

CHAPTER-I

1 Overview of Government Companies and Statutory Corporations

1.1 Introduction

As on 31 March 2001, there were 71 Government companies (65 working companies and 6 non-working companies) and 11 Statutory corporations (all working) as against 69 Government companies (66 working companies and 3 non-working companies) and 11 Statutory corporations (all working) as on 31 March 2000 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of 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)	Section 69(2) of the Electricity (Supply) Act, 1948	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 (WBSCTDFC)	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 Electricity Regulatory Commission (WBERC)	Under Section 34 (2) of The Electricity Regulatory Commissions Act, 1998	Sole audit by CAG
8.	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
9.	West Bengal Financial Corporation (WBFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and Supplementary Audit by CAG
10.	West Bengal State Warehousing Corporation (WBSWC)	Section 31(8) of the Warehousing Corporations Act, 1962	Chartered Accountants and Supplementary Audit by CAG
11.	Great Eastern Hotel Authority (GEHA)	Transaction audit taken up as per Section 14 of DPC Act, 1971	Chartered Accountants

1.2 Working Public Sector Undertakings

1.2.1 Investment in working PSUs

As on 31 March 2001, the total investment in 76 working PSUs (65 Government companies and 11 Statutory corporations) was Rs 18241.03 crore (equity : Rs 3338.89 crore; long-term loans* : Rs 14755.63 crore and share application money : Rs 146.51 crore) as against 77 working PSUs (66 Government companies and 11 Statutory corporations) with a total investment of Rs 13802.10 crore (equity : Rs 3259.82 crore; long term loans: Rs 10441.72 crore and share application money: Rs 100.56 crore) as on 31 March 2000. The particulars of investment in the working PSUs have been given in Annexure-1. The analysis of investment in working PSUs is given in the following paragraphs.

1.2.1.1 Working Government companies

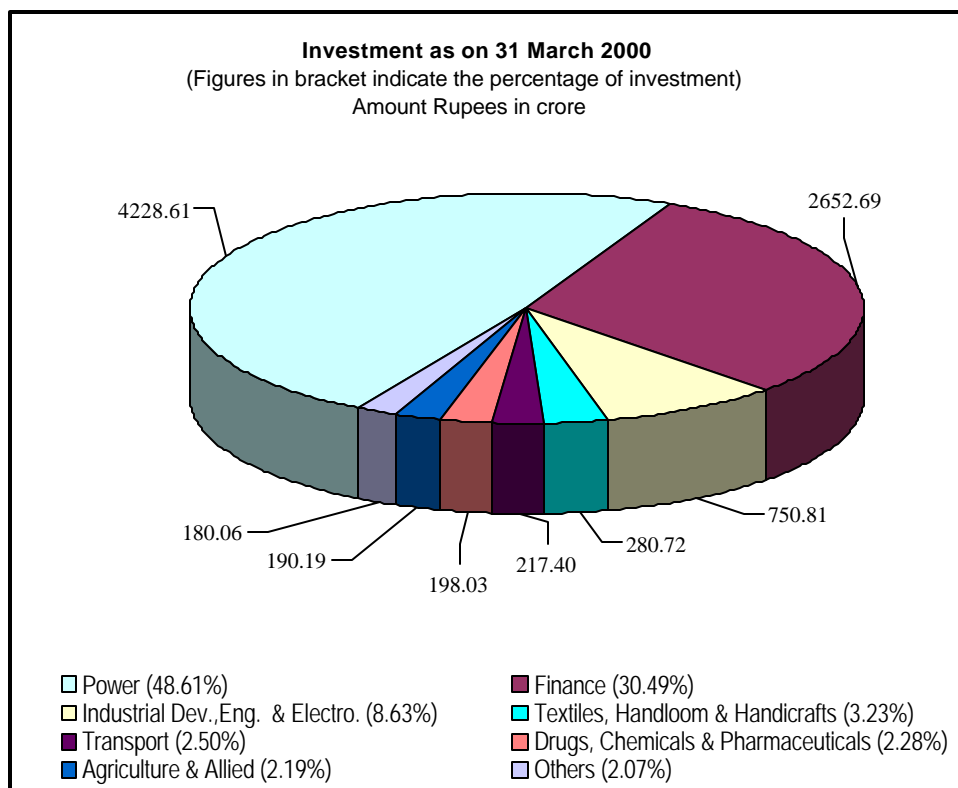
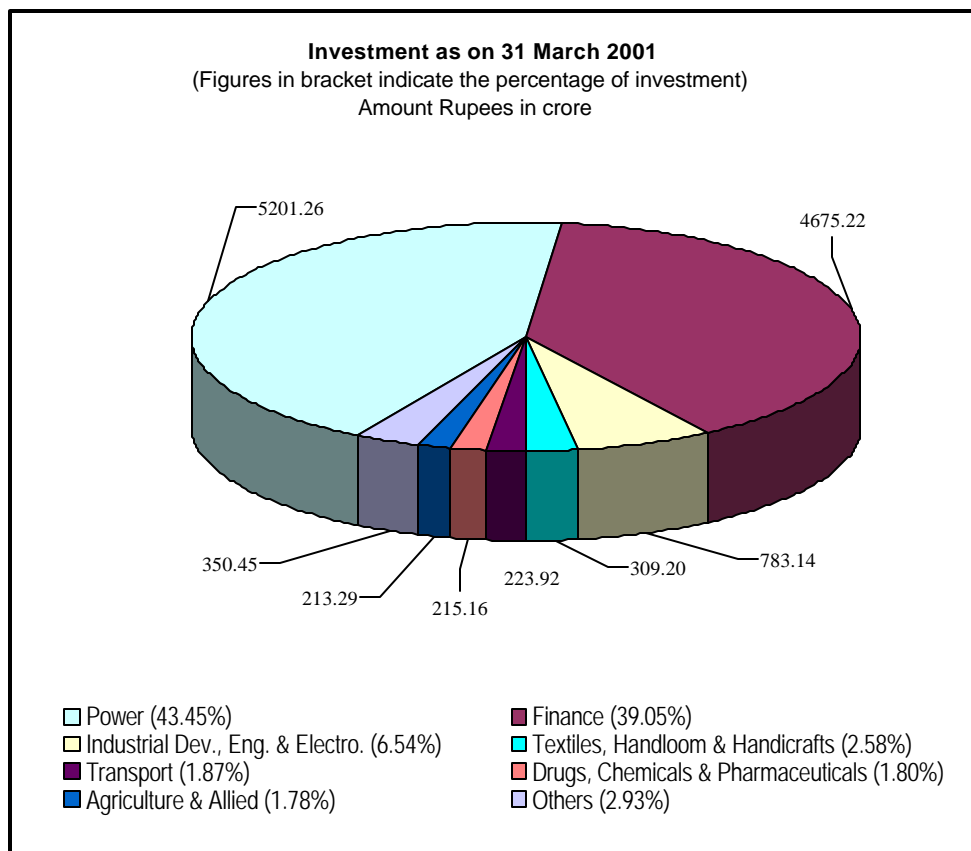
Total investment in 65 working Government companies as on 31 March 2001 was Rs 11971.64 crore (equity: Rs 1789.93 crore; long term loans: Rs 10085.84 crore, share application money: Rs 95.87 crore) as against total investment of Rs 8698.51 crore (equity: Rs 1710.86 crore; long term loans: Rs 6911.93 crore, share application money: Rs 75.72 crore) as on 31 March 2000 in 66 working Government companies.

Sector wise investment in Government companies

As on 31 March 2001, the total investment of working Government companies, comprised 15.75 *per cent* of equity capital and 84.25 *per cent* of loans compared to 20.54 *per cent* and 79.46 *per cent*, respectively, as on 31 March 2000.

The investment (equity and long term loan) in various sectors and percentage thereof at the end of 31 March 2001 and 2000 are indicated below in the pie charts :

* Long term loans mentioned in para 1.2.1 and 1.2.1.1 are excluding interest accrued and due on such loans.



During the year 2000-2001, The Durgapur Projects Limited, West Bengal Power Development Corporation Limited, West Bengal Rural Energy Development Corporation Limited and West Bengal Infrastructure Development Finance Corporation Limited received loans of Rs 3430.56 crore from the State Government (Rs 841.17 crore) and others (Rs 2589.39 crore). Due to this, the debt equity ratio increased from 3.87:1 in 1999-2000 to 5.35:1 in 2000-2001.

1.2.1.2 Working Statutory corporations

The total investment in 11 working Statutory corporations at the end of March 2001 and March 2000 was as follows :

(Amount: Rupees in crore)

Sl. No.	Name of corporation	1999-2000		2000-2001	
		Capital	Loan	Capital	Loan
1.	West Bengal State Electricity Board (WBSEB)	1352.62	2841.80	1352.62	3844.55
2.	Calcutta State Transport Corporation (CSTC)	9.62	214.92	9.62	273.05
3.	North Bengal State Transport Corporation (NBSTC)	10.70	32.94	10.70	120.92
4.	South Bengal State Transport Corporation (SBSTC)	11.01	79.96	11.01	87.41
5.	West Bengal Financial Corporation (WBFC)	40.45 (22.00)	314.95	40.45 (26.00)	284.24
6.	West Bengal State Warehousing Corporation (WBSWC)	7.61	-	7.61	-
7.	West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	-	28.37	-	30.82
8.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC)	116.95	-	116.95 (5.35)	-
9.	West Bengal Minorities Development and Finance Corporation (WBMDFC)	- (2.84)	15.42	- (19.29)	27.37
10.	West Bengal Electricity Regulatory Commission (WBERC)	-	-	-	-
11.	Great Eastern Hotel Authority (GEHA)	-	1.43	-	1.43
	Total	1548.96 (24.84)	3529.79	1548.96 (50.64)	4669.79

(Figures in brackets indicate share application money)

Total investment in 11 Statutory corporations as on 31 March 2001 was Rs 6269.39 crore (equity: Rs 1548.96 crore; long term loans: Rs 4669.79 crore, share application money: Rs 50.64 crore) as against total investment of Rs 5103.59 crore (equity: Rs 1548.96 crore; long term loans: Rs 3529.79 crore, share application money: Rs 24.84 crore) as on 31 March 2000 in 11 Statutory corporations. Due to increase in long term loans of the power, financing and transport sectors the debt equity ratio marginally increased from 2.24:1 in 1999-2000 to 2.92:1 in 2000-2001.

WBERC had not prepared accounts since inception

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

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

The budgetary outgo (in the form of equity capital and loans) and grants/ subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2001 are given below:

(Amount : Rupees in crore)

	1998-99				1999-2000				2000-2001			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	15	38.80	-	-	17	73.66	1	11.27	19	80.73	3	24.10
Loans	34	1030.63	5	391.92	34	879.15	5	233.60	38	981.88	5	881.63
Grants	2	0.15	1	0.11	14	16.69	4	8.63	15	115.03	5	9.48
Subsidy	7	48.91	6	286.05	7	58.75	5	164.90	4	66.99	5	195.66
Total outgo	45 [#]	1118.49	7 [#]	678.08	49 [#]	1028.25	8 [#]	418.40	52 [#]	1244.63	10 [#]	1110.87

During the year 2000-2001 the Government had guaranteed the loans aggregating Rs 3901.64 crore obtained by four working Government companies (Rs 3769.77 crore) and three working Statutory corporations (Rs 131.87 crore). At the end of the year, guarantees amounting to Rs 9083.09 crore against 32 working Government companies (Rs 7977.33 crore) and six working Statutory corporations (Rs 1105.76 crore) were outstanding as compared to Rs 2397.97 crore in 31 working companies and Rs 1854.97 crore in six working Statutory corporations at the end of previous year. There were 7 cases of default (companies:5; corporations: 2) in repayment of guaranteed loans during the year. The Government had forgone Rs 20.82 crore by way of loans written off or interest waived or giving moratorium on loan repayment in four companies (Rs 8.67 crore) and one corporation (Rs 12.15 crore) during 2000-2001. The Government also converted its loans amounting to Rs 14.48 crore into equity capital in three companies* during the year. The guarantee fee paid/ payable to Government by 23 Government companies and four Statutory corporations during 2000-2001 was Rs 9.75 crore and Rs 7.13 crore respectively.

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

* Sl. No.A-14, 25 & 34 of Annexure 3.

1.2.3 Finalisation of accounts by PSUs

The accounts of a company for each financial year is required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the 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. While audit of accounts of Great Eastern Hotel Authority had not yet been entrusted to C&AG, the West Bengal Electricity Regulatory Commission, Webel Consumer Electronics Limited and West Bengal Rural Energy Development Corporation Limited were yet to prepare their first accounts.

As could be noticed from Annexure-2, 17 companies[@] and two^T corporations had finalised their accounts for the year 2000-2001 within 30 September 2001. During the period from October 2000 to September 2001, 42 working Government companies finalised 56 accounts of previous years. Similarly, during this period, five working Statutory corporations finalised seven accounts for previous years.

The accounts of the 48 working Government companies and eight Statutory corporations were in arrears for periods ranging from one year to nine years as on 30 September 2001 as detailed below :

Sl.No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	No. of working Companies/ Corporations		Reference to serial No. of Annexure 1/2	
			Govt. companies	Statutory corporations	Govt. companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1992-93	9	1	-	A-39	-
2	1993-94	8	2	-	A-2,16	-
3	1994-95	7	2	1	A-35,46	B-4
4	1995-96	6	2	-	A-8,15	-
5	1996-97	5	4	1	A-5,11,63,64	B-8
6	1997-98	4	1	1	A-10	B-9
7	1998-99	3	2	1	A-41,56	B-3
8	1999-2000	2	11	1	A-1,3,7,12,18,22,40,49,50,53,58	B-5
9	2000-2001	1	23	3	A-9,13,14,17,19,21,23,24,28,30,32,33,34,38,44,45,47,48,51,52,57,59,62	B-7,10,11

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned Principal Secretaries/ Secretaries of the administrative departments, Principal Secretary, Finance and Chief Secretary of the Government were appraised quarterly by Audit regarding arrears in finalisation of accounts, effective measures have not been taken by the Government to expedite finalisation of accounts.

Government of India, Ministry of Law, Justice & Company Affairs, Department of Company Affairs introduced the 'Company Law Settlement Scheme 2000' (CLSS 2000) in May 2000 for granting immunity from

[@] Sl. Nos. A-4,6,20,25,26,27,29,31,36,37,42,43,54,55,60,61 & 65 of Annexure 2

^T Sl. Nos. B-1 & 6 of Annexure 2

prosecution due to delay in filing the accounts with the Registrar of Companies by compounding the period of delay in filing the documents under the Companies Act 1956. According to the scheme, documents were to be submitted by 30 September 2000. However, out of 37 such companies only 15 companies availed the facility of CLSS 2000 within stipulated time. The returns of remaining 22 companies were in arrears for two to eight years.

1.2.4 Financial position and working results of working PSUs

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

According to latest finalised accounts of 65 working Government companies and 11 working Statutory corporations, 52 companies and seven corporations had incurred an aggregate loss of Rs 299.32 crore and Rs 780.31 crore respectively, 11 companies and three corporations earned an aggregate profit of Rs 10.64 crore and Rs 1.40 crore respectively. Two companies and one statutory corporation had not prepared their first accounts.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Out of 17 working Government companies which finalised their accounts for 2000-2001 by September 2001, four companies earned an aggregate profit of Rs 6.32 crore. However, dividend was not declared by any of the Company.

Similarly, out of 42 working companies which finalised their accounts for previous years by September 2001, seven companies earned an aggregate profit of Rs 4.32 crore. Eight companies earned profit successively for two or more years.

1.2.4.1.2 Loss incurring working Government companies

Of the 52 loss incurring working companies, 37 companies had accumulated losses aggregating Rs 2117.16 crore which exceeded their aggregate paid up capital of Rs 352.94 crore.

Despite their poor performance and complete erosion of 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 available information, the total financial support so provided by the State Government by way of equity, loans, subsidy, grants and conversion of loan to equity during 2000-2001 to 32 companies out of these 37 companies amounted to Rs 265.03 crore.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend

Out of two working Statutory corporations which finalised their accounts for 2000-2001 by September 2001, only West Bengal Financial Corporation earned profit of Rs 0.23 crore. However, its accumulated loss of Rs 78.41 crore exceeded the paid up capital of Rs 66.45 crore.

Similarly, out of the five working Statutory corporations which finalised their accounts for the previous years (September 2001), West Bengal State Warehousing Corporation earned a profit of Rs 1.16 crore for 1999-2000. This Corporation earned profit successively for two or more years.

1.2.4.2.2 Loss incurring Statutory corporations

Of the loss incurring Statutory corporations, six Statutory corporations had accumulated losses aggregating Rs 2951.01 crore which exceeded their aggregate paid up capital of Rs 1383.94 crore.

Despite poor performance and complete erosion of 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, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government by way of loans and subsidy during 2000-2001 to them amounted to Rs 1080.75 crore.

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the Statutory corporations is given in Annexure-6.

The following points were observed on operational performance of Statutory corporations :

1 West Bengal State Electricity Board

The net generation of power increased from 3194.20 MKWH in 1998-99 to 3498.83 MKWH in 1999-2000 and again decreased to 3226.08 MKWH in 2000-2001. The percentage of transmission and distribution loss shot up from 25.50 in 1998-99 to 37.91 in 2000-2001.

2 Calcutta, North Bengal and South Bengal Transport Corporation

The average number of vehicles on road increased from 749 in 1998-99 to 821 in 2000-2001, but occupancy ratio decreased from 92.00 *per cent* in 1998-99 to 84.23 *per cent* in 2000-2001 in Calcutta State Transport Corporation. The loss per kilometre decreased from 1351.92 paise in 1998-99 to 1170.05 paise in 1999-2000 but increased to 1207.58 paise in 2000-2001. In the case of North Bengal State Transport Corporation the average number of vehicles on road decreased from 568 in 1998-99 to 547 in 2000-2001. The occupancy

ratio remaining almost static (63) throughout the period, the loss per kilometre of the Corporation increased from 980 paise in 1998-99 to 1214 paise in 2000-2001. Average number of vehicles on road increased from 322 in 1998-99 to 351 in 2000-2001 and occupancy ratio (69) remained the same during the period (1998-2001) in South Bengal State Transport Corporation and loss per kilometre increased from 848 paise in 1998-99 to 931 paise in 1999-2000 but decreased to 730 paise in 2000-2001.

3 *West Bengal State Warehousing Corporation (WBSWC)*

With the increase in average capacity utilisation of godowns and average revenue per tonne, profit of WBSWC increased from Rs 96 per tonne in 1998-99 to Rs 105 per tonne in 2000-2001.

4 *West Bengal Financial Corporation*

The total number of loans disbursed reduced from 1101 in 1998-99 to 315 in 2000-2001. However, the total amount of loan disbursed increased from Rs 60.58 crore in 1998-99 to Rs 68.81 crore in 2000-2001. The total loan outstanding for recovery increased from Rs 346.13 crore in 1998-99 to Rs 687.39 crore in 1999-2000 but decreased to Rs 367.67 crore in 2000-2001.

1.2.5 *Return on Capital Employed*

As per the latest finalised accounts (up to September 2001) the capital employed[▲] worked out to Rs 6770.28 crore in 63[♥] working companies and total return[▽] thereon amounted to Rs 66.84 crore which is 0.99 per cent as compared to total negative return of Rs 2.30 crore in 62[○] working companies during 1999-2000. Similarly, during 2000-2001, the capital employed and total negative return thereon in case of 10 working Statutory corporations as per the latest finalised accounts (up to September 2001) worked out to Rs 3340.14 crore and Rs 449.27 crore respectively against the total negative return of Rs 379.81 crore in previous year. The details of capital employed and total return on capital employed in case of working Government companies and corporations are given in Annexure-2.

1.3 **Non-working PSUs**

1.3.1 *Investment in non-working PSUs*

As on 31 March 2001, the total investment in six non-working Government companies was Rs 47.05 crore (equity : Rs 8.05 crore; long-term loans^{*} : Rs 38.16 crore and share application money : Rs 0.84 crore) as against total

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

♥ Out of 65 working Companies in 2000-2001, two Companies did not prepare their first accounts

▽ 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.

○ Out of total 66 working Companies in 1999-2000, 4 Companies did not prepare their first accounts

* Long term loans mentioned in para 1.2, 1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.

investment of Rs 2.28 crore (equity : Rs 1.40 crore; long term loans: Rs 0.88 crore) in 3 non-working Government companies as on 31 March 2000.

The classification of the non-working PSUs was as under :

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Number of Investment	
			corporations	
			Equity	Long term loans
(i)	Under liquidation	-	-	-
(ii)	Under closure	-	-	-
(iii)	Under merger	-	-	-
(iv)	Others	6	-	8.89 ^o
	Total	6	-	8.89

Out of six non-working companies where substantial investment of Rs 47.05 crore was involved, two companies viz Limelight Industries (P) Limited (LIL) and West Bengal Wasteland Development Corporation Limited (WBWDCL) were defunct. LIL suspended production in September 1988 and its assets were taken over by West Bengal Financial Corporation in March 1989 for default in repayment of loan. The Board of Directors of WBWDCL had recommended closure of the Company in February 1996. Effective steps need to be taken for their expeditious liquidation. The sordid state of affairs in the remaining four^o companies have been discussed in detail in Paragraphs 2A.6C, 2A.6K, 4A.12 & 4A.13 *infra*.

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

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

The State Government had paid budgetary support of Rs 0.33 crore by way of grants/ subsidy to West Bengal Livestock Processing Development Corporation Limited and Sundarban Sugarbeet Processing Company Limited during 2000-2001.

1.3.3 Total establishment expenditure of non-working PSUs

In 2000-2001, three more companies became non-working and the establishment cost of these three companies was a staggering Rs 3.41 crore. As detailed below, out of Rs 4.13 crore received by these six^p companies towards grants etc., Rs 3.63 crore was spent on their idle establishment.

^o Equity includes share application money of Rs 0.84 crore for companies under 'others'.

^o Webel Carbon & Metal Film Resistors Limited, Webel Video Devices Limited, West Bengal Livestock Processing Development Corporation & Sundarban Sugarbeet Processing Company Limited

^p Staff strength - Sundarban Sugarbeet Processing Company Limited - 62, West Bengal Livestock Processing Corporation Limited - 17, Webel Video Devices Limited - 164, Webel Carbon & Metal Film Resistors Limited - 49, West Bengal Wasteland Development Corporation Limited & Limelight (I) (P) Limited - Nil,

The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2000-2001 are given below :

(Amount: Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
1998-99	3	0.19	-	-	0.16	-	-
1999-2000	3	0.20	-	-	0.15	-	-
2000-2001	6	3.63	-	-	-	0.33	3.80 ^o

1.3.4 Finalisation of accounts by non-working PSUs

The accounts of four non-working companies were in arrears for periods ranging from one year to 17 years as on 30 September 2001 as could be noticed from Annexure 2.

1.3.5 Financial position and working results of non working PSUs

The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure-2. The year-wise details of paid-up capital, net worth, cash loss/ cash profits and accumulated loss/ accumulated profit of non-working PSUs as per their latest finalised accounts are given below :

(Amount: Rupees in crore)

Name of the non-working companies	Year	Paid-up capital	Net worth	Cash loss (-)/ cash profit (+)	Accumulated loss (-)/ accumulated profit (+)
West Bengal Livestock Processing Development Corporation Limited	1998-99	1.92	(+)1.20	(+)0.11	(-)0.72
Webel Video Devices Limited	2000-2001	4.80	(-)28.21	(-)4.84	(-)33.01
Webel Carbon & Metal Film Resistors Limited	2000-2001	0.73	(-)4.14	(-)0.52	(-)4.87
West Bengal Wasteland Development Corporation Limited	1995-96	0.34	(+)0.32	(+)0.04	(-)0.02
Sundarban Sugarbeet processing Company Limited	1999-2000	1.00	(-)7.93	(-)0.36	(-)8.93
Limelight Industries (Private) Limited	1983-84	0.03	(+)0.03	-	-

1.4 Status of placement of Separate Audit Reports of Statutory Corporations in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government :

^o Unsecured loan from holding company

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Govt.	Reasons for delay in placement in Legislature
(1)	(2)	(3)	(4)	(5)	(6)
1	West Bengal Financial Corporation [#]	1997-98	1998-99 1999-2000	26.11.1999 23.02.2001	Not stated by Government
2	West Bengal State Warehousing Corporation	1995-96	1996-97 19997-98 1998-99	07.12.1999 22.11.2000 29.06.2001	Not stated by Government
3	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation	1979-80	1980-81 1981-82 1982-83 1983-84 1984-85 1985-86	01.09.2000 13.09.2000 18.09.2001 20.09.2001 20.09.2001 20.09.2001	Not stated by Government
4	Calcutta State Transport Corporation	1987-88	1988-89 1989-90 1990-91 1991-92 1992-93 1993-94 1994-95 1995-96 1996-97 1997-98	10.10.1991 16.09.1992 20.12.1993 11.11.1994 23.11.1995 24.03.1998 02.11.1998 01.04.1999 02.12.1999 18.05.2001	Adequate printed copies not available for placement as stated by Government
5	South Bengal State Transport Corporation	1996-97	1997-98	18.09.2000	Not stated by Government
6	North Bengal State Transport Corporation	1992-93	Accounts received for 1993-94	-	--
7	West Bengal Industrial Infrastructure Development Corporation	1997-98	Audit for 1998-99 & 1999-2000 is in progress	-	--
8	West Bengal State Electricity Board	1998-99	1999-2000 Audit for 2000-2001 is in progress	29.06.2001	Not stated by Government
9	West Bengal Minorities Development and Finance Corporation	1996-97	Accounts not received after 1996-97	-	--

1.5 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

The Government had not formulated any policy in regard to disinvestment, privatisation and restructuring of PSUs so far (September 2001). No disinvestment, privatisation and restructuring had taken place during the year 2000-2001. In February 2001, the State Government constituted a high level **Committee on Public Sector Restructuring (CPSR)** to study the problems and prospects of each undertaking separately and suggest modalities for recovery of unviable units and to report within May 2001. However, the recommendations of the **CPSR** were still awaited (September 2001).

1.6 Results of Audit by Comptroller and Auditor General of India

During the period from October 2000 to September 2001, the audit of accounts of 47 Government companies (working 43 and non-working : 4) and

[#] SAR for the year 2000-2001 is under finalisation

seven Statutory corporations (all working) were selected for review. The net impact of the important audit observations as a result of review of these PSUs were as follows :

Details	No. of accounts				Rupees in lakh			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non working	Working	Non working	Working	Non working	Working	Non working
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Decrease in profit	6	-	2	-	4452.48	-	17.30	-
Increase in profit	-	-	2	-	-	-	7.27	-
Increase in losses	17	1	5	-	686.30	9.40	72869.83	-
Decrease in losses	-	-	1	-	-	-	3.80	-
Non-disclosure of material facts	8	-	3	-	2850.40	-	2145.50	-
Errors of classification	16	-	4	-	1447.09	-	15188.79	-

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below :

1.6.1 Errors and omissions noticed in case of Government companies

WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED (2000-2001)

Profit for the year (Rs 3.57 crore) had been overstated by Rs 42.46 crore due to (i) non writing-off of deferred revenue expenditure (Rs 0.98 crore), (ii) capitalisation of the expenditure and income beyond the period of three months of trial run (Rs 39.07 crore), (iii) inclusion of embedded coal and damaged/ unserviceable boiler tubes in inventory (Rs 1.21 crore), and (iv) reduction in the cost of coal consumed (Rs 1.20 crore) by adjustment of claims for grade slippage in respect of coal supplies, which had not been accepted by coal suppliers.

THE KALYANI SPINNING MILLS LIMITED (1999-2000)

Loss for the year (Rs 9.72 crore) *vis-à-vis* accumulated loss (Rs 132.76 crore) had been understated by Rs 1.79 crore due to non-provision of liability for payment of (i) Interest (Rs 141.10 lakh) on the loans from the State Government, (ii) liquidated damages/ penal interest (Rs 37.12 lakh) payable to IIBI and short accounting of depreciation charges by Rs 1.06 lakh.

WEST BENGAL FOREST DEVELOPMENT CORPORATION LIMITED (1998-99)

Profit for the year (Rs 27.05 lakh) would convert into loss of Rs 70.99 lakh due to (i) non-adjustment of short/ damaged stock by Rs 95.54 lakh, and (ii) non-accounting of guarantee commission by Rs 2.50 lakh.

WEST BENGAL AGRO INDUSTRIES CORPORATION LIMITED (1994-95)

Loss for the year (Rs 1.22 crore) and accumulated loss (Rs 5.75 crore) had been understated by Rs 42.80 lakh due to non-adjustment of cost of defective equipment (Rs 28.19 lakh) and doubtful recovery of the claim for shortage of fertilisers (Rs 14.61 lakh).

DURGAPUR CHEMICALS LIMITED (1999-2000)

Loss for the year (Rs 25.27 crore) was understated by Rs 38.80 lakh due to undercharge of depreciation on Plant and Machinery.

THE DURGAPUR PROJECTS LIMITED (2000-2001)

Loss for the year (Rs 77.19 crore) was understated by Rs 27.12 lakh due to (i) non writing-off of damaged high viscous fuel oil plant (Rs 13.82 lakh) and (ii) non provision towards doubtful debts (Rs 13.30 lakh).

KRISHNA SILICATE AND GLASS (1987) LIMITED (1998-99)

Loss for the year (Rs 4.30 crore) had been understated by Rs 14.91 lakh due to (i) non-adjustment of Rs 9.81 lakh towards damaged raw materials and (ii) non-provision of liability towards gratuity for Rs 5.10 lakh.

EASTERN DISTILLERIES AND CHEMICALS LIMITED (1998-99)

Loss for the year (Rs 67.09 lakh) was understated by Rs 3.78 lakh due to non-provision towards depreciation.

WEST BENGAL SMALL INDUSTRIES DEVELOPMENT CORPORATION LIMITED (1995-96)

Loss for the year (Rs 52.06 lakh) had been understated by Rs 3.58 lakh due to accounting of interest receivable from sick units which had been waived by IIBI[€] in one time settlement.

1.6.2 Errors and omissions noticed in case of Statutory corporations

WEST BENGAL STATE ELECTRICITY BOARD (1999-2000)

The net deficit of Rs 584.82 crore was increased to Rs 1306.41 crore due to overstatement of revenue by Rs 337.02 crore in addition to understatement of expenditure by Rs 384.57 crore.

[€] Industrial Investment Bank of India

WEST BENGAL FINANCIAL CORPORATION (1999-2000)

Accumulated loss (Rs 64.49 crore) was overstated by Rs 5.43 crore due to excess provision towards non-performing assets.

SOUTH BENGAL STATE TRANSPORT CORPORATION (1998-99)

Loss for the year (Rs 13.73 crore) had been understated by Rs 6.39 crore due to short provision of interest on Government loan, interest on contributory provident fund, non-provision of liability for payment of arrear pay and allowances and doubtful debts.

WEST BENGAL INDUSTRIAL INFRASTRUCTURE DEVELOPMENT CORPORATION (1998-99)

Deficit for the year (Rs 11.14 lakh) had been understated by Rs 1.65 crore due to non-provision of liability for payment of arrear pay and allowances, accounting of income during construction period as revenue income and short provision of interest on State Government loans. Further, the deficit was also overstated by Rs 93.98 lakh due to short accounting of interest receivable on fixed deposits. After these adjustments, the deficit would be Rs 82.28 lakh.

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

Based on the audit assessment of the working results of the WBSEB for three years up to 1999-2000 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the WBSEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the WBSEB will be as given below :

(Rupees in crore)

Sl. No.	Particulars	1997-98	1998-99	1999-2000
(1)	(2)	(3)	(4)	(5)
1.	Net surplus/(-) deficit as per books of accounts	20.11	(-717.79)	(-584.82)
2.	Subsidy from the State Government	184.29	186.36	444.00
3.	Net surplus/ (-) deficit before subsidy from the State Government (1-2)	(-164.18)	(-904.15)	(-1028.82)
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the WBSEB	(-364.16)	(-763.74)	(-721.59)
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-528.34)	(-1667.89)	(-1750.41)
6.	Total return ^U on capital employed	(-345.70)	(-1436.49)	(-1507.72)
7.	Percentage of total return on capital employed	-	-	-

It would be seen from the table that WBSEB suffered deficit during 1997-98 which had turned into surplus on accounting of subsidy from the State

^U Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Government, while in 1998-99 and 1999-2000 the deficit appeared even after accounting of subsidy. Further, the net surplus/deficit had been arrived at without properly accounting various items of revenue expenditure and income as pointed out in Audit comments.

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

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

Statutory corporations

WEST BENGAL STATE ELECTRICITY BOARD (1999-2000)

- (i) Inter unit transfer in many cases were neither responded to nor accepted in time for matching and accounting under the appropriate head of accounts.
- (ii) Unusual debit or credit balances were lying unadjusted in some units for want of investigation and proper linkage.
- (iii) Deposit Register, Advance Register, Sundry Creditors Register, Register of Works, etc. were neither completed up to date nor maintained/reconciled with those of General Ledger from time to time.

WEST BENGAL FINANCIAL CORPORATION (1999-2000)

- (i) The Fixed Assets of the Corporation had not been physically verified by the Management.
- (ii) Separate Audit Reports on the accounts of the Corporation were not placed before the shareholders along with the accounts in the Annual General Meetings.
- (iii) Journal Book was not maintained for the adjustment entries.

CALCUTTA STATE TRANSPORT CORPORATION (1997-98)

- (i) The Corporation had been utilising a major portion of the Depreciation Reserve Fund towards working capital in contravention of Section 29 of the Road Transport Corporation Act, 1950.
- (ii) The differences in the figures appearing in the Books of Trustees Provident Fund had not been reconciled with the books of the Corporation.
- (iii) Reconciliation of actual revenue realised and deposited by depots and actual number of tickets issued (in blocks), by depots, is not being carried out.

SOUTH BENGAL STATE TRANSPORT CORPORATION (1998-99)

Bank reconciliation statements in respect of 6 out of 36 Bank Accounts maintained by the Corporation had not been prepared.

WEST BENGAL SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT AND FINANCE CORPORATION (1985-86)

The schedules and sub-schedules were neither annexed to the Accounts nor made available to the Audit for verification of correctness of figures; the figures of previous years had not been shown both in the Balance Sheet and Profit and Loss Account. The Corporation has not disclosed its significant accounting policies; also Balance Sheet and Profit and Loss Account had not been signed by two Directors.

1.7 Recommendations for Closure of PSUs

Even after completion of five years of their existence, the turnover of 31 Government companies (working : 26, non-working : 5) and two working Statutory corporations had been less than Rs 5 crore in each of the preceding five years of latest finalised accounts. Similarly, 13 working Government companies and one working Statutory corporation had been incurring losses for five consecutive years leading to net negative net worth. In view of poor turnover and continuous losses the Government may either improve performance of above 44 Government companies and three Statutory corporations or consider their closure.

1.8 Response to Inspection Reports, Draft paras and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 54 PSUs disclosed that 503 paragraphs relating to 281 Inspection Reports remained outstanding at the end of September 2001. Of these, 95 Inspection Reports containing 182 paragraphs had not been replied for more than two years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2001 is given in Annexure-7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/ Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 11 Draft paragraphs and 3 draft reviews forwarded to the various

departments during July 2000 to June 2001, as detailed in Annexure-8, had not been replied to so far.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/ draft paragraphs/ reviews as per the prescribed time schedule, (b) action should be taken to recover loss/ outstanding advances/ overpayment in a time bound schedule and (c) the system of responding to the audit observations should be revamped.

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

The status of Audit Reports (Commercial) and the reviews, paragraphs pending for discussion at the end of 31 March 2001 is shown below :

Period of Audit Report	Number of reviews and paragraphs appeared in Audit Report		Number of reviews/ paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1990-91 (No.1)	7	14	1	5
1991-92 (No.2)	4	22	1	2
1992-93 (No.1)	5	21	2	5
1993-94 (No.1)	5	23	1	6
1994-95 (No.1)	4	20	3	7
1995-96 (No.1)	4	21	2	6
1996-97 (No.2)	3	19	3	8
1997-98 (No.2)	4	19	4	12
1998-99 (No.4)	6	20	5	11
Total	42	179	22	62

1.10 619-B Companies

There was one such company, namely Webfil Limited, covered under Section 619-B of the Companies Act, 1956. Annexure-9 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of the company based on the latest available accounts.