

OVERVIEW

1 OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

As on 31 March 2007, the State had 86 Public Sector Undertakings (PSUs) comprising 75 Government companies and 11 Statutory corporations as against 85 PSUs as on 31 March 2006. Out of 75 Government companies, 56 were working, while 19 were non-working. Out of 11 Statutory Corporations, 10 are working and one was non-working. In addition, there was a regulatory authority viz. West Bengal Electricity Regulatory Commission.

(Paragraphs 1.1 & 1.15)

The total investment in the working PSUs increased marginally from Rs 33,875.80 crore as on 31 March 2006 to Rs 34,976.45 crore as on 31 March 2007. The total investment in non-working PSUs stood at Rs 401.10 crore in 2006-07 compared to Rs 255.94 crore in 2005-06.

(Paragraphs 1.2 & 1.16)

The budgetary support in the form of capital, loans and grants/ subsidies disbursed to the working PSUs increased from Rs 2,080.81 crore in 2005-06 to Rs 2,361.71 crore in 2006-07. The State Government also contributed Rs 21.48 lakh in the form of loans to two non-working companies during 2006-07. The State Government guaranteed loans aggregating Rs 1,522.77 crore during 2006-07. The total amount of outstanding loans against guarantees by the State Government to all the PSUs was Rs 18,563.84 crore as on 31 March 2007.

(Paragraphs 1.5 & 1.17)

Twenty eight working Government companies and two working Statutory corporations had finalised their accounts for the year 2006-07 (September 2007). The accounts of the remaining 28 working Government companies and eight working Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2007. The accounts of 17 non-working Government companies were in arrears for periods ranging from one to 23 years as on 30 September 2007.

(Paragraphs 1.6 & 1.19)

According to the latest finalised accounts, 26 working PSUs (23 Government companies and three Statutory corporations) earned an aggregate profit of Rs 756.51 crore, of which three PSUs declared dividend of Rs 1.24 crore. Against this, 38 working PSUs (31 Government companies and seven Statutory corporations) incurred aggregate loss of Rs 691.48 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 29 companies had accumulated losses aggregating Rs 2,165.06 crore, which exceeded their aggregate paid-up

capital of Rs 242.68 crore. Five loss incurring Statutory corporations had an accumulated loss of Rs 6,892.04 crore which exceeded their paid-up capital of Rs 1,469.92 crore.

(Paragraphs 1.7, 1.8, 1.9, 1.10 & 1.11)

Even after completion of more than five years of their existence, the individual turnover of nine working and 19 non-working Government companies as well as one working and one non-working Statutory corporation had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, 18 working Government companies and one Statutory corporation had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these 49 PSUs or consider their closure.

(Paragraph 1.29)

2 Performance reviews relating to Government companies

WEST BENGAL HOUSING INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

2.1 DEVELOPMENT OF RAJARHAT NEW TOWN PROJECT

Some of the important points noticed during the performance review of the acquisition and development of land and creation of urban infrastructure facilities in New Town Project at Rajarhat by the Company are as under :

Even after eight years' of existence, the Company had yet to acquire and develop 3,075 hectares of land in three phases due to non-preparation of detailed project reports, annual work plans and absence of coordination between land acquisition and development, leading to time and cost overrun of 48 months and Rs 78.76 crore respectively.

The Company had not fixed fair and reasonable market prices for land to be acquired under the Land Acquisition Act, 1894, leading to short payment of Rs 50.34 crore as compensation to land owners and also making excess payment of Rs 67.58 crore to the land owners of three mouzas.

Rehabilitation of project oustees was not adequate, as only 17 per cent of identified Project Affected Families, whose dwelling units had been acquired, were rehabilitated.

The Company had not adopted appropriate rates for different items of work relating to land development through mechanically operated activities, leading to additional expenditure of Rs 57.66 crore. Further, the Company paid/ allowed Rs 40.10 crore to various contractors on account of inadmissible items and doubtful works.

Enhancement of specifications for construction of internal roads as well as items of work not required, without any justification, resulted in incurring of additional expenditure of Rs 12.16 crore on construction of roads.

(Paragraph 2.1)

WEST BENGAL RURAL ENERGY DEVELOPMENT CORPORATION LIMITED & WEST BENGAL STATE ELECTRICITY BOARD

2.2 IMPLEMENTATION OF RURAL ELECTRIFICATION SCHEMES IN WEST BENGAL

Some interesting audit findings noticed during the performance review on implementation of Rural Electrification (RE) Works by the West Bengal Rural Energy Development Corporation Limited (WBREDC) and West Bengal State Electricity Board (WBSEB) are as under:-

Against the target of electrifying all villages and habitations by March 2007 under Rural Electrification Policy and Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY), 34,448 of 37,910 inhabited *mouzas* in the State, were electrified. Similarly, against requirement of energising 1.11 crore rural households (RHHs), electricity was provided to only 35.40 lakh RHHs.

During 2002-07, WBREDC had funds of Rs 806.84 crore for executing 12,438 schemes as well as energisation of 2,688 pump sets, against which, it spent Rs 650.15 crore for completing 10,625 schemes and energising 1,487 pump sets.

Similarly, WBSEB had funds of Rs 426.29 crore for executing 6,853 schemes as well as energisation of 1,825 pump sets during 2002-07, against which WBSEB spent Rs 251.13 crore for executing 8,154 schemes and energising 1,174 pump sets during the same period.

The execution of schemes were delayed by four to seven years due to deficient planning, delays in issuing erection orders, non-availability of materials, fixing of unrealistic targets, lack of customers' response and lack of monitoring. Consequently, 1,823 *mouzas* were energised with a cost- overrun of Rs 9.12 crore.

Under RGGVY scheme, WBSEB and four Central Public Sector Undertakings were to electrify 4,283 *mouzas* to provide electricity connections to 1.46 lakh RHHs by December 2006. Till March 2007, 1,322 *mouzas* were electrified and only 24 per cent of targeted RHHs were covered, due to inept implementation by CPSUs as well as non-identification of RHHs below the poverty line.

(Paragraph 2.2)

WEST BENGAL SMALL INDUSTRIES DEVELOPMENT CORPORATION LIMITED

2.3 DEVELOPMENT AND OPERATION OF INDUSTRIAL/ COMMERCIAL ESTATES

Some of the important points noticed during the performance review of the role of the Company in the development and maintenance of Industrial Estates and Commercial Estates (IEs/ CEs) are as under :

The Infrastructure Division (ID) of the Company had incurred aggregate losses of Rs 12.83 crore during 2002-07. The Company had not chalked out a Master Plan for development of infrastructure. Consequently, less than one *per cent* of the State's registered small scale industries had been benefited by the Company.

Integrated Infrastructure Development Scheme launched (March 1994) by GOI was not implemented even after lapse of 13 years due to management's inertia to identify the projects and lack of follow up.

The Company did not implement three projects and delayed the fourth project due to its failure to follow-up their proposals with the GOI. Moreover, the Company had not developed 13.70 hectares of land even after 17 to 27 years since its acquisition.

Twelve out of 25 IEs and five out of eight CEs incurred losses in all five years due to their small size, low occupancy, unsuitable locations, lack of infrastructure, poor communication, etc.

The Company had not resumed the allotments of 79 enterprises that remained non-functional since inception or for long. Further, it failed to realise/ recover land premium of Rs 7.04 crore due to defective pricing and absence of a land premium policy.

The Company had failed to realise dues of Rs 6.21 crore outstanding for more than three years. Moreover, it also failed to claim municipal taxes and maintenance charges of Rs 3.24 crore from the allottees.

(Paragraph 2.3)

3 Performance review relating to Statutory corporation

WEST BENGAL STATE ELECTRICITY BOARD

INFORMATION TECHNOLOGY AUDIT ON COMPUTERISATION OF BILLING AND COLLECTION OF REVENUE

Though the preparation of energy consumption bills through computers was initiated, the aim of total online collection and accounting, analysis of the

consumption pattern and attainment of complete revenue realisation etc. were yet to be achieved. The computerised on-line cash collection system could not be introduced in all the supply stations.

The computerised billing system under implementation lacks in data validation controls. The database is also incomplete in as much as it does not provide the information in respect of all categories of consumers under the Board. This is evident of the fact that the Board failed to ensure reliability & transparency of the system and consumers satisfaction to its maximum level.

(Paragraph 3)

4 TRANSACTION AUDIT OBSERVATIONS

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature :

- ▲ Extra avoidable expenses aggregating to Rs 83.15 crore in six cases.
(Paragraphs 4.1, 4.5, 4.7, 4.10, 4.14 and 4.15)
- ▲ Unproductive expenditure/ imprudent investment and loss of interest of Rs 20.91 crore in five cases.
(Paragraphs 4.2, 4.4, 4.9, 4.11 and 4.16)
- ▲ Violation of contractual obligations/ undue favour to contractors, consumers, etc. causing loss of Rs 11.81 crore in three cases.
(Paragraphs 4.8, 4.18 and 4.19)
- ▲ Loss of revenue amounting to Rs 10.77 crore in two cases.
(Paragraphs 4.6 and 4.17)
- ▲ Two instances of presumptive frauds amounting to Rs 2.27 crore were noticed.
(Paragraphs 4.12 and 4.13)
- ▲ Irregular payment of Rs 0.41 crore made to staff of two PSUs on account of *ex-gratia*.
(Paragraph 4.3)

Some important findings are as follows.

West Bengal Industrial Development Corporation Limited paid avoidable interest on injudicious borrowings, paid 'consent awards' beyond statutory provisions, subsidised leasing of land to Tata Motors Limited, sanctioned

loan without appropriate appraisal as well as released fund injudiciously. Further, it irregularly paid *ex-gratia* to its employees at higher rates and to such employees who were otherwise not entitled. This led to loss of Rs 81.52 crore.

(Paragraphs 4.1, 4.2 and 4.3)

West Bengal Infrastructure Development Finance Corporation Limited sustained loss of interest of Rs 9.11 crore on injudicious release of loans to five defunct enterprises. It also incurred additional interest of Rs 1.86 crore arising from delay in issuing of bonds with further loss of interest of Rs 21.77 crore during next nine years.

(Paragraphs 4.4 and 4.5)

Two State Transport Undertakings viz. Calcutta State Transport Corporation, and North Bengal State Transport Corporation had delayed/ not implemented fare revisions during 2004-07, leading to loss of Rs 7.19 crore. While West Bengal Surface Transport Corporation Limited had extended undue benefit of Rs 38.88 lakh to an operator, the Calcutta Tramways Company (1978) Limited had incurred additional expenditure of Rs 27.50 lakh on bus body building as well as loss of contribution of Rs 12.55 lakh due to delays in building bus bodies and their subsequent registration.

(Paragraphs 4.6, 4.7 and 4.8)

West Bengal State Electricity Board sustained loss of Rs 15 crore on account of wrong classification of consumers, excess benefit and rebates to consumers arising from erroneous computation of concession and incorrect computation of load factor.

(Paragraphs 4.17, 4.18, and 4.19)