

CHAPTER V

COMMERCIAL ACTIVITIES

GENERAL

5.1 Lack of accountability in the use of public funds by departmentally run commercial units

Activities of quasi commercial nature are performed by the departmentally run units of certain Government departments. These units are to prepare *pro forma* accounts in the prescribed format annually showing the results of their financial operations, so as to enable the Government to assess their working. The Heads of Departments in Government are to ensure that these units, which are funded by budgetary releases, prepare the accounts on a timely basis and submit the same to the Accountant General for audit. As of March 2001 there were 26 such units in the Government of West Bengal, of which 10 units had not prepared their accounts since inception. As of June 2001, 4 units had not prepared their accounts for more than 10 years, 3 for more than 5 years, 9 for more than one year and up to 5 years. In the absence of full accounts of the 26 units, based on the details made available at the end of the financial year up to which the accounts were completed, audit worked out that Rs 793.36 crore has been invested by the State Government in 16 departmentally run units who were employing 12,655 staff and officers.

The Comptroller and Auditor General of India has repeatedly commented in the Audit Reports of the State on the failure of the Heads of Departments and the Management of the undertakings in timely preparation of the *pro forma* accounts. Accountant General (Audit) reminded Principal Secretary (Finance) and the Secretaries of the concerned departments periodically in this matter. But there was little improvement in the situation and most of these undertakings have not finalised their accounts for periods up to 10 years or more. During the period July 2000 to June 2001, 7 undertakings finalised 12 *pro forma* accounts for the year 1998-99 or previous years as against 32 *pro forma* accounts finalised during July 1999 to June 2000. Moreover, out of the 16 undertakings, 15 had incurred continuous losses aggregating Rs 693.01 crore against the total capital investment of Rs 770.77 crore. The Principal Secretary/Secretary of the department concerned neither initiated action against the defaulting Heads of Departments for their failure to prepare the accounts nor took any effective initiative to set right the position. Moreover, there were no system of Internal Audit and performance

appraisal to analyse the efficiency of these Departmentally run Undertakings. As a result, there is no accountability of the Management and Government in respect of the public funds spent by these undertakings.

The department-wise position of arrears in preparation of *pro forma* accounts is as follows:

Sl. No.	Department	Number of under-takings under the Department	Name of undertakings	Year from which accounts are due	Investment as per last Accounts (Rupees in crore)	Remarks
1.	Agriculture	1	Sisal Plantation Scheme	1955-56	-	Accounts not prepared since inception.
2.	Commerce and Industries	2	(i) Oriental Gas Company's Undertakings	1960-61 to 1989-90`	-	Vested in newly set up company from 02.04.1990. Accounts not prepared since inception.
			(ii) Directorate of Cinchona and other Medicinal plants	1988-89	52.69	
3.	Cottage and Small Scale Industries	12	(1) Government Sales Emporia in Calcutta and Howrah	1951-52 to 1962-63 and 1969-70 to 1980-81	-	Merged with another Government company from September 1980 Accounts not prepared since inception.
			(2) Silk reeling scheme.	1956-57	-	Accounts not prepared since inception. The Department had approached the Finance Department in December 2000 to consider waiving preparation of proforma accounts
			(3) Training-cum-Production Centre - Mechanical Toys, Hooghly	1972-73 to 1986-87	-	Wound up from 21.06.1986. Accounts not prepared since inception.
			(4) Central Lock Factory, Bargachia, Howrah	1972-73 to 1994-95	-	Closed from 17.02.1995. Accounts not prepared since inception.
			(5) Industrial Estate, Manicktola	1983-84 to 1995-96	-	Merged with another Company from 17.07.1995. Accounts not prepared since inception.
			(6) Industrial Estate, Saktigarh	1983-84 to 1995-96		Merged with another Company from 09.08.1995. Accounts not prepared since inception.
			(7) Industrial Estate, Howrah.	1995-96	1.26	Merged with another Company from 07.08.1995
			(8) Training-cum-production centre for Wood Industries, Siliguri	1998-99	2.95	
			(9) Central Engineering Organisation, Howrah	1998-99	5.13	
			(10) Surgical Instruments Servicing Station, Baruipur	1998-99	1.76	
			(11) Integrated Wood Industries Scheme, Durgapur.	1998-99	4.45	
			(12) Integrated Wood Industries Scheme, Kalyani.	1998-99	6.36	

Sl. No.	Department	Number of under-takings under the Department	Name of undertakings	Year from which accounts are due	Investment as per last Accounts (Rupees in crore)	Remarks
4.	Urban Development	1	Kanchrapara Area Development Scheme (Kalyani Township)	1975-76	-	Accounts not prepared since inception. The Department has sought the views of the Finance Department in January 2001 for discontinuation of preparation of <i>proforma</i> accounts. However, the Committee on Public Accounts (1985-87) in its 36 th Report recommended (March 1987) early re-introduction of the system of preparation of <i>proforma</i> accounts.
5.	Land and Land Reforms Department*	1	Consolidated <i>proforma</i> Accounts of "Hats" under management of Government	1982-83	-	Accounts not prepared since inception.
6.	Industrial Reconstruction	1	Undertaking of Darjeeling Ropeway Company Limited	1983-84	0.26	
7.	Housing	2	(i) Directorate of Brick Production (Manual) (ii) Mechanical Brick Factory, Palta	1989-90 1989-90	2.70 8.48	
8.	Animal Resources Development	4	i) Durgapur Milk Supply Scheme ii) Krishnanagar Milk Supply Scheme iii) Greater Calcutta Milk Supply Scheme iv) Burdwan Milk Supply Scheme	1992-93 1998-99 1999-2000 1998-99	15.28 20.93 627.31 21.21	
9.	Food and Supplies	1	Scheme for Public Distribution of Foodgrains (PDS)	1994-95	22.58	
10.	Fisheries Department	1	Scheme for production of shark liver oil, fish meal, etc.	1994-95	0.01	
					793.36	

No action was taken by the Government against the Management of these undertakings for such gross failure and disregard of public interest.

The lack of accountability arising out of the failure to prepare the accounts by the departmentally run units for years on end is a matter of serious concern, as large amounts of public funds are involved coupled with the possibility of serious financial irregularities remaining undetected for long periods. Since these are departmentally run commercial units, responsibility for failure to ensure accountability of public funds should be fixed on the Heads of the Departments. Government should also re-examine the justification of continued release of

* Board of Revenue was abolished in 1996 and all the staff have become the staff of Land and Land Reforms Department.

budgetary funds to units, without finalised accounts and without assessing their financial performance.

Due to non-submission of *pro forma* accounts, the Department of Food and Supplies could claim a subsidy of Rs 333.94 crore only against these entitlement of Rs 359.94 crore during the procurement years 1997-98 to 2000-2001 from the Central Government under the Scheme for the Public Distribution System of Foodgrains. Further, in absence of audited accounts, only Rs 234.71 crore was reimbursed while Rs 125.23 crore remained outstanding even as of December 2001.

KOLKATA
The

(M. NAVEEN KUMAR)
Accountant General West Bengal
(Audit)-I

Countersigned

NEW DELHI
The

(V. K. SHUNGLU)
Comptroller and Auditor General of India