Chapter III

Overview of State Public Sector Enterprises

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3.1 Introduction

The State Public Sector Enterprises (SPSEs) comprise State Government Companies, Government-controlled other Companies, subsidiary Companies and Statutory Corporations. They were established to carry out the activities of commercial nature and to contribute in economic development of the State. As on 31 March 2022, there were 63 SPSEs (including 19 inactive[179] SPSEs) under the audit jurisdiction of the Office of the Accountant General (Audit-II). The financial performance of 63 SPSEs, according to their latest finalised accounts as on 30 September 2022, showed that 44 working SPSEs registered an aggregate turnover of ₹ 42,339.50 crore. This turnover was equal to 2.76 *per cent* of State Gross Domestic Product[180] (GSDP) for the financial year 2021-22 (₹ 15,36,681 crore). Further, 20 working SPSEs earned overall profit of ₹ 990.41 crore according to their latest financial accounts, while 24 working SPSEs incurred losses of ₹ 967.55 crore. There were 19 inactive SPSEs having an investment of ₹ 1,476.63 crore towards capital (₹ 353.42 crore) and long-term loans (₹ 1,123.21 crore), which were inactive for one to 20 years. This is a critical area as the investments in inactive SPSEs, do not contribute to the economic growth of the State. The State Government may take expeditious decision on these SPSEs.

3.2 Accountability framework

A Government Company[181] or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. The process of audit of Government Companies is governed by relevant provisions of the Companies Act, 2013 (the Act).

Further, according to the provisions of the Act, the CAG may, in case of the aforesaid companies, by an order, conduct test audit on the accounts of such 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.

Moreover, the financial statements of the Government Companies are audited by Statutory Auditors, appointed by CAG, who shall submit a copy of their audit report, including the financial statements of the Company, to the CAG. These financial statements are subject to supplementary audit to be conducted

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179 *Including one company under liquidation viz. West Bengal Tea Development Corporation Limited.*

180 *First advance estimates at current prices for base year 2011-12 (Source: Bureau of Applied Economics & Statistics, Government of West Bengal).*

181 *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 is, a Government Company. This includes a company which is a subsidiary company of such a Government Company.*

by CAG within 60 days from the date of receipt of the audit report under the provisions of the Act.

The audit of Statutory Corporations was conducted under their respective legislations. The audit of West Bengal Industrial Infrastructure Development Corporation was entrusted (December 2016) to CAG for five years up to 2020-21. Thereafter, entrustment was not extended by GoWB, despite regular follow-up till January 2023.

Between October 2021 and September 2022, audit of 61 SPSEs was completed as detailed below –

Table 3.1: Summary of audit of accounts of SPSEs between October 2021 and September 2022

Sl. No.	Particulars	Government Companies (Supplementary audit)		Statutory Corporations (Sole audit)	Total
		Working	Inactive		
(1)	(2)	(3)	(4)	(5)	(6) = (3) + (4) + (5)
1)	Total Nos. of SPSEs for which audit of accounts entrusted	38*	19**	4***	61#
2)	Nos. of accounts awaiting audit as on 01 October 2021	10 (09 companies)	02 (02 companies)	05 (03 corporations)	17
3)	Nos. of accounts received in the period	55 (37 companies)	21 (12 companies)	02 (02 corporations)	78
4)	Nos. of accounts not selected for audit	29 (23 companies)	13 (09 companies)	Nil	42
5)	Nos. of accounts awaiting audit as on 30 September 2022	05 (03 companies)	03 (03 companies)	03 (02 corporations)	11
6)	Nos. of accounts that were audited {(2)+(3)-(4)-(5)}	31 (19 companies)	07 (05 companies)	04 (03 corporations)	42
Impact of audit		**Amount : ₹ in crore**			
7)	Increase in profits/ decrease in losses	110.10	8.17	112.87	231.14
8)	Decrease in profits/ increase in losses	2.34	-	0.13	2.47
9)	Increase in assets/ decrease in liabilities	-	-	-	-
10)	Decrease in assets/ increase in liabilities	-	-	-	-
11)	General observations/ Disclosures	26,094.65	-	0.65	26,095.30

(Source: Records of financial statements received, selected for audit and pending audit from October 2021 to September 2022)

* *Including Britannia Engineering Limited, merged with another SPSE, with retrospective effect.*

** *Excluding one company under liquidation, viz., West Bengal Tea Development Corporation Limited.*

*** *Excluding Great Eastern Hotel Authority, audited under Sl No. 14 of CAG's (DPC Act).*

\# *Number of accounts includes consolidated financial statements (CFS), applicable for eight SPSEs.*

3.3 Need for timely finalisation and submission of accounts by SPSEs

According to Sections 394 and 395 of the Act, 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 Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, prepared by the CAG. Similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

The Act also requires every company to hold AGM of the shareholders once every calendar year. Further, the Act stipulates that the audited Financial Statements for the financial year must be placed in the said AGM for consideration of the shareholders; contraventions of such provisions are liable for punishment/ penalty.

3.4 Arrears in accounts of SPSEs

As of 30 September 2022, 20 out of 61 SPSEs had submitted their accounts for the year 2021-22. The accounts[182] of remaining 41 SPSEs (127 accounts)[183] were in arrears for one year to 16 years as compared to 54 SPSEs (136 accounts) in arrears for one year to 15 years, at the end of September 2021.

These matters were brought to the notice of the Government, at the highest level at the end of each quarter, during the year.

3.5 Investment by the Government of West Bengal

The Government of West Bengal has financial stakes in the SPSEs, which is mainly comprised of:

- **Share capital and loans–** In addition to the share capital contribution, GoWB also provides financial assistance by way of loans to the SPSEs from time to time.
- **Special financial support–** GoWB provides budgetary support by way of grants and subsidies to the SPSEs as and when required.
- **Guarantees–** GoWB also guarantees the repayment of loans, with interest, availed by the SPSEs from Financial Institutions.

3.6 Aggregate investment in SPSEs with sector-wise summary

As on 31 March 2022, the investment (capital and long-term loans) in 63 SPSEs was ₹ 42,355.01 crore as seen from their latest available accounts. This total investment consisted of 37.76 *per cent* towards paid-up capital and 62.24 *per cent* in long-term loans. The sector-wise summary of investment in the SPSEs as on 31 March 2022 is given at **Table 3.2** below:

[182] *Including four arrear accounts of Britannia Engineering Limited, that was amalgamated with Westinghouse Saxby Farmer Limited, with retrospective effect from April 2016.*

[183] *Including 10 consolidated financial statements.*

Table 3.2: Sector-wise summary of investment in SPSEs

Name of sector	Government Companies		Statutory Corporations		Total	Investment (₹ *in crore*)		
	Working	Inactive	Working	Inactive		Equity	Long-term Loans	Total
Power	06	-	-	-	06	12,986.05	20,929.57	33,915.62
Finance	04	01	-	-	05	534.54	240.26	774.80
Service	07	-	03	01	11	85.84	1,645.90	1,731.74
Manufacturing	08	15	-	-	23	407.12	1,613.83	2,020.95
Infrastructure	09	-	01	-	10	1,921.10	1,738.16	3,659.26
Agriculture & Allied	02	01	-	-	03	53.58	107.72	161.30
Others	04	01	-	-	05	6.60	84.74	91.34
Total	**40**	**18**	**04**	**01**	**63**	**15,994.83**	**26,360.18**	**42,355.01**

(Source: Compiled from latest available accounts received up to September 2022)

The Power Sector constituted the major share of equity at 81.19 *per cent* (₹ 12,986.05 crore) and loans at 79.40 *per cent* (₹ 20,929.57 crore) from the Government of West Bengal and financial institutions.

3.7 Disinvestment and restructuring of SPSEs

The Government of West Bengal decided (February 2017) to restructure State SPSEs for improving operational efficiency and optimally utilising their manpower/ assets. Accordingly, one SPSE under the administrative control of Department of Public Works, *viz* Britannia Engineering Limited was merged with Westinghouse Saxby Farmers Limited with retrospective effect from 01 April 2016, according to order of the Registrar of Companies in September 2022.

3.8 Compliance Audit Conducted

During 2021-22, the office of the Accountant General (Audit-II), West Bengal conducted compliance audit[184] of 18 units of 11 SPSEs. The results of these audits are communicated to the Government of West Bengal and the SPSEs concerned. During the year, 15 inspection reports (IRs) containing 90 paragraphs were issued after audit of these SPSEs. In the same period, 27 IRs were closed and 108 paragraphs were settled based on replies furnished. As on 31 March 2022, 335 IRs containing 1,140 paragraphs were outstanding in respect of 46 SPSEs.

The major audit findings including Detailed Compliance audit of South Bengal State Transport Corporation are included in the following chapter.

[184] *Excluding West Bengal Electricity Regulatory Commission, a regulatory authority.*