

OVERVIEW

1. Overview of Government Companies and Statutory Corporations

As on 31 March 2008, the State had 90 Public Sector Undertakings (PSUs) comprising 80 Government companies and 10 Statutory corporations as against 86 PSUs as on 31 March 2007. Out of 80 Government companies, 60 were working, while 20 were non-working. Out of 10 Statutory Corporations, Nine are working and one was non-working. In addition, there was a regulatory authority viz. West Bengal Electricity Regulatory Commission.

(Paragraphs 1.1 & 1.16)

The total investment in the working PSUs decreased marginally from Rs. 34,976.45 crore as on 31 March 2007 to Rs. 34,250.96 crore as on 31 March 2008. The total investment in non-working PSUs stood at Rs. 503.84 crore in 2007-08 compared to Rs. 401.10 crore in 2006-07.

(Paragraphs 1.2 & 1.17)

The budgetary support in the form of capital, loans and grants/ subsidies disbursed to the working PSUs increased from Rs. 2,361.71 crore in 2006-07 to Rs. 2,809.15 crore in 2007-08. The State Government guaranteed loans aggregating Rs. 2,623.42 crore during 2007-08. The total amount of outstanding loans against guarantees by the State Government to the working PSUs was Rs. 18,651.78 crore as on 31 March 2008.

(Paragraph 1.5)

Thirty four working Government companies and two working Statutory corporations had finalised their accounts for the year 2007-08. The accounts of the remaining 26 working Government companies and seven working statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2008. The accounts of 17 non-working Government companies were in arrears for periods ranging from one to 24 years as on 30 September 2008. The State Government invested an aggregate amount of Rs. 1,714.78 crore in 21 working PSUs during the years for which accounts have not been finalised.

(Paragraphs 1.6, 1.7 & 1.20)

According to the latest finalised accounts, 27 working PSUs (24 Government companies and three Statutory corporations) earned an aggregate profit of Rs. 368.27 crore, of which four PSUs declared dividend of Rs. 7.13 crore. Against this, 36 working PSUs (30 Government companies and six Statutory corporations) incurred aggregate loss of Rs. 370.05 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 23 companies had accumulated losses aggregating Rs. 2,232 crore, which exceeded their aggregate paid-up capital

of Rs. 213.24 crore. Four loss incurring Statutory corporations had an accumulated loss of Rs. 1,364.39 crore which exceeded their paid-up capital of Rs. 119.80 crore.

(Paragraphs 1.8, 1.9, 1.10, 1.11 & 1.12)

2. Performance audit relating to Government Companies

Performance audits relating to Fuel management in Bandel and Santaldih thermal power stations of **West Bengal Power Development Corporation Limited**, Financing activities of **West Bengal Infrastructure Development Finance Corporation Limited** and Production and marketing performance of **Saraswaty Press Limited** were conducted and some of the important audit findings were as follows :

Fuel management in Bandel and Santaldih thermal power stations of West Bengal Power Development Corporation Limited

Bandel Thermal Power Station (BTPS) had an installed capacity of 530 MW, derated to 450 MW while Santaldih Thermal Power Station (STPS) had an installed capacity of 480 MW. BTPS and STPS failed to recover six to 14 *per cent* of the fuel cost during 2003-08 due to low thermal efficiency coupled with consumption of high heat rate, high incidence of coal consumption, generation of excessive unburnt coal and consumption of oil in excess of norms. These arose from ageing of the plants, supply of inferior quality of coal, lack of maintenance programme.

Some other important points noticed are as under :

Failure to achieve the guaranteed thermal efficiency in BTPS and STPS in generation of power resulted in excess consumption of 13.76 lakh MT of coal valued at Rs. 257.50 crore.

Due to ineffective follow up and non-preferring of claims with coal companies and Railways, amendment of contract in favour of liaison agents, non-inclusion of enabling provision in the agreement towards transit shortage *etc.*, the Company sustained losses aggregating Rs. 71.59 crore.

BTPS sustained loss aggregating Rs. 17.02 crore due to ill planned procurement of coal at higher cost. There was loss of generation owing to failure to arrange ground stock of coal during 2003-08.

Absence of periodical maintenance and overhauling of coal handling equipment led to generation loss of 76.73 MU during 2003-07.

(Chapter 2.1)

Financing activities of West Bengal Infrastructure Development Finance Corporation Limited

Although a decade had passed since the Company's incorporation, it had not chalked out a strategic plan or even targets to meet its goal of funding

infrastructure projects. The Company's capital adequacy was both below RBI and non-banking financial companies' norms. The Company issued bonds above the prevailing rates of interest, while granting loans below the cost of borrowing. It sanctioned loans in excess of RBI exposure norms as well as to non-infrastructure projects. The Company had no documented policy for fixing interest rates on loans to State Government. Also, details of the infrastructure projects for which the Company had released loans to State Government were not available.

Some other important points noticed are as under :

Failure of the Company to analyse the market rates before fixing the interest rates on bonds led to additional burden of Rs 368.33 crore.

Abnormal delays in conversion of amounts lying in Deposit Account to State Government loans and sanction of loans below cost of borrowings led to loss of Rs. 248.74 crore. The Company had not claimed Rs. 15.47 crore from the State Government as upfront fees and fees for reduction of interest rates on loans from Hudco.

The Company sustained losses of Rs. 205.81 crore due to investment below cost of funds, non-realisation of dues, waiver of interest *etc.*

Even after funding of Rs. 4,904.27 crore for infrastructure projects, no monitoring mechanism existed to ensure end-use of funds disbursed.

(Chapter 2.2)

Production and marketing performance of Saraswati Press Limited

The Company printed 71.19 crore impressions (41 *per cent*) against the modest standard printing capacity of 173.18 crore impressions during 2003-08 due to low availability of machine hours, operation of machines at lower speed, poor labour productivity *etc.* The Company's performance was sub-optimal due to low level of printing at its own press, inept implementation of the modernisation programme, delay in delivery of text books, sub-contracting at higher rates, defective estimates of sub-contracted jobs and dismal performance of marketing wing in regard to raising of bills and recovery of dues. The Company also suffered due to high wastage of paper owing to absence of any control on the receipt and issue of paper.

Some other important points noticed are as under :

Absence of proper internal control over paper consumption led to excess wastages over the norms by nine to 15 *per cent* resulting in avoidable expenditure of Rs. 11.95 crore.

The machines were operated at lower speed ranging between 15 and 83 *per cent* of the standard speed, resulting in loss of production of 30.88 crore impressions with consequential loss of contribution of Rs. 1.92 crore.

Two machines, installed in March - June 2007 to reduce the dependence on sub-contracting, were grossly underutilised, while Rs. 95.81 lakh was spent for sub-contracting of printing books.

Absence of reliable costing mechanism and documented strategy for sub-contracting resulted in loss of Rs. 5.88 crore due to sub-contracting at higher rate, defective estimates *etc.*

(Chapter 2.3)

3. Transaction audit observations relating to Government Companies and Statutory Corporations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in adverse financial implications. The irregularities pointed out are broadly of the following nature :

- ▲ Extra avoidable expenditure of Rs. 28.67 crore in nine cases.
(Paragraphs 3.3, 3.4, 3.5, 3.7, 3.13, 3.14, 3.15, 3.16 and 3.17)
- ▲ Delayed construction of a sub-station occasioning loss of Rs. 28.30 crore.
(Paragraph 3.1)
- ▲ Unproductive expenditure/ imprudent investment and loss of interest of Rs. 13.27 crore in one instance.
(Paragraph 3.12)
- ▲ Four instances of presumptive frauds amounting to Rs. 12.44 crore were noticed.
(Paragraphs 3.8, 3.9, 3.10 and 3.11)
- ▲ Irregular payment of Rs. 8.51 crore made to staff of three power sector companies on account of *ex-gratia*.
(Paragraph 3.6)
- ▲ Loss of revenue amounting to Rs. 2.28 crore in a single instance.
(Paragraph 3.2)
- ▲ Violation of contractual obligations/ undue favour to consumers, etc. causing loss of Rs. 0.61 crore in one case.
(Paragraph 3.18)

Gist of some of the important observations is given below :

Government Companies

Inordinate delay by West Bengal State Electricity Transmission Company Limited in construction of 220/132 KV sub-station at Bishnupur led to transmission of power at lower voltage in the area from distances of 52 Km and 88 Km resulting in excess transmission loss of 88.51 MU power valued at Rs. 28.30 crore.

(Paragraph 3.1)

The West Dinajpur Spinning Mills Limited had incurred cumulative losses of Rs. 93.19 crore till March 2008 due to excess manpower, high levels of absenteeism, low productivity, delays in installation of balancing equipment, lack of renovation/ replacement of aging plant and machinery, high raw material cost and excessive interest burden.

(Paragraph 3.7)

West Bengal Essential Commodities Supply Corporation Limited sustained loss of Rs. 12.38 crore on high seas sales of imported crude palm oil/ paper board/ electronic goods due to failure to obtain adequate collateral security, transfer of title without obtaining payment and release of advance in excess to an unknown dealer.

(Paragraphs 3.8 to 3.11)

West Bengal Electronics Industry Development Corporation Limited provided loan of Rs. 11.77 crore to a loss incurring joint sector company even after the exit of private co-promoters, which rendered the loan doubtful of recovery. Further, the Company failed to initiate recovery action against the private sector promoter for Rs. 1.50 crore.

(Paragraph 3.12)

Statutory Corporation

Despite incurring extra expenditure of Rs. 1.37 crore on purchase of ready-built buses, South Bengal State Transport Corporation failed to reap the benefit of putting them on road early due to delays in delivery.

(Paragraph 3.16)