

PART I

CHAPTER I

Functioning of Power Sector PSUs

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Introduction

1.1 The Power Sector PSUs play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. A ratio of Power Sector PSUs' turnover to Gross State Domestic Product (GSDP) shows the extent of activities of these PSUs in the State economy. The table below provides the details of turnover of the power sector undertakings and GSDP of West Bengal for a period of five years ending March 2018:

Table 1.1: Turnover of power sector undertakings *vis-a-vis* GSDP of West Bengal

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	No. of Working PSUs	6	6	6	7	7
2	Turnover	27,037.91	26,056.63	25,158.28	29,348.48	31,773.99
3	Percentage change of turnover compared to previous year	-	(-) 3.36	(-) 3.45	16.66	8.26
4	GSDP ² of West Bengal	6,76,848	7,18,082	7,97,300	8,79,167	10,20,858
5	Percentage change in GSDP compared to previous year	-	6.09	11.03	10.27	16.12
6	Ratio of Turnover to GSDP (in per cent)	3.99	3.63	3.16	3.34	3.11

Source: Compiled based on turnover Charts of working power sector PSUs and GSDP Charts at Current Prices (Base 2011-12) as per Economic Review 2018-19 and 2017-18 of Government of West Bengal.

In 2017-18, the percentage of the turnover of Power Sector PSUs relative to GSDP was 3.11 per cent and was more or less around same percentage during the past five years. The compound annual growth of GSDP of West Bengal was 8.57 per cent during the years 2013-18, while the turnover of Power Sector PSUs recorded lower compound annual growth¹³ of 3.28 per cent during the same period.

Set up of the Power Sector

1.2 The Electricity Act 2003 repealed the erstwhile Electricity Act 1910, the Electricity (Supply) Act 1948 and the Electricity Regulatory Commissions Act

¹² Gross State Domestic Product at current prices (Provisional estimates 2017-18) - ₹ 10,20,857.62 crore.

¹³ Rate of Compounded Annual Growth $((\text{value of 2017-18} / \text{value of 2013-14})^{1/4} - 1) * 100$ where turnover and GSDP for the year 2013-14 was ₹ 27,037.91 crore and ₹ 6,76,848 crore respectively.

1998, with effect from 10 June 2003. As on that date, there were four¹⁴ Power Sector PSUs incorporated/ set-up between May 1955 and August 1998, as well as the West Bengal Electricity Regulatory Commission (WBERC) constituted on 06 January 1999. Another PSU, namely, New Town Electric Supply Company Limited was incorporated on 12 September 2003.

Thereafter, the Government of West Bengal brought out (January 2007) the West Bengal Power Sector Reforms Transfer Scheme 2007 to meet the requirements of The Electricity Act 2003. Under the Scheme, 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) of the erstwhile West Bengal State Electricity Board (WBSEB) were vested in WBSETCL, WBSEDCL took over the distribution assets and consumers from 01 April 2007.

Subsequently, one PSU *i.e.* West Bengal Rural Energy Development Corporation Limited was merged with WBSEDCL on 13 October 2011, while three PSUs namely, West Bengal Green Energy Development Corporation Limited, DPL Coke Oven Limited and Bengal Birbhum Coalfields Limited were incorporated on 26 December 2007, 23 March 2011 and 29 September 2015 respectively. 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. Besides, there was WBERC, a regulatory authority.

Disinvestment, restructuring and privatisation of Power Sector PSUs

1.3 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 under its administrative control. Moreover, New Town Electric Supply Company Limited (NTESCL) is proposed (*vide* memo no. 1093-F(Y) dated 21 February 2017) to be merged with West Bengal State Electricity Distribution Company Limited (WBSEDCL). To facilitate the merger, West Bengal Housing Infrastructure Development Corporation Limited (WBHIDCO) sold (August 2017) its entire shareholding (50 *per cent*) in equity, for ₹ 13.44 crore (face value: ₹ 4.93 crore) in NTESCL to WBSEDCL.

Investment in Power Sector PSUs

1.4 The activity-wise (capital and long-term loans) of investment in the Power Sector PSUs as on 31 March 2018 is given below:

¹⁴ The Durgapur Projects Limited (on 06 September 1961), The West Bengal Power Development Corporation Limited (on 05 July 1985) and West Bengal Rural Energy Development Corporation Limited (on 14 August 1998), all under the erstwhile Companies Act 1956 as well as West Bengal State Electricity Board (on 01 May 1955) under the erstwhile Electricity (Supply) Act 1948.

Table 1.2: Total investment in power sector undertakings

Activity	Number of Government undertakings	Investment (₹ in crore)		
		Equity [§]	Long term loans*	Total
Generation of Power	1	6,817.53	6,179.90	12,997.43
Transmission of Power	1	1,105.52	3,037.37	4,142.89
Distribution of Power	2	2,310.53	5,824.82	8,135.35
Others ¹⁵	4**	1,306.14	2953.70	4,259.84
Total	8	11,539.72	17,995.79	29,535.51

Source: Compiled based on information received from PSUs.

[§] Equity includes share application money

* The long-term loans include loans from Central and State Governments, Public Financial Institutions and Commercial Banks

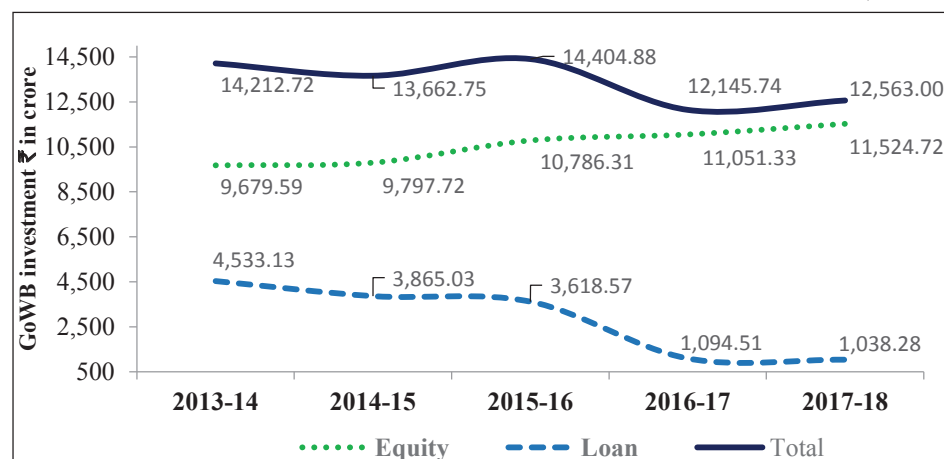
** This includes DPL, which functions as a Generation, Transmission and Distribution Company.

As on 31 March 2018, the total investment (equity and long term loans) in eight power sector undertakings was ₹ 29,535.51 crore. The investment consisted of ₹ 11,539.72 crore (39.07 per cent) equity and ₹ 17,995.79 crore (60.93 per cent) long-term loans. Out of this, the State Government has invested ₹ 12,563.00 crore consisting of ₹ 11,524.72 crore equity and ₹ 1,038.28 crore long term loans.

The year wise status of investment of GoWB in the form of equity and long term loans in the Power Sector PSUs during the period 2013-14 to 2017-18 is as follows:

Chart 1.1: State Government Investment in Power Sector Undertakings

(₹ in crore)



Budgetary Support to Power Sector Undertakings

1.5 The Government of West Bengal (GoWB) provides financial support to Power Sector PSUs in various forms through the annual budget. The summary of budgetary support towards equity, loans, grants/subsidies, loans written off and loans converted into equity in respect of power sector undertakings for the three years 2015-16 to 2017-18 are as follows:

¹⁵ DPL, DPL Coke Oven Limited (an inactive Company), West Bengal Green Energy Development Corporation Limited and Bengal Birbhum Coalfields Limited.

Table 1.3: Details of budgetary support to power sector undertakings during the last three years

(₹ in crore)

Sl No.	Particulars ¹⁶	2015-16		2016-17		2017-18	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
(i)	Equity capital	2	988.59	1	264.92	2	473.49
(ii)	Loans given	3	113.79	3	1,711.55	-	-
(iii)	Grants/ Subsidy provided	1	7.40	3	3,578.08	3	1,215.94
(iv)	Total outgo (i+ii+iii)	3*	1,109.78	3*	5,554.55	3*	1,689.43
(v)	Loan repayment written off	-	-	-	-	1	26.59
(vi)	Loans converted to equity	-	-	-	-	-	-
(vii)	Guarantees issued ¹⁷	-	-	1	150.00	-	-
(viii)	Guarantee commitment ¹⁸	3	336.29	3	391.83	4	2,456.54 ¹⁹

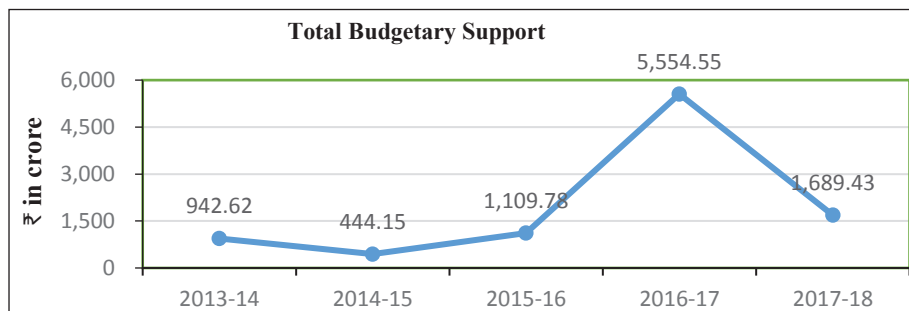
Source: Compiled based on information received from PSUs.

* Some of the PSUs received assistance from the State Budget under more than one of head of account.

The details of total budgetary support towards equity, loans and grants/ subsidies for the last five years ending March 2018 are given in a graph below:

Chart 1.2: Total Budgetary support towards Equity, Loans and Grants/ Subsidies

(₹ in crore)



Source: Based on information furnished by PSUs

The annual budgetary assistance received by these PSUs from GoWB ranged between ₹ 444.15 crore and ₹ 5,554.55 crore during 2013-14 to 2017-18. The aggregate budgetary assistance of ₹ 9,740.53 crore received during the period 2013-18 included ₹ 2,532.70 crore equity, ₹ 2,326.29 crore loans and ₹ 4,881.54 crore in the form of grants/ subsidy.

¹⁶ Amount represents outgo from State Budget only.

¹⁷ Guarantee issued is a promise by the Government to discharge the liability of a third person in case of his default.

¹⁸ Value of guarantee promised by the Government to discharge the liability of a third person in case of his default.

¹⁹ In February 2018, The Durgapur Projects Limited (DPL) entered into memorandum of agreement with Power Finance Corporation Limited (PFCL) for loan of ₹ 2,700 crore. The loan was to be secured by Government guarantee. However, pending issue of Government guarantee, as of 31 March 2018, DPL had drawn an amount of ₹ 2,660 crore against the loan. The money was utilised to pay off existing loans from PFCL, including funds interest term loans. Subsequently, Government issued (November 2018) a fresh guarantee of ₹ 2,160 crore (80 per cent of loan amount), in favour of PFCL, in lieu of pre-existing guarantees.

Guarantee Commission

1.6 State Government helps the Power Sector PSUs to raise loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. For this purpose, the State Government charges guarantee commission. Three power sector PSUs were liable to pay guarantee commission²⁰ of ₹ 180.20 crore at the rate of one *per cent per annum* to the State Government on the outstanding amount of loans guaranteed as on 31 March 2018. During the year 2017-18, guarantee commission was provided for but not paid by two²¹ PSUs, while WBPDC and WBSETCL had not even booked guarantee commission in their financial statements finalised up to 2017-18.

Reconciliation with Finance Accounts of Government of West Bengal

1.7 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 Government of West Bengal. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is shown in **Table 1.4**:

Table 1.4: Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of Power Sector PSUs

(₹ in crore)

Outstanding in respect of	No. of PSUs	As per Finance Accounts ²²	As per records of power sector undertakings	Difference
Equity	4	6,882.79	11,524.72	(-) 4,641.93
Loans	4	4,280.23	1,038.28	3,241.95
Guarantee	4	3,796.11	2,456.54	1,339.57

Source: Compiled based on information received from PSUs and Finance Accounts.

It was observed that differences in equity, loans and guarantees occurred in respect of the four PSUs (WBPDC, WBSETCL, WBSEDCL, and DPL) in which the Government had invested. Some of the differences were pending reconciliation for many years. These differences were brought to the notice of the concerned administrative department and the managements of the PSUs concerned, through Audit Reports in successive years. The reasons for the differences include (i) notifications by Government on PSU equity and loans not being followed up with necessary adjustment vouchers to facilitate their inclusion in the Finance Accounts, (ii) effect of conversion of loans to equity being given by PSUs in their accounts on the basis of Government directions with Board approval, but the same not reflected in Finance Accounts due to lack of corresponding Government orders, and (iii) outstanding commitments of PSUs against Government Guarantees incorporated in Finance Accounts from Budget Publication No. 6 of the State Government, while the PSUs account for the same on actuals.

²⁰ Section 5 (1) of The West Bengal Ceiling on Government Guarantees Act 2001, as amended by Section 10 of West Bengal Finance Act 2002.

²¹ WBSEDCL and DPL.

²² For equity, Statement 19 of Finance Accounts 2017-18; for loans, Statement 18 and guarantees, Statement 20.

Submission of accounts by Power Sector PSUs

Timeliness of accounts

1.8 Section 96 (1) of the Companies Act, 2013 requires that the PSUs finalise their accounts within six months from the end of the relevant financial year, *i.e.*, by September end. Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013.

There were eight Power Sector PSUs under the audit purview of C&AG as of 31 March 2018 (including one Company inactive since incorporation in March 2011, namely DPL Coke Oven Limited). Accounts for the year 2017-18 were submitted by four working PSUs (WBSEDCL, WBSETCL, WBPDC, and NTESCL) by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30 September of each financial year for the last five years ending 31 March 2018 are given in the subsequent table:

Table 1.5: Position relating to submission of accounts of Power Sector Undertakings

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of Power Sector PSUs	7	7	7	8	8
2.	Number of accounts submitted during current year	8	7	6	9	7
3.	Number of PSUs which finalised accounts for the current year	7	7	6	7	4
4.	Number of previous year accounts finalised during current year	1	-	-	1	3
5.	Number of Power Sector PSUs with accounts in arrears	-	-	1	1 ²³	4
6.	Number of accounts in arrears	-	-	1	2	4
7.	Extent of arrears (in years)	-	-	1	2	1

Source: Compiled based on accounts of working PSUs received during the period October 2017 to September 2018.

Impact of non-finalisation of accounts of State PSUs

1.9 As pointed out in paragraph 1.8, the delay in finalisation of accounts is in violation of the provisions of the relevant Statutes and entails risk of fraud and leakage of public money. In view of the above state of arrears of accounts, the actual contribution of the Power Sector PSUs to State GDP for the year 2017-18 could not be ascertained and reported to the State Legislature.

It is therefore, recommended that the State Government should issue necessary directions to the Administrative Departments to set targets for individual PSUs and strictly monitor the clearance of arrears. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

²³ One PSU viz. Bengal Birbhum Coalfields Limited was entrusted only in 2016-17, but accounts were due from 2015-16.

Performance of Power Sector PSUs

1.10 The financial position and working results of eight power sector companies as per their latest finalised accounts as of 30 September 2018 are detailed in *Annexure-2*.

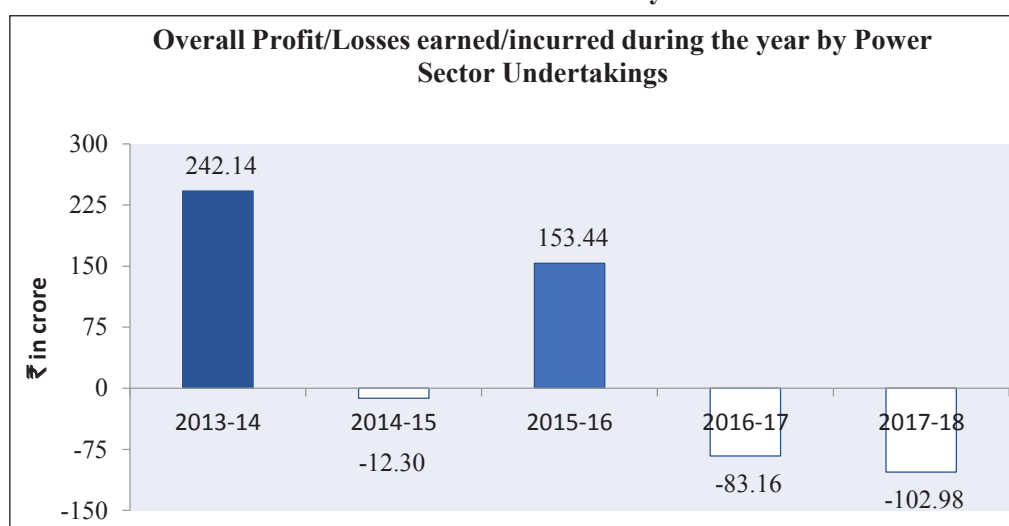
The total investment in Power Sector PSUs as on 31 March 2018 was ₹ 29,535.51 crore consisting of ₹ 11,539.72 crore as equity and ₹ 17,995.79 crore as long term loans. Out of this, the State Government has invested ₹ 12,563 crore consisting of ₹ 11,524.72 crore equity and ₹ 1,038.28 crore long term loans.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the entities. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment.

Return on Investment

1.11 Return on investment is the percentage of profit or loss to the total investment. The overall position of profit earned/ losses²⁴ incurred by the power sector PSUs during 2013-14 to 2017-18 is depicted as follows in **Chart 1.3**.

Chart 1.3: Profit/Losses earned/incurred by Power Sector PSUs



Source: Based on the latest available accounts in each financial year

The overall loss incurred by power sector PSUs was ₹ 102.98 crore in 2017-18 against profit of ₹ 242.14 crore earned in 2013-14. As per latest finalised accounts for the year 2017-18, out of eight Power Sector PSUs, four PSUs earned profits of ₹ 475.22 crore, three PSUs incurred loss of ₹ 578.20 crore and one PSU was inactive since incorporation in March 2011 (*Annexure-2*). The top three profit earning companies were WBSETCL (₹ 367.74 crore), WBPDCCL (₹ 104.44 crore) and NTESCL²⁵ (₹ 2.91 crore) while DPL (₹ 536.12 crore) and WBSEDCL (₹ 40.30 crore) incurred losses during 2017-18.

Position of Power Sector PSUs that earned/ incurred profit/ loss during 2013-14 to 2017-18 is given below:

²⁴ Figures are as per the latest finalised accounts during the respective years.

²⁵ Subsequently amalgamated (27 December 2019) with WBSEDCL.

Table 1.6: Power Sector PSUs that earned/ incurred profit/ loss

Financial year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred losses during the year	Number of PSUs which had NIL profit/ loss or were inactive
2013-14	7	4	1	2
2014-15	7	4	2	1
2015-16	7	4	2	1
2016-17	8	3	4	1
2017-18	8	4	3	1

Return on the basis of historical cost of investment

1.12 Government of West Bengal infused funds in the form of equity and loans in only four²⁶ of the eight Power Sector PSUs as of 2017-18. The State Government did not infuse any funds directly in the remaining four²⁷ Power Sector PSUs in the form of equity and loans till 2017-18 as they are subsidiary companies. The entire equity of four subsidiary companies was contributed by the concerned holding companies.

The Return on Investment (RoI) from the Power Sector PSUs has been calculated on the investment made by the State Government in the form of initial equity and subsequent contribution thereto. In the case of loans, only interest free loans are to be considered as investment since the State Government does not receive any interest on such loans and are therefore of the nature of investment in equity except to the extent that the loans are liable to be repaid as per the terms and conditions of repayment. Out of the long term loans given by the State Government, there were no interest free loans and loans converted into equity. Hence, only the equity is considered as investment of the State Government. Further, the funds made available in the form of the grants/ subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

The investment of State Government in these four Power Sector Undertakings has been arrived at by considering the equity, which included initial equity net of accumulated losses plus the equity infused during the years. The return on investment on historical cost²⁸ basis for the period 2013-14 to 2017-18 is as given below:

Table 1.7: Return on investment on historical cost basis

(₹ in crore)

Financial Year	Funds infused as Equity Investment by				Aggregate Profit/ Loss ²⁹ for the year	Return on total investment (in per cent)
	State Government	Central Government	Other financial institutions	Total Investment		
2013-14	9,679.59	-	-	9,679.59	240.10	2.48
2014-15	9,797.72	-	-	9,797.72	(-) 12.69	(-) 0.13
2015-16	10,736.94	-	-	10,736.94	151.92	1.41
2016-17	11,051.33	-	-	11,051.33	(-) 82.39	(-) 0.75
2017-18	11,524.72	-	-	11,524.72	(-) 104.24	(-) 0.90

Source: Latest available accounts for the respective years

²⁶ WBSEDCL, WBSETCL, WBPDCCL and DPL.

²⁷ DPL- Coke Oven, BBCL, WBGEDCL and NTESCL

²⁸ Monetary value derived partly or wholly from original transaction or event giving rise to the investment but does not reflect changes in prices.

²⁹ As per the Annual accounts received up to the respective years.

The Return on Investment of the Power Sector PSUs was negative in the years 2014-15, 2016-17 and 2017-18, while it was positive in 2013-14 and 2015-16. The principal reason for the deterioration in performance was non-recovery of power costs through the tariff mechanism.

Erosion of Net Worth

1.13 Net worth means the sum total of paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses. During 2017-18, the overall accumulated loss (excluding free reserves) of all seven working Power Sector PSUs was ₹ 1,181.39 crore against aggregate investment of ₹ 11,539.67 crore. Analysis of investment and accumulated losses disclosed that in respect of two³⁰ working PSUs, their entire net worth had been eroded. The accumulated losses of these PSUs was ₹ 2,403.42 crore against their equity of ₹ 1,305.99 crore.

The following table indicates net worth of the four Power Sector PSUs wherein GoWB has direct holding, during the period 2013-14 to 2017-18:

Table 1.8: Net worth of Power Sector PSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year plus Free reserves	Accumulated loss (-) at end of the year	Net worth
2013-14	10,536.23	(-) 104.65	10,431.58
2014-15	11,258.56	(-) 432.31	10,826.25
2015-16	12,671.32	(-) 755.02	11,916.30
2016-17	13,337.33	(-) 1,008.15	12,329.18
2017-18	14,225.67	(-) 1,193.96	13,031.71

Source : Latest available accounts for the respective years

The State Government continued to provide financial support to power sector companies by infusing substantial equity during the period 2013-18. Hence, the net worth increased by ₹ 2,600.13 crore during 2013-18.

Dividend Payout

1.14 The GoWB does not have any stated dividend policy. Although four out of eight PSUs had accumulated profits during last five years, no dividend was declared by the PSUs in any of the years. While the Board of Directors of WBSETCL had not recommended dividend to conserve resources for financing the capital projects programme, WBPDCCL had not mentioned reasons for not declaring dividend.

Analysis of Long term loans of the Companies

1.15 The ability of the Power Sector PSUs to service the debt owed by them to the Government, banks and other financial institutions is assessed through the Interest Coverage Ratio and the Debt Turnover Ratio.

³⁰ The Durgapur Projects Limited and West Bengal Green Energy Development Corporation Limited.

Interest Coverage Ratio

1.16 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing its earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in power sector PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in following table:

Table 1.9: Interest coverage ratio (ICR)

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	ICR	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2013-14	1,990.89	2,230.99	1.12:1	4	3	1
2014-15	2,438.29	2,425.60	0.99:1	4	3	1
2015-16	2,612.27	2,764.19	1.06:1	4	3	1
2016-17	3,134.91	3,052.52	0.97:1	4	2	2
2017-18	3,117.14	3,012.90	0.97:1	4	2	2

It was observed that the number of power sector PSUs with interest coverage ratio of more than one was ranging between three and two and less than one was in the range of one to two during 2013-18.

Debt-Turnover Ratio

1.17 During the last five years, the turnover of the four power sector PSUs recorded compound annual growth of 3.28 *per cent*, while compound annual growth of debt³¹ was (-) 1.61 *per cent*³² due to which the Debt-Turnover Ratio decreased from 0.72 in 2013-14 to 0.57 in 2017-18 as given in table below:

Table 1.10: Debt Turnover ratio relating to the Power Sector undertakings

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government/ Banks and Financial Institutions	19,515.08	19,498.43	21,108.64	18,331.02	17,989.47
Turnover	27,030.67	26,050.31	25,150.78	29,339.08	31,762.17
Debt-Turnover Ratio	0.72:1	0.75:1	0.84:1	0.62:1	0.57:1

Source: Compiled based on information received from PSUs.

The reduction of debt in 2016-17 and 2017-18 was mainly due to Government of West Bengal's release of grants amounting to ₹ 2,647.09 crore and ₹ 1,916.07 crore in 2016-17 and 2017-18 to WBSEDCL and WBPDC, which then utilised the entire grants to repay to the State Government loans of ₹ 3,031.42 crore and interest thereon of ₹ 1,531.74 crore.

³¹ Non-current component of principal amount of outstanding long term loans from Government, banks, financial institutions etc.

³² Rate of Compound Annual Growth ((value of 2017-18/ value of 2013-14) ^ ((1/ 4 years) -1) * 100) where debt for the year 2013-14 and 2017-18 was ₹ 19,515.08 crore and ₹ 17,989.47 crore respectively.

Comments on Accounts of Power Sector PSUs

1.18 The Power Sector PSUs forwarded seven audited accounts during 1 October 2017 to 30 September 2018. Of these, four accounts were selected for supplementary audit. The Audit Reports of statutory auditors and supplementary audit conducted by the C&AG in 2015-16 and 2016-17 indicate that the quality of accounts needs to be improved substantially. During 2017-18, the Statutory Auditors did not give unqualified certificates on any account. The details of aggregate money value of the comments of the CAG in the last three years are as follows:

Table 1.11: Impact of audit comments on Power Sector Companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	3	313.09	1	1.30	-	-
2	Increase in profit	-	-	-	-	-	-
3	Non-disclosure of material facts	1	41.33	1	0.69	-	-
4	Errors of classification	1	41.80	-	-	-	-

Performance Audit

1.19 For the Report of the Comptroller and Auditor General of India (for the year ended 31 March 2018), a Performance Audit Report was issued to the Additional Chief Secretary of the Department of Power and Non-Conventional Energy Sources with request to furnish reply within six weeks. Reply in respect of the Performance Audit was received and has been duly incorporated.

Follow up action on Audit Reports

1.20 As per the Constitutional provisions vide Article 151(2), the Reports of the Comptroller and Auditor General (CAG) of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. Further, under the legislative provisions vide Section 19 A (3) of CAG (Duties, Powers and Conditions of Service) Act 1971, the State Government shall cause every Report in relation to audit of accounts of a Government Company or a Corporation, to be laid before the Legislature of the State, as soon as may be after it is received.

The Reports of the CAG of India, in respect of accounts of the State, were not being laid before the Legislature in a timely manner. Audit noticed that Report for the year 2015-16 had been submitted to Governor in February 2017, which had been laid in the Assembly in March 2018. The Report for the year 2016-17 had been submitted to Governor in May 2018, which had been laid in the Assembly in July 2019.

The pattern indicates that laying of Reports of CAG before the Legislature has been at the convenience of the State Government. Such violation of Constitutional and Legislative obligations deprived the Legislature of the opportunity to exercise control over the Executive in respect of finances and its utilisation in the State.

Discussion of Audit Reports by CoPU

1.21 The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the CoPU as on 30 September 2018 was as under:

Table 1.12: Performance Audits/ Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018

Period of Audit Report	Number of PAs/ Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2005-06	2	6	Nil	3
2006-07	1	5	Nil	1
2007-08	1	6	Nil	2
2008-09	Nil	11	Nil	4
2009-10	1	8	Nil	2
2010-11	1	8	Nil	3
2011-12	1	5	Nil	1
2012-13	1	5	Nil	Nil
2013-14	1	1	1	Nil
2014-15	Nil	5	Nil	2
2015-16	1	4	Nil	Nil
Total	10	64	1	18

Source: Compiled based on the discussions of COPU on the Audit Reports.

Compliance to Reports of CoPU

1.22 According to rules of Procedure of CoPU, Action Taken Notes (ATNs) on the recommendation contains in the CoPU Reports are to be submitted by the Government within three months of their receipt. The statement in *Annexure-3* indicated the details of four CoPU reports where Action Taken Notes are yet to be received from the Departments as on 30 September 2018.

These reports of CoPU contain five recommendations in respect of paragraphs pertaining to one Department, which had either appeared in the Reports of the CAG of India for the years 2010-11 to 2014-15 or were taken up for *suo motu* study.

It is recommended that the Government may ensure: (a) submission of replies to Explanatory Notes/ Draft Paragraphs/ PAs and ATNs on the recommendations of CoPU, as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayment within the prescribed period; and (c) revamping of the system of responding to audit observations.