

# OVERVIEW



## Overview

### Functioning of State Public Sector Undertakings (Power Sector & Non-Power Sector)

As on 31 March 2018, there were 94 State Public Sector Undertakings (PSUs) in West Bengal, which comprised of 72 working PSUs (including 8 Statutory Corporations) and 22 inactive PSUs (including 1 Statutory Corporation). Of these, eight were power sector PSUs, (working: 7, inactive: 1) while the remaining 86 (working: 65, inactive: 21) were non-power sector PSUs. During 2017-18, the working PSUs registered a total turnover of ₹ 43,900.15 crore constituting 4.30 per cent of Gross State Domestic Product (GSDP).

The investment (equity plus long term loans) in 94 PSUs was ₹ 39,217.02 crore, which included the investment of ₹ 29,535.51 crore in the power sector. The investment in the power sector constituted 75.31 per cent of the total investment in the PSUs, as on 31 March 2018.

Of the total investment, by way of equity capital and long-term loans, in State PSUs, 96.30 per cent was in 72 working PSUs (₹ 37,767.90 crore) and the remaining 3.70 per cent in 22 inactive PSUs. This comprised 39.78 per cent as equity and 60.22 per cent as long-term loans. The State PSUs had employed 48,395 employees as of March 2018.

### 1 Functioning of Power Sector Undertakings

#### Set up of the Power Sector

The Electricity Act 2003 repealed the erstwhile Electricity Act 1910, the Electricity (Supply) Act 1948 and the Electricity Regulatory Commissions Act 1998, with effect from 10 June 2003.

To fulfill the statutory requirements of The Electricity Act 2003, the Government of West Bengal brought out (January 2007) the West Bengal Power Sector Reforms Transfer Scheme 2007 to divide assets and liabilities of the erstwhile West Bengal State Electricity Board (WBSEB). Two companies viz. West Bengal State Electricity Transmission Company Limited (WBSETCL) and West Bengal State Electricity Distribution Company Limited (WBSEDCL) were incorporated on 16 February 2007. While the transmission assets/ activities and State Load Despatch Centre (SLDC) were vested in WBSETCL, WBSEDCL took over the distribution assets and consumers from 01 April 2007.

As of March 2018, there were eight power-sector PSUs in West Bengal, including one company inactive since incorporation in March 2011 *i.e.* DPL Coke Oven Limited. The Department of Power & Non-conventional Energy Sources, GoWB decided (December 2017) to restructure The Durgapur Projects Limited (DPL) through transfer of its activities of power generation, distribution and transmission among related PSUs. Moreover, GoWB proposed (February 2017) to merge New Town Electric Supply Company Limited with WBSEDCL. Besides these, there was West Bengal Electricity Regulatory Commission, a regulatory authority.

## **Performance of Power Sector Undertakings**

As per their latest finalised accounts (September 2018) the power sector PSUs incurred an overall loss of ₹ 102.98 crore. Four out of eight Power Sector PSUs earned profits of ₹ 475.22 crore, while three PSUs incurred loss of ₹ 578.20 crore and one PSU was inactive since incorporation in March 2011. The top three profit earning companies were West Bengal State Electricity Transmission Company Limited (₹ 367.74 crore), West Bengal Power Development Corporation Limited (₹ 104.44 crore) and New Town Electric Supply Company Limited (₹ 2.91 crore) while Durgapur Project Limited (₹ 536.12 crore) and West Bengal State Electricity Distribution Company Limited (₹ 40.30 crore) incurred losses during 2017-18.

*(Paragraph 1.10)*

## **2 Performance Audit**

### **Material Management of West Bengal State Electricity Distribution Company Limited**

#### **Introduction**

West Bengal State Electricity Distribution Company Limited (WBSEDCL) is the largest state-owned distribution company in West Bengal. Material management is a scientific technique, concerned with planning, organising and controlling the flow of materials, from their initial purchase to consumption. From 2013-14 to 2017-18, WBSEDCL procured materials worth ₹ 3,380.89 crore for its operations. So, procurement of materials of the requisite quality and quantity, at the precise time and place, at the right cost, their proper storage, transport and utilisation was imperative to control material costs and maintain optimal performance of WBSEDCL. To ensure standardisation of information technology applications, compatibility with other software, better inventory control and procurement decisions, WBSEDCL migrated (April 2015) its entire Procurement & Inventory Management system to SAP (System Application Product) based ERP (Enterprise Resource Planning) system from a legacy system, three years behind schedule.

#### **Procurement Planning**

WBSEDCL had not prepared material management manual and they also do not have any other manuals which guide the process of material management. Further, WBSEDCL had adopted a purchase policy in 2008, revised in 2012, which laid down the process that should guide purchase. WBSEDCL's failure to assess requirement of materials led to excess procurement of ₹ 30.26 crore.

*(Paragraph 2.8.1)*

#### **Deficiencies in procurement**

During 2013-18, out of 196 successful tenders, purchase orders for 111 tenders (57 per cent) were issued beyond stipulated time frame with delays ranging between 1 and 281 days. Due to delays in finalisation of tenders and cancellation of tenders, WBSEDCL suffered loss of ₹ 6.83 crore.

*(Paragraph 2.8.2)*

### Post Contract Management

There were time lags between issue of 4,167 out of 4,974 material arrival notes (MAN) and their corresponding store receipt vouchers (SRV) beyond 15 days. In respect of 663 MANs, the delays exceeded 15 days by one to 1,070 days. Non-replacement/ belated replacement of meters/ distribution transformers resulted in avoidable loss of ₹ 7.96 crore.

*(Paragraph 2.8.3)*

### Inventory Controls

Improper storage of inventory led to 13 incidents of theft and embezzlement at nine zonal/ divisional stores valued ₹ 9.24 crore. Surveys for identification of scrap materials were conducted at intervals of 13 to 72 months.

*(Paragraph 2.8.4)*

Deficiencies in MM module of SAP-ERP resulted in duplicate codification of materials, non-generation of purchase requisitions against purchase orders, wrong logical validation for units of measurement of materials, and over/ under valuation of inventory.

*(Paragraphs 2.8.1.4, 2.8.2.2 and 2.8.4.1)*

## 3 Functioning of State PSUs (Non-Power Sector)

As on 31 March 2018, West Bengal had 86 State Public Sector Undertakings (PSUs) in the Non-Power Sector. These State PSUs were incorporated between 1913-14 and 2017-18 and included 77 Government Companies and nine Statutory Corporations which included nine working and five inactive subsidiary companies. In respect of one Statutory Corporation *i.e.*, Great Eastern Hotel Authority, C&AG conducts only compliance audit under Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

The working PSUs registered a turnover of ₹ 12,126.16 crore during 2017-18 as per their latest finalised accounts. The turnover relative to GSDP was 1.19 *per cent*.

As on 31 March 2018, the total investment (equity and long term loans) in these 86 PSUs was ₹ 9,681.51 crore. The investment consisted of 42 *per cent* equity and 58 *per cent* long-term loans. The long term loans extended by the State Government, Central Government and other financial institutions comprised 80.84 *per cent* (₹ 4,545.12 crore), 2.27 *per cent* (₹ 127.60 crore) and 16.89 *per cent* (₹ 949.36 crore), respectively. The budgetary assistance during the year 2017-18 included ₹ 439.37 crore equity, ₹ 1,787.70 crore loans and ₹ 1,968.89 crore grants/ subsidy.

*(Paragraphs 3.1, 3.2 and 3.5)*

### Disinvestment, restructuring and privatisation of State PSUs (Non-Power Sector)

The Government of West Bengal had decided to restructure state PSUs for improving operational efficiency and optimally utilising their manpower/ assets. In respect of Durgapur Chemicals Limited, the Cabinet decided to sell the entire stake. Sundarban Infrastructure Development Corporation Limited (SIDCL) (under administrative control of Department of Sundarban Affairs) executed

(October 2018) its deed of cancellation of agency works with Sundarban Development Board (SDB), under the same Department, to initiate the process of its winding up. The pending deposit works of SIDCL was also handed over to SDB through the deed.

West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development & Finance Corporation had been constituted (September 2017) by vesting of assets of two existing PSUs. GoWB, however, subsequently, entrusted audit of the new PSU to CAG in December 2018.

*(Paragraph 3.3)*

### **Performance of State PSUs (Non-Power Sector)**

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The aggregate amount of investment as on 31 March 2018 by GoWB in the State PSUs was ₹ 8,439.26 crore consisting of ₹ 3,894.14 crore equity and ₹ 4,545.12 crore long term loans. The overall loss incurred by the State PSUs was ₹ 617.58 crore in 2017-18, 41 State PSUs had, however, earned annual profits as seen from their latest available accounts.

*(Paragraphs 3.11, 3.12 and 3.13)*

## **4 Compliance Audit Observations relating to State PSUs (Non Power Sector)**

Compliance Audit observations included in this Report highlights deficiencies in the management of the State PSUs, which had serious financial implications. The irregularities pointed out are broadly of the following nature:

### **West Bengal Forest Development Corporation Limited and West Bengal Wasteland Development Corporation Limited in plantation activity**

In West Bengal, there was short-supply of 20 million cubic metres (mim<sup>3</sup>) of fuel-wood and 0.915 mim<sup>3</sup> of wood other than fuel wood as of September 2011. So, there was requirement for commercial plantation for fuel-wood and other wood. The Forests Department (DoF), Government of West Bengal (GoWB) is responsible for management of forests and wildlife in West Bengal. Two PSUs, viz., West Bengal Forest Development Corporation Limited (Wbfdcl) and West Bengal Wasteland Development Corporation Limited (Wbwldcl) were set up in 1974 and 1989, respectively and function as agencies of DoF.

Their objectives were to expeditiously develop forest and wasteland by planting, re-planting, afforestation and re-afforestation in forest land, wasteland and other lands. Further, they would undertake schemes or works either solely or jointly with persons, companies or as agents for the furtherance of their objectives.

### **Planning/ implementation of plantation in non-forest wasteland in South West Bengal**

- Wbfdcl had undertaken plantation on 2,115.29 ha (59 per cent) against total target of 3,600 ha prior to preparation of DPR.
- It was also observed that a total of 1,003.77 ha (43.06 per cent) was planted in 268 patches measuring less than 10 ha each.

- Due to poor quality and belated planting of seedlings mortality exceeded the maximum permissible non-survival of 15 *per cent*, after one year of planting.

(Paragraph 4.1.3)

#### **Compensatory afforestation (CA)**

- Afforestation was to be completed within a period of one year from the deposit of money in the Compensatory Afforestation (CA) Fund. Audit noted that even after Ministry of Environment, Forests and Climate Change (MoEFCC), Government of India (GoI) approvals of the projects, only 44.74 *per cent* of CA requirement was met. Dates of approval ranged from one year old to fourteen years old. Audit also noted that the areas for raising CA on 24.14 ha of degraded forest land (DFL) was identified (September 2006 to September 2016) but no CA was raised till date (March 2018).
- Out of 183.49 ha of non-forest land (NFL) which was selected for CA, 90.60 ha was unsuitable for raising CA as the land was either rocky, sinking, prone to landslides or *jhora* (mountain stream) area or covered with vegetation.
- The cost of raising CA *per ha* had increased by 74.88 *per cent* to 387.36 *per cent* since receipt of fund for CA from the user agencies. Thus, WBFDCL would require additional fund of ₹ 1.02 crore to meet the escalation in cost for undertaking CA over 114.74 ha land.

(Paragraph 4.1.4)

#### **Compulsory plantation (CP) on behalf of National Highways Authority of India (NHAI)**

- WBWDCL received ₹ 4.17 crore (2012-13 to 2017-18) from National Highways Authority of India (NHAI) for compulsory plantation (CP) on 282 ha including their maintenance for three years. WBWDCL had taken up CP between April 2014 and July 2017 and allotted these amounts to two District Forest Officers (DFOs), *viz*, Durgapur and Raigunj to undertake CP. At Durgapur, no expenditure was incurred on second year maintenance. Despite excluding Eastern Coal Fields (ECL) area for CP, DFO-Durgapur took up CP over 10 ha land belonging to ECL in deviation of WBWDCL's direction.
- Plantation was taken up on 22 ha without agreements with their owners. Further, 65 ha plantation was undertaken at Ash Pond (Piyali to Kalipur) area of The Durgapur Projects Limited (DPL). GPS data showed that the location and dimensions of the ash pond on 14.7 ha kept shifting. Moreover, the joint inspection report of WBFDCL and DPL also stated survival rate of 90 *per cent* but the information on numbers of saplings planted was "**blank**".  
DFO, Durgapur received fund for 50 ha plantation but actual plantation was undertaken for 30 ha. Thus, 20 ha of land for which an advance of ₹ 12 lakh was released was yet to be utilised towards CP. WBWDCL neither requested for the status report on the plantation program for 2017-18 nor the same was submitted by DFO.

(Paragraph 4.1.5)

**Deposit works for plantation projects for Eastern Coalfields (ECL) and Damodar Valley Corporation (DVC)**

- In deviation of contractual provisions with ECL, WBWDCL had not undertaken monitoring and evaluation. Consequently, it short claimed revenue of ₹ 17.86 lakh from ECL.

There were delays in raising plantations near ash ponds of Mejia thermal power station of DVC to mitigate pollution. Instead funds were diverted without approval of DVC to landscaping and beautification at that location.

*(Paragraph 4.1.6)*

- **Gist of other important audit observations:**

West Bengal Industrial Development Corporation Limited (WBIDCL) disbursed loan without proper project appraisal which resulted in non-recovery of ₹ 2.51 crore advanced as loan by WBIDCL.

*(Paragraph 4.2)*

- WBIDFCL invested in lower yielding portfolios out of debt funds carrying higher interest cost for which it had to incur excess interest of ₹ 1.25 crore, which was avoidable by West Bengal Infrastructure Development Finance Corporation Limited.

*(Paragraph 4.3)*

- North Bengal State Transport Corporation (NBSTC) cancelled the tender for lease agreement for advertisement space on bus bodies without any justification and finally awarded the lease for a reduced rate. As a result, NBSTC suffered an avoidable loss of non-operating revenue of ₹ 1.41 crore due to inordinate delay in finalisation of tender by it and was also earning less income annually

*(Paragraph 4.4)*

- Inherent deficiencies in 'GATIDHARA' scheme and deficiencies in its implementation led to disbursement of subsidy or excess subsidy totaling ₹ 10.07 crore to inadmissible beneficiaries in violation of the scheme guidelines. Further, disbursement of ₹ 51.90 crore was mis-utilised by allowing the amount to be retained by the beneficiaries as well as dealers even without purchasing and registering their vehicles within the stipulated time, as intended under the scheme by West Bengal Transport Infrastructure Development Corporation Limited.

*(Paragraph 4.5)*