 & 56 of **Annexure-2**

<sup>T</sup> West Bengal Financial Corporation and West Bengal Minorities Development & Finance Corporation

Rs 1.59 crore respectively. West Bengal Industrial Land Holdings Private Limited and West Bengal Text Book Corporation Private Limited have finalised their first accounts (2006-07) 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 2006-07 up to September 2007, 13 companies earned an aggregate profit of Rs 315.38 crore. Similarly, 10 profit earning companies, which finalised their accounts for the previous years during October 2006 to September 2007, earned an aggregate profit of Rs 439.54 crore.

Of these 23 profit earning working companies, 18 companies earned profit successively for two or more years, but only three companies<sup>®</sup> declared dividend of Rs 1.24 crore for the years 2005-06 and 2006-07. The State Government has not formulated any policy for payment of minimum dividend.

#### ***Loss incurring working Government companies***

**1.9** Of the 31 loss incurring working companies, 29 companies had accumulated loss of Rs 2,165.06 crore, which exceeded their aggregate paid up capital of Rs 242.68 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. As per the available information, the total financial support so provided during 2006-07 by the State Government to 22 companies out of the above 29 companies was Rs 426.82 crore by way of equity (Rs 9.75 crore), loans (Rs 278.42 crore), subsidy (Rs 118.85 crore); grants (Rs 19.80 crore).

### **Working Statutory corporations**

#### ***Profit earning Statutory corporations and dividend***

**1.10** Out of the two working Statutory Corporations, which finalised their accounts for 2006-07 by September 2007, West Bengal Financial Corporation earned profit of Rs 67.80 lakh.

Similarly, out of the six working statutory Corporation which finalised their account for the previous years (September 2007), two Corporations<sup>3</sup> earned an aggregate profit of Rs 90.93 lakh. Though three corporations earned profit successively for two or more years, only West Bengal Financial Corporation declared dividend of Rs 19.62 lakh for the year 2006-07.

#### ***Loss incurring Statutory corporations***

**1.11** West Bengal Minorities Development & Finance Corporation, which finalised its accounts for 2006-07 up to September 2007, incurred loss of

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<sup>®</sup> Webel Technology Limited, West Bengal Forest Development Corporation Limited & Saraswaty Press Limited.

<sup>3</sup> West Bengal Industrial Infrastructure Development Corporation, West Bengal Scheduled Castes & Scheduled Tribes Development and Finance Corporation.

Rs 1.90 crore during the year. Of the seven loss incurring Statutory corporations which finalised their accounts for previous years (September 2007), five had accumulated losses aggregating Rs 6,892.04 crore which exceeded their aggregate paid up capital of Rs 1,469.92 crore by nearly five times.

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 2006-07 provided by the State Government to these corporations was Rs 760.32 crore by way of equity (Rs 3crore), loans (Rs 523.92 crore), subsidy (Rs 227.52 crore) and grants (Rs 5.88 crore).

### ***Operational performance of the working Statutory corporations***

**1.12** The operational performance of the Statutory corporations is given in **Annexure-6**. The following observations are made with regard to the operational performance of the Statutory corporations :

#### **Calcutta, North Bengal and South Bengal State Transport Corporations**

**1.12.1** In the case of North Bengal State Transport Corporation, the loss per kilometre marginally increased from Rs 14.41 in 2004-05 to Rs 14.87 in 2005-06 and further to Rs 21.54 in 2006-07 and in the case of South Bengal State Transport Corporation, the loss per kilometre marginally increased from Rs 6.19 in 2004-05 to Rs 6.87 in 2005-06 and further to Rs 8.47 in 2006-07, while in the case of Calcutta State Transport Corporation, the loss per kilometre substantially rose from Rs 12.38 in 2004-05 to Rs 17.78 and Rs 18.93 in 2005-06 and 2006-07 respectively. The poor operational performance of these corporations were attributable to increase in expenditure than the revenue realised (NBSTC), fall in revenue (SBSTC) and fall in effective kilometre operated coupled with increase in percentage of dead kilometres (CSTC).

#### **West Bengal Financial Corporation**

**1.12.2** The amount overdue for recovery of loans increased from Rs 564.03 crore in 2004-05 to Rs 563.41 crore in 2005-06 and further to Rs 671.29 crore in 2006-07, while the total loans disbursed by the Corporation increased marginally from Rs 110.98 crore in 2004-05 to Rs 114.72 crore in 2005-06 and to Rs 135.25 crore in 2006-07.

#### **Return on capital employed**

**1.13** As per the latest finalised accounts (up to September 2007), the capital employed<sup>^</sup> worked out to Rs 22,774.98 crore in 56 working companies and

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<sup>^</sup> 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).



the total return<sup>∇</sup> thereon amounted to Rs . 2,031.53 crore which was 8.92 *per cent* as compared to the total return of Rs 1,321.45 crore (6.97 *per cent*) in 60 working companies during 2005-06. Similarly, during 2006-07, the capital employed and the total return thereon in the case of 10 working Statutory corporations as per their latest finalised accounts (up to September 2007) worked out to Rs 3,893.01 crore and Rs 20.88 crore respectively compared to the total return of Rs 26.08 crore in the previous year. The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure-2**.

### **Reforms in the Power sector**

#### ***Status of implementation of MOU between the Central Government and the State Government***

**1.14** In pursuance of the decisions taken at the Chief Ministers' conference on power sector reforms held in March 2001, a Memorandum of Understanding (MOU) was signed on 5 May 2001, between the Union Ministry of Power and the Department of Power of the State as a joint commitment for implementation of reforms programme in the power sector with identified milestones. The status of implementation of the reforms is discussed below :

	<b>Commitment as per MOU</b>	<b>Targeted completion schedule</b>	<b>Status (as on 31 March 2007)</b>
<b>Commitments made by the State Government</b>			
1	Reduction in transmission and distribution losses	20 <i>per cent</i> by 2005	27 <i>per cent</i>
2	100 <i>per cent</i> electrification of all villages	By March 2007	34,448 mouzas (91 <i>per cent</i> ) were electrified.
3	100 <i>per cent</i> metering of all the distribution feeders	September 2002 (Revised)	100 <i>per cent</i> achieved.
4	100 <i>per cent</i> metering of all consumers	December 2002 (Revised)	97 <i>per cent</i> 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 2006-07 have been implemented.
7	Timely payment of subsidy		Against the subsidy receivable of Rs 1018.99 core from the State Government. WBSEB have not received any subsidy during the year.

<sup>∇</sup> 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.

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2007)
<b>Commitments made by the Central Government</b>			
8	Funds under Accelerated Power Development and Reform Programme (APDRP)		Funds aggregating Rs 625.64 crore received till 31 March 2007.
9	Waiver of late payment surcharge on dues to CPSUs after securitisation		Late payment surcharge of Rs 761.97 crore was waived by CPSUs.
10	Payment of reform-based incentives		During the year WBSEB received Rs 5.88 crore as incentive.
<b>General</b>			
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<sup>§</sup> 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 of 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 2007 and earned a surplus of Rs 1.86 crore during the year 2006-07.

### Non-working Public Sector Undertakings (PSUs)

#### Investment in non-working PSUs

**1.16** As on 31 March 2007, the total investment in the non-working PSUs (19 Government companies and one Statutory corporation) was Rs 401.10 crore as against the total investment of Rs 255.94 crore as on 31 March 2006. The details of investment are as follows :

Year	Number of non-working PSUs	Investment in non-working PSUs (Rupees in crore)			
		Equity	Share application money	Loan	Total
2005-06	14	36.03	2.40	217.51	255.94 <sup>σ</sup>
2006-07	20	70.87	19.35	310.88	401.10 <sup>σ</sup>

Increase in equity and loans was mainly due to rise in the number of non-working PSUs. The classification of non-working PSUs was as under :

<sup>§</sup> Now Section 82 (1) of the Electricity Act, 2003

<sup>σ</sup> State Government's investment in the non-working PSUs was Rs 359.55 crore (others : Rs 41.55 crore). Figure as per Finance Accounts 2006-07 is Rs 109.74 crore. The difference is under reconciliation.

(Investment : Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of PSUs	Equity	Long-term loan	Total
1.	Under closure	18 <sup>4</sup>	90.19	292.89	383.08
2.	Defunct	2 <sup>5</sup>	0.03	17.98	18.01
	<b>Total</b>	<b>20</b>	<b>90.22</b>	<b>310.87</b>	<b>401.09</b>

As substantial investment of Rs 401.10 crore was involved in all these 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 State Government in respect of the non-working PSUs are given in **Annexures- 1 and 3**.

The State Government had provided a budgetary support<sup>¶</sup> of Rs 21.48 lakh by way of loans to two Companies viz. West Bengal Ceramic Development Corporation Limited and 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 2006-07 are given below :

Year	Number of PSUs	Total establishment expenditure (Rupees in crore)	Financed by (Rupees in crore)			
			Government by way of			Others <sup>Ⓞ</sup>
			Equity	Loans	Grants	
2004-05	13	9.37 <sup>*</sup>	-	3.20	-	2.82
2005-06	14	2.80	-	2.80	-	-
2006-07	20	2.82 <sup>*</sup>	-	0.21	-	1.97

***Finalisation of accounts by the non-working PSUs***

**1.19** Only two Companies i.e. Pulver Ash Projects Limited and The Carter Pooler Engineering Company Limited have finalised their accounts for the year 2006-07 by September 2007. The accounts of remaining 16 non-working companies were in arrears for periods ranging from one to five years as on September 2007. The accounts of two defunct PSUs viz. Lime Light Industries (Private) Limited and Great Eastern Hotel Authority were in arrears

<sup>4</sup> Refer to Serial Nos. C-1 to 18 of **Annexure - 1**

<sup>5</sup> Refer to Serial Nos. C-19 & D-1 of **Annexure - 1**

<sup>¶</sup> Under reconciliation with the figures as per Finance Accounts 2006-07

<sup>Ⓞ</sup> Including unsecured loans from holding company.

<sup>\*</sup> Out of the total establishment expenditure of Rs 9.37 crore in 2004-05 and Rs 2.82 crore in 2006-07, source of funding the balance establishment expenditure of Rs 3.35 crore and Rs. 0.64 crore for the respective years were not available since these Companies are closed

for 23 and three years respectively, 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 70.92 crore in nine companies, their negative net worth was Rs 722.15 crore. Further, cash loss<sup>⊗</sup> in 10 companies, as per their latest finalised accounts was Rs 67.94 crore, and the accumulated loss was Rs 678.69 crore in 17 companies. Four companies had a positive net worth of Rs 2.63 crore, and the remaining six companies had zero net-worth.

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

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

It would be observed from the Annexure that 16 SARs relating to six 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) 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 SARs 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, 15\* were closed till September 2006. During October 2006 to September 2007 two^ more PSUs were closed after paying compensation of Rs 9.06 crore~ to 170 of their employees.

During the year, the Government disinvested 74 *per cent* equity of West Bengal Agro Textile Corporation Limited and 90 *per cent* equity of Apollo Zipper India Limited in favour of two private enterprises. In the second phase,

⊗ Loss excluding depreciation.

\* IPP Ltd., West Bengal Plywood & Allied Products Ltd., Krishna Silicate & Glass (1987) Ltd., Pulver Ash Projects Ltd., The West Bengal State Leather Industries Development Corporation Ltd., The Cutter Pooler Engineering Company Ltd., Webel Video Devices Ltd., Webel Carbon & Metal Film Resistors Ltd., Webel Multimedia Ltd., Webel Capacitors Ltd., Webel Crystals Ltd., West Bengal Handloom & Powerloom Development Corporation Ltd., West Bengal Sugar Industries Development Corporation Ltd., Sundarban Sugarbeet Processing Company Ltd., Great Eastern Hotel Authority.

^ West Bengal Ceramic Development Corporation Ltd., Webel Power Electronics Ltd.

~ Compensation amount is not known in respect of West Bengal Ceramic Development Corporation Ltd.

the Government took up (January 2006) the restructuring of another 22 loss incurring PSUs. Further developments were awaited (September 2007).

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

**1.23** During the period from October 2006 to September 2007, the audit of the accounts of 66 Government companies (working : 56 and non-working : 10) and eight working Statutory corporations were selected for audit by the CAG. The net impact of the important audit observations made as a result of audit of accounts 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	2	1	37.24	40.12	1.50
Increase in profit	2	-	-	43.76	-	-
Increase in losses	4	1	3	6.06	37.83	3,070.37
Non-disclosure of material facts	4	1	3	134.35	9.20	246.96
Errors of classification	7	6	5	133.68	88.78	213.58

#### ***Errors and omissions noticed in the case of Government companies***

**1.24** Some of the major errors and omissions noticed during audit of accounts of some of Government companies are mentioned below :

Sl. No.	Name of the Company	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	West Bengal Essential Commodities Supply Corporation Limited	2004-05	Profit was overstated due to (a) non-provision for doubtful debts on export of Iron Ore Fines (IOF) to China (b) Short accounting of purchase of IOF and (c) non-accounting of shipping freight remitted for export trade.	28.89
2	West Bengal Infrastructure Development Finance Corporation Limited	2004-05	Understatement of profit due to excess provision for doubtful assets and non-accounting of accrued interest.	66.67
3	West Bengal Industrial Development Corporation Limited.	2004-05	Profit was overstated due to non-provision (i) for doubtful advances given to three closed Companies (ii) against diminution in the value of investment made in companies which were either closed or sold out.	2.52

#### ***Errors and omissions noticed in case of Statutory corporations***

**1.25** Some of the major errors and omissions noticed during audit of accounts of some of the Statutory corporations are tabulated below :

Sl. No.	Name of the Corporation	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	North Bengal State Transport Corporation	2000-01	Loss was understated due to short provision for interest and non-provision of liability for recoupment of loss of P.F. Trustee Board.	16.21
2	West Bengal Industrial Infrastructure Development Corporation.	2004-05	Profit for the year was overstated due to capitalisation of revenue expenditure and non-provision for dues receivable from closed units.	1.50

**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 2005-06 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 in the following table :

Sl. No.	Particulars	2003-04	2004-05	2005-06
		(Rupees in crore)		
(1)	(2)	(3)	(4)	(5)
1.	Net deficit as per the books of accounts	304.93	285.05	256.75
2.	Subsidy from the State Government	-	-	-
3.	Net deficit before subsidy from the State Government (1+2)	304.93	285.05	256.75
4.	Net increase in net deficit on account of audit comments on the annual accounts of WBSEB	371.73	964.55	3,053.66
5.	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government (3+4)	676.66	1,249.60	3,310.41

**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 by the CAG 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
<b>Government companies</b>		
1.	West Bengal Housing Infrastructure Development Corporation Limited	Non-provision of liability for royalty and cess payable on extracted earth and non-adjustment of interest earned from fixed deposits made out of capital fund meant for project work in progress.
2.	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.
3.	West Bengal Industrial Development Corporation Limited	Non provision for advances towards purchase of equity shares of three

Sl. No.	Name of the Government companies/ Statutory corporations	Nature of irregularities
		companies, closed between 1992 and 1999.
	<b>Statutory corporations</b>	
4.	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 169.52 crore.
5.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation	(i) Preparation of accounts in non-approved format. (ii) Non-maintenance of accounting manual and internal audit procedure.
6.	West Bengal Industrial Infrastructure Development Corporation	(i) Absence of amortisation policy of development expenditure on industrial estates and non-capitalisation of interest earned on fixed deposit made out of capital fund. (ii) Debtors' confirmation was not obtained. (iii) Sundry Debtors' Ledger, Fixed Assets Register, industrial estate-wise expenditure statements and consolidated trial balance were not maintained. (iv) Bank reconciliation statements were not prepared for all banks.
7.	Calcutta State Transport Corporation	(i) Non-disclosure of pension liability of Rs 59.03 crore. (ii) Balances were not confirmed by the sundry debtors and sundry creditors. (iii) 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 by them in accordance with the directions issued by the CAG 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 52 such reports received from the Statutory Auditors revealed that 18 companies had not delineated the scope and programme of work of

internal auditors, while non-fixation of minimum limits of stores/ spares and non-reconciliation of stores and stock, non-maintenance/ updating of asset register as well as absence of security policy for software/ hardware and back up of records were noticed in 21, 15 and 16 companies respectively. In 25 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 28<sup>ψ</sup> Government companies (working : 9, non-working : 19) and one working and one non-working Statutory corporation\* had been less than rupees five crore in each of the preceding five years of their latest finalised accounts. Similarly, 18<sup>®</sup> working Government companies and one<sup>ʳ</sup> working Statutory corporation had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, the Government may initiate action either to improve the performance of the above 46 Government companies and three Statutory corporations or consider their closure/ liquidation/ disinvestment.

### 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 2007 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
2000-01	4	18	-	4
2001-02	5	14	-	4
2002-03	3	24	-	2
2003-04	3	27	-	1
2004-05	4	21	-	5
2005-06	4	26	-	-
<b>Total</b>	<b>23</b>	<b>130</b>	<b>-</b>	<b>16</b>

During the period from September 2006 to March 2007, COPU discussed nine paragraphs.

### Deemed Government companies

**1.31** There were two deemed Government companies, viz. Webfil Limited and Haldia Petrochemicals Limited within the purview of 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.

<sup>ψ</sup>Sl. Nos. A-8,18,20,23,31,39,41,51 & 53; C-1 to 19 of **Annexure-2**.

\* Sl. Nos. B-6 & D-1 of **Annexure-2**

<sup>®</sup> Sl. Nos. A-2, 3, 5, 7, 9, 10, 11, 12, 13, 14, 21, 25, 26, 27, 28, 30, 40 & 59 and B-5 of **Annexure-2**.

<sup>ʳ</sup> Sl. Nos. B-5 of **Annexure-2**.