

5.1 Introduction

This Chapter presents the summary of financial performance of Government Companies, Statutory Corporations and Government controlled other Companies of the Government of West Bengal (GoWB) and within the audit jurisdiction of the Comptroller and Auditor General of India (CAG). These SPSEs were established to carry out the activities of commercial nature and to contribute in economic development of the State. In the Chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of GoWB is 51 *per cent* or more and subsidiaries of such Government companies. The Statutory Corporations set up under Statutes enacted by the Parliament and the West Bengal Legislative Assembly as well as other companies owned or controlled, directly or indirectly by GoWB have also been categorised as SPSEs.

According to Section 2 (45) of the Companies Act, 2013, a Government Company is any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government, or by any State Government/ Governments, or partly by the Central Government and partly by one or more State Governments. This includes a company which is a subsidiary company of such a Government Company. Further, a Government-controlled company is any other company⁶¹ owned or controlled, directly or indirectly, 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.

5.2 Mandate of Audit

Audit of 'government companies' and 'government controlled other companies' is conducted by the CAG under the provisions of section 143(5) to 143(7) of the Companies Act, 2013 read with section 19 of the CAG's (duties, powers and conditions of service) act, 1971 and the regulations made there under. Under the Companies Act, 2013, the CAG appoints chartered accountants as statutory auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG conducts supplementary audit of the company's financial statements after the audit of Statutory Auditors. The statutes governing some statutory corporations require their accounts to be audited only by CAG.

⁶¹ Companies (Removal of Difficulties) Seventh Order 2014 issued by Ministry of Corporate Affairs, Government of India vide Gazette Notification dated 04 September 2014

5.3 Number of SPSEs

As on 31 March 2021, there were 85 SPSEs (including 19 inactive SPSEs) in West Bengal, as shown in **Table 5.1**. The status of finalisation of the year wise accounts and other details of these 85 SPSEs is given in **Appendix 5.1**. The financial performance of the SPSEs has been drawn up on the basis of latest finalised accounts as on 30 November 2021. In 2020-21, the working SPSEs registered an annual turnover of ₹ 54,522 crore. This turnover was equal to 4.19 *per cent* of Gross State Domestic Product (GSDP) of the State for the year 2020-21 (₹ 13,01,017 crore). The SPSEs earned overall profit of ₹ 692 crore as per their latest finalised accounts.

Table 5.1: Details of Working and Non-working SPSEs

Sectors	Government Companies		Statutory Corporations		Total	Turnover of Working SPSEs (₹ in crore)	Percentage of Turnover to GSDP
	Working	Inactive	Working	Inactive			
(1)	(2)	(3)	(4)	(5)	(6)= (2+3+4+5)	(7)	(8)
Power	06	-	-	-	06	33,983.17	2.61
Finance	06	01	03	-	10	535.38	0.04
Service	11	-	03	01	15	16,540.62	1.27
Manufacturing	10	16	-	-	26	124.66	0.01
Infrastructure	11	-	01	-	12	1,463.71	0.11
Agriculture & Allied	10	01	01	-	12	834.33	0.06
Others	04	-	-	-	04	1,039.82	0.08
Total	58	18	08	01	85	54,521.69	4.19

Source: Finalised and available accounts of SPSEs

Above table shows that the working SPSEs in the Power sector and Service sector had contributed 2.61 and 1.27 *per cent* respectively to GSDP in 2020-21. The trend of contribution of SPSEs' turnover to State GSDP during 2016-21 are shown below.

Table 5.2: Contribution of SPSEs' turnover to GSDP

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
SPSEs-Turnover (₹ in crore)	33,633.78	42,832.03	51,264.41	53,805.82	54,521.69
GSDP (₹ in crore)	8,72,527	9,74,700	11,02,283	12,07,823	13,01,017
Percentage of turnover to GSDP	3.85	4.39	4.65	4.45	4.19

Source: Finalised and available accounts of SPSEs

As can be seen from the above table, the contribution of SPSEs to GSDP ranged between 3.85 and 4.65 *per cent* during the last five years. The major share of SPSEs' turnover during 2020-21 were from West Bengal State Electricity Distribution Company Limited (WBSEDCL) - ₹ 22,002 crore (40.35 *per cent*), West Bengal State Beverages Corporation Limited (WBSBCL) - ₹ 12,892 crore

(23.64 per cent) and West Bengal Power Development Corporation Limited (WBPDC) - ₹ 8,964 crore (16.44 per cent).

5.4 Investment in Government Companies & Corporations and Budgetary Support

The Government of West Bengal (GoWB) has investment in the SPSEs by way of Share capital and Loans. Besides, Grants and Subsidies are also given to SPSEs as a measure of financial support. GoWB also gives guarantees to SPSEs on loans raised from Financial Institutions. **Table 5.3** shows the details of equity investment to SPSEs by GoWB, GoI and Others as on 31 March 2021.

Table 5.3: Investment of State Government in Equity in SPSEs

Sectors	No. of SPSEs	Equity holdings (₹ in crore) of			Total Paid Up Capital (₹ in crore)	% of Equity of GoWB
		GoWB	GoI	Others		
(1)	(2)	(3)	(4)	(5)	(6)=(3+4+5)	(7)=(3/6)*100
Agriculture & Allied	12	112.99	0.88	3.81	117.68	96.01
Finance	10	1,330.01	132.21	0.39	1,462.61	90.93
Infrastructure	12	1,905.56	1.71	3.44	1,910.71	99.73
Manufacturing	26	411.20	0.00	12.04	423.24	97.16
Power	6	12,865.70	0.00	5.09	12,870.79	99.96
Service	15	226.03	5.82	1.60	233.45	96.82
Others	4	5.78	0.00	0.81	6.59	87.71
Total	85	16,857.27	140.62	27.18	17,025.07	99.01

Source: Compiled from the accounts provided by SPSEs

Above table shows that equity investment of GoWB (₹ 16,857 crore) in SPSEs was 99 per cent. The Power sector (76.32 per cent) has the majority of Equity investment from GoWB followed by Infrastructure (11.30 per cent) and Manufacturing (2.44 per cent) sectors. GoI had equity investment of ₹ 141 crore mainly in the Finance, Service and Infrastructure sectors while Others⁶² had contributed equity holding of ₹ 27 crores in SPSEs mainly in Manufacturing sector (44.30 per cent).

5.5 Debt position of SPSEs

Long term loans from GoWB is also an important means of financing SPSEs. Besides taking loans from Government, SPSEs has also taken loans from market and financial institutions. Government has also given guarantee on loans raised by SPSEs from market or financial institutions by way of charging guarantee commission. **Table 5.4** depicts the details of loans taken by SPSEs from the State Government and Other sources.

⁶² Companies which had invested equity share capital in SPSEs apart from GoI and GoWB

Table 5.4: Details of borrowing of SPSEs as on 31 March 2021

Sectors	No. of SPSEs	Borrowings from Source other than State Government	Borrowings from State Government	Total Borrowings	% of State Government loan
		(₹ in crore)			
(1)	(2)	(3)	(4)	(5)=(3+4)	(6)=(4/5)*100
Agriculture & Allied	12	16.61	143.25	159.86	89.61
Finance	10	2,883.37	205.32	3,088.69	6.65
Infrastructure	12	0.03	193.58	193.61	99.98
Manufacturing	26	38.19	1,676.97	1,715.16	97.77
Power	6	20,961.95	1,899.75	22,861.70	8.31
Service	15	288.86	2,326.43	2,615.29	88.95
Others	4	0.13	80.30	80.43	99.84
Grand Total	85	24,189.14	6,525.60	30,714.74	21.25

Source: Information furnished by SPSEs

As can be seen from the above table that the State Government had given loans of ₹ 6,526 crore to SPSEs which accounts for nearly 21 per cent of the total loans taken by SPSEs. Remaining loans (₹ 24,189 crore) which accounted for 79 per cent of total loans came from market borrowings and loans from financial institutions backed by government guarantees. Against the loans taken from other sources, contribution of Power sector accounted for 74.43 per cent followed by Finance Sector as 10.05 per cent.

5.6 Reconciliation of Equity and Loan of SPSEs with Finance Accounts of Government of West Bengal

The figures in respect of equity and loans as per records of SPSEs should agree with the figures appearing in the Finance Accounts of the Government of West Bengal. In case the figures do not agree, the SPSEs concerned and the Finance Department should carry out reconciliation of the differences. **Table 5.5** shows the variation of Equity investment and loans provided to the SPSEs from the State Government.

Table 5.5: Difference of equity and loans of SPSEs with Finance Accounts

In respect of	As per Finance Accounts	As per records of SPSEs	Difference in 2020-21
	(₹ in crore)		
(1)	(2)	(3)	(4)=(2-3)
Equity	16,473.53	16,857.27	(-383.74)
Loans	7,684.15	6,525.60	1,158.55

Source: Finance Accounts and Information furnished by SPSEs for the year ended March 2021

Audit analysis revealed that there was discrepancy of figures reported in the State Finance Accounts and the financial statements of SPSEs. It was observed that there were variations in figures of Equity in respect of 64 SPSEs and variation of Loan amount figures in respect of 53 SPSEs.

5.7 Adequacy of Assets

The asset coverage ratio is a solvency ratio. It measures how well a company can cover its short-term debt obligations with its assets. A company that has more assets than its short-term debt and liability obligations indicates to the lender that the company has a better chance of paying back the funds it lends in the event of its liquidation or closure of business. The higher the asset coverage ratio, the more times a company can cover its debt. Therefore, a company with a high asset coverage ratio is considered to be less risky than a company with a low asset coverage ratio⁶³. Asset Coverage Ratio is calculated as ((Total Assets – Intangible Assets) – (Current Liabilities – Short-term Portion of LT Debt))/ Total Debt. Table 5.6 has shown the Asset Coverage ratio of SPSEs as on 31 March 2021.

Table 5.6: Asset Coverage ratio of SPSEs as on 31 March 2021

Sectors	Nos. of SPSEs	Assets	Intangible assets	Current liabilities	Long Term Borrowings	Asset Coverage Ratio
		(₹ in crore)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)=(3-4-5)/(6)
Agriculture & Allied	12	2,116.54	5.10	1,952.05	159.86	1.00
Finance	10	11,711.74	0.13	2,395.25	3,088.69	3.02
Infrastructure	12	8,568.76	0.89	2,208.11	193.61	32.85
Manufacturing	26	2,268.40	0.07	3,029.92	1,708.16	(-)0.44
Power	6	86,711.39	55.02	42,518.06	22,861.70	1.93
Service	15	8,211.85	2.87	6,816.82	2,615.29	0.53
Others	4	841.12	0.22	470.95	80.43	4.60
Grand Total	85	1,20,429.80	64.30	59,391.16	30,714.74	1.99

Source: Accounts of SPSEs

As can be seen from the above, the asset coverage ratio of SPSEs in the manufacturing and service sectors are less than one or even negative. In case of manufacturing sector, the ratio being negative denotes that the SPSEs in these sectors are not financially solvent and will not be able to repay its debts in the event of their closure or liquidation. In the Infrastructure sector which comprises mainly three SPSEs – WBHIDCL⁶⁴, WBHDCL and WBEIDCL⁶⁵ had good asset

⁶³ Asset Adequacy Ratio is otherwise called Asset Coverage Ratio.

⁶⁴ West Bengal Housing Infrastructure Development Corporation Limited

⁶⁵ West Bengal Electronics Industry Development Corporation Limited

coverage ratio of 32.85 followed by Finance and ‘Others’ sectors at 4.60 and 3.02 respectively.

5.8 Budgetary assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The summarised details of budgetary support towards Equity, Loans and Grants/ Subsidies in respect of SPSEs during the last three years are given in **Table 5.7**.

Table 5.7: Budgetary assistance to SPSEs

Sl. No.	Particulars	2018-19		2019-20		2020-21	
		Number of SPSEs	Amount (₹ in crore)	Number of SPSEs	Amount (₹ in crore)	Number of SPSEs	Amount (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	Equity Capital	12	881.56	6	725.37	2	108.16
(ii)	Loans	23	840.60	25	840.79	10	136.31
(iii)	Grants/ Subsidy	17	1,420.68	20	984.05	19	1,715.95
Total Outgo (i+ii+iii)		-	3,142.84	-	2,550.21	-	1,960.42

Source: Accounts of SPSEs

Above table disclosed that total outgo of the State Government had declined. Compared to 2018-19, budgetary assistance during 2019-20 declined by 18.86 per cent followed by 23.13 per cent in 2020-21 over 2019-20. Decline in budgetary assistance through Equity by 85.09 per cent over 2019-20 was the attributable reason.

5.9 Disinvestment, restructuring and privatisation

Government of West Bengal decided (February 2017) to restructure SPSEs for improving operational efficiency and optimally utilising their manpower/ assets. Accordingly, one SPSE namely, Gluconate Health Limited was amalgamated with one existing SPSE, viz., West Bengal Medical Services Corporation Limited with effect from 1 April 2019 under the administrative control of Department of Health & Family Welfare.

5.10 Return from Government Companies and Corporations

Out of 66 Working SPSEs, 33 SPSEs earned profit during the year 2020-21, of which only two SPSEs had paid dividend to State Government as shown in **Table 5.8** below.

Table 5.8: Profit Earned and Dividend paid by SPSEs during 2020-21

Sectors	Working SPSEs	Profit/ Loss after tax (₹ in crore)	Dividend paid to GoWB (₹ in crore)
Agriculture & Allied	11	57.50	0.19
Finance	9	156.51	0
Infrastructure	12	50.14	0
Manufacturing	10	(-)184.41	0
Power	6	898.95	0
Service	14	(-)393.28	0
Others	4	106.23	0.55
Grand Total	66	691.64	0.74

Source: Accounts of SPSEs

It can be noticed from the above that in spite of earning profit of ₹ 692 crore by working SPSEs, only dividend of ₹ 0.74 crore (0.11 per cent of the profit earned) was received by the Government. The Power sector which earned profit of ₹ 899 crore did not pay any dividend to the Government. Only West Bengal State Warehousing Corporation and Saraswati Press Limited had paid dividend of ₹ 0.19 crore and ₹ 0.55 crore respectively to the State Government.

5.11 Repayment of Principal Debt and Servicing of Interest charges

Table 5.9 shows the details of borrowings of SPSEs and repayments including interest during 2020-21.

Table 5.9: Repayment of Debt and Interest by SPSEs during 2020-21

Sectors	Loans from Source other than State Govt.			Loans from State Govt.		
	Outstanding Loan	Repayment of Principal	Repayment of Interest	Outstanding Loan	Repayment of Principal	Repayment of Interest
	(₹ in crore)					
Agriculture & Allied	16.61	-	-	143.25	2.00	-
Finance	2,883.37	-	173.66	205.32	-	0.03
Infrastructure	0.03	0.25	-	193.58	-	3.80
Manufacturing	38.19	-	1.26	1,676.97	-	28.49
Power	20,961.95	285.88	1,346.58	1,899.75	-	320.27
Service	288.86	-	8.70	2,326.43	-	58.54
Others	0.13	-	-	80.30	-	-
Total	24,189.14	286.13	1,530.20	6,525.60	2.00	411.13

Source: Accounts of SPSEs

It can be seen from the above, the major portion of repayment of principal and interest on loans was from SPSEs in the Power sector which accounts for 99.22 and 85.86 per cent respectively of total principal and interest amount of loans. SPSEs in Finance sector had paid only the interest which accounts for 8.94 per cent.

5.12 Outstanding repayments of loans disbursed by Government in respect of SPSEs

Audit noticed that as per available audited 46 accounts for the financial years 2005-21 pertaining to 85 SPSEs upto November 2021, repayments of ₹ 13,629 crore (Principal: ₹ 6,526 crore and Interest: ₹ 6,903 crore) were in arrears (Table 5.10). This assumes significance since 54 per cent of SPSEs have arrear in repayments. Due to non-availability of accounts of 60 out of 85 SPSEs during 2020-21, comprehensive position of outstanding repayments could not be arrived at.

Table 5.10: Status of outstanding repayments of loans disbursed by Government in respect of State Public Sector Enterprises (SPSEs)

Sl. No.	Accounts available upto	Number of SPSEs who had submitted their Accounts	Number of SPSEs against which repayments were in arrears	Outstanding Principal	Outstanding Interest
				(₹ in crore)	
1.	2020-21	25	11	3,307.11	2,724.25
2.	2019-20	31	19	2,128.40	2,981.03
3.	2018-19	12	7	708.54	979.02
4.	2017-18	6	3	147.30	99.00
5.	2016-17	2	1	4.63	0.15
6.	2015-16	2	1	98.21	6.39
7.	2014-15	1	0	NIL	NIL
8.	2012-13	2	0	NIL	NIL
9.	2011-12	1	1	26.78	25.98
10.	2010-11	1	1	2.34	4.91
11.	2007-08	1	1	20.69	47.43
12.	2005-06	1	1	81.60	34.49
Total		85	46	6,525.60	6,902.65

Source: Audited Accounts of SPSEs

SPSEs of Power sector like WBPDC⁶⁶ and DPL⁶⁷ stated that cash crunch did not permit them to repay the government loans. DPL also stated that they had requested the State Government to convert the loans into equity and waive off interest thereon as a part of the measure of financial restructuring owing to which no loan repayment had been made during 2018-21. WBSEDCL had repaid principal of ₹ 5.15 crore while WBSETCL⁶⁸ repaid ₹ 49.01 crore as principal

⁶⁶ West Bengal Power Development Company Limited

⁶⁷ Durgapur Projects Limited

⁶⁸ West Bengal State Electricity Transmission Company Limited

and ₹ 51.14 crore as interest during 2020-21.

Operating efficiency of Government Companies

5.13 Analysis of Profit reported from Operating and Non-operating activities

Operating income is the income generated through the company's core business operations. Non-operating income includes the gains and losses (expenses) generated by other activities or factors unrelated to its core business operations. **Table 5.11** shows the sector wise details of operating income and non-operating income⁶⁹ of all working SPSEs during 2020-21.

Table 5.11: Sector-wise details of Revenue from operation and Other income of SPSEs during 2020-21

Sectors	Number of Working SPSEs	Turnover/ Revenue from Operation	State Government Subsidy	Other Income	Total Revenue	% of Turnover of Total Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)=(3/6)*100
Agriculture & Allied	11	834.33	56.87	74.55	965.75	86.39
Finance	9	535.38	11.65	183.92	730.95	73.24
Infrastructure	12	1,463.71	0.00	119.12	1,582.83	92.47
Manufacturing	10	124.66	0.00	23.96	148.62	83.88
Power	6	33,983.17	596.70	882.16	35,462.03	95.83
Service	14	16,540.62	786.90	217.05	17,558.00	94.21
Others	4	1,039.82	0.00	3.88	1,043.70	99.63
Grand Total	66	54,521.69	1,452.12	1,504.64	57,478.45	94.86

Source: Accounts of SPSEs

Table 5.11 indicates that SPSEs in the Agriculture & Allied, Finance and Manufacturing sectors have lower percentage of operating income ranging from 73 to 86 *per cent* of total revenue in comparison to other sectors like Infrastructure, Power and Service which contributed around 92 to 96 *per cent*. Out of 66 working SPSEs, 11 had no revenue from operations indicating core activities of the company have been discontinued. This included four from Infrastructure sector, two each from Agriculture & Allied and Service sectors, and one each from Finance, Power and Manufacturing sectors. Power and Service sectors have received significant portion of subsidy which accounts for 41.09 and 54.19 *per cent* of the total amount of subsidy disbursed. In Power sector, only WBSEDCL received subsidies mainly for the scheme ‘Subsidisation

⁶⁹ Operating Income also known as “Revenue from Operation/ Turnover” and Non-operating income refers to “Other Income”.

in Power tariff to its consumers' while in Service sector, major amount of subsidy were given to five transport corporations⁷⁰.

5.14 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and efficiency with which its capital is employed. ROCE is calculated by dividing a company's Earnings before Interest and Taxes (EBIT) by its capital employed. The details of ROCE of working SPSEs during 2020-21 is depicted in **Table 5.12**.

Table 5.12: Return on Capital Employed of working SPSEs during 2020-21

Sectors	No. of Working SPSEs	EBIT	Capital Employed	ROCE
		₹ in crore		
(1)	(2)	(3)	(4)	(5)=(3/4)*100
Agriculture & Allied	11	116.92	322.51	36.25
Finance	9	401.51	7,906.68	5.08
Infrastructure	12	84.27	2,622.80	3.21
Manufacturing	10	(-)87.49	(-)597.98	-
Power	6	4,439.67	38,626.37	11.49
Service	14	(-)125.42	(-)4,488.50	-
Others	4	158.51	357.38	44.35
Grand Total	66	4,987.97	44,749.26	11.15

Source: Accounts of SPSEs

5.15 Return on Equity by SPSEs

Return on equity (ROE) is a measure of financial performance to assess how effectively management is using shareholder's fund to earn profits and is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' funds, expressed as a percentage.

Shareholders' funds of a Company are calculated by adding paid-up capital including share application money and free reserves net of accumulated losses and deferred revenue expenditure. Shareholders' funds are also known as equity. A positive shareholders' fund implies that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets. It is also known as net worth.

Sector-wise RoE computed in respect of all working SPSEs as per their latest finalised accounts are detailed in **Table 5.13**.

⁷⁰ (i) Calcutta State Transport Corporation (CSTC), (ii) Calcutta Tramways Company (CTC), (iii) South Bengal State Transport Corporation (SBSTC), (iv) North Bengal State Transport Corporation (NBSTC) and (v) West Bengal Surface Transport Corporation Limited (WBSTCL)

Table 5.13: Return on Equity

Sectors	No. of Working SPSEs	Net Profit/ Loss after tax	Shareholders' fund ⁷¹	ROE
		(₹ in crore)		
(1)	(2)	(3)	(4)	(5)=(3/4)*100
Agriculture & Allied	11	57.50	270.38	21.27
Finance	9	156.51	4,822.62	3.25
Infrastructure	12	50.14	2,429.19	2.06
Manufacturing	10	(-)184.41	(-)1,304.53	-
Power	6	898.95	15,764.67	5.70
Service	14	(-)393.28	(-)7,087.45	-
Others	4	106.23	276.95	38.36
Grand Total	66	691.64	15,171.83	4.56

Source: Accounts of SPSEs

Return on Equity of SPSEs in 'Others' sector is highest backed by good performance of four SPSEs namely (i) Basumati Corporation Limited, (ii) Saraswaty Press Limited, (iii) Shilpabarta Printing Press Limited and (iv) West Bengal Text Books Corporation Limited.

5.16 SPSEs incurring losses

Sector-wise details of SPSEs which incurred losses during 2020-21 (as per available accounts) are detailed in Table 5.14.

Table 5.14: SPSEs incurring losses during 2020-21

Sectors	No. of working SPSEs which had incurred losses	Net Profit/ Loss after tax (₹ in crore)
(1)	(2)	(3)
Agriculture & Allied	4	(-)31.43
Finance	3	(-)15.88
Infrastructure	2	(-)39.01
Manufacturing	9	(-)185.87
Power	4	(-)305.48
Service	9	(-)466.51
Others	2	(-)16.55
Grand Total	33	(-)1,060.73

Source: Accounts of SPSEs

It was observed that SPSEs which incurred significant loss were WBSEDCL (₹ 190 crore), CSTC (₹ 174 crore), SBSTC (₹ 79 crore) and DPL (₹ 114 crore).

⁷¹ Represents 'Paid up share capital' plus free reserves and surplus minus accumulated losses minus deferred revenue expenditure.

5.17 Erosion of Capital in SPSEs

Net worth means the sum total of the 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 shareholders and is also referred to as shareholders' funds. A negative net worth indicates that the entire investment by the shareholders has been wiped out by accumulated losses and deferred revenue expenditure. **Table 5.15** indicates total paid up capital, total free reserves, total surpluses, total accumulated losses of those SPSEs, whose net worth turned negative.

Table 5.15: Sector wise details of SPSEs having negative Net Worth

Sectors	No. of SPSEs	Paid up Capital	Free Reserves	Reserve & Surplus	Shareholder's Funds/Net Worth
(1)	(2)	(3)	(4)	(5)	(6)=(3+4+5)
Agriculture & Allied	4	69.99	0.00	(-)659.07	(-)589.08
Finance	2	51.96	0.00	(-)168.43	(-)116.47
Infrastructure	1	0.05	0.00	(-)0.07	(-)0.02
Manufacturing	21	410.25	0.00	(-)4,059.58	(-)3,649.33
Power	3	1,820.38	1.25	(-)3,571.61	(-)1,749.98
Service	8	53.81	682.17	(-)8,459.15	(-)7,723.17
Others	2	0.99	0.00	(-)212.31	(-)211.32
Grand Total	41	2,407.43	683.42	(-)17,130.22	(-)14,039.37

Source: Accounts of SPSEs

As can be seen from the table above, the manufacturing sector has maximum numbers of SPSEs with negative net worth whereas the Service sector which comprises of Transport Companies has highest value of negative net worth. The SPSEs which had highest negative net worth are (i) CSTC (₹ 2,720 crore), (ii) WBSTCL (₹ 2,674 crore) and (iii) Kalyani Spinning Mills Limited (₹ 1,190 crore).

OVERSIGHT ROLE OF COMPTROLLER & AUDITOR GENERAL OF INDIA

5.18 Audit of State Public Sector Enterprises (SPSEs)

The process of audit of Government Companies is governed by relevant provisions of Sections 139 and 143 of the Companies Act, 2013 (the Act). Further, as per sub-section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-section 5 or sub-section 7 of Section 139, by an order, conduct test audit on the accounts of such company, if considered necessary. The provisions of Section 19A of the CAG's (Duties, Powers and

Conditions of Service) Act, 1971 shall apply to such Audit. An audit of the financial statements of a company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

The CAG is also the sole auditor in respect of six out of nine⁷² Statutory Corporations and WBERC. Moreover, CAG also prepares Separate Audit Reports (SARs) for West Bengal Financial Corporation although not the statutory auditor, while preparing supplementary reports on West Bengal Warehousing Corporation.

5.19 Appointment of Statutory Auditors of SPSEs by CAG

The financial statements of the Government Companies are audited by Statutory Auditors, appointed by CAG as per the provisions of Sections 139 (5) or 139 (7) of the Companies Act, as applicable, who shall submit a copy of their audit report, including the financial statements of the Company, to the CAG, under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

5.20 Submission of Accounts by SPSEs

According to section 394 of the companies act 2013, annual report on the working and affairs of a government company, is to be prepared within three months of its annual general meeting (AGM) and as soon as may be after such preparation laid before the state legislature together with a copy of the audit report and any comments upon or supplement to the audit report, made by the CAG. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the state budget.

Section 96 of the Companies act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, section 129 of the Companies act, 2013 stipulates that the audited financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of section 129 of the companies act, 2013. Despite above, annual accounts of various SPSEs were pending and in arrears as on 30 November 2021, as discussed below.

⁷² CAG is not entrusted with the statutory audit of the Great Eastern Hotel Authority, under the provisions of the applicable statute.

5.21 Timeliness in Preparation of Accounts by SPSEs

Accounts for the year 2020-21 were required to be submitted by all the 85 SPSEs by 30 September 2020. However, in view of the prevailing pandemic related restrictions, the Ministry of Corporate Affairs, Government of India directed all Registrars of Companies to liberally grant, against applications submitted by companies, extension for holding Annual General Meetings, at which the audited accounts are adopted, up to 30 November 2021. Further, Details of arrears in submission of accounts of all SPSEs as of 30 November of following year for each of the last four financial years ending 31 March 2021 are given in **Table 5.16**.

Table 5.16: Details of arrears in submission of accounts of all SPSEs as of 30 November 2021

Year	Upto date accounts		Accounts delayed Upto 1 year		Accounts delayed for 2-3 years		Accounts delayed for 4-5 years		Accounts delayed for more than 5 years		Total no. of SPSEs with arrear accounts	
	SPSEs	Accounts	SPSEs	Accounts	SPSEs	Accounts	SPSEs	Accounts	SPSEs	Accounts	SPSEs	Accounts
2017-18	41	41	33	33	9	19	5	21	6	57	53	130
2018-19	35	35	30	30	8	17	5	21	6	52	49	120
2019-20	7	7	53	53	14	32	5	23	6	58	78	166
2020-21	25	28	32	32	16	38	6	26	7	69	61	165

Source: Accounts of SPSEs

5.22 CAG'S Oversight - Audit of Accounts and Supplementary Audit

Financial Reporting Framework

Companies are required to prepare the financial statements in the format laid down in schedule (iii) to the Companies act, 2013 and in adherence to the mandatory accounting standards prescribed by the central government, in consultation with national advisory committee on accounting standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the act governing such corporations.

5.23 Audit of Accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013, conduct audit of accounts of the government companies and submit their report thereon in accordance with section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of the public sector enterprises with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the powers to issue directions to the statutory auditors under section 143(5) of the Companies Act, 2013 and to supplement or comment upon the statutory auditor's report under section 143(6) of the Companies Act, 2013.

5.24 Supplementary Audit of Accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the companies act, 2013 or other relevant act is of the management of an entity. The statutory auditors appointed by the CAG under section 139 of the companies act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the standard auditing practices of institute of chartered accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the audit report to the CAG under section 143 of the companies act, 2013. The certified accounts of selected government companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under section 143(6) of the Companies Act, 2013 to be placed before the annual general meeting.

5.25 Result of CAG's oversight role

Audit of accounts of SPSEs

During 2020-21, 41 working Companies/ Corporations had forwarded 50 accounts to the Office of the Principal Accountant General (Audit-I), West Bengal and Office of the Principal Accountant General (Audit-II), West Bengal. Supplementary audit of 24 accounts of 20 companies were conducted upto November 2021. Non-review certificates (NRCs) were issued against seven accounts of seven companies. The audit reports of statutory auditors appointed by the CAG and the supplementary audit conducted by the CAG indicated that the quality of maintenance of SPSE's accounts needs to be improved substantially.

Some of the significant comments issued on supplementary audit of financial statements of the government companies are detailed in **Table 5.17**.

Table 5.17: Gist of significant comments on the accounts of the SPSEs issued from 01.04.2020 to 31.03.2021

Sl. No.	Name of the Company/ Corporation	Net Profit/ Loss after tax
(1)	(2)	(3)
1.	North Bengal State Transport Corporation (2014-15)	<p>Non-provision of advances paid to three organizations (lying unadjusted for more than five years and recovery of which were doubtful) has resulted in overstatement of 'Current Assets' by ₹ 1.04 crore, with corresponding understatement of 'Net Loss for the year' to the same extent.</p> <p>34 cheques amounting ₹ 4.50 crore issued between July 2007 to December 2014 to different suppliers / creditors were not presented for payment by them within the valid period. Non-reversal of cheques has resulted in understatement of 'Cash at Bank' as well as 'Liabilities' by ₹ 4.50 crore.</p> <p>Provision for liability amounting ₹ 0.90 crore towards renovation of buses (as per direction of Hon'ble Calcutta High Court in 2014) was not made by the Corporation in its books of accounts. This resulted in understatement of 'Liabilities' with corresponding understatement of 'Net Loss for the year' by ₹ 0.90 crore.</p> <p>Non-accountal of liability amounting ₹ 117.10 crore for payment of Leave Salary, Gratuity, Arrear Pension, Arrear ROPA 2009, Commuted Value and Arrear DA up to 31 March 2015 resulted in understatement of 'Liabilities' and 'Welfare & Superannuation expenses' by ₹ 117.10 crore with consequential understatement of 'Net Loss for the year' to the same extent.</p> <p>Non-provision of demand of Land & Land Reforms Department amounting ₹ 3.44 crore as on June 2013 on account of property tax, land revenue, rent and Land Acquisition compensation resulted in understatement of 'Liabilities' and 'General & Administrative Expenses' by ₹ 3.44 crore with consequential understatement of 'Net Loss for the year' to the same extent.</p>

Sl. No.	Name of the Company/ Corporation	Net Profit/ Loss after tax
(1)	(2)	(3)
		Wrong account of the differential amount of subsidy received from GoWB in Jan'2014 and disbursement thereagainst towards Voluntary Retirement Scheme resulted in understatement of 'Liabilities' and 'Accumulated Loss' by ₹ 8.73 crore.
2.	North Bengal State Transport Corporation (2016-17)	Short account of interest on unsecured loan amounting ₹ 5.51 crore received from GoWB resulted in understatement of 'Account Charges' under Liabilities and 'Debt Charges' under Non-Operating Expenses by ₹ 5.51 crore with corresponding understatement of 'Loss for the year' to the same extent.
3.	West Bengal Medical Services Corporation Limited (2019-20)	Understatement of other Current Liabilities and overstatement of Profit for the year 2019-20 by ₹ 8.85 crore due to non-inclusion of accrued interest on loan from GoWB.
		Overstatement of other Current Assets and overstatement of Profit for the year 2019-20 by ₹ 1.80 crore due to non-adjustment of Income tax refundable.
4.	West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development & Finance Corporation (15.11.2017 to 31.03.2018)	Overstatement of Other Authorities' Fund by ₹ 2.64 crore with corresponding understatement of 'Provision for purchase of cycles' to the same extent due to non-adjustment of value of Bi-cycles delivered in 2017-18 with other authorities' Fund.
		Overstatement of Provisions by ₹ 22.54 crore with corresponding overstatement of Prior Period Expenditure by the same amount. Consequently, Reserves & Surplus remained understated by ₹ 22.54 crore due to non-adjustment of excess provision made on loans.

Sl. No.	Name of the Company/ Corporation	Net Profit/ Loss after tax
(1)	(2)	(3)
5.	West Bengal Minorities Development & Finance Corporation (2016-17)	Overstatement of Advance from Customers for Arena Project by ₹ 45.53 crore, overstatement of Work in Progress-Stock in Trade (Arena Project) by ₹ 40 crore with corresponding understatement of Income by ₹ 45.53 crore, understatement of expenditure by ₹ 43.36 crore and understatement of provision for expenditure (Liability) by ₹ 3.36 crore (₹ 43.36 crore – ₹ 40 crore). Consequently, profit was understated by ₹ 2.18 crore (₹ 45.53 crore – ₹ 43.36 crore) due to non-recognition of revenue and non-charging of expenditure of flats constructed under Arena Housing Project.
		Overstatement of Current Liabilities by ₹1.14 crore with corresponding understatement of income by the same amount. Consequently, profit was also understated by ₹ 1.14 crore due to non accountal of net sale proceeds of flats.
		Overstatement of Cash and Bank balance by ₹5.37 crore with corresponding understatement of Current Assets: Trade Receivables by the same amount due to Non-writing back of the Stale cheques received by the Corporation up to December, 2016 towards recovery of loan.
		Overstatement of Accrued Interest on Fixed Deposit by ₹1.90 crore with corresponding overstatement of interest income by the same amount owing to erroneous calculation. This resulted in overstatement of Profit by ₹ 1.90 crore.
6.	West Bengal State Warehousing Corporation (2016-17)	Wrong accountal of provision for ‘bad and doubtful debt’ amounting ₹ 8.95 crore as ‘Reserve for bad and doubtful debt’ resulted in overstatement of ‘Reserve for bad and doubtful debt’ by ₹ 8.95 crore with corresponding overstatement of sundry debtors by ₹ 8.95 crore and overstatement of prior period profit before tax to the same extent.
		Non-writing back of unclaimed Security Deposit pending for more than nine years had resulted in overstatement of Advances under liabilities and understatement of profit by ₹ 1.03 crore.

Sl. No.	Name of the Company/ Corporation	Net Profit/ Loss after tax
(1)	(2)	(3)
		Non-accountal of the grant of ₹ 7.29 crore from GoWB resulted in understatement 'Grant received from GoWB' with corresponding overstatement of 'Creditors for Expenses' to the same extent.

5.26 Non-Compliance with Provisions of Accounting Standards (ASs)/ Indian ASs

In exercise of the powers conferred by section 469 of the Companies Act, 2013, read with section 129 (1), section 132 and section 133 of the said act, the central government prescribed accounting standards 1 to 7 and 9 to 29. Besides these, the central government notified 41 Indian Accounting Standards through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. During the course of supplementary audit, the CAG observed that the following companies had not complied with the Accounting Standards/ Indian ASs as detailed in **Table 5.18** below.

Table 5.18: Non-Compliance with the Accounting Standards/ Indian Accounting Standards

Accounting standard/ Indian AS	Name of the Corporation	Year	Deviation
(1)	(2)	(3)	(4)
AS-1	North Bengal State Transport Corporation	2014-15, 2015-16, 2016-17	According to Generally Accepted Accounting Principles and Accounting Standard-01, 'If the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed'. The Profit & Loss Account for the year 2014-15 was not prepared following accrual basis of accounting. It was not properly disclosed in the Notes to Accounts.

Accounting standard/ Indian AS	Name of the Corporation	Year	Deviation
(1)	(2)	(3)	(4)
AS-12		2014-15	According to Generally Accepted Accounting Principles and Accounting Standard-12, 'Grants related to specific fixed assets are either deducted from the gross value of the asset concerned in arriving at its book value or treated as deferred income which is recognised in the profit and loss statement on a systematic and rational basis over the useful life of the asset'. Though NBSTC received grants for procurement of buses but neither of the above methods were followed by them. The fact was not properly disclosed in the Notes to Accounts.
AS-10		2015-16, 2016-17	According to Generally Accepted Accounting Principles and Accounting Standard-10 assets which are retired from active use and pending for disposal should have been disclosed separately. However, the same was not followed by the corporation.

5.27 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of SPSEs were reported as comments by the CAG under section 143(6)(b) of the Companies Act, 2013. Besides these comments on accounts, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, are also communicated to the management through a 'management letter' for taking corrective action. These deficiencies generally relates to Application and interpretation of accounting policies and practices, Adjustments arising out of audit that could have a significant effect on the financial statements and Inadequate or non-disclosure of certain information on which management of the concerned SPSE gave assurances that corrective action would be taken in the subsequent year.

As per latest finalised accounts as on 30 November of respective years, 'management letters' issued to two SPSEs is shown in **Table 5.19**.

Table 5.19: List of the SPSEs where Management Letters were issued

Sl. No.	Name of the SPSEs (Year of Accounts Finalised)
1.	West Bengal Essential Commodities Supply Corporation Ltd. (2015-16)
2.	West Bengal Medical Services Corporation Ltd. (2019-20)

5.28 Recommendations

- *The State Government and the SPSEs concerned should reconcile the differences in the investment figures (Equity and Long Term Loans) of the State Government as appearing in the State Finance Accounts vis-à-vis financial statements of SPSEs in a time bound manner.*
- *The Administrative departments overseeing the SPSEs having backlog of Accounts should take concerted efforts to ensure that the SPSEs finalise and adopt their Accounts within the stipulated time.*

Kolkata

The 18 February 2022

(SARAT CHATURVEDI)
Principal Accountant General
(Audit-I)
West Bengal

Countersigned

New Delhi

The 23 FEB 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India