

**Report of the
Comptroller and Auditor General
of India**

on

**Public Sector Undertakings
for the year ended 31 March 2016**

Government of West Bengal
Report No. 2 of the year 2017

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PREFACE

This report deals with results of audit of Government Companies and Statutory Corporations for the year ended March 2016.

The accounts of the Government Companies (including companies deemed to be Government Companies as per the provision of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956 and Section 139 and 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Statutory Corporation are submitted to the Government of West Bengal by CAG for laying before State Legislature of West Bengal under the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

CAG is the sole auditor for seven Statutory Corporations, *i.e.*, West Bengal Industrial Infrastructure Development 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, Calcutta State Transport Corporation, North Bengal State Transport Corporation and South Bengal State Transport Corporation.

The instances mentioned in this Report are those which came to notice in course of test audit for the period 2015-16, as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports; matters relating to the period subsequent to 2015-16 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

1 Functioning of State Public Sector Undertakings

As on 31 March 2016, there were 89 State Public Sector Undertakings (PSUs) in West Bengal which comprised of 70 working PSUs (including nine Statutory Corporations) and 19 non-working PSUs (including one Statutory Corporation). During 2015-16, the working PSUs registered a turnover of ₹ 30,360.74 crore which was equal to 2.92 *per cent* of Gross State Domestic Product (GSDP). They also had employed 0.49 lakh employees as of March 2016.

Investments in PSUs

As on 31 March 2016, total investment of the Government in 89 PSUs was ₹ 43,594.46 crore. Power sector accounted for 73.23 *per cent* of total investment in 2015-16. During 2015-16, State Government provided financial support of ₹ 2,655.32 crore to PSUs towards equity, loans and grants/ subsidies.

Performance of PSUs

Out of 70 working PSUs, only 29 PSUs prepared accounts for 2015-16 as of September 2016. During 2015-16, 22 PSUs earned profit of ₹ 604.76 crore and seven PSUs incurred loss of ₹ 478.56 crore. Major contributors to profit were West Bengal State Electricity Transmission Company Limited, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation. 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 41 working PSUs were in arrears for periods ranging from one to six years. There were 19 non-working PSUs of which 12 PSUs had arrears of accounts for one to ten years.

There were 13 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 actions on Audit Reports

Explanatory notes to 55 paragraphs/ Performance Audits appearing in Audit Reports (Commercial/ PSUs) relating to 15 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 2016.

2 Performance Audits relating to Government Companies

2.1 Billing and Collection of Revenue including IT Audit

A Performance Audit was conducted on ‘**Billing and Collection of Revenue including IT Audit**’ by West Bengal State Electricity Distribution Company Limited (WBSEDCL). The highlights of audit findings are as follows:

Introduction

West Bengal State Electricity Distribution Company Limited (WBSEDCL) is the main electricity distribution company of the State and undertakes the business of electricity distribution to consumers within the State. It procures power through direct purchase from State/ Central PSUs as well as private companies. As of March 2016, WBSEDCL had a network of over 1.64 crore consumers throughout the State. It also generates small amount of hydro-electric power which it sells to consumers.

Maximisation of revenue through reduction of commercial losses and improving collection efficiency

WBSEDCL had no plans/ targets to reduce aggregate technical and commercial (AT & C) losses. Due to delays in raising bills, theft of electricity, delay in disconnection of power supply, unauthorised use of electricity by deemed disconnected consumers, transformers having unregistered consumers, WBSEDCL suffered loss of revenue of ₹ 175.85 crore. Moreover, non-adherence to the regulations and violations of the provisions of the Electricity Act, 2003 led to continued AT & C losses.

Compliance with billing and collection system with applicable tariff orders, codal provisions, laid down procedures and regulations issued by WBERC

WBSEDCL failed to comply with relevant provisions of the Act/ tariff orders which led to loss of revenue. Failure of spot billing system, non-realisation of electricity duty and improper payment of disconnection/ reconnection charges led to inefficiencies in collection and loss of revenue as relevant provisions/ orders of the Act/ tariff orders were not complied with.

Adequacy of IT infrastructure, IT plan, business continuity plan, IT controls, disaster plan and optimum security for achieving data completeness, accuracy and reliability

WBSEDCL incurred infructuous expenditure of ₹ 45.75 crore as it had procured software licenses without the required IT infrastructure. In absence of automatic categorisation/ updation of consumers’ database on the basis of nature of connection, contract demand, etc., in its IT billing system, WBSEDCL suffered loss of revenue of ₹ 8.22 crore. Delay in implementation of billing software and lacunae in the system led to non-achievement of the projected benefits to WBSEDCL as well as to the consumers as a whole.

Conclusion

WBSEDCL failed to formulate any plan or set targets for reduction of AT & C losses for its consumers as a whole, leaving 81.25 *per cent* of its total consumers uncovered by such plan. Applicable tariff orders, codal provisions, laid down procedures and regulations issued by West Bengal Electricity Regulatory Commission (WBERC) were either violated or not followed. There were inadequacies of infrastructure, plan and controls in the billing system. As a result of all these deficiencies, its primary objective of increasing revenue realisation and reduction of losses could not be met.

Recommendations

There are five recommendations. (i) WBSEDCL may formulate policy and set targets for reduction of AT & C losses to achieve the norms fixed; (ii) assess reasons for high AT & C losses to put in place a plan to address these issues to reduce AT & C losses as well as to maximise its revenue; (iii) maximise meter reading through Spot Billing Machines to realise revenue in time; (iv) it may review and incorporate appropriate validation of inputs in the existing software in conformity to its business needs, to minimise the incorrect generation of bills; and (v) institute a system to incorporate the current and relevant orders/ tariffs into the business rules in the software, whenever these are modified/ changed by WBERC/ Acts/ Rules.

2.2 Management of physical infrastructure and skill augmentation for IT Sector

A Performance Audit was conducted on ‘**Management of physical infrastructure and skill augmentation for IT Sector**’ by West Bengal Electronics Industry Development Corporation Limited (WBEIDCL). The highlights of audit findings are as follows:

Introduction

West Bengal Electronics Industry Development Corporation Limited (WBEIDCL) was incorporated (February 1974) with the main objectives of (i) developing electronics and allied industries through establishment of manufacturing, research and development activities, and (ii) facilitating development of information technology in West Bengal.

Income from management of infrastructure decreased from ₹ 18.20 crore in 2011-12 to ₹ 16.99 crore in 2015-16. The reasons were application of differential rates of rental/ lease premium for allotments of plots and modules, non-revision of rent, recovery of service charges at different rates for similar/ comparable services, *etc.* Further, income from skill augmentation increased from ₹ 0.19 crore in 2011-12 to ₹ 0.86 crore in 2015-16 in respect of execution of centrally sponsored schemes. Total outstanding dues of WBEIDCL from GoWB amounted to ₹ 14.72 crore.

Management of infrastructural facilities

WBEIDCL had foregone revenue of ₹ 4.90 crore as a result of vacancy of two to 100 *per cent* in the 10 operational IT parks set up prior to April 2011. In addition, it was also foregoing a recurring amount of ₹ 13.46 lakh per month, since March 2016. Further, out of five new IT parks completed by January 2016, three were still vacant. Another three IT Parks were still to be fully constructed.

Processes of allotment of space, fixation of rents & rates and collection thereof

In case of 72 allottees occupying 1.47 lakh sft of rental spaces, in eight IT parks, WBEIDCL had under-charged/ not charged security deposit of ₹ 0.19 crore. Despite having an operational ERP system, WBEIDCL failed to execute/ renew lease/ rental agreements in case of 66 allottees with outstanding rentals of ₹ 1.64 crore. It had allotted plots on long term lease at differential rates of lease premium, leading to loss of ground rent of ₹ 1.84 crore since March 2016. Allotment of modules/ spaces at concessional rent to non-STPI registered units on short term rental leading to loss of rent of ₹ 0.21 crore. Non-revision of rental rates, at Taratala Industrial Estate (TIE), resulted in loss of rent of ₹ 1.54 crore. Delayed revision of transfer fees resulted in loss of ₹ 1.94 crore. WBEIDCL had to incur loss of revenue of ₹ 3.33 crore towards rent as of March 2016 by not raising invoices on defaulting allottees. The chances of collection of dues of ₹ 4.10 crore from 67 allottees who had either surrendered their modules or had been evicted by WBEIDCL between 2012-13 and 2015-16, were remote.

Skill Augmentation

WBEIDCL executed six GoI schemes of IT training during 2013-14 to 2015-16. The selection of candidates was not efficiently monitored by WBEIDCL and lacked transparency, resulting in expenditure of ₹ 4.75 crore on 3,913 ineligible candidates. Further, in violation of the scheme norms, WBEIDCL had transferred to its training partner the responsibility of disbursing the stipend to trainees. WBEIDCL did not inspect the training locations regularly to monitor progress and follow up on their outcome.

Conclusion

WBEIDCL could not ensure complete occupancy in seven out of its 10 IT parks. It did not uniformly collect the security deposits in accordance with its policy. Its management of physical infrastructure was not effective as it had allowed concessional rentals which had resulted in loss of revenue. Further, belated revision of transfer fees in deviation of government directives had led to loss of revenue. Non-invoicing on defaulting allottees had also resulted in forgoing of legitimate claims. WBEIDCL had failed in its role of effectively providing training in information technology to students who applied to its training programmes. There were inadequacies and irregularities in the selection process. WBEIDCL did not monitor the disbursement of stipend to

eligible candidates. Monitoring of training programmes was inadequate and the post-training follow up was non-existent.

Recommendations

There are three recommendations. (i) WBEIDCL may initiate an annual review of the rates for rent and service charges and revise them, keeping in view the need to ensure occupancy of the constructed IT parks, as well as revise its policy of not drawing invoices on defaulting allottees, to enforce its claims; (ii) comply with statutes and also improve internal check system for raising of invoices; and (iii) ensure that the selection of candidates for training is as per government guidelines with regard to eligibility criteria, necessary records are maintained and stipends disbursed directly to students.

3 Compliance Audit

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

- Loss of ₹ 42.07 crore due to non-compliance with statutes/ rules/ directives/ procedures in one case.
(Paragraph 3.2)
- Loss of ₹ 38.75 crore due to non-safeguarding of financial interests of organisation in one case.
(Paragraph 3.1)
- Loss of ₹ 16.79 crore due to defective/ deficient planning in four cases.
(Paragraphs 3.3, 3.4, 3.6 and 3.7)
- Loss of ₹ 2.42 crore due to inadequate monitoring in two cases.
(Paragraphs 3.5 and 3.10)
- Loss of ₹ 1.72 crore due to non-realisation of objectives in two cases.
(Paragraphs 3.8 and 3.9)

Gist of the important audit observations is given below:

West Bengal Small Industries Development Corporation Limited (WBSIDCL), a wholly owned Government company under the Department of Micro, Small & Medium Enterprises and Textiles, is engaged in developing, upgrading, creating and maintaining industrial/ commercial estates for allotment of plots/ sheds/ stalls/ building spaces to small scale entrepreneurs with the objectives of industrialisation and employment creation in the State. As of March 2016, WBSIDCL had established 49 operational, one non-operational and four upcoming industrial/ commercial estates in 13 out of 20 districts of the State covering 732.44 acres of land. The total investment in such estates stood at ₹ 162.69 crore (own fund : ₹ 48.34 crore, Government grants : ₹ 114.35 crore). Out of an aggregate of 415.45 acres of land registered, WBSIDCL had undertaken mutation of 2.12 acres only (0.29 per cent). In respect of 207 allotments in 22 estates, WBSIDCL had

allowed the entrepreneurs to occupy the plots without executing lease deeds. As of September 2015, out of 2,471 allottees, 424 allottees (17.16 per cent) were non-functioning and 654 plots/ sheds (26.47 per cent) in 40 industrial estates remained vacant. Lacunae in deeds, irregularities in transfer of lease deeds, non-inclusion of transfer fee, non-realisation of dues, etc. also resulted in loss of revenue.

(Paragraph 3.1)

West Bengal State Electricity Distribution Company Limited incurred extra expenditure of ₹ 42.07 crore on purchase of power in contravention of tariff policy and regulations. It failed to include a penalty clause for short supply of power in the long term power purchase agreement with a private generating company in violation of Government of India guidelines and regulations, which led to avoidable expenditure of ₹ 12.76 crore. It also did not enter into power purchase agreement with Dishergarh Power Supply Company Limited for purchase of power due to which rebate for timely payment of power bills could not be availed of, resulting in loss of ₹ 3.13 crore. Further, it retained funds in non-interest bearing current accounts and resorted to borrowings from cash credit accounts for making various payments, due to absence of fund management. This led to avoidable payment of interest of ₹ 1.79 crore on cash credit accounts.

(Paragraphs 3.2, 3.3 and 3.4)

Mackintosh Burn Limited suffered a loss of ₹ 1.61 crore in execution of water treatment plant due to improper estimate for the work on turnkey basis.

(Paragraph 3.6)

Shalimar Works (1980) Limited incurred loss of ₹ 1.21 crore on reconstruction and renovation of dry docks due to non-compliance with the prescribed standard design guidelines.

(Paragraph 3.7)

CHAPTER I

Dear Sir,

I have the honor to acknowledge the receipt of your letter of the 15th inst.

in relation to the matter mentioned therein.

I am sorry that I cannot give you a more definite answer at this time.

The matter is being considered by the appropriate authorities.

I will be glad to advise you again as soon as a final decision has been reached.

Very respectfully,
Yours faithfully,
[Signature]

[Name]
[Address]
[City]

[Additional information]

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

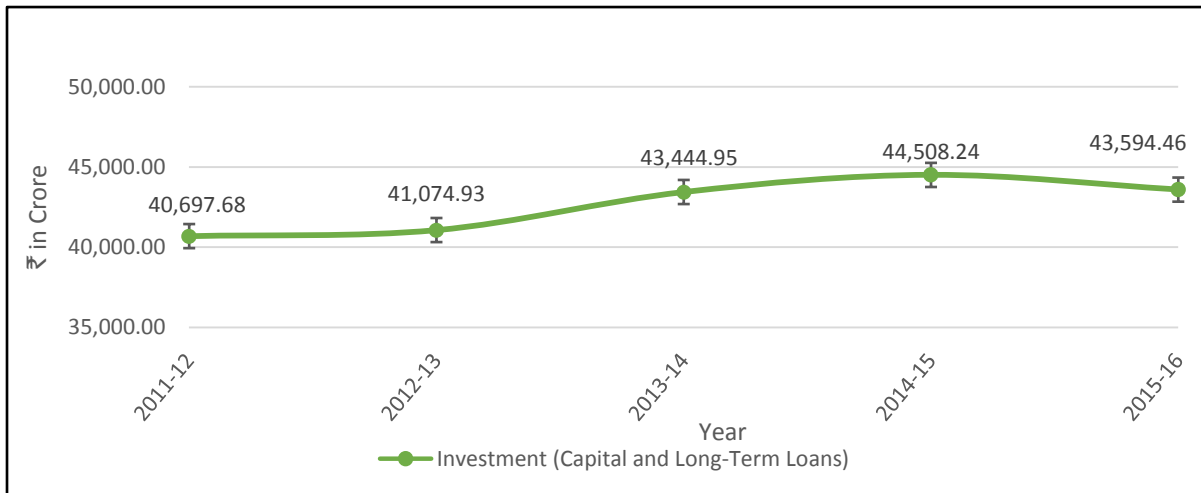
As on 31 March 2016, the investment (capital and long-term loans) in 89 PSUs was ₹ 43,594.46 crore as detailed below:

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

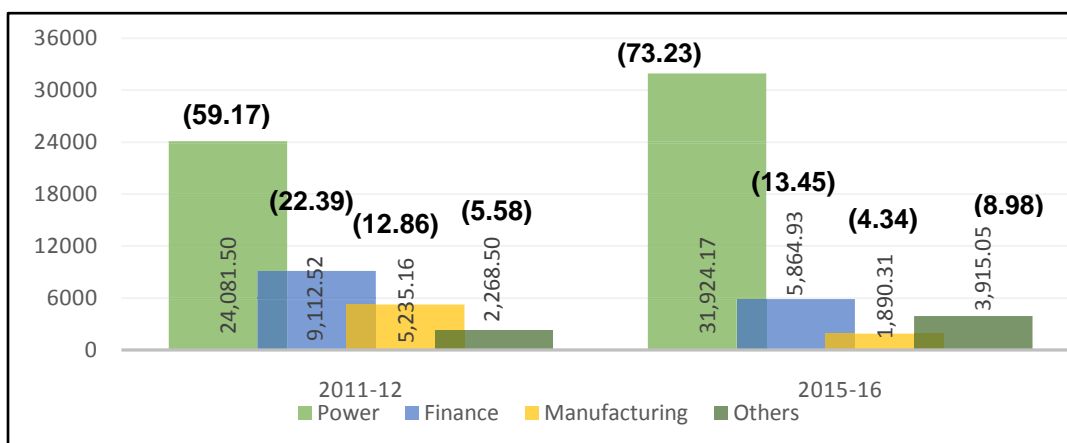
The sector wise summary of investments in the State PSUs as on 31 March 2016 is given in **Table 1.3**.

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

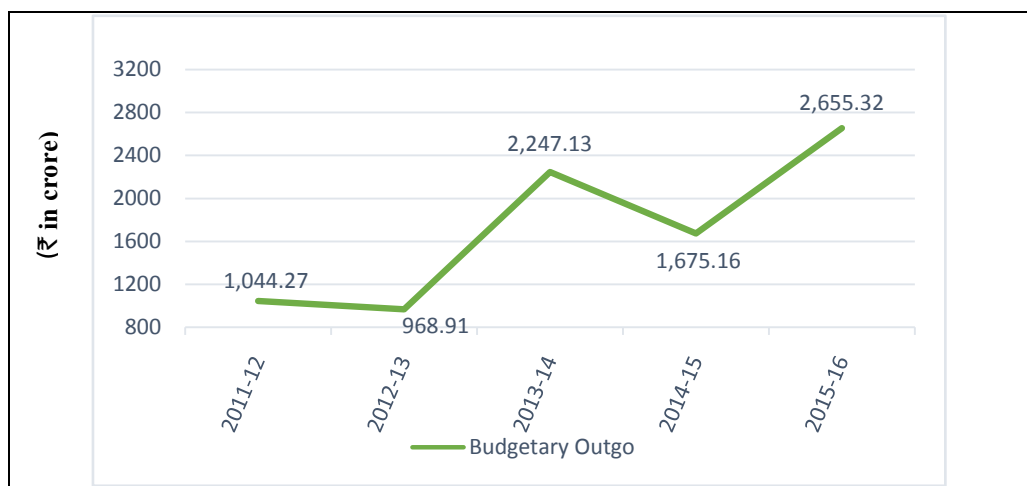
1.6.1 Trend of budgetary outgo

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 1* 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 1*.

¹³ Sl. No. 27 and 28 of *Annexure 1*.

¹⁴ Sl. No. 6, 10, 23 and 29 of *Annexure 1*.

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 1*. 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**.

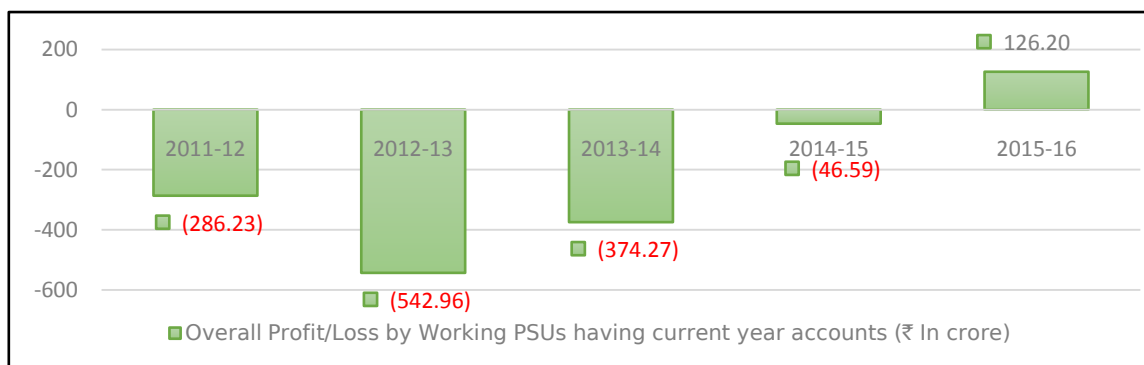
Table 1.9: Details of working PSUs turnover vis-a vis State GDP (₹ in crore)

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

(₹ 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	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.

CHAPTER II



Chapter II

Performance Audits relating to Government Companies

West Bengal State Electricity Distribution Company Limited

2.1 Billing and Collection of Revenue including IT Audit

Executive Summary

Introduction

West Bengal State Electricity Distribution Company Limited (WBSEDCL) is the main electricity distribution company of the State and undertakes business of electricity distribution to consumers within the State. It procures power through direct purchase from State/ Central PSUs as well as private companies. As of March 2016, WBSEDCL had a network of over 1.64 crore consumers throughout the State. It also generates small amount of hydro-electric power which it sells to consumers.

Maximisation of revenue through reduction of commercial losses and improving collection efficiency

WBSEDCL had no plans/ targets to reduce aggregate technical and commercial (AT&C) losses. Due to delays in raising bills, theft of electricity, delay in disconnection of power supply, unauthorised use of electricity by deemed disconnected consumers and transformers having unregistered consumers, WBSEDCL suffered loss of revenue of ₹ 175.85 crore. Moreover, non-adherence to the regulations and violations of the provisions of the Electricity Act, 2003 led to continued AT&C losses.

Compliance with billing and collection system with applicable tariff orders, codal provisions, laid down procedures and regulations issued by WBERC

WBSEDCL failed to comply with relevant provisions of the Act/ tariff orders which led to loss of revenue. Failure of spot billing system, non-realisation of electricity duty and improper payment of disconnection/ reconnection charges led to inefficiencies in collection and loss of revenue as relevant provisions/ orders of the Act/ tariff orders were not complied with.

Adequacy of IT infrastructure, IT plan, business continuity plan, IT controls, disaster plan and optimum security for achieving data completeness, accuracy and reliability

WBSEDCL incurred infructuous expenditure of ₹ 45.75 crore as it had procured software licenses without required IT infrastructure. In absence of automatic categorisation/ updation of consumers' database on the basis of nature of connection, contract demand, etc., in its IT billing system, WBSEDCL suffered loss of revenue of ₹ 8.22 crore. Delay in implementation

of billing software and lacunae in the system led to non-achievement of the projected benefits to WBSEDCL as well as to the consumers as a whole.

Conclusion

WBSEDCL failed to formulate any plan or set targets for reduction of AT&C losses for its consumers as a whole, leaving 81.25 *per cent* of its total consumers uncovered by such plan. Applicable tariff orders, codal provisions, laid down procedures and regulations issued by West Bengal Electricity Regulatory Commission (WBERC) were either violated or not followed. There were inadequacies of infrastructure, planning and controls in the billing system. As a result of all these deficiencies, its primary objective of revenue realisation could not be met.

Recommendations

WBSEDCL may formulate policy and set targets for reduction of AT&C losses to achieve the norms fixed and assess reasons for high AT&C losses to put in place a plan to address these issues to reduce AT&C losses as well as to maximise its revenue. It should maximise meter reading through Spot Billing Machines to realise revenue in time. Further, it may review and incorporate appropriate validation of inputs in the existing software in conformity to its business needs, to minimise the incorrect generation of bill. It should institute a system to incorporate the current and relevant orders/ tariffs into the business rules in the software, whenever these are modified/ changed by WBERC/ Acts/ Rules.

2.1.1 Introduction

West Bengal State Electricity Distribution Company Limited (WBSEDCL) was incorporated (February 2007) as a Government Company after restructuring of the erstwhile West Bengal State Electricity Board in terms of Section 131 of the Electricity Act, 2003 (the Act). WBSEDCL commenced operations in April 2007.

WBSEDCL is the main electricity distribution company of the State and undertakes business of electricity distribution to consumers within the State. It procures power through direct purchase from State/ Central PSUs as well as from private companies. As of March 2016, WBSEDCL had a network of over 1.64 crore consumers throughout the State. It also generates small amount of hydro-electricity which it sells to consumers.

For better billing and improved customer services, WBSEDCL migrated (August 2014) its metering, billing and collection system to System Application Products – Industrial Solution for Utilities (SAP-ISU) from a legacy energy billing application system based on ORACLE.

2.1.2 Organisational structure

WBSEDCL functions under Department of Power and Non-Conventional Energy Sources (DPNCES), Government of West Bengal (GoWB). It is managed by Board of Directors (BoD) headed by a Chairman and ten other

directors, all nominated by State Government. Chairman and Managing Director (CMD) of WBSEDCL is the Chief Executive Officer and is assisted by Director (Distribution), Director (Generation), Director (Projects), Director (Regulatory & Trading), Director (Finance), Director (HR), and Executive Director (IT) in managing day to day operations.

WBSEDCL renders services to consumers through its five Zonal offices, 18 Regional offices, 70 Distribution divisions and 501 Customer Care Centres (CCC) situated across the State.

2.1.3 Audit objectives

A Performance Audit was conducted to ascertain whether WBSEDCL had:

- Policies and plans to maximise revenue by reducing commercial losses and improving collection efficiency to restrict aggregate technical and commercial (AT&C) losses;
- A system of billing and collection to ensure compliance with applicable tariff orders, codal provisions, laid down procedures and regulations issued by West Bengal Electricity Regulatory Commission (WBERC) to ensure revenue realisation; and
- Adequate IT plan, IT infrastructure, business continuity plan, IT controls, disaster plan and optimum security for the billing databank to achieve data completeness, accuracy and reliability.

2.1.4 Scope and Methodology of Audit

The Performance Audit was conducted between April to August 2016. Its scope covered activities of billing and collection system of WBSEDCL (centralised/ de-centralised bulk¹⁸ consumers and low/ medium voltage¹⁹) including computerisation of this operation. This audit included test check of records in respect of operations/ activities maintained at Headquarters office, Regional offices, 15 distribution divisions and 30 customer care centres for the period from 2011-16. Selection of unit offices was done on the basis of probability proportional to size (PPS) method of sampling.

Audit methodology involved (i) scrutiny and verification of records maintained at various offices (ii) review of Government directives, minutes of meetings of BoD and Audit Committee (iii) review of tariff orders, APRs²⁰ and related papers of WBERC (iv) examination of billing records maintained through SAP-ISU and ERP²¹ (v) issue of audit enquiry/ observations and (vi) interaction with management. An Entry Conference was held on 16 March 2016 wherein audit objectives, audit criteria, scope and methodology of the Performance Audit were discussed with the management of WBSEDCL and Department of Power and Non-Conventional Energy

¹⁸ 50 KVA and above.

¹⁹ Below 50 KVA.

²⁰ Annual Performance Review.

²¹ Enterprise Resources Planning.

Sources (DPNCES), Government of West Bengal (GoWB). An Exit Conference was held on 22 December 2016 to discuss the audit observations, WBSEDCL's responses, audit conclusions and recommendations. It was attended by the Chairman and Managing Director as well as senior management of WBSEDCL and the Chief Controller of Audit, DPNCES, GoWB. The replies and views of Government/ Management have been taken into account and suitably incorporated in the report.

2.1.5 Audit criteria

Audit criteria adopted for assessing achievement of audit objectives had been derived from the following:

- The Electricity Act, 2003 (Act);
- Notifications/ regulations of Central Electricity Authority (CEA) and West Bengal Electricity Regulatory Commission (WBERC);
- National Tariff policy;
- WBSEDCL's plans/ programmes for reduction of AT&C losses, standard operating procedures, internal orders/ circulars; and
- Tariff orders of WBERC.

2.1.6 Acknowledgement

Audit acknowledges the co-operation of WBSEDCL in providing the necessary records and information in connection with the conduct of this Performance Audit.

2.1.7 Financial Performance

Summarised working results of WBSEDCL for the last five years upto 2015-16 are shown in **Table 2.1.1**.

Table 2.1.1: Summarised working results of WBSEDCL

(₹ in crore)						
Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Total income	14,172.85	17,499.85	17,879.92	19,583.34	18,611.30
2	Total expense	14,070.22	17,391.49	17,850.31	19,553.30	18,576.12
3	Profit before tax (PBT) (1-2)	102.63	108.36	29.61	30.04	35.18
4	Tax	29.15	26.64	10.54	10.22	13.60
5	Profit after tax (PAT) (3-4)	73.48	81.72	19.07	19.82	21.58
6	Paid up capital	2,558.40	2,256.74	2,256.74	2,256.74	2,256.74
7	Non-current liabilities ²²	11,177.35	13,065.64	15,037.42	16,014.82	17,425.51
8	Debt Equity Ratio (7/6)	4.37:1	5.79:1	6.66:1	7.1:1	7.72:1

(Source: Annual Accounts of WBSEDCL)

²² Non-current liabilities include long term borrowings as well as liabilities on account of purchase of power to be discharged over a long period.

Analysis of working results and financial performance of WBSEDCL for the last five years till March 2016 brought out the following:

- Revenue as well as expense increased steadily from 2011-12 till 2014-15 on account of upward revision of tariff in energy charges before declining in 2015-16. The fall in revenue in 2015-16 was due to decrease in the number of bulk consumers mostly belonging to the iron and steel industry.
- Net profit of WBSEDCL decreased to ₹ 21.58 crore in 2015-16 from ₹ 73.48 crore in 2011-12. This was attributable to increase in finance cost to ₹ 1,451.57 crore (111 per cent) from ₹ 687.24 crore and other expenses²³ to ₹ 1,122.41 crore (98 per cent) from ₹ 565.69 crore in 2015-16 over the year 2011-12 respectively. The finance cost had increased due to jump of 50.43 per cent in long term borrowings for projects from financial institutions and 272.38 per cent in short-term loans and cash credit from banks to meet the working capital requirements during the period from 2011-12 to 2015-16. Besides, other expenses included expenditure on outsourced jobs (manpower related) that had increased by 159 per cent.
- Debt-equity ratio increased from 4.37 in 2011-12 to 7.72 in 2015-16 due to increase of borrowings for financing various projects.

Audit findings

Audit findings are discussed in the succeeding paragraphs.

2.1.8 Maximisation of revenue through reduction of commercial losses and improving collection efficiency

When electricity is carried from the generation source to the consumers, some electricity is lost by way of distribution loss and commercial loss. The profitability of an electricity distribution company depends largely on the efficiency of reduction of such losses, proper billing and collection.

2.1.8.1 Aggregate Technical and Commercial (AT&C) losses

The distribution system links the power generation source and the ultimate consumers of electricity. For efficient functioning of the system, it must be ensured that there are minimum losses in sub-transmission and distribution of power. Transmission and Distribution (T&D) loss is energy lost in the network while flowing from the generation source to the consumers. Aggregate Technical and Commercial (AT&C) loss is the difference between energy available for sale (after adjusting for transmission losses and trading in energy) and energy realised. Efficiency of operations is indicated by efforts of

²³ Other expenses include cost of generation of power, expenses for outsourced jobs, repair and maintenance expenses, administrative and general expenses, etc.

the electricity distribution company to reduce/ control these losses by proper billing and collection for increasing revenue from the sale of electricity.

Table 2.1.2 shows the details of billing and collection efficiency and aggregate technical and commercial (AT&C) losses for the period from 2011-12 to 2015-16:

Table 2.1.2 : Showing status of Billing & Collection efficiency and AT&C losses

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1. Billing efficiency ²⁴ (in per cent)	74.64	74.18	71.64	72.10	71.98
2. Collection efficiency ²⁵ (in per cent)	91.83	87.36	97.45	94.80	95.37
3. Standard norm of T&D loss by WBERC (in per cent)	17.75	17.50	17.50	17.50	17.50
4. Actual T&D Loss (in per cent)	24.88	25.40	27.96	27.60	27.74
5. T&D loss in excess of norm (in per cent)	7.13	7.90	10.46	10.10	10.24
6. Standard norm of AT&C loss by GoI (in per cent)	-	-	30.51	29.00	28.00
7. Actual AT&C loss (in per cent)	32.18	35.79	30.66	32.52	31.58
8. AT&C loss in excess of norm (in per cent)	-	-	0.15	3.52	3.58

(Source : Annual Accounts of WBSEDCL, Notifications issued by WBERC and Ministry of Power, GoI)

The table shows that during 2011-12 to 2015-16 both the actual T&D loss and AT&C loss were higher than the standard norms fixed by WBERC and Ministry of Power, GoI. In this context it was observed that WBSEDCL had formulated (April 2010) a plan to reduce the AT&C losses of 62 specified towns within five years from 2011-12 to 2015-16 under the GoI-funded scheme (R-APDRP²⁶) covering 18.75 per cent of its total consumers only. Apart from this, WBSEDCL had not formulated any plan or set targets for reduction of AT&C losses for the remaining towns, which comprised 81.25 per cent of its total consumers. Though this issue had been discussed several times by Board of Directors (BoD) during the period of audit, no plan/targets were formulated by WBSEDCL. Audit observed that high AT&C losses were attributable to factors discussed in the subsequent paragraphs.

The Management did not address the audit observation in its reply.

²⁴ Energy billed as a percentage of energy available for sale.

²⁵ (Net revenue from sale of energy – Change in receivables for sale of energy) x 100/ (Net revenue from sale of energy).

²⁶ Restructured Accelerated Power Development and Reforms Programme (R-APDRP).

2.1.8.2 Loss of interest due to delays in raising of energy bills

Regulation 36/ 55 (September 2007/ August 2013) of WBERC specified that if meter reading was taken through Meter Reading Instruments/ Automated Meter Reading System and if it was not feasible to record such meter reading on a card/ book/ document, then the licensee would, after meter reading was taken, raise the bill as early as possible. In case of monthly billing, meter reading would normally be taken between a period of 28 and 32 days of the last meter reading unless specifically exempted by the Commission in deserving cases, keeping in view the area of operation of the licensee, type of consumer, etc. Consumers receiving electricity at High Voltage (HV)²⁷ and Extra High Voltage (EHV) would be issued monthly bills with due dates of payment within 30 days of closure of the billing month.

WBSEDCL took meter readings for de-centralised and centralised bulk consumers (HV & EHV) through on the spot Meter Reading Instruments (MRI) and remote access Meter Data Acquisition System (M-DAS). As on March 2016, out of 7,532 de-centralised and centralised bulk consumers (HV & EHV), modems were installed for 5,029 consumers for M-DAS reading and for the balance of 2,503 consumers, meter readings were to be taken on the spot through MRI. Audit observed that out of 5,029 consumers where modems were installed, metering through remote access (M-DAS) was done only with regard to 3,588 consumers; the rest were billed on the basis of on spot reading (MRI) which caused delays. Audit observed that due to delay in taking meter readings, raising of bills in time by WBSEDCL with respect to 863 consumers was impacted, as explained in the subsequent paragraphs.

Audit further observed that there were delays in raising of energy bills with regard to centralised bulk consumers (HV & EHV) ranging from one day to 88 days which resulted in loss of interest of ₹ 3.84 crore²⁸. The primary reason for late billing was delay in taking/ receiving meter readings. Other reasons included receipt of incomplete meter readings, problems in meter data acquisition system (M-DAS) due to weak signals, non-replacement of burnt out modems and non-resolution of connectivity problem of modem port with meters.

Management accepted (December 2016) that there were delays in raising bills and stated that necessary action had been initiated to improve communication for raising bills in time.

2.1.8.3 Theft of electricity

Section 135 of the Act stipulates that theft of energy is a punishable offence. Section 126 of the Act and Regulation 36 of WBERC specifies that

²⁷ As per WBERC regulation 36 of September 2007, HV means the voltage exceeding 650 volt but not exceeding 33,000 volt and EHV means the voltage exceeding 33,000 volts.

²⁸ Calculated at the rate of interest (11 per cent) paid on loans taken by WBSEDCL, with reference to the period of delay in billing.

provisional bill, after detection of theft, has to be raised by considering the actual load used by the consumer.

Table 2.1.3 and **Figure 2.1.1** show the details of theft of electricity during 2011-16.

Table 2.1.3: Theft of electricity

Year	Number of consumers (in lakh)	No. of consumers checked by WBSEDCL (in nos.)	Percentage of consumers checked to total consumers	Theft detected (in nos.)	Percentage of theft detected in total consumers checked	Value of the energy lost (₹ in crore)	Realised amount (₹ in crore)
2011-12	101.12	11,540	0.11	1,250	10.83	14.63	5.31
2012-13	119.87	11,780	0.10	1,934	16.42	22.12	6.99
2013-14	136.27	23,145	0.17	6,233	26.93	27.99	12.03
2014-15	151.89	26,132	0.17	6,205	23.74	37.62	13.92
2015-16	163.65	28,113	0.17	9,247	32.89	56.46	25.02

(Source : Information provided by WBSEDCL.)

Figure 2.1.1 Analysis of data relating to theft of electricity

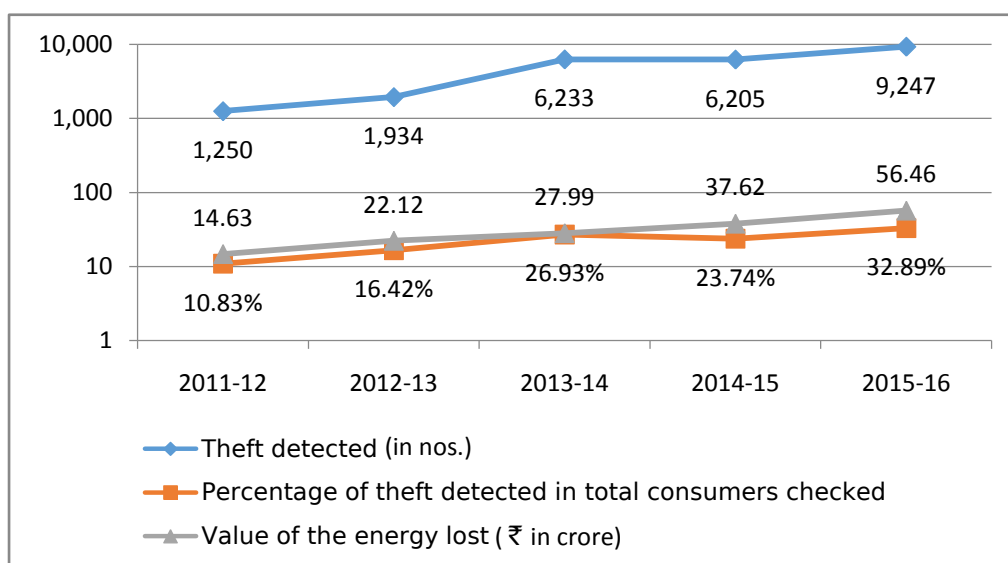


Table 2.1.3 and **Figure 2.1.1** showed that:

- The number of thefts detected had been increasing steeply over the period along with the value of the energy lost contributing significantly to the loss of profitability. This assumes even more importance in view of the fact that the percentage of checking has only improved marginally; if it is improved further, then the detection of theft is likely to be significantly higher.

- No targets/ norms were fixed for inspection; however, audit observed that inspection of consumers' premises by WBSEDCL²⁹ was minimal, ranging from 0.10 to 0.17 *per cent* of total number of consumers.
- Only a small proportion of the assessed amounts were being realised on account of appellate procedures and the related enforcement issues. Percentage of recoveries against the assessed amounts ranged between 31.60 *per cent* and 44.31 *per cent* during 2011-12 to 2015-16 due to reduction in assessed bills after issue of provisional bills. Random check by Audit showed that in 303 cases, assessed bills were reduced without actual verification of actual consumption. In these 303 cases the total amount so reduced was ₹ 2.35 crore.

Management stated (December 2016) that steps were being taken for intensifying the number of checking programmes. Further, a committee had been constituted for improving the existing procedures for assessment of electricity charges in case of theft.

2.1.8.4 Accumulation/ non-realisation of outstanding dues

Section 47 of the Act stipulates that a distribution licensee may require any person, who requires supply of electricity in pursuance of Section 43, to furnish reasonable security, as determined by regulations, covering all likely dues. Payment of bills/security deposit can be made through Letter of Credit, bank guarantee or cash. According to WBERC's Gazette Notification 52, consumers who pay their energy bills through Letter of Credit (LC) need not pay any security deposit and its validity should be extended at least three months before its expiry, failing which the distribution licensee may refuse to supply electricity. It is further stipulated that security deposit can be in the form of a Bank Guarantee (BG) equivalent to three months of estimated bill of consumption. Non-adherence to the provisions of the Act and regulations would lead to disconnection of supply.

Audit test-checked 56 consumers whose power supply were disconnected by WBSEDCL due to non-payment of electricity bills during the period 2011-12 to 2015-16 and observed the following:

- (a) WBSEDCL did not disconnect power supply before expiry of validity of LC and BG³⁰ of 11 consumers against whom ₹ 45.36 crore was receivable as of March 2016. WBSEDCL, however, terminated the agreements with those consumers for non-payment of dues. Thus, due to non-renewal of LC in time as per WBERC's Notification 52 and the Act (Section 44), WBSEDCL suffered loss of ₹ 45.36 crore.
- (b) Two consumers³¹ did not pay energy bills through LC as respective banks had refused (September 2012/ December 2014) to honour their

²⁹ Security and Loss Prevention Wing based in all regional offices.

³⁰ Letter of Credit/ Bank Guarantee.

³¹ M/s Sri Vasavi Industries Limited (VIL) and M/s Jainex Metaliks Limited (JML).

bills due to insufficiency of funds, although LC was valid till June 2015/ March 2015. WBSEDCL, however, had allowed these consumers to consume energy upto November 2014/ May 2015, in violation of the Act and WBERC's Notification 56. As a result, WBSEDCL suffered loss of revenue of ₹ 25.84 crore.

- (c) WBERC's Notification 55 (*vide* Clause 4.4.1) stipulated that the licensee shall disconnect the supply of energy to a consumer, if the latter makes such a request in writing, within two working days of making the written request. It shall be the duty of the consumer to clear all outstanding dues to the licensee except the last bill for supply till the date of disconnection, before making a request for such disconnection. The consumer shall collect the last bill from the licensee and make the payment. In case of default, the amount shall be adjusted by the licensee against his security deposit.

In this connection Audit had seen that two consumers³² had applied (June 2013/ June 2015) for disconnection of power supply on account of non-requirement of power. WBSEDCL disconnected (June 2013/ November 2015) their power supplies and terminated agreements with them without realising the outstanding dues of ₹ 2.17 crore and ₹ 9.56 crore respectively by failing to adhere to WBERC's notification 55.

Management stated (December 2016) that supply could not be disconnected till expiry of validity of LC/ BG. Further, banks had stopped payment against valid LCs. Therefore, WBSEDCL proposed to take up with WBERC the deletion of LC clause from security deposit as well as payment mechanism. Moreover, in respect of one consumer, an amount of ₹ 6.99 crore out of ₹ 9.56 crore had been recovered. Reply of the management is not tenable as the Company did not take any action against the banks for dishonouring the LCs/ BGs issued by them.

2.1.8.5 Loss of revenue of ₹ 20.28 crore from unbilled consumers

WBERC's Notification 55 (Clause 3.1.4) specified that bills shall be issued by the licensee at intervals of not more than ninety-nine days with monthly payment option, in respect of consumers receiving supply at low and medium voltage (L & MV). Deficiencies in raising of bills by WBSEDCL are as follows:

- (a) Due to (i) incorporation of wrong DTR³³ code and billing zone, and (ii) improper addresses of the consumers provided by outsourced agencies³⁴, WBSEDCL had not raised electricity bills on 97,285 consumers (under 70 Division offices) availing of electricity since 2009 to 2016. This had resulted in loss of revenue of unbilled

³² M/s Bengal Energy Ltd and M/s Rohit Ferro-Tech Ltd.

³³ Distribution Transformers

³⁴ Minutes of the monthly meeting on implementation of BRGF Scheme.

amount of ₹ 13.14 crore as of March 2016, calculated at the minimum bill amount chargeable from domestic consumers for the unbilled period.

- (b) Under BRGF³⁵ and RGGVY³⁶ - XII plan, 15,19,371 consumers were energised during 2013-16. Audit observed that 13,81,750 consumers were billed through SAP-ISU and the balance of 1,37,621 consumers remained unbilled due to non-preparation of master card data by WBSEDCL. This had resulted in loss of revenue of ₹ 7.14 crore as of March 2016.

Management stated (December 2016) that directions had been issued for verification and rectification of anomalies observed by Audit to bring those consumers under the billing cycle.

2.1.8.6 Transformers installed without consumers

Distribution Transformers (DTRs) are generally installed in different locations after considering the assessable load of the consumers of a particular location under the specified jurisdiction of the said DTR.

From Energy Audit Report of WBSEDCL it was seen that 560 DTRs with a capacity ranging from 10 KVA to 400 KVA were installed at different locations under the jurisdiction of Baruipur distribution division office. From data analysis, Audit observed that WBSEDCL had supplied 180.71 MU power (April to June 2015³⁷ and March 2016) to the said DTRs. But WBSEDCL could not realise the cost of power due to absence of registered consumers in the locations where such DTRs were installed. WBSEDCL could not generate any bill due to absence of registered consumers, even though the DTRs were receiving power from the grid. As such, there was a continuous loss of revenue of ₹ 18.57³⁸ crore per month and WBSEDCL was unable to recover the cost of power supplied which amounted to ₹ 74.27 crore³⁹ during the above mentioned four months.

Management stated (December 2016) that after audit observation, 11,300 consumers had been tagged to 337 DTRs while 218 DTRs were deleted/ deactivated as these were duplicate DTRs or classified as invalid DTRs.

³⁵ Backward Regions Grant Fund.

³⁶ Rajiv Gandhi *Grameen Vidyutikaran Yojana*.

³⁷ Data for eight months *i.e.* from July 2015 to February 2016 was not available.

³⁸ The loss is calculated, considering the average monthly input of electricity in the DTR by deducting the actual AT & C loss of 32.52 *per cent* as per operational practice of WBSEDCL and multiplying by average power purchase cost.

³⁹ The loss is calculated considering the input of electricity in the DTR by deducting the actual AT & C loss of 32.52 *per cent* as per operational practice of WBSEDCL and multiplying by average power purchase cost.

2.1.8.7 Deemed disconnected consumers

WBERC (Regulation 36) specifies that if the power supply to any consumer remains disconnected continuously for a period of one hundred and eighty days where the disconnection has been effected in compliance with any of the provisions of the Act or regulations, agreement of the licensee with the consumer for supply of electricity shall be deemed to have been terminated ('deemed disconnected') with consequential effect on expiry of the said period of one hundred and eighty days. On termination of agreement, licensee shall have the right to remove the service line and other installations through which electricity is supplied to the consumer.

Audit observed that WBSEDCL had shown 3,38,878 low and medium voltage consumers, under 15 division offices, as 'deemed disconnected' consumers in its billing system, since the time limit for termination of agreement with such consumers for permanent disconnection was over. In respect of these 'deemed disconnected' consumers, analysis of data from the Divisional Computer Centre in Midnapur division office showed that 9,656 out of total 33,214 such consumers were still availing of power illegally. This was attributable to lack of proper monitoring by the management, and delay in effecting permanent disconnection by WBSEDCL. This had not only violated the above regulation of WBERC but contributed to increase in the AT&C loss. Consequently, WBSEDCL suffered a loss of revenue of ₹ 1.52 crore in Midnapur division office alone.

Management accepted (December 2016) that performance on this front was not commendable and it was taking up the issue in right earnest. It informed that direction had been issued for effecting permanent disconnection within reasonable time. The reply did not, however, specify the time frame.

2.1.9 Compliance with billing and collection system with applicable tariff orders, codal provisions, laid down procedures and regulations issued by WBERC

Billing system is the core application for revenue realisation for WBSEDCL; as such, it is imperative that business rules are mapped completely. Billing by WBSEDCL is done at three levels:

(i) Centralised Bulk billing (for supply at 11 KV, 33 KV and 132 KV with contract demand of 1,500 KVA and above) under Central Commercial Wing at WBSEDCL's Headquarters level, (ii) De-Centralised Bulk billing (for supply at 11KV, with contract demand of 50 KVA and above up to 499 KVA) under Regional offices, and (iii) Low and Medium Voltage (L&MV) (Contract demand up to 49.99 KVA billing under Distribution divisions). Apart from Central Commercial wing, 70 Divisional Computer Centres (DCCs) generate energy bills for industrial and irrigation consumers. For low and medium

domestic and commercial consumers, 100 *per cent* spot billing⁴⁰ system has been introduced. Revenue is collected at customer care centres, through KIOSK machines, outsourced agencies (SREI)⁴¹ and Distribution Headquarters of WBSEDCL. Audit observed deficiencies in mapping of business rules leading to business risk, non-compliance with provisions of Act/ Tariff orders and consequent loss to WBSEDCL as discussed in following paragraphs.

2.1.9.1 Spot Billing

In order to achieve several advantages such as improvement of revenue collection efficiency, accurate generation of bill only after proper meter reading, instant delivery of bill to consumers, removing chances of non-delivery by courier agency, increased demand and transparency, better customer service and reducing AT&C loss, WBSEDCL introduced (April 2014) 100 *per cent* spot billing system in case of L&MV consumers by engaging nine agencies. Audit observed the following:

(a) As per clause 23 of Letter of Award (LOA), spot bill agencies had to take 100 *per cent* meter reading by scheduled date, record meter reading correctly and carry out blue card posting⁴² by scheduled date. Non-compliance with these provisions would lead to penalty ranging from one *per cent* to 15 *per cent* of the payable amount of that month as mentioned in the said clause. Audit observed that the spot bill agencies had failed to take 100 *per cent* meter reading in due time, taking correct meter reading and postings in blue card in time during April 2014 to March 2016. The Agencies had failed to raise bills on the spot in cases from 1.48 *per cent* to 78 *per cent* consumers under 14 divisions and in many cases, regeneration of bills had to be done due to faulty meter reading by these agencies. In spite of this, no penalty was imposed by WBSEDCL on these nine agencies. As a result, WBSEDCL paid an extra amount of ₹ 2.37⁴³ crore to these agencies.

Management stated (December 2016) that 100 *per cent* spot billing was very difficult and stringent penalty clauses acted as a deterrent to the agencies. The reply was not tenable since according to the LOA, if spot billing exceeded 90 *per cent* but failed to achieve 100 *per cent*, one *per cent* of the amount payable to the agencies was recoverable by WBSEDCL. Yet, WBSEDCL had not deducted penalty for shortfall.

(b) As per LOA issued to different agencies for spot billing, an agency would be paid at the rate of ₹ 14 and at the rate of ₹ 13.50 per bill including printing cost of bills, for spot billing by using Spot Bill Machine (SBM) and without

⁴⁰ Spot billing is a system of energy billing where the meter reading is taken through spot bill machine at the consumer premises and the bill is generated and handed over to the consumers immediately after generation of the bill on spot.

⁴¹ SREI Sahaj e-village Limited, now Sahaj e-village Limited.

⁴² Blue card is a primary record where meter reading data of the consumer is maintained manually on monthly/ quarterly basis and kept with WBSEDCL.

⁴³ Calculated as per the rate of penalty prescribed in LOA.

SBM respectively. Moreover, agencies were to take meter reading through SBM, print bills on spot, hand over these bills to the consumers and upload the metering data in the billing system.

Audit observed that during April 2014 to March 2016, 42.87 lakh meter readings had been undertaken manually, instead of SBM, by these agencies and bills raised subsequently, through Divisional Computer Centres of fifteen divisions at WBSEDCL's cost. However, at the time of passing of bills, the local management paid all the bills at the rate of ₹ 14 per bill with SBM rate instead of ₹ 13.50 without SBM. Thus, due to non-consideration of the rate without SBM and stationery cost, WBSEDCL had paid excess amount to the spot billing agency to the tune of ₹ 24.52 lakh.

Management stated (December 2016) that although no consumables or machine cost were involved in billing without SBM, the burden on the agencies was higher. Moreover, increasing liquidated damages (LD) had been imposed on these agencies for billing without SBM. The reply was factually incorrect. Audit checked 492 bills of nine agencies and found that no LD had been deducted from any of these bills before payment.

2.1.9.2 Collection of post-dated cheques against outstanding dues in violation of WBERC regulations

WBERC Notification 52 dated April 2013 stipulated that security deposit (SD) would be deposited either in cash or an irrevocable bank guarantee or letter of credit which was not less than the estimated amount of bill to be calculated by the licensee.

However, there is no provision in the WBERC regulation/ Act for accepting post-dated cheques as settlement against outstanding dues (OSD). The business rules should have been mapped as per WBERC regulation in this regard. Audit observed that during 2015-16, WBSEDCL had collected 43 post-dated cheques valuing ₹ 13.55 crore from 14 different consumers as security against their old outstanding dues. The amounts specified in the post-dated cheques were insufficient to recover the outstanding dues. Subsequently, four cheques valued at ₹ 71.96 lakh received from two consumers against the outstanding dues of ₹ 4.48 crore, were dishonoured on presentation; consequently, WBSEDCL failed to realise the outstanding amount of ₹ 4.48 crore from these two consumers.

Management stated (December 2016) that all except two consumers in default had squared up their dues. WBSEDCL had taken legal action against these two consumers and had disconnected supply of power to them. The fact remains that acceptance of post-dated cheques were not effective security for recovery of dues, as pointed out by Audit.

2.1.9.3 Non-realisation of electricity duty of ₹9.82 crore

As per Section 13 of Second Schedule of Bengal Electricity Duty Act, 1935, a newly set up industrial unit will get the exemption of electricity duty from the

energy consumed, save in respect of premises used for residential purpose, for a period of five years from the date of first commercial production.

Audit observed that during 2012-16, WBSEDCL allowed exemption to five centralised private consumers. However, the Director of Electricity Duty (DED) did not accept for allowance of exemption of electricity duty (ED) stating that WBSEDCL could not implement the benefit of exemption from payment of electricity duty unless it received the relevant order from DED. Thereafter, WBSEDCL asked the consumers to submit the Exemption Certificate issued by the DED. In response, five consumers did not produce any documents in this respect.

Thus, due to allowance of exemption from making payment of ED by violating the order of appropriate authority, Government suffered a loss of ₹ 9.82 crore.

Management stated (December 2016) that action was in process to realise the unclaimed electricity duty from the ineligible consumers.

2.1.9.4 Disconnection and Reconnection Charges

WBERC fixed (tariff order 2011-12 to 2015-16) disconnection and reconnection charges (DC&RC) for L&MV single phase consumers of ₹ 40 and ₹ 60 respectively to be recovered from consumers for disconnection/reconnection (DC/ RC). Business rules in the SAP/ ERP system should be mapped accordingly. As per tariff order, DC&RC charges should be received by WBSEDCL after physical disconnection. In this connection it was observed that:

(a) WBSEDCL had collected ₹ 4.38 crore⁴⁴ as DC&RC charges from consumers. Against this WBSEDCL had effected physical disconnection and reconnection of 1.64 lakh consumers⁴⁵ for which WBSEDCL had paid ₹ 61.87 lakh to the contractors during the years 2014-15 and 2015-16. This meant that WBSEDCL had collected DC&RC charges from consumers without physical disconnection and reconnection, due to absence of proper business rules in the billing system. Thus, due to non-adherence to the tariff order, WBSEDCL had collected an amount from the consumers to the tune of ₹ 3.76 crore (₹ 4.38 crore - ₹ 0.62 crore) in excess towards DC/ RC charges without effecting disconnection and reconnection physically.

(b) Further, in Basirhat division, Audit observed that WBSEDCL had incurred DC&RC charges to the tune of ₹ 2.48 crore. Against this, WBSEDCL realised only ₹ 1.68 crore during the year 2014-16. Thus, due to non-realisation of DC&RC charges from the disconnected consumers, WBSEDCL suffered a loss to the tune of ₹ 0.80 crore.

⁴⁴ Barrackpore ₹ 1.87 crore, Behala ₹ 1.88 crore and Baruipur ₹ 0.63 crore.

⁴⁵ Barrackpore 77,621, Baruipur 1,985 and Behala 84,200.

Management, while accepting the audit observation, stated (December 2016) that a guideline had been circulated for raising of demand against DC&RC charges in the system, only after physical disconnection or according to regulations.

2.1.10 Adequacy of IT infrastructure, IT plan, business continuity plan, IT controls, disaster plan and optimum security for achieving data completeness, accuracy and reliability

Billing system is the core application for revenue realisation for WBSEDCL so it is imperative that adequate IT infrastructure, IT plan, business continuity plan, disaster recovery plan and IT controls are in place to achieve the objectives of computerisation and to provide seamless service to the users/consumers.

Audit found deficiencies in various⁴⁶ controls which affected revenue generation of WBSEDCL, as discussed in the succeeding paragraphs:

General Controls

General controls include controls over data centre operations, system software acquisition/ maintenance, access security and application system development/ maintenance. They create the environment in which application systems and application controls operate. Categories of general control include organisation and management controls (IT policies and standards), IT operational controls, physical controls (access and environment), logical access controls, acquisition/ programme change controls and business continuity/ disaster recovery controls.

2.1.10.1 Lack of IT policy and IT security policy

A well formulated and documented IT policy is essential to assess time frame, key performance indicators and cost benefit analysis for developing and integrating various functions of WBSEDCL.

Audit observed that WBSEDCL had not formulated a formal IT policy for ensuring confidentiality, integrity and availability of business data. WBSEDCL did not have an IT security policy regarding the security of IT assets including the software, hardware and databank.

Further, in absence of IT security policy, modifications made in the master data relating to the consumer services, meters, meter readings, payments, arrears, adjustment in assessments, *etc.*, by the agency to which these were outsourced, were not reviewed internally to ensure accuracy before feeding into the databank.

⁴⁶ General control and application control.

It was also observed that no control procedure/ system existed to monitor the creation of new database or deletion of consumers from the master data bank making the data vulnerable to duplication/ unauthorised data.

Management stated (December 2016) that the policy was being finalised and WBSEDCL planned to undertake IT audit periodically to identify deficiencies in deployment of the policy.

2.1.10.2 Non-utilisation of software due to absence of adequate IT infrastructure

WBSEDCL had decided (April 2010) in the twentieth meeting of BoD for implementation of a similar IT application system as covered under the scope of R-APDRP⁴⁷ Part-A project, in order to maintain consistency across the State. It was decided that meter data acquisition, GIS survey, IT infrastructure, etc. may be implemented separately, based on the existing solution prepared for R-APDRP (Part-A). With the implementation of the said IT application WBSEDCL was to derive the following benefits:

- Interest income due to timely inclusion of new consumers of billing cycle of ₹ 1.60 crore *per annum*.
- Saving in compensation of ₹ 1.68 crore *per annum* due to reduction in compensation to consumers.
- Saving of establishment cost of ₹ five crore *per annum*.
- Annual saving from power purchase on account of reduction of AT&C loss of 0.7 *per cent*.

Audit observed that WBSEDCL had placed (March 2011) LOA on M/s TCS⁴⁸ for appointment of ITIA (IT Implementation Agency) and SI (System Integrator) for IT application systems⁴⁹ for 350 non-RAPDRP customer care centres at a cost of ₹ 94.51 crore, without following the tendering process. Audit also found that WBSEDCL had placed order for the supply, delivery, installation and commissioning of IT infrastructure to M/s Ricoh India Limited in February 2014. After commissioning of required IT infrastructure, the IT application was completed and rolled out by M/s TCS only in August 2014. Audit further found that though software licenses (with six years validity) were procured from TCS in March 2011 at a cost of ₹ 50.48 crore, the said licenses could not be utilised due to non-availability of the required IT infrastructure. WBSEDCL had also paid Annual Technical Support (ATS) fees amounting to ₹ 15.60 crore from the year 2011 to 2014 to TCS, although the said services could not be utilised.

⁴⁷ Restructured Accelerated Power Development and Reforms Programme.

⁴⁸ Tata Consultancy Services.

⁴⁹ As covered under the scope of R-APDRP Part-A project.

Thus, due to procurement of software license without required IT infrastructure, WBSEDCL could not derive the projected benefit of the IT application, apart from incurring an infructuous expenditure of ₹ 45.75 crore⁵⁰. Moreover, WBSEDCL also lost the opportunity for interest income, saving in compensation to consumers, saving on establishment and saving of AT&C loss of ₹ 4.80 crore, ₹ 5.04 crore, ₹ 15 crore and ₹ 112.63 crore, respectively.

Management stated (December 2016) that though the software license had been delivered in March 2011, the payment of SAP licenses and ATS started from August 2014, when metering billing and collection module installation was almost complete. Moreover, the savings pointed by Audit had also been generated by the existing legacy billing system. The reply was not tenable since, WBSEDCL had paid the license fees and ATS from 2011 to 2014, according to demand raised by M/s TCS in March 2011 and from April 2011 to July 2015 respectively. Besides, WBSEDCL's justification for implementation of SAP-ISU had been to derive benefits from the new system.

2.1.10.3 Non-upgradation of hardware infrastructure

IT infrastructure is required to be upgraded by the management to provide seamless services to its users.

Audit observed that the IT application for billing was initially developed with 80 lakh consumer strength. Subsequently, the consumer strength increased to 1.64 crore as on March 2016. Though the consumer strength doubled during the period, the requirement of upgradation of hardware infrastructure was not assessed by WBSEDCL.

From the minutes of the meeting for capacity planning of IT infrastructure, it was seen that due to non-upgradation of hardware infrastructure, the system slowed down significantly which adversely affected cash collection system, different report extraction systems, activity at Divisional Computer Centres (DCC) and Customer Care Centres (CCC) end and M-DAS system.

Management accepted (December 2016) the observation and added that preparation of a DPR for IT infrastructure augmentation had been taken up.

System Design deficiencies

The software should be designed in a robust manner to ensure validation of input advice and output results as per the business needs of WBSEDCL to minimise the incorrect generation of bills. The various system design deficiencies observed during analysis of data are discussed below:

⁵⁰ ₹ 17.87 crore for software license, ₹ 12.28 crore on GIS software and ₹ 15.60 crore as ATS.

2.1.10.4 Non-realisation of security deposit (SD)

WBERC (Regulation 52) specified that distribution licensee may require any person to furnish SD with such licensee, for an amount covering three months of estimated bills of consumption of electricity at the prevailing rates. The estimated consumption would be based on 12 months' consumption of the previous period as on 1 April of each year or estimated consumption based on his application in case of a new applicant. SD is to be taken from the beneficiaries by way of cash/ BG. Accordingly, WBSEDCL had to pay interest at the rate of six *per cent* on the SD taken from the consumers and for use as working capital.

Audit observed that the billing system did not have a provision for automatic generation of the SD payable by the consumers, based on the electricity consumption bills for three months in respect of L&MV consumers. As a result, though electricity consumption bills of 1.64 crore consumers had increased considerably, the system could not update the amount of SD payable by the consumers since 2010.

On analysis of a total of 808 centralised bulk consumers from the billing system, it was found that WBSEDCL had failed to collect the differential SD of ₹ 60.28 crore from 99 consumers as of March 2016 due to the deficiency in the system as stated above. This had resulted in blocking up of funds and loss of interest income of ₹ 6.63 crore (considering the interest at the rate of 11 *per cent per annum* thereon) as of March 2016.

Management accepted (December 2016) the observation and stated that SD adequacy involved many process and system sources, work had been taken up phase-wise.

2.1.10.5 Wrong classification/ categorisation of consumers

As per the circular of March 1994 issued by the WBSEDCL (erstwhile WBSEB), consumers such as, Hatcheries, Petrol Pumps, Printing Presses, Garages, Schools, Training Institutions, *etc.*, should be classified as "Commercial". Further, as per tariff orders issued by WBERC for the period 2011-12 and 2012-13, consumers covered under A (Cm-II), A (Cm-III), A (Cm-PU) and A (Cm-CP) would fall under L&MV commercial consumers and tariff should be charged accordingly.

From the analysis of master data of consumers, Audit found that 286 consumers, though classifiable under "commercial" consumers, had actually been classified in the system as "industrial" consumers. Due to absence of validation control, the system allowed such incorrect data entry in the Consumer Master Table. Thus, the electricity bills were raised (in 13 division offices) against the consumers at the lower tariff rate, resulting in loss of revenue of ₹ 1.15 crore.

Further, as per clause 7.2 of the said tariff orders, consumers having contract demand from 50 KVA to 125 KVA were to be classified as L&MV bulk consumer categories and were to be treated as decentralised bulk consumers

under the Regional offices. As per tariff of WBERC, decentralised bulk consumers were required to pay higher rate of tariff during the period from 2011-12 to 2015-16.

From the analysis of master data of consumers, Audit found that 254 consumers, having contract demand in excess of 50 KVA, were categorised as L&MV consumers instead of L&MV bulk consumers' category. The billing system did not have a provision for automatic categorisation/ updation of consumers based on the contract demand and automatically converted them as decentralised bulk consumers under the Regional Offices. Consequently, the electricity bills were raised against the consumers at the lower tariff rate, resulting in loss of revenue of ₹ 7.07 crore during the period 2011-16.

Management accepted (December 2016) the observation and stated that rectification process had been initiated.

Mapping of business rules

WBERC fixes the tariff rate from time to time on the basis of proposal submitted by WBSEDCL for realisation of revenue through raising bills on consumption of electricity by consumers. Accordingly, business rules should be mapped in the billing system. The deficiencies observed, where either the Act/ Rules/ Regulations/ Policies were not adhered to or not appropriately incorporated in the system, are discussed below:

2.1.10.6 Non-realisation of arrears of energy bill from disconnected consumers

Section 45 of the Act stipulates that (a) the charges for electricity supplied by a licensee shall be (i) fixed in accordance with the methods and the principle as may be specified by a concerned state commission, (ii) published in such manner as to give adequate publicity for such charges and price, and (b) the charges fixed by the distribution licensee shall be in accordance with the provisions of this Act and the regulation made in this behalf by the concerned state commission.

Audit observed that WBSEDCL had disconnected supply of 16 bulk consumers between November 2011 and January 2015 due to non-payment of monthly energy bills in time. Audit found that tariff order for the period 2011-12 and 2014-15 was issued by WBERC in December 2012 and March 2015, respectively. Due to delay in issuing of tariff order by WBERC, electricity bills of the consumers for the period from April 2011 to December 2012 and April 2014 to March 2015 were raised and realised at the pre-revised lower tariff rate of 2010-11 and 2013-14 respectively.

After the issue of the tariff order for the said period, the revised tariff rate had been incorporated in the system and the arrear electricity charges for the live consumers were raised according to the revised tariff rate.

Audit observed that the billing system did not have a provision for generation of arrear electricity bills at the revised tariff rate for the disconnected consumers. As a result, WBSEDCL suffered a loss of revenue of ₹ 6.20 crore due to non-raising/ realisation of arrear of electricity bills⁵¹ from the disconnected consumers.

Management stated (December 2016) that action had been initiated to lodge claims on these disconnected consumers.

2.1.10.7 Non-inclusion of demand charge as per regulation

WBERC (Regulation 48) specified that in case where no consumption of energy has taken place for any reasons whatsoever, including disconnection of supply due to fault on the part of the consumer but excluding instances of interruption in supply due to failure on the part of the licensee, the fixed charge or demand charge of a consumer, as the case may be, shall be calculated on the basis of the contract demand.

Audit observed that the business rules relating to demand charge had not been correctly mapped into the billing system. WBSEDCL raised demand charges on eight centralised industrial bulk consumers on the basis of 85 *per cent* of contract load, instead of 100 *per cent*. Due to incorrect mapping of the business rules in the billing system, WBSEDCL had suffered a loss of revenue of ₹ 37.08 lakh.

Management stated (December 2016) that action was underway to claim and realise the demand charges.

2.1.10.8 Allowance of power interruption benefit without proper data of power interruption

WBERC (Regulation 46) specified that for any unplanned interruption except those arising out of unforeseen contingencies like natural calamities, grid failures, automatic under-frequency tripping and other *force majeure* events beyond the control of any licensee, the licensee shall, on receipt of a complaint from a consumer, restore electric supply to the consumer as per the prescribed time frame to be reckoned from the time and date of receipt of the complaint. The licensee shall adjust the interruption benefit with fixed demand charges payable by the consumers. In case of unforeseen contingencies, as stated above, no interruption benefits were to be passed on to the consumers. Thus, based on consumer complaints, the licensee is required to segregate the unplanned interruptions into those not eligible *i.e.*, unforeseen contingencies and those eligible for interruption benefits to feed such data in the billing system for allowing power interruption benefit to the consumers.

Audit observed that the billing system did not have provision for capturing data of controllable power interruption on the basis of which power interruption benefit could be allowed to the consumers. Meters installed at the

⁵¹ Arrears of electricity bill consisting of only energy charge and demand charge.

premises of the consumers were capable of capturing the duration of power interruption in case of power failure, which may be caused either due to controllable or uncontrollable factors. The billing system captured the power interruption data once the meter reading data was downloaded in the billing system. The billing system had been designed to automatically allow power interruption benefit to the consumer, based on power interruption data maintained in the system.

During 2012-13 to 2015-16 WBSEDCL allowed gross power interruption benefit of ₹ 10.05 crore without analysing the controllable and uncontrollable factors through system.

Management stated (December 2016) that the system treated any breakdown/ planned shutdown/ scheduled maintenance, *etc.*, as interruption and accordingly, allowed power interruption benefit. Presently, however, the benefit of power interruption was being allowed to consumers on the basis of data maintained at sites. The reply is not tenable since, WBSEDCL had not designed the system to segregate the unplanned interruptions into unforeseen contingencies and others.

2.1.10.9 Wrong categorisation of tariff class

As per tariff order for the year 2014-15 issued by WBERC, consumers, having contract demand from 126 KVA to 499 KVA (supply voltage 11 KV), were to be categorised under E(B)/ E(BT), E(C)/ E(CT) and demand charge would be ₹ 320/ KVA/ month instead of ₹ 317/ KVA /month.

Analysis of data of decentralised bulk consumers showed that 35 out of 2,831 live decentralised bulk consumers (having contract demand from 126 KVA to 499 KVA) were categorised under B-IDI/ B-IDIT, B-IDC/ B-IDCT tariff class, instead of E(B)/ E(BT), E(C)/ E(CT) in the system. It was found during test check of 15 consumers out of 35 consumers that tariff was charged at a lower rate, which led to a loss of revenue of ₹ 0.69 crore during the period 2014-16.

Management accepted (December 2016) the audit observations and stated that directions had been given to claim arrear energy bills for wrong categorisation of tariff class and keep strict vigil in inserting the proper tariff class.

2.1.10.10 Consumer satisfaction

For better billing and improved customer interfaces, WBSEDCL had migrated (August 2014) the metering, billing and collection processes and functions to SAP-ISU, an industry specific solution for utilities. One of the key elements of introduction of SAP-ISU was to protect the interest of the consumers and to ensure better quality of service to them.

Audit observed that the consumers often faced problems relating to improper meter reading, wrong billing, service connection related problems and defective meter replacement *etc.*, as stated above.

Management accepted (December 2016) the audit observations and added that programme of supervisory meter reading had been taken up to improve quality of meter reading and customer service.

2.1.10.11 Redressal of grievances

WBERC (January 2006) had specified the mode and time frame for redressal of grievances in pursuance of the Act. The Standards of Performance (June 2004/ May 2010) prescribed time limit for rendering services to the consumers and compensation payable for not adhering to the same.

WBSEDCL had also created (January 2009) Customer Relation Management (CRM) Cell to look into the grievances of consumers and their redressal. To enable the compilation of complaints for assessing the performance on this account, separate registers were maintained by WBSEDCL. Detailed list of consumers' complaints redressed by CRM Cell for the period 2011-12 to 2015-16 is given at **Table 2.1.4**:

Table 2.1.4 : Details of consumers' complaints redressed during 2011-16

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Total complaints received (Nos.)	516	817	723	799	761
2	Complaints redressed within time (Nos.)	213	309	297	213	392
3	Complaints redressed beyond time (Nos.)	303	508	426	586	369
4	Percentage of complaints redressed beyond time	59	62	59	73	48
5	Compensation paid/ payable, if any, to the consumers in terms of orders of Ld Ombudsman (₹ in crore)	1.27	2.02	1.74	0.84	0.13

The table shows that WBSEDCL had paid/ liable to pay ₹ six crore as compensation to the consumers for non-compliance with WBERC's regulation.

Management stated (December 2016) that writ petitions had been filed before different courts contesting 359 compensation orders aggregating to ₹ 3.56 crore.

Conclusion

WBSEDCL had no plans/ targets to reduce AT&C losses. Due to delay in raising of bills, non-realisation of outstanding dues, unbilled consumers, unauthorised use of electricity by 'deemed disconnected' consumers and transformers having unregistered consumers, WBSEDCL suffered loss of revenue of ₹ 175.85 crore. Moreover, non-adherence to regulations of WBERC and violations of the Electricity Act, 2003 led to continued AT&C losses. Cases of theft of power have been increasing steeply over the years, contributing to substantial losses. Failure of spot billing system,

non-realisation of electricity dues, acceptance of post-dated cheques against accumulated dues and improper payment of disconnection/ reconnection charges led to inefficiencies in collection and loss of revenue. WBSEDCL incurred infructuous expenditure of ₹ 45.75 crore as it had procured software licenses without required IT infrastructure. In the absence of automatic categorisation/ updation of consumers' database on the basis of nature of connection, contract demand, *etc.*, in its IT billing system, WBSEDCL suffered loss of revenue of ₹ 8.22 crore. Delay in implementation of billing software and lacunae in the system led to non-achievement of the projected benefits to WBSEDCL as well as to the consumers as a whole.

Recommendations

- Formulate policy and set targets for reduction of AT&C losses to achieve the norms fixed by WBERC.
- Make an assessment of reasons for high AT&C losses and put in place a plan to address these issues to reduce AT & C losses as well as to maximise its revenue.
- Maximise meter reading done by Spot Billing Machine to realise the revenue in due time.
- Review and incorporate, where required, appropriate validation of inputs in the existing software in conformity to its business needs for minimising the incorrect generation of bills.
- Institute a system to incorporate the current and relevant orders/ tariffs into the business rules in the software whenever these are modified/ changed by WBERC/ Acts/ Rules.

West Bengal Electronics Industry Development Corporation Limited

2.2 Management of physical infrastructure and skill augmentation for IT Sector

Executive Summary

Introduction

West Bengal Electronics Industry Development Corporation Limited (WBEIDCL) was incorporated (February 1974) with the main objectives of (i) developing electronics and allied industries through establishment of manufacturing, research and development activities, and (ii) facilitating development of information technology in West Bengal.

Income from management of infrastructure decreased from ₹ 18.20 crore in 2011-12 to ₹ 16.99 crore in 2015-16. The reasons were application of differential rates of rental/ lease premium for allotments of plots and modules, non-revision of rent, recovery of service charges at different rates for similar/comparable services, etc. Further, income from skill augmentation increased from ₹ 0.19 crore in 2011-12 to ₹ 0.86 crore in 2015-16 in respect of execution of centrally sponsored schemes. WBEIDCL was facing serious problems in recovering dues worth ₹ 14.72 crore from GoWB on sale of IT goods to various GoWB entities.

Management of infrastructural facilities

WBEIDCL had foregone revenue of ₹ 4.90 crore as a result of vacancy of two to 100 per cent in the 10 operational IT parks, set up prior to April 2011. In addition, it was also foregoing a recurring amount of ₹ 13.46 lakh per month, since March 2016. Further, out of five new IT parks completed by January 2016, three were still vacant. Another three IT Parks were still to be fully constructed.

Process of allotment of space, fixation of rents & rates and collection thereof

WBEIDCL, in case of 72 allottees, occupying 1.47 lakh sft of rental spaces in eight IT parks, were under-charged/ did not charge security deposit of ₹ 0.19 crore. Despite having an operational ERP system, WBEIDCL, failed to execute/ renew lease/ rental agreements in case of 66 allottees with outstanding rentals of ₹ 1.64 crore. It had allotted plots on long term lease at differential rates of lease premium, leading to loss of ground rent of ₹ 1.84 crore since March 2016. Allotment of modules/ spaces at concessional rent to non-STPI registered units on short term rental led to loss of rent of ₹ 0.21 crore. Non-revision of rental rates at Taratala Industrial Estate (TIE) resulted to loss of rent of ₹ 1.54 crore. Delayed revision of transfer fees resulted in loss of ₹ 1.94 crore. WBEIDCL had to incur loss of revenue of ₹ 3.33 crore towards rent as of March 2016 by not raising invoices on defaulting allottees. The chances of collection of dues of ₹ 4.10 crore from

67 allottees, who had either surrendered their modules or had been evicted by WBEIDCL between 2012-13 and 2015-16 were remote.

Skill Augmentation

WBEIDCL executed six GoI schemes of IT training during 2013-14 to 2015-16. The selection of candidates was not efficiently monitored by WBEIDCL and lacked transparency, resulting in expenditure of ₹ 4.75 crore on 3,913 ineligible candidates. Further, in violation of the scheme norms, WBEIDCL had transferred to its training partner the responsibility of disbursing the stipend to trainees. WBEIDCL did not inspect the training locations regularly to monitor progress and follow up on their outcome.

Conclusion

WBEIDCL could not ensure complete occupancy in seven out of its 10 IT parks. It did not uniformly collect the security deposits in accordance with its policy. It had allowed concessional rentals to non-STPI units (occupying 8,708 sft) which had resulted in loss of revenue. Further, belated revision of transfer fees in deviation of government directives had led to loss of revenue. Non-invoicing on defaulting allottees had resulted in forgoing of legitimate claims. WBEIDCL had failed in its role of effectively providing training in information technology to students who applied to its training programmes. There were inadequacies and irregularities in the selection process. WBEIDCL did not monitor the disbursement of stipend to eligible candidates. Monitoring of the training programmes was weak and the post-training follow up was non-existent.

Recommendations

WBEIDCL may initiate an annual review of the rates for rent and service charges and revise them, keeping in view the need to ensure occupancy of the constructed IT parks. It may revise its policy of not drawing invoices on defaulting allottees to enforce its claims, comply with statutes and also improve internal check system for raising of invoices. Besides, it may ensure that the selection of candidates for training is as per government guidelines with regard to eligibility criteria, maintain necessary records and disburse stipends directly to students.

2.2.1 Introduction

West Bengal Electronics Industry Development Corporation Limited (WBEIDCL) was incorporated (February 1974) as a subsidiary of the West Bengal Industrial Development Corporation Limited (WBIDCL), a Government Company. Its main objectives are to (i) develop electronics and allied industries through establishment of manufacturing, research and development activities, and (ii) to facilitate development of information technology in West Bengal. Since August 1981, Government of West Bengal (GoWB) has been investing in WBEIDCL directly, and it has ceased to be a subsidiary of WBIDCL.

WBEIDCL is presently engaged in setting up and providing IT infrastructure⁵² including office space-on rent, boosting facilities for information technology (IT) and IT enabled service (ITeS) industries, as well as providing internet services and imparting IT training. WBEIDCL also assists GoWB in e-governance projects⁵³. Besides, it supplies, maintains and repairs medical equipment at Government hospitals and health care centres. Further, WBEIDCL is the nodal agency of the State Government for development of IT industry in the State.

As on 31 March 2016, WBEIDCL had 145.55 acres of land and 5.22 lakh square feet (sft) of built up space ready for allotment and 134 employees⁵⁴ for managing day to day activities of WBEIDCL. Moreover, it had seven⁵⁵ wholly owned subsidiaries, of which two *viz.*, Webel Technology Limited (WTL) and Webel Informatics Limited (WIL) were associated with the business of IT products and IT learning.

Performance Audit on the working of WBEIDCL was conducted earlier and results thereof were incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Commercial), Government of West Bengal (GoWB). The Report was not selected for discussion by the Committee on Public Undertakings (COPU).

2.2.2 Organisational Structure

WBEIDCL, under the aegis of the Department of Information Technology and Electronics (DITE), GoWB, is managed by a Board of Directors headed by a Chairman and seven other Directors, all nominated by the State Government. Managing Director (MD), as Chief Executive Officer, is assisted by Executive Director (Finance), General Manager (Finance), General Manager (Technical), Company Secretary and Public Information Officer in managing day to day operations.

2.2.3 Audit objectives

In order to have a well-planned and effective strategy for development of IT and ITeS industry, West Bengal Policy on Information and Communication Technology, 2012 (ICT Policy 2012) was introduced in September 2012. The State's vision is to become one of the leading States in India in the IT, ITeS, electronics system design and manufacturing sectors, enabling the State to transform itself into a knowledge-driven welfare society with extensive use of IT and ITeS in governance as well as in the daily lives of the people of the State by 2020.

⁵² In the form of developed land, module space *i.e.* constructed premises, Standard Design Factories (SDF), plug and play set-ups with hardware and LAN connectivity.

⁵³ West Bengal State Wide Area Network, State Data Centre, *etc.*

⁵⁴ Information Technology Engineers.

⁵⁵ Webel Informatics Limited (WIL), Webel Technology Limited (WTL), Webel Electro Communication Systems Limited, Webel Venture Capital Limited, Webel Mediatronics Limited, Webel Consumer Electronics Limited and Webel Electro Optics Limited.

The strategies for attaining the vision of ICT Policy 2012 of GoWB *inter alia* included reorganisation of WBEIDCL so that it concentrated on developing technical competencies, especially in e-Governance, besides providing incubation infrastructure for the Small and Medium Enterprises (SME) sector, both in software and hardware.

This Performance Audit was conducted to ascertain whether WBEIDCL had been efficiently, economically and effectively:

- Managing infrastructure facilities to attract IT/ ITeS/ electronics players for SMEs at existing hubs including –
 - Utilising infrastructure,
 - Invoicing for ground rents, service charges, transfer fees and permission fees for land utilised, and
- Enhancing supply by augmentation of skills suitable for IT, ITeS and electronic sectors as well as catering to GoI schemes for skill development and vocational training courses in non-IT sector.

2.2.4 Scope and Methodology of Audit

The Performance Audit, conducted between April to August 2016, covered activities of WBEIDCL in managing physical infrastructure and skill augmentation during 2011-12 to 2015-16.

Audit methodology involved (i) scrutiny of records related to implementation of projects/ schemes, progress reports sent to GoWB/ GoI, (ii) review of all 10 operational IT parks and the 11 upcoming IT parks (iii) review of utilisation of funds received by WBEIDCL from GoWB and GoI (iv) review of Government directives, minutes of meeting of the Board of Directors (BoD) and Audit committee along with records (v) examination of financial records (vi) issuing audit enquiry/ observations and (vii) interaction with the management.

An Entry Conference was held on 21 March 2016 wherein audit objectives, audit criteria, scope and methodology of the Performance Audit were discussed with the management of WBEIDCL and DITE. An Exit Conference was held on 15 November 2016 to discuss the audit observations, WBEIDCL's responses, audit conclusions and recommendations. It was attended by the Managing Director of WBEIDCL and Commissioner, DITE, GoWB as well as senior management of WBEIDCL.

2.2.5 Audit criteria

Audit criteria adopted for assessing achievement of audit objectives have been derived from the following:

- Memorandum and Articles of Association, Standard Operating Procedures of WBEIDCL;
- ICT Policy 2012 of GoWB;

- Schemes for skill development of GoI; and
- Management Information System (MIS) of WBEIDCL, Government orders/ circulars.

2.2.6 Acknowledgement

Audit acknowledges the co-operation of WBEIDCL and Department of Information Technology and Electronics (DITE), Government of West Bengal (GoWB) in providing the necessary records and information in connection with the conduct of this Performance Audit.

Audit Findings

The audit findings are discussed in the succeeding paragraphs.

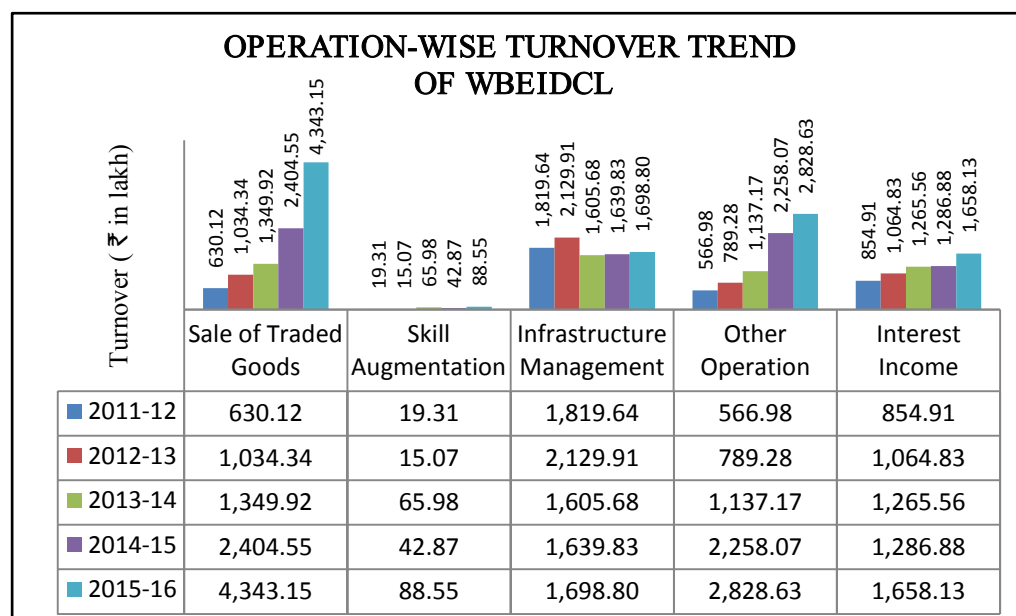
2.2.7 Operational and Financial Performance

WBEIDCL generates funds from its operational activities, interest from investments and receipts of funds from GoWB as long term borrowings and equity. It utilises its funds mainly for creation of infrastructure, loans to subsidiaries and repayment of loans.

2.2.7.1 Operational performance

The trend of operational performance of WBEIDCL for the period 2011-16 may be observed from **Figure 2.2.1**.

Figure 2.2.1 Operation-wise turnover trend from 2011-12 to 2015-16



(Source: Annual accounts of WBEIDCL)

Income from management of infrastructure decreased from ₹ 18.20 crore in 2011-12 to ₹ 16.99 crore in 2015-16. The reasons were application of differential rates of rental/ lease premium for allotments of plots and modules,

non-revision of rent, recovery of service charges at different rates for similar/comparable services, etc., as discussed in **Paragraphs 2.2.8 to 2.2.10**. Further, income from skill augmentation increased from ₹ 0.19 crore in 2011-12 to ₹ 0.86 crore in 2015-16 in respect of execution of centrally sponsored schemes as discussed in **Paragraphs 2.2.11 to 2.2.13**. Further, sale of traded goods also increased from ₹ 6.30 crore in 2011-12 to ₹ 43.43 crore in 2015-16 due to rising demand. However, audit observed delays in collection of dues as discussed in **Paragraph 2.2.7.3**.

2.2.7.2 Financial performance

It was observed that the net worth of WBEIDCL increased by 45 per cent from ₹ 116.14 crore in 2011-12 to ₹ 168.38 crore in 2015-16. In the same period, capital employed rose by 36 per cent from ₹ 142.38 crore to ₹ 193.53 crore. During the period 2011-16, the average return on capital employed was three per cent only against cost of debt capital of nine⁵⁶ per cent. This indicated that capital of WBEIDCL was not being utilised efficiently as the return was not commensurate with the borrowing costs incurred by WBEIDCL during 2011-12 to 2015-16.

WBEIDCL did not reply to this observation.

2.2.7.3 Increased borrowings due to poor recovery of dues

WBEIDCL provided infrastructure business support to GoWB and other entities through supply of hardware and software (through BD cell⁵⁷). WBEIDCL's total turnover from trading activities in 2015-16 was ₹ 43.43 crore, which was 40.91 per cent of its total turnover in that year.

It was observed that WBEIDCL was facing serious problems in respect of collection of its dues from customers, most of which were GoWB Departments; these Departments accounted for 84 per cent of its sales revenue from these activities over the entire period covered by Audit.

Audit observed that the total outstanding dues of WBEIDCL from GoWB amounted to ₹ 14.72 crore as on March 2016. The age-wise break up is given below in **Table 2.2.1**.

Table 2.2.1: Age-wise dues from trading activity

Period	Amount outstanding (₹ in crore)	Percentage of total
Less than one year	8.95	60.82
From one year to two years	3.73	25.32
More than two years	2.04	13.86
Total	14.72	100.00

(Source: Records of WBEIDCL)

⁵⁶ Between 2011-12 and 2015-16, rate of interest on borrowed capital ranged from nine to eleven and half per cent.

⁵⁷ Business Development Cell.

From **Table 2.2.1**, it can be seen that 39.18 *per cent* of its receivables from the GoWB remaining outstanding for more than a year was contributing to the shortage of its working capital, forcing WBEIDCL to borrow and thereby raising its debt-equity ratio.

Government did not respond to the audit observations despite repeated reminders.

Management of infrastructural facilities

WBEIDCL developed infrastructure for IT/ ITeS units in the State in line with directives of GoWB and funded by the State Government. Prior to April 2011, WBEIDCL had set up eight IT parks⁵⁸ in Kolkata, one each at Siliguri and Durgapur. With a view further to spreading IT activities across the State, including Tier-II and Tier-III locations⁵⁹, GoWB had entrusted (September 2013) development of 11 IT parks and two electronic manufacturing clusters in 12⁶⁰ districts to WBEIDCL. All of these were in various stages of construction, except five IT parks (in four districts) of which the construction was completed (August 2015) but which had yet to be made operational. As a result, as of March 2016, WBEIDCL operated only 10 IT parks with total built up area of 5.22 lakh square feet (sft) which were completed prior to 2011. In addition to the above, WBEIDCL, leased⁶¹ 52.74 lakh sft of plots in Kolkata to IT and ITeS entrepreneurs. The summary of infrastructural facilities created by WBEIDCL (March 2016) and the status of upcoming projects is given in **Annexure 3**.

2.2.8 Operational IT parks

2.2.8.1 Vacancy in IT parks

Audit scrutinised all the 10 operational parks and observed that vacancy in these operational IT parks ranged between two and 100 *per cent* as of March 2016, as shown in Part-(A) of **Annexure 3**. The vacancy in such IT parks, ranged from seven to 51 months during 2011-12 to 2015-16. It was further observed that the entire space in one IT park⁶² remained totally vacant (March 2016) due to absence of sale-purchase agreement relating to acquisition of the space. Further, the IT park in its HQs remained 50 *per cent* vacant even though it was located in a prime commercial area (Sector V, Salt Lake).

⁵⁸ Including one Standard Design Factory (SDF) and one incubation centre.

⁵⁹ The ICT Policy 2012 of GoWB defines Tier-II and Tier-III cities located outside the greater Kolkata area {Para 3.1(b)}.

⁶⁰ Darjeeling, Bardhaman, Bankura, 24 Parganas (N), Medinapore (E), Midnapore (W), Birbhum, Purulia, Malda, Howrah, Nadia and 24 Parganas (S).

⁶¹ These were leased to WBEIDCL by the Urban Development Department.

⁶² West Bengal Biotek Park.

2.2.8.2 Revenue forgone due to lack of occupancy

It was further seen that WBEIDCL had foregone revenue⁶³ of ₹ 4.90 crore as a result of this vacancy in the 10 operational IT parks, all of which were completed by 2011. In addition to revenue forgone, it was also foregoing a recurring amount of ₹ 13.46 lakh per month, from various time periods beginning from April 2016, towards rental income, as a result of this vacancy.

2.2.9 Upcoming IT parks- Delays in operationalising IT parks

WBEIDCL had been entrusted by DITE, GoWB (September 2013) with the development of 11 IT parks and two electronic manufacturing clusters in 12 districts of the State to be completed during by December 2015. Audit scrutinised all the proposed IT parks/ manufacturing clusters and with regard to these 11 IT parks/ two manufacturing clusters, Audit observed that five⁶⁴ IT parks were completed in August 2015/ January 2016 with delays ranging from nine to 18 months⁶⁵. Three of these IT parks, situated in Tier-II/ III locations, were still vacant (October 2016). The IT park in Rajarhat was located in prime area (near Sector V, Salt Lake) but was also occupied to the extent of 58⁶⁶ per cent, the vacancy loss (42 per cent of total allotable area) per month amounted to ₹ 4.86 lakh, since September 2015. The IT Park located at Durgapur was completed in August 2015 but only occupied by October 2016. Three IT Parks are still to be fully constructed. No preliminary work for development of three remaining IT parks and the two electronic manufacturing clusters was undertaken as of March 2016.

Management in its reply stated (December 2016) that the vacancy was mainly due to lack of demand due to poor market conditions rather than any administrative slackness. The fact remains that the IT sector was a thrust area for the Government and poor market conditions cited by WBEIDCL could not have been a factor in low utilisation as, according to GoWB (2016), the IT sector had grown by 79 per cent since 2010-11. Further, a survey report by the Department showed that 298 companies were working in Tier-II and Tier-III districts. Despite this, WBEIDCL was unable to attract entrepreneurs to ensure occupancy. Evidently, WBEIDCL needed to make further efforts to utilise the space already built by it.

⁶³ Calculated on the basis of period and quantum of vacancy at applicable rental rates.

⁶⁴ Durgapur, Asansol, Barjora, Purulia and Rajarhat.

⁶⁵ Less than one year: two IT parks; more than one year: three IT parks.

⁶⁶ Out of total area of 42,159 sft, only 24,806 sft was occupied.

2.2.9.1 Instance of a non-viable IT park

Audit checked the records relating to the Kharagpur IT Park which was scheduled to be completed in October 2014 at an estimated cost of ₹ 18.43 crore. The DPR stated (February 2012) that the chances of growth in IT and ITeS were low, as IIT Kharagpur had already set up (1986) an IT park in the location. Moreover, another IT park set up in 2004 by STPI had failed to attract potential IT entrepreneurs and was lying vacant. In such a situation the feasibility of the project was doubtful. However, the project was in progress and cost of ₹ 11.29 crore has been incurred as of January 2016.

Management accepted (October 2016) that although there were low chances for growth in IT/ ITeS in this IT park, yet, this was constructed with the approval of GoWB (September 2013). The reply needs to be seen in view of the fact that six already completed IT parks were still lying largely vacant.

The Government, despite repeated reminders, did not respond to the Audit observation.

2.2.10 Processes of allotment of space, fixation of rents & rates and collection thereof

WBEIDCL had laid down (October 2014) Standard Operating Procedure (SOP) for streamlining the flow of activities related to monitoring of modules⁶⁷ and land allotted to the entrepreneurs. It *inter alia* included (a) allotment of space (b) realisation of security deposit (c) execution and renewal of rental/ lease and license agreement (d) management of allotment, fixation of rates/ charges and raising bills/ invoices (e) collection of dues and (f) inspection of plots allotted to the occupants.

Audit observations relating to management of physical infrastructure and its monitoring by WBEIDCL are discussed in succeeding paragraphs:

2.2.10.1 Short/ non-realisation of security deposit

WBEIDCL, after allotment of space, collected security deposit equivalent to one month's rent and service charge for license⁶⁸ agreements for a period of 11 months, while three months' rent and one month's service charge was collected as security deposit for rental agreement of 36 months.

Audit observed that 72 allottees, occupying 1.47 lakh sft of rental space in eight IT parks were under-charged/ not charged security deposit of ₹ 19.32 lakh. Further, scrutiny of overdue balances as on March 2016 showed that total outstanding rentals from these 72 allottees stood at ₹ 79.38 lakh, which could have been partially recovered if commensurate security deposit had been collected and duly adjusted thereagainst.

⁶⁷ Built-up space with internal fitments, generally ready to move into.

⁶⁸ As defined under Section 52 of the Indian Easements Act, 1882.

Management stated (December 2016) that the security deposits are now being collected as per existing norms.

2.2.10.2 Non-execution and non-renewal of lease/ license agreements

WBEIDCL, as per the SOP, is required to execute lease agreement simultaneously with issue of final allotment letter to the allottees.

(i) Audit observed that no agreement was executed with 42 allottees occupying 0.57 lakh sft in six IT parks and rentals were fixed on the basis of final letter of allotment. Further, these 42 allottees were allowed to occupy spaces without any agreement for periods ranging from one to five years. Outstanding rental of ₹ 1.18 crore was receivable from these allottees as of March 2016.

(ii) Scrutiny of ERP system⁶⁹ disclosed that WBEIDCL did not renew agreements, for periods ranging from 29 days to 731 days, with 24 allottees and these agreements lapsed. It also did not take any action for eviction, though outstanding rentals of ₹ 46 lakh was receivable from these allottees as of March 2016. As such, there was no monitoring mechanism in WBEIDCL, despite presence of ERP system allowing automated alerts for those agreements which were going to expire.

While accepting the observation, Management stated (December 2016) that it was working on updation of the agreement related records and completion of the pending cases.

2.2.10.3 Management of allotments

WBEIDCL allotted plots in Sector V, Salt Lake, Kolkata or built-up spaces/modules in its IT parks on long term leases and short term rentals. The deficiencies in management of allotment of spaces/ plots by WBEIDCL, as observed in audit, are given in following paragraphs:

(a) Allotment of plots on long term lease at differential rates of lease premium leading to loss of ground rent

As on March 2016, a total super-built up area of 52.74 lakh sft of land was leased to 119 allottees for 90 years each. The land was allotted (1986-87 to 2008-09) on payment of lease premium⁷⁰ (LP) and annual ground rent at 0.25 per cent of LP over the period under lease.

Audit observed that WBEIDCL had allotted (1986-88) these plots at a uniform rate of ₹ 22.96 per sft. Since 1988-89, WBEIDCL had started allotting plots at different rates of LP in the same financial year (except in 1996-97) at the same location, for reasons not on record. These rates varied from ₹ 22.96 to

⁶⁹ Enterprise Resources Planning.

⁷⁰ Lease premium was the consideration payable to WBEIDCL by the allottees for allotment of the plots of land.

₹ 84.94 per sft., and ₹ 75.76 to ₹ 84.94 per sft., in 1988-89 and 2003-04, respectively. Audit further observed that this was due to the fact that WBEIDCL had not framed a pricing policy for fixation of LP for allotment of plots/ land in same locations. Due to allotment of plots at differential rates in the same year, WBEIDCL had short-realised⁷¹ LP of ₹ 10.81 crore. Moreover, as annual ground rent was 0.25 *per cent* of LP, WBEIDCL incurred loss of ₹ 0.59 crore towards annual ground rent up to March 2016 with further loss of ₹ 1.84 crore thereafter, due to under charging of LP.

Audit analysed that WBEIDCL could have substantially reduced its borrowings and interest cost of ₹ 4.86⁷² crore during 2011-12 to 2015-16 if it had framed a land pricing policy which would have enabled it to realise standard rates of LP.

WBEIDCL did not address the issue of variations in LP in the same financial year and in the same locations.

(b) Allotment of modules/ spaces at concessional rent to non-STPI registered units on short term rental

WBEIDCL had offered (January 2012) the benefit of lower rentals on modules at SDF to IT and ITeS units registered under GoI. Based on its adopted (January 2012) rate policy⁷³, it charged ₹ 21/ sft/ month from STPI registered units and ₹ 26/ sft/ month from non-STPI registered units.

Audit observed that during January 2012 to March 2016, WBEIDCL, deviating from its own policy, had allowed concessional rentals to nine non-STPI units (occupying 8,708 sft) for reasons not on record. This resulted in loss of revenue of ₹ 21.11 lakh.

While accepting the observation, Management stated (December 2016) that at the time of allotment, these units were STPI-registered but had subsequently surrendered their registration. Further, WBEIDCL added that it was in the process of re-fixing rental rates for these units.

2.2.10.4 Fixation of rentals and charges

Rental income constituted 25 *per cent* of the total income from infrastructure, skill augmentation and procurement. Deficiencies in fixation of rentals and charges by WBEIDCL as observed in audit are given below:

⁷¹ Calculated as area multiplied by difference between the LP rate actually charged and highest rate realised by WBEIDCL in the same year.

⁷² ₹ 10.81 crore at the rate of nine *per cent* for five years (2011-12 to 2015-16).

⁷³ Rental rates for allotment of rental spaces in the WBEIDCL IT parks.

(a) Non-revision of rental rates at Taratala Industrial Estate (TIE)

WBEIDCL had revised (January 2012) applicable rentals at nine IT parks except at TIE⁷⁴. Two spaces in the same location were available at Taratala-TIE and Taratala HRDC⁷⁵.

It was seen that WBEIDCL charged differential rental rates varying from ₹ 4/ sft to ₹ 19.83/ sft for open spaces at TIE. Further, WBEIDCL had fixed minimum rent of ₹ 14/ sft for open spaces at Taratala HRDC, although TIE and Taratala HRDC were located in the same premises. Thus, based on effective occupancy, WBEIDCL had to incur loss of ₹ 1.54 crore from January 2012 to March 2016 with recurring loss of ₹ 3.47 lakh⁷⁶ per month since April 2016. Reason for non-revision of rental charges at TIE was refusal by the tenants to accept any hike.

Management accepted (December 2016) the audit observation and stated that revision of rates in the near future was under consideration.

(b) Non-uniform fixation of service charges

WBEIDCL collected service charges from tenants and sub-lessees⁷⁷ for maintenance and upkeep of infrastructure. BoD last revised service charges in January 2012. While analysing the rates of service charges, Audit found that in case of fixation of rates at Moni Bhandar building, WEBEL Bhaban, STP-II⁷⁸ and SDF building, all situated at the same location with comparable facilities, monthly service charges for first three premises were fixed at ₹ seven/ sft and for the latter it was ₹ six/ sft respectively. As such, there was no objective criterion for fixation of service charges.

Thus, based on actual period of occupancy, area and the difference in rate of ₹ one/ sft per month, WBEIDCL had to incur loss of ₹ 85 lakh from January 2012 to March 2016 and avoidable loss of ₹ 1.94 lakh/ month since April 2016.

Management stated (November 2016) that service charge rate was lower at SDF as it was an older building. The Management's reply was not acceptable as the audit observation is on differential service charge rates for IT parks built in the same vicinity, which resulted in discrimination amongst its units, apart from revenue losses. Further, Audit observed that while SDF was an older building, the monthly expenditure on maintenance and upkeep during 2011-2015 was at ₹ 6.35 per sft while recovery was lower at ₹ six/ sft.

⁷⁴ Revision of rates did not take place at Taratala IE during period of audit.

⁷⁵ Human Resource Development Centre.

⁷⁶ Being 69,000 sft at ₹ 26/ sft/ month.

⁷⁷ Plot occupants.

⁷⁸ Modules with both AC and Non-AC facility.

(c) Delayed revision of transfer fees

In terms of GoWB notifications, transfer of land/ developed plots from sub-lessee to assignee⁷⁹ attracted fees for such transfer, payable both to Urban Development Department (UDD), GoWB and WBEIDCL at equivalent rates. WBEIDCL did not, however, revise its transfer fees of land in line with GoWB directives from 2007 to 2012 for reasons not on record. Finally, in December 2012, WBEIDCL revised its transfer fees for land at ₹ three lakh per *katha* for industrial use and ₹ six lakh per *katha* for commercial use in accordance with UDD notification of 2007.

It was observed that between December 2010 and July 2012, WBEIDCL had permitted transfer of 387.36 *katha* of land to five industrial assignees at ₹ 2.50 lakh per *katha* (instead of applicable rate of ₹ three lakh per *katha*), totalling ₹ 9.68 crore. Thus, by delaying⁸⁰ the revision of transfer fees WBEIDCL had to incur loss of revenue of ₹ 1.94 crore.

Management did not refute (December 2016) the audit observations.

2.2.10.5 Monitoring of billing activities

As per the SOP of WBEIDCL, invoices were not raised in case the payment was delayed beyond six months by the allottee in default. It was observed that due to adoption of this procedure, WBEIDCL had failed to lodge an initial claim over existing defaulters for arrears and current dues. Test check of billing records showed that 50 allottees, occupying 0.57 lakh sft in eight parks, had defaulted on payments. It was further observed that billing with regard to these defaulters was blocked in the ERP system and bills were not drawn, for periods ranging from three to 50 months since the date of last bill drawn. Due to non-billing of these defaulting tenants/ occupants, WBEIDCL had to incur loss of revenue of ₹ 3.33 crore towards rent as of March 2016. Further, the SOP also provided for eviction of defaulters. WBEIDCL had not, however, taken any action for evicting these defaulters was observed from the records.

This also led to non-payment of Income Tax of ₹ one crore⁸¹ and Service Tax of ₹ 0.43 crore (excluding penal interest and penalty for non-payment) for the financial year 2011-12 to 2015-16.

Management accepted (December 2016) the audit observation and added that non-payment for more than six months rendered the tenant's occupancy as questionable and it effectively became unauthorised occupancy. By not raising invoices, WBEIDCL had provided an opportunity to the defaulters to forfeit their liability.

⁷⁹ Entrepreneur subsequently getting transfer of land from sub-lessee.

⁸⁰ Since the notification for revision of fees by UDD (April 2007) and its adoption (December 2012).

⁸¹ Basic income tax at 30 per cent on ₹ 3.33 crore.

2.2.10.6 Delay in receipt of rent and penalty not charged

As per SOP of WBEIDCL, rent and other charges were payable by tenants within 10 days of date of raising of invoice. Tenants were to pay WBEIDCL by cheque, draft or NEFT⁸². Further, for delayed payments beyond the prescribed period of 10 days, the invoices stipulated recovery of penalty at two per cent per month.

Audit, while scrutinising 6,795 rental invoices (valued at ₹ 27.73 crore) out of 8,002 invoices (valued at ₹ 32.08 crore) for 2011-12 to 2015-16, observed that collections were made after delays⁸³ ranging from one to 1,503 days as depicted at **Table 2.2.2**.

Table 2.2.2 : Penalty recoverable for delayed receipt of rent

Range of delay	Number of cases	Penalty chargeable (₹ in lakh)
One day to 365 days (one year)	6,265	129.34
366 to 730 days (one to two years)	299	26.70
731 to 1,095 days (two to three years)	140	18.87
More than 1,095 days (three years and above)	91	24.52
Total	6,795	199.43

As has been shown in the table above, WBEIDCL had not charged penalty amounting to ₹ 1.99 crore for these delayed receipts. Further, as the funding pattern of WBEIDCL included interest bearing loans, undue delays in collection of rental dues had leveraged the interest coverage ratios⁸⁴, resulting in outgo of interest⁸⁵ cost of ₹ 0.58 crore.

Management accepted (December 2016) the audit observations and added that efforts for recovery of outstanding dues were an ongoing process. Besides, WBEIDCL had not charged penalty to maintain its industry-friendly face. The reply is not tenable as this allowed undue extension of credit period.

2.2.10.7 Loss due to deficiency in collection

Receivables⁸⁶ from occupants of plots and modules as on March 2016 stood at ₹ 10.05 crore. Age-wise analysis of the receivables disclosed that 59 per cent of the receivables pertained to periods in excess of 12 months, indicating weak collection efficiency of WBEIDCL. Further, 41 per cent (₹ 4.10 crore) of total receivables pertained to 67 allottees who had either surrendered their modules

⁸² National Electronic Fund Transfer.

⁸³ After allowing credit period of 10 days from date of invoice.

⁸⁴ Ratio used to determine how quickly a company can pay its interest expenses on debts.

⁸⁵ Computed at nine per cent, being the lowest cost of borrowed capital of WBEIDCL during 2011-2016.

⁸⁶ Rents, ground rent, service charges and other charges.

or had been evicted by WBEIDCL between 2012-13 and 2015-16, and chances of recovery from them were remote. Thus, due to deficiency in the collection system, WBEIDCL had to incur loss of revenue of ₹ 4.10 crore as of March 2016.

Management stated (December 2016) that regular monitoring and follow-up was being made to improve collection.

2.2.10.8 Inspection of units and review of utilisation of allotted space

As per its SOP, WBEIDCL had to inspect the sub-leased plots and buildings constructed thereon by their occupiers at regular intervals or as and when necessary. Information like use of built up space beyond 20 *per cent* for non-IT/ ITeS business, change in tenancy, status current position/ utilisation *etc.*, was to be collected by the inspecting team and reported. During test check of inspection reports, Audit observed that:

(i) Plots were allotted by WBEIDCL to IT and ITeS units. IT and ITeS units utilised these plots for their own use as well as for sub-letting out to IT and ITeS/ IT support service units after creation of infrastructure. In case of sub-letting to third party tenants, WBEIDCL was to collect monthly permission fees at ₹ three per sft from allottees for IT and ITeS units and ₹ six per sft for non-IT and ITeS units. WBEIDCL charged permission fees based on status reports regarding utilisation of developed plots/ buildings furnished by the allottees. WBEIDCL did not maintain any data in this regard and was dependent on the submission of information by allottees. As such, in the absence of periodic inspection, WBEIDCL has to forego permission fees due to it.

(ii) Since the intervals for inspection had not been prescribed, WBEIDCL had inspected only 13 *per cent* of the total number of allotted plots representing 12 *per cent* of the total area allotted (52.74 lakh sft). Moreover, during the same period, 75 plots (63 *per cent* of the total plots) occupying 66 *per cent* of the total area were never inspected. Further, 27 plots (23 *per cent*) occupying 19 *per cent* of the total area were inspected only once, while only 17 plots (14 *per cent*) covering 15 *per cent* of the total area were inspected on two to three occasions during these five years.

Skill Augmentation

According to the Skill Gap Study Report (January 2013) of National Skill Development Corporation, during 2012-2022, West Bengal would incrementally require three lakh skilled and semi-skilled manpower in the IT and ITeS sectors. This required setting up of anchor institutes⁸⁷ for manpower development in IT and ITeS.

⁸⁷ Major institutions with eligibility/ expertise to enhance IT/ ITeS skill level in the State on large scale.

In April 2008, WBEIDCL had started Webel Learning Services (WLS) for providing IT education and training to students who were studying/ had graduated, to prepare them for entry level positions in IT and ITeS industries. WBEIDCL did not conduct these training programmes itself; rather, it facilitated developing and conducting these training programmes through training partners selected by it. Funding for these programmes came from various national schemes of GoI for providing IT/ non-IT skill development/ vocational courses to students from backward classes. Successful trainees completing these programmes were issued joint certificates by WBEIDCL and their training partners.

2.2.11 Execution of GoI supported training schemes/ projects

WBEIDCL took up execution of six schemes of IT training of various agencies of GoI⁸⁸ during 2013-14 to 2015-16 through their Training Partner at 63 locations in West Bengal, Bihar, Odisha and Jharkhand. Based on open tendering process, WBEIDCL selected (September 2013/ October 2014) a Kolkata-based private training partner⁸⁹ (TP) to execute training in and outside West Bengal. As per the terms of agreement, out of the total course fees receivable, WBEIDCL would retain 20 *per cent* and transfer the balance 80 *per cent* to the TP for execution of the training programmes. The aggregate amount of course fees and stipend for these six schemes was ₹ 7.53 crore⁹⁰, of which WBEIDCL's share was ₹ 1.16 crore. Against this, the various agencies⁹¹ of GoI had not disbursed ₹ 1.90 crore⁹² till March 2016 as some requirements of the schemes had not been met.

As per the schemes guidelines, the general conditions of all the schemes were as follows:

1. The selection list had to be put up by WBEIDCL to the State Channelising Agency (SCA)⁹³ for their accord and acceptance;
2. The progress report of the training courses had to be submitted to the respective agencies of GoI; and

⁸⁸ Viz. Ministry of Social Justice and Empowerment (MSJE), National Scheduled Castes Finance and Development Corporation (NSFDC), National Safai Karmacharis Finance and Development Corporation (NSKFDC) and National Backward Classes Finance and Development Corporation (NBCFDC).

⁸⁹ SMD Technologies.

⁹⁰ Course fees : ₹ 5.81 crore and stipend : ₹ 1.72 crore.

⁹¹ The GoI bodies under Ministry of Social Justice and Empowerment.

⁹² MSJE Scheme-II (₹ 16.50 lakh), NBCFDC Scheme-I (₹ 23.40 lakh), NBCFDC Scheme-II (₹ 41.25 lakh), NSFDC Scheme (₹ 91 lakh) and NSKFDC Scheme (₹ 17.70 lakh). MSJE Scheme-I full amount received.

⁹³ GoI schemes are implemented in states through a state level agency which is called State Channelising Agencies (SCA). In West Bengal, the SCAs are: West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC) for NSFDC scheme, West Bengal Backward Classes Development and Finance Corporation (WBBCDFC) for NBCFDC schemes.

3. A follow up on the effectiveness of the training had to be compiled and submitted to the respective agencies of GoI, a year after completion of the training.

Audit observations on selection of candidates, disbursement of stipend, supervisory role of WBEIDCL and collection of dues are given in the following paragraphs.

2.2.12 Selection of candidates

While examining the process of selection of candidates, Audit observed some irregularities which are discussed in the subsequent paragraphs.

2.2.12.1 Lack of transparency in selection

As a primary condition of the schemes, for selection of trainees, a committee was to be constituted to select candidates who met the specified criteria. The members of this committee were to be constituted with representatives from SCA, WBEIDCL and TP. The formation and existence of such committee were not found on record by Audit. As such, Audit could not arrive at an opinion regarding compliance, fairness and transparency regarding the selection process.

WBEIDCL stated (November 2016) that for selection of eligible candidates, newspaper advertisements specifying the eligibility criteria were published to mobilise prospective candidates. Thereafter selection list was drawn up for vetting and approval by SCA/ Sponsoring departments. These lists were treated as Master lists of candidates for future reference. The requisite approvals had been minuted and signed by officials of SCA/ sponsoring Departments and WBEIDCL. However, Audit observed that no lists of proposed and selected candidates were appended to any of the minutes or correspondences.

2.2.12.2 Absence of records relating to credentials of candidates

As per the requirement of the GoI agencies, candidates had to be selected on the basis of criteria stipulated in the schemes. These selection lists had to be put up by WBEIDCL for approval by SCA. Instead, WBEIDCL delegated its TP to coordinate with the SCAs for selection of trainees from the applications received by TP and publish the list of selected candidates, duly endorsed by WBEIDCL and SCAs.

As a result, WBEIDCL had no record of the applications received for the six training programmes it had conducted. It stated that all applications were received and archived by the TP. On being requisitioned by Audit for scrutiny, WBEIDCL could make available applications of 2,079 candidates (29 locations) out of 5,450 candidates (63 locations) for six schemes.

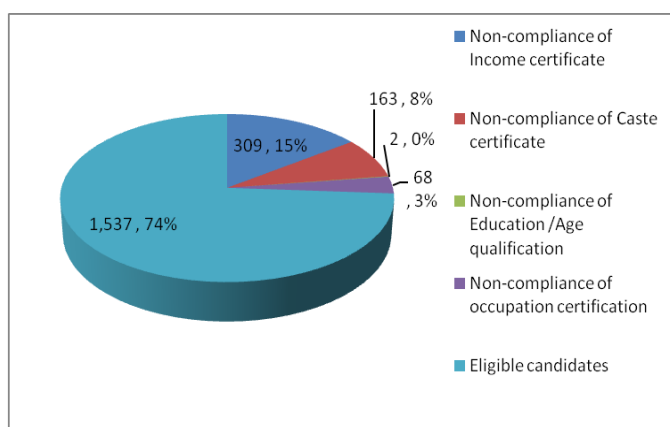
Credentials⁹⁴ of 3,371 candidates (62 per cent) were not made available to Audit; thus the eligibility of these candidates could not be assessed. The training cost and stipend incurred for these 3,371 trainees was ₹ 3.96 crore.

Moreover, it was observed that authentication of SCA was only obtained for 600 (11 per cent) out of 5,450 candidates. Thus, there was no assurance derived by WBEIDCL that applicants were selected as per the stipulated criteria.

2.2.12.3 Selection of ineligible candidates

Details of 2,079 candidates who had been selected for attending these training programmes were furnished to Audit and it was observed that 542 candidates (26 per cent) were not eligible for the intended training courses. **Figure 2.2.2** depicts the same, based on various eligibility criteria viz. inappropriate/ non-compliant/ non-availability of caste certificates, income certificates, age proof, occupation certificate, etc. The training cost and stipend incurred on such 542 candidates was ₹ 78.90 lakh.

Figure 2.2.2: Eligible and non-eligible candidates



(Source: Data compiled from scrutiny of attendance registers, candidate list, etc., by Audit in presence of WBEIDCL management.)

Management stated (December 2016) that out of the 542 ineligible candidates, it had traced documents for 155 candidates post completion of audit. Further it stated that non-compliant income certificates for additional 184 ineligible candidates was due to the lack of specific guidelines regarding

signatory/ issuing authority.

Management's reply regarding income certificates of 184 candidates was not acceptable as income certificates had to be obtained from the competent authorities viz., Collector, Kolkata, District Magistrate, Additional District Magistrate, Sub-Divisional Officer or Block Development Officer as specified in government guidelines. As regards the 155 candidates, the relevant documents were not submitted to Audit to enable verification.

2.2.13 Disbursement of stipend

Out of the six schemes reviewed, five had stipulated that the stipend element was to be disbursed to eligible candidates during the course. Audit

⁹⁴ Credentials are the supporting documents to the application like age, caste certificate, Income certificate, etc.

observations on disbursement of stipend to eligible candidates are discussed below:

2.2.13.1 Transfer of stipend to TP for disbursement to trainees

The schemes provided for direct benefit transfer of stipend to the trainees by WBEIDCL but on scrutiny it was observed that, in deviation of the scheme, the stipend amount was transferred to TP's account for onward disbursement to candidates. WBEIDCL also did not maintain any audit trail of transactions from the TP to the students like bank statement, reconciliation statement, refund details and other supporting records. Hence, assurance that the amount sanctioned to the students had actually been credited to their *bona fide* account could not be derived by Audit. Management stated (November 2016) that it had been decided to henceforth directly disburse stipend from WBEIDCL's account.

2.2.13.2 Other deficiencies

Some other scheme-specific deficiencies included absence of applications, payment of stipends in cash, *etc.*, which are described in **Annexure 4**. The value of course fees and stipend cost against these deficiencies amounted to ₹ 87.35 lakh.

2.2.14 Monitoring execution of training programme and following up the effectiveness of the projects

As envisaged in the schemes, WBEIDCL was to conduct periodic inspection of the training programme and submit progress reports at the start, during and at the end of courses to the GoI agencies. Audit observations regarding inspections conducted by WBEIDCL is given below:

1. Though envisaged in the schemes, WBEIDCL had failed to conduct inspections for three out of six GoI schemes.
2. Review of available inspection reports in three inspected trainings is given below:

a) National Safai Karmacharis Finance and Development Corporation (NSKFDC) Scheme: Three⁹⁵ locations were inspected by WBEIDCL (June 2015) after completion of the training programme, which defeated the purpose of inspection.

b) National Backward Classes Finance and Development Corporation (NBCFDC) Scheme-I: Nine⁹⁶ field inspections were conducted by WBEIDCL officials in June/ July 2015 i.e., the inspection took place after the completion

⁹⁵ Arambag, Basirhat and Chandrakona Road.

⁹⁶ Hajipur, Muzzafarpur, Patna, Suri, Barjora, Kalna, Arambag, Chandrakona Road and Howrah.

of training. Thus, training conditions could not have been assessed for suitability/ completeness.

c) National Scheduled Castes Finance and Development Corporation (NSFDC) Scheme: Three⁹⁷ locations were inspected by WBEIDCL in June/ July 2015, after completion of the training programme which defeated the purpose of inspection. Thus, candidates found during inspection were not the same trainees that the TP had trained under this scheme.

Management stated (December 2016) that inspections had been conducted after completion of the training to facilitate grooming of trainees to face interviews. Management's reply is not acceptable as schemes envisaged inspections by WBEIDCL during the training course which it failed to comply with. Moreover, it assured that more future visits to centres were planned.

Conclusions

Management of physical infrastructure by WBEIDCL was quite poor as it could not ensure complete occupancy in seven out of its 10 IT parks. It did not uniformly collect the security deposits in accordance with its policy. It had allowed concessional rentals to non-STPI units (occupying 8,708 sqft) which had resulted in loss of revenue of ₹ 21.11 lakh. Further, delayed revision in charging of applicable/ permissible transfer fees led to loss of revenue of ₹ 1.94 crore. Non-invoicing on defaulting allottees had resulted in forfeiting claims of ₹ 3.33 crore from these allottees. WBEIDCL had failed in its role of effectively providing training in information technology to students who applied to its training programmes. There were inadequacies and irregularities in the selection process. WBEIDCL did not monitor the disbursement of stipend to eligible candidates. Monitoring of the training programmes was weak and the post-training follow up was non-existent.

Recommendations

WBEIDCL may initiate the following:

- *Review annually and revise, if required, its rates for rent and service charges, keeping in mind the need to ensure occupancy of the constructed IT parks.*
- *Revise its policy of not drawing invoices on its defaulting allottees, in order to legally enforce its claim, comply with statutory laws and also improve its internal check system in raising of invoices.*
- *Ensure that the selection of candidates is as per government guidelines with regard to eligibility criteria, maintain necessary records and pay stipends to students directly.*

⁹⁷ Suri, Rampurhat and Bankura.

CHAPTER III

Chapter III

3 Compliance Audit

Important audit findings arising out of test check of transactions made by the State Government companies/corporations are included in this chapter.

West Bengal Small Industries Development Corporation Limited

3.1 Lease management in Industrial Estates and Commercial Estates

3.1.1 Introduction

The West Bengal Small Industries Development Corporation Limited (WBSIDCL) was incorporated (March 1961) as a wholly owned Government company under the Department of Micro, Small & Medium Enterprises and Textiles⁹⁸ (MSME&T), Government of West Bengal (GoWB). It is engaged in developing, upgrading, creating and maintaining industrial⁹⁹/ commercial estates¹⁰⁰ (IEs/CEs) with infrastructure¹⁰¹ for allotment of plots/ sheds/ stalls/ building spaces to small scale entrepreneurs on short/ long-term leases with the objectives of industrialisation and employment creation in the State. These leases can be classified as (i) *fresh leases* where plots/ sheds/ stalls/ building spaces are leased for the first time to entrepreneurs for a specified term as determined by WBSIDCL from time to time, including leases by way of transfer for the unexpired period of original lease term and (ii) *renewal of existing leases* on expiry of the original term of lease.

As of March 2016, WBSIDCL had established 49¹⁰² operational, one non-operational¹⁰³ and four¹⁰⁴ upcoming IEs/ CEs in 13 out of 20 districts of the State covering 732.44 acres of land. The total investment in such estates stood at ₹ 162.69 crore (own fund ₹ 48.34 crore, Government grants : ₹ 114.35 crore).

The Management of WBSIDCL is vested in a Board of Directors (BoD) with Managing Director (MD) as the Chief Executive. The development and maintenance of estates is supervised by an Executive Engineer (IE and CE construction), while the Estate Manager is in charge of estate management¹⁰⁵.

⁹⁸ Erstwhile Department of Cottage and Small Scale Industries (C&SSI).

⁹⁹ An industrial estate (IE) is a premises where required facilities and factory accommodation are provided by the Government or its agency to entrepreneurs for establishment of their industries.

¹⁰⁰ A commercial estate (CE) is a non-residential property used for commercial profit-making purposes.

¹⁰¹ Includes development of land, construction of boundary walls, internal roads, stalls, sheds, building space and street lighting.

¹⁰² 38 industrial estates and 11 commercial estates.

¹⁰³ Garia CE (0.53 acres) though ready for allotment is non-operational due to pending legal suit in Court.

¹⁰⁴ Bolpur-II, Dabgram-II, Shaktigarh-II, Khas Jungle.

¹⁰⁵ Allotment, renewal, eviction, lease premium and rentals collection, etc.

3.1.2 Scope and methodology of Audit

A theme based audit was conducted during March 2016 to June 2016 with the objective to assess whether WBSIDCL had effectively and transparently followed the allotment procedure while leasing out plots/ sheds/ stalls/ building spaces in IEs/ CEs and facilitated promotion and development of micro, small scale and medium enterprises¹⁰⁶ (MSMEs) in the State during the period 2011-16. Audit methodology involved scrutiny of records at Head Office of WBSIDCL, 11 completed IEs/ CEs¹⁰⁷ selected through simple random sampling (out of 50 IE/ CEs) and Directorate of District Industries Centre and MSME&T Department. Besides, Entrepreneurs' Satisfaction Survey (ESS) was conducted with help of Sub-Assistant Engineers of the IE/ CE concerned to ascertain feedback from entrepreneurs on infrastructure created and services rendered by WBSIDCL.

Criteria for audit were sourced from the policies framed by MSME&T Department/ WBSIDCL for allotment of IEs/ CEs and Board agenda and minutes of WBSIDCL.

Audit findings

Audit observations are discussed in the succeeding paragraphs.

3.1.3 New and existing IEs/ CEs

3.1.3.1 Development of new estates

In order to facilitate promotion and development of SSIs or MSMEs, adequate planning for the development of new estates by identifying land as well as creation/ up-gradation infrastructure facilities of existing estates is essential.

Audit observed that even after its existence for more than five decades, WBSIDCL had not formulated any long term or short term strategic plans/ policies for acquiring land or creating a land bank for setting up/ developing of IEs/ CEs. It was also observed that WBSIDCL had no system in place for assessing demand for plots/ sheds/ stalls from entrepreneurs in different districts. It was observed that as of September 2015, 26.47 per cent of plots/ sheds remained vacant in 40 IEs. This also needs to be seen in the light of the fact that, while developing new IEs, WBSIDCL did not assess requirement/ demand for it as evidenced by the fact that at IEs in Ambari Falakata, Rejinagar and Illuabari, 470 out of 569 plots were lying vacant for 26 to 43 months as of March 2016 after incurring expenditure of ₹ 71.37 crore.

¹⁰⁶ As per Micro, Small and Medium Enterprise Development Act, 2006 Micro scale industries are those having investment in plant and machineries of ₹ 25 lakh in manufacturing sector and ₹ 10 lakh in service sector, Small scale industries are those having investment in plant and machineries of ₹ five crore in manufacturing sector and ₹ two crore in service sector, and Medium scale industries are those having investment in plant and machineries of ₹ 10 crore in manufacturing sector and ₹ five crore in service sector.

¹⁰⁷ Baltikuri IE, Durgapur RIP, Durgapur CE, Malda CE, Tangra IE, Kasba IE, Siliguri IE, Kalyani IE, Ashoknagar IE, Maniktala IE and Khidirpore IE.

Management accepted (September 2016) that in respect of these three IEs, no study had been made relating to demand. Further, the Government added (November 2016) that WBSIDCL had recently offered additional rebates on rates to make these IEs 'more accessible to prospective buyers'.

3.1.3.2 Non-fulfilment of legal requirements regarding ownership of land at IEs/ CEs

Out of the 54 IEs/ CEs that WBSIDCL had as on 31 March 2016, 49 IEs/ CEs were operational, one CE was non-operational and four IEs were upcoming. Details of land acquired, received from different departments and by outright purchase¹⁰⁸ for setting up these IEs/ CEs is given in **Table 3.1**.

Table 3.1: Details of land acquired/ received/ outright purchased by WBSIDCL as on 31 March 2016

Sl. No.	Acquired/ Received/ Outright Purchased from	No. of Estates (Nos.)	Area (in acres)	Lease deed executed (in acres)	Lease deed not executed (in acres)	Lease deed not found (in acres)	Mutation done (in acres)	Mutation not done (in acres)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(5)-(8)
A)	Operational IE and CEs							
1	C & SSI Department ¹⁰⁹	21	180.01	82.88	82.79	14.34	1.68	81.20
2	Land and Land Reforms Department	9	374.07	215.80	155.64	2.64	-	215.80
3	Other Government Departments	11	103.57	79.96	23.61	-	-	79.96
4	Outright purchase	8	19.16	19.16	-	-	0.44	18.72
	Sub-total (A)	49	676.82	397.80	262.04	16.98	2.12	395.68
B)	Non Operational CE							
5	Outright purchase	1	0.53	0.53	-	-	-	0.53
	Sub-total (B)	1	0.53	0.53	-	-	-	0.53
C)	Upcoming IEs							
6	Land and Land Reforms Department	4	55.09	17.12	37.97	-	-	17.12
	Sub-total (C)	4	55.09	17.12	37.97	-	-	17.12
	Grand Total (A + B + C)	54	732.44	415.45	300.01	16.98	2.12	413.33
	Percentage against total land/ lease deed executed			56.72	40.96	2.32	0.29	99.49

(Source : Information furnished by WBSIDCL)

According to Sections 17 and 23 of The Registration Act 1908, title/ lease deeds of immovable property are required to be in writing and registered within four months of execution of the deeds. Besides, West Bengal Land and Land Reforms Manual 1991 provides that settlement of land for non-agricultural purposes should be only under registered leases. Yet, WBSIDCL and the departments had not executed title/ lease deeds in favour of WBSIDCL for 300.01 acres (40.96 per cent) of land out of total land of 732.44 acres, reasons were neither on record nor made available to Audit, though called for. Moreover, out of an aggregate of 415.45 acres of land registered, WBSIDCL had undertaken mutation of 2.12 acres only (0.29 per cent),

¹⁰⁸ Official Liquidator High Court, Calcutta, Kolkata Improvement Trust, Municipalities and Cooperative Societies.

¹⁰⁹ Previously, the Micro, Small & Medium Enterprises and Textiles department went by the name of Cottage and Small Scale Industries department.

while mutation of the remaining 413.33 acres (99.49 per cent) was not completed for reasons not on record. Resultantly, the land, building and sheds on these lands given on lease by WBSIDCL to the entrepreneurs were not free from encumbrances. As per Section 16 (a) of The Registration Act, such land was liable to be reverted back to the departments/ agencies from which these were received which would adversely impact the investment by the entrepreneurs in these plots/ sheds.

The Government stated (November 2016) that WBSIDCL would take up the matter, through the MSME&T Department, GoWB, with the Land and Land Reforms Department to resolve the issue.

3.1.4 Allotment and possession

3.1.4.1 Delay/ non-execution of lease deeds

(a) WBSIDCL communicates formal allotment of land/ space to the selected entrepreneurs after receipt of lease premium, for execution of lease deed and registration within 90 days of allotment. The status of the lease deeds executed/ not executed in cases of long term lease cases where allotment was communicated during 2011-16 is shown in **Table 3.2** as follows:

Table 3.2 : Status of execution of lease deeds

Long term lease cases during 2011-16	Total Allotment (in nos)		
	New	Transfer	Total
Numbers of long-term allotments issued <i>i.e.</i> lease premium received	204	87	291
Lease Deeds executed within schedule	20	9	29
Lease Deeds executed beyond schedule (delays ranging from five days to 1,071 days)	38	14	52
Lease deeds not executed (even after lapse of 52 to 1,821 days)	146	64	210
Percentage of lease deeds not executed despite collected lease premium	71.57	73.56	

(Source : Information provided by WBSIDCL)

Table 3.2 points to the delay in execution of lease deeds as well as non-execution of lease deeds even after deposit of lease premium by the entrepreneurs. Audit was not provided with any records pertaining to whether the entrepreneurs had submitted all the required documents for execution of lease deeds. As such, reasons for delays, whether on the part of WBSIDCL or entrepreneurs were not on record.

The Government in its reply (November 2016) accepted the audit observation.

(b) With a view to set up an IE, GoWB had transferred (December 2012) to WBSIDCL, 118.36 acres of land at Ambari Falakata on 30 years lease. Without registering the land in its favour, WBSIDCL had allotted (June 2014/ August 2015) plots measuring 2.087 acres to four entrepreneurs on 99 years lease. It was observed that no lease deeds had been executed by WBSIDCL with the entrepreneurs. It was further observed GoWB had not yet agreed to

extend WBSIDCL's lease period to 99 years as proposed in July 2014. As a result, as of March 2016, these plots were lying vacant and no operation was started by the entrepreneurs. It was not clarified how land received on 30 years lease could be sub-leased for 99 years.

The Government stated (November 2016) that WBSIDCL would start procedure for resumption according to the norms. The reply, however, did not address the audit issue.

3.1.4.2 Handing over of possession

On execution of lease deed and completion of registration thereof, physical possession of the plot/ land is handed over to the selected entrepreneur. Audit checked the related records and conducted joint inspections with the WBSIDCL officials and observed that in respect of 207 allotments in 22 estates¹¹⁰, WBSIDCL had allowed the entrepreneurs to occupy the plots without executing lease deeds. Audit observed that in the absence of lease deeds for handing over possession, 94 stalls (13,583.99 sq. ft) in three CEs¹¹¹ were occupied by unauthorised persons.

3.1.5 Operation of leases

Audit observations with regard to operation of short term and long term leases of plots allotted in IEs/ CEs to entrepreneurs by WBSIDCL are discussed in the succeeding paragraphs.

3.1.5.1 Lacunae in deeds

Audit observed the following lacunae in 106 lease deeds/ deeds of assignment which were executed during 2011-16, including those for which the lease premium were paid earlier:

- In respect of 44 out of 48 deeds executed for sole proprietorship enterprises, lease was given in the name of the sole proprietorship enterprises and in the remaining four cases the deeds were executed in the name of the proprietorship enterprise instead of the individual who was the proprietor.
- BoD had decided (February 2013) that if any plot/ shed/ stall was transferred to the legal successors/ heirs within the family¹¹² of the lessee, only 'service charges' would be levied. In all other cases, transfer fee had to be levied. In case of transfer of control/ shares/ ownership exceeded 50 *per cent* of ownership, it should also be treated as transfer. Ownership ratios of the entrepreneurs in their respective businesses were not disclosed in deeds. Consequently, even if there were changes in ownership, WBSIDCL was not able to claim service charges.

¹¹⁰ Ambari Falakata IE (4), Baltikuri IE (6), Baruipur IE (7), Behala CE (18), Behala IE (5), Belegkata IE (2), Berhampore CE (11), Berhampore IE (3), Dabgram IE (1), Durgapur CE (11), Durgapur IE (2), Durgapur RIP (1), Kasba IE-II (1), Khidderpore IE (20), Malda CE (40), Raiganj CE (45), Rejinagar IE (9), Santoshpur IE (2), Shilpa Bhavan (5), Siliguri IE (11), Tangra IE-II (1) and Udayan IE (2).

¹¹¹ Malda (40), Raiganj (45), Durgapur (9).

¹¹² Family means husband/ wife/ sons/ daughters.

or transfer fees from the entrepreneurs. Audit observed that since the deeds had not detailed the ownership pattern, WBSIDCL was not aware that at Kalyani and Dabgram IEs, three entrepreneurs had substantially¹¹³ changed (September 2013 to July 2015) their ownership pattern. These lacunae in the deeds resulted in loss of revenue of ₹ 66.86 lakh to WBSIDCL towards transfer fees.

3.1.5.2 Conversion to long term lease agreements

In September 2012, BoD decided that approval of Finance Department, GoWB was to be taken for realising lease premium/ rate below the market price as WBSIDCL was a custodian of GoWB's land. Thereafter, on demand by short term lease holders to convert short term leases to long term leases, BoD permitted (May 2013) existing entrepreneurs to convert to long term lease for 99 years on payment of conversion premium at the rate of ₹ 40,000 *per katha* for uncovered plots/ sheds and ₹ 200 *per sft* for covered shed at Kalyani IE-I & II, against prevailing premium¹¹⁴ at ₹ five lakh *per katha* and ₹ 694 *per sft* respectively. Yet, WBSIDCL had not obtained approval of the Finance Department, GoWB to this proposal. Out of 193 entrepreneurs at Kalyani IEs, 29 had accepted (March 2014 to March 2016) the offer¹¹⁵. Consequently, WBSIDCL sustained loss of revenue of ₹ 25.82 crore due to difference between prevailing premium and conversion premium.

The Government in its reply (November 2016) accepted the audit observation.

3.1.5.3 Irregularities in transfer of lease deeds

WBSIDCL permitted (December 1996/ February 2010/ July 2013) transfers of plots/ sheds/ stalls/ building spaces from existing entrepreneurs to other entrepreneurs for the balance period of original lease agreements against transfer fees from the new occupants, only after a lock-in period of five years. Further, WBSIDCL had introduced (April 2011), in the lease agreements, an exit clause permitting existing entrepreneurs to surrender their plots *etc.*, to WBSIDCL and receive refunds of up to 75 *per cent* of the original premium.

On the other hand, the MD, WBSIDCL had informed (September 2012) the BoD that the units were unofficially taking huge premium and surrendering/ transferring the plots *etc.*, to other units, thereby depriving WBSIDCL of revenue. It was observed from the Board minutes/ agenda, ledger of transfer fee (long term) and files that instead of disallowing transfers, WBSIDCL had discontinued with the exit clause, from July 2013. From April 2011 to March 2016, WBSIDCL had effected 87 transfers of plots/ sheds/ stalls/ building spaces. It was also observed that:

- All transfers executed were required (December 2013) to be subsequently ratified by WBSIDCL's BoD. Yet, eight out of 34 transfers of plots/ spaces effected between January 2014 and March 2016 had not been submitted for BoD's ratification.

¹¹³ That is more than 50 *per cent* of the original ownership pattern had changed.

¹¹⁴ Rate at which WBSIDCL was collecting lease premium from new entrepreneurs.

¹¹⁵ Twelve plots : 542.01 *kathas*, 17 sheds : 17,966.77 *sft*.

- GoWB had directed (August 2013) that all allotments of land required prior approval of the Standing Committee of the Cabinet on Industry, Infrastructure and Employment, GoWB. Yet, 30 transfers of plots/ sheds at 12 IEs¹¹⁶, effected between September 2013 and March 2016 at an under-valuation of ₹ 15.58 crore were not placed for the Committee's approval.

The Government in its reply (November 2016) stated that it would look into the matter.

3.1.5.4 Loss to Government exchequer due to non-inclusion of transfer fee

Entrepreneurs were required to register the lease deeds of the plots/ spaces within 90 days from the date of offer of allotment. To aid in assessment/ levy of stamp duty, Registrar of Assurances, Kolkata, Directorate of Stamp Duty and Registration, GoWB requested (August 2015) WBSIDCL to draw¹¹⁷ a deed of transfer of lease or to make a surrender of lease first and then grant a fresh lease in favour of the subsequent SSI units, mentioning all money paid or agreed to be paid by the entrepreneur succeeding the lease. As per Indian Stamp Act, 1899, the incoming entrepreneurs were required to pay stamp duty on the transfer fees paid at the time of execution of lease deed.

Out of 87 instances of transfer from April 2011 to March 2016, WBSIDCL had executed lease deeds in 23 instances only while the deeds had not been executed for the remaining 64 cases for reasons not on record. However, lease deeds of 13 out of 23 cases of transfer did not include information on transfer fees paid. Thus, there was loss of ₹ 14.73 lakh to the Government exchequer on account stamp duty not realised.

The Government in its reply (November 2016) accepted the audit observation.

3.1.6 Non-functioning units and eviction procedure

The lease agreements between WBSIDCL and the entrepreneurs provided that if the premises were not utilised within a period of six (for other than plots)/ 12 months (for plots) for their intended purpose or remained closed for three/ six months consecutively under short term/ long term leases, then the lease would be deemed to have been surrendered. In such an event, WBSIDCL had the right to repossess the premises. In this regard Audit observed that:

¹¹⁶ Five cases in Baltikuri IE, four cases in Durgapur IE, three cases in Durgapur RIP, three cases in Dabgram IE, six cases in Kasba IE-I, three cases in Kasba IE-II, two cases in Kasba IE-III, one case in Khidderpore IE, one case in Phears Lane CE and two cases in Udayan.

¹¹⁷ Sections 61 and 63 of Indian Stamp Act, 1899.

- As of September 2015, out of 2,471 allottees, 424 allottees (17.16 per cent) were non-functioning¹¹⁸. Some of these non-functioning units were used for other purposes¹¹⁹ by the entrepreneurs.
- As at September 2015, 654 plots/ sheds (26.47 per cent) in 40 IEs remained vacant. It was observed¹²⁰ that at 12 IEs/ CEs, vacant land (5.84 acres) had been encroached. Resultantly, WBSIDCL failed to earn a revenue of ₹ 14 crore.
- WBSIDCL does not prepare monthly or quarterly performance/ status report of IEs/ CEs. In absence of such database, operational performances of IEs/ CEs vis-à-vis promotion, growth and development of industries could not be assessed. Thus, WBSIDCL is not fully aware of the status of utilisation of these IEs/ CEs.

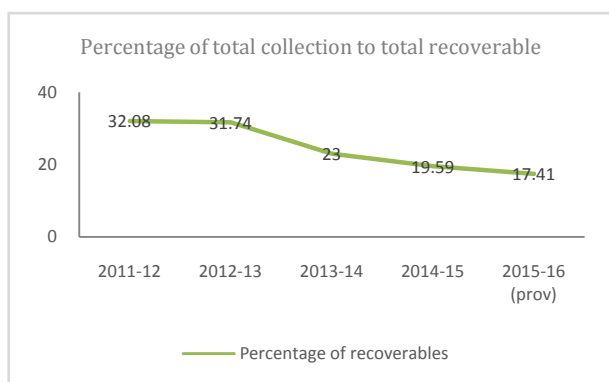
This showed the WBSIDCL had a lackadaisical approach in enabling MSMEs and was also indifferent about maximising its revenue earning operations.

The Government stated (November 2016) that the matter was viewed seriously and noted for compliance in future.

3.1.7 Non-realisation of dues

With a view to ensuring viability of IEs/ CEs, WBSIDCL should promptly realise lease rent along with proportionate share of expenses towards municipal tax, service tax, etc. paid to the respective authorities by WBSIDCL, from the entrepreneurs. As of March 2016, outstanding lease rent, municipal tax, service tax and penal interest stood at ₹ 15.84 crore (provisional), which was an increase of 91 per cent from ₹ 8.30 crore as at March 2012. The percentage of collection vis-à-vis annual demand from allottees of the IEs/ CEs during the last five years upto 2015-16 is depicted in **Figure 3.1**.

Figure 3.1: Details of total collections to recovery from 2011 -16



It would be seen from the figure alongside that the percentage of total collection to total recoverable declined over the years, indicating poor collection efficiency. This was in spite of a task force being formed (June 2012) for collecting the outstanding dues by WBSIDCL. Moreover, no mechanism existed for

¹¹⁸ Information provided by WBSIDCL.

¹¹⁹ Five were converted to canteen, guest house, staff quarters, mess, godown, sub-lease on rent and residence (12 plots), at Durgapur IE, CE, Rehabilitation Industrial Plot, and Export Promotion Industrial Park and at Raigunj CE, five stalls were unauthorisedly handed over, one is being used by West Bengal State Electrical Contractors Association and the other as local political party office.

¹²⁰ Records, data furnished by WBSIDCL and through physical verification.

monitoring timely recovery of outstanding lease premium, municipal taxes, etc. Some instances of non-realisation were as follows:

- The lease agreements stipulate that after an estate had been completed and handed over by WBSIDCL to the Entrepreneurs' Association (EA), EA shall solely be responsible for the maintenance¹²¹ of IE/ CEs. Further, expenses incurred by WBSIDCL towards maintenance of IEs/ CEs prior to hand over to EA are to be recovered *pro-rata* from entrepreneurs. During 2011-12 to 2015-16, WBSIDCL incurred maintenance charges of ₹ 9.25 crore towards 48 IEs/ CEs, which it had not claimed for reasons not on record.

The Government stated (November 2016) that continuous discussion was going on with the respective entrepreneurs' associations and it was expected that large number of associations would come up to take over the maintenance within the next financial year. However, they did not respond to the issue of non-recovery of maintenance charges already incurred by WBSIDCL.

- At Siliguri IE, WBSIDCL had, with the approval of BoD, enhanced (February 2010) lease rent from ₹ 650/- *per katha per month* (fixed in October 2001) to ₹ 3,600/- *per katha per month*. Accordingly, lease rent bills were raised on the entrepreneurs at ₹ 3,600 *per katha per month*. Against this, five entrepreneurs approached the High Court for reduction of lease rent. These petitions were dismissed (June 2013 to July 2015) as infructuous since WBSIDCL had constituted a 'Review Committee' to review the rate of rent to resolve the dispute. Meanwhile, WBSIDCL had discontinued claiming of rent from March 2015. Moreover, it had settled (June 2015) with the entrepreneurs and reduced the rent to ₹ 300 *per katha per month*. The same was only approved in August 2016 by BoD after being pointed out by Audit in May/ July 2016. Failure to collect rent at enhanced rates led to loss of revenue of ₹ 50.71 lakh between March 2015 and March 2016. Further, WBSIDCL had neither taken any step for collection of outstanding dues (₹ 3.53 crore till March 2015) nor evicted the entrepreneurs who had not paid rent at enhanced rates for non-payment of dues.
- For the period from October 2007 to December 2012, WBSIDCL had paid¹²² service tax of ₹ 5.24 crore on lease premium and transfer fees. In terms of the lease agreement, this amount was recoverable from the entrepreneurs. However, as of March 2016, WBSIDCL could recover only ₹ 2.23 crore while the balance amount of ₹ 3.01 crore was yet to be recovered.

While accepting the audit observation, the Government stated (November 2016) that WBSIDCL was making all out efforts for speedy recovery.

¹²¹ Expenses related to security guards, pump operator, repair to machinery, building/ sheds/ boundary walls/ internal roads/ drainage, etc.

¹²² December 2013: ₹ 2.70 crore; March 2014: ₹ 0.50 crore and June 2014: ₹ 2.04 crore under Voluntary Compliance Encouragement Scheme, 2013.

3.1.8 Monitoring and Control

To function effectively and efficiently as a facilitator for SMSEs, WBSIDCL was required to control and monitor its operations and put in place systems to fulfil this role. Audit observed the following deficiencies in the control and monitoring mechanism:

- Fixed asset register pertaining to the infrastructure of all estates had not been updated from prior to March 2007 and details of land received/acquired along with location and cost, expenditure on construction of buildings, sheds, roads, electrical equipment, *etc.*, were not on record. Consequently, the cost of development of each estate to recover the expenditure incurred could not be assessed. Moreover, in respect of the Taratala IE, WBSIDCL was not aware of the whereabouts of the IE. After locating the IE, it was seen that the entire land of 1.11 acre had been encroached, which WBSIDCL was ignorant about.
- WBSIDCL had engaged (September 2014) Bengal Srei Infrastructure Development Limited (BSIDL) for physical and document survey of immovable assets and software development for asset data management at a cost of ₹ 63.50 lakh, to be completed within January 2015. Audit



Figure 3.2: Encroachment in Kasba IEs by shops

WBSIDCL, it was noticed that in many premises, there were no sign boards at the gate or on the wall indicating name of the entrepreneurs, plot no, *etc.*, to identify the current occupant. Also 15 plots were used for residential purposes at Durgapur Rehabilitation Industrial Park (RIP). Further, scrutiny showed that security services were withdrawn (March 2015 to October 2015) from Tangra IE, Behala IE, Siliguri IE, Baltikuri IE and Khidderpore IE though the maintenance of the estates had not been handed over to the Entrepreneurs Associations (EA) of these estates. As a result, there had been encroachment of plots (1.2118 acre) not allotted at Baltikuri and Siliguri IEs.

observed that the work was discontinued (February 2015) due to delay in commencement and progress of work by BSIDL. However, WBSIDCL made payment (September 2015) of ₹ 13.72 lakh which became infructuous.

- WBSIDCL had not framed procedures for regular inspections of allotted plots/ spaces at IEs/ CEs. During physical inspection in six¹²³ IE/ CEs, along with officials of



Figure 3.3: Durgapur RIP used for residential purposes

¹²³ Durgapur RIP, Malda CE, Khidderpore IE, Siliguri IE, Raiganj CE and Durgapur CE.

- Estate wise income, expenditure and profitability had not been worked out. Consequently, performance of each estate could not be assessed and compared in audit.
- WBSIDCL had not framed any policy of equitable allotment of plots and sheds to entrepreneurs. Resultantly, profitable MSME enterprises running in good health had been acquiring additional plots/ sheds which were not made available to new units. Audit observed that at 10¹²⁴ IEs, 32 entrepreneurs/ groups had additionally acquired three or more plots/ sheds by way of transfer/ allotment, thereby ending up holding four to 14 plots/ sheds each. WBSIDCL had not ascertained whether the investment in plant and machinery by these entrepreneurs/ groups remained within the ceiling of ₹ ten crore and ₹ five crore for medium-sized manufacturing and service enterprises respectively, to ensure their continuing eligibility for plots/ sheds in these IEs.

3.1.9 *Entrepreneurs' Satisfaction Survey on infrastructure created and services rendered*

With a view to assess the satisfaction level of the entrepreneurs on assets created and services rendered by WBSIDCL, Entrepreneurs' Satisfaction Survey (ESS) was conducted by Audit along with the officials of WBSIDCL. The survey covered (a) Roads (*i.e.* Quality of roads, availability of approach roads, repair & maintenance, *etc.*) (b) Other infrastructural facilities (*i.e.* Drainage including waste management, lighting, water supply, safety measures, *etc.*) (c) Environmental issues (*i.e.* Plantation and green belt, common effluent treatment plant, *etc.*) and (d) Relationship with the entrepreneurs and other issues (*i.e.* and redressal of grievances, assistance from estate offices, communication of changes in rules and regulations, behaviour of officials, *etc.*) of the IE/ CEs developed and maintained by WBSIDCL. Audit observations on these issues are given below.

Coverage and methodology

This survey was carried out in 11 IE/ CEs with WBSIDCL. A questionnaire covering 19 aspects on the above four issues having five parameters¹²⁵ of satisfaction levels was responded to by 29 entrepreneurs and six entrepreneurs' associations (EAs). The satisfaction levels as emerged from such survey may be seen from the following Figure.

¹²⁴ Baltikuri, Berhampur, Durgapur IE, Durgapur RIP, Kasba-I, Kasba-III, Siliguri, Tangra-I, Tangra-II and Udayan.

¹²⁵ 'Excellent' 'Very good' and 'Good' were treated as the 'Satisfied' entrepreneurs and 'Average' and 'Poor' were treated as the dissatisfied entrepreneurs.

Figure 3.4 Satisfaction levels of the entrepreneurs of WBSIDCL

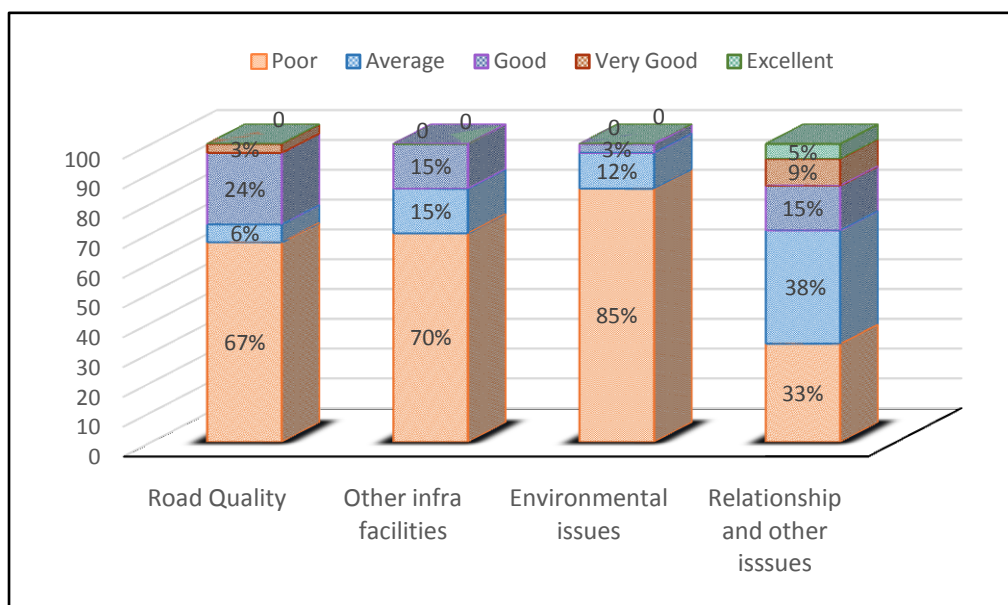


Figure 3.4 shows that the satisfaction level of the entrepreneurs was minimal (between three *per cent* and 29 *per cent*) whereas the dissatisfaction level was higher (between 71 and 97 *per cent*). This was indicative of the perception that WBSIDCL had largely failed to provide desired level of basic infrastructural facilities and other services to the entrepreneurs in the IE/ CEs.

The Government in its reply (November 2016) accepted the audit observation.

3.1.10 Conclusion

MSME&T sector has been given (2013) high priority by GoWB and WBSIDCL, under the aegis of MSME&T department which plays an important role in this sector by providing thrust for infrastructure support to small entrepreneurs. WBSIDCL, however, had -

- (I) **Not formulated any long term/ short term strategic plans/policies for acquisition of land or to create a land bank for the purpose of setting up/ developing IEs/ CEs.**
- (II) **Belatedly executed/ not executed lease deeds putting entrepreneurs to many difficulties.**
- (III) **Failed to collect transfer fees resulting in loss of revenue, due to shortcomings and lacunae in the lease deeds.**
- (IV) **Not appraised the status of utilisation of IEs/ CEs as units were non- functional, being utilised for other purposes, etc. Percentage of total collection to total dues declined over the years, indicating poor collection efficiency, lack of regular monitoring and inspection.**
- (V) **Not updated fixed asset register of infrastructure for all estates. Moreover, it had failed to provide desired level of basic infrastructural facilities and other services to the entrepreneurs in the IE/ CEs.**

WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED

3.2 Extra expenditure on purchase of power

West Bengal State Electricity Distribution Company Limited incurred extra expenditure of ₹ 42.07 crore on purchase of power in contravention of tariff policy and regulations.

The Tariff Policy¹²⁶ notified (January 2006) by Ministry of Power, Government of India (MoP) under section 3 of the Electricity Act, 2003 provides that the Regulatory Commissions shall be guided by the Central Commission for determination of tariff and should, *inter alia*, ensure availability of electricity to consumers at reasonable and competitive rates. Accordingly, Regulations¹²⁷ of West Bengal Electricity Regulatory Commission (WBERC) provided that the price for purchase of electricity from cogeneration¹²⁸ and/ or renewable sources¹²⁹ shall be agreed mutually by the buyers and the suppliers of power at a level not above the price cap¹³⁰ indicated in these regulations. These regulations also provide that the buyer shall examine the price proposal in the light of WBERC's regulation on price reasonableness, impact on consumer tariff and the price cap specified. The price cap fixed (May 2008/ August 2010) by WBERC for purchase of power from cogeneration was ₹ 2.55 per unit, keeping the consumers' interest in view. This was to remain in force for five years from the date of coming into force of these regulations.

For purchase of power, West Bengal State Electricity Distribution Company Limited (WBSEDCL) executed fifteen power purchase agreements (PPAs) with power generating companies¹³¹ from cogeneration and renewable sources. Audit observed (December 2015) that in case of four PPAs with generating companies¹³² producing power from cogeneration, the PPAs were executed (April 2009, November 2009, April 2010 and December 2010) for purchase of power by WBSEDCL at rates fixed above the price cap specified by WBERC. During the period from 2009-14 these rates were in excess of the price cap by ₹ 0.11 per unit to ₹ 2.80 per unit, in respect of above four PPAs.

¹²⁶ Clause 2.3 and 4.0 (2).

¹²⁷ Clause 4.0 and 9.2 of West Bengal Electricity Regulatory notification 39/ WBERC dated 26 May 2008, Clause 4.0 and 10.2 of West Bengal Electricity Regulatory notification 47/ WBERC dated 10 August 2010 and Clause 5.0 and 16.2 of West Bengal Electricity Regulatory notification 50/ WBERC dated 22 March 2013.

¹²⁸ Also called Combined Heat and Power (CHP), it is the use of a heat engine or power station to generate electricity and useful heat at the same time.

¹²⁹ Renewable electricity generating sources such as small/ mini/ micro hydel project up to 25 MW capacity, wind, solar, biomass based on 100 *per cent* producer gas on combustion route, urban/ municipal waste, industrial waste, geothermal, tidal, ocean thermal energy conversion or such other sources as approved by the Ministry of New and Renewable Energy of the Government of India.

¹³⁰ Upper price limit as prescribed by WBERC.

¹³¹ Fifteen generating companies based on cogeneration and renewable sources.

¹³² Sree Renuka Sugars Limited (SRSL), Ram Swarup Loh Udyog (RSLU), Himadri Chemicals Limited (HCL) and Rashmi Cement Limited (RCL).

This resulted in extra expenditure of ₹ 42.07 crore (*Annexure 5*) by WBSEDCL.

Management stated (September 2016) that when these PPAs were being negotiated with the generating companies the market price of power on the electricity exchanges was very high. Consequently, the generating companies had sought open access to sell power in the open market at higher rates. WBSEDCL claimed that the price cap was not binding on the generating companies. It further added that these power purchases had not only fulfilled its renewable power purchase obligations but also benefitted the consumers through reduced tariff by purchase of power at rates below the then prevailing market rates. Therefore, WBSEDCL had decided to purchase power from these generating companies at a negotiated rate in excess of the cap.

Management's reply was not acceptable for the following reasons:

- (i) WBERC's regulations (Regulation 04) on price cap are applicable to WBSEDCL and binding on generating companies as well.
- (ii) Regulation 4.2 *inter alia* specified that the Commission did not debar a licensee from agreeing to a negotiated price within the capped price.
- (iii) Regulation 3.6 specified that the quantum of energy wheeled/transmitted through the system of any licensee against such open access could also be taken into account as fulfilment of its purchase obligation for that licensee. Accordingly, fulfilment of renewable power purchase obligation could have been achieved through use of open access through the system/ infrastructure of WBSEDCL by the generating companies.
- (iv) The claimed benefit to consumers through reduced tariff was also not acceptable as PPAs were executed by WBSEDCL at rates fixed above the price cap specified by WBERC.
- (v) In violation of regulation (Regulation 3.2), WBSEDCL did not approach WBERC for settlement of disparity in price, before entering into the long term PPAs.
- (vi) Purchase of power at rates below the then prevailing market rates deprived the consumers of the long term benefit of lower tariff determined in the light of price cap specified by WBERC.

Thus, purchase of power by WBSEDCL from cogeneration at higher rates between 2009-10 and 2013-14, in violation of tariff policy of Government of India and WBERC regulations, had resulted in extra expenditure of ₹ 42.07 crore. Moreover, it had failed to achieve the objective of ensuring availability of electricity to consumers at reasonable and competitive rates, leading to extra burden to its consumers.

The matter was brought to the notice of the Government in May 2016, their reply was awaited (September 2016).

3.3 Avoidable expenditure on purchase of power at higher rates

West Bengal State Electricity Distribution Company Limited failed to include a penalty clause for short supply of power in the long term power purchase agreement with private generating company in violation of Government of India guidelines and regulations, which led to avoidable expenditure of ₹ 12.76 crore.

The National Electricity¹³³ and Tariff¹³⁴ policies notified (February 2005/ January 2006) by the Ministry of Power, (MoP) under Section 3 of the Electricity Act, 2003 provided that States would implement, by April 2006, Availability Based Tariff (ABT) in long term power purchase agreements (PPAs). ABT, *inter alia* includes clauses of penalty for short supply/ non-supply of power. Accordingly, Regulations¹³⁵ of West Bengal Electricity Regulatory Commission (WBERC) specified in February 2007 and April 2011 that every entity purchasing power from any other entity within the jurisdiction of WBERC should have PPAs. The PPAs should include penalty for deviation from the scheduled supply of power to take care of ABT.

Audit observed that West Bengal State Electricity Distribution Company Limited (WBSEDCL) had entered (July 2008) into a long term power purchase agreement with a private power generating company, Tata Power Company Limited (TPCL), Haldia. The power purchase agreement was for the supply of 20 MW of power to WBSEDCL for a period of 10 years from the date of commercial operation of its Haldia plant. TPCL started its commercial operation during August 2008 to September 2009¹³⁶.

From the available records, it was observed in audit that during the period from April 2013 to March 2016, TPCL had supplied less than the contracted quantity of power to WBSEDCL under PPA, despite having adequate power. The shortfall in power supply ranged between 24.53 *per cent* and 37.59 *per cent* as given in **Annexure 6**.

To meet this shortfall, WBSEDCL had to purchase 81.71 MU¹³⁷ power on short term/ by spot tender again from TPCL, Haldia as well as from Indian Energy Exchange (IEX)¹³⁸ at rates, which were higher than those offered by TPCL under PPA. WBSEDCL had not taken up the matter of violation of terms of agreement with TPCL. It was also observed that while finalising the PPA for purchase of power from TPCL, WBSEDCL, in violation of Electricity Act and tariff policies notified under this Act by MoP as well as

¹³³ Clause 5.7.1.

¹³⁴ Clauses 6.2 and 8.4.

¹³⁵ Clause 5.3.1 of West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations (No. 31/ WBERC dated 9 February 2007) and Clause 7.3.1 of West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2011 (No. 48/ WBERC dated 25 April 2011).

¹³⁶ Commercial Date of Operation (COD) of Unit 1 and Unit 2 was August 2008 and December 2008 respectively. However, the COD of Unit 3 was September 2009.

¹³⁷ Fifty five *per cent* of the total power short supplied from the same TPCL, and 23 *per cent* from IEX.

¹³⁸ Indian Energy Exchange is an automated electronic trading exchange regulated by the Central Electricity Regulatory Commission.

WBERC regulations, had not included a penalty clause for short supply/non-supply of power. Consequently, WBSEDCL could not take any action and had to incur additional expenditure of ₹ 12.76 crore on these power purchases.

While accepting the facts, WBSEDCL stated (September 2016) that the matter was taken up (April 2016) with TPCL to incorporate a penalty clause in the PPA.

Thus, WBSEDCL had to incur avoidable additional expenditure of ₹ 12.76 crore on power purchases at higher rates due to non-inclusion of penalty clause. This has also resulted in undue benefit of ₹ 7.97 crore (₹ 12.76 crore - ₹ 4.79 crore: paid to IEX) to TPCL.

The matter was brought to the notice of the Government in May 2016, their reply was awaited (September 2016).

3.4 Loss due to absence of agreement for purchase of power

West Bengal State Electricity Distribution Company Limited did not enter into power purchase agreement with Dishergarh Power Supply Company Limited for purchase of power due to which rebate for timely payment of power bills could not be availed, resulting in loss of ₹ 3.13 crore.

West Bengal Electricity Regulatory Commission (WBERC) Regulations¹³⁹ specified (February 2007 and April 2011) that every entity purchasing power from any other entity within the jurisdiction of WBERC should have power purchase agreements (PPAs). West Bengal State Electricity Distribution Company Limited (WBSEDCL) sells¹⁴⁰ as well as purchases¹⁴¹ power to and from Dishergarh Power Supply Company Limited¹⁴² (DPSCL).

It was seen in audit that for selling power, WBSEDCL had entered into (December 2011) PPA with DPSCL. However, no PPA was entered into for purchase of power by WBSEDCL from DPSCL. It was further observed that during 2011-15, DPSCL had availed of rebate for timely payment of bills, of ₹ 4.36 crore (on a total bill amount of ₹ 262.59 crore), as per clause for rebate in the PPAs with WBSEDCL.

Audit also observed that WBSEDCL had belatedly approached (June 2012/ August 2014) DPSCL for rebate on the same lines but was denied by DPSCL. However, in the absence of a PPA, which was a prerequisite as per the WBERC regulations for the purchase of power, WBSEDCL could not avail of the rebate. Consequently, WBSEDCL had no scope to claim and realise the

¹³⁹ Clause 5.3.1 of West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2007 (No. 31/ WBERC dated 9 February 2007) and Clause 7.3.1 of West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2011 (No. 48/ WBERC dated 25 April 2011).

¹⁴⁰ Through three off-take points.

¹⁴¹ Through 18 off-take points.

¹⁴² A distribution licensee, renamed India Power Corporation Limited from August 2013 as an Independent Power Producer.

rebate of ₹ 3.13 crore¹⁴³ on total power bills of ₹ 312.60 crore paid to DPSCL during 2011-15.

In response to the audit observation, Management replied (September 2016) that the arrangement of power was reciprocal and historical in nature. WBSEDCL had purchased power from DPSCL to serve its consumers better as its then existing supply network was not sufficient. With the development of WBSEDCL's own infrastructure/ network, it is presently not drawing power¹⁴⁴ from DPSCL.

The reply did not address the audit observation that WBSEDCL had envisaged (2011-12) purchase of power from DPSCL up to the year 2016-17 (six years) but did not execute PPAs for the same. Moreover, the response that WBSEDCL was no longer drawing power did not justify the absence of PPA.

Thus, absence of PPA for purchase of power from DPSCL resulted in loss of ₹ 3.13 crore to WBSEDCL.

The matter was brought to the notice of the Government in May 2016, their reply was awaited (September 2016).

3.5 Loss due to lack of fund management

West Bengal State Electricity Distribution Company Limited retained funds in non-interest bearing current accounts and resorted to borrowings from cash credit accounts for making various payments, due to lack of fund management. This led to avoidable payment of interest of ₹ 1.79 crore on cash credit accounts.

West Bengal State Electricity Distribution Company Limited (WBSEDCL), a distribution licensee, maintains 19 current accounts with various banks for meeting its operating expenditures. Three of these current accounts¹⁴⁵ were without auto-sweep facility¹⁴⁶. The Board of Directors of WBSEDCL had approved (September 2009) availing of short term loans or cash credit facilities¹⁴⁷ from banks for the purpose of meeting its operational expenditures under acute exigencies¹⁴⁸.

In this connection audit observed the following:

- During 2012-16, WBSEDCL retained amounts ranging from ₹ 3.80 lakh to ₹ 2,619.62 lakh in three non-interest bearing current

¹⁴³ Calculated at one *per cent* as prescribed by WBERC for timely payment of bills by power consumers.

¹⁴⁴ Number of off-take points have reduced to one from 18.

¹⁴⁵ Axis Bank, ICICI Bank and Indian Overseas Bank.

¹⁴⁶ Facility that interlinks savings/ current account with a fixed deposit account and transfers extra amount lying in the bank account, above a threshold limit, to FD, thereby helping to earn better interest.

¹⁴⁷ Twelve accounts with 11 banks.

¹⁴⁸ Arising out of shortfall in cash flow due to time lag between the incurring of costs on increase in fuel prices for power purchase, pay revision, *etc.* and their recovery through tariff.

accounts with Axis Bank, ICICI Bank and Indian Overseas Bank¹⁴⁹ as idle funds for periods ranging between one day and 18 days.

- During the same period, WBSEDCL had availed cash credit facilities ranging from ₹ 6,259 to ₹ 247.71 lakh with interest rates of 11.50 per cent for making various payments¹⁵⁰. These payments were not in compliance with the Board's decision to draw cash credit after due consideration of exigencies.
- The idle funds lying in these three non-interest bearing current accounts could have been deposited to the cash credit accounts from where the payments were disbursed and payment of ₹ 1.79 crore towards interest on such cash credit accounts could have been avoided (*Annexure 7*).

Management stated (September 2016) that WBSEDCL had to open current accounts for its operations with a purpose, while cash credit accounts were opened to redress liquidity crunch. Therefore, current accounts and cash credit accounts were operated simultaneously. WBSEDCL, further, stated that since payments were made to small vendors, power utilities, the State Government and other institutions; it was practically not possible to match the receipts with disbursement of funds.

The reply shows that WBSEDCL had not monitored the availability of funds in non-interest bearing current accounts while resorting to borrowings from cash credit accounts to meet payments. Moreover, the WBSEDCL's Audit Committee had observed (August 2014) that significant balances were maintained by WBSEDCL in current accounts, whereas substantial interest was paid on borrowings from cash credit. The Committee had directed that all current accounts be closed by August 2014, which was not done.

Thus, due to improper fund management, WBSEDCL failed to safeguard its financial interest and incurred avoidable loss of ₹ 1.79 crore on account of interest on cash credit accounts.

The matter was brought to the notice of the Government in May 2016, their reply was awaited (September 2016).

MACKINTOSH BURN LIMITED

3.6 Loss of ₹ 1.61 crore in execution of a water treatment plant

Mackintosh Burn Limited suffered a loss of ₹ 1.61 crore in execution of water treatment plant due to improper estimate for the work on turnkey basis.

Kolkata Metropolitan Water and Sanitation Authority (KMW&SA) awarded (March 2013) the work of executing a partially completed Water Treatment Plant¹⁵¹ (WTP) at Khamarpara, Bansberia to Mackintosh Burn Limited

¹⁴⁹ Closed during 2014-15.

¹⁵⁰ Contractors' payments for materials, payments to various agencies for rent, stationery, etc.

¹⁵¹ Under Jawaharlal Nehru National Urban Renewal Mission (JnNURM).

(MBL), on nomination basis. The work involved completion of the partially completed WTP, viz., design, construction, commissioning and trial run of 15 MGD¹⁵² WTP including 2 MG¹⁵³ underground reservoir-cum-pumping station within the existing WTP campus and 12 months operation and maintenance of the WTP on a turnkey basis. The contract price of the project was fixed at ₹ 13.50 crore and it was to be completed within 12 months from the date of agreement (March 2013).

Rule 171 of the Public Works Department Code, Government of West Bengal (GoWB) specified that in the case of works required in the interest of the general public, preliminary designs and estimates should be prepared. Further, as per prescribed Guidelines¹⁵⁴, Public Works Department –Schedule of Rates (PWD-SOR) was to be taken into consideration for cost estimation of the incomplete project. This envisaged checking of unit cost of each item during the present time and revision, if necessary, on the basis of PWD-SOR.

Audit observed that:

- As per the opinion of KMW&SA, the projected cost of the work of water treatment plant by taking into consideration the prevailing PWD-SOR, 2012 and market rates was ₹ 14.97 crore against which MBL had quoted ₹ 13.50 crore.
- During July 2009 to February 2012 there were six ongoing works for construction of water treatment plants in the State, average cost per MGD for which worked out to ₹ 1.55 crore. This was higher than the rate quoted by MBL which was ₹ 1.32 crore.
- The basis of estimate of the quoted value by MBL was not on record. MBL also stated (May 2016) that the basis of estimation of awarded value of work was not available.

The work of construction of WTP was completed in March 2015 and operation and maintenance works were completed in March 2016. MBL incurred an expenditure of ₹ 15.11 crore up to March 2016 against the awarded work of ₹ 13.50 crore.

Management confirmed (September 2016) the loss and stated that MBL was very much interested to procure the project as it did not have any previous credentials of WTP work. The reply of Management, however, did not address the reason for quoting below the prevailing market rate of ₹ 14.97 crore.

Thus submission of quotation without adhering to the norms for estimation of cost resulted in loss of ₹ 1.61 crore (₹ 15.11 crore - ₹ 13.50 crore) to MBL.

The matter was brought to notice of the Government (June 2016); their reply was awaited (September 2016).

¹⁵² Million Gallons per Day.

¹⁵³ Million Gallons.

¹⁵⁴ Schedule and Guidelines for preparation of piped water supply schemes by Public Health Engineering Directorate, Government of West Bengal.

THE SHALIMAR WORKS (1980) LIMITED

3.7 Loss due to non-compliance with prescribed standard design guidelines

Shalimar Works (1980) Limited incurred loss of ₹ 1.21 crore on reconstruction and renovation of dry docks due to non-compliance with the prescribed standard design guidelines.

Prior to the commencement of construction of any work in the bed of a river, it becomes obligatory to exclude, temporarily, river flow from the proposed work area during the construction period, so as to permit the work to be done in dry or semi-dry conditions. Such a diversion can be achieved through building of cofferdams which are temporary structures which prevent water from entering the work area. The applicable Indian standard¹⁵⁵ for cofferdams specifies that earthen¹⁵⁶ cofferdams are suitable for only one working season *i.e.* November to February when low tide prevails. Further, if they are to be retained for more than one working season, special protection measures/treatment have to be provided. Earthen cofferdams are not suitable where depth of water exceeds three metres. Instead, steel coffer dams with double wall sheet pile or cellular sheet pile are suitable.

It was observed that Garden Reach Shipbuilders and Engineers Limited¹⁵⁷ (GRSE) had awarded (May 2009) reconstruction and renovation works of two¹⁵⁸ dry docks at Raja Bagan Dockyard to The Shalimar Works (1980) Limited (SWL), at a firm price of ₹ 2.58 crore to be completed by June 2010 and September 2010 respectively. Since these dry docks were on the Hooghly river front, to save them from getting flooded while works were going on, the scope of work, *inter alia*, included erection of cofferdams for both the dry docks by use of materials like sandbags, bamboo/ sal piles, soil, other suitable support materials, *etc.*, as necessary. Thereafter, SWL sub-contracted (June 2009) the works to S. N. Construction (SNC) at a cost of ₹ 2.06 crore, for completion within the above dates which *inter alia* included the construction of cofferdams to be completed in July 2009. GRSE's tender specified that detailed tide tables for Hooghly River were available with GRSE and Kolkata Port Trust for identifying tidal characteristics required for executing the works.

Audit observed (July 2013/ May 2014) the following:

- Construction of cofferdams was not completed till October / November 2009 due to high tide water levels.
- As both cofferdams were constructed of earthen materials, they collapsed¹⁵⁹ in March 2010 due to high tides.
- SNC refused to re-erect the cofferdams due to fund constraints.

¹⁵⁵ IS : 9795 (Part-I) – 1981 (Reaffirmed 2012) Guidelines for choice of diversion works – Part I Cofferdams.

¹⁵⁶ Including timber and soil.

¹⁵⁷ A Government of India undertaking.

¹⁵⁸ DD 1 & 2 and DD 5.

¹⁵⁹ 28 March and 30 March 2010 respectively when high tide levels exceeded five metres.

- Consequently, in terms of contract, SWL cancelled (April 2010) the work order on SNC.

The entire work of repair and renovation of dry docks was then awarded (April 2010) to Newedge Nirman Private Limited (NNPL) at ₹ 1.30 crore, with revised completion dates of August 2010 and September 2010 respectively. NNPL, however, abandoned the works in July 2010 for reasons not on record.

Thereafter, SWL decided (August 2010) to complete the work of reconstruction and renovation of dry docks on their own by October 2010 and November 2010 respectively. The cofferdams were re-built (August 2010) with earthen materials, these repeatedly collapsed on seven¹⁶⁰ occasions between September 2010 and August 2011. The work of one dry dock was finally completed (May 2013) after a lapse of 35 months beyond scheduled date. Till March 2014, SWL incurred total expenditure of ₹ 212.85 lakh for one dry dock, against which it had received ₹ 61.95 lakh from GRSE. Besides, GRSE had deducted liquidated damages of ₹ 12.10 lakh and withheld payment of ₹ 46.95 lakh, resulting in loss of ₹ 103.95 lakh¹⁶¹. No further payment was received by SWL from GRSE (March 2016). The second cofferdam was not re-built. Consequently, the work of second dry dock remained incomplete even after incurring an expenditure of ₹ 87.21 lakh. In January 2014, SWL decided to foreclose work on the second dry dock. Till March 2016, SWL had received ₹ 70.12 lakh from GRSE leading to further loss of ₹ 17.09 lakh¹⁶². The aggregate loss on both dry docks was ₹ 121.04 lakh (₹ 103.95 lakh + ₹ 17.09 lakh).

The Management stated (April 2016) that after receipt of work orders, a reputed and qualified designer had been engaged for suggesting an appropriate construction methodology and preparation of drawings, within the purview of the tender specifications. Moreover, the successive failures of cofferdams were due to unforeseen calamity beyond their control and not due to non-compliance with the prescribed Indian standards.

The reply was not tenable as Audit had observed from the tide tables of Hooghly river available with GRSE that high tides exceeded 4.5 metres, the data which were never used by SWL. Further, as the work of renovation and reconstruction of dry docks had encompassed more than one working season and depth of water exceeded three metres, choice of earthen cofferdams was not appropriate as was evidenced by the collapse of cofferdams on nine occasions. Thus, due to non-compliance with the prescribed standard design guidelines for cofferdams, SWL incurred loss of ₹ 1.21 crore on reconstruction and renovation of dry docks.

The matter was communicated to the Government in April 2016, their reply was awaited (September 2016).

¹⁶⁰ First : 17 September 2010, 26 September 2010, 8 October 2010 and 1 August 2011; second : 18 September 2010, 20 February 2011 and 6 July 2011.

¹⁶¹ Total expenditure : ₹ 212.85 lakh less payment received : ₹ 61.95 lakh and amount withheld : ₹ 46.95 lakh.

¹⁶² ₹ (87.21 – 70.12) lakh.

CALCUTTA STATE TRANSPORT CORPORATION

3.8 Loss of revenue

Calcutta State Transport Corporation failed to claim license fees for utilisation of vacant land of CSTC depots; it also failed to charge license fees according to actual utilisation of land in setting up auto LPG dispensing outlets which led to loss of ₹ 76.12 lakh to CSTC, apart from its failure to increase non-traffic revenue.

Calcutta State Transport Corporation (CSTC) was set up in 1960 for development of road transport in Calcutta and the districts of 24 Parganas, Howrah and Hooghly. Its financial health had deteriorated over the years and for increasing the non-traffic revenue by commercial utilisation of vacant land, it had planned (November 2008) to lease out land in five¹⁶³ depots of CSTC for setting up auto LPG dispensing outlets (ALDO).

To operationalise this plan, CSTC had floated (December 2008) a tender for setting up of ALDO in the five identified depots. CSTC received responses from bidders in respect of only three¹⁶⁴ depots and the tender was awarded to the highest bidder, BND Gas Private Limited (Firm), in June 2009 for setting up ALDO, in three depots. An agreement was signed with the Firm in August 2009 which specified that payment of license fees for the leased land would commence from the date of delivery of the space for the ALDO. Further, in November/ December 2010, CSTC had entered into separate license deeds¹⁶⁵ with the Firm for the setting up of ALDO only in two depots¹⁶⁶. No documents were available in the file to show the reasons as to why license deed for the third¹⁶⁷ depot had not been entered into. The license deeds also specified that payment of license fees would commence from the date of taking over the space for setting up ALDO. In August 2012, CSTC had entered into another agreement with BND Gas Private Limited for setting up ALDO at Howrah and Belghoria depots of CSTC. No lease deed was signed in this case.

In this regard, Audit had observed the following:

A. Non-recovery of license fees

The Firm had sought (September 2009) a three-month rent-free gestation period which was turned down (November 2009) by the Board of Directors of CSTC on the ground that it would entail revenue loss. CSTC had not raised any claim against the Firm towards payment of license fees from August 2009 upto March 2011. Thereafter, it had raised and collected payment of license fee from April 2011 onwards.

As such, CSTC failed to collect the license fees of ₹ 55.78 lakh for 20 months (August 2009 to March 2011) for both depots.

¹⁶³ Taratala, Manicktala, Howrah, Belghoria and Nilgunge depots.

¹⁶⁴ Taratala, Manicktala and Nilgunge depots.

¹⁶⁵ License deed gives the licensee the right to use and occupy the premises for a limited duration, in this case 20 years.

¹⁶⁶ Taratala and Manicktala depots.

¹⁶⁷ Nilgunge depot.

B. Loss of license fees

The agreement (August 2012) had stated that CSTC would hand over the space specified in it and charge license fees as stipulated in the agreement. The actual space that had been handed over to the Firm for setting up ALDO was found to be in excess of the space to be allotted, as mentioned in the agreement. CSTC had raised claims for license fees, based on the space specified in the agreement, instead of actual space occupied by the Firm. This had resulted in short-claiming of license fees aggregating ₹ 20.34 lakh on the differential space up to May 2016 for the depots at Belghoria and Howrah, as follows in **Table 3.3:-**.

Table 3.3: Short-Claiming of License Fees

Particulars	Belghoria Depot	Howrah Depot
Agreement executed	August 2012	August 2012
Area actually allotted/ handed over (in sq.ft)	9,151	9,612
Area (sq.ft) mentioned in the agreements	8,000	8,000
Area for which license fees short claimed (in sq.ft)	1,151	1,612
Period of short claim (months) till May 2016	46	46
Short claim of license fee (months × license fee per sq. ft × difference between actual area handed over and area for which claimed) (₹)	8,47,136	11,86,432
Grand total (₹)	20,33,568	

The Government stated (December 2016) that a claim of ₹ 44.32¹⁶⁸ lakh had been raised (July 2016) towards outstanding/ short license fees on the Firm. The fact remained that failure to claim license fees for utilisation of vacant land of CSTC depots and failure to charge license fees according to actual utilisation of land in setting up ALDO led to loss of ₹ 76.12 lakh to CSTC, apart from its failure to increase non-traffic revenue.

3.9 Extra expenditure on maintenance of Volvo buses

Calcutta State Transport Corporation failed to avail of free maintenance services during the existing warranty period envisaged in the contract which resulted in extra payment of ₹ 50.85 lakh (May 2016) to the sole authorised service provider of the supplier towards service support of 63 Volvo buses.

Calcutta State Transport Corporation (CSTC) executed (20 February 2014) a contract with Volvo India Private Limited (VIPL) for procurement of buses and services¹⁶⁹ associated with running of these buses. Accordingly, CSTC procured (May to July 2014) 63 Air-Conditioned Ultra Low-Floor Bharat Stage-IV buses (cost : ₹ 63.79 crore) from VIPL under Jawaharlal Nehru National Urban Renewal Mission (JnNURM) Scheme¹⁷⁰.

¹⁶⁸ Manicktala depot : ₹ 3.08 lakh (February-March 2011), Belghoria/ Howrah depots ₹ 10.24 lakh each (September 2012-April 2013) and amount short claimed for differential area : ₹ 20.76 lakh (up to May 2016).

¹⁶⁹ Design, Manufacture, Supply and Commissioning of buses.

¹⁷⁰ Extended.

Under terms of the contract¹⁷¹, VIPL was required to station at least one competent engineer during the entire warranty period¹⁷² for evaluation of performance of buses and liaising with CSTC. VIPL was required to depute one engineer in each depot where Volvo buses were allotted. VIPL was also required to depute, at their own cost, necessary technical personnel for investigating defects and failures in these buses and carrying out modifications as and when required during the warranty period *i.e.* from September 2014 upto August 2016.

It was seen in audit that instead of availing of free maintenance services during the warranty period from VIPL as envisaged in the contract, CSTC entered (September 2014) into a separate agreement with the only authorised service provider of Volvo in the Eastern region, VE Commercial Vehicles Limited (VECVL), for service support¹⁷³ to these 63 Volvo buses at sites during the warranty period. The contract with VECVL was to be effective for 24 months, beginning from October 2014. Under this agreement, VECVL was to deploy four technical supervisors at a fee of ₹ 0.50 lakh per month (plus taxes as applicable) per technical supervisor and if the number of vehicles were more than 30 at a given depot¹⁷⁴/ site, one site technician¹⁷⁵ was also to be deployed at a fee of ₹ 0.20 lakh per month (plus taxes as applicable) per site. Accordingly, CSTC paid ₹ 50.85 lakh (**Annexure 8**) to VECVL for deployment of technical supervisors and on site technicians for service support to these buses during October 2014 to May 2016. CSTC, also would have to pay VECVL for service support of these buses during the entire validity period of the agreement *i.e.* upto September 2016. Thus, it was observed that for the same work of providing maintenance services to the 63 buses purchased, two agreements ran concurrently and CSTC failed to avail of the free support services for which the contract had already been signed.

Management stated in their reply (June 2016) that Volvo buses were high-end buses and considering the importance of maintenance of fleet, it was essential that regular maintenance be carried out under proper supervision. With this understanding, a separate agreement was entered into for providing five engineers for five different depots of CSTC for assisting the manpower of CSTC in carrying out regular maintenance.

The reply of the Management is not tenable as according to the agreement between CSTC and VIPL at least one competent engineer was to be necessarily stationed during the entire warranty period in each of the five depots for evaluation of performance of buses and liaising with CSTC. Necessary technical personnel were also to be deputed by VIPL at their cost for investigating defects and failures and carrying out modifications as and when required within warranty period. As such, the Corporation paid for

¹⁷¹ Clause 36.2 of Request for proposal (RfP) forming part of the contract.

¹⁷² Two years from the date of issuance of Final Acceptance certification (August 2014) or 2,00,000 km whichever is earlier.

¹⁷³ Including carrying out of warranty repairs, assistance in running repairs, emergency repairs, minor repairs, *etc.* but excluding accident related repairs and major overhaul of aggregates.

¹⁷⁴ Taratala Depot, Lake Depot, Howrah Depot, Garia Depot and Maniktala Depot.

¹⁷⁵ Parts-in-charge.

maintenance which was provided for free under the contract with the bus supplier.

Thus, failure of Corporation to avail of free maintenance services during the existing warranty period envisaged in the contract with VIPL resulted in extra payment of ₹ 50.85 lakh so far (May 2016) towards service support of these Volvo buses by another agency.

NORTH BENGAL STATE TRANSPORT CORPORATION

3.10 Extra expenditure on purchase of High Speed Diesel (HSD)

North Bengal State Transport Corporation incurred an extra expenditure of ₹ 63.48 lakh on purchase of HSD due to lack of proper procurement/supply policy of HSD and failure to secure best value for money through regular monitoring of HSD prices from different sources.

North Bengal State Transport Corporation (NBSTC) operates bus services through 21 depots under the control of four divisions¹⁷⁶. The cost of High Speed Diesel (HSD) constitutes 43 *per cent*¹⁷⁷ of the total cost of its operations. Hence, to bring down costs and increase profitability, it is vital that NBSTC should optimise the cost of HSD. NBSTC procures HSD in three ways:

- (a) The division offices directly procure HSD from Indian Oil Corporation Limited (IOCL) through their oil tankers from designated supply points¹⁷⁸ of IOCL against advance payment for distribution¹⁷⁹ to the depots according to their requirements.
- (b) Inter-depot supply and issue, and
- (c) En-route purchases by buses from retail refilling stations.

In January 2013, Government of India had announced that HSD would be sold to bulk consumers from retail refilling stations at the prevailing market prices effective from 18 January 2013. As this would be the cheapest option as compared with bulk procurement, to avail of the benefit of lower prices at retail refilling stations as a result of this order, the Transport Department, Government of West Bengal (GoWB) issued (24 January 2013) directions to all the State Transport Undertakings in the state to procure HSD en-route from retail refilling stations.

During test-check of records relating to purchases of HSD by NBSTC, Audit observed that NBSTC had procured 20,789.40 KL of HSD (valued at ₹ 106.97 crore) between September 2014 and March 2016. Out of this total procurement, 17,410.33 KL (valued at ₹ 89.20 crore) were directly purchased

¹⁷⁶ Coochbehar division- 5 depots, Siliguri division- 7 depots, Raiganj division- 5 depots and Baharampur division- 4 depots.

¹⁷⁷ Minimum 29.35 *per cent* in July 2013 and Maximum 43.11 *per cent* in June 2015.

¹⁷⁸ Coochbehar division- Hasimara, Siliguri division-Siliguri, Raiganj division-Malda and Baharampur division-Malda.

¹⁷⁹ Coochbehar division-Coochbehar, Siliguri division-Siliguri, Raiganj division-Raiganj and Baharampur division- Baharampur.

in bulk from IOCL while the remaining 3,379.07 KL (valued at ₹ 17.77 crore) of HSD were purchased en-route. Analysing these purchase activities, Audit observed the following:

A. NBSTC had started purchase of HSD from retail refilling stations since January 2013, in accordance with GoWB's decision. It was observed that the difference in price between the retail refilling stations and bulk purchases directly from IOCL was getting reduced gradually. Consequently, in June 2014, IOCL approached Principal Secretary, Transport Department for reverting back to direct procurement from IOCL to avail of price advantages. Neither the Transport Department issued any instructions nor had NBSTC availed of this opportunity. NBSTC resumed (September 2014) bulk procurement of HSD from IOCL when the price of HSD at the retail refilling stations was higher than that of IOCL. However, NBSTC did not execute any Memorandum of Agreement (MOA) from the time they resumed bulk purchase; instead, it executed the MOA only in October 2015. As per this MOA, NBSTC was entitled to a special cash discount of ₹ 150 per kilolitre (KL) on the quantity lifted in each month through bulk purchase. Between September 2014 and September 2015 (when the MOA was not executed), NBSTC had purchased 13,531.62 KL of HSD, in bulk, from IOCL. Due to delay of 13 months¹⁸⁰ in execution of MOA with IOCL, NBSTC failed to avail of discount of ₹ 20.30 lakh¹⁸¹ against these purchases.

B. Further, during 2014-15 (September 2014) and 2015-16, NBSTC had procured 3,379.07 KL (valued at ₹ 17.77 crore) of HSD en-route, in cash, from retail refilling stations. It was observed that during this period, the average price of HSD per litre at retail refilling stations varied from ₹ 48.19 per litre (February 2016) to ₹ 63.81 per litre (September 2014). The corresponding average price of HSD for bulk procurement from IOCL ranged between ₹ 46.61 per litre (February 2016) and ₹ 62.33 per litre (September 2014). As such, NBSTC incurred extra expenditure of ₹ 43.18 lakh on purchase of 3,379.07 KL of HSD at higher rates from retail refilling stations.

The Government stated (November 2016) that NBSTC had taken up the issue of signing MOA to receive the benefit of discount with IOCL several times but presumably IOCL was reluctant to execute MOA. Besides, NBSTC was compelled to procure HSD en-route from retail refilling stations at higher rate as NBSTC operated services in the Bihar region, up to a distance of 400 km from the last fueling point at Islampur depot. Moreover, NBSTC could not stock HSD from IOCL due to financial crisis.

The reply was not acceptable since the offer to switch the procurement from retail refilling stations to directly from IOCL was made by IOCL in June 2014. Moreover, NBSTC had approached IOCL for entering into MOA only on two occasions in September 2014, and had thereafter not followed up with IOCL for a year till execution of MOA in October 2015. Further, it was seen that


¹⁸⁰ From September 2014 to September 2015.

¹⁸¹ 13,531.62 KL (From September 2014 to September 2015) x ₹ 150 per KL.

fuel was purchased en-route from retail refilling stations in Islampur itself and other adjoining areas within West Bengal and not from retail refilling stations located in Bihar. Moreover, NBSTC had not framed any criteria for en-route purchases of HSD from retail refilling stations. Lack of pursuance with IOCL and absence of HSD procurement policy led to avoidable outflow of fund, which in turn had eroded the financial health of NBSTC.

Thus, absence of proper procurement policy of HSD, non-availing of contractual discounts and failure to secure the best value for money through regular monitoring of HSD prices from different sources resulted in extra expenditure of ₹ 63.48 lakh (₹ 20.30 lakh + ₹ 43.18 lakh) on purchase of HSD.

KOLKATA
The 17 February 2017


(NAMEETA PRASAD)
Accountant General
(Economic & Revenue Sector Audit)
West Bengal

Countersigned

NEW DELHI
The 22 February 2017


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

ANNEXURES

Annexure 1

(Referred to in paragraphs 1.8 and 1.8.1)

Statement showing investments made by State Government in PSUs whose accounts are in arrears

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise)				
				Year	Equity	Loans	Grants & Subsidy	Total
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)	(5e)
A. Working Government Companies								
1	West Bengal State Minor Irrigation Corporation Limited	2009-10	11.65	2010-11	0.00	0.00	31.85	31.85
				2011-12	0.00	0.00	0.00	0.00
				2012-13	0.00	0.00	43.73	43.73
				2013-14	0.00	0.00	46.95	46.95
				2014-15	0.00	0.00	41.33	41.33
		2015-16	0.00	0.00	42.63	42.63		
2	West Bengal Fisheries Corporation Limited	2014-15	2.00	0.00	0.00	5.13	5.13	
3	West Bengal Forest Development Corporation Limited	2014-15	6.23	0.00	0.00	0.00	0.00	

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise)				
				Year	Equity	Loans	Grants & Subsidy	Total
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)	(5e)
A. Working Government Companies								
4	West Bengal Wasteland Development Corporation Limited	2014-15	0.34	2015-16	0.00	0.00	0.00	0.00
5	West Bengal Handicrafts Development Corporation Limited	2014-15	24.60	2015-16	0.00	0.00	0.73	0.73
6	West Bengal State Food Processing and Horticulture Development Corporation Limited	2012-13	0.97	2013-14	0.00	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00	0.00
7	West Bengal State Seed Development Corporation Limited	2014-15	2.50	2015-16	0.00	0.00	0.00	0.00
8	Paschimbanga Agri marketing Corporation Limited	2014-15	1.75	2015-16	2.25	0.00	0.74	2.99
9	West Bengal Industrial Development Corporation Limited	2014-15	435.93	2015-16	0.00	0.00	5.00	5.00
10	West Bengal Film	2012-13	5.20	2013-14	0.00	2.40	0.00	2.40

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise)				
				Year	Equity	Loans	Grants & Subsidy	Total
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)	(5e)
A. Working Government Companies								
	Development Corporation Limited			2014-15	0.00	4.25	0.00	4.25
				2015-16	0.00	2.93	0.00	2.93
11	West Bengal Women Development Undertaking	2013-14	0.10	2014-15	0.00	0.00	2.85	2.85
				2015-16	0.00	0.00	2.75	2.75
12	West Bengal Infrastructure Development Finance Corporation Limited	2014-15	175.30	2015-16	0.00	0.00	0.00	0.00
13	The West Bengal Small Industries Development Corporation Limited	2014-15	41.94	2015-16	1.00	0.00	45.29	46.29
14	Mackintosh Burn Limited	2014-15	0.31	2015-16	0.00	0.00	0.00	0.00
15	West Bengal Pharmaceutical & Phytochemical Development Corporation Limited	2014-15	20.90	2015-16	3.09	1.83	0.00	4.92
16	West Bengal Transport Infrastructure Development Corporation Limited	2014-15	3.10	2015-16	0.00	0.00	0.00	0.00
17	Westinghouse Saxby Farmer Limited	2014-15	7.74	2015-16	0.00	9.19	0.00	9.19

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise)				
				Year	Equity	Loans	Grants & Subsidy	Total
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)	(5e)
A. Working Government Companies								
18	National Iron and Steel Company (1984) Limited	2014-15	12.00	2015-16	0.00	5.46	0.00	5.46
19	Britannia Engineering Limited	2014-15	11.29	2015-16	0.00	3.28	0.00	3.28
20	Neo Pipes & Tubes Company Limited	2014-15	2.20	2015-16	0.00	2.28	0.00	2.28
21	Greater Calcutta Gas Supply Corporation Limited	2014-15	41.15	2015-16	0.00	3.06	0.00	3.06
22	The Shalimar Works (1980) Limited	2014-15	1.26	2015-16	0.00	4.81	0.00	4.81
23	Eastern Distilleries and Chemicals Limited	2012-13	0.20	2013-14	0.00	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00	0.00
24	Gluconate Health Limited	2014-15	27.31	2015-16	12.40	1.68	0.00	14.08
25	West Bengal Trade Promotion Organisation	2014-15	0.60	2015-16	0.00	0.00	0.00	0.00
26	The Electro Medical and Allied Industries Limited	2013-14	16.40	2014-15	0.00	2.77	0.00	2.77
				2015-16	0.00	2.09	0.00	2.09

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise)				
				Year	Equity	Loans	Grants & Subsidy	Total
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)	(5e)
A. Working Government Companies								
27	West Bengal Surface Transport Corporation Limited	2011-12	1.01	2012-13	0.00	19.77	2.00	21.77
				2013-14	0.00	24.69	2.00	26.69
				2014-15	0.00	27.50	2.00	29.50
				2015-16	0.00	0.00	0.00	0.00
28	West Bengal Essential Commodities Supply Corporation Limited	2011-12	1.08	2012-13	0.00	0.00	0.00	0.00
				2013-14	0.00	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00	0.00
				2015-16	0.00	300.00	0.00	300.00
29	West Bengal Tourism Development Corporation Limited	2012-13	8.88	2013-14	0.00	0.00	0.00	0.00
30	West Bengal Swarojgar Corporation Limited	2014-15	105.00	2015-16	0.00	0.00	0.00	0.00
31	Basumati Corporation Limited	2014-15	0.10	2015-16	0.00	4.84	0.00	4.84
32	West Bengal Text Book Corporation Limited	2014-15	0.10	2015-16	0.00	0.00	0.00	0.00

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise)				
				Year	Equity	Loans	Grants & Subsidy	Total
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)	(5e)
A. Working Government Companies								
33	Saraswaty Press Limited	2014-15	5.50	2015-16	0.00	0.00	0.00	0.00
34	Silpabarta Printing Press Limited	2014-15	0.89	2015-16	0.00	0.00	0.50	0.50
Total- A (All sector wise Government Companies)					18.74	422.83	275.48	717.05
B. Working Statutory Corporations								
35	West Bengal State Warehousing Corporation	2013-14	7.61	2014-15	0.00	0.00	0.00	0.00
36	West Bengal Backward Classes Development and Finance Corporation	2013-14	29.49	2014-15	0.00	0.00	0.48	0.48
37	West Bengal Minorities Development & Finance Corporation	2013-14	181.25	2014-15	25.00	0.00	1.60	26.60
				2015-16	15.00	0.00	1.69	16.69
38	West Bengal Industrial Infrastructure Development Corporation	2013-14	0.00	2014-15	0.00	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00	0.00

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise)				
				Year	Equity	Loans	Grants & Subsidy	Total
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)	(5e)
B. Working Statutory Corporations								
39	North Bengal State Transport Corporation	2009-10	10.7	2010-11	0.00	16.37	100.06	116.43
				2011-12	0.00	8.68	74.20	82.88
				2012-13	0.00	8.51	100.45	108.96
				2013-14	0.00	0.23	232.71	232.94
				2014-15	0.00	24.54	134.25	158.79
				2015-16	0.00	27.40	153.87	181.27
40	Calcutta State Transport Corporation	2013-14	9.62	2014-15	0.00	29.00	196.54	225.54
				2015-16	0.00	31.48	291.66	323.14
41	South Bengal State Transport Corporation	2014-15	11.01	2015-16	0.00	30.99	59.37	90.36
Total - B (All sector-wise Statutory corporations)					40.00	179.70	1,347.36	1,567.06
Grand Total (A + B)					58.74	602.53	1,622.84	2,284.11

Annexure 2

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised statements/ accounts
(Referred to in paragraph 1.10)

(Figures in columns (5) to (12) are ₹ in crore)

Sl. No.	Sector/ Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) &	Net impact of Audit Comments #	Capital Employed @	Return on capital employed \$	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A. Working Government companies													
AGRICULTURE AND ALLIED													
1	The State Fisheries Development Corporation Limited	2015-16	2016-17	2.70	2.37	1.07	13.72	-0.58	0.00	19.56	-0.58	0.00	425
2	West Bengal Dairy and Poultry Development Corporation Limited	2015-16	2016-17	7.10	2.20	11.33	51.21	1.77	0.00	20.63	1.82	8.82	58
3	West Bengal Agro Industries Corporation Limited	2015-16	2016-17	8.41	15.22	-126.10	82.17	-13.00	0.00	-102.47	4.97	0.00	226
4	The West Bengal Livestock Development Corporation Limited	2015-16	2016-17	2.34	0.00	1.05	4.31	0.29	0.00	3.41	0.30	8.80	58
5	West Bengal Fisheries Corporation Limited	2014-15	2015-16	2.00	0.30	-0.21	18.89	1.16	0.00	2.09	1.16	55.50	166
6	Pachibanga Agri Marketing Corporation Limited	2014-15	2016-17	1.75	0.00	0.11	0.00	0.12	0.00	1.86	0.12	6.45	1

Sl. No.	Sector/Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) & Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
7	West Bengal Forest Development Corporation Limited	2014-15	2015-16	6.23	0.00	76.73	54.67	14.89	83.56	15.39	18.42	738	
8	West Bengal Wasteland Development Corporation Limited	2014-15	2015-16	0.34	0.00	1.29	1.95	0.27	1.63	0.27	16.56	25	
9	West Bengal State Seed Corporation Limited	2014-15	2015-16	2.50	0.00	69.26	168.02	12.00	72.32	14.38	19.88	171	
10	West Bengal State Food Processing and Horticulture Development Corporation Limited	2012-13	2015-16	0.97	2.22	1.76	9.49	0.15	5.06	0.45	8.89	30	
11	West Bengal State Minor Irrigation Corporation Limited	2009-10	2012-13	11.65	0.00	-57.87	3.16	-14.01	-27.70	-14.01	0.00	445	
Sector-wise total				45.99	22.31	-21.58	407.59	3.06	79.95	24.27	30.36	2,343	
FINANCING													
12	Weber Venture Capital Limited (subsidiary of WBEIDC Limited)	2015-16	2016-17	0.05	0.00	1.64	0.05	0.20	1.69	0.20	11.83	2	
13	West Bengal Industrial Development Corporation Limited (WBIDC Limited)	2014-15	2015-16	435.93	131.00	74.37	7.85	15.22	1,374.77	23.13	1.68	98	
14	West Bengal Handicrafts Development Corporation Limited	2014-15	2015-16	24.60	5.31	-27.83	14.56	-0.96	1.97	-0.76	0.00	65	
15	West Bengal Infrastructure Development Finance Corporation Limited	2014-15	2015-16	175.30	2,993.43	741.93	470.77	77.13	4,272.56	462.59	10.83	40	

Sl. No.	Sector/ Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) &	Net impact of Audit Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
16	West Bengal Women Development Undertaking	2013-14	2015-16	0.10	0.00	1.14	0.78	0.22	0.00	1.24	0.22	17.74	14
17	West Bengal Film Development Corporation Limited	2012-13	2013-14	5.20	32.63	-73.45	0.01	-5.83	0.00	-6.41	-2.54	0.00	27
	Sector-wise total			641.18	3,162.37	717.80	494.02	85.98	-186.09	5,645.82	482.84	8.55	246
INFRASTRUCTURE													
18	West Bengal Electronic Industry Development Corporation Limited (WBEIDC Limited)	2015-16	2016-17	228.57	25.15	-60.19	89.59	8.02	0.00	193.53	10.67	5.51	128
19	West Bengal Police Housing & Infrastructure Development Corporation Limited	2015-16	2016-17	10.40	0.00	6.42	60.90	2.68	0.00	17.77	2.68	15.08	49
20	West Bengal Housing Infrastructure Development Corporation Limited (WBHIDCO Limited)	2015-16	2016-17	72.15	0.00	103.13	214.05	9.81	0.00	185.07	9.81	5.30	309
21	New Town Telecom Infrastructure Development Company Limited (subsidiary of WBHIDCO Limited)	2015-16	2016-17	1.05	5.23	8.02	3.87	1.77	0.00	15.19	2.33	15.34	7
22	Sundarban Infrastructure Development Corporation Limited	2015-16	2016-17	1.00	0.00	12.34	0.03	2.81	0.00	13.34	2.81	21.06	16

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Sl. No.	Sector/ Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) & Comments#	Net impact of Audit Comments#	Capital Employed@	Return on capital employed\$	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
23	West Bengal Highway Development Corporation Limited	2015-16	2016-17	818.00	0.00	29.30	0.00	14.24	-9.12	847.30	26.78	3.16	34
24	The West Bengal Small Industries Development Corporation Limited (WBSIDC Limited)	2014-15	2015-16	41.94	0.00	-17.62	62.87	6.29	0.00	144.00	7.51	5.22	162
25	West Bengal Transport Infrastructure Development Corporation Limited	2014-15	2015-16	3.10	46.70	-50.26	26.93	-4.92	0.00	57.07	-1.84	0.00	25
26	Maackintosh Burn Limited	2014-15	2015-16	0.31	6.32	151.82	585.64	13.18	0.00	164.18	19.65	11.97	565
	Sector-wise total			1,176.52	83.40	182.96	1,043.88	53.88	-9.12	1,637.45	80.40	4.91	1,295
MANUFACTURING													
27	Durgapur Chemicals Limited	2015-16	2016-17	165.57	3.00	178.56	87.05	-15.26	0.00	-2.44	-8.86	0.00	233
28	West Bengal Mineral Development and Trading Corporation Limited	2015-16	2016-17	4.43	63.21	-73.37	46.35	0.81	0.00	-0.73	9.16	0.00	290
29	WEBFIL Limited	2015-16	2016-17	10.58	3.05	-8.50	25.02	0.05	0.00	5.13	1.42	27.68	160
30	Mayurakshi Cotton Mills (1990) Limited	2015-16	2016-17	9.26	25.31	-64.85	1.86	-3.67	0.00	-30.28	-2.95	0.00	172
31	Westinghouse Saxby Farmer Limited	2014-15	2015-16	7.74	48.32	-59.14	193.45	-5.84	0.00	-3.05	0.28	0.00	388
32	Britannia Engineering Limited	2014-15	2015-16	11.29	30.36	-38.91	53.57	-8.39	0.00	38.14	-4.15	0.00	370

Sl. No.	Sector/ Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) & Comments [#]	Net impact of Audit Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
33	Gluconate Health Limited	2014-15	2015-16	27.31	21.98	-36.38	25.40	-5.04	0.00	11.78	-3.00	0.00	198
34	Neo Pipes and Tubes Company Limited	2014-15	2015-16	2.20	11.14	-116.47	0.30	-7.43	0.00	-103.13	-1.98	0.00	60
35	National Iron and Steel Company (1984) Limited	2014-15	2015-16	12.00	102.86	-310.31	9.18	-19.17	-69.12	-132.38	-4.33	0.00	55
36	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	2014-15	2015-16	20.90	5.22	-22.82	4.11	-2.36	0.00	3.42	-1.39	0.00	63
37	Greater Calcutta Gas Supply Corporation Limited	2014-15	2015-16	41.15	156.42	-344.95	32.97	-12.11	0.00	-147.38	8.27	0.00	250
38	The Shalimar Works (1980) Limited	2014-15	2015-16	1.26	114.60	-244.80	10.58	-23.32	0.00	-128.77	-6.54	0.00	172
39	The Electro Medical and Allied Industries Limited	2013-14	2015-16	16.40	30.68	-72.54	6.41	-7.40	0.00	-25.46	-3.28	0.00	38
40	Eastern Distilleries and Chemicals Limited	2012-13	2015-16	0.20	0.00	-5.33	41.75	-0.20	0.00	-5.08	0.68	0.00	101
Sector-wise total				330.29	616.15	-1,219.81	538.00	-109.33	-69.12	-520.23	-16.67	0.00	2,550
POWER													
41	The Durgapur Projects Limited	2015-16	2016-17	1,251.63	2,555.25	-1,837.68	1,039.47	-327.38	-46.02	2,050.39	-3.07	0.00	2,969
42	The West Bengal Power Development Corporation Limited	2015-16	2016-17	6,123.05	7,467.81	1,208.46	6,821.73	20.61	-263.15	14,961.74	635.43	4.25	4,404

Sl. No.	Sector/ Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-)&	Net impact of Audit Comments #	Capital Employed@	Return on capital employed\$	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
43	New Town Electric Supply Company Limited (subsidiary of WBHIDCO Limited)	2015-16	2016-17	9.86	0.00	15.15	6.41	1.86	0.00	25.01	1.86	7.44	30
44	West Bengal State Electricity Distribution Company Limited	2015-16	2016-17	2,256.74	8,491.05	-125.80	16,046.91	21.58	0.00	17,111.39	1,473.15	8.61	15,036
45	West Bengal Green Energy Development Corporation Limited	2015-16	2016-17	4.99	14.31	-6.77	1.09	-0.34	0.00	12.53	0.60	4.79	8
46	West Bengal State Electricity Transmission Company Limited	2014-15	2015-16	1,105.52	2,594.53	1,874.75	1,242.67	437.11	0.00	5,755.82	658.68	11.44	2,382
Sector-wise total				10,751.79	21,122.95	1,128.11	25,158.28	153.44	-309.17	39,916.88	2,766.65	6.93	24,829
SERVICE													
47	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	2015-16	2016-17	4.04	0.77	-11.81	14.79	0.07	0.00	-7.00	0.36	0.00	31
48	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	2015-16	2016-17	0.84	0.00	-7.77	12.69	0.01	0.00	-6.93	0.01	0.00	52
49	Webel Informatics Limited (subsidiary of WBEIDC Limited)	2015-16	2016-17	0.40	4.61	-3.08	47.90	0.92	0.00	1.93	0.92	47.67	27
50	Webel Technology Limited (subsidiary of WBEIDC Limited)	2015-16	2016-17	1.00	2.20	5.81	139.89	4.85	0.00	39.21	4.85	12.37	74

Sl. No.	Sector/ Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-)	Net impact of Audit Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
51	The Calcutta Tramways Company (1978) Limited	2015-16	2016-17	20.40	192.93	-1,672.57	44.85	-118.33	0.00	-1,417.14	-66.94	0.00	5,534
52	West Bengal Medical Services Corporation Limited	2015-16	2016-17	8.00	0.00	38.83	33.41	18.28	0.00	46.83	18.28	39.03	128
53	West Bengal Trade Promotion Organisation (subsidiary of WBIDC Limited)	2014-15	2015-16	0.60	0.00	14.82	4.04	3.61	0.00	19.15	3.61	18.85	6
54	West Bengal Swarojgar Corporation Limited	2014-15	2015-16	105.00	0.00	31.33	0.00	3.13	0.00	136.33	3.13	2.30	12
55	West Bengal Tourism Development Corporation Limited	2012-13	2015-16	8.88	0.70	-1.83	37.25	1.42	0.00	8.25	1.45	17.58	278
56	West Bengal Surface Transport Corporation Limited	2011-12	2013-14	1.01	187.71	-222.21	17.63	-52.03	-0.61	-144.17	-34.17	0.00	913
57	West Bengal Essential Commodities Supply Corporation Limited	2011-12	2015-16	1.08	311.00	-9.19	1,467.21	-4.67	143.78	302.89	15.48	5.11	236
Sector-wise total				151.25	699.92	-1,837.67	1,819.66	-142.74	143.17	1,020.65	-53.02	0.00	7,291
Miscellaneous													
58	Basumati Corporation Limited	2014-15	2015-16	0.10	15.51	-145.72	5.04	-11.04	0.00	130.11	-3.13	0.00	112
59	Silpabarta Printing Press Limited (subsidiary of WBSIDC Limited)	2014-15	2015-16	0.89	3.21	-0.49	8.89	-0.31	0.00	3.61	-0.27	0.00	46
60	Saraswati Press Limited	2014-15	2015-16	5.50	0.00	25.43	70.45	2.27	0.00	38.40	2.69	7.01	222

Sl. No.	Sector/Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) & Comments [#]	Net impact of Audit Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
61	West Bengal Text Book Corporation (P) Limited (subsidiary of Saraswati Press Limited)	2014-15	2015-16	0.10	0.00	18.57	293.53	8.72	0.00	20.19	9.03	44.73	0
	Sector-wise total			6.59	18.72	-102.21	377.91	-0.36	0.00	192.31	8.32	4.33	380
	Total- A (All sector-wise Government Companies)			13,103.61	25,725.82	-1,152.40	29,839.34	43.93	-430.63	45,931.53	3,292.79	7.17	38,934
B. Working Statutory Corporations													
AGRICULTURE AND ALLIED													
1	West Bengal State Warehousing Corporation	2013-14	2015-16	7.61	0.00	7.50	8.43	2.66	0.00	19.96	2.66	13.33	104
	Sector-wise total			7.61	0.00	7.50	8.43	2.66	0.00	19.96	2.66	13.33	104
FINANCING													
2	West Bengal Financial Corporation	2015-16	2016-17	227.35	647.68	-125.28	84.56	3.27	14.96	782.65	62.38	7.97	160
3	West Bengal Scheduled Castes & Scheduled Tribes Development & Finance Corporation	2015-16	2016-17	229.28	69.89	132.36	0.91	53.75	0.00	570.62	54.92	9.62	149
4	West Bengal Backward Classes Development & Finance Corporation	2013-14	2015-16	29.49	17.86	-2.80	0.30	-0.70	0.00	39.95	-0.10	0.00	4
5	West Bengal Minorities Development & Finance Corporation	2013-14	2015-16	181.25	466.88	107.38	21.74	44.01	9.17	697.99	50.47	7.23	106
	Sector-wise total			667.37	1,202.31	111.66	107.51	100.33	24.13	2,091.21	167.67	8.02	419

Sl. No.	Sector/Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-)	Net impact of Audit Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Infrastructure													
6	West Bengal Industrial Infrastructure Development Corporation	2013-14	2014-15	0.00	96.34	58.44	29.55	12.38	-43.29	230.75	15.75	6.83	141
	Sector-wise total			0.00	96.34	58.44	29.55	12.38	-43.29	230.75	15.75	6.83	141
SERVICE													
7	South Bengal State Transport Corporation	2014-15	2015-16	11.01	206.23	-523.73	155.31	-49.32	0.00	-262.60	-23.83	0.00	2,119
8	Calcutta State Transport Corporation	2013-14	2015-16	9.62	383.47	-1,176.38	57.05	-77.18	0.00	-603.92	-71.50	0.00	5,308
9	North Bengal State Transport Corporation	2009-10	2015-16	10.70	239.89	-495.75	163.55	-15.36	-196.63	233.05	13.33	5.72	2,053
	Sector-wise total			31.33	829.59	-2,195.86	375.91	-141.86	-196.63	-633.47	-82.00	0.00	9,480
	Total - B (All sector-wise Statutory Corporations)			706.31	2,128.24	-2,018.26	521.40	-26.49	-215.79	1,708.45	104.08	6.09	10,144
	Grand Total (A+B)			13,809.92	27,854.06	-3,170.66	30,360.74	17.44	-646.42	47,639.98	3,396.87	7.13	49,078
C. Non-working Government Companies													
AGRICULTURE AND ALLIED													
1	West Bengal Tea Development Corporation Limited	2015-16	2016-17	47.22	122.72	373.71	0.00	-112.03	0.00	543.65	-92.80	0.00	17
	Sector-wise total			47.22	122.72	373.71	0.00	-112.03	0.00	543.65	-92.80	0.00	17
FINANCING													
2	West Bengal Handloom and Power loom Development Corporation Limited	2011-12	2014-15	46.77	5.12	-56.09	0.10	-0.22	0.00	-4.10	-0.12	0.00	10
	Sector-wise total			46.77	5.12	-56.09	0.10	-0.22	0.00	-4.10	-0.12	0.00	10

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Sl. No.	Sector/Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) &	Net impact of Audit Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
MANUFACTURING													
3	West Bengal Sugar Industries Development Corporation Limited	2015-16	2016-17	15.24	46.98	-176.81	0.00	-6.39	0.00	-113.70	-0.10	0.00	14
4	West Bengal Industrial Land Holding Private Limited (subsidiary of WBIDC Ltd)	2015-16	2016-17	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0
5	Webel Electro-Optics Limited (subsidiary of WBEIDC Limited)	2015-16	2016-17	3.37	3.80	-1.87	0.00	0.32	0.00	5.30	0.32	6.04	12
6	Webel Consumer Electronics Limited (subsidiary of WBEIDC Limited)	2015-16	2016-17	8.02	56.32	-67.67	0.00	-1.51	0.00	-3.33	-1.45	0.00	77
7	The West Dinajpur Spinning Mills Limited	2014-15	2015-16	12.75	109.59	-257.24	0.02	-36.06	0.00	-134.76	-20.85	0.00	603
8	Pulver Ash Projects Limited (subsidiary of WBSIDC Limited)	2014-15	2015-16	3.31	13.00	-15.21	0.00	-0.09	0.00	1.11	-0.09	0.00	1
9	Lily Products Limited	2014-15	2015-16	0.01	52.25	205.92	0.00	-36.05	0.00	-139.65	-25.97	0.00	77
10	The Kalyani Spinning Mills Limited	2013-14	2014-15	14.63	300.95	-678.07	0.00	-56.88	0.00	-362.49	-20.10	0.00	999
11	The Infusions (India) Limited	2013-14	2015-16	8.00	6.22	-19.11	0.00	-2.32	0.00	-4.89	-1.36	0.00	39
12	The West Bengal Projects Limited (subsidiary of WBSIDC Limited)	2012-13	2016-17	1.89	0.10	-3.17	0.00	-0.08	0.00	-1.18	-0.07	0.00	3
13	West Bengal Plywood and	2011-12	2013-14	0.09	52.77	-53.39	0.00	-0.10	0.00	-0.51	-0.10	0.00	0

Sl. No.	Sector/Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) &	Net impact of Audit Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Allied Products Limited												
14	The West Bengal State Leather Industries Development Corporation Limited	2008-09	2013-14	3.95	2.34	-21.15	0.00	-0.18	0.00	-15.07	0.11	0.00	3
15	The Carter Pooler Engineering Company Limited	2007-08	2008-09	0.95	20.69	-49.76	0.00	-3.08	0.00	-26.45	-0.08	0.00	0
16	West Bengal Ceramic Development Corporation Limited	2006-07	2008-09	2.93	26.00	-64.31	0.00	-4.37	0.00	-35.60	-0.39	0.00	2
17	Krishna Silicates and Glass (1987) Limited	2005-06	2008-09	0.00	52.92	-91.19	0.00	-7.28	0.00	-9.17	-0.65	0.00	0
	Sector-wise total			75.15	743.93	-1,293.03	0.02	-154.07	0.00	-840.38	-70.78	0.00	1,830
POWER													
18	DPL Coke Oven Limited	2015-16	2016-17	0.05	0.00	-0.14	0.00	0.00	0.00	0.09	0.00	0.00	0
	Sector-wise total			0.05	0.00	-0.14	0.00	0.00	0.00	0.09	0.00	0.00	0
	Total C (All sector-wise non-working Government Companies)			169.19	871.77	-975.55	0.12	-266.32	0.00	-300.74	-163.70	0.00	1,857
D. Non-working Statutory Corporation													
SERVICE													
1	Great Eastern Hotel Authority	2015-16	2016-17	0.00	16.34	-37.16	0.00	0.01	0.00	-20.74	0.04	0.00	4
	Sector-wise total			0.00	16.34	-37.16	0.00	0.01	0.00	-20.74	0.04	0.00	4

Sl. No.	Sector/ Name of the PSU	Period of Accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year	Accumulated Profit (+)/ Loss(-)	Turnover	Net Profit (+) / Loss(-) &	Net impact of Audit Comments [#]	Capital Employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (No. of employees as on 31.03.2016)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Total D (All sector-wise non-working Corporations)	Statutory		0.00	16.34	-37.16	0.00	0.01	0.00	-20.74	0.04	0.00	4
	Grand total (C+D)			169.19	888.11	-1,012.71	0.12	-266.31	0.00	-321.48	-163.66	0.00	1,861
	Grand total (A+B+C+D)			13,979.11	28,742.17	-4,183.37	30,360.86	-248.87	-646.42	47,318.50	3,233.21	6.83	50,939

& Net profit/Loss after tax include adjustment for prior period income/expenses.

Impact of accounts include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses and (-) decrease in profit/ increase in losses.

@ Capital Employed represents Shareholders' Funds plus Long Term Borrowings except in case of finance sector corporations where capital employed is worked out as a mean of aggregate of the opening and closing balances of shareholders' fund plus long-term borrowings.

\$ Return on Capital Employed has been worked out by adding net profit/ loss and interest charged to profit and loss account.

Annexure 3

(Referred to in paragraph 2.2.8.1)

Statement showing IT parks of WBEIDCL as on March 2016

(A) IT parks existing as on April 2011										
Sl No	Name of IT park	District	Allotable Area (in sft)	Allotment up to March 2011	Allotment during 2011-16	Area allotted up to March 2016 (in sft)	Vacancy (in lakh sft)	Vacancy Ratio (in per cent)		
1	Durgapur IT Park	Burdwan	63,925	7,969	24,546	32,515	31,410	49		
2	Siliguri IT Park	Darjeeling	53,977	3,627	48,213	51,840	2,137	4		
3	SDF Building	Kolkata	1,96,935	1,57,668	36,267	1,93,935	3,000	2		
4	STP-II	Kolkata	78,351	43,285	20,476	63,761	14,590	19		
5	Webel Bhavan	Kolkata	10,630	0	5,115	5,115	5,515	52		
6	Taratata HRDC	Kolkata	24,103	7,502	9,651	17,153	6,950	29		
7	Taratata IE	Kolkata	56,643	47,832	8,811	56,643	Nil	Nil		
8	Salt Lake Incubation Centre	Kolkata	6,300	1,050	5,250	6,300	Nil	Nil		
9	West Bengal Biotek Park	Kolkata	7,626	Nil	Nil	Nil	7,626	100		
10	Moni Bhandar	Kolkata	24,000	6,628	17,372	24,000	Nil	Nil		
TOTAL			5,22,490	2,75,561	1,75,701	4,51,262	71,228			
(B) IT parks developed during 2011-2016										
Sl No	Name of IT park	District	Allotable Area (in sft)	Actual start date of Construction	Projected completion date	Completed on	Delay in Months	Projected cost (₹ in crore)	Actual Cost incurred (₹ in crore)	
1	Durgapur - II	Burdwan	Not yet ascertained by WBEIDCL	Feb-13	Feb-14	Aug-15	18	19.14	15.94	
2	Asansol	Burdwan		Aug-13	Aug-14	Aug-15	12	19.97	16.47	
3	Barjora	Bankura		Oct-13	Oct-14	Aug-15	10	19.83	16.64	
4	Rajarhat	Kolkata		Sep-13	Sep-14	Jan-16	11	16.82	15.71	
5	Purulia	Purulia		Nov-13	Nov-14	Aug-15	9	19.08	18.63	
TOTAL								94.84	83.39	

(C) Upcoming IT parks									
Sl No	Name of IT park	District	Allotable Area (in sft)	Projected completion date (as per DPR)	Projected completion date (Administrative calendar 2015)	Completion status	Delay in Months (up to March 2016)	Projected cost on completion as per DPR (₹ in crore)	Total Cost incurred up to Jan 2016 (₹ in crore)
1	EMC, Naihati	24 Pgns (N)		Not available	Not available	Not yet commenced	NA	58	0
2	EMC, Falta	24 Pgns (S)		Not available	Not available	Not yet commenced	NA	58	0
3	Bolpur	Birbhum		30-Sep-14	31-Jul-15	ongoing	8	19.64	13.01
4	Siliguri II	Darjeeling		30-Sep-14	31-Jul-15	ongoing	8	19.24	7.58
5	Siliguri III	Darjeeling		Not available	Not available	Not yet commenced	NA	19.88	0
6	Howrah	Howrah		31-Dec-15	31-Dec-15	ongoing	3	19.87	6.57
7	Taratata	Kolkata		30-Sep-15	31-Dec-15	ongoing	3	19.91	15.75
8	Bantala	Kolkata		Not available	31-Dec-15	Not yet commenced	3	19.53	0.14
9	Malda	Malda		Not available	31-Dec-15	ongoing	3	19.87	0.05
10	Haldia	Medinipur (E)		31-Dec-15	31-Dec-15	ongoing	3	19.67	5.82
11	Kharagpur	Medinipur (W)		30-Sep-14	31-Jul-15	ongoing	8	19.08	11.29
12	Kalyani	Nadia		30-Sep-15	31-Dec-15	ongoing	8	19.85	9.41
13	Krishnanagar	Nadia		Not available	31-Dec-15	Not yet commenced	8	29.34	0.01
TOTAL								341.88	69.63

(Source: Records of WBEIDCL)

Annexure 4
(Referred in paragraph no 2.2.13.2)

Details of scheme-specific deficiencies observed in disbursement of stipend

Sl. No.	Scheme-wise deficiencies
Ministry of Social Justice and Empowerment (MSJE) Scheme-I	
1.	No applications/ documents were made available to Audit in respect of 12 test checked candidates. Although, stipends were found to be released by WBEIDCL to TP and training cost shown to have been incurred was ₹ 3.60 lakh (Course fees ₹ 1.98 lakh and stipend ₹ 1.62 lakh). In the absence of these records, genuineness of these candidates could not be vouched safe. Management stated (November 2016) that some documents had been misplaced by TPs during the process of their shifting from the training location. Management's reply is not tenable as the custody of these documents should be with WBEIDCL and not solely with TP.
2.	In case of seven candidates at Durgapur centre, First cheques of stipend were encashed; but subsequent cheques (four cheques of ₹ 12,000 for each candidate) were not presented for encashment. This had resulted in non-disbursement of stipend amount which was in TP's custody since October 2014. WBEIDCL had not taken any action; till it was pointed out by Audit (01 June 2016). WBEIDCL contacted (15 June 2016) the candidates for replacement of cheque. Further, whether these candidates actually attended the training could not be substantiated. Management stated (November 2016) that these cheques were returned to the TP and cash payments (September to December 2014) were made in lieu of it by TP. This payment of stipend in cash violated the norms of the Scheme. Further the documents presented to audit were not in original, thus the sanctity of the same could also not be vouchsafed.
3.	In case of 16 candidates the First and fifth stipend cheques had been encashed but interim (second to fourth) stipend cheques were not encashed by the candidates. TP neither intimated WBEIDCL nor initiated steps for onward distribution of stipend amount. Management stated (November 2016) that the TP had initiated steps to clear stipend dues and had paid (September to December 2014) 15 candidates in cash. This was in deviation of the Scheme prescribing payment by NEFT/ cheque.
Ministry of Social Justice and Empowerment (MSJE) Scheme-II	
4.	WBEIDCL is yet to release the stipend of ₹ 20.25 lakh received by it in October 2015, the training commenced from January 2016; the candidates are yet to receive the stipend (July 2016). While accepting the observation, Management stated (November 2016), that they are in the process to disburse the stipend at the earliest.
5.	In case of 41 candidates, attendance register contained names of candidates whose names did not feature in the selection list. It was indicative of the fact that ineligible candidates were trained at the cost of eligible ones resulting in wasteful training cost of ₹ 6.76 lakh. Management (November 2016) did not give any relevant reply to the audit observation.
National Scheduled Castes Finance and Development Corporation (NSFDC) Scheme	
6.	At Mekhliganj, stipend disbursement sheet of only 17 candidates was made available. On scrutiny of the bank statement of the TP, Audit observed that NEFT transaction of the stipend amount for these candidates did not appear in the statement, which indicates that the stipend was actually not disbursed. Management claimed (November 2016) that the stipend was disbursed to the trainees, but did not respond to observation on TPs bank statement.
7.	The stipend disbursement of only 20 candidates at Rampurhat was made available. Reconciliation of the stipend cheques with bank statement showed that four cheques shown as stipend disbursed were actually utilised for non-stipend purposes by the TP. Management (November 2016) did not give any relevant reply to the audit observation.
8.	WBEIDCL is yet to release stipend of ₹ 10.85 lakh to 482 candidates who completed their training in April 2015 for reasons not found on record. While accepting the observation, Management stated (November 2016), that they are in process to disburse the stipend at the earliest; however, delayed disbursement had defeated the purpose of the Scheme.

Sl. No.	Scheme-wise deficiencies
National Safai Karmacharis Finance and Development Corporation (NSKFDC) Scheme	
9.	<p>In case of 17 candidates, no documents relating to the eligibility criteria were made available by WBEIDCL, even though their names featured in the stipend list. Release of stipend of ₹76,500 to these candidates was irregular.</p> <p>Management stated (November 2016) that all the documents were uploaded to NSKFDC's web portal, for verification and the candidates had been approved. However, during audit scrutiny the same were not made available to Audit.</p>
10.	<p>WBEIDCL disbursed (August 2015) stipend of ₹ 22.50 lakh to TP of which ₹ 19.08 lakh was released to trainees. Undisbursed stipend (₹ 3.42 lakh) for 76 candidates remained with TP till date (August 2016). The TP had not disbursed stipends to 76 candidates out of 500 candidates. The reasons were not on record.</p> <p>Management stated (November 2016) that the stipend was disbursed by TP, however, the same is not substantiated by any document other than a MS excel file of NEFT transfers made by the TP. Authenticity of the same could not be vouchsafed by Audit.</p>
National Backward Classes Finance and Development Corporation (NBCFDC) Scheme-II	
11.	<p>NBCFDC partially released (August 2015) stipend of ₹ 24.00 lakh to WBEIDCL for 800 out of 1,000 candidates which was yet to be disbursed (November 2016).</p> <p>While accepting the observation, Management stated (November 2016), that instructions were issued to their finance wing to disburse the stipend immediately.</p>

Annexure 5

(Referred to in paragraph 3.2)

**Statement showing extra expenditure by West Bengal State Electricity
Distribution Company Limited**

Year	Names of Co-generating Companies	WBERC rate (Cap)	Rate allowed in PPA	PPA rate allowed in excess of cap	Units purchased	Total extra expenditure
		₹ per unit				Amount in ₹
2009-10	SRSL	2.55	5.35	2.80	8,24,44,233	23,08,43,852
	RSLU	2.55	5.08	2.53	1,44,57,000	3,65,76,210
	HCL	<i>Agreement not executed</i>				
	RCL					
2010-11	SRSL	2.55	3.30	0.75	7,28,34,341	5,46,25,756
	RSLU	2.55	3.28	0.73	40,96,000	29,90,080
	HCL	2.55	3.28	0.73	23,49,200	17,14,916
	RCL	2.55	3.15	0.60	31,48,383	18,89,030
2011-12	SRSL	2.55	3.12	0.57	2,02,34,399	1,15,33,608
	RSLU	<i>Agreement Terminated</i>				
	HCL	2.55	2.88	0.33	1,08,47,000	35,79,510
	RCL	2.55	2.66	0.11	3,47,17,842	38,18,963
2012-13	SRSL	2.55	3.45	0.90	4,97,41,433	4,47,67,290
	RSLU	<i>Agreement Terminated</i>				
	HCL	2.55	2.98	0.43	2,74,94,300	1,18,22,549
	RCL	2.55	2.84	0.29	33,44,313	9,69,851
2013-14	SRSL	2.55	2.76	0.21	5,31,50,559	1,11,61,617
	RSLU	<i>Agreement Terminated</i>				
	HCL	2.55	2.74	0.19	2,30,29,200	43,75,548
				Total Loss		42,06,68,780

SRSL Sree Renuka Sugar Limited

RSLU Ram Swarup Loh Udyog

HCL Himadri Chemicals Limited

RCL Rashmi Cement Limited

Annexure 6*(Referred to in paragraph 3.3)***Statement showing details of energy supplied by Tata Power Company Limited (TPCL) to West Bengal State Electricity Distribution Company Limited**

Year	Energy required to be supplied by TPCL (in million units)	Actual Energy Supplied by TPCL (in million units)	Short Supply by TPCL (in million units)	Percentage of Shortfall	Purchase of short quantity of power by WBSEDCL		Excess Expenditure due to purchase of short quantity power at higher rate (₹)
					From TPCL (in million units)	From open market (in million units) (IEX)	
2013-14	175.2000	152.3216	25.0024	24.53	4.3240	5.0558	1,23,13,955.08
2014-15	175.2000	149.3223	31.0147	32.71	19.0427	8.6435	5,38,55,558.32
2015-16	175.6800	128.5624	49.0567	37.59	34.6059	10.0377	6,14,73,841.80
Total	526.08	430.2063	105.0738		57.9726	23.737	12,76,43,355.20

Annexure 7
(Referred to in paragraph 3.5)

**Statement showing avoidable interest incurred by West Bengal State
Electricity Distribution Company Limited in cash credit accounts**

(₹ in lakh)

Name of the Bank	Amount year-wise				Total
	2012-13	2013-14	2014-15	2015-16	
ICICI (A/C No. 000605013812)	15.17	14.91	5.53	0.61	36.22
Axis (A/C No. 025010200011811)	54.72	28.04	19.13	8.15	110.04
IOB (A/C No. 89302000020078)	22.79	10.58	A/C closed		33.37
Grand Total					179.63

Annexure 8*(Referred to in paragraph 3.9)***Statement showing extra expenditure incurred by Calcutta State Transport Corporation towards service support for Volvo buses**

Sl No.	Depot Name	Number of buses deployed	Number of technical personnel engaged	Period of payment	Deputation charges paid (₹)
1	Taratala Depot	9	1	October 2014 ¹⁸² to May 2016	11,34,940
2	Garia Depot	13	1	December 2014 to May 2016	9,38,963
3	Howrah Depot	12	1	October 2014 to May 2016	11,34,940
4	Lake Depot	15	1	October 2014 to May 2016	11,34,940
5	Maniktala Depot	14	1 ¹⁸³	May 2015 to May 2016	7,40,860
Total		63	5		50,84,643

¹⁸² CSTC paid deputation charges in October 2014 for September 2014.

¹⁸³ VECVL deputed (May 2015) one more Service support Technician for maintenance of Volvo buses at Manicktala Depot.

Glossary of Abbreviations

Sl. No.	Abbreviation	Description
1.	ABT	Availability Based Tariff
2.	AG	Accountant General
3.	APR	Annual Performance Review
4.	AT & C loss	Aggregate Technical and Commercial Loss
5.	ATN	Action Taken Notes
6.	BDC	Business Development Cell
7.	BEL	Bharat Electronics Limited
8.	BoD	Board of Directors
9.	BRGF	Backward Regions Grant Fund
10.	BSIDL	Bengal Srei Infrastructure Development Limited
11.	C&SSI	Cottage and Small Scale Industries
12.	CAG	Comptroller and Auditor General
13.	CAGR	Compounded Annual Growth Rate
14.	CCC	Customer Care Centres
15.	CEA	Central Electricity Authority
16.	CEs	Commercial Estates
17.	CHP	Combined Heat and Power
18.	COD	Commercial Date of Operation
19.	COPU	Committee on Public Undertakings
20.	CRM	Customer Relation Management
21.	CSTC	Calcutta State Transport Corporation
22.	DC&RC	Disconnection and Reconnection
23.	DCC	Divisional Computer Centres
24.	DED	Director of Electricity Duty
25.	DITE	Department of Information Technology & Electronics
26.	DPSCL	Dishergarh Power Supply Company Limited
27.	DTC	Distribution Transformers
28.	EA	Entrepreneurs' Association
29.	ED	Electricity Duty
30.	EHV	Extra High Voltage
31.	ERP	Enterprise Resources Planning
32.	ESDM	Electronics System Design and Manufacturing
33.	ESS	Entrepreneurs' Satisfaction Survey
34.	GoI	Government of India
35.	GoWB	Government of West Bengal
36.	GRSE	Garden Reach Shipbuilders and Engineers Limited
37.	GSDP	Gross State Domestic Product
38.	HCL	Himadri Chemicals Limited
39.	HRDC	Human Resource Development Centre
40.	HV	High Voltage
41.	ICT	Information & Communication Technology
42.	IE/CE	Industrial/ Commercial Estates
43.	IEs	Industrial Estates
44.	IEX	Indian Energy Exchange

Sl. No.	Abbreviation	Description
45.	ISP	Internet Service Provider
46.	IT	Information Technology
47.	ITeS	IT Enabled Services
48.	ITIA	IT Implementation Agency
49.	JML	M/s Jainex Metaliks Limited
50.	JnNURM	Jawaharlal Nehru National Urban Renewal Mission
51.	KMW&SA	Kolkata Metropolitan Water and Sanitation Authority
52.	L&MV	Low and Medium Voltage
53.	LC	Letter of Credit
54.	MBL	Mackintosh Burn Limited
55.	MD	Managing Director
56.	M-DAS	Meter Data Acquisition System
57.	MIS	Management Information System
58.	MoF	Ministry of Finance
59.	MoP	Ministry of Power
60.	MRI	Meter Reading Instruments
61.	MSJE	Ministry of Social Justice and Empowerment
62.	MSME&T	Department of Micro, Small & Medium Enterprises and Textiles
63.	MTSL	M/s Tera Software Limited
64.	NBCFDC	National Backward Classes Finance and Development Corporation
65.	NEFT	National Electronic Fund Transfer
66.	NNPL	Newedge Nirman Private Limited
67.	NSFDC	National Scheduled Castes Finance and Development Corporation
68.	NSKFDC	National Safai Karmacharis Finance and Development Corporation
69.	OSD	Outstanding dues
70.	PAG	Principal Accountant General
71.	PAs	Performance Audits
72.	PNCES	Power and Non-conventional Energy Sources Department
73.	PPAs	Power Purchase Agreements
74.	PPS	Probability Proportional to Size
75.	RCL	Rashmi Cement Limited
76.	RfP	Request for Proposal
77.	RGVY	Rajiv Gandhi Grameen Vidyutikaran Yojona
78.	RIP	Rehabilitation Industrial Park
79.	RSLU	Ram Swarup Loh Udyog
80.	SAP-ISU	System Application Products-Industrial Solution for Utilities
81.	SBM	Spot Billing Machine
82.	SCA	State Channelising Agency
83.	SD	Security deposit
84.	SDC	State Data Centre
85.	SDF	Standard Design Factories

Sl. No.	Abbreviation	Description
86.	SI	System Integrator
87.	SNC	S. N. Construction
88.	SREI	Sahaj e-village Limited
89.	SRSL	Sree Renuka Sugars Limited
90.	STPI	Software Technology Park of India
91.	SWL	The Shalimar Works (1980) Limited
92.	T&D	Transmission and Distribution
93.	TPCL	Tata Power Company Limited
94.	UDD	Urban Development Department
95.	VIL	M/s Sri Vasavi Industries Limited
96.	VIPL	Volvo India Private Limited
97.	WBBCDFC	West Bengal Backward Classes Development and Finance Corporation
98.	WBEIDCL	West Bengal Electronics Industry Development Corporation Limited
99.	WBERC	West Bengal Electricity Regulatory Commission
100.	WBIDCL	West Bengal Industrial Development Corporation Limited
101.	WBSCSTDFC	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation
102.	WBSIDCL	West Bengal State Electricity Distribution Company Limited
103.	WBSIDCL	West Bengal Small Industries Development Corporation Limited
104.	WBSWAN	West Bengal State Wide Area Network
105.	WIL	Webel Informatics Limited
106.	WLS	Webel Learning Services
107.	WTL	Webel Technology Limited