

CHAPTER-I

1 Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 74 Government companies (64 working companies and 10 non-working[~] companies) and 10 Statutory corporations (all working) as against 73 Government companies (64 working companies and 9 non-working companies) and 10 Statutory corporations (all working) as on 31 March 2003 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the 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) | Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 185(2) (d) of the Electricity Act, 2003. | Sole audit by CAG |
| 2. | Calcutta State Transport Corporation (CSTC) | Section 33(2) of the Road Transport Corporations Act, 1950 | Sole audit by CAG |
| 3. | North Bengal State Transport Corporation (NBSTC) | 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 Industrial Infrastructure Development Corporation (WBIIDC) | Section 25(2)(b) of the West Bengal Industrial Infrastructure Development Corporation Act, 1974 | Sole audit by CAG |
| 8. | West Bengal Financial Corporation (WBFC) | Section 37(6) of the State Financial Corporations Act, 1951 | Audit by Chartered Accountants and Supplementary audit by CAG |
| 9. | West Bengal State Warehousing Corporation (WBSWC) | Section 31(8) of the Warehousing Corporations Act, 1962 | Audit by Chartered Accountants and Supplementary audit by CAG |
| 10. | Great Eastern Hotel Authority (GEHA) | Section 19(1) of Great Eastern Hotel (Acquisition of Undertaking) Act, 1980 read with rules made thereunder | Audit by Chartered Accountants and Supplementary audit by CAG |

[~] Non-working companies are those that are under the process of liquidation, closure, merger, etc

The State Government had constituted the West Bengal Electricity Regulatory Commission (WBERC) in January 1999, under the erstwhile Electricity Regulatory Commissions Act, 1998 and audit is entrusted to the CAG, under Section 104(2) of the Electricity Act, 2003[#]. During this year audit of a company viz. New Town Electric Supply Company Limited was entrusted to CAG.

In respect of two non-working companies viz. IPP Limited and Sundarban Sugarbeet Processing Company Limited, State Government applied (March 2004) to the Registrar of Companies, West Bengal (ROC) for winding up these companies under the Simplified Exit Scheme 2003 (Scheme) without getting their accounts (2003-04) audited by the CAG. This lacuna was brought to the notice (June 2004) of the ROC and the State Government. The names of these two companies were yet to struck off (September 2004).

In terms of the provisions of Sections 4(I) and 254 of the Companies Act, 1956, West Bengal Industrial Development Corporation Limited (WBIDC) floated two subsidiary companies viz. WBIDC Manikanchan Limited and WBIDC Toy Park Limited in September and October 2001 respectively. In March 2004, WBIDC applied for winding up/ closure of these Companies under the Scheme without seeking appointment of auditors by the CAG. This deficiency was brought to the notice (June 2004) of ROC and the State Government. Further developments were awaited (September 2004).

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment in 74 working PSUs (64 Government companies and 10 Statutory corporations) at the end of March 2003 and March 2004 was as follows :

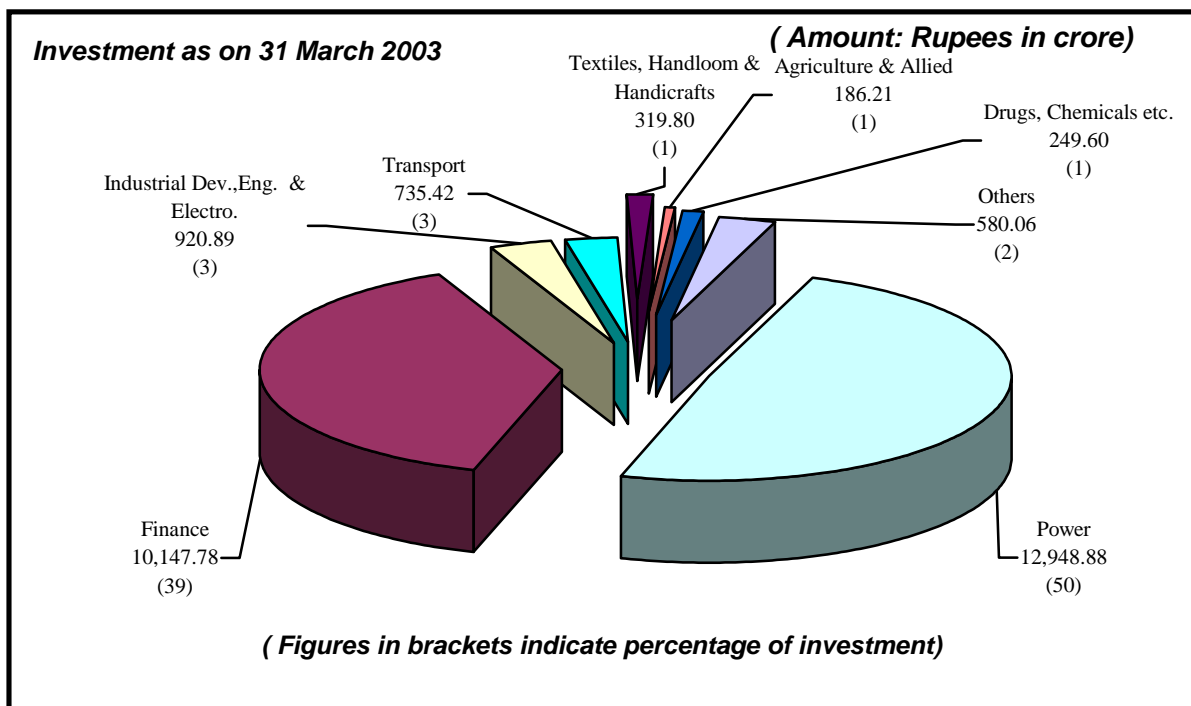
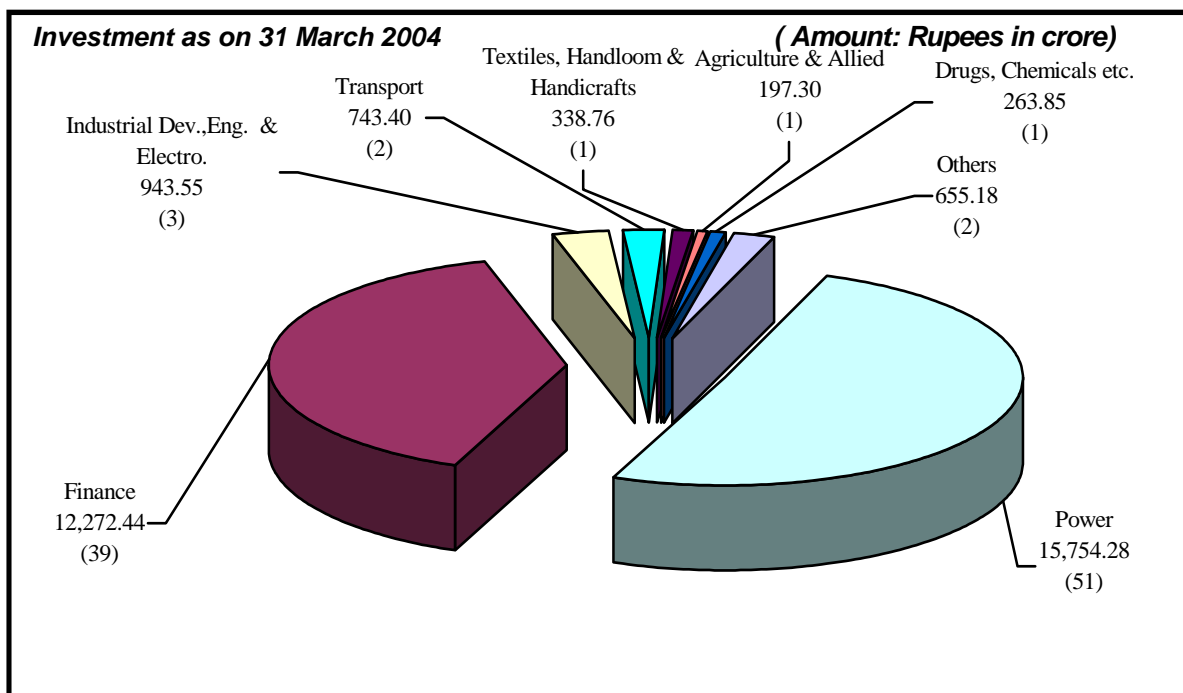
| (Rupees in crore) | | | | | |
|-------------------|------------------------|----------------------------|-------------------------|-----------|-----------|
| Year | Number of working PSUs | Investment in working PSUs | | | |
| | | Equity | Share application money | Loan | Total |
| 2002-03 | 74 | 3,534.09 | 769.45 | 21,785.10 | 26,088.64 |
| 2003-04 | 74 | 3,692.81 | 625.35 | 26,850.60 | 31,168.76 |

As on 31 March 2004, the total investment of working Government companies and Statutory corporations comprised 13.85 per cent of equity capital and 86.15 per cent of loans, compared to 16.50 and 83.50 per cent respectively, as on 31 March 2003. The analysis of investment in working PSUs is given in the following paragraphs.

[#] Erstwhile Electricity Regulatory Commissions Act, 1998 now replaced by the Electricity Act, 2003.

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated in the pie charts.



Working Government companies

1.3 Total investment in 64 working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

| Year | Number of working Government companies | Investment in working Government companies | | | |
|---------|--|--|-------------------------|-----------|-----------|
| | | Equity | Share application money | Loan | Total |
| 2002-03 | 64 | 1,913.43 | 765.85 | 15,341.85 | 18,021.13 |
| 2003-04 | 64 | 2,068.78 | 619.75 | 18,160.62 | 20,849.15 |

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 increased from 5.73 : 1 in 2002-03 to 6.75 : 1 in 2003-04 due to receipt of loan of Rs 2,699.61 crore by West Bengal Infrastructure Development Finance Corporation Limited, West Bengal Power Development Corporation Limited and West Bengal Rural Energy Development Corporation Limited during 2003-04 from the State Government (Rs 725.82 crore) and others (Rs 1,973.79 crore).

Working Statutory corporations

1.4 The total investment in 10 working Statutory corporations at the end of March 2004 and March 2003 was as follows:

(Amount: Rupees in crore)

| Sl. No. | Name of corporation | 2002-03 | | 2003-04 | |
|---------|---|----------------------------|-----------------|----------------------------|-----------------|
| | | Capital | Loan | Capital | Loan |
| 1. | West Bengal State Electricity Board (WBSEB) | 1,352.62 | 5,485.66 | 1,352.62 | 7,681.70 |
| 2. | Calcutta State Transport Corporation (CSTC) | 9.62 | 232.85 | 9.62 | 231.49 |
| 3. | North Bengal State Transport Corporation (NBSTC) | 10.70 | 144.73 | 10.70 | 146.23 |
| 4. | South Bengal State Transport Corporation (SBSTC) | 11.01 | 91.52 | 11.01 | 98.64 |
| 5. | West Bengal Financial Corporation (WBFC) | 76.89 (1.00) | 304.70 | 78.97 | 335.50 |
| 6. | West Bengal State Warehousing Corporation (WBSWC) | 7.61 | - | 7.61 | - |
| 7. | West Bengal Industrial Infrastructure Development Corporation (WBIIDC) | - | 94.84 | - | 95.34 |
| 8. | West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC) | 127.87 | 23.07 | 129.16 | 27.41 |
| 9. | West Bengal Minorities Development and Finance Corporation (WBMDFC) | 24.34 (2.60) | 51.02 | 24.34 (5.60) | 57.32 |
| 10. | Great Eastern Hotel Authority (GEHA) | - | 14.86 | - | 16.35 |
| | Total | 1,620.66 (3.60) | 6,443.25 | 1,624.03 (5.60) | 8,689.98 |

(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-1**.

Due to increase in long term loans of the Statutory corporations under power and financing sectors, the debt equity ratio increased from 3.97 : 1 in 2002-03 to 5.33 : 1 in 2003-04.

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

1.5 The details regarding budgetary outgo, grants/ subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in **Annexures-1** and **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 2003-04 are given below:

(Amount : Rupees in crore)

| | 2001-02 | | | | 2002-03 | | | | 2003-04 | | | |
|----------------|-----------------|--------|----------------|----------|-----------------|--------|----------------|--------|-----------------|--------|----------------|----------|
| | Companies | | Corporations | | Companies | | Corporations | | Companies | | Corporations | |
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Equity capital | 21 | 48.33 | 3 | 15.57 | 17 | 47.91 | 2 | 6.60 | 11 | 11.10 | 3 | 5.87 |
| Loans | 31 | 480.94 | 6 | 1,212.22 | 33 | 846.57 | 6 | 392.35 | 31 | 820.85 | 4 | 2,257.28 |
| Grants | 14 | 151.41 | 4 | 4.10 | 13 | 17.87 | 4 | 5.90 | 12 | 15.25 | 4 | 8.93 |
| Subsidy | 4 | 72.97 | 4 | 391.80 | 6 | 76.20 | 3 | 156.43 | 4 | 89.70 | 4 | 155.73 |
| Total outgo | 48 [#] | 753.65 | 9 [#] | 1,623.69 | 47 [#] | 988.55 | 9 [#] | 561.28 | 44 [#] | 936.90 | 9 [#] | 2,427.81 |

During the year 2003-04 the Government had guaranteed loans aggregating Rs 3,494.73 crore obtained by four working Government companies (Rs 3,402.16 crore) and three working Statutory corporations (Rs 92.57 crore). At the end of the year, guarantees amounting to Rs 13,648.12 crore against 28 working Government companies (Rs 12,011.40 crore) and eight working Statutory corporations (Rs 1,636.72 crore) were outstanding as compared to Rs 10,220.89 crore in 28 working companies and Rs 1,552.66 crore in eight working Statutory corporations at the end of previous year. The guarantee fee paid/ payable to the Government by 20 Government companies and four Statutory corporations during 2003-04 was Rs 26.95 crore and Rs 105.78 crore respectively.

There were 16 cases of default (companies : 13; corporations : 3) in repayment of guaranteed loans aggregating Rs 2,742.16 crore during the year.

[⊗] Under reconciliation with the figures as per Finance Accounts-2003-04.

[#] 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

Finalisation of accounts by working PSUs

1.6 The position of finalisation of accounts is detailed in **Annexure – 2**.

As could be noticed from **Annexure-2**, out of 64 working Government companies only 29 companies[@] and of 10 working Statutory corporations, only two^T corporations had finalised their accounts for the year 2003-04 up to September 2004. During the period from October 2003 to September 2004, 33 working Government companies finalised 56 accounts of previous years. Similarly, six working Statutory corporations finalised eight accounts for previous years during this period.

The accounts of the 35 working Government companies and eight working Statutory corporations were in arrears for periods ranging from one to eight years as on September 2004 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 | 1996-97 to 2003-04 | 8 | - | B-3 |
| 2 | 1 | - | 1997-98 to 2003-04 | 7 | A-38 | - |
| 3 | 3 | - | 1999-2000 to 2003-04 | 5 | A-2,7,13 | - |
| 4 | 1 | 1 | 2000-01 to 2003-04 | 4 | A-34 | B-8 |
| 5 | 1 | - | 2001-02 to 2003-04 | 3 | A-54 | - |
| 6 | 4 | 3 | 2002-03 to 2003-04 | 2 | A-1,6,47,62 | B-2,4,7 |
| 7 | 25 | 3 | 2003-04 | 1 | A-3,9,10,14,15,17,18,19,22, 28,29,31,33,35,37,39,43,44, 45,48,49,50,51,57,61 | B-6,9,10 |

Reasons for delays in finalisation of accounts have been discussed in paragraph 4.24 *infra*.

Financial position and working results of working PSUs

1.7 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

[@] Sl. Nos. A-4,5,8,11,12,16,20,21,23,24,25,26,,27,30,32,36,40,41,42,46,52,53,55,56,58,59,60, 63 & 64 of **Annexure 2**

^T Sl. Nos. B-1 & 5 of **Annexure 2**

three years for which accounts are finalised are given in **Annexures-4 & 5** respectively.

According to the latest finalised accounts of 64 working Government companies and 10 working Statutory corporations, 49 companies and seven corporations had incurred losses for the respective years aggregating Rs 285.31 crore and Rs 469.37 crore respectively. Fourteen companies and three corporations earned an aggregate profit of Rs 41.29 crore and Rs 4.38 crore respectively, while West Bengal Rural Energy Development Corporation Limited had finalised its accounts for pre-operative stage.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 29 working Government companies, which finalised their accounts for 2003-04 up to September 2004, 10 companies earned an aggregate profit of Rs 38.24 crore. Similarly, four profit earning companies, which finalised their accounts for previous years during October 2003 to September 2004, earned an aggregate profit of Rs 3.05 crore.

Of these 14 profit earning working companies, 12 companies earned profit successively for two or more years. But only three companies[®] declared dividend of Rs 40.87 lakh for the years 2002-03 and 2003-04. The State Government has not formulated dividend policy for payment of minimum dividend.

Loss incurring working Government companies

1.9 Of the 49 loss incurring working companies, 40 companies had accumulated losses aggregating Rs 3,124.66 crore, which exceeded their aggregate paid up capital of Rs 459.38 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 2003-04 by the State Government to 31 companies out of these 40 companies was Rs 183.86 crore by way of equity (Rs 3.82 crore), loans (Rs 109.32 crore), subsidy (Rs 63.84 crore) and grants (Rs 6.88 crore).

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Neither of the two working Statutory corporations which finalised their accounts for 2003-04 up to September 2004 had earned profit.

[®] West Bengal Forest Development Corporation Limited, Saraswaty Press Limited and Webel Technology Limited

Out of the six working Statutory corporations which finalised their accounts for the previous years (September 2004), three corporations^Ω earned an aggregate profit of Rs 4.38 crore. Though two corporations earned profit successively for two or more years, none had declared dividend.

Loss incurring Statutory corporations

1.11 Two[♥] corporations finalised their accounts for 2003-04 up to September 2004 and incurred a loss of Rs 306.20 crore. Of the seven loss incurring Statutory corporations, six had accumulated losses aggregating Rs 5,936.02 crore which exceeded their aggregate paid up capital of Rs 1,462.92 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, subsidy etc. According to available information, the total financial support during 2003-04 provided by the State Government to these corporations was Rs 2,418.04 crore by way of equity (Rs 2.08 crore), loans (Rs 2,256.78 crore), subsidy (Rs 155.73 crore) and grants (Rs 3.45 crore).

Operational performance of working Statutory corporations

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

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

West Bengal State Electricity Board

1.12.1 The percentage of transmission and distribution loss gradually decreased from 36.10 in 2001-02 to 30.93 in 2003-04. The Board also showed operating surplus of 8.57 paise per unit in 2003-04 against operating deficit of 148.97 paise and 97.11 paise in 2001-02 and 2002-03 respectively.

Calcutta, North Bengal and South Bengal State Transport Corporations

1.12.2 In Calcutta State Transport Corporation, loss per kilometre increased from Rs 12.06 in 2001-02 to Rs 13.26 in 2002-03 and again decreased to Rs 12.87 in 2003-04.

In North Bengal State Transport Corporation, loss per kilometre decreased from Rs 11.40 in 2001-02 to Rs 10.50 in 2002-03 but again increased to Rs 11.07 in 2003-04, while in South Bengal State Transport Corporation, loss per kilometre steadily increased from Rs 5.16 in 2001-02 to Rs 13.55 in 2003-04.

^Ω Sl. No. B-6, 7 & 8 of **Annexure-2**

[♥] Sl. No. B-1 & 5 of **Annexure - 2**

West Bengal Financial Corporation

1.12.3 While the total loans disbursed increased from Rs 95.86 crore in 2001-02 to Rs 101.37 crore in 2003-04, the amount overdue for recovery also increased from Rs 310.56 crore in 2001-02 to Rs 520.48 crore in 2003-04.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2004), the capital employed[▲] worked out to Rs 15,332.56 crore in 64 working companies and total return[▽] thereon amounted to Rs 1,275.58 crore which was 8.32 *per cent* as compared to total return of Rs 563.39 crore (5.12 *per cent*) in 64 working companies during 2002-03. Similarly, during 2003-04, the capital employed and total return thereon in case of 10 working Statutory corporations as per the latest finalised accounts (up to September 2004) worked out to Rs 4,094.54 crore and Rs 110.85 crore respectively against the total negative return of Rs 822.21 crore in previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**.

Reforms in power sector

Status of implementation of MOU between the Government of India and the Government of West Bengal

1.14 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 reforms is discussed below :

| | Commitment as per MOU | Targeted completion schedule | Status (as on 31 March 2004) |
|---|--|------------------------------|---|
| | Commitments made by the State Government | | |
| 1 | Reduction in transmission and distribution losses | 20 <i>per cent</i> by 2005 | 30.93 <i>per cent</i> |
| 2 | 100 <i>per cent</i> electrification of all villages | By March 2007 | 31,705 mouzas (84 <i>per cent</i>) were electrified. |
| 3 | 100 <i>per cent</i> metering of all distribution feeders | September 2002 (Revised) | 100 <i>per cent</i> achieved. |
| 4 | 100 <i>per cent</i> metering of all consumers | December 2002 (Revised) | 97 <i>per cent</i> achieved. |

[▲] 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.

| | Commitment as per MOU | Targeted completion schedule | Status (as on 31 March 2004) |
|----|--|------------------------------|--|
| 5 | Securitisation of outstanding dues of CPSUs | - | Bonds aggregating Rs 1,963.78 crore issued in August 2003 for securitisation of dues of CPSUs. |
| 6 | West Bengal Electricity Regulatory Commission (WBERC) i) Establishment of WBERC | - | Constituted in January 1999. |
| | ii) Implementation of tariff orders issued by WBERC during the year | | Implemented |
| 7 | Timely payment of subsidy | | Subsidy for 2002-03 and 2003-04 was yet to be decided by WBERC. Outstanding subsidy of Rs 1,251.23 crore was yet to be received. |
| | Commitments made by the Central Government | | |
| 8 | Fund under Accelerated Power Development and Reform Programme (APDRP) | | Out of funds aggregating Rs 62.83 crore received, Rs 59.34 crore was utilised till 31 March 2004. |
| 9 | Waiver of late payment surcharge on dues to CPSUs after securitisation | | Late payment surcharge of Rs 761.97 crore was waived by CPSUs. |
| 10 | Payment of reform-based incentives | | WBSEB received Rs 228.66 crore as incentive for timely payment of power purchase claim. |
| | General | | |
| 11 | Monitoring of MOU | | Monthly progress reports were submitted to State Government by WBSEB. |

West Bengal Electricity Regulatory Commission

1.15 West Bengal Electricity Regulatory Commission (Commission) was formed on 6 January 1999 under Section 17 of the erstwhile Electricity Regulatory Commissions Act, 1998[§] 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. The audit of accounts of the Commission has been entrusted to CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts for the period ending 31 March 2004 (September 2004). The Commission received a grant of Rs 30 lakh from the State Government and earned a surplus of Rs 25.27 lakh in 2003-04.

[§] Now Section 82 (1) of the Electricity Act, 2003

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.16 The total investment in the non-working PSUs (all Government companies) at the end of March 2003 and 2004 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 |
| 2002-03 | 9 | 22.29 | 5.89 | 213.28 | 241.46 |
| 2003-04 | 10 | 24.47 | 7.05 | 251.46 | 282.98 |

As substantial investment of Rs 282.98 crore was involved in these non-working companies, effective steps need to be taken for their expeditious liquidation or revival.

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

1.17 The details regarding 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 and 3**.

The State Government had paid budgetary support^Ψ of Rs 12.88 crore by way of equity, loans and grants to Krishna Silicate & Glass (1987) Limited, Pulver Ash Projects Limited, West Bengal Livestock Processing Development Corporation Limited, IPP Limited, West Bengal Sugar Industries Development Corporation Limited and Sundarban Sugarbeet Processing Company Limited during 2003-04.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2003-04 are given below :

(Amount: Rupees in crore)

| Year | Number of PSUs Government companies | Total establishment expenditure | Financed by | | | |
|---------|-------------------------------------|---------------------------------|----------------------|-------|--------|---------------------|
| | | | Government by way of | | | Others ^Φ |
| | | | Equity | Loans | Grants | |
| 2001-02 | 8 | 11.61 | - | 8.38 | 0.25 | 4.18 |
| 2002-03 | 9 | 15.33 | 1.00 | 13.18 | 0.14 | 2.47 |
| 2003-04 | 10 | 14.44 | - | 12.56 | 0.31 | 2.43 |

Note: There is no non-working Statutory corporation

^Ψ Under reconciliation with the figures as per Finance Accounts 2003-04.

^Φ Unsecured loan from holding company.

Finalisation of accounts by non-working PSUs

1.19 Only Webel Carbon and Metal Film Resistors Limited had finalised the accounts for the year 2003-04 up to September 2004. The accounts of eight non-working companies were in arrears for periods ranging from one year to five years as on September 2004, while accounts of a defunct company viz. Lime Light Industries (Private) Limited was in arrears for 20 years, as seen from **Annexure-2**.

Financial position and working results of non working PSUs

1.20 The summarised financial results of the non-working Government companies as per latest finalised accounts are given in **Annexure-2**. It would be seen that against paid-up capital of Rs 22.93 crore in ten companies, their negative net worth was Rs 409.22 crore. Further, their cash loss[⊗] as per latest accounts was Rs 38.99 crore while accumulated loss was Rs 319.58 crore.

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

1.21 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 23 SARs relating to nine Corporations were not laid for one to six years, of which SARs of WBSCSTDFC were not placed for six years (1995-2001), WBSWC for four years (1998-2002), NBSTC (1993-96) and WBMDFC (1997-2000) each for three years, WBFC (2002-04), WBIIDC (2000-02) for two years and SBSTC (2001-02), CSTC (2000-01), WBSEB (2002-03) for one year each.

Disinvestment, privatisation and restructuring of Public Sector Undertakings

1.22 Between May 2003 and February 2004 the State Government decided to close seven[⊘] Government companies, privatise 11[⊘] companies/ corporation as well as restructure four¹ companies within Government sector. Till September 2004, two Companies viz. IPP Limited and Sundarban Sugarbeet Processing Company Limited were closed (December 2003), but their names were yet to be struck off by the Registrar of Companies, West Bengal (September 2004). Another five companies were yet to be closed. As a part of the process of restructuring, the Government paid Rs 42.33 crore to 953 employees of three companies under Early Retirement Scheme so far (September 2004). No firm offer materialised for privatisation of 11 companies/ corporation (September 2004).

[⊗] Loss excluding depreciation.

[⊘] Sl. Nos. A – 27, 29, 32; C – 1,5,6,9 of **Annexure - 1**

[⊘] Sl. Nos. A – 3, 14, 16, 17, 18, 21, 24, 31, 49; B- 9; C-3 of **Annexure - 1**

¹ Sl. Nos. A – 15, 20, 46, 51 of **Annexure -1**

Results of Audit of accounts of PSUs by Comptroller and Auditor General of India

1.23 During the period from October 2003 to September 2004, the audit of accounts of 49 Government companies (working : 46 and non-working : 3) and nine working Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of these PSUs was as follows :

| Details | Number of accounts | | | Rupees in crore | | |
|----------------------------------|----------------------|-------------|--------------------------------|----------------------|-------------|--------------------------------|
| | Government companies | | Working Statutory corporations | Government companies | | Working Statutory corporations |
| | Working | Non-working | | Working | Non-working | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Decrease in profit | 2 | - | 3 | 1,312.04 | - | 52.47 |
| Increase in profit | 3 | - | - | 306.02 | - | - |
| Increase in losses | 4 | 1 | 2 | 5.30 | 0.13 | 972.52 |
| Non-disclosure of material facts | 6 | 1 | 2 | 313.53 | 14.71 | 174.57 |
| Errors of classification | 5 | - | 3 | 698.06 | - | 11.87 |

Errors and omissions noticed in case of Government companies

1.24 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 of accounts | Errors/ omissions | Amount (Rupees in crore) |
|---------|--|------------------|---|--------------------------|
| 1 | West Bengal Power Development Corporation Limited | 2002-03 | Overstatement of profit due to : (a) non-provision of interest, depreciation, liability towards expenses, and (b) overstatement of sales arising from non-transfer of excess recovery of fixed cost realised from WBSEB on additional quantity of sale of power to Tariff Adjustment Account. | 1,311.45 |
| 2 | West Bengal Infrastructure Development Finance Corporation Limited | 2002-03 | Understatement of profit due to non recognition of interest income on accrual basis. | 89.93 |
| 3 | West Bengal Handloom and Powerloom Development Corporation Limited | 2002-03 | Understatement of loss due to non-provision of liability towards arrears of salary and wages. | 2.97 |

Errors and omissions noticed in case of Statutory corporations

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

| Sl. No. | Name of the Corporation | Year of accounts | Errors/ omissions | Amount (Rupees in crore) |
|---------|---|------------------|--|--------------------------|
| 1 | West Bengal State Electricity Board | 2002-03 | Understatement of net deficit due to overstatement of revenue and understatement of expenditure. | 951.76 |
| 2 | Calcutta State Transport Corporation | 1999-2000 | Understatement of loss due to non-provision of arrear pay, interest and finance charges, bad and doubtful debts. | 20.75 |
| 3 | West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation | 2000-01 | Overstatement of profit due to non-provision towards doubtful loans, audit fee. | 52.44 |

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

1.26 Based on the audit assessment of the working results of the WBSEB for three years up to 2002-03 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 :

| Sl. No. | Particulars | 2000-01 | 2001-02 | 2002-03 |
|---------|---|-------------------|----------|----------|
| | | (Rupees in crore) | | |
| (1) | (2) | (3) | (4) | (5) |
| 1. | Net deficit as per books of accounts | 672.72 | 1,473.73 | 915.29 |
| 2. | Subsidy from the State Government | 215.43 | 239.13 | - |
| 3. | Net deficit before subsidy from the State Government (1+2) | 888.15 | 1,712.86 | 915.29 |
| 4. | Net increase in net deficit on account of audit comments on the annual accounts of WBSEB | 2,182.07 | 861.40 | 951.76 |
| 5. | Net deficit after taking into account the impact of audit comments but before subsidy from the State Government (3+4) | 3,070.22 | 2,574.26 | 1,867.05 |

Persistent irregularities and system deficiencies in financial matters of PSUs

1.27 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

1.28 West Bengal State Electricity Board (2002-03)

Inter unit transfer in many cases were neither responded to nor accepted in time for matching and accounting under the appropriate head of accounts. Priced Stock Ledger, Deposit & Works Register, Debit Stock Register, Sundry Creditor Register etc. were neither updated/ maintained nor reconciled with General Ledger. Further, unusual debit or credit balances were lying unadjusted in some units for want of investigation and proper linkage.

1.29 Calcutta State Transport Corporation (1999-2000)

- After introduction of the pension scheme for the employees the recoverable amount of employer's contribution to the provident fund and loss recouped by the Corporation to the Trustee Board was not ascertained;
- unclaimed gold and silver items collected from vehicles were not physically verified/ evaluated since 01 November 1984;
- the Corporation had been utilising 98 *per cent* of Depreciation Reserve Fund towards working capital in contravention of Section 29 of Road Transport Corporations Act, 1950; and
- reconciliation of actual revenue realised by depots and actual number of tickets issued by depots was not carried out.

1.30 West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (2000-01)

- Both receipt and payment vouchers had not been prepared for all transactions;
- physical verification of fixed assets was not conducted; and
- certificate in respect of physical verification of cash balance was not given.

Reports of Statutory Auditors for improvement in internal audit/ internal control on the directions of Comptroller and Auditor General of India.

1.31 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/ internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas needing improvement. Further, according to Section 292 A of the Act *ibid*, as amended by the Companies (Amendment) Act 2000, every public company having paid-up capital not less than Rs 5 crore is required to constitute an Audit Committee for ensuring compliance of internal control, its adequacy and to review financial statements before their submission to the Board of Directors.

An analysis of 55 such reports received from the Statutory Auditors revealed that out of 44 companies, five had not introduced internal audit. In 16 companies where formation of Audit Committee is mandatory, five had not complied with the provisions of Section 292 A of the Act *ibid*. Further, it was noticed that out of 39 companies, 25 had inadequate internal audit systems that needed to be strengthened commensurate with the size and nature of business.

Important findings of Statutory Auditors on internal audit/ control system in respect of these State Government companies are indicated in **Annexure-8**. It was seen from the Annexure that major observations were as follows :

- (a) Scope and programme of work for internal auditors were not specified.
- (b) Non-maintenance of asset register, non-preparation of cost accounts.
- (c) Absence of effective system for monitoring/ determination of surplus or unserviceable raw materials, stores and spares.
- (d) Non fixation of norms for manpower requirement as well as absence of system for ascertaining idle labour/ machinery and standard cost of different products.

Recommendations for closure of PSUs

1.32 Even after completion of more than five years of their existence, the turnover of 24^Ψ Government companies (working : 15, non-working : 9[§]) and one^Ψ working Statutory corporation had been less than rupees five crore in each of the preceding five years of their latest finalised accounts. Similarly, 14^σ working Government companies and one^σ working Statutory corporation had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above 38 Government companies and two Statutory corporations or consider their closure.

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

1.33 The position of discussion of Audit Reports (Commercial) by the COPU as well as reviews and paragraphs pending for discussion in the COPU at the end of March 2004 is shown below :

| Period of Audit Report | Number of reviews and paragraphs appeared in the Audit Report | | Number of reviews / paragraphs pending discussion | |
|------------------------|---|------------|---|------------|
| | Reviews | Paragraphs | Reviews | Paragraphs |
| 1998-99 | 6 | 20 | - | 2 |
| 1999-2000 | 4 | 15 | 3 | 1 |
| 2000-01 | 4 | 19 | 4 | 7 |
| 2001-02 | 5 | 14 | 5 | 6 |
| Total | 19 | 68 | 12 | 16 |

619-B companies

1.34 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.

^Ψ Sl. Nos. A-3, 8, 9, 10, 13, 14, 17, 21, 23, 24, 32, 41, 47, 61, 62 : C-1, 2, 3, 4, 5, 6, 7, 8, 9, and B-6 of **Annexure-2**.

[§] The accounts of one non-working company after commencement of commercial operations was not available

^σ Sl. Nos. A-2, 11, 15, 16, 18, 20, 33, 35, 36, 37, 40, 46, 51, 63 and B-9 of **Annexure-2**.