

CHAPTER-I

1 Overview of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2002, there were 73 Government companies (65 working companies and 8 non-working[≈] companies) and 11 Statutory corporations (all working) as against 71 Government companies (65 working companies and 6 non-working companies) and 11 Statutory corporations (all working) as on 31 March 2001 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 (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 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

During the year 2001-2002, two Companies viz. Webel Technology Limited and Webel Toolsind Limited came under the audit purview of the Comptroller and Auditor General of India. In terms of the provisions of Sections 4(I) and 254 of the Companies Act, 1956, West Bengal Industrial Development

[≈] Non-working companies are those which are under the process of liquidation, closure, merger, etc.

Corporation Limited (WBIDC) floated two subsidiary companies viz. WBIDC Manikanchan Limited and WBIDC Toy Park Limited in September 2001 and October 2001 respectively. However, no proposal for entrustment of audit of these two subsidiaries was received, as these companies were yet to commence business (September 2002).

1.2 Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

The total investment in 76 working PSUs (65 Government companies and 11[∞] Statutory corporations) at the end of March 2001 and March 2002 was as follows :

(Rupees in crore)

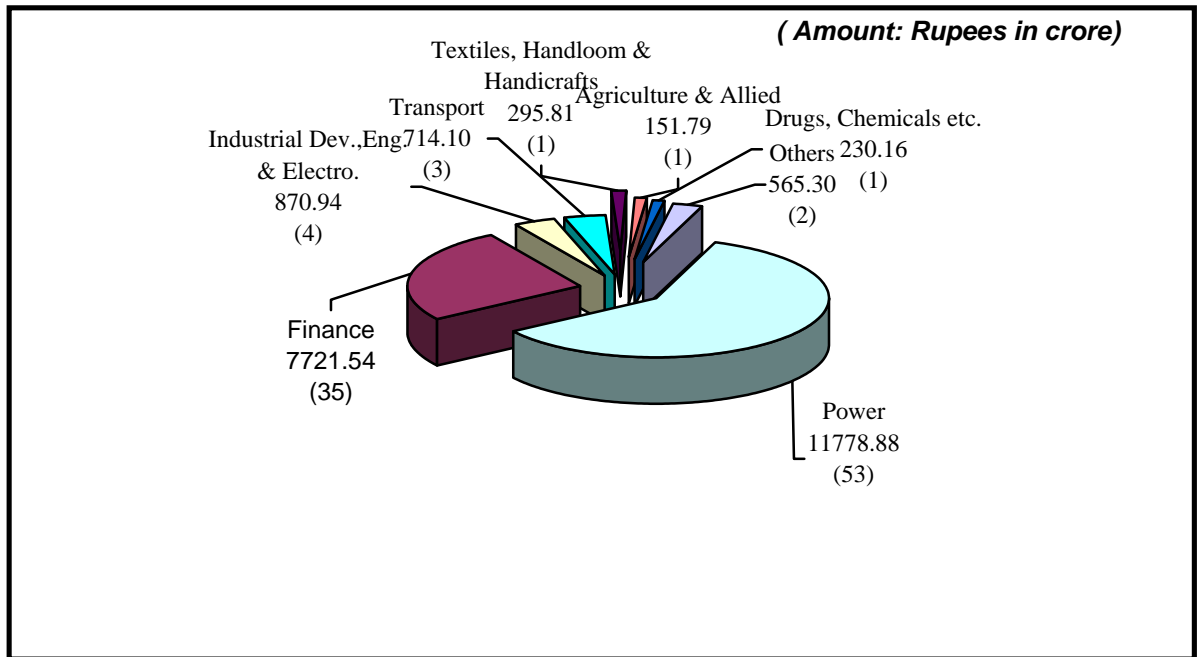
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loan	Total
2000-01	76	3338.89	146.51	14810.63	18296.03
2001-02	76	3465.05	811.54	18051.93	22328.52

As on 31 March 2002, the total investment of working Government companies and Statutory corporations comprised 19.15 *per cent* of equity capital and 80.85 *per cent* of loans, compared to 19.05 *per cent* and 80.95 *per cent* respectively, as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs.

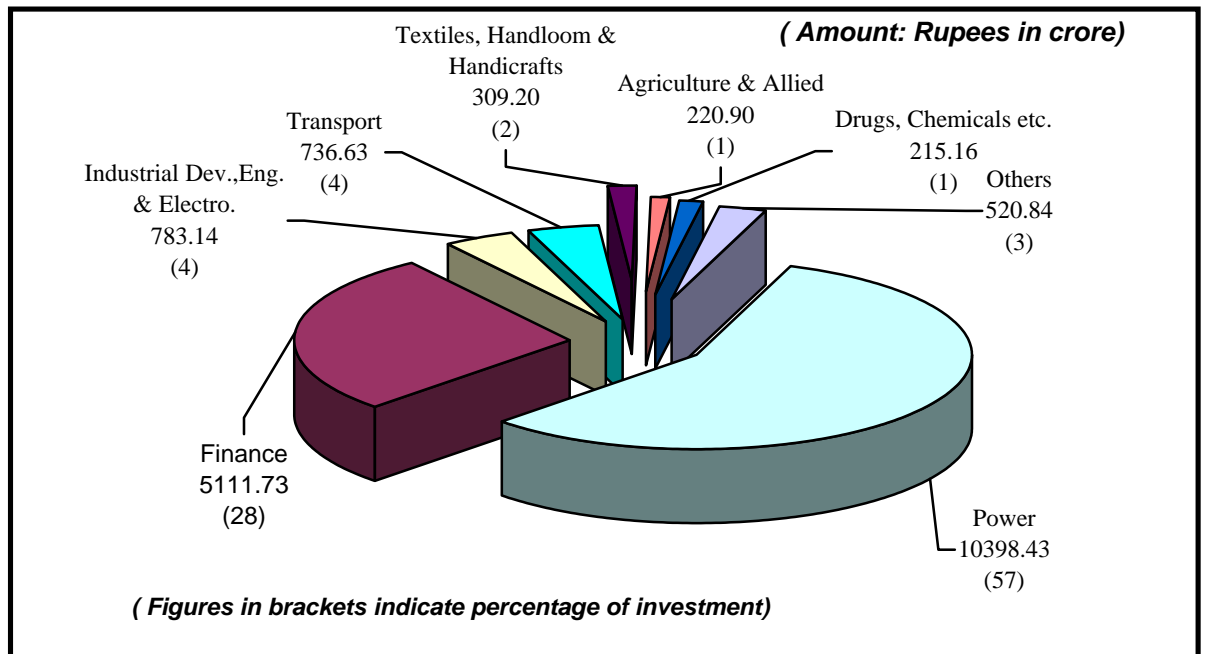
The investment (equity and long term loan) in various sectors and percentage thereof at the end of 31 March 2002 and 2001 are indicated below in the pie charts :

[∞] Includes West Bengal Electricity Regulatory Commission in which there was no investment in the form of equity capital and loan

Sector wise investment in working Government companies and Statutory corporations as on 31 March 2002



Sector wise investment in working Government companies and Statutory corporations as on 31 March 2001



1.2.1.1 Working Government companies

Total investment in 65 working Government companies at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2000-01	65	1789.93	95.87	10085.84	11971.64
2001-02	65	1860.59	797.51	12142.64	14800.74

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

The debt equity ratio marginally decreased from 5.35 : 1 in 2000-2001 to 4.57 : 1 in 2001-2002 mainly due to conversion of State Government loans of Rs 709.19 crore into equity relating to West Bengal Power Development Corporation Limited.

1.2.1.2 Working Statutory corporations

The total investment in 10[®] working Statutory corporations at the end of March 2002 and March 2001 was as follows :

(Amount: Rupees in crore)

Sl. No.	Name of corporation	2000-2001		2001-2002	
		Capital	Loan	Capital	Loan
1.	West Bengal State Electricity Board (WBSEB)	1352.62	3844.55	1352.62	4968.82
2.	Calcutta State Transport Corporation (CSTC)	9.62	273.05	9.62	223.33
3.	North Bengal State Transport Corporation (NBSTC)	10.70	120.92	10.70	139.77
4.	South Bengal State Transport Corporation (SBSTC)	11.01	87.41	11.01	88.36
5.	West Bengal Financial Corporation (WBFC)	40.45 (26.00)	284.24	69.50 (4.38)	314.41
6.	West Bengal State Warehousing Corporation (WBSWC)	7.61	-	7.61	-
7.	West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	-	85.82	-	100.24
8.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC)	116.95 (5.35)	-	128.70	32.72
9.	West Bengal Minorities Development and Finance Corporation (WBMDFC)	- (19.29)	27.37	14.69 (9.65)	40.21
10.	Great Eastern Hotel Authority (GEHA)	-	1.43	-	1.43
	Total	1548.96 (50.64)	4724.79	1604.45 (14.03)	5909.29

(Figures in brackets indicate share application money)

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in Annexure-I.

[®] In respect of West Bengal Electricity Regulatory Commission there was no investment in the form of equity capital and loan

Due to increase in long term loans of the power, financing and transport sectors the debt equity ratio increased from 2.95 : 1 in 2000-2001 to 3.65 : 1 in 2001-2002.

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, loans and grants/ subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2001-2002 are given below:

(Amount : Rupees in crore)

	1999-2000				2000-2001				2001-2002			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	17	73.66	1	11.27	19	80.73	3	24.10	21	48.33	3	15.57
Loans	34	879.15	5	233.60	38	981.88	5	881.63	31	480.94	6	1212.22
Grants	14	16.69	4	8.63	15	115.03	5	9.48	14	151.41	5	4.82
Subsidy	7	58.75	5	164.90	4	66.99	5	195.66	4	72.97	4	391.80
Total outgo	49 [#]	1028.25	8 [#]	418.40	52 [#]	1244.63	10 [#]	1110.87	48 [#]	753.65	10 [#]	1624.41

During the year 2001-2002 the Government had guaranteed the loans aggregating Rs 2523.41 crore obtained by six working Government companies (Rs 2357.83 crore) and four working Statutory corporations (Rs 165.58 crore). At the end of the year, guarantees amounting to Rs 9031.81 crore against 27 working Government companies (Rs 7839.35 crore) and nine working Statutory corporations (Rs 1192.46 crore) were outstanding as compared to Rs 7977.33 crore in 32 working companies and Rs 1105.76 crore in six working Statutory corporations at the end of previous year. There were 12 cases of default (companies : 10; corporations : 2) in repayment of guaranteed loans during the year. The Government had forgone Rs 626.32 crore by way of waiver of interest in West Bengal Power Development Corporation Limited (Rs 623.38 crore) and West Bengal Financial Corporation (Rs 2.94 crore) during 2001-2002. The Government also converted its loans amounting to Rs 730.08 crore into equity capital in four companies* during the year. The guarantee fee paid/ payable to Government

[#] 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-6, 24, 29 & 31 of Annexure 3.

by 23 Government companies and four Statutory corporations during 2001-2002 was Rs 52.78 crore and Rs 73.88 crore respectively.

1.2.3 Finalisation of accounts by working 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. Audit of accounts of Great Eastern Hotel Authority had not yet been entrusted to C&AG.

As could be noticed from Annexure-2, out of 65 working Government companies only 25 companies[@] and of 11 working Statutory corporations, only three^T corporations had finalised their accounts for the year 2001-2002 within September 2002. During the period from October 2001 to September 2002, 46 working Government companies finalised 60 accounts of previous years. Similarly, five working Statutory corporations finalised five accounts for previous years during this period.

The accounts of the 40 working Government companies and eight working Statutory corporations were in arrears for periods ranging from one year to nine years as on September 2002 as detailed below :

Sl. No.	No. of working Companies/ Corporations		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	-	1993-94 to 2001-02	9	A-39	-
2	1	1	1994-95 to 2001-02	8	A-46	B-4
3	1	-	1995-96 to 2001-02	7	A-2	-
4	3	1	1996-97 to 2001-02	6	A-7,15, 35	B-8
5	1	1	1997-98 to 2001-02	5	A-64	B-9
6	3	1	1998-99 to 2001-02	4	A-10,14,63	B-3
7	4	-	1999-2000 to 2001-02	3	A-4,9,56,58	-
8	9	1	2000-2001 to 2001-02	2	A-3,6,11,17,21,40, 41,49,50	B-5
9	17	3	2001-2002	1	A-1,12,13,16,18, 20, 23, 26,30,31, 38,44,45,47, 51, 52,53	B-7, 10, 11

[@] Sl. Nos. A-5, 8, 19, 22,24,25,27,28,29,32,33,34,36,37,42,43,48,54,55,57,59,60,61,62 & 65 of Annexure 2

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

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative department and officials of the Government were apprised quarterly by Accountant General regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

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 their latest finalised accounts are given in Annexure-2. Besides, statements 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 the latest finalised accounts of 65 working Government companies and 11 working Statutory corporations, 50 companies and seven corporations had incurred losses for the respective years aggregating Rs 304.31 crore and Rs 1574.62 crore respectively. 14 companies and four corporations earned an aggregate profit of Rs 13.73 crore and Rs 1.62 crore respectively. West Bengal Rural Energy Development Corporation Limited had finalised their accounts for pre-operative stage.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Out of 25 working Government companies which finalised their accounts for 2001-2002 by September 2002, 10 companies earned an aggregate profit of Rs 9.98 crore. Similarly, four profit earning companies which finalised their accounts for previous years during October 2001 to September 2002, earned an aggregate profit of Rs 3.75 crore.

Of these 14 profit earning working companies, seven companies earned profit successively for two or more years. Only Webel Technology Limited declared dividend of Rs 0.80 crore for the year 2001-02. However, the State Government has not formulated dividend policy for payment of minimum dividend.

1.2.4.1.2 Loss incurring working Government companies

Of the 50 loss incurring working companies, 40 companies had accumulated losses aggregating Rs 2395.28 crore which exceeded their aggregate paid up capital of Rs 413.20 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 during 2001-2002 by the State Government to 32 companies out of these 40 companies was Rs 273.67 crore by way of equity (Rs 17.64 crore), loans (Rs 127.66 crore), subsidy (Rs 61.69 crore), grants (Rs 51.79 crore) and conversion of loan to equity (Rs 14.89 crore).

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend

Out of three working Statutory corporations which finalised their accounts for 2001-2002 by September 2002, only West Bengal Electricity Regulatory Commission earned profit of Rs 0.16 crore.

Similarly, out of the four working Statutory corporations which finalised their accounts for the previous years (September 2002), two Corporations^Ω earned an aggregate profit of Rs 1.44 crore. Three Corporations earned profit successively for two or more years.

1.2.4.2.2 Loss incurring Statutory corporations

Two[♥] corporations finalised their accounts for 2001-2002 by September 2002 and incurred a loss of Rs 1477.37 crore. Of the seven loss incurring Statutory corporations, six Statutory corporations had accumulated losses aggregating Rs 4513.27 crore which exceeded their aggregate paid up capital of Rs 1457.82 crore by more than three times.

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 during 2001-2002 provided by the State Government to these corporations was Rs 1639.41 crore by way of equity (Rs 36.05 crore), loans (Rs 1206.78 crore), subsidy (Rs 391.80 crore), grants (Rs 1.85 crore) and waiver of dues (Rs 2.93 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 percentage of transmission and distribution loss increased from 29.73 in 1999-2000 to 37.91 in 2000-2001 but marginally reduced to 36.10 in 2001-2002.

2 Calcutta, North Bengal and South Bengal Transport Corporations

In Calcutta State Transport Corporation the loss per kilometre increased from 1170.05 paise in 1999-2000 to 1207.58 paise in 2000-2001 but decreased to 1206 paise in 2001-2002.

In North Bengal State Transport Corporation loss per kilometre of the Corporation increased from 925 paise in 1999-2000 to 1140 paise in

^Ω Sl. No. B-7 & 11 of Annexure-2

[♥] Sl. No. B-1 & 6 of Annexure - 2

2001-2002, while in South Bengal State Transport Corporation, the loss per kilometre decreased from 931 paise in 1999-2000 to 516 paise in 2001-2002.

3 West Bengal State Warehousing Corporation (WBSWC)

With the decrease in average capacity utilisation of godowns and steady decrease of average margin per tonne, profit of WBSWC decreased from Rs 103 per tonne in 1999-2000 to Rs 53 per tonne in 2001-2002.

4 West Bengal Financial Corporation

While the total loans disbursed increased from Rs 55.22 crore in 1999-2000 to Rs 95.86 crore in 2001-2002, the overdue for recovery increased from Rs 223.77 crore in 1999-2000 to Rs 310.56 crore in 2001-2002.

1.2.5 Return on capital employed

As per the latest finalised accounts (up to September 2002), the capital employed[▲] worked out to Rs 6752.46 crore in 65 working companies and total return[▽] thereon amounted to Rs 76.27 crore which was 1.13 *per cent* as compared to total return of Rs 66.84 crore (0.99 *per cent*) in 63[Ⓔ] working companies during 2000-2001. Similarly, during 2001-2002, the capital employed and total negative return thereon in case of 11 working Statutory corporations as per the latest finalised accounts (up to September 2002) worked out to Rs 2972.62 crore and Rs 1201.45 crore respectively against the total negative return of Rs 449.27 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.

1.2.6 Reforms in power sector

(A) Status of implementation of MOU between the Government of India and the Government of West Bengal

A Memorandum of Understanding (MOU) was signed on 5 May 2001 between Government of India and the Government of West Bengal as a joint commitment for implementation of reforms programme in power sector with identified milestones. Status of implementation of reform is discussed at Paragraph 3B *infra*.

(B) West Bengal Electricity Regulatory Commission

West Bengal Electricity Regulatory Commission (Commission) was formed on 6 January 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998 (Act) with the object of determining electricity tariff, advising in matters relating to electricity generation, transmission, distribution etc. in the State. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government.

[▲] 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).

[▽] 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 65 working Companies in 2000-2001, 2 Companies did not prepare their first accounts

The audit of accounts of the Commission has been entrusted to CAG under Section 34 of the Act, *ibid.* The Commission had finalised its accounts for the period ending 31 March 2002 (September 2002).

1.3 Non-working Public Sector Undertakings (PSUs)

1.3.1 Investment in non-working PSUs

The total investment in six and eight non-working PSUs (all Government companies) at the end of March 2001 and 2002 respectively was as follows :

(Amount : Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loan	Total
2000-01	6	8.05	0.84	38.16	47.05
2001-02	8	9.73	1.34	132.55	143.62

As substantial investment of Rs 143.62 crore was involved in these non-working companies, effective steps need to be taken for their expeditious liquidation or revival.

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 PSUs are given in Annexures 1 & 3.

The State Government had paid budgetary support of Rs 8.63 crore by way of grants/ loan to IPP Limited, West Bengal Livestock Processing Development Corporation Limited and Sundarban Sugarbeet Processing Company Limited during 2001-2002.

1.3.3 Total establishment expenditure of non-working PSUs

The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2001-2002 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 [°]
	Government companies				Loans	Grants	
1999-2000	3	0.20	-	-	0.15	-	-
2000-2001	6	3.63	-	-	-	0.33	3.80
2001-2002	8	11.61	-	-	8.38	0.25	4.18

Note: There is no non-working Statutory corporation

[°] Unsecured loan from holding company

1.3.4 Finalisation of accounts by non-working PSUs

As could be noticed from Annexure 2, five non-working companies had finalised their accounts for the year 2001-2002 by September 2002. The accounts of remaining three non-working companies were in arrears for periods ranging from one year to 18 years as on September 2002.

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 summarised 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	Paid-up capital	Net worth	Cash loss (-)/ cash profit (+)	Accumulated loss (-)/ accumulated profit (+)
Non-working companies	11.00	(-)248.81	(-)28.64	(-)179.70

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

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 is given in Annexure-7.

It would be observed from the Annexure that 31 SARs relating to eight Corporations were not laid for one year to 16 years, of which SARs of WBSCSTDFC were not placed for 16 years (1980-96), WBSWC for 5 years (1996-2001), WBIIDC for three years (1998-2001), CSTC (1996-98) and SBSTC (1998-2000) each for two years, NBSTC (1993-94), WBERC (2000-2001) and WBSEB (2000-2001) each for one year.

1.5 Disinvestment, privatisation and restructuring of Public Sector Undertakings

The Government constituted a high level **Committee on Public Sector Restructuring (CPSR)** in February 2001 to study the problems/ prospects of each undertaking separately and to prepare action plan for revival of potentially viable units or to determine the modality best suited for recovery of Government's investment in unviable units and to report within May 2001. In October 2001 the Government decided to categorise loss making manufacturing enterprises into (i) structurally unviable enterprises which may not continue indefinitely in public interest, (ii) unviable enterprises requiring capital investment from private partners, and (iii) potentially viable enterprises to retain under management of Government for restructuring them.

The recommendations of CPSR though called for (September 2001/ August 2002) had not been received so far (September 2002). However, no disinvestment, privatisation or restructuring had taken place during the year 2001-2002.

1.6 Results of Audit by Comptroller and Auditor General of India

During the period from October 2001 to September 2002, the audit of accounts of 61 Government companies (working : 56 and non-working : 5) and six working Statutory corporations 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 crore		
	Government companies		Statutory corporations	Government companies		Statutory corporations
	Working	Non working	Working	Working	Non working	Working
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Decrease in profit	6	1	12	3.93	0.01	3.57
Increase in losses	39	1	3	27.85	0.09	2197.98
Decrease in losses	3	1	-	21.61	0.27	-
Non-disclosure of material facts	18	1	3	671.40	0.10	35.06
Errors of classification	18	-	2	41.20	-	0.38

Instances of errors and omissions noticed in the course of review of annual accounts of the above companies and corporations are mentioned below.

1.6.1 Errors and omissions noticed in case of Government companies

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

Sl. No.	Name of the Company	Year accounts of	Errors/ omissions	Amount (Rupees in crore)
1	The State Fisheries Development Corporation Limited	2000-2001	Understatement of accumulated loss due to non provision of liability for arrear pay and allowances and pension benefit payable to employees	4.32
2	Durgapur Chemicals Limited	2000-2001	Understatement of accumulated loss due to (i) non provision of liability for arrear pay and allowances payable to employees and (ii) non-writing off of damaged machinery and obsolete stores	3.52
3	West Bengal Handloom and Powerloom Development Corporation Limited	2000-2001	Understatement of loss due to (i) non provision of liability towards interest, (ii) non writing off of subsidy claim already disallowed and (iii) overvaluation of stock	3.43
4	Greater Calcutta Gas Supply Corporation Limited	2000-2001	Understatement of loss due to non-charging of depreciation on assets put into use	1.72
5	Webfil Limited	2000-2001	Overstatement of profit due to non provision for doubtful debts and advances	1.33
6	West Bengal Surface Transport Corporation Limited	2001-2002	Overstatement of loss due to (i) non-adjustment of proportionate depreciation on assets created out of capital grant, (ii) non-provision of liability towards dues of Employees State Insurance Scheme, (iii) non accounting of hire charges realisable	0.55

1.6.2 Errors and omissions noticed in case of Statutory corporations

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

Sl. No.	Name of the Corporation	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	West Bengal State Electricity Board	2000-2001	Understatement of net deficit due to overstatement of revenue and understatement of expenditure	2182.07
2	South Bengal State Transport Corporation	1999-2000	Understatement of loss due to non-provision of liability for interest payable to provident fund trustee, obsolete spares, doubtful debts, non-inclusion of spare stocks and short provision of liability for arrear pay and allowances payable to employees	10.95
3	West Bengal Industrial Infrastructure Development Corporation	1999-2000	Understatement of accumulated deficit due to wrong accounting of income during construction period, non provision of depreciation on assets completed since 1991, doubtful debts, non charging of revenue expenditure, short accounting/ provision of interest receivable and payable	3.06

1.6.2.1 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 2000-2001 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 deficit of WBSEB will be as given below :

(Rupees in crore)				
Sl. No.	Particulars	1998-99	1999-2000	2000-2001
(1)	(2)	(3)	(4)	(5)
1.	Net deficit as per books of accounts	717.79	584.82	672.72
2.	Subsidy from the State Government	186.36	444.00	215.43
3.	Net deficit before subsidy from the State Government (1-2)	904.15	1028.82	888.15
4.	Net increase in net deficit on account of audit comments on the annual accounts of WBSEB	763.74	721.59	2182.07
5.	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	1667.89	1750.41	3070.22

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 had been taken by these PSUs so far.

Statutory corporations

(1) WEST BENGAL STATE ELECTRICITY BOARD (2000-2001)

Inter unit transfer in many cases were neither responded to nor accepted in time for matching and accounting under the appropriate head of accounts resulting in accumulation of Inter Unit debit balance of Rs 277.46 crore up to 2000-2001. Further, unusual debit or credit balances were lying unadjusted in some units for want of investigation and proper linkage.

(2) WEST BENGAL INDUSTRIAL INFRASTRUCTURE DEVELOPMENT CORPORATION (1999-2000)

Bank reconciliation statements in respect of 13 banks had not been prepared. Moreover, Sundry Debtors ledger was not maintained.

(3) WEST BENGAL SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT AND FINANCE CORPORATION (1995-96)

The Corporation did not disclose its significant accounting policies. The Balance Sheet and Profit and Loss Account had not been signed by two Directors. Further, cash in hand had not been physically verified by the Management.

1.7 Recommendations for closure of PSUs

Even after completion of five years of their existence, the turnover of 30 Government companies (working : 23, non-working : 7⁵) and two working Statutory corporations had been less than Rs 5 crore in each of the preceding five years of their 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 43 Government companies and three Statutory corporations or consider their closure.

1.8 Response to Inspection Reports, draft paragraphs 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 up to March 2002 pertaining to 54 PSUs disclosed that 458 paragraphs relating to 233 Inspection Reports remained outstanding at the end of September 2002.

⁵ The accounts of one non-working company after commencement of commercial operations was not available

Of these, 104 Inspection Reports containing 162 paragraphs had not been replied for more than two years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on September 2002 is given in Annexure-8.

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 two draft paragraphs and two draft reviews forwarded to the various departments during March 2002 to July 2002, as detailed in Annexure-9, had not been replied to so far (September 2002).

It is recommended that the Government should ensure : (a) 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 to recover loss/ outstanding advances/ overpayment is taken in a time bound schedule and (c) the system of responding to the audit observations is revamped.

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

The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs pending for discussion in the COPU at the end of March 2002 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
1996-97	3	19	3	4
1997-98	4	19	4	6
1998-99	6	20	3	10
1999-2000	4	15	3	6
2000-2001	4	19	4	9
Total	21	92	17	35

The Audit Report (Commercial) for the year 2000-2001 was tabled in the State Legislature on 16 March 2002.

1.10 619-B companies

There was one such company, namely Webfil Limited, covered under Section 619-B of the Companies Act, 1956. Annexure-10 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.