

CHAPTER-I

1 Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2003, there were 73 Government companies (64 working companies and 9 non-working^{*} companies) and 11 Statutory corporations (all working) as against 73 Government companies (65 working companies and 8 non-working companies) and 11 Statutory corporations (all working) as on 31 March 2002 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below :

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	West Bengal State Electricity Board (WBSEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Calcutta State Transport Corporation (CSTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	North Bengal State Transport Corporation (NBSTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
4.	South Bengal State Transport Corporation (SBSTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
5.	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
6.	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
7.	West Bengal Electricity Regulatory Commission (WBERC)	Under Section 34 (2) of The Electricity Regulatory Commissions Act, 1998	Sole audit by CAG
8.	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
9.	West Bengal Financial Corporation (WBFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and Supplementary audit by CAG
10.	West Bengal State Warehousing Corporation (WBSWC)	Section 31(8) of the Warehousing Corporations Act, 1962	Chartered Accountants and Supplementary audit by CAG
11.	Great Eastern Hotel Authority (GEHA)	Section 14 of CAG's DPC Act, 1971	Chartered Accountants and transaction audit by CAG

In terms of the provisions of Sections 4(I) and 254 of the Companies Act, 1956, West Bengal Industrial Development Corporation Limited (WBIDC) floated two subsidiary companies *viz.* WBIDC Manikanchan Limited and

^{*} Non-working companies are those which are under the process of liquidation, closure, merger, etc.

WBIDC Toy Park Limited in September and October 2001 respectively. However, no proposal for entrustment of audit of these two subsidiaries was received, as these companies were yet to commence business (September 2003).

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment in 76 and 75 working PSUs (64 Government companies and 11[∞] Statutory corporations) at the end of March 2002 and March 2003 was as follows :

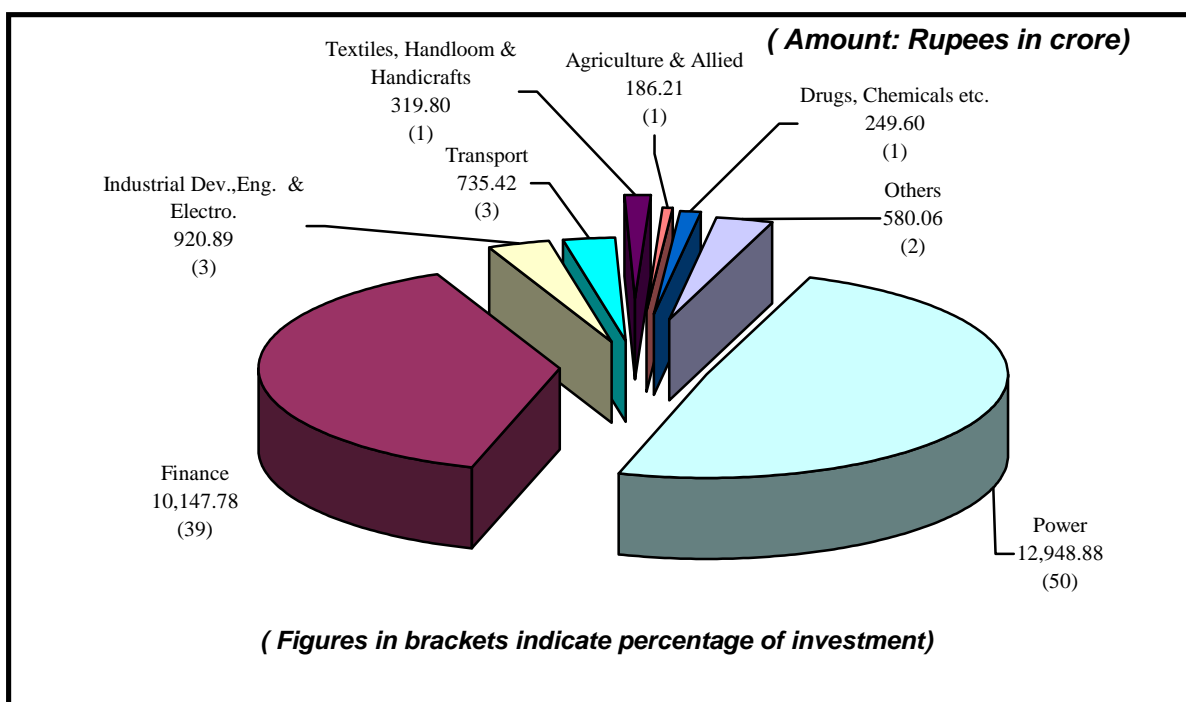
Year	Number of working PSUs	(Rupees in crore)			
		Investment in working PSUs			
		Equity	Share application money	Loan	Total
2001-02	76	3,465.05	811.54	18,051.93	22,328.52
2002-03	75	3,534.09	769.45	21,785.10	26,088.64

As on 31 March 2003, the total investment of working Government companies and Statutory corporations comprised 16.50 *per cent* of equity capital and 83.50 *per cent* of loans, compared to 19.15 *per cent* and 80.85 *per cent* respectively, as on 31 March 2002. The analysis of investment in working PSUs is given in the following paragraphs.

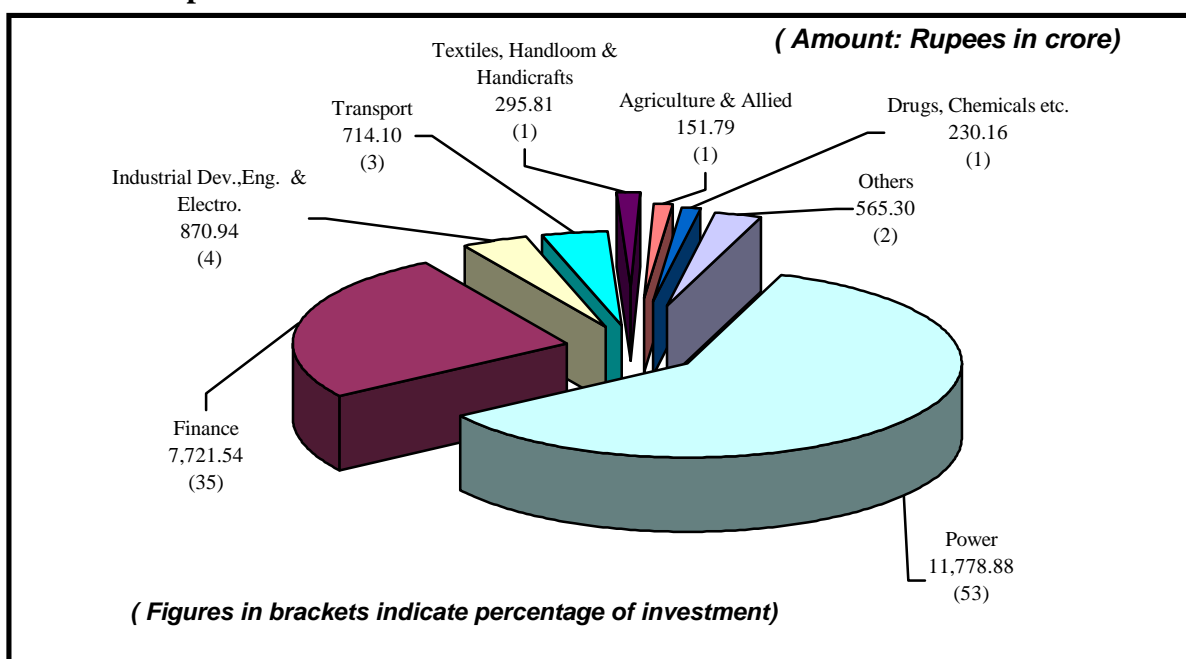
The investment (equity and long term loan) in various sectors and percentage thereof at the end of 31 March 2003 and 2002 are indicated below in the pie charts :

[∞] Includes West Bengal Electricity Regulatory Commission in which there was no investment in the form of equity capital and loan

Sector wise investment in working Government companies and Statutory corporations as on 31 March 2003



Sector wise investment in working Government companies and Statutory corporations as on 31 March 2002



Working Government companies

1.3 Total investment in 65 and 64 working Government companies at the end of March 2002 and March 2003 was as follows:

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2001-02	65	1,860.59	797.51	12,142.64	14,800.74
2002-03	64	1,913.43	765.85	15,341.85	18,021.13

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

The debt equity ratio increased from 4.57 : 1 in 2001-02 to 5.73 : 1 in 2002-03 due to receipt of loan of Rs 3,095.36 crore by West Bengal Infrastructure Development Finance Corporation Limited, West Bengal Power Development Corporation Limited, The Durgapur Projects Limited and West Bengal Rural Energy Development Corporation Limited during 2002-03 from the State Government (Rs 745.51 crore) and others (Rs 2,349.85 crore).

Working Statutory corporations

1.4 The total investment in 10[®] working Statutory corporations at the end of March 2003 and March 2002 was as follows :

(Amount: Rupees in crore)

Sl. No.	Name of corporation	2001-02		2002-03	
		Capital	Loan	Capital	Loan
1.	West Bengal State Electricity Board (WBSEB)	1,352.62	4,968.82	1,352.62	5,485.66
2.	Calcutta State Transport Corporation (CSTC)	9.62	223.33	9.62	232.85
3.	North Bengal State Transport Corporation (NBSTC)	10.70	139.77	10.70	144.73
4.	South Bengal State Transport Corporation (SBSTC)	11.01	88.36	11.01	91.52
5.	West Bengal Financial Corporation (WBFC)	69.50 (4.38)	314.41	76.89 (1.00)	304.70
6.	West Bengal State Warehousing Corporation (WBSWC)	7.61	-	7.61	-
7.	West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	-	100.24	-	94.84
8.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC)	128.70	32.72	127.87	23.07
9.	West Bengal Minorities Development and Finance Corporation (WBMDFC)	14.69 (9.65)	40.21	24.34 (2.60)	51.02
10.	Great Eastern Hotel Authority (GEHA)	-	1.43	-	14.86
	Total	1,604.45 (14.03)	5,909.29	1,620.66 (3.60)	6,443.25

(Figures in brackets indicate share application money)

[®] In respect of West Bengal Electricity Regulatory Commission there was no investment in the form of equity capital and loan.

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in Annexure-I.

Due to increase in long term loans of the power and transport sectors the debt equity ratio marginally increased from 3.65 : 1 in 2001-2002 to 3.97 : 1 in 2002-2003.

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 State Government to working Government companies and working Statutory corporations are given in Annexures-1 and 3.

The budgetary outgo 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 2002-2003 are given below:

(Amount : Rupees in crore)

	2000-01				2001-02				2002-03			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	19	80.73	3	24.10	21	48.33	3	15.57	17	47.91	2	6.60
Loans	38	981.88	5	881.63	31	480.94	6	1,212.22	33	846.57	6	392.35
Grants	15	115.03	5	9.48	14	151.41	5	4.82	13	17.87	5	6.19
Subsidy	4	66.99	5	195.66	4	72.97	4	391.80	6	76.20	3	156.43
Total outgo	52 [#]	1,244.63	10 [#]	1,110.87	48 [#]	753.65	10 [#]	1,624.41	47 [#]	988.55	10 [#]	561.57

During the year 2002-03 the Government had guaranteed loans aggregating Rs 3,019.48 crore obtained by seven working Government companies (Rs 2,315.43 crore) and two working Statutory corporations (Rs 704.05 crore). At the end of the year, guarantees amounting to Rs 11,773.53 crore against 28 working Government companies (Rs 10,220.89 crore) and eight working Statutory corporations (Rs 1,552.66 crore) were outstanding as compared to Rs 7,839.35 crore in 27 working companies and Rs 1,192.46 crore in nine working Statutory corporations at the end of previous year. The guarantee fee paid/ payable to Government by 18 Government companies and four Statutory corporations during 2002-03 was Rs 42.71 crore and Rs 73.78 crore respectively.

There were 21 cases of default (companies : 17; corporations : 4) in repayment of guaranteed loans during the year. During 2001-02 and 2002-03 four Companies and two Statutory corporations defaulted in repayment of

[#] These are the actual number of Companies/Corporations which had received budgetary support in the form of equity, loans, grants and subsidy from the Government during the respective years.

guaranteed loans and interest of Rs 114.22 crore to bank and Life Insurance Corporation of India. The State Government had not budgeted for discharging these liabilities and consequently directed West Bengal Infrastructure Development Finance Corporation Limited to pay these amounts (December 2002 to March 2003) and treat the amount as loan to Government. The Government converted its loans amounting to Rs 17.13 lakh into equity capital in one company* during the year.

Finalisation of accounts by working PSUs

1.6 The accounts of a company for each financial year is required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the 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.

As could be noticed from Annexure-2, out of 64 working Government companies only 27 companies[@] and of 11 working Statutory corporations, only three^T corporations had finalised their accounts for the year 2002-03 within September 2003. During the period from October 2002 to September 2003, 36 working Government companies finalised 49 accounts of previous years. Similarly, seven working Statutory corporations finalised 15 accounts for previous years during this period.

The accounts of the 37 working Government companies and eight working Statutory corporations were in arrears for periods ranging from one to nine years as on September 2003 as detailed below :

Sl. No.	No. of working Companies/ Corporations		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	-	1994-95 to 2002-03	9	A-39	-
2	2	1	1996-97 to 2002-03	7	A-2,14	B-4
3	1	-	1997-98 to 2002-03	6	A-7	-
4	1	-	1998-99 to 2002-03	5	A-35	-
5	2	1	1999-2000 to 2002-03	4	A-10,62	B-9
6	1	2	2000-01 to 2002-03	3	A-55	B-3,8
7	10	-	2001-02 to 2002-03	2	A-1,3,4,6,13,20,29,48,49,57	-
8	19	4	2001-02 to 2002-03	1	A-5,9,11,15, 19, 30,34,37,38,40, 41,44,45,46, 47, 50, 51, 52 & 61	B-5, 7, 10, 11

* Sl. No.28 of Annexure 3.

@ Sl. Nos. A-8,12,16,17,18,21,22,23,24,25,26,27,28,31,32,33,36,42,43,53,54,56,58,59,60,63 & 64 of Annexure 2

T Sl. Nos. B-1, 2 & 6 of Annexure 2

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative department and officials of the Government were apprised quarterly by Principal Accountant General regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in Annexure-2. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in Annexures-4 & 5 respectively.

According to the latest finalised accounts of 64 working Government companies and 11 working Statutory corporations, 46 companies and six corporations had incurred losses for the respective years aggregating Rs 331.49 crore and Rs 1,053.44 crore respectively. Seventeen companies and five corporations earned an aggregate profit of Rs 27.59 crore and Rs 4.61 crore respectively. West Bengal Rural Energy Development Corporation Limited had finalised their accounts for pre-operative stage.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 27 working Government companies which finalised their accounts for 2002-2003 by September 2003, nine companies earned an aggregate profit of Rs 6.39 crore. Similarly, eight profit earning companies which finalised their accounts for previous years during October 2002 to September 2003, earned an aggregate profit of Rs 21.20 crore.

Of these 17 profit earning working companies, 13 companies earned profit successively for two or more years. But three companies[®] declared dividend of Rs 18.38 lakh for the years 2001-02 and 2002-03. However, the State Government has not formulated dividend policy for payment of minimum dividend.

Loss incurring working Government companies

1.9 Of the 46 loss incurring working companies, 41 companies had accumulated losses aggregating Rs 2,605.41 crore which exceeded their aggregate paid up capital of Rs 458.35 crore.

Despite their poor performance and complete erosion of 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. According to available information, the total financial support so provided during 2002-03 by the State Government to

[®] West Bengal Forest Development Corporation Limited, Saraswati Press Limited and Webel Technology Limited

33 companies out of these 41 companies was Rs 407.50 crore by way of equity (Rs 9.23 crore), loans (Rs 327.48 crore), subsidy (Rs 5.62 crore), grants (Rs 65 crore) and conversion of loan to equity (Rs 0.17 crore).

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of three working Statutory corporations which finalised their accounts for 2002-03 by September 2003, only West Bengal Electricity Regulatory Commission earned surplus of Rs 49.40 lakh.

Similarly, out of the seven working Statutory corporations which finalised their accounts for the previous years (September 2003), four Corporations^Ω earned an aggregate profit of Rs 4.12 crore. Though five Corporations earned profit successively for two or more years, only West Bengal State Warehousing Corporation declared dividend of Rs 8.78 lakh for the year 2001-02.

Loss incurring Statutory corporations

1.11 Two[♥] corporations finalised their accounts for 2002-03 by September 2003 and incurred a loss of Rs 915.59 crore. Of the six loss incurring Statutory corporations, all had accumulated losses aggregating Rs 5,564.31 crore which exceeded their aggregate paid up capital of Rs 1,461.83 crore by more than three times.

Despite poor performance and complete erosion of 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 available information, the total financial support during 2002-03 provided by the State Government to these corporations was Rs 552.51 crore by way of equity (Rs 4 crore), loans (Rs 390.35 crore), subsidy (Rs 156.43 crore) and grants (Rs 1.73 crore).

Operational performance of working Statutory corporations

1.12 The operational performance of the Statutory corporations is given in Annexure-6.

The following points were observed on operational performance of Statutory corporations :

West Bengal State Electricity Board

1.12.1 Though the total number of consumers rose by 11 *per cent* in 2002-03 over 2001-02, the actual power sold had reduced primarily due to fall of 38 *per cent* in energy sold to agriculture sector. The percentage of transmission and distribution loss gradually decreased from 37.91 in 2000-01 to 34.04 in 2002-03.

^Ω Sl. No. B-7,8, 9 & 11 of Annexe-2

[♥] Sl No. B-1 & 6 of Annexe - 2

Calcutta, North Bengal and South Bengal Transport Corporations

1.12.2 In Calcutta State Transport Corporation, loss per kilometre marginally decreased from 1,207.58 paise in 2000-01 to 1,206 paise in 2001-02 and again increased to 1,325.71 paise in 2002-03.

In North Bengal State Transport Corporation, loss per kilometre decreased from 1,214 paise in 2000-01 to 1,050 paise in 2002-03, while in South Bengal State Transport Corporation, loss per kilometre decreased from 730 paise in 2000-01 to 516 paise in 2001-02 but again increased to 1,200 paise in 2002-03.

West Bengal State Warehousing Corporation (WBSWC)

1.12.3 With the decrease in average capacity utilisation of godowns, profit of WBSWC decreased from Rs 105 per tonne in 2000-01 to Rs 53 per tonne in 2001-02 and turned into losses of Rs 96 per tonne in 2002-03.

West Bengal Financial Corporation

1.12.4 While the total loans disbursed increased from Rs 68.79 crore in 2000-2001 to Rs 106.00 crore in 2002-03, the amount overdue for recovery also increased from Rs 276.13 crore in 2000-01 to Rs 380.42 crore in 2002-03.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2003), the capital employed[▲] worked out to Rs 10,994.71 crore in 64 working companies and total return[▽] thereon amounted to Rs 563.39 crore which was 5.12 *per cent* as compared to total return of Rs 76.27 crore (1.13 *per cent*) in 65 working companies during 2001-02. Similarly, during 2002-03, the capital employed and total negative return thereon in case of 11 working Statutory corporations as per the latest finalised accounts (up to September 2003) worked out to Rs 2,358.92 crore and Rs 822.21 crore respectively against the total negative return of Rs 1,201.45 crore in previous year. The details of capital employed and total return on capital employed in case of working Government companies and corporations are given in Annexure-2.

Reforms in power sector

Status of implementation of MOU between the Government of India and the Government of West Bengal

1.14 A Memorandum of Understanding (MOU) was signed on 5 May 2001 between Government of India and the Government of West Bengal as a joint commitment for implementation of reforms programme in power sector with identified milestones. Status of implementation of reform is discussed below :

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

[▽] 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.

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2003)
	Commitments made by the State Government		
1	Reduction in transmission and distribution losses	20 per cent by 2005	34.04 per cent (provisional)
2	100 per cent electrification of all villages	By March 2007	31,367 mouzas (83 per cent) were electrified
3	100 per cent metering of all distribution feeder	September 2002 (Revised)	3,885 meters (96 per cent) had been installed
4	100 per cent metering of all consumers	December 2002 (Revised)	Unmetered connection 2.59 lakh (6.12 per cent)
5	Securitisation of outstanding dues of CPSUs	-	Bonds comprising principal of Rs 1,369.13 crore and 40 per cent of late payment surcharge of Rs 481.49 crore were yet to be issued
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		Implemented
7	Timely payment of subsidy		Subsidy for 2002-03 was yet to be decided by WBERC Outstanding subsidy of Rs 1,251.23 crore was yet to be received
	Commitment made by the Central Government		
8	Fund under Accelerated Power Development and Reform Programme (APDRP)		Funds amounting to Rs 18.60 crore provided during 2001-02 for identified circles had been fully utilised . Out of funds amounting to Rs 19.02 crore received during 2002-03, Rs 18.04 crore remained unspent till 31 March 2003
9	Waiver of late payment surcharge on dues to CPSUs after securitisation		Order for waiver by the respective CPSUs were yet to be issued
10	Payment of reform-based incentives		Board did not receive any incentive
	General		
11	Monitoring of MOU		Monthly progress reports were regularly submitted to State Government by the Board

West Bengal Electricity Regulatory Commission

1.15 West Bengal Electricity Regulatory Commission (Commission) was formed on 6 January 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998 (Act) with the object of determining electricity tariff, advising in matters relating to electricity generation, transmission, distribution etc. in the State. The Commission is a body corporate and comprises three

members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 34 of the Act, *ibid*. The Commission had finalised its accounts for the period ending 31 March 2003 (September 2003).

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.16 The total investment in eight and nine non-working PSUs (all Government companies) at the end of March 2002 and 2003 respectively was as follows :

Year	Number of non-working PSUs	(Amount : Rupees in crore)			
		Investment in non-working PSUs			
		Equity	Share application money	Loan	Total
2001-02	8	9.73	1.34	132.55	143.62
2002-03	9	22.29	5.89	213.28	241.46

As substantial investment of Rs 241.46 crore was involved in these non-working companies, effective steps need to be taken for their expeditious liquidation or revival.

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

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

The State Government had paid budgetary support of Rs 14.32 crore by way of equity, loans and grants to IPP Limited, West Bengal Livestock Processing Development Corporation Limited, West Bengal Sugar Industries Development Corporation Limited and Sundarban Sugarbeet Processing Company Limited during 2002-03.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2002-03 are given below :

Year	Number of PSUs	Total establishment expenditure	(Amount: Rupees in crore)			
			Financed by			
			Government by way of			Others ^o
	Government companies		Equity	Loans	Grants	
2000-01	6	3.63	-	-	0.33	3.80
2001-02	8	11.61	-	8.38	0.25	4.18
2002-03	9	15.33	1.00	13.18	0.14	2.47

Note: There is no non-working Statutory corporation

^o Unsecured loan from holding company

Finalisation of accounts by non-working PSUs

1.19 As could be noticed from Annexure-2, only two non-working companies had finalised their accounts for the year 2002-03 by September 2003. The accounts of remaining seven non-working companies were in arrears for periods ranging from one to 19 years as on September 2003.

Financial position and working results of non working PSUs

1.20 The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure-2. The summarised details of paid-up capital, net worth, cash loss and accumulated loss of non-working PSUs as per their latest finalised accounts are given below :

(Amount: Rupees in crore)				
Non-working Government companies	Paid-up capital	Net worth	Cash loss	Accumulated loss
9	17.56	(-)363.23	38.36	269.55

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.21 The status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government is given in Annexure-7.

It would be observed from the Annexure that 35 SARs relating to eight Corporations were not laid for one to 16 years, of which SARs of WBSCSTDFC were not placed for 16 years (1980-96), WBSWC for six years (1996-2002), WBIIDC (1998-2001), CSTC (1996-99) and NBSTC (1993-96), each for three years, SBSTC for two years (1999-2001) and WBSEB and WBFC (2001-02) for one year each.

Disinvestment, privatisation and restructuring of Public Sector Undertakings

1.22 The Government constituted a high level **Committee on Public Sector Restructuring (CPSR)** in February 2001 to study the problems/ prospects of each undertaking separately and to prepare action plan for revival of potentially viable units or to determine the modality best suited for recovery of Government's investment in unviable units and to report within May 2001. In October 2001 the Government decided to categorise loss making manufacturing enterprises into (i) structurally unviable enterprises which may not continue indefinitely in public interest, (ii) unviable enterprises requiring capital investment from private partners, and (iii) potentially viable enterprises to retain under management of Government for restructuring them.

To augment this process State Government inked (December 2002) an agreement with Department of International Development, United Kingdom to receive grant of £ 20 million earmarked for restructuring costs, separation-

related expenditure and re-training of employees laid off as a result of privatisation. In January 2003 the Government appointed M/s Price Waterhouse Coopers for business optimisation studies of 14 loss incurring units. However, no disinvestment, privatisation or re-structuring had taken place during the year 2002-03.

Results of Audit of accounts of PSUs by Comptroller and Auditor General of India

1.23 During the period from October 2002 to September 2003, the audit of accounts of 48 Government companies (working : 46 and non-working : 2) and nine working Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of these PSUs were 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	5	-	1	18.80	-	0.03
Increase in profit	1	-	-	47.45	-	-
Increase in losses	18	2	4	20.69	0.54	893.14
Decrease in losses	2	-	-	0.55	-	-
Non-disclosure of material facts	9	-	3	178.41	-	233.72
Errors of classification	10	2	4	140.86	1.67	141.99

Instances of errors and omissions noticed in the course of review of annual accounts of the above companies and corporations are mentioned below.

Errors and omissions noticed in case of Government companies

1.24 Some of the major errors and omissions noticed during audit in case of Government companies are tabulated below :

Sl. No.	Name of the Company	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	West Bengal Power Development Corporation Limited	2001-02	Overstatement of profit due to non-provision of (i) interest on loan, liability for freight payment etc., (ii) non-accounting of opening stock of coal, unadjusted excess interest claim, and (iii) capitalisation of expenditure and income beyond 180 days of trial run period.	17.91
2	West Bengal Infrastructure Development Finance Corporation Limited	2000-01	Understatement of profit due to non recognition of income on accrual basis and erroneous accounting of expenses and receivable.	49.19
3	Greater Calcutta Gas Supply Corporation Limited	2001-02	Understatement of accumulated loss due to short provision of depreciation and non-writing off the expenditure on repair/ replacement of pipe line.	6.73

Sl. No.	Name of the Company	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
4	West Bengal Industrial Development Corporation Limited	2001-02	Understatement of loss due to non provision for bad and doubtful debts and non-writing off the unrealised interest on settled loan accounts.	2.91
5	West Bengal Mineral Development & Trading Corporation Limited	2001-02	Understatement of loss due to non provision of liability for arrear pay and allowances, interest payable on sales tax and over valuation of stock.	4.15

Errors and omissions noticed in case of Statutory corporations

1.25 Some of the significant errors and omissions noticed during audit in case of Statutory corporations are tabulated below :

Sl. No.	Name of the Corporation	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	West Bengal State Electricity Board	2001-02	Understatement of net deficit due to overstatement of revenue and understatement of expenditure.	861.40
2	Calcutta State Transport Corporation	1998-99	Understatement of loss due to non provision towards arrear pay, audit fees, interest and finance charges, bad and doubtful debts.	20.05
3	North Bengal State Transport Corporation	1995-96	Understatement of loss due to non provision for recoupment of loss sustained by provident fund trustee, penal interest and doubtful debts.	2.79

Audit assessment of the working results of West Bengal State Electricity Board (WBSEB)

1.26 Based on the audit assessment of the working results of the WBSEB for three years up to 2001-02 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the WBSEB and not taking into account the subsidy/subventions receivable from the State Government, the net deficit of WBSEB will be as given below :

Sl. No.	Particulars	1999-2000	2000-01	2001-02
		(Rupees in crore)		
(1)	(2)	(3)	(4)	(5)
1.	Net deficit as per books of accounts	584.82	672.72	1,473.73
2.	Subsidy from the State Government	444.00	215.43	239.13
3.	Net deficit before subsidy from the State Government (1+2)	1,028.82	888.15	1,712.86

Sl. No.	Particulars	1999-2000	2000-01	2001-02
(Rupees in crore)				
(1)	(2)	(3)	(4)	(5)
4.	Net increase in net deficit on account of audit comments on the annual accounts of WBSEB	721.59	2,182.07	861.40
5.	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government (3+4)	1,750.41	3,070.22	2,574.26

Persistent irregularities and system deficiencies in financial matters of PSUs

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

Statutory corporations

1.28 WEST BENGAL STATE ELECTRICITY BOARD (2001-02)

Inter unit transfer in many cases were neither responded to nor accepted in time for matching and accounting under the appropriate head of accounts. Price Stock Ledger, Deposit & Works Register, Debit Stock Register, Sundry Creditor Register etc. were neither updated/ maintained nor reconciled with General Ledger. Further, unusual debit or credit balances were lying unadjusted in some units for want of investigation and proper linkage.

1.29 CALCUTTA STATE TRANSPORT CORPORATION (1998-99)

- After introduction of the pension scheme for the employees the recoverable amount of employer's contribution to the provident fund and loss recouped by the Corporation to the Trustee Board was not ascertained;
- unclaimed gold and silver items collected from vehicles were not physically verified/ evaluated since 1985;
- the Corporation had been utilising 98 *per cent* of Depreciation Reserve Fund towards working capital in contravention of Section 29 of Road Transport Corporation Act, 1950; and
- reconciliation of actual revenue realised by depots and actual number of tickets issued by depots was not carried out.

1.30 NORTH BENGAL STATE TRANSPORT CORPORATION (1995-96)

Confirmation of balances from sundry debtors and creditors had not been obtained. Approval of rates and method of charging depreciation was not obtained from the State Government.

Internal Audit/ Internal control

1.31 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/ internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. Further, according to Section 292 A of the Act *ibid*, as amended by the Companies (Amendment) Act 2000, every public company having paid-up capital not less than Rs 5 crore is required to constitute an Audit Committee for ensuring compliance of internal control, its adequacy and to review financial statements before their submission to the Board of Directors.

An analysis of 37 such reports received from the Statutory Auditors revealed that out of 37 companies, five had not introduced internal audit. In 15 companies where formation of Audit Committee is mandatory, seven had not complied with the provision of Section 292 A of the Act *ibid*. Further, it was noticed that out of 32 companies, 19 had inadequate internal audit system which needed to be strengthened commensurate with the size and nature of business.

Recommendations for closure of PSUs

1.32 Even after completion of five years of their existence, the turnover of 27 Government companies (working : 19, non-working : 8⁵) and one working Statutory corporation had been less than Rs 5 crore in each of the preceding five years of their latest finalised accounts. Similarly, 13 working Government companies and one working Statutory corporation had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above 40 Government companies and two Statutory corporations or consider their closure.

Response to Inspection Reports, draft paragraphs and reviews

1.33 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2003 pertaining to 41 PSUs disclosed that 351 paragraphs relating to 198 Inspection Reports remained outstanding at the end of September 2003. Of these, 128 Inspection Reports containing 218 paragraphs had not been replied for more than two years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on September 2003 is given in Annexure-8.

⁵ The accounts of one non-working company after commencement of commercial operations was not available

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/ Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that five draft paragraphs and one draft review forwarded to the various departments during December 2002 to April 2003, as detailed in Annexure-9, had not been replied to so far (September 2003).

It is recommended that the Government should ensure : (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/ draft paragraphs/ reviews as per the prescribed time schedule, (b) action to recover loss/ outstanding advances/ overpayment is taken in a time bound schedule and (c) the system of responding to the audit observations is revamped.

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

1.34 The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs pending for discussion in the COPU at the end of September 2003 is shown below :

Period of Audit Report	Number of reviews and paragraphs appeared in Audit Report		Number of reviews/ paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1998-99	6	20	-	3
1999-2000	4	15	2	5
2000-01	4	19	4	6
2001-02	5	14	5	6
Total	19	68	11	20

The Audit Report (Commercial) for the year 2001-02 was tabled in the State Legislature on 16 July 2003.

619-B companies

1.35 There was one such company, namely Webfil Limited, covered under Section 619-B of the Companies Act, 1956. Annexure-10 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of the company based on the latest available accounts.