

## Chapter I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2008, there were 80 Government companies (60 working and 20 non-working<sup>1</sup>) and 10 Statutory corporations (nine working and one non-working) as against 75 Government companies (56 working and 19 non-working) and 11 Statutory corporations (10 working and one non-working) as on 31 March 2007 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below :

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Calcutta State Transport Corporation (CSTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	North Bengal State Transport Corporation (NBSTC)		
3.	South Bengal State Transport Corporation (SBSTC)		
4.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC)	Under Section 27 (2) of West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation Act, 1976	Sole audit by CAG
5.	West Bengal Minorities Development and Finance Corporation (WBMDFC)	Under Section 25 (2) of the West Bengal Minorities Development and Finance Corporation Act, 1995	Sole audit by CAG
6.	West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	Section 25(2)(b) of the West Bengal Industrial Infrastructure Development Corporation Act, 1974	Sole audit by CAG
7.	West Bengal Financial Corporation (WBFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and Supplementary audit by CAG
8.	West Bengal State Warehousing Corporation (WBSWC)	Section 31(8) of the Warehousing Corporations Act, 1962	Audit by Chartered Accountants and Supplementary audit by CAG

<sup>1</sup> Non-working companies are those which are in the process of liquidation, closure, merger, etc.

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
9.	Great Eastern Hotel Authority (GEHA)	Section 19(1) of Great Eastern Hotel (Acquisition of Undertaking) Act, 1980 read with rules made thereunder	Audit by Chartered Accountants and transaction audit by CAG
10.	West Bengal Backward Classes Development and Finance Corporation	Section 26(2) of the West Bengal Backward Classes Development and Finance Corporation Act, 1995	Sole audit by CAG

The State Government had formed (January 1999) the West Bengal Electricity Regulatory Commission (WBERC), under the erstwhile Electricity Regulatory Commissions Act, 1998 and its audit is conducted by the CAG under Section 104(2) of the Electricity Act, 2003<sup>#</sup>.

In terms of West Bengal Power Sector Reforms Transfer Scheme 2007, the State Government dissolved West Bengal State Electricity Board with effect from April 2007 and transferred its activities to two new companies *viz.* West Bengal State Electricity Transmission Company Limited and West Bengal State Electricity Distribution Company Limited. During the year, besides the above two companies, two newly incorporated companies *viz.* Technology Infrastructure Company Limited and Webel Venture Capital Limited came within the audit purview of the CAG and audit of another company i.e. Webel Electro Optics Limited, incorporated in April 1990, was also entrusted to the CAG.

### Working Public Sector Undertakings (PSUs)

#### *Investment in working PSUs*

**1.2** As on 31 March 2008, the total investment in 69 working PSUs (60 Government companies and nine Statutory corporations) was Rs. 34,250.96 crore as against Rs. 34,976.45 crore as on 31 March 2007. The details of investment during the last two years ending March 2008 were as follows :

(Amount : Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loan	Total
2006-07	66	6,539.88	79.70	28,356.87	34,976.45
2007-08	69	8,187.00	763.16	25,300.80	34,250.96 <sup>2</sup>

As on 31 March 2008, the total investment in the working Government companies and Statutory corporations comprised of 26.13 *per cent* equity capital and 73.87 *per cent* loans, compared to 18.93 *per cent* and

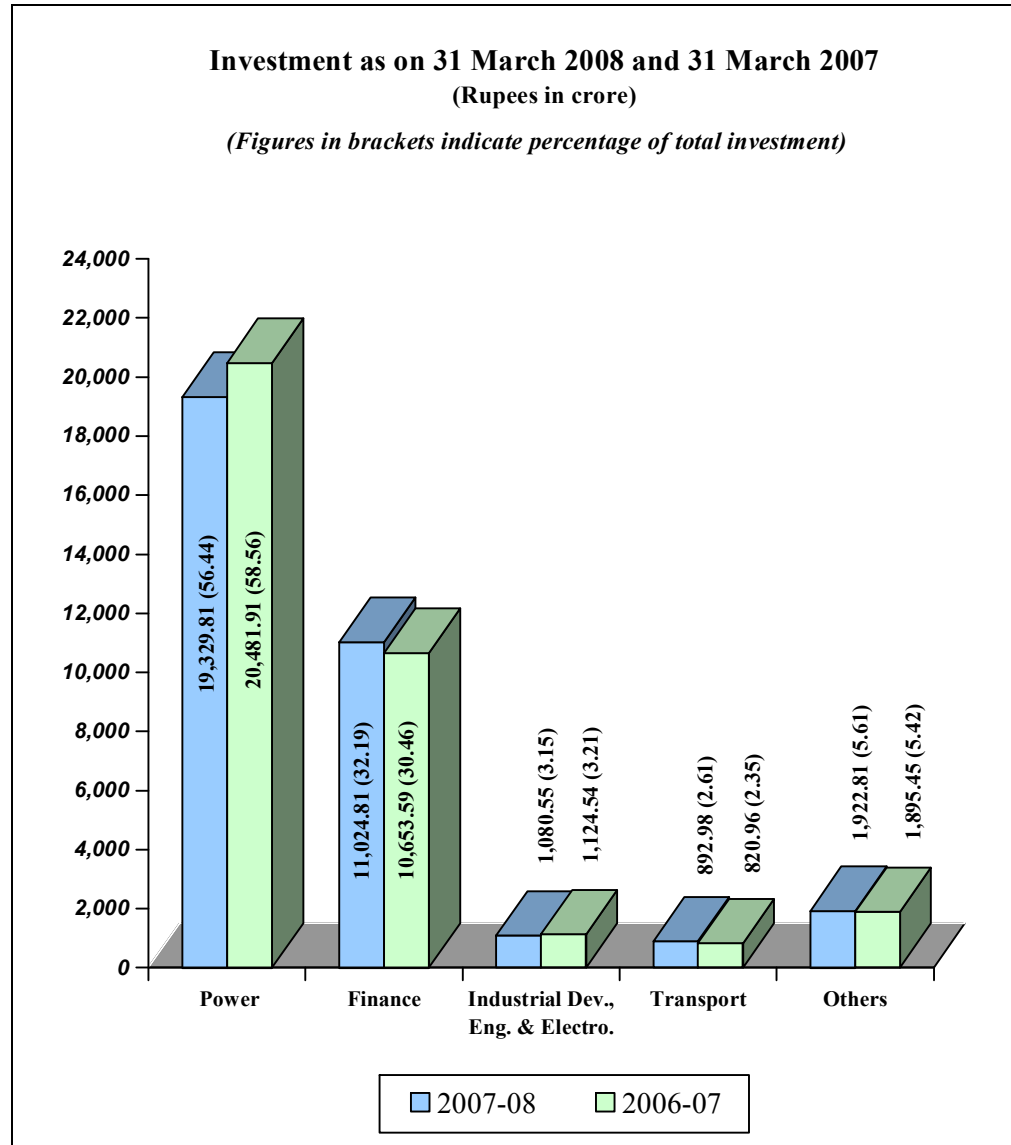
<sup>#</sup> Erstwhile Electricity Regulatory Commissions Act, 1998 now replaced by the Electricity Act, 2003.

<sup>2</sup> State Government investment in working PSUs was Rs. 18,687.03 crore (others : Rs. 15,563.93 crore). Figure as per Finance Accounts 2007-08 is Rs. 23,326.03 crore. The difference is under reconciliation.

81.07 per cent respectively, as on 31 March 2007. An analysis of investment in the working PSUs is given in the following paragraphs.

**Sector wise investment in the working Government companies and Statutory corporations**

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated in the following bar chart.



**Working Government companies**

**1.3** The total investment in working Government companies at the end of March 2008 and March 2007 was as follows:

(Amount : Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2006-07	56	4,858.16	77.07	17,781.54	22,716.77
2007-08	60	7,851.41	746.66	23,977.24	32,575.31

The summarised statement of Government investment in the working Government companies in the form of equity and loan is detailed in **Annexure 1**.

The debt equity ratio of working Government companies decreased from 3.60: 1 in 2006-07 to 2.79: 1 in 2007-08 due to increase in equity in the current year over previous year by 74 per cent as compared to 35 per cent for loans. This was mainly due to dissolution of West Bengal State Electricity Board into two new companies.

**Working Statutory corporations**

**1.4** The total investment in nine working Statutory corporations at the end of March 2008 and corresponding figures of 10 Statutory corporations at the end of March 2007 are as follows:

(Amount: Rupees in crore)

Sl. No.	Name of corporation	2006-07		2007-08	
		Capital	Loan	Capital	Loan
1.	West Bengal State Electricity Board	1,352.62	9,360.24	-	-
2.	Calcutta State Transport Corporation (CSTC)	9.62	266.08	9.62	270.33
3.	North Bengal State Transport Corporation (NBSTC)	10.70	166.70	10.70	193.50
4.	South Bengal State Transport Corporation (SBSTC)	11.01	115.37	11.01	130.96
5.	West Bengal Financial Corporation (WBFC)	84.47 (1.50)	396.06	88.47 (7.50)	433.55
6.	West Bengal State Warehousing Corporation (WBSWC)	7.61	-	7.61	-
7.	West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	-	96.34	-	96.33
8.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC)	147.00	43.00	148.14	48.12
9.	West Bengal Minorities Development and Finance Corporation (WBMDFC)	50.00 (1.13)	109.49	51.13 (9.00)	129.64
10.	West Bengal Backward Classes Development and Finance Corporation	8.69	22.05	8.91	21.13
	<b>Total</b>	<b>1,681.72 (2.63)</b>	<b>10,575.33</b>	<b>335.59 (16.50)</b>	<b>1,323.56</b>

(Figures in brackets indicate share application money)

The summarised statement of Government investment in the working Statutory corporations in the form of equity and loans is given in **Annexure 1**.

**Budgetary outgo, grants/ subsidies, guarantees, waiver of dues and conversion of loans into equity**

**1.5** The details regarding budgetary outgo, grants/ subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government companies and working Statutory corporations are given in **Annexures 1 and 3**.

The budgetary outgo<sup>®</sup> in the form of equity capital, loans and grants/ subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2007-08 are given below:

(Amount : Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	11	164.47	4	17.44	12	705.56	4	20.40	10	1,532.02	4	20.35
Loans	28	353.74	4	555.04	24	730.98	3	523.92	24	875.04	3	32.78
Grants	9	18.22	3	399.34	12	22.93	4	10.53	6	19.01	4	8.24
Subsidy	5	95.30	5	477.26	5	119.87	4	227.52	6	118.73	4	202.98
Total outgo	41 <sup>#</sup>	631.73	8 <sup>#</sup>	1,449.08	36 <sup>#</sup>	1,579.34	8 <sup>#</sup>	782.37	33 <sup>#</sup>	2,544.80	8 <sup>#</sup>	264.35

During the year 2007-08 the Government had guaranteed loans aggregating Rs. 2,623.42 crore obtained by five working Government companies (Rs. 2,502.97 crore) and four working Statutory corporations (Rs. 120.45 crore). At the end of the year, the amount outstanding against guarantees aggregated Rs. 18,651.78 crore against 20 working Government companies (Rs. 18,105.37 crore) and seven working Statutory corporations (Rs. 546.41 crore) as compared to Rs. 17,133.86 crore in 19 working companies and Rs. 1,429.98 crore in eight working Statutory corporations at the end of the previous year. The guarantee fees paid/ payable to the Government by 16 Government companies and three Statutory corporations during 2007-08 was Rs. 169.13 crore and Rs. 26.79 crore respectively.

**Finalisation of accounts by working PSUs**

**1.6** The accounts of companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of relevant financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per provisions of their respective Acts.

<sup>®</sup> Under reconciliation with the figures as per Finance Accounts - 2007-08.

<sup>#</sup> These are the actual number of Companies / Corporations which received budgetary support in the form of equity, loans, grants and subsidies from the Government during the respective years.

Out of 60 working Government companies, only 34 companies<sup>Y</sup> and out of nine working Statutory corporations, only two<sup>T</sup> corporations had finalised their accounts for the year 2007-08 up to September 2008, as can be seen from **Annexure 2**. During the period from October 2007 to September 2008, 16 working Government companies finalised 32 accounts of previous years, while 10 Companies did not finalise any accounts. Similarly, six working Statutory corporations finalised nine accounts for previous years during this period, while one corporation had not finalised any accounts.

The accounts of 26 working Government companies and seven working Statutory corporations were in arrears for periods ranging from one to four years as on September 2008 as detailed below :

Sl. No.	No. of working PSUs		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1	1	2004-05 to 2007-08	4	A-6	B-2
2	3	-	2005-06 to 2007-08	3	A-9,27 & 29	-
3	6	2	2006-07 to 2007-08	2	A-1, 5, 26, 37,48 & 51	B-5 & 6
4	16	4	2007-08	1	A-2, 4, 12, 18, 23, 28, 30, 31, 35, 36, 39, 44, 45, 50, 52, & 54.	B-3,7,8 & 9

***Investment made by State Government in PSUs whose accounts are in arrears***

1.7 The State Government had invested Rs. 1,714.78 crore (equity: Rs. 764.52 crore, loans: Rs. 589.27 crore, grants: Rs. 14.46 crore and subsidy: Rs. 346.53 crore) in 21 working PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed time to time by the Audit, of the arrears in finalisation of accounts, no remedial measures had been taken. As a result of which the net worth of these PSUs could not be assessed in audit.

<sup>Y</sup> Refer Serial Nos. A-3,7,8,10,11,13,14,15,16,17,19,20,21,22,23,25,32,33,34,38,40,41,42,43,46,47, 49,53,55,56,57,58,59 & 60 of **Annexure 2**.

<sup>T</sup> Calcutta State Transport Corporation and West Bengal Financial Corporation.

### ***Financial position and working results of working PSUs***

**1.8** The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures 5 & 6** respectively.

According to the latest finalised accounts of 60 working Government companies and nine working Statutory corporations, 30 companies and six corporations had incurred losses for the respective years aggregating Rs. 265.53 crore and Rs. 104.52 crore respectively. Twenty four companies and three corporations earned an aggregate profit of Rs. 364.01 crore and Rs. 4.26 crore respectively. Five companies have not yet submitted their first accounts, while West Bengal Industrial Land Holdings Private Limited had finalised its accounts (2006-07) for the pre-operative stage.

### **Working Government companies**

#### ***Profit earning working companies and dividend***

**1.9** Out of 34 working Government companies, which finalised their accounts for 2007-08 up to September 2008, 16 companies earned an aggregate profit of Rs. 174.70 crore. Similarly, eight profit earning companies, which finalised their accounts for the previous years during October 2007 to September 2008, earned an aggregate profit of Rs. 189.31 crore.

Of these 24 profit earning working companies, 19 companies earned profit successively for two or more years, but only four companies<sup>®</sup> declared dividend of Rs. 7.13 crore for the years 2006-07 and 2007-08. The State Government has not formulated any policy for payment of minimum dividend.

#### ***Loss incurring working Government companies***

**1.10** Of the 30 loss incurring working companies, 23 companies had accumulated loss of Rs. 2,232 crore, which exceeded their aggregate paid up capital of Rs. 213.24 crore.

Despite poor performance and complete erosion of their paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. As per the available information, the total financial support so provided during 2007-08 by the State Government to 18 companies out of the above 23 companies was Rs. 218.75 crore by way of equity (Rs. 5.24 crore), loans (Rs. 86.86 crore), subsidy (Rs. 113.29 crore) and grants (Rs. 13.36 crore).

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<sup>®</sup> Webel Technology Limited, West Bengal Forest Development Corporation Limited, The West Bengal Power Development Corporation Limited & Saraswati Press Limited.

## **Working Statutory corporations**

### ***Profit earning Statutory corporations and dividend***

**1.11** Out of the two working Statutory corporations, which finalised their accounts for 2007-08 by September 2008, West Bengal Financial Corporation earned profit of Rs. 2.86 crore.

Similarly, out of the six working Statutory corporations which finalised their accounts for the previous years (September 2008), two corporations<sup>3</sup> earned an aggregate profit of Rs. 1.40 crore. Though three corporations earned profit successively for two or more years, none had declared dividend.

### ***Loss incurring Statutory corporations***

**1.12** Up to September 2008 Calcutta State Transport Corporation had finalised its accounts for 2007-08 and incurred loss of Rs. 47 crore during the year. Of the six loss incurring Statutory corporations which finalised their accounts for previous years (September 2008) four had accumulated losses aggregating Rs. 1,364.39 crore which exceeded their aggregate paid up capital of Rs. 119.80 crore by nearly 11 times.

Despite poor performance and complete erosion of the paid up capital, the State Government continued to provide financial support to these Statutory corporations in the form of contribution towards equity, further grant of loans, subsidy etc. According to the available information, the total financial support during 2007-08 provided by the State Government to these corporations was Rs. 253.26 crore by way of equity (Rs. 17.50 crore), loans (Rs. 32.78 crore) and subsidy (Rs. 202.98 crore).

### ***Operational performance of the working Statutory corporations***

**1.13** The operational performance of the statutory corporations is given in **Annexure 7**. The following observations are made with regard to the operational performance of the Statutory corporations:

#### **Calcutta, North Bengal and South Bengal State Transport Corporations**

**1.13.1** In the case of Calcutta State Transport Corporation, the loss per kilometre substantially increased from Rs. 17.78 in 2005-06 to Rs. 18.93 in 2006-07 and further to Rs. 21.42 in 2007-08 and in the case of South Bengal State Transport Corporation, the loss per kilometre increased from Rs. 6.87 in 2005-06 to Rs. 8.47 in 2006-07 and further to Rs. 8.85 in 2007-08. Though, in the case of North Bengal State Transport Corporation, the loss per kilometre increased substantially from Rs. 14.87 in 2005-06 to Rs. 21.54 in 2006-07, it significantly decreased to Rs. 17.10 in 2007-08. The poor operational performance of CSTC and SBSTC was attributable to increase in operating expenditure, whereas decrease in loss for NBSTC in 2007-08 was due to fall in operating expenditure.

#### **West Bengal Financial Corporation**

**1.13.2** The amount overdue for recovery of loans increased from

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<sup>3</sup> West Bengal Industrial Infrastructure Development Corporation, West Bengal Scheduled Castes & Scheduled Tribes Development and Finance Corporation.



Rs. 563.41 crore in 2005-06 to Rs. 671.29 crore in 2006-07 and further to Rs. 684.99 crore in 2007-08, while the total loans disbursed by the Corporation increased marginally from Rs. 114.72 crore in 2005-06 to Rs. 135.25 crore in 2006-07 and to Rs. 145.37 crore in 2007-08.

#### 1.14 Return on capital employed

As per the latest finalised accounts (up to September 2008), the capital employed<sup>▲</sup> worked out to Rs. 23,358.01 crore in 60 working companies and the total return<sup>▽</sup> thereon amounted to Rs. 1,561.58 crore which was 6.69 *per cent* as compared to the total return of Rs. 2,031.53 crore (8.92 *per cent*) in 56 working companies during 2006-07. Similarly, during 2007-08, the capital employed in the case of nine working Statutory corporations as per their latest finalised accounts (up to September 2008) worked out to Rs. 292.85 crore and the total return thereon was negative compared to the total return of Rs. 20.88 crore for 10 working Statutory corporations in the previous year. The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure 2**.

### Reforms in the Power sector

#### *Status of implementation of MOU between the Central Government and the State Government*

1.15 In pursuance of the decisions taken at the Chief Ministers' conference on power sector reforms held in March 2001, a Memorandum of Understanding (MOU) was signed on 5 May 2001 between the Union Ministry of Power and the Department of Power of the State as a joint commitment for implementation of reforms programme in the power sector with identified milestones. The status of implementation of the reforms is discussed below :

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2008)
<b>Commitments made by the State Government</b>			
1	Reduction in transmission and distribution losses	20 <i>per cent</i> by 2005	24.60 <i>per cent</i>
2	100 <i>per cent</i> electrification of all villages	By March 2007	36,204 <i>mouzas</i> (95.50 <i>per cent</i> ) were electrified.
3	100 <i>per cent</i> metering of all the distribution feeders	September 2002 (Revised)	100 <i>per cent</i> achieved.

<sup>▲</sup> Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in the finance companies and corporations where it represents a mean of aggregate of the opening and closing balances of paid-up capital, free reserves and borrowings (including refinance).

<sup>▽</sup> For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

	<b>Commitment as per MOU</b>	<b>Targeted completion schedule</b>	<b>Status (as on 31 March 2008)</b>
4	100 <i>per cent</i> metering of all consumers	December 2002 (Revised)	97 <i>per cent</i> achieved.
5	Securitisation of outstanding dues of CPSUs	-	Dues securitised.
6	West Bengal Electricity Regulatory Commission (WBERC)		
	i) Establishment of WBERC		Constituted in January 1999.
	ii) Implementation of tariff orders issued by WBERC during the year		Tariff orders of 2007-08 have been implemented.
7	Timely payment of subsidy		Subsidy amount of Rs. 714.63 crore waived pursuant to restructuring of WBSEB into WBSEDCL & WBSETCL.
<b>Commitments made by the Central Government</b>			
8	Funds under Accelerated Power Development and Reform Programme (APDRP)		Rs.496.74 crore received during 2007-08.
9	Waiver of late payment surcharge on dues to CPSUs after securitisation		Late payment surcharge of Rs. 761.97 crore was waived by CPSUs.
10	Payment of reform-based incentives		No payment was received during the year.
<b>General</b>			
11	Monitoring of MOU		Monthly progress reports were submitted to the State Government by WBSEDCL.

### **West Bengal Electricity Regulatory Commission**

**1.16** The West Bengal Electricity Regulatory Commission (Commission) was formed on 6 January 1999 under Section 17 of the erstwhile Electricity Regulatory Commissions Act, 1998<sup>9</sup> with the object of determining electricity tariff, advising in the matters relating to electricity generation, transmission, distribution etc. in the State. The Commission is a body corporate and comprises of three members including a Chairman, who are appointed by the State Government. The audit of the accounts of the Commission has been entrusted to the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts for the year ended 31 March 2008 and earned a surplus of Rs. 92.64 lakh during the year 2007-08.

<sup>9</sup> Now Section 82 (1) of the Electricity Act, 2003

### Non-working Public Sector Undertakings (PSUs)

#### 1.17 Investment in non-working PSUs

As on 31 March 2008, the total investment in the non-working PSUs (20 Government companies and one Statutory corporation) was Rs. 503.84 crore as against the total investment of Rs. 401.10 crore as on 31 March 2007. The details of investment are as follows :

Year	Number of non-working PSUs	Investment in non-working PSUs (Rupees in crore)			
		Equity	Share application money	Loan	Total
2006-07	20	70.87	19.35	310.88	401.10
2007-08	21	80.25	23.19	400.40	503.84 <sup>o</sup>

Increase in equity and loan was mainly due to rise in the number of non-working PSUs. The classification of non-working PSUs was as under :

(Investment : Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of PSUs	Equity	Long-term loan	Total
1.	Under closure	14 <sup>4</sup>	88.09	382.42	470.51
2.	Defunct	2 <sup>5</sup>	0.06	17.98	18.04
3.	Under winding up	5 <sup>6</sup>	15.29	-	15.29
	<b>Total</b>	<b>21</b>	<b>103.44</b>	<b>400.40</b>	<b>503.84</b>

As substantial investment of Rs. 503.84 crore was involved in all these companies, effective steps need to be taken for their expeditious liquidation.

#### ***Budgetary outgo, grants/ subsidies, guarantees, waiver of dues and conversion of loans into equity***

**1.18** The details regarding the budgetary outgo, grants/ subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the non-working PSUs are given in **Annexures 1 and 3**.

The State Government had provided a budgetary support<sup>ψ</sup> of Rs. 1.70 crore by way of loans to National Iron and Steel Company (1984) Limited.

#### ***Total establishment expenditure of non-working PSUs***

**1.19** The year-wise details of the total establishment expenditure of

<sup>o</sup> State Government's investment in the non-working PSUs was Rs. 452.80 crore (others: Rs. 51.04 crore). Figure as per Finance Accounts 2007-08 is Rs. 406.99 crore. The difference is under reconciliation.

<sup>4</sup> Refer to Serial Nos. C-1 to 8 & 14 to 19 of **Annexure 1**.

<sup>5</sup> Refer to Serial Nos. C- 20 & D-1 of **Annexure 1**.

<sup>6</sup> Refer to Serial Nos. C- 9 to 13 of **Annexure 1**.

<sup>ψ</sup> Under reconciliation with the figures as per Finance Accounts 2007-08.

non-working PSUs and the sources of financing them during the last three years up to 2007-08 are given below :

Year	Number of PSUs	Total establishment expenditure (Rupees in crore)	Financed by (Rupees in crore)			
			Government by way of			Others <sup>φ</sup>
	Equity		Loans	Grants		
2005-06	14	2.80	-	2.80	-	-
2006-07	20	2.82*	-	0.21	-	1.97
2007-08	21	1.85 <sup>†</sup>	-	1.70	-	-

### ***Finalisation of accounts by the non-working PSUs***

**1.20** Only four Companies i.e. Pulver Ash Projects Limited, National Iron and Steel Company (1984) Limited, Webel Power Electronics Limited and Webel Toolsind Limited have finalised their accounts for the year 2007-08 by September 2008. The accounts of 15 non-working companies were in arrears for periods ranging from one to six years as on September 2008, while the account of two defunct PSUs<sup>β</sup> were in arrears for four to 24 years, as shown in **Annexure 2**.

### ***Financial position and working results of the non working PSUs***

**1.21** The summarised financial results of the non-working PSUs as per their latest finalised accounts are given in **Annexure 2**. It would be seen that against the paid-up capital of Rs. 86.72 crore in 11 companies and one corporation, their negative net worth was Rs. 860.81 crore. Two companies had a positive net worth of Rs. 37.34 lakh and the remaining seven companies had zero net-worth.

Further, cash loss<sup>⊗</sup> in 11 companies, as per their latest finalised accounts, was Rs. 121.26 crore and there was accumulated loss of Rs. 846.48 crore in 18 companies and one corporation.

### **Status of placement of the Separate Audit Reports on the accounts of Statutory corporations in the Legislature**

**1.22** The status of placement of the Separate Audit Reports (SARs) on the accounts of the Statutory corporations issued by the Comptroller and Auditor General of India, in the State Legislature by the Government is given in **Annexure 8**.

It would be observed from the Annexure that 20 SARs relating to seven Corporations were not placed for periods ranging from one to nine years.

<sup>φ</sup> Including unsecured loans from holding company.

\* Out of total establishment expenditure of Rs. 2.82 crore in 2006-07 and Rs. 1.85 crore in 2007-08, sources of funding of balance expenditure of Rs. 0.64 crore and Rs. 0.15 crore for the respective years were not available since these companies were closed.

<sup>β</sup> Lime Light Industries Limited and Great Eastern Hotel Authority.

<sup>⊗</sup> Loss excluding depreciation.

West Bengal State Warehousing Corporation (9 SARs) and West Bengal Backward Classes Development Corporation (3 SARs) were largely responsible for non placement of SARs. The matter was reviewed by the Committee on Papers of the West Bengal Legislative Assembly, which recommended (July 2005) submission of the Annual Accounts and Audit Reports on the table of the House within nine months from the date of closing of their accounts. The situation had, however, not improved despite the Committee's recommendation. Thus, due to non-placement of the SARs in the Legislature, the issues brought out in the SARs could not attract attention of the Legislative Assembly.

### **Disinvestment, privatisation and restructuring of Public Sector Undertakings**

**1.23** In view of the mounting losses coupled with paucity of resources, the Government entered (October 2003/ February 2004) into agreements with the Department for International Development, Government of the United Kingdoms (DFID) for an externally-aided programme namely, DFID support to Public Sector Enterprises Restructuring Programme Prelude Phase and Phase I.

In the prelude and first phase, out of 31 State Public Sector Enterprises (SPSEs) identified, 19<sup>7</sup> SPSEs were closed, four<sup>8</sup> restructured, while another four<sup>9</sup> were disinvested between December 2003 and December 2007. Of the remaining four SPSEs, three were under process of restructuring as of March 2008, while one<sup>10</sup> was handed over to a co-operative society.

The second phase, to be implemented from 2007-08 to 2010-11, will cover SPSEs in the Power and Transport sectors as well as 23 SPSEs in other sectors. The restructuring only in the Power Sector SPSEs was under progress (September 2008).

### **Results of audit of the accounts of PSUs by the Comptroller and Auditor General of India**

**1.24** During the period from October 2007 to September 2008, the audit of

<sup>7</sup> W.B. Sugar Ind. Dev. Corpn. Ltd., W.B. Ceramic Dev. Corpn. Ltd., Pulver Ash Projects Ltd., W.B. State Leather Ind. Dev. Corpn. Ltd., W.B. Handloom & Powerloom Dev. Corpn.Ltd., Webel Crystals Ltd., Webel Multimedia Ltd., Webel Video Devices Ltd., Webel Capacitors Ltd., Webel Carbon & Metal Film Resistors, IPP Ltd., Sundarben Sugarbeet Processing Co. Ltd., W.B. Agro-Textiles Corpn. Ltd. (India Belting & Cotton Mills unit), Webel Power Electronics Ltd., Webel Toolsind Ltd., W.B. Plywood & Allied Products Ltd., Carter Pooler Eng. Ltd., Great Eastern Hotel Authority and Krishna Silicate & Glass Ltd.

<sup>8</sup> Westinghouse Saxby Farmer Ltd., Britannia Engineering Ltd., Gluconate Health Ltd. and Durgapur Chemicals Ltd.

<sup>9</sup> W.B. Chemical Ind. Ltd., Engel India Machines & Tools Ltd., Apollo Zipper Ltd. and W.B. Agro Textiles Corpn. Ltd (Bharat Jute Mills unit).

<sup>10</sup> Mayurakshi Cotton Mills Ltd.

the accounts of 47 Government companies (working : 43 and non-working : four) and seven working Statutory corporations were selected for audit by the CAG. The net impact of the important audit observations made as a result of audit of accounts of these PSUs was as follows :

Details	Number of accounts			Rupees in crore		
	Government companies		Working Statutory corporations	Government companies		Working Statutory corporations
	Working	Non-working		Working	Non-working	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Decrease in profit	2	2	2	2.61	35.96	26.56
Increase in profit	3	-	-	456.30	-	-
Decrease in losses	1	-	-	0.17	-	-
Increase in losses	7	1	5	46.24	0.63	148.87
Non-disclosure of material facts	8	1	4	1,218.11	0.60	9.57
Errors of classification	8	1	-	1,857.33	3.83	-

**Errors and omissions noticed in the case of Government companies**

**1.25(a)** As a result of audit of accounts of various Companies under the Companies Act 1956, the following some of important observations were made by the Statutory Auditors.

Sl. No.	Name of the Company	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	West Bengal Handloom and Powerloom Development Corporation Limited	2006-07	Profit was overstated due to accounting of a capital grant as revenue grant.	67.18
2	The Calcutta Tramway Company (1978) Limited	2007-08	Overstatement of loss due to erroneous treatment of revenue subsidy as capital grant.	1.00

**1.25(b)** As a result of Supplementary audit of accounts of various companies under Section 619 of the Companies act, 1956, the following important points were noticed by the Comptroller and Auditor General of India:

Sl. No.	Name of the Company	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	West Bengal Essential Commodities Supply Corporation Limited	2005-06	(i) Loss was understated due to short accounting of purchase. (ii) Release of advances to two business associates without any agreement/ security deposit who neither supplied material nor provided service.	2.87 77.89
2	West Bengal Housing Infrastructure Development Corporation Limited	2007-08	Understatement of profit due to non-accounting of sale of lands, cost of development and interest collected for delayed receipt of sale value.	205.01
3	Webel Power Electronics Limited	2006-07	Profit was overstated due to write back of liabilities towards loan including interest, capital reserve and other liabilities/provisions coupled with writing off of current and intangible assets to the profit and loss account owing to transfer of assets and liabilities excluding share capital to the State Government.	24.70

**Errors and omissions noticed in case of Statutory corporations**

1.26 Some of the major errors and omissions noticed during audit of accounts of some of the Statutory corporations are tabulated below :

Sl. No.	Name of the Corporation	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	North Bengal State Transport Corporation	2003-04	Loss was understated due to non provision towards doubtful debts/receivables and liability for employer's share and interest loss sustained by the Board of Trustees.	27.25
2	West Bengal Industrial Infrastructure Development Corporation.	2005-06	Profit for the year was overstated due to non adjustment of interest already capitalised, non provision of interest on Government loan.	3.63
3.	West Bengal Warehousing Corporation	2006-07	Loss was understated due to writing back of liability towards rent, rates and taxes without any supporting documents.	1.51
4.	Calcutta State Transport Corporation	2006-07	Loss was understated due to non provision of interest, capitalisation of revenue expenditure.	0.58

**Persistent irregularities and system deficiencies in financial matters of the PSUs**

1.27 The following persistent irregularities and system deficiencies in the financial matters of the PSUs had been repeatedly pointed out by the CAG during the course of audit of their accounts but no corrective action had been taken by these PSUs so far.

Sl. No.	Name of the Government companies/ Statutory corporations	Nature of irregularities
	<b>Government companies</b>	
1.	West Bengal Housing Infrastructure Development Corporation Limited	Non-accounting of sale of plots despite completion of transaction, penal interest collected for delayed payment of sale value, non-provision of liabilities towards different developmental works undertaken and non-adjustment of interest earned from fixed deposits made out of capital fund meant for project work-in-progress.
2.	West Bengal Surface Transport Corporation Limited	Non-accounting of share application money received from the Government.
	<b>Statutory corporations</b>	
3.	West Bengal Backward Classes Development and Finance Corporation	(i) Preparation of accounts in non-approved format. (ii) Recognition of interest income without assessing its realisability.
4	West Bengal Industrial Infrastructure Development Corporation	Non-accounting of claims raised towards acquisition, development and related cost of land already transferred.
5.	Calcutta State Transport Corporation	(i) Non-disclosure of pension liability of Rs. 69.80 crore and non-accounting of subsidy for pension liability. (ii) Non-ascertainment and non-recovery of employer's contribution from PF Trustee Board on introduction of a Pension Scheme by the Corporation. (iii) Though statutorily required, 98 per cent of Depreciation Reserve Fund was not invested.

Sl. No.	Name of the Government companies/ Statutory corporations	Nature of irregularities
6.	West Bengal State Warehousing Corporation	Absence of policy for fraud control or vigilance manual accounting for losses, if any, arising out of fraud could not be ensured.

**Reports of Statutory Auditors for improvement in internal audit/ internal control on the directions of Comptroller and Auditor General of India**

**1.28** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the internal control/ internal audit systems in the companies audited by them in accordance with the directions issued by the CAG under Section 619 (3) (a) of the Companies Act, 1956 and to identify the areas needing improvement.

Important findings of the Statutory Auditors on the internal audit/ control systems in respect of these State Government companies are indicated in **Annexure 9**.

An analysis of 36 such reports received from the Statutory Auditors revealed that 20 companies had not delineated the scope and programme of work of internal auditors, while absence of clear credit policy and effective system of monitoring advances/outstanding dues, non-fixation of minimum limits of stores/ spares and non-reconciliation of stores and stock, non-maintenance/ updating of asset register as well as absence of security policy for software/ hardware and back up of records were noticed in 19, 20, 23, 12 and 16 companies respectively. In 26 companies, there was no vigilance department.

**Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)**

**1.29** The position of discussion of Audit Reports (Commercial) by the COPU as at the end of September 2008 is shown below:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/ paragraphs discussed by COPU	
	Reviews	Paragraphs	Reviews	Paragraphs
2002-03	3	24	-	5
2003-04	3	27	-	7
2004-05	4	21	-	6
2005-06	4	26	-	6
2006-07	4	21	-	-
<b>Total</b>	<b>18</b>	<b>119</b>	<b>-</b>	<b>24</b>

During the period from October 2007 to September 2008, COPU discussed 12 paragraphs in 16 meetings.



**Deemed Government companies**

**1.30** There were two deemed Government companies, *viz.* Webfil Limited and Haldia Petrochemicals Limited within the purview of Section 619-B of the Companies Act, 1956. **Annexure 10** indicates the details of the paid-up capital, investment by way of equity, loans and grants and the summarised working results of these Companies based on the latest available accounts.