CHAPTER V

Functioning of State Public Sector Enterprises

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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) that fall within the audit jurisdiction of the Comptroller and Auditor General of India (CAG). These State Public Sector Enterprises were established to carry out activities of commercial nature and to contribute to the economic development of the State. In this 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, as well as the 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 categorized 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, any company 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, are referred to in this Report as Government controlled other companies.

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 thereunder. 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.

5.3 Number of SPSEs

As on 31 March 2023, there were 84 SPSEs *(including 19 inactive SPSEs)* in West Bengal, as shown in **Table 5.1**. The status of finalization of the year-wise accounts and other details of these 84 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 September 2023. As per the latest finalized accounts (upto the financial year 2022-23), the working SPSEs registered an annual turnover of ₹ 66,760 crore. This turnover was equal to 4.29 *per cent* of the Gross State Domestic Product (GSDP) for the year 2022-23 (₹15,54,992 crore). The working SPSEs earned an overall net profit of ₹ 882.84 crore, as per their latest financial accounts.

Table 5.1: Details of Working and Inactive SPSEs

Sector	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)
Agriculture & Allied	10	1	1	-	12	723.46	0.05
Finance	6	1	3	-	10	624.20	0.04
Infrastructure	11	-	1	-	12	1,332.22	0.09
Manufacturing	9	16	-	-	25	150.53	0.01
Power	6	-	-	-	6	43,042.56	2.77
Service	11	-	3	1	15	20,099.56	1.29
Others	4	-	-	-	4	787.22	0.05
Total	**57**	**18**	**8**	**1**	**84**	**66,759.75**	**4.29**

Source: Latest finalised accounts of SPSEs

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. In addition, 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 5.2** shows the details of equity investment to SPSEs by GoWB, GoI and Others, as per the latest finalised accounts available upto the financial year 2022-23.

Table 5.2: Investment of State Government in Equity in SPSEs

Sector	No. of SPSEs	Equity holdings of			Total Paid Up Capital	% of Equity of GoWB
		GoWB	GoI	Others		
		(₹ in crore)				
(1)	(2)	(3)	(4)	(5)	(6)=(3+4+5)	(7)=(3/6)*100
Agriculture & Allied	12	113.25	0.95	3.84	118.04	95.94
Finance	10	1,325.78	132.21	6.65	1,464.64	90.52
Infrastructure	12	1,973.17	0	5.15	1,978.32	99.74
Manufacturing	25	417.18	0	12.35	429.53	97.12
Power	6	13,467.31	0	5.14	13,472.45	99.96
Service	15	240.45	5.82	0.67	246.94	97.37
Others	4	5.78	0	0.81	6.59	87.71
Total	**84**	**17,542.92**	**138.98**	**34.61**	**17,716.51**	**99.02**

Source: Latest finalised accounts of SPSEs

Table 5.2 shows that the equity investment of GoWB (₹17,542.92 crore) in SPSEs comprised 99 *per cent* of their total equity. Equity investments of the Government of West Bengal, were higher in the Power sector (76.77 *per cent*) followed by the Infrastructure (11.25 *per cent*) and Finance (7.56 *per cent*) sectors. GoI had equity investment of ₹ 139 crore, mainly in the Finance sector (95.13 *per cent*). Others[90] had contributed equity holding of ₹ 34.61 crore in SPSEs, mainly in the Manufacturing sector (35.68 *per cent*).

5.5 Debt position of SPSEs

Long term loans from GoWB are also an important means of financing SPSEs. In addition to taking loans from Government, SPSEs have also taken loans from the market and financial institutions. Government has also given guarantee on loans raised by SPSEs from the market or financial institutions, by way of charging guarantee commission. **Table 5.3** depicts the details of loans taken by SPSEs from the State Government and Other sources.

Table 5.3: Details of borrowing of SPSEs as per the latest finalised accounts

Sector	No. of SPSEs	Borrowings from sources other than the State Government	Borrowings from the State Government	Total Borrowings	% of State Government loan
		(₹ in crore)			
(1)	(2)	(3)	(4)	(5)=(3+4)	(6)=(4/5)*100
Agriculture & Allied	12	41.24	143.26	184.50	77.65
Finance	10	5,975.53	185.30	6,160.83	3.01
Infrastructure	12	0.12	190.65	190.77	99.94
Manufacturing	25	45.06	2,000.59	2,045.65	97.80
Power	6	19,872.43	692.27	20,564.70	3.37
Service	15	297.84	2,285.35	2,583.19	88.47

[90] Companies which had invested equity share capital in SPSEs, in addition to the equity share capital invested by GoI and GoWB

Sector	No. of SPSEs	Borrowings from sources other than the State Government	Borrowings from the State Government	Total Borrowings	% of State Government loan
		(₹ in crore)			
(1)	(2)	(3)	(4)	(5)=(3+4)	(6)=(4/5)*100
Others	4	0.48	90.18	90.66	99.47
Total	**84**	**26,232.70**	**5,587.60**	**31,820.30**	**17.56**

Source: Latest finalised accounts of SPSEs

As can be seen from the **Table 5.3**, the State Government had given loans of ₹ 5,587.60 crore to SPSEs, which accounted for 17.56 *per cent* of the total loans taken by SPSEs. The remaining loans (₹ 26,233 crore), which accounted for 82.44 *per cent* of the total loans, came from market borrowings, as well as loans from financial institutions backed by Government guarantees. Against the loans taken from other sources, the Power sector accounted for 75.75 *per cent,* followed by the Finance Sector at 22.78 *per cent.*

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

The figures in respect of equity and loans, as per the financial statements 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 5.4** shows the variation in the figures for Equity investment and loans provided to the SPSEs, between these two sources.

Table 5.4: Differences in the figures of equity and loans of SPSEs between the Finance Accounts and the records of the SPSEs

In respect of	As per the Finance Accounts	As per the records of SPSEs	Difference in 2022-23
	(₹ in crore)		
(1)	(2)	(3)	(4)=(2-3)
Equity	17,623.81	17,542.92	80.89
Loans	10,068.68	5,587.60	4,481.08

Source: Finance Accounts and Information furnished by SPSEs for the year ended March 2023

It was observed that there were variations in the figures of Equity, in regard to 60 SPSEs and variations in the Loan amount figures, in regard to 27 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 assets exceeding 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. Therefore, a company with a high asset coverage ratio is considered to be less risky than a company with a low asset coverage ratio[91]. The Asset Coverage Ratio is calculated as ((Total Assets – Intangible Assets) – (Current Liabilities – Short-term Portion of Long-term Debt))/Total Debt. **Table 5.5** shows the Asset Coverage ratio of SPSEs, as per the latest finalised accounts.

Table 5.5: Asset Coverage ratio of SPSEs, as per the latest finalised accounts

Sector	Nos. of SPSEs	Assets	Intangible assets	Current liabilites	Short Term portion of Long-Term Debts	Long Term Borrowings	Asset Coverage Ratio
		(₹ in crore)					
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)={(3-4)-(5-6)}/7**
Agriculture & Allied	12	1,816.15	1.44	1,619.01	-	184.50	1.06
Finance	10	14,353.60	0.38	3,469.04	-	6,160.83	1.77
Infrastructure	12	9,102.85	4.84	1,808.40	35.59	190.77	38.40
Manufacturing	25	2,167.94	0.04	3,291.81	15.61	2,045.65	(-)0.54
Power	6	95,948.57	1,420.21	42,443.14	6,015.64	20,564.70	2.83
Service	15	9,240.66	1.96	9,449.56	162.33	2,583.19	(-)0.02
Others	4	748.33	0.13	493.20	3.05	90.66	2.85
Total	**84**	**1,33,378.09**	**1,429.00**	**62,574.17**	**6,232.22**	**31,820.30**	**2.38**

Source: Latest finalised accounts of SPSEs

As can be seen from the **Table 5.5**, the asset coverage ratios of SPSEs, in the manufacturing and service sectors are negative. In case of the 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. The 'Infrastructure' sector, which comprises mainly of three SPSEs – WBHIDCL[92], WBHDCL and WBEIDCL[93], had a good assets coverage ratio of 38.40, followed by the 'Others' and 'Power' sectors , at 2.85 and 2.83, respectively.

5.8 Budgetary assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. Summarized details of budgetary support, extended to the SPSEs in the form of Equity, Loans and Grants/Subsidies, during the last three years, are given in **Table 5.6**.

[91] The 'Asset Adequacy Ratio' is also called the 'Asset Coverage Ratio'
[92] West Bengal Housing Infrastructure Development Corporation Limited
[93] West Bengal Electronics Industry Development Corporation Limited

Table 5.6: Budgetary assistance to SPSEs

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		Number of SPSEs	Amount (₹ in crore)	Number of SPSEs	Amount (₹ in crore)	Number of SPSEs	Amount (₹ in crore)
(i)	Equity Capital	2	108.16	2	128.27	4	527.77
(ii)	Loans	10	136.31	12	164.46	14	1,171.40
(iii)	Grants/Subsidy	19	1,715.95	16	2,043.77	14	2,038.90
Total Outgo (i+ii+iii)			**1,960.42**		**2,336.50**		**3,738.07**

Source: Latest finalised accounts of SPSEs available upto the year of accounting

Table 5.6 indicates that there has been a significant increase in the infusion of equity in SPSEs, by GoWB, during the last three years, with the equity infusion having increased from the level of ₹ 108 crore in 2020-21, to ₹ 528 crore in 2022-23. In 2022-23, GoWB made equity capital infusion of ₹ 100 crore and ₹ 386 crore, in WBPDCL (West Bengal Power Development Corporation Limited) and WBSEDCL (West Bengal State Electricity Distribution Company Limited), respectively. There has also been a substantial increase in Grants/Subsidy, which have risen from ₹ 1,716 crore in 2020-21 to ₹ 2,039 crore in 2022-23.

5.9 Disinvestment, restructuring and privatisation

The Government of West Bengal decided (February 2017) to restructure SPSEs for improving their operational efficiency and optimally utilising their manpower/assets. Accordingly, one SPSE, namely, Gluconate Health Limited, was amalgamated with the West Bengal Medical Services Corporation Limited, with effect from 01 April 2019, under the administrative control of the Department of Health & Family Welfare. In addition, another SPSE, Britannia Engineering Ltd., was amalgamated with Westinghouse Saxby Farmer Ltd., in September 2022.

5.10 Return from Government Companies and Corporations

As per the latest finalised accounts, out of 65 Working SPSEs, 33 SPSEs earned profit of ₹ 1,715.37 crore whereas 32 SPSEs had suffered losses of ₹ 832.53 crore. Profit earned and Dividend paid by SPSEs, is shown in **Table 5.7**.

Table 5.7: Profit Earned and Dividend paid by SPSEs

Sector	Working SPSEs	Net Profit/Loss after tax	Dividend paid to GoWB
		(₹ in crore)	
Agriculture & Allied	11	16.38	-
Finance	9	59.55	-
Infrastructure	12	(-)7.19	4.68

Sector	Working SPSEs	Net Profit/Loss after tax	Dividend paid to GoWB
		(₹ in crore)	
Manufacturing	9	(-)172.86	-
Power	6	1,348.64	77.39
Service	14	(-)446.87	-
Others	4	85.19	0.55
Total	**65**	**882.84**	**82.62**

Source: Latest finalised accounts of SPSEs

It can be noticed from the above that, in spite of the working SPSEs having earned net profit of ₹ 882.84 crore, dividend of ₹ 82.62 crore only (9.36 *per cent* of the profit earned) was received by the Government. The Finance sector, which had earned profit of ₹ 59.55 crore had not paid any dividend to the Government. Only the West Bengal State Electricity Transmission Company Limited, Mackintosh Burn Limited and Saraswaty Press Limited, had paid dividend of ₹ 77.39 crore, ₹ 4.68 crore and 0.55 crore, respectively, to the State Government, during 2022-23.

5.11 Repayment of Principal Debt and Servicing of Interest charges

Table 5.8 shows the details of borrowings of SPSEs and repayments (including interest), as per their latest finalised accounts.

Table 5.8: Repayment of Long-term Debt and Interest by SPSEs, as per their latest finalised accounts

Sector	Loans from sources other than the State Govt.			Loans from the State Govt.		
	Outstanding Loan	Repayment of Principal	Repayment of Interest	Outstanding Loan	Repayment of Principal	Repayment of Interest
	(₹ in crore)					
Agriculture & Allied	41.24	10.00	10.00	143.26	-	-
Finance	5,975.53	-	-	185.30	-	-
Infrastructure	0.12	-	3.29	190.65	-	7.22
Manufacturing	45.06	-	6.12	2,000.59	-	41.40
Power	19,872.43	814.30	2,995.05	692.27	53.73	44.18
Services	297.84	-	51.13	2,285.35	50.00	66.75
Others	0.48	-	-	90.18	-	0.78
Total	**26,232.70**	**824.30**	**3,065.59**	**5,587.60**	**103.73**	**160.33**

Source: Latest finalised accounts of SPSEs

It can be seen from **Table 5.8** that the major portion of repayment of principal and interest on loans was from SPSEs in the Power sector, which accounted for 93.53 *per cent* of the total repayments of principal and 94.21 *per cent* of the total repayments of interest, respectively. SPSEs in the Services sector had, however, paid interest accounting for only 3.65 *per cent.*

5.12 Outstanding loans disbursed by Government in respect of SPSEs

As per the available audited 47 accounts, for the financial years 2006-23 (upto September 2023), pertaining to 84 SPSEs, repayments of ₹ 13,128.37 crore (Principal: ₹ 5,587.60 crore and Interest: ₹ 7,540.77 crore) were in arrears (**Table 5.9**). This assumes significance since 55.95 *per cent* of SPSEs have arrears in repayments. Due to non-availability of accounts of 62 out of 84 SPSEs, during 2022-23, a comprehensive position of outstanding repayments could not be arrived at.

Table 5.9: Status of outstanding loans disbursed by Government to 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.	2022-23	22	12	1,400.12	2,076.99
2.	2021-22	36	20	3,639.21	4,887.34
3.	2020-21	7	4	79.70	111.02
4.	2019-20	3	1	10.84	7.78
5.	2018-19	7	3	191.82	338.82
6.	2017-18	2	1	4.81	0.15
7.	2016-17	3	3	124.84	10.18
8.	2015-16	1	-	-	-
9.	2012-13	1	1	26.78	25.99
10.	2007-08	1	1	26.69	47.43
11.	2006-07	1	1	82.79	35.57
Total		**84**	**47**	**5,587.60**	**7,540.77**

Source: Latest finalised accounts of SPSEs

SPSEs of the Power sector, like WBPDCL and DPL, stated that cash crunch did not permit them to repay the government loans. DPL also stated that GoWB had approved the conversion of government loan of ₹ 391.69 crore into equity, which was returned to GoWB, as repayment of loan of same amount. No guarantee commission was paid by WBPDCL and DPL. WBSEDCL had repaid principal of ₹ 5.23 crore, and ₹ 1.72 crore as interest, while WBSETCL had repaid ₹ 48.50 crore as principal, and ₹ 42.46 crore as interest, during 2022-23.

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 5.10 shows the sector-wise details of operating income and non-operating income[94] of all working SPSEs, as per their latest finalised accounts.

Table 5.10: Sector-wise details of Revenue from operations and other income of SPSEs

Sector	Number of Working SPSEs	Turnover/Revenue from Operations	State Government Subsidy	Other Income	Total Revenue	% of Turnover of Total Revenue
		(₹ in crore)				
(1)	(2)	(3)	(4)	(5)	(6)=(3+4+5)	(7)=(3/6)*100
Agriculture & Allied	11	723.46	84.59	103.89	911.94	79.33
Finance	9	624.20	13.56	186.47	824.23	75.73
Infrastructure	12	1,332.22	-	166.55	1,498.77	88.89
Manufacturing	9	150.53	-	30.20	180.73	83.29
Power	6	43,042.56	770.96	2,032.22	45,845.74	93.89
Services	14	20,099.56	963.81	116.96	21,180.33	94.90
Others	4	787.22	-	7.04	794.26	99.11
Total	**65**	**66,759.75**	**1,832.92**	**2,643.33**	**71,236.00**	**93.72**

Source: Latest finalised accounts of SPSEs

Table 5.10 indicates that SPSEs in the Finance, Agriculture & Allied, and Manufacturing sectors have lower percentage of operating income, ranging from 75.73 to 83.29 *per cent* of their total revenue, in comparison to other sectors like Infrastructure, Power and Services, which contributed around 88.89 to 94.90 *per cent*. Out of 65 working SPSEs, nine had no revenue from operations, indicating that their core activities had been discontinued. This included two from each of the Infrastructure, Services sectors and Manufacturing sector and one each from the Agriculture, Finance and Power sectors. The Power and Services sectors have received a significant portion of subsidy, accounting for 42.06 and 52.58 *per cent*, respectively, of the total amount of subsidy disbursed. In the Services sector, a major portion of the subsidy was given to five transport corporations[95].

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 Capital Employed is the total amount of money invested in the business of a Company. It is calculated as Total assets *minus* current liabilities or

[94] Operating Income is also known as "Revenue from Operations/Turnover" and Non-operating income refers to "Other Income".

[95] (i) Calcutta State Transport Corporation (ii) Calcutta Tramways Company Limited (iii) South Bengal State Transport Corporation (iv) North Bengal State Transport Corporation and (v) West Bengal Surface Transport Corporation Limited

Shareholders' Equity *plus* Long-term Liabilities. Negative Capital Employed refers to a situation where the current liability of a company is more than its total assets.

Details of the ROCE of the working SPSEs, as per the latest finalised accounts, are shown in **Table 5.11**.

Table 5.11: Return on Capital Employed of working SPSEs

Sector	No. of Working SPSEs	EBIT	Capital Employed	ROCE
		(₹ in crore)		(in *per cent*)
(1)	(2)	(3)	(4)	(5)=(3/4)*100
Agriculture & Allied	11	79.43	276.88	28.69
Finance	9	399.16	9,260.48	4.31
Infrastructure	12	1.07	3,098.48	0.03
Manufacturing	9	(-)71.92	(-)663.31	-
Power	6	4,894.10	39,409.57	12.42
Services	14	(-)54.97	(-)5,406.41	-
Others	4	132.35	253.34	52.24
Total	**65**	**5,379.22**	**46,229.03**	**11.64**

Source: Latest finalised accounts of SPSEs

Note: ROCE in respect of the Manufacturing and Services sectors could not be worked out, as the capital employed therein, was negative.

5.15 Return on Equity by SPSEs

Return on equity (ROE) is a measure of financial performance, to assess how effectively management is using shareholders' funds to earn profits and is calculated by dividing the 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 shareholders' equity means that liabilities exceed assets. It is also known as net worth. If the accumulated loss of a company is more than its share capital, its shareholder's fund is negative.

Sector-wise RoEs, computed in respect of all working SPSEs, as per their latest audited financial accounts, are shown in **Table 5.12**.

Table 5.12: Return on Equity

Sector	No. of Working SPSEs	Net Profit/Loss after tax	Shareholders fund[96]	ROE
		(₹ in crore)		(in *per cent*)
(1)	(2)	(3)	(4)	(5)=(3/4)*100
Agriculture & Allied	11	16.38	200.10	8.19
Finance	9	59.55	3,104.46	1.92
Infrastructure	12	(-)7.19	2,907.71	-
Manufacturing	9	(-)172.86	(-)1,500.44	-
Power	6	1,348.64	18,844.87	7.16
Services	14	(-)446.87	(-)7,972.75	-
Others	4	85.19	162.68	52.37
Total	**65**	**882.84**	**15,746.63**	**5.61**

Source: Latest finalised accounts of SPSEs

Note: ROE in respect of Manufacturing and Service sectors could not be worked out as their Shareholders' fund were negative.

The highest Return on Equity of SPSEs was in the sector 'Others'. This was due to the good performance of two SPSEs, namely: (i) Saraswaty Press Limited (26.68 *per cent*) and (ii) West Bengal Text Books Corporation Limited[97] (24 *per cent*).

5.16 SPSEs incurring losses

Sector-wise details of working SPSEs which had incurred losses, as per their last audited accounts, are shown in **Table 5.13**.

Table 5.13: SPSEs incurring losses, as per their last audited accounts

Sector	No. of working SPSEs which had incurred losses	Loss after tax (₹ in crore)
Agriculture & Allied	5	(-)36.72
Finance	3	(-)29.79
Infrastructure	3	(-)70.09
Manufacturing	8	(-)174.75
Power	1	(-)0.17
Services	10	(-)504.66
Others	2	(-)16.35
Total	**32**	**(-)832.53**

Source: Latest finalised accounts of SPSEs

[96] Represents 'Paid-up share capital' *plus* 'free reserves and surplus' *minus* 'accumulated losses' *minus* 'deferred revenue expenditure'.

[97] Subsidiary of Saraswaty Press Limited.

The SPSEs which had incurred significant losses were CSTC[98] (₹ 135.05 crore), SBSTC[99] (₹ 109.43 crore) and WBTC[100] (₹ 91.71 crore).

5.17 Dues of Power Distribution Companies (DISCOMs) towards the Power Generation Companies (both Central and State Generation Companies)

Electricity is a rate regulated business. The business of electric power generation and distribution, in the State of West Bengal, is mainly carried out by the WBPDCL and WBSEDCL, respectively. The West Bengal State Electricity Transmission Company Limited (WBSETCL) is responsible for transmitting electricity from generating sources to load centers, through a transmission network operating across West Bengal.

The outstanding dues payable to WBPDCL, DPL[101], PGCIL[102], WBSETCL, in the "Trade Payable" head under "Current liabilities", in the books of WBSEDCL, during the last three years, are shown in **Table 5.14**.

Table 5.14: Outstanding dues payable to Power Generation and Transmission Companies

Liability towards power dues	2020-21	2021-22	2022-23	Average payable in last 3 years
	(₹ in crore)			
Liability for purchase of power (WBPDCL & DPL)	9,332.13	7,349.52	9,070.95	8,584.20
Liability for Transmission of Power- PGCIL	208.71	154.52	253.18	205.47
Liability for Transmission of Power-WBSETCL	626.55	572.02	558.2	585.59

Source: Accounts of WBSEDCL

As can be seen from **Table 5.14**, average dues of ₹ 8,584 crore were payable to the Power Generating Companies (WBPDCL & DPL) in the last three years. At the end of 2022-23, the outstanding dues to Power Generating Companies stood at ₹ 9,071 crore. The ageing schedule of Trade payables, in the annual accounts of WBSEDCL for 2022-23, indicated that the outstanding dues, for more than one year, were ₹ 4,328 crore.

Since Electricity business is rate-regulated, the annual tariffs (or rates) are notified in advance by the West Bengal Electricity Regulatory Commission (WBERC) before commencement of each year. These are subsequently reviewed, through Annual Performance Reviews (APRs), and adjusted in future years. Based on WBERC notified regulations and past tariff/APR orders, WBSEDCL estimates the quantum of Regulatory Assets (RAs) to be reflected in its financial statements. The APRs of WBSEDCL have been pending with

[98] Calcutta State Transport Corporation
[99] South Bengal State Transport Corporation
[100] West Bengal Transport Corporation
[101] Durgapur Project Limited
[102] Power Grid Corporation of India Limited

WBERC, since 2018-19, as on 31 March 2023. WBERC has increased the average tariff, in the past eight years, from ₹ 6.56 per unit in 2014-15, to ₹ 7.12 per unit in 2022-23, i.e. an increase of 56 paisa per unit. The amounts admitted by WBERC and their recovery through the tariff mechanism have not been commensurate with the claims booked by WBSEDCL, which has resulted in accumulation of Regulatory Assets (RAs) in every successive year. As on March 2023, WBSEDCL had accumulated RAs of ₹ 20,014 crore, the recovery of which, either through the tariff mechanism, or from Government Grants, is uncertain. Government of West Bengal had also intimated (July 2021) WBERC that the current scale of regulatory receivables, of WBSEDCL, was so large that it was beyond their means to liquidate the RA as they had done before.

The financial position of WBSEDCL, at the end of 31 March 2023, is shown in **Table 5.15**.

Table 5.15: Financial position of WBSEDCL as on 31 March 2023

Sl. No.	Particulars	Amount (₹ in crore)
1.	WB State Govt equity	2,867.29
2.	Reserve & Surplus/Other Equity	471.93
3.	Total Shareholders' Funds/Net Worth (1+2)	3,339.22
4.	Long Term Borrowings from WB Govt	84.46
5.	Stake of West Bengal Government in WBSEDCL (3+4)	3,423.68
6.	Long Term Borrowings other than WB Govt	8,348.58
7.	Turnover/Revenue from Operation	28,608.78
8.	Profit/Loss after tax	21.01
9.	Guarantee on loans by WB Govt upto 2022-23	2,112.99
10.	WB govt subsidy/Grants-in-Aid during 2022-23	770.96

Source: Accounts of WBSEDCL

On review of its loan book, it was observed that WBSEDCL has Non-Convertible Redeemable Bonds of ₹ 998 crore, secured by hypothecation of Fixed Assets; 8.5% Pension Trust Bonds 2016 of ₹ 1,173 crore against State Government Guarantee; and Loans from the Power Finance Corporation (PFC), Rural Electrification Corporation Limited (RECL), West Bengal Infrastructure Development Finance Corporation Limited (WBIDFCL), Bank of Baroda and Government of West Bengal (GoWB), amounting to ₹ 8,348 crore.

Thus, recovery of the Regulatory Assets of ₹ 20,014 crore, seems remote. Further, WBSEDL has outstanding loans of ₹ 8,433 crore, secured by its Fixed Assets and State Government Guarantees.

5.18 Erosion of Capital in SPSEs

'Net worth' refers to 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 5.16** indicates the total paid-up capital, total free reserves, total surpluses and total accumulated losses of those SPSEs, whose net worth had turned negative.

Table 5.16: Sector-wise details of SPSEs having negative Net Worth

Sector	No. of SPSEs	Paid up Capital	Free Reserves	Reserve & Surplus	Shareholders' Funds/Net Worth
		(₹ in crore)			
(1)	(2)	(3)	(4)	(5)	(6)=(3+4+5)
Agriculture & Allied	5	85.99	0.61	(-)750.80	(-)664.20
Finance	2	51.96	-	(-)182.51	(-)130.55
Manufacturing	22	420.99	11.14	(-)4,699.57	(-)4,255.94[103]
Power	3	1,820.38	-	(-)3,550.34	(-)1,729.96
Services	7	53.81	865.36	(-)9,605.93	(-)8,686.76
Others	2	0.99	-	(-)243.81	(-)242.82
Total	**41**	**2,434.12**	**877.11**	**(-)19,032.96**	**(-)15,710.23**

Source: Latest finalised accounts of SPSEs

As can be seen from **Table 5.16**, the manufacturing sector has the maximum number of SPSEs with negative net worth, while the Services sector, which comprises of Transport Companies, has the highest value of negative net worth. The SPSEs which had the highest negative net worth were: (i) CSTC (₹ 3,003 crore) (ii) WBTCL[104] (₹ 2,967 crore) and (iii) Durgapur Projects Limited (₹ 1,726 crore).

Moreover, all 41 SPSEs had entirely eroded their net worth and were dependent on the Government for funding. Hence, the loanees were not in a position to generate enough revenue to repay the principal and interest accrued thereon.

5.19 Erosion of Net Worth of SPSEs

As per the latest finalised accounts, there were 41 SPSEs whose net worth had eroded and turned negative (***Appendix 5.2***). In respect of these SPSEs, the State Government had extended equity and loans of ₹ 2,415 crore and ₹ 4,396 crore, respectively. Against these SPSEs, up to 2022-23, the net worth had eroded and turned negative for 41 SPSEs. Even though 41 SPSEs had negative net worth, the State Government had provided loans of ₹ 192 crore to 21 of these SPSEs

[103] Money Receipts against share warrants of ₹ 11.50 crore of the 'National Iron & Steel Company (1984) Limited', under the Manufacturing sector, have been considered
[104] West Bengal Transport Corporation Limited

in 2022-23. Further, out of these 21 SPSEs, only two SPSEs had finalized their accounts up to 2022-23. In regard to the remaining nineteen SPSEs, whose net worth had turned negative, the annual accounts had been finalised only up to 2018-19 to 2021-22. Delays in this regard ranged between one and three years. Even in the absence of accounts to assess the demands for financial support, the State Government had extended loans to eight SPSEs. Since the Companies have negative net worth, it is doubtful whether the State Government loans of ₹ 4,396 crore can be recovered.

During 2022-23, 49 out of 84 SPSEs suffered losses of ₹ 1,078 crore despite cumulative investment of ₹ 6,961 crore. Of these 49 SPSEs, 43 were making losses for the last three years. These SPSEs were making losses for the last three years. Again, negative networth in the 36 out of the above 43 SPSEs, continued in the last three years. In the current year, expenditure from these 36 SPSEs were ₹ 7,763 crore whereas total revenue earned from operations amounted to ₹ 6,849 crore only.

OVERSIGHT ROLE OF COMPTROLLER & AUDITOR GENERAL OF INDIA

5.20 Audit of State Public Sector Enterprises (SPSEs)

The audit of Government Companies is governed by the 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 a company, if considered necessary. The provisions of Section 19A of the Comptroller and Auditor General'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 nine[105] Statutory Corporations and WBERC. Although CAG is not the statutory auditor, it prepares Separate Audit Reports (SAR) for the West Bengal Financial-Corporation, and prepares supplementary reports on the West Bengal Warehousing Corporation.

5.21 Appointment of Statutory Auditors of SPSEs by CAG

The financial statements of Government Companies are audited by Statutory Auditors, appointed by CAG, as per the provisions of Sections 139(5) or 139(7) of the Act, as applicable, who are required to submit copies of their audit reports, including the financial statements of the Company, to the CAG,

[105] CAG is not the Sole auditor of the Corporations - The Great Eastern Hotel Authority, West Bengal Financial Corporation and West Bengal Warehousing Corporation - under the provisions of the applicable statutes.

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.

5.22 Submission of Accounts by SPSEs

According to Section 394 of the Companies Act, 2013, an 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 an AGM of the shareholders, once in every calendar year. It also states 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 its consideration.

Section 129(7) of the Companies Act, 2013, also provides for levy of penalty, such as 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 the above, the annual accounts of various SPSEs were pending, and were in arrears, as on 30 September 2023, as discussed in **Paragraph 5.23**.

5.23 Timeliness in Preparation of Accounts by SPSEs

Accounts for the year 2022-23 were required to be submitted, by all the 84 SPSEs, by 30 September 2023. Details of arrears in submission of accounts of all SPSEs, as of 30 September, during the last five financial years, ending 31 March 2023, are given in **Table 5.17.**

Table 5.17: Details of arrears in submission of accounts of all SPSEs

Finan-cial 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
2018-19	35	35	30	30	08	17	05	21	06	52	49	120
2019-20	07	07	53	53	14	32	05	23	06	58	78	166
2020-21	25	28	32	32	16	38	06	26	07	69	61	165
2021-22	23	26	32	35	16	43	08	31	06	65	62	174
2022-23	22	22	36	36	10	23	09	38	07	66	62	163

Source: Accounts of SPSEs

5.24 CAG's Oversight- Audit of Accounts and Supplementary Audit

Financial Reporting Framework

Companies are required to prepare their 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 the National Advisory Committee on accounting standards. 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 Acts governing such Corporations.

5.25 Audit of Accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG, under Section 139 of the Companies Act 2013, are required to conduct audit of accounts of government companies and submit their reports 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 power 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.

5.26 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 Acts, 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 the Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit their audit report to the CAG, under Section 143 of the Companies Act, 2013.

The certified accounts of selected government companies, along with the reports 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.

5.27 Result of CAG's oversight role

Audit of Accounts of SPSEs

During 2023-24, 65 working Companies/Corporations had forwarded 66 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 43 accounts of 42 companies was conducted upto September 2023. Non-review certificates (NRC) were issued against 23 accounts of 23 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 5.18**.

Table 5.18: Gist of significant comments on the accounts of the SPSEs issued from 01.04.2022 to 31.03.2023

Name of SPSEs	Year of audit	Significant observations
Mackintosh Burn Limited	2021-22	'Revenue from Operations' was overstated by ₹ 23.26 crore, due to non accountal of 'construction expenditure', with consequential understatement of "Construction Expenses" and "Revenue from Operations", by ₹ 27.90 crore and ₹ 4.64 crore, respectively.
Greater Calcutta Gas Supply Corporation Limited	2021-22	Share Capital was understated by ₹59.07 crore, due to non-accountal of Share Capital, with consequential overstatement of "Other Current Liabilities" to the same extent.
West Bengal Industrial Development Corporation Limited	2021-22	'Revenue from Contracts with customers' was overstated by ₹ 11.78 crore, due to non-consideration of the abandoned TATA Motors Limited, Singur Project. Consequently, "Other Current Liabilities" were understated by the same amount.
The Durgapur Projects Limited	2021-22	(i) DPL accounted for the sale of fly ash amounting ₹13.25 crore as 'income' under the head 'Other Operating Revenue', during the financial year 2021-22, contravening the Ministry of Environment and Forest's Notification. This has resulted in overstatement of 'Revenue from Operation' and understatement of 'Reserve for Fly Ash Utilisation' by ₹13.25 crore, each with corresponding overstatement of 'Profit for the Period' to the same extent. (ii) 'Regulatory Assets' included ₹ 75.36 crore, being return on equity claimed by DPL for Unit VI, in the APARs for 2016-17 to 2018-19, in contravention to WBERC Regulations. This resulted in overstatement of 'Revenue from Operations' by ₹75.36 crore, as well as overstatement of 'Other Current Assets' (Regulatory Assets). Consequently, 'Accumulated Loss' was also understated to the same extent. Besides, 'Regulatory Assets' also included an amount of ₹ 35.63 crore, being return on equity claimed by DPL for Unit-VII,

Name of SPSEs	Year of audit	Significant observations
		from the years 2011-12 to 2021-22. However, DPL did not account for adjustment entries after executing the settlement agreement. This resulted in overstatement of 'Revenue from Operations' by ₹ 35.63 crore, as well as overstatement of 'Other Current Assets' (Regulatory Assets). Consequently, 'Accumulated Loss' was also understated to the same extent.
West Bengal State Electricity Distribution Company Limited	2021-22	The Company's business is rate-regulated. The annual tariffs (or rates) are to be notified in advance by the WBERC before commencement of each year. These rates are subsequently reviewed, through Annual Performance Reviews (APRs), and adjusted in future years. Accordingly, based on their understanding and interpretation of the regulations notified and past tariff/APR orders issued by WBERC, the Company estimates the quantum of regulatory assets (RAs) to be reflected in their financial statements every year. The accumulated balance of RAs, as at the end of the year 2021-22, was ₹18,330.17 crore. RAs have arisen primarily due to the time lag between submission of petitions for Fuel and Power Purchase Cost Adjustment (FPPCA) and APRs by the Company, to WBERC, and their acceptance, either in part or in full, by WBERC. It was seen that the APRs of the Company had been pending with WBERC since 2018-19, as on 31 March 2022. Para 8.2.2 of The National Tariff Policy, 2016, provides that creation of Regulatory Assets would not be allowed under 'business as usual' conditions. Recovery of outstanding RAs, alongwith carrying the cost of RAs, should be time-bound and within a period not exceeding seven years. WBSEDCL had also continued to account for RAs over the years 'under business as usual' conditions and, as of 31 March 2022, an aggregate amount of ₹18,330.17 crore, had appeared as recoverables, which included RAs since March 2014. Further, WBERC had introduced Monthly Variable Cost Adjustment (MVCA) in April 2011, to avoid accumulation of RAs. In July 2014, it had directed licensees to compute MVCA, taking into consideration the related costs, failing which WBERC would not allow adjustments of RAs in full, during truing up in subsequent APRs. However, the Company had not revised the MVCA rates for the last six years, since July 2016. WBERC had increased the average tariff in the past eight years, from ₹ 6.56 per unit in 2014-15, to ₹ 7.12 per unit in 2021-22, i.e., an increase of 56 paisa per unit. Moreover, the amounts admitted by the WBERC and their recovery through the tariff mechanism, had not been commensurate with the claims booked by the Company, resulting in the amounts of RAs recoverable increasing in every successive year. Besides, the State Government had intimated (July 2021) to WBERC that the current scale of regulatory receivables was so large that it was beyond its means to liquidate RA, as it had done before. The Company has recognised RAs without reasonably considering the past trends of WBERC. Moreover, contrary to WBERC's directions, it had not revised the rate of MVCA since 2016. The State Government has also expressed their inability to liquidate RAs. Consequently, recovery of aggregate accumulated RAs of ₹ 18,330.17 crore either through tariff mechanism or from Government grants is uncertain. Therefore, the depiction of RAs in the financial statements as receivables appears not reasonable.
West Bengal Medical Service Corporation Ltd.	2020-21	Non-accounting of payable interest, accrued but not due on loan, as on 31.03.2021, resulted in understatement of other Current Liabilities and overstatement of Profit for the year 2020-21, by ₹ 17.75 crore.
West Bengal	2017-18	Wrong calculation of receivable accrued interest, resulted in overstatement

Name of SPSEs	Year of audit	Significant observations
Minorities and Finance Development Corporation		of Interest Income, under the Profit & Loss account, by ₹ 12.95 crore. This resulted in overstatement of profit.

5.28 Instances of revision of Auditors' Reports, as a result of supplementary audit conducted by the CAG

Instances of revision of Auditors' Reports as a result of supplementary audit conducted by the CAG, are shown in **Table 5.19**.

Table 5.19: Instances of revision of Auditors' Report as a result of supplementary audit

Name of the Corporation	Year	Comment in brief	Brief of revision
West Bengal Small Industries Development Corporation Limited	2020-21	Service connection charges of ₹ 461.87 lakh were paid to WBSEDCL during 2020-21 and the expenditure was booked under assets and depreciation of ₹ 7.66 lakh was charged.	The booking of expenditure of ₹ 461.87 lakh in fixed assets, instead of being charges to the P&L A/c, resulted in overstatement of assets and understatement of other expenditure by ₹ 454.21 lakh (net of depreciation of ₹ 7.66 lakh). Consequently, profit for the year was overstated by an equal amount.
		The deferred tax, i.e. difference between carrying amount of fixed assets, as per the financial statements and the income tax return, was ₹ 2,783.41 lakh. It was booked, considering the Net Book Value of the property, plant and equipment, which included Assets by Grant and WDV thereon. However, for tax purposes, the amount shown under Assets by Grant should have been excluded from the Net Book Value of the said Assets. However, the same was not done, which resulted excess balance of ₹ 330.13 lakh.	The difference between the carrying amount of fixed assets, as per the financial statements, and those as per the Income Tax Act, was arrived at, considering the assets by grant, while computing the net Book value of fixed assets, as per the financial statements, which should not have been included for tax purposes, resulting in excess computation of ₹ 330.09 lakh, under the sub-head, 'difference between the carrying amount of fixed assets in the financial statements and the income tax return', which, consequently, resulted in excess deferred tax credit of ₹ 330.09 lakh to the profit & loss statement, resulting in profit for the year, as well as the total comprehensive income being overstated by ₹ 330.09 lakh and the deferred tax liability (net) being understated by an equal amount.
The Durgapur Projects Limited	2022-23	A. The Company had booked Return on Equity (RoE) of ₹ 75.36 crore for Unit-VI, relating to the years 2016-17 to 2018-19, in deviation of Para 5.6.1.6 of Chapter-5 of the Tariff Regulation-48 of the West Bengal Electricity Regularity	Note nos. 20(i) & 10(e)(i), mention that the company has credited ₹3,690.12 lakh (FY 2021-22 ₹ 18,041.27 lakhs) to the Profit and Loss account and a balance of regulatory assets in respect of financial years from 2014-15 to 2021-22, amounting to ₹ 1,01,450.03 lakh (PY ₹ 97,846.91 lakh), as shown under

Name of the Corporation	Year	Comment in brief	Brief of revision
		Commission (WBERC). B. Other Current Assets included 71.25 crore, pertaining to five expenditure heads, which was disallowed by WBERC, in the APR order for the year 2016-17. Against the APR order for the year 2016-17, the Company had submitted a review petition, on 28 December 2022, but, in the said review petition, the above-mentioned disallowed amount was neither considered by the Company, nor adjusted.	'Regulatory Income' and 'Regulatory Assets', respectively, realisable through the Regulatory Mechanism, as per Regulation of the West Bengal Electricity Regulatory Commission (WBERC). However, the relevant final orders, facilitating the credit, had not yet been received from WBERC. In case of any variations in the order of WBERC, as against the amount estimated by the Company, there may be change in the balances of accumulated losses and regulatory assets. M/s. DPL has submitted review petition against the APR orders of 2014-15, 2015-16 and 2016-17 before Hon'ble Commission. Any adjustments, if required, will be given in the financial statement, upon receipt of the orders of the review petitions, the impact of which has not been assessed and recognised by the Company, and, therefore we are unable to comment on the impact thereof on the profits/Retained Earnings.
The Durgapur Projects Limited	2022-23	The Company had not accounted for the interest on Electricity Duty, amounting to ₹ 3,126.39 lakh, for the period 01/04/2018 to 29/03/2019, due to delayed payment of the principal amount of outstanding electricity duty, in terms of clause 5A (1) of the Bengal Electricity Duty Act, 1935.	The company has not provided for interest on Electricity Duty, for the period from 01/04/2018 to 29/03/2019, due to delayed payment of the principal amount of outstanding electricity duty as on 01/04/2018, which was paid on 29/03/2019, in anticipation of getting waiver of the interest from the appropriate authority of Government, in line with earlier years.
		For the year 2021-22, the Company had accounted for sale of fly ash of ₹ 13.25 crore, as income, under the head 'Other Operating Revenue', in deviation of the Ministry of Environment and Forest's Notification, which resulted in overstatement of 'Revenue from Operations' and understatement of 'Reserve for Fly Ash Utilisation', by ₹ 13.25 crore, each. Against the above, corrective entry was not passed by the Company in 2022-23.	As per Note 2(iii), the company had changed the accounting policy, from the financial year 2022-23, for accounting of sale of fly ash and had accounted for the amount so collected, net of expenses, for the year 2022-23, under the "Fly ash utilization reserve fund", in accordance with the guidelines issued by MOE&F dated 3rd November 2009. However, no accounting effect was given for the previous financial years.

The statutory auditors' reports, on Financial Statements of two SPSEs, were revised as a result of supplementary audit of the Financial Statements conducted by the C&AG as shown in **Table 5.19**.

5.29 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 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 relate to the 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 managements of the concerned SPSEs had given assurances that corrective action would be taken in the subsequent year.

As per the latest finalised accounts, as on 30 November 2023, 'management letters' were issued to 12 SPSEs, as shown in **Table 5.20**.

Table 5.20: List of SPSEs where Management Letters were issued

Sl. No.	Name of the SPSEs (Year of Accounts Finalised)
1	West Bengal Industrial Development Corporation Limited (2020-21)
2	West Bengal Essential Commodities Supply Corporation Limited (2016-17)
3	West Bengal State Warehousing Corporation (2017-18)
4	West Bengal State Warehousing Corporation (2018-19)
5	North Bengal State Transport Corporation (2018-19)
6	North Bengal State Transport Corporation (2019-20)
7	West Bengal Minorities Development & Finance Corporation (2017-18)
8	West Bengal Medical Service Corporation Ltd. (2020-21)
9	West Bengal Swarojgar Corporation Limited (2019-20 & 2020-21)
10	Gluconate Health Limited (2019-20)
11	Electro Medical & Allied Industries Limited (2020-21)
12	West Bengal Women Development Undertaking (2019-20)

5.30 Recommendations

1. *State Government and the SPSEs concerned may 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 the financial statements of SPSEs, in a time-bound manner.*
2. *State Government may review the SPSEs whose Net Worth has been eroded and take appropriate decision on their revival/winding up.*
3. *The Administrative Departments overseeing the SPSEs, having backlog of accounts, may undertake concerted efforts to ensure that the SPSEs finalise and adopt their accounts within the stipulated time.*

Kolkata
Dated 16 MAY 2024

(SATISH KUMAR GARG)
Principal Accountant General
(Audit-I)
West Bengal

Countersigned

New Delhi
Dated 24 MAY 2024

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India