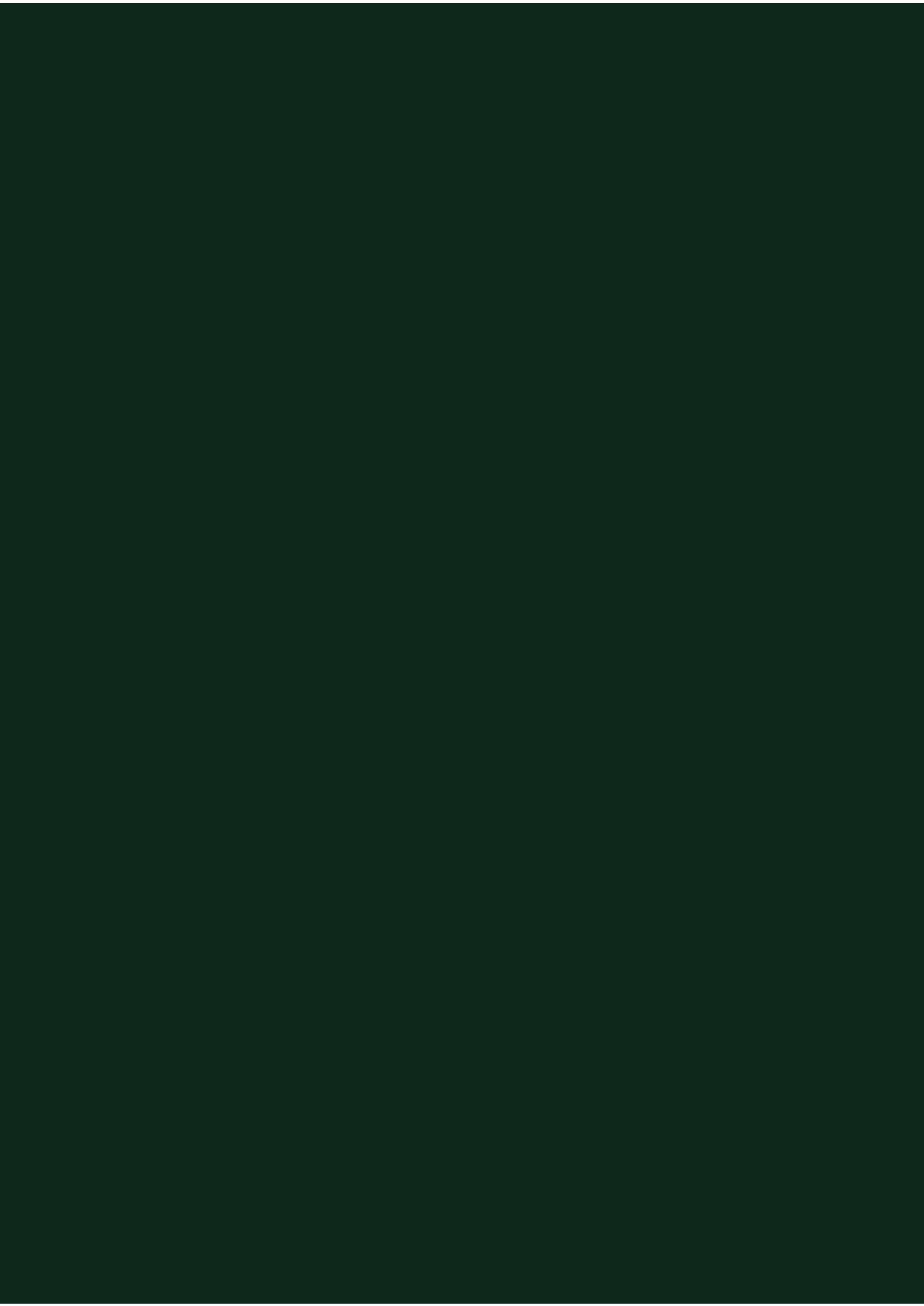


CHAPTER I



CHAPTER I

1 Functioning of State Public Sector Undertakings

1.1 Introduction

The State Public Sector Undertakings (PSUs) comprise the State Government Companies¹ and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people; they occupy an important place in the State economy. As on 31 March 2016, in West Bengal there were 89 PSUs. Of these, one PSU² was listed on the Calcutta Stock Exchange. During the year 2015-16, no PSU was added to the audit jurisdiction or closed down. However, during the same period, the State Government had divested its' controlling stake in one PSU³ and amalgamated one PSU with another⁴. The details of the State PSUs in West Bengal as on 31 March 2016 are as follows:

Table 1.1: Total number of PSUs as on 31 March 2016

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government Companies	61	18	79
Statutory Corporations	9	1	10
Total	70	19	89

The working PSUs registered total turnover of ₹ 30,360.74 crore during the year 2015-16 as per their latest finalised accounts as of September 2016. This turnover was equal to 2.92 *per cent* of Gross State Domestic Product (GSDP)⁵ for 2015-16. The working PSUs earned aggregate profit of ₹ 17.44 crore as *per* their latest finalised accounts as of September 2016. They had employed 49,078 employees as at the end of March 2016.

As on 31 March 2016, there were 19 non-working⁶ PSUs, which were not functioning for the last one to ten years, with total investment of ₹ 1,134.70 crore.

1.2 Accountability framework

The process of audit of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act).

¹ Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

² WEBFIL Limited.

³ Haldia Petrochemicals Limited.

⁴ Kolkata Police Housing and Infrastructure Development Corporation Limited had been amalgamated with West Bengal Police Housing and Infrastructure Development Corporation Limited.

⁵ Gross State Domestic Product at current prices (Advance Estimates) - ₹ 10,39,923.30 crore. (*Source* : Economic Review 2015-16, Government of West Bengal).

⁶ Non-working PSUs are those which have ceased to carry on their operations.

According to Section 2 (45) of the Act, Government Company means any company in which not less than fifty-one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

Further, as per Section 143(7) of the Act, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if he considers necessary, by an order, cause test audit to be conducted on the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. Audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 continue to be governed by the provisions of the Companies Act, 1956.

1.2.1 Statutory Audit

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, appointed by CAG as *per* the provisions of Section 139 (5) or (7) of the Act, who submit a copy of the Audit Report to the CAG including the financial statements of the Company under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of nine working Statutory Corporations, CAG is the sole auditor for seven Corporations⁷. In respect of the remaining two working Statutory Corporations *viz.* West Bengal State Warehousing Corporation and West Bengal Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG. In case of one non-working corporation, *i.e.*, Great Eastern Hotel Authority, only compliance audit is undertaken by the CAG.

1.2.2 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

⁷ Calcutta State Transport Corporation, South Bengal State Transport Corporation, North Bengal State Transport Corporation, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minorities Development and Finance Corporation, West Bengal Backward Classes Development and Finance Corporation and West Bengal Industrial Infrastructure Development Corporation.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19 A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

1.3 Stake of Government of West Bengal

The State Government has a financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs, as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

1.4 Investment in State PSUs

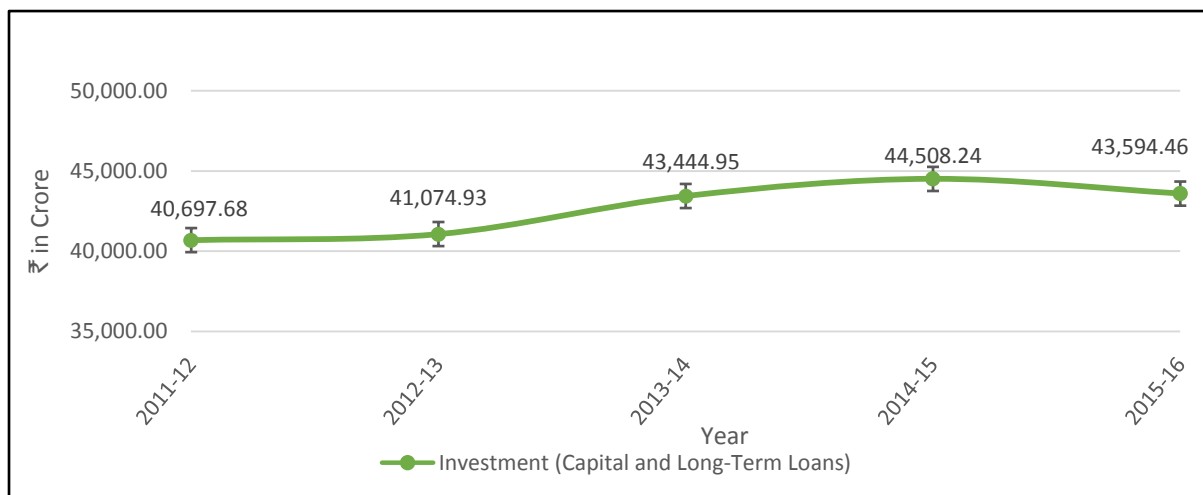
As on 31 March 2016, the investment (capital and long-term loans) in 89 PSUs was ₹ 43,594.46 crore as detailed below:

Table 1.2: Total investment in PSUs

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	13,196.86	26,121.01	39,317.87	751.81	2,390.08	3,141.89	42,459.76
Non-working PSUs	168.92	949.44	1,118.36	-	16.34	16.34	1,134.70
Total	13,365.78	27,070.45	40,436.23	751.81	2,406.42	3,158.23	43,594.46

As on 31 March 2016, of the total investment in State PSUs, 97.40 per cent was in working PSUs and the remaining 2.60 per cent in non-working PSUs. This total investment consisted of 32.38 per cent towards capital and 67.62 per cent in long-term loans. The investment has grown from ₹ 40,697.68 crore in 2011-12 to ₹ 43,594.46 crore in 2015-16 at an annual average compound rate of 1.38 per cent, as shown in **Figure 1.1** as follows:

Figure 1.1: Total investment in PSUs



1.4.1 Sector-wise summary of investment

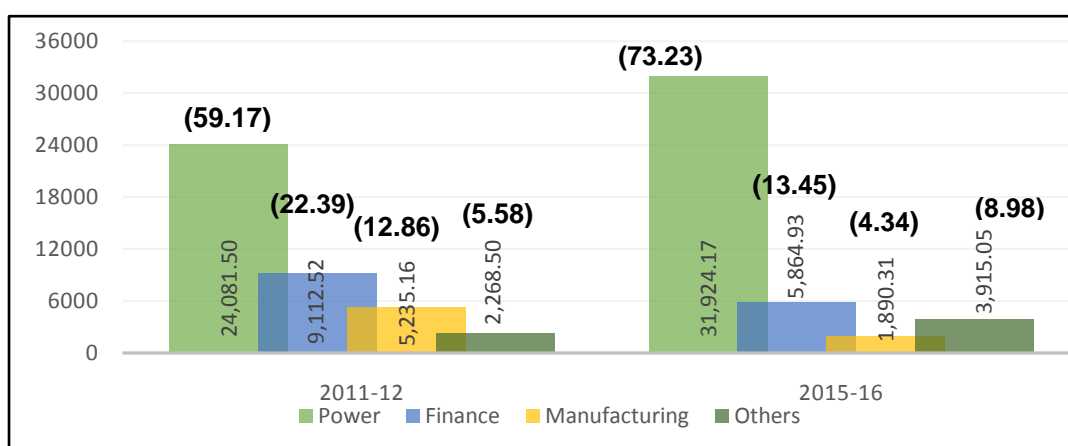
The sector wise summary of investments in the State PSUs as on 31 March 2016 is given in **Table 1.3**.

Table 1.3: Sector-wise investment in PSUs

Name of Sector	Government Companies		Statutory Corporations		Total Investment (₹ in crore)
	Working	Non-Working	Working	Non-Working	
Power	31,924.12	0.05	-	-	31,924.17
Manufacturing	993.83	896.48	-	-	1,890.31
Finance	3,780.73	51.89	2,032.31	-	5,864.93
Service	1,195.11	-	1,005.63	16.34	2,217.08
Infrastructure	1,269.12	-	96.34	-	1,365.46
Agriculture & Allied	81.13	169.94	7.61	-	258.68
Miscellaneous	73.83	-	-	-	73.83
Total	39,317.87	1,118.36	3,141.89	16.34	43,594.46

The investment in different sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated in **Figure 1.2**.

Figure 1.2: Sector-wise investment in PSUs (₹ in crore)



The thrust of PSU investment was mainly in power sector which increased from 59.17 per cent to 73.23 per cent during 2011-12 to 2015-16. In absolute terms, investments rose by ₹ 7,842.67 crore in power sector during the period 2011-16 while it declined by ₹ 3,247.59 crore in finance sector during the same period.

1.5 Disinvestment, Restructuring and Privatisation of PSUs and reforms in power sector

During the year 2015-16, Government of West Bengal sold off its controlling stake in Haldia Petrochemicals Limited, which is no longer a PSU. Another PSU, viz. Kolkata Police Housing and Infrastructure Development Corporation Limited had been amalgamated with West Bengal Police Housing and Infrastructure Development Corporation Limited from April 2015.

1.6 Special support and returns during the year

The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect of State PSUs for three years ended 2015-16 are given in **Table 1.4**.

Table 1.4: Details regarding budgetary support to PSUs (₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	12	761.75	15	236.90	13	968.60
2.	Loans given from budget	29	538.00	29	490.07	28	716.83
3.	Grants/ Subsidy from budget ⁸	28	947.38	24	948.19	23	969.89
4.	Total Outgo (1+2+3)⁹	50	2,247.13	48	1,675.16	50	2,655.32
5.	Loans converted into Equity	1	380.00	1	500.00	-	-
6.	Guarantees issued	2	1,309.73	-	-	4	2,022.74
7.	Guarantee Commitment	15	6,542.76	19	8,060.49	16	5,219.16

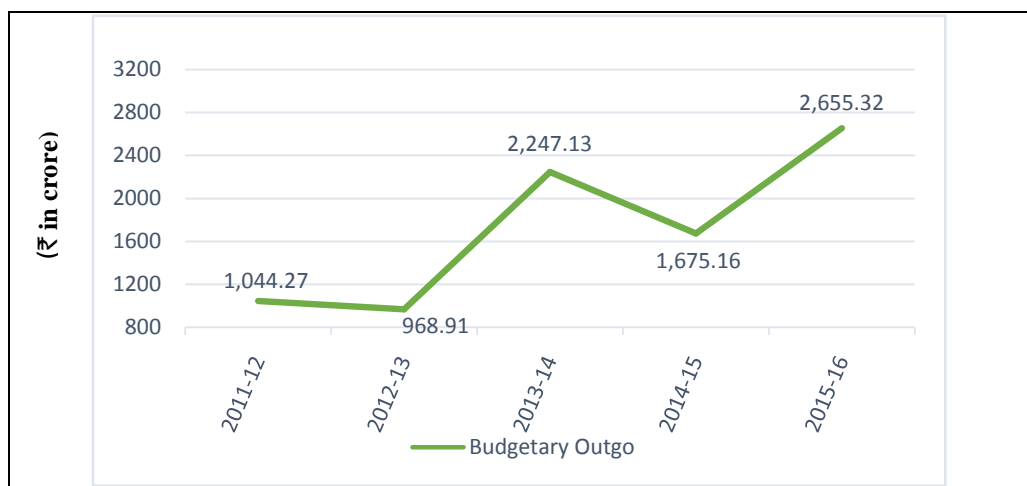
1.6.1 Trend of budgetary outgo

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in **Figure 1.3**.

⁸ Amount represents outgo from the State Budget only.

⁹ The figure represents number of PSUs which have received outgo from the State Budget under one or more heads, i.e., equity, loans, grants and subsidies.

Figure 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



Budgetary outgo towards equity, loans and grants/ subsidies increased from ₹ 1,044.27 crore in 2011-12 to ₹ 2,655.32 crore in 2015-16. Significant beneficiaries of equity, loans and subsidy/ grants from the State budget were five¹⁰ PSUs in the service sector and three¹¹ PSUs in the power sector, which had received 41.31 (₹ 1,096.88 crore) and 34.67 per cent (₹ 920.51 crore) respectively.

1.6.2 Guarantee commission payable by PSUs to the State Government

PSUs are liable to pay guarantee commission at the rate of one per cent per annum to the State Government on the maximum amount of loan guaranteed irrespective of the amount availed of or outstanding as on 1 April of each year till the liquidation of loans. At the end of 2015-16, guarantee commitment by the Government was ₹ 5,219.16 crore in respect of 16 PSUs. During the year two PSUs paid guarantee commission of ₹ 0.15 crore to the State Government while ₹ 27.25 crore were outstanding from 16 PSUs.

1.7 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2016 in **Table 1.5** as follows:

¹⁰ Calcutta State Transport Corporation : ₹ 323.14 crore; West Bengal Essential Commodities Supply Corporation Limited : ₹ 300.00 crore; The Calcutta Tramways Company (1978) Limited : ₹ 202.11 crore; North Bengal State Transport Corporation : ₹ 181.27 crore; and South Bengal State Transport Corporation : ₹ 90.36 crore.

¹¹ The West Bengal Power Development Corporation Limited : ₹ 815.57 crore; The Durgapur Projects Limited : ₹ 74.37 crore; and West Bengal State Electricity Distribution Company Limited : ₹ 30.57 crore.

Table 1.5: Equity, loans, guarantees outstanding as per finance accounts vis-a vis records of PSUs

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	8,926.70	13,940.78	5,014.08
Loans	12,305.13	6,910.33	5,394.80
Guarantees	6,930.97	5,219.16	1,711.81

Audit observed that the differences occurred in respect of various PSUs and some of the differences were pending reconciliation for many years. No action has been taken for reconciliation even though the matter was brought to the notice of the concerned administrative departments and the managements of the concerned PSUs earlier. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

1.8 Arrears in finalisation of accounts

The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end in accordance with the provisions of Section 96 (1) of the Act. Failure to do so, may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2016.

Table 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of Working PSUs	74	74	74	73	70
2.	Number of accounts finalised during the year	73	74	83	69	61
3.	Number of accounts in arrears	69	67	60	64	72
4.	Number of Working PSUs with arrears in accounts	46	43	36	40	41
5.	Extent of arrears (numbers in years)	1 to 3	1 to 4	1 to 5	1 to 5	1 to 6
6.	Number of PSUs having up-to-date accounts in respective years.	28	31	38	33	29

It can be observed that the number of accounts in arrears has increased from 69 (2011-12) to 72 (2015-16). It would be seen from *Annexure I* that, till September 2016, the accounts of 41 working PSUs were in arrears. Two PSUs had arrears in accounts of six years¹². Two PSUs¹³ had arrears in accounts for four years while four PSUs¹⁴ had arrears in accounts for three years. These PSUs need to take effective measures to bring their accounts up to date.

¹² Sl. No. 1 and 39 of *Annexure I*.

¹³ Sl. No. 27 and 28 of *Annexure I*.

¹⁴ Sl. No. 6, 10, 23 and 29 of *Annexure I*.

Administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The concerned administrative departments and officials of the Government were informed at regular intervals by the Principal Accountant General (PAG)/ Accountant General (AG), of the arrears in finalisation of accounts, but there was no improvement in position of arrears in accounts of working PSUs. The issue was pursued on a regular basis and also intimated to the Chief Secretary to the Government of West Bengal (October 2015 and April 2016).

1.8.1 Government investment in working PSUs with arrears in accounts

The State Government had invested ₹ 2,284.11 crore in 41 working PSUs {equity: ₹ 58.74 crore, loans: ₹ 602.53 crore and grants: ₹ 1,622.84 crore} during the years for which accounts have not been finalised as detailed in *Annexure I*. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

1.8.2 Arrears in accounts of non- working PSUs

In addition to above, as on 30 September 2016, there were arrears from one year to ten years in finalisation of accounts by 12 out of 19 non-working PSUs.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

Period for which accounts were in arrears	No. of years for which accounts were in arrears	No. of non-working companies
2006-07 to 2015-16	Ten	1
2007-08 to 2015-16	Nine	1
2008-09 to 2015-16	Eight	1
2009-10 to 2015-16	Seven	1
2012-13 to 2015-16	Four	2
2013-14 to 2015-16	Three	1
2014-15 and 2015-16	Two	2
2015-16	One	3

1.9 Placement of Separate Audit Reports

The status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2016) on the accounts of Statutory Corporations in the Legislature was as follows:

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Calcutta State Transport Corporation	2008-09	2009-10	18.04.2013	Not furnished by the Government
			2010-11	05.04.2016	Not furnished by the Government
			2011-12	Audit in progress	N.A
			2012-13	Audit in progress	N.A
			2013-14	Audit in progress	N.A
2.	North Bengal State Transport Corporation	2008-09	2009-10	18.01.2016	Not furnished by the Government
3.	South Bengal State Transport Corporation	2011-12	2012-13	26.08.2014	Not furnished by the Government
			2013-14	03.12.2015	Not furnished by the Government
			2014-15	Audit in progress	N.A
4.	West Bengal Backward Classes Development and Finance Corporation	2011-12	2012-13	05.08.2014	Not furnished by the Government
			2013-14	30.11.2015	Not furnished by the Government
5.	West Bengal Industrial Infrastructure Development Corporation	2011-12	2012-13	27.03.2014	Not furnished by the Government
			2013-14	10.04.2015	Not furnished by the Government
6.	West Bengal Minorities Development and Finance Corporation	2013-14	2014-15	13.05.2015	Not furnished by the Government
7.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation	2013-14	2014-15	26.02.2016	Not furnished by the Government
			2015-16	Audit in Progress	N.A
8.	West Bengal State Warehousing Corporation	2012-13	2013-14	22.09.2016	Not furnished by the Government
9.	West Bengal Electricity Regulatory Commission	2014-15	2015-16	Audit in Progress	N.A
10.	West Bengal Financial Corporation	2013-14	2014-15	07.10.2015	Not furnished by the Government
			2015-16	Audit in Progress	N.A

N.A: Not Applicable

1.10 Impact of non-finalisation of accounts

As pointed out above (**Paragraph 1.8**), the delay in finalisation of accounts may also result in risk of fraud and wastage of public money apart from violation of the provisions of the relevant Statues. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2015-16 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

1.11 Performance of PSUs as per their latest finalised accounts

The financial position and working results of Government Companies and Statutory Corporations are detailed in **Annexure 2**. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. The details of turnover of working PSUs with up-to-date accounts and State GDP for a period of five years ending 2015-16 were as depicted in **Table 1.9**.

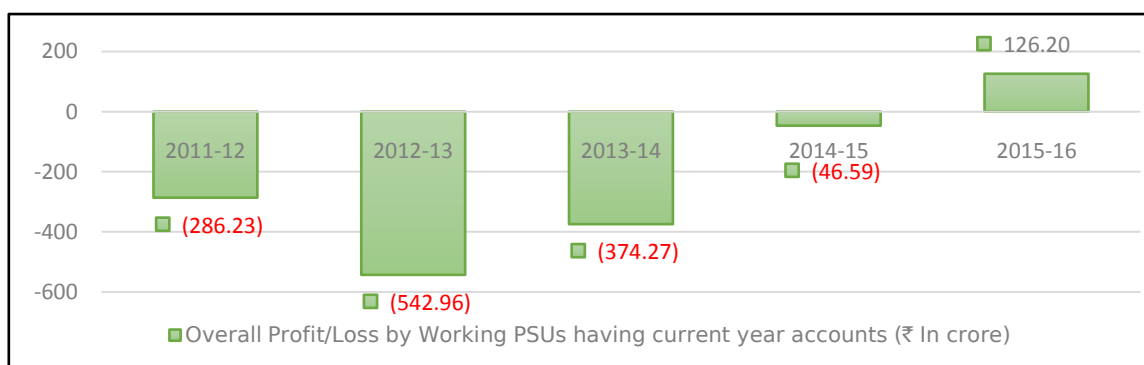
Table 1.9: Details of working PSUs turnover vis-a vis State GDP (₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover ¹⁵	29,458	36,755	37,213	28,079	26,217
(No. of working PSUs having up-to-date accounts)	(27)	(31)	(38)	(33)	(29)
State GDP	5,49,876	5,76,865	7,07,848	8,00,868	10,39,923
Percentage of Turnover to State GDP	5.36	6.37	5.26	3.51	2.52

1.11.1 Trend of aggregate profits earned/ losses incurred by working PSUs

Overall profit/ losses incurred by working State PSUs with up-to-date accounts in respective years during 2011-12 to 2015-16 are as follows in **Figure 1.4** below.

Figure 1.4: Profit/ (Loss) of working PSUs having up-to-date accounts



During the year 2015-16, there were 29 working PSUs with up-to-date accounts, of which 22 PSUs earned profit of ₹ 604.76 crore and seven PSUs incurred loss of ₹ 478.56 crore. The major contributors to profit were West Bengal State Electricity Transmission Company Limited (₹ 437.11 crore) and West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (₹ 53.75 crore). Heavy losses were incurred by The Durgapur Projects Limited (₹ 327.38 crore) and The Calcutta Tramways Company (1978) Limited (₹ 118.33 crore).

1.11.2 Trend of key parameters of working PSUs with up-to-date accounts

Some other key parameters of working PSUs having up-to-date accounts in respective years during 2011-12 to 2015-16 are as follows:

¹⁵ Turnover as per the current finalised accounts as of 30 September of respective year.

Table 1.10: Key Parameters of State PSUs (₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed (<i>Per cent</i>)	2,472.26 (10.44)	2,412.78 (6.44)	2,769.55 (6.51)	2,984.14 (7.40)	2,901.99 (7.06)
Debt	25,408.89	25,296.12	26,232.94	23,604.19	22,185.77
Turnover ¹⁶	29,457.81	36,755.18	37,212.69	28,079.44	26,217.46
Debt/ Turnover Ratio	0.86:1	0.69:1	0.70:1	0.84:1	0.85:1
Interest Payments	2,758.49	2,957.97	3,143.82	3,029.73	2,775.79
Accumulated Profits/ (-)losses	(-) 1,123.38	(-) 1,751.90	(-) 2,644.97	(-) 190.07	126.20

1.11.3 Aggregate profits/ losses in working PSUs with arrears in accounts

In respect of those PSUs having arrears in accounts, 19 working PSUs earned profit of ₹ 218.83 crore while 22 working PSUs incurred losses of ₹ 327.59 crore as per their latest finalised accounts as on 30 September 2016. Four PSUs declared dividend of ₹ 0.75 crore.

1.12 Winding up of non-working PSUs

There were 19 non-working PSUs (18 Companies and one Statutory Corporation) as on 31 March 2016. Of these, the details of PSUs, which have commenced liquidation process, are not known, although sought for in October 2015 and April 2016. Among them, West Bengal Industrial Land Holding (P) Limited cleared its arrears of accounts upto 2015-16 to commence the process of liquidation. The numbers of non-working companies at the end of each year during the past five years are as follows in **Table 1.11**.

Table 1.11: Non-working PSUs

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
No. of non-working companies	14	16	16	17	18
No. of non-working corporations	1	1	1	1	1
Total	15	17	17	18	19

1.12.1 Current status on closure of non-working PSUs

Since the non-working PSUs are not contributing to the State economy, these PSUs need to be considered either to be closed down or revived. During 2015-16, 13 non-working PSUs had incurred an expenditure of ₹ 46.53 crore towards employees' cost¹⁷. This expenditure was financed by the State Government through non-plan loans to these PSUs. The stages of closure in respect of non-working PSUs are given at **Table 1.12**.

¹⁶ Turnover of working PSUs as per their accounts for the current financial year as of 30 September of that year.

¹⁷ Six non-working PSUs did not submit requisite information.

Table 1.12: Closure of Non-working PSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	18	1	19
2.	Of (1) above, the No. under			
(a)	Liquidation by Court (liquidator appointed)	Not available	Not available	Not available
(b)	Voluntary winding up (liquidator appointed)	Not available	Not available	Not available
(c)	Closure, <i>i.e.</i> closing orders/ instructions issued but liquidation process not yet started.	Not available	Not available	Not available

As mentioned in *Paragraph 1.20*, the information had not been furnished.

1.13 Comments on Accounts

Sixty working companies forwarded their audited 54 accounts to PAG/ AG during the year 2015-16. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicated that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG were as follows in **Table 1.13**.

Table 1.13: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	11	103.43	6	176.64	5	20.96
2.	Decrease in profit	18	422.70	16	327.92	14	507.22
3.	Errors of classification	5	44.23	5	134.83	2	56.31
4.	Non-disclosure of material facts	5	157.33	7	194.39	6	204.40

Note: Increase in Profit includes Decrease in Loss and vice-versa.

During the year, the Statutory Auditors did not give unqualified certificates on any accounts.

1.13.1 Audit comments on Statutory Corporations

Similarly, nine working Statutory Corporations forwarded their seven accounts to PAG/ AG during the year 2015-16. Of these, six accounts of three Statutory Corporations pertained to sole audit by CAG. The remaining accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG were as follows in **Table 1.14**.

Table 1.14: Impact of audit comments on Statutory Corporations
(Amount ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	6	96.55	4	34.35	4	22.50
2.	Decrease in profit	3	136.79	3	15.25	4	203.63
3.	Errors of classification	2	16.23	-	-	2	1.81
4.	Non-disclosure of material facts	1	10.57	-	-	2	154.56

Note: Increase in Profit includes Decrease in Loss and vice-versa.

1.14 Response of the Government to Audit

Performance Audits and Paragraphs

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2016, two Performance Audit reports and 10 Audit Paragraphs involving four departments were issued to the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. Replies in respect of two Performance Audits and six compliance audit paragraphs were awaited from the State Government (December 2016).

1.15 Follow up action on Audit Reports

1.15.1 Replies outstanding

The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of West Bengal had issued instructions (October 2009) to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ performance audits included in the Audit Reports of the CAG of India within a period of two months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the COPU.

Table 1.15: Explanatory notes not received (as on 30 September 2016)

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2003-04	01.08.2005	3	27	-	2
2004-05	24.07.2006	4	21	-	2
2005-06	29.03.2007	4	26	-	2
2006-07	27.03.2008	4	21	-	2
2007-08	16.07.2009	3	20	-	1

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2008-09	30.07.2010	2	21	-	2
2009-10	01.09.2011	2	21	-	5
2010-11	24.09.2012	2	15	-	4
2011-12	10.07.2014	2	14	1	7
2012-13	10.07.2014	2	10	2	7
2013-14	04.07.2016	2	9	2	5
2014-15	04.07.2016	1	10	1	10
Total		31	215	6	49

From **Table 1.15**, it could be seen that out of 246 paragraphs/ performance audits, explanatory notes to 55 paragraphs/ performance audits in respect of 15 departments, which were commented upon, were awaited (September 2016).

1.15.2 Discussion of Audit Reports by COPU

The status as on 30 September 2016 of Performance Audits (PAs) and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as in **Table 1.16** below.

Table 1.16: Reviews/ Paras appeared in Audit Reports vis-a-vis discussed as on 30 September 2016

Period of Audit Report	Number of PAs/ Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2005-06	4	26	-	14
2006-07	4	21	-	6
2007-08	3	20	1	6
2008-09	2	21	2	9
2009-10	2	21	-	6
2010-11	2	15	-	6
2011-12	2	14	1	6
2012-13	2	10	-	2
2013-14	2	9	-	4
2014-15	1	10	-	-
Total	24	167	4	59

1.15.3 Compliance to Reports of Committee on Public Undertakings (COPU)

According to Rules of Procedure of COPU, Action Taken Notes (ATNs) on the recommendations contained in the COPU Reports are to be submitted by the Government within three months of their receipt. The following statement indicated the position of COPU Reports where Action Taken Notes are yet to be received from the departments as on 30 September 2016.

Table 1.17: Compliance to COPU Reports

Name of the Department/ Public Sector Undertaking	Year of Audit Report	Para No.	COPU Report	Total No. of Recommendations in COPU Report	No. of Recommendations where ATNs not received	Date of Presentation of Report to the Legislative Assembly	Due date of submission of ATNs
Tourism/ West Bengal Tourism Development Corporation Limited	2005-06	4.17	93rd	3	3	17 July 2008	17 October 2008
Tourism/ West Bengal Tourism Development Corporation Limited	2003-04	4.13	97th	2	2	2 December 2008	2 March 2009
Transport/ West Bengal Surface Transport Corporation Limited	2006-07	4.8	117th	1	1	22 July 2010	22 October 2010
Food Processing Industries and Horticulture/ West Bengal State Food Processing Industries and Horticulture Development Corporation Limited	2008-09	4.15	126th	5	5	20 December 2011	20 March 2012
Commerce and Industries/ West Bengal Industrial Development Corporation Limited	2008-09	4.12	130th	1	1	29 March 2012	29 June 2012
Finance / West Bengal Infrastructure Development Finance Corporation Limited	2008-09	4.17	132nd	3	3	29 March 2012	29 June 2012
Public Works/ The Britannia Engineering Limited	<i>Suo Motu</i>		136th	10	10	11 December 2012	11 March 2013
Public Enterprises and Industrial Reconstruction/ The Gluconate Health Limited							
Transport/ The Shalimar Works (1980) Limited	2010-11	3.7	147th	3	3	27 August 2013	27 November 2013
Finance/ West Bengal Infrastructure Development Finance Corporation Limited	2009-10	3.9	148th	3	3	27 August 2013	27 November 2013

Name of the Department/ Public Sector Undertaking	Year of Audit Report	Para No.	COPU Report	Total No. of Recommendations in COPU Report	No. of Recommendations where ATNs not received	Date of Presentation of Report to the Legislative Assembly	Due date of submission of ATNs
Information Technology and Electronics/ Webel Mediatronics Limited	2010-11	3.13	149th	3	3	19 February 2014	19 May 2014
Power and Non-Conventional Energy Sources/ West Bengal Power Development Corporation Limited	2010-11	3.4	150th	2	2	19 February 2014	19 May 2014
Power and Non-Conventional Energy Sources/ The Durgapur Projects Limited	2011-12	3.1	151st	2	2	18 November 2014	18 February 2015
Power and Non-Conventional Energy Sources/ West Bengal Power Development Corporation Limited							
Power and Non-Conventional Energy Sources/ West Bengal State Electricity Distribution Company Limited							
Transport/ Calcutta State Transport Corporation	2011-12	3.14	152nd	3	3	18 November 2014	18 February 2015
Finance/ West Bengal Infrastructure Development Finance Corporation Limited	2007-08	2.2	153rd	2	2	2 March 2015	2 June 2015
Commerce and Industries/ West Bengal Industrial Infrastructure Development Corporation	2012-13	4.8	159th	2	2	22 September 2015	22 December 2015
Public Works/ Mackintosh Burn Limited							
Transport/ West Bengal Surface Transport Corporation Limited	2012-13	4.7	160th	2	2	22 September 2015	22 December 2015

Name of the Department/ Public Sector Undertaking	Year of Audit Report	Para No.	COPU Report	Total No. of Recommendations in COPU Report	No. of Recommendations where ATNs not received	Date of Presentation of Report to the Legislative Assembly	Due date of submission of ATNs
Transport/ South Bengal State Transport Corporation							
Transport/ West Bengal Transport Infrastructure Development Corporation Limited							
Commerce and Industries/ West Bengal Mineral Development and Trading Corporation Limited							
Commerce and Industries/ Haldia Petrochemicals Limited							
Commerce and Industries/ West Bengal Pharmaceutical and Phytochemical Development Corporation Limited							
Public Enterprises and Industrial Reconstruction/ The Gluconate Health Limited	<i>Suo Motu</i>		161st	5	5	26 February 2016	26 May 2016
Public Enterprises and Industrial Reconstruction/ Saraswaty Press Limited							
Public Enterprises and Industrial Reconstruction/ Durgapur Chemicals Limited							
Public Enterprises and Industrial Reconstruction/ National Iron and Steel Company (1984) Limited							
Public Enterprises and Industrial Reconstruction/ Neo Pipes and Tubes Company limited							

Name of the Department/ Public Sector Undertaking	Year of Audit Report	Para No.	COPU Report	Total No. of Recommendations in COPU Report	No. of Recommendations where ATNs not received	Date of Presentation of Report to the Legislative Assembly	Due date of submission of ATNs
Public Enterprises and Industrial Reconstruction/ Lily Products Limited							
Power and Non-Conventional Energy Sources/ West Bengal State Electricity Distribution Company Limited (West Bengal Rural Energy Development Corporation Limited – amalgamated in November 2011)	<i>Suo Motu</i>	162nd	1	53	1	26 February 2016	26 May 2016
Power and Non-Conventional Energy Sources/ West Bengal Green Energy Development Corporation Limited							
Total			18	53	53		

These reports of COPU contain 53 recommendations in respect of paragraphs pertaining to nine departments, which had either appeared in the Reports of the CAG of India for the years 2003-04 to 2012-13 or were taken up for study *suo-motu*.

It is recommended that the Government ensure: (a) sending of replies to explanatory Notes/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

1.16 Coverage of this Report

This Report contains two Performance Audits and 10 Compliance Audit observations involving financial effect of ₹ 584.07 crore.