Overview

1. Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of West Bengal had 72 working PSUs (63 companies and 9 Statutory corporations) and 23 non-working PSUs (22 companies and one corporation), which employed 72930 employees. The PSUs registered a turnover of Rs. 17,304 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 5.59 *per cent* of State GDP indicating an important role played by State PSUs in the economy.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 95 PSUs was Rs. 40,970.41 crore. It grew by over 30.26 *per cent* from Rs. 31,451.74 crore in 2003-04. Power and finance sector accounted for nearly 81 *per cent* of total investment in 2008-09. The Government contributed Rs. 1,501.36 crore towards equity, loans and grants/subsidies during 2008-09.

Performance of PSUs

During the year 2008-09, out of 72 working PSUs, 34 PSUs earned profit of Rs. 538.73 crore and 32 PSUs incurred loss of Rs. 608.11 crore while three PSUs prepared accounts on 'no profit no loss' basis, while three PSUs had not finalized their first accounts. The major contributors to profit were Haldia Petrochemicals Limited (Rs. 134.64 crore), West Bengal Power Development Corporation Limited (Rs. 104.23 crore), West Bengal State Electricity Distribution Company Limited (Rs. 100.26 crore) and West Bengal State Electricity Transmission Company Limited(Rs. 81.32 crore). The heavy losses were incurred by The Calcutta Tramways Company (1978) Limited (Rs. 195.25 crore), The Durgapur Projects Limited (Rs. 130.48 crore), Calcutta State Transport Corporation (Rs. 47 crore) and Kalyani Spinning Mills (Rs. 44.34 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 3201.27 crore were controllable with better management.

Thus, there is tremendous scope to improve the functioning and enhance profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 70 accounts finalised during October 2008 to September 2009, 37 accounts received qualified certificates. Further, statutory auditors and CAG had commented on 39 accounts with total impacts of comments of Rs 263.20 crore on their reported profitability. There were 33 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Out of 72 working PSUs only 29 PSUs had finalised their accounts for 2008-09 up to September 2009. The accounts of remaining 43 PSUs were in arrears for periods ranging from one to five years. There were twenty three non-working PSUs of which two had finalized their accounts for the years for 2008-09 while 15 PSUs had arrears of accounts for one to seven years. The remaining six PSUs had gone into voluntary winding up process. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

Placement of SARs

There was delay of six months to eight years in placement of 12 SARs in State legislature by three Statutory corporations. This weakens legislative control over Statutory corporations. The Government should ensure prompt placement of SARs in the legislature.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) for 2003-04 to 2007-08 yet to be discussed fully by COPU. These audit reports contained 18 reviews and 115 paragraphs of which only four reviews and 65 paragraphs have been discussed.

(Chapter 1)

2. Performance Audit relating to Government company

Performance Audit relating to '***Allotment and sale of plots/ flats'*** by West Bengal Housing Infrastructure Development Corporation Limited was conducted. Executive summary of audit findings is given below:

West Bengal Housing Infrastructure Development Corporation Limited (Company) took up development of New Town Project for construction of houses for a population of 7.50 lakh from all income groups with emphasis on housing for economically weaker sections and lower income groups as well as developing a new business centre. The Company developed 1,224.89 hectares land, of which 765.23 hectares were sold till 31 March 2009. The performance audit relating to allotment and sale of plots/ flats by the Company for the period from 2004-05 to 2008-09 was conducted to assess effectiveness of its long terms plan for development and allotment/ sale of land, efficiency in devising pricing policy and its implementation, recover dues and effectiveness of the management in monitoring different activities of the Company.

Planning

The Company had no strategic plan leading to frequent changes in time schedule, break even cost and lack of synchronisation between different activities. The high incidence of unsold land was attributable to delay in creation of infrastructural facilities and basic amenities and lack of aggressive sale strategy. This led to huge slippages in handing over the possession of 8,134 plots to individuals/co-operatives.

Land pricing policy

The Company belatedly ascertained the break even cost of saleable land in March 2008 after identifying total saleable land and estimating the total project cost of New Town Project as a whole. Consequently, the Company could not recover shortfall in break even cost. Further, higher income group was extended more financial relief than the lower income group while fixing price structure. Consequently, the higher income group got additional financial relief of Rs. 41.48 crore.

Allotment/ sale of plots

The Company did not fix any annual target for sale of land to different categories of allottees. Due to sale of plots in deviation from the allotment and sale policy, below the market price and break even cost, the Company sustained loss of revenue of Rs. 371.75 crore in allotment of bulk plots to 24 companies /firms /developers. Moreover the Company extended undue advantage of Rs. 19.96 crore to West Bengal Housing Board due to recovery of less escalation on cost of development and double payment of overhead. Due to fixing of unrealistic sale price of residential plots without reference to total cost of the project the Company failed to realise Rs. 179.47 crore from 8,573 allottees. No guidelines and procedure was framed for allotment under Special quota. 147 plots were allotted to different individuals without assigning reasons on records. Further, the Company lost Rs. 2.28 crore due to sale of these plots below sale prices.

Non-recovery of debts

The Company failed to recover dues of Rs. 33.61 crore from nine debtors as on March 2009 and did not invoke penalty of Rs. 23.11 crore for delayed payment of dues from eight debtors.

Conclusion and Recommendations

The Company deviated from its own allotment policy, belatedly fixed the break-even cost and delayed development of land and infrastructural facilities. Consequently, there were losses in sale/ allotment of land and non-recovery of dues. The Company should lay greater emphasis on infrastructure development. The pricing policy should be bench marked in accordance with market prices and Company's objectives.

(Chapter II)

3. Performance Audit relating to Statutory Corporations

Performance Audit on '***Performance of State transport undertakings in West Bengal'*** was conducted. Executive summary of audit findings is given below.

The Calcutta State Transport Corporation (CSTC), North Bengal State Transport Corporation (NBSTC), South Bengal State Transport Corporation (SBSTC), The Calcutta Tramways Company (1978) Limited (CTC) and West Bengal Surface Transport Corporation (WBSTC) provide public transport in the State through their 52 depots. These State Transport Undertakings (STUs) had fleet of 2,624 buses as on 31 March 2009 and carried an average of 9.81 lakh passengers per day during 2004 -09. They accounted for a share of 5.84 per cent in 2008-09 in public transport with the rest coming from private operators. The performance audit of the STUs in West Bengal for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of their operations, ability to meet financial commitment, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the STUs.

Finance and performance

The STUs suffered loss of Rs. 518.42 crore during 2004-09. The STUs earned Rs. 30.01 per kilometre and spent Rs. 37.10 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of their affairs, it is possible to increase revenue and reduce cost, so as to earn profit and serve their cause better.

Declining share of STUs

Out of 44,942 buses licensed for public transport in 2008-09, 5.84 per cent belonged to the STUs. The percentage share declined from 8.15 per cent in 2004-05. This was due to the fact that the STUs buses reduced over the period from 2,983 to 2,624 during the review period. However, the overall vehicle density per one lakh population in the State increased from 43.03 in 2004-05 to 51.84 in 2008-09.

Vehicle profile and utilisation

The STUs were not able to achieve the norm of right age buses as out of 2,624 owned buses, 940 buses were overage. During 2004-09, the STUs purchased 1,326 new buses at a cost of Rs. 172.69 crore. The expenditure was funded through plan loan from the State Government and Bank Loans. The fleet utilisation of STUs in 2004-09 was lower than the all India average (AIA) of 92 per cent. The overall vehicle productivity at 139.89 kilometers per day per bus was less than the AIA of 313 kilometers. The passenger load factor of STUs varied from 58.59 to 61.88 per cent during the period under review against the AIA of 63 per cent.

The STUs did not carry out the preventive maintenance as required. Test check in Audit revealed that the percentage of shortfall in docking required to be done by CSTC, CTC, NBSTC and SBSTC were 23.76, 79.01, 49 and 42 per cent of the scheduled dockings required to be carried out affecting the roadworthiness of their buses. However, none of the STUs maintained complete records showing vehicle-wise preventive maintenance programme carried out.

Economy in operations

The manpower and fuel constituted 73.62 per cent of the total cost in 2008-09. Interest, depreciation and taxes-the cost which are not controllable in the short-term, accounted for 15.35 per cent. Thus, the major cost saving can come from manpower and fuel. The STUs were able to reduce overall manpower per bus from 11.37 in 2004-05 to 9.78 in 2008-09. However, the manpower cost per effective Km of the STUs increased from Rs. 12.52 (2004-05) to Rs. 17.36 (2008-09). Audit analysed that the reasons for increase in manpower cost per effective Km were low vehicle productivity, low fleet utilisation and high bus staff ratio.

None of the STUs could achieve the AIA for fuel consumption. The excess consumption of fuel by the STUs as compared to AIA resulted in loss of Rs. 136.88 crore during 2004-09.

WBSTC started operation of buses through franchisee system since November 2004. Due to non-revision of contract executed with the franchisees prior to August 2007, WBSTC suffered a loss of Rs. 67.60 lakh. Moreover, Rs. 61.11 lakh remained un-recovered from franchisees due to non-receipt of monthly franchisee fees in advance.

Revenue maximisation

The route planning in the STUs were deficient as none of the STUs had a continuous practice of monitoring profitability of different routes or undertaking surveys to assess economic viability before introduction of new routes. Audit scrutiny in test-checked depots revealed that the number of routes not meeting variable cost increased from 28.02 to 55.67 per cent during 2004-08 and reduced thereafter to 41.67 per cent in 2008-09. The share of non-traffic revenue was nominal at 1.83 per cent of the total revenue during the period under review. None of the STUs had any policy for large scale tapping of non-traffic revenue sources which could cross-subsidise their operations. The STUs have about 24.47 lakh square meters of land. As they mainly utilise ground floor /land for their operations, the space above can be developed on public private partnership basis to earn steady income.

Need for a regulator

The State Government approves the fare increase but the basis for fixation of the same was not on record. The STUs have also not laid down norms for providing services on uneconomical routes. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on the uneconomical routes and address grievances of the commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The monitoring by top management fell short as it did not fix targets for various operational parameters. Though the Board of Directors' meetings were held as per statutes, the operational performance of the STUs were seldom reviewed.

Conclusion and Recommendations

Though the STUs are incurring losses, it is mainly due to their high cost of operations. The STUs can control the losses by tapping non-conventional sources of revenue, besides controlling their cost of operations. This review contains seven recommendations to improve the STUs performance. Improving fleet utilisation and vehicle productivity, creating a regulator to regulate fares and services and framing a policy for large scale tapping of the non-conventional sources of revenue are some of these.

(Chapter 3)

4. Transaction audit observations

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

- Non-compliance with rules / directives / procedures in five cases involving Rs.574.09 crore.

  (*Paragraphs 4.1, 4.8, 4.11, 4.12, and 4.18*)

- Defective/deficient planning in four cases involving Rs.100.51 crore.

  (Paragraphs 4.2, 4.3, 4.4 and 4.15)

- Loss of Rs.26.08 crore due to inadequate/deficient monitoring in five cases.

  (*Paragraphs 4.5, 4.6, 4.9, 4.14 and 4.17*)

- Lack of fairness, transparency and competitiveness observed in two cases involving Rs.4.95 crore.

  (*Paragraphs 4.7, and 4.13*)

- Non-safeguarding of financial interests of organization in three cases involving Rs.2.28 crore.

  (*Paragraphs 4.10, 4.16, and 4.19*)

Gist of some of the important audit observations is given below:

In violation of regulatory requirement, **West Bengal Power Development Corporation Limited** failed to disclose realisation of Rs 542.52 crore in its tariff petitions leading to extra burden on consumers. Moreover, it failed to recover fixed charges of Rs 16.16 crore due to suspension of power generation arising from delay in replacement of oil in generator transformer.

(Paragraphs 4.1 and 4.2)

West Bengal State Electricity Distribution Company Limited incurred wasteful and extra expenditure of Rs 85.38 crore on procurement of meters, compensation to contractor, payment of avoidable insurance premium and construction of bridges. Further, it lost revenue of Rs 4.67 crore on account of wrong application of tariff, inadmissible benefit to consumers and delayed recovery action.

(Paragraphs 4.3, 4.4, 4.5, 4.6, and 4.7)

The Durgapur Projects Limited extended undue benefit of Rs 29.25 crore to a contractor and lost revenue of Rs 17.46 crore due to failure to take effective action for realisation of dues.

(Paragraphs 4.8, 4.9 and 4.10)

West Bengal Industrial Development Corporation Limited paid avoidable interest of Rs.1.25 crore due to delay in deposit of service tax.

(Paragraph 4.12)