

OVERVIEW

1 Functioning of State Public Sector Undertakings

As on 31 March 2015, there were 91 State PSUs in West Bengal which comprised of 73 working PSUs (including nine Statutory Corporations) and 18 non-working PSUs (including one Statutory Corporation). During 2014-15, the working PSUs registered a turnover of ₹ 39,795.16 crore which was equal to 4.97 *per cent* of Gross State Domestic Product (GSDP). They also had employed 0.52 lakh employees as of March 2015.

Investments in PSUs

As on 31 March 2015, total investment in 91 PSUs was ₹ 44,508.24 crore. Power sector accounted for 65.90 *per cent* of total investment in 2014-15. During 2014-15, State Government provided financial support of ₹ 1,675.16 crore to PSUs towards equity, loans and grants/ subsidies.

Performance of PSUs

Out of 73 working PSUs, only 33 PSUs prepared accounts for 2014-15 as of September 2015. During 2014-15, 23 PSUs earned profit of ₹ 541.83 crore and 10 PSUs incurred loss of ₹ 588.42 crore. Major contributors to profit were West Bengal State Electricity Transmission Company Limited, West Bengal Housing Infrastructure Development Corporation Limited and West Bengal Infrastructure Development Finance Corporation Limited. Heavy losses were incurred by The Durgapur Projects Limited and The Calcutta Tramways Company (1978) Limited.

Arrears in accounts and placement of Separate Audit Reports (SARs)

The accounts of 40 working PSUs were in arrears for periods ranging from one to five years. There were 18 non-working PSUs of which 14 PSUs had arrears of accounts for one to nine years.

There were seven Separate Audit Reports on the accounts of Statutory Corporations which were yet to be placed before the State Legislature. Of these, the earliest SAR was issued to the State Government on 18 April 2013.

Follow up action on Audit Reports

Explanatory notes to 40 paragraphs/ performance audits appearing in Audit Reports (Commercial/ PSUs) relating to 14 departments are yet to be received. Action Taken Notes on the recommendations contained in 18 reports of the Committee on Public Undertakings (COPU) were yet to be received from the departments as on 30 September 2015.

2 Performance Audit relating to Government Company

A Performance Audit was conducted on 'Production and distribution of seeds' by West Bengal State Seed Corporation Limited (WBSSCL). The highlights of audit findings are as follows:

WBSSCL was incorporated in November 1980 as a wholly owned Government Company. Its primary objective was production, procurement and marketing of seeds for farmers at affordable prices. The accumulated profit of the Company, as on March 2014, stood at ₹ 58.82 crore.

Contribution of WBSSCL to seed production in the State

WBSSCL was able to achieve only 15 to 33 *per cent* of the seed production targets envisaged for it in the 11th five year plan. WBSSCL's contribution to the total seed production in the State was only four *per cent* as against the target of 20 *per cent* envisaged in the 11th five year plan.

Production and procurement of seeds

WBSSCL did not place any indent on Seed Certification Agency for allotment of breeder seeds. As a result the allotment fell short of requirement by 80 *per cent*. During 2010-15, shortfalls in production of foundation seeds from the breeder seeds distributed by WBSSCL to its registered growers for paddy, lentil and mustard were 50, 42 and 59 *per cent* respectively. The shortfall in production of foundation seeds had a cascading effect and led to shortfall in production of certified seeds.

Out of the total procurement of certified seeds, only 34 *per cent* was met by procurement from registered growers and Government farms. WBSSCL delayed in fixing the procurement prices of seeds payable to registered growers. The purchases made from private growers were 38 *per cent*, but at rates which were much higher than the rates paid to registered growers.

Distribution of certified seeds to dealers and to Government schemes through marketing network

WBSSCL did not evolve any marketing strategy. It had not reviewed the performance of its marketing activities so far. Due to complete reliance on Government orders, WBSSCL neglected to strengthen its dealer base. As a result, sales through dealers constituted only one *per cent* of the total sales. Although the selling price of seeds of WBSSCL was less than that of the private producers, sales through dealers decreased due to inadequate publicity, unattractive packaging, failure to create brand name and absence of direct interaction with farmers. WBSSCL failed to fulfill its primary objective of supplying quality seeds to farmers at reasonable prices.

3 Compliance Audit

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out include:

- Loss of ₹ 35.64 crore due to non-safeguarding of financial interests of organisation in four cases.

(Paragraphs 3.2, 3.3, 3.5 and 3.8)

- Loss of ₹ 18.69 crore due to non-compliance with statutes/ rules/ directives/ procedures in three cases.
(Paragraphs 3.1, 3.4 and 3.7)
- Loss of ₹ 2.02 crore due to inadequate/ deficient monitoring in two cases.
(Paragraphs 3.6 and 3.10)
- Loss of ₹ 1.05 crore due to defective/ deficient planning in one case.
(Paragraph 3.9)

Gist of the important audit observations is given below:

West Bengal Power Development Corporation Limited (WBPDC), the largest state-owned power generating company in West Bengal, generated 34.82 million tonnes (mt) of ash during 2010-15. Due to its failure to contain pollution emissions by its units within the permissible limits, WBPDC had to pay a fine of ₹ 35 lakh imposed by the Pollution Control Board. To meet Central Government norms and reduce incidence of ash, WBPDC was required to use 38.09 mt washed coal but it used only 1.86 mt. Audit observed that since WBPDC had not installed any clarriflocculator so far, water from the ash pond flowed into the river Chandrabhaga carrying the ash particles, thereby polluting the river. The National Green Tribunal issued a show cause notice to WBPDC for causing pollution, in response to which WBPDC had to spend ₹ 4.64 crore to clean up the confluence of Chandrabhaga and Bakreswar rivers.

(Paragraph 3.1)

West Bengal State Electricity Distribution Company Limited had entered into an agreement to supply power to a private distribution company without including availability based tariff clauses, in deviation of policies and regulations, leading to loss of ₹ 15.80 crore. It sustained a loss of ₹ 11.54 crore in violation of statutory and regulatory provisions, *i.e.*, by supplying power after termination of letters of credit. It also failed to generate monthly energy bills of centralised bulk consumers within the time provided in the regulations, resulting in avoidable payment of interest of ₹ 7.90 crore on cash credit. Further, it had violated Government of India guidelines by not including a clause in the long term power purchase agreement with a power trader, to prevent short/ non-supply of power, resulting in avoidable expenditure of ₹ 7.55 crore on purchase of power from other sources at higher rates.

(Paragraphs 3.2, 3.3, 3.4 and 3.5)

Mackintosh Burn Limited paid additional income tax of ₹ 1.25 crore by not claiming admissible expenditure of ₹ 3.85 crore towards interest on advance.

(Paragraph 3.6)

Saraswati Press Limited and West Bengal Mineral Development and Trading Corporation Limited had contributed ₹ 1.25 crore to the Chief Minister's Relief Fund without obtaining prior approval of its shareholders as required.

(Paragraph 3.7)

West Bengal Mineral Development and Trading Corporation Limited paid avoidable interest of ₹ 0.75 crore on short/ non-deposit of advance tax and self-assessment tax due to lack of mechanism for quarterly computation of taxable income.

(Paragraph 3.8)

Sundarban Infrastructure Development Corporation Limited incurred excess expenditure of ₹ 1.05 crore for construction of five Industrial Training Institutes due to incorrect adoption of rates.

(Paragraph 3.9)

West Bengal Infrastructure Development Finance Corporation Limited had delayed in communicating instructions to banks for credit of maturity value of deposits in two overdraft accounts, leading to payment of avoidable interest of ₹ 0.77 crore.

(Paragraph 3.10)