

Chapter I

1 Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In West Bengal, the State PSUs occupy an important place in the state economy. The State PSUs registered a Turnover of ₹ 23,319.08 crore for 2010-11 as per their latest finalised accounts as of September 2011. This Turnover was equal to 5.07 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of West Bengal State PSUs are concentrated in power and manufacturing sector. The State PSUs incurred a Loss of ₹ 285.72 crore in the aggregate for 2010-11 as per their latest finalised accounts. They had employed 68,105* employees as of 31 March 2011. The State PSUs do not include eight prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Audit Report (State Finances) No. 1 for the State.

1.2 As on 31 March 2011, there were 90 PSUs as per the details given below. Of these, only one Company[§] was listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ^ψ	Total
Government companies [♦]	63	17	80
Statutory corporations	09	01	10
Total	72	18	90

1.3 During the year 2010-11, Mackintosh Burn Limited, a private sector company became Government Company and one newly incorporated Company viz. West Bengal Medical Services Corporation Limited came within the audit purview of CAG.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the Paid up Capital is held by

* As per the details provided by 74 PSUs. Remaining 16 PSUs did not furnish the details.

§ WEBFIL Limited

ψ Non-working PSUs are those which have ceased to carry on their operations.

♦ Includes three 619-B companies.

Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the Paid up Capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subjected to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of ten Statutory corporations, CAG is the sole auditor for Calcutta State Transport Corporation, South Bengal State Transport Corporation, North Bengal State Transport Corporation, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minorities Development and Finance Corporation, West Bengal Industrial Infrastructure Development Corporation and West Bengal Backward Classes Development and Finance Corporation. In respect of West Bengal State Warehousing Corporation and West Bengal Financial Corporation the audit is conducted by Chartered Accountants and supplementary audit by CAG, while only transaction audit of Great Eastern Hotel Authority is undertaken by CAG.

Investment in State PSUs

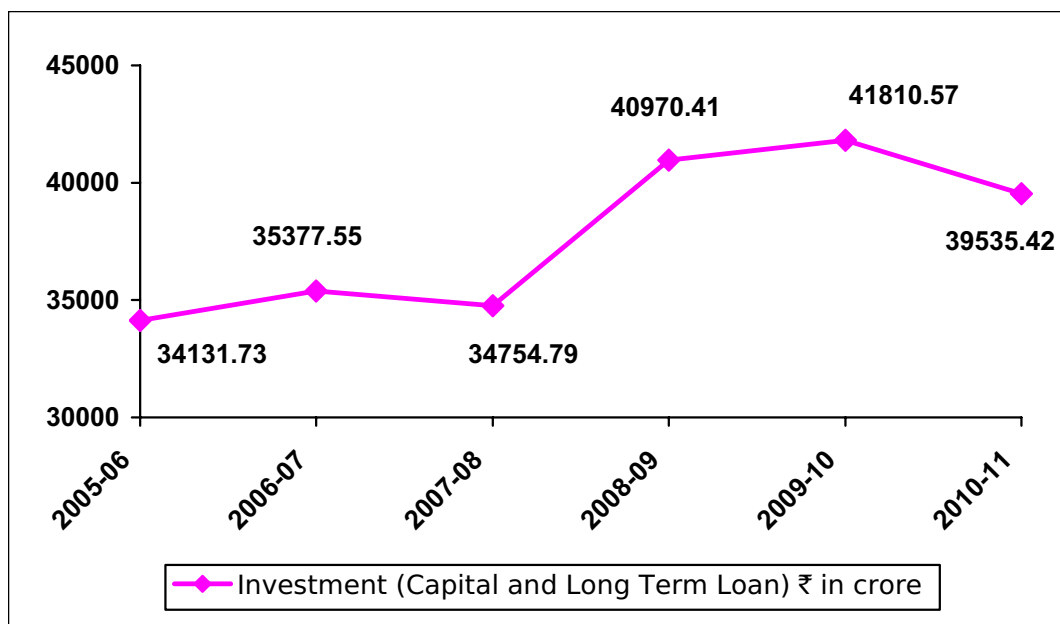
1.7 As on 31 March 2011, the Investment (Capital and Long Term Loans) in 90 PSUs (including 619-B companies) was ₹ 39,535.42 crore as per details given below.

(₹ in crore)

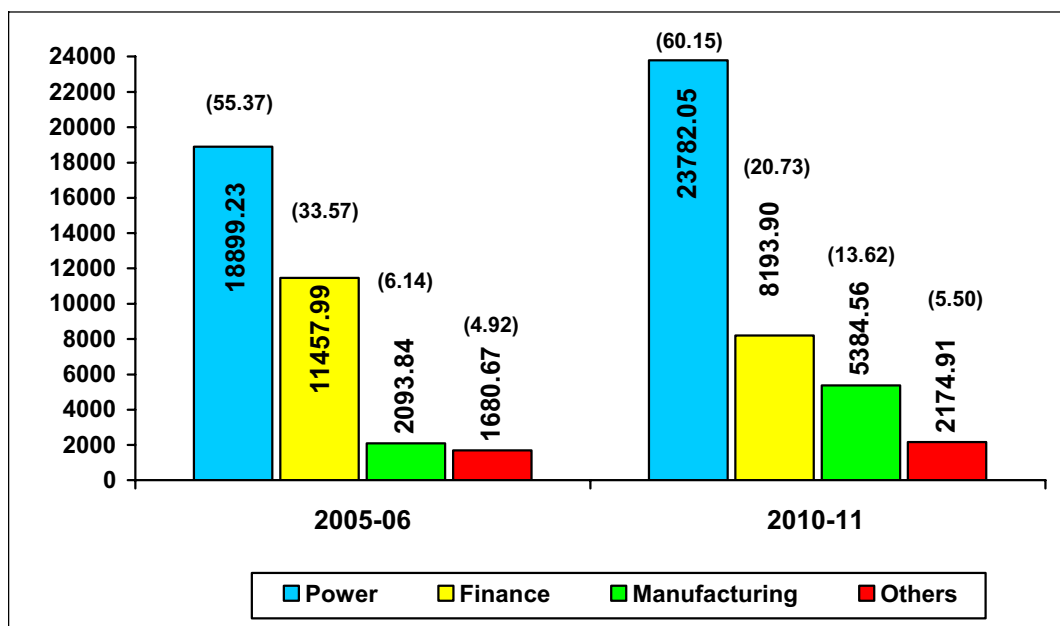
Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	11,844.19	25,110.47	36,954.66	466.76	1,726.18	2,192.94	39,147.60
Non-working PSUs	103.29	266.55	369.84	-	17.98	17.98	387.82
Total	11,947.48	25,377.02	37,324.50	466.76	1,744.16	2,210.92	39,535.42

A summarised position of Government Investment in State PSUs is detailed in **Annexure 1**.

1.8 As on 31 March 2011, of the total Investment in State PSUs, 99.02 *per cent* was in working PSUs and the remaining 0.98 *per cent* in non-working PSUs. This total Investment consisted of 31.40 *per cent* towards Capital and 68.60 *per cent* in Long Term Loans. The Investment has grown by 15.83 *per cent* from ₹ 34,131.73 crore in 2005-06 to ₹ 39,535.42 crore in 2010-11 as shown in the graph on next page.



1.9 The Investment and percentage of investment out of total investment thereof in various important Sectors at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The Investment in PSUs was concentrated in power and finance sectors which ranged between 55.37 to 60.15 *per cent* (power) and 33.57 to 20.73 *per cent* (finance) during the six years ending 31 March 2011. In absolute terms Investments rose by ₹ 4,882.82 crore in power sector while it declined by ₹ 3,264.09 crore in finance sector.



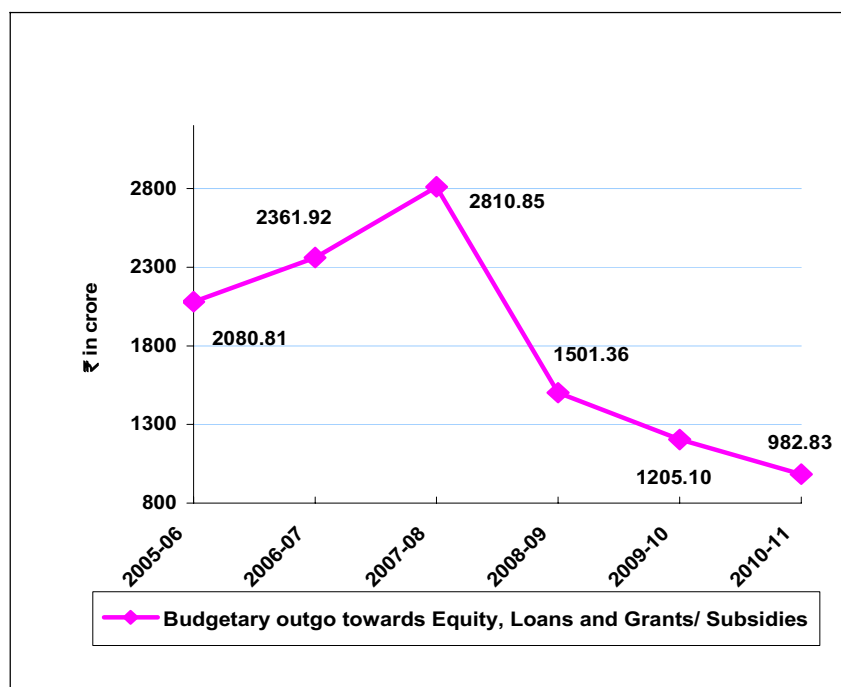
(All figures are ₹ in crore except figures in brackets which show the percentage of total Investment)

Budgetary outgo, Grants/Subsidies, Guarantees and Loans

1.10 The details regarding budgetary outgo towards Equity, Loans, Grants/Subsidies, Guarantees issued, Loans written off, Loans converted into Equity and Interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2010-11.

Sl. No.	Particulars	(Amount ₹ in crore)					
		2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	15	593.69	15	520.44	12	66.84
2	Loans outgo from budget	26	500.93	26	222.32	29	286.57
3	Grants/Subsidy outgo [⊗]	24	406.74	24	462.34	28	629.42
4	Total Outgo (1+2+3)	45 [#]	1,501.36	47 [#]	1,205.10	52 [#]	982.83
5	Loans converted into Equity	2	311.85	1	508.72	-	-
6	Guarantees issued	10	1,670.19	11	3,361.33	7	578.21
7	Guarantee Commitment	24	23,190.09	21	26,327.22	19	24,438.60

1.11 The details regarding budgetary outgo towards Equity, Loans and Grants/Subsidies for past six years are given in a graph below.



[⊗] Amount represents outgo from State Budget only.

[#] The figure represents number of PSUs which have received outgo from budget under one or more heads i.e. Equity, Loans, Grants/Subsidies.

The budgetary outgo towards Equity, Loans and Grants/Subsidies has declined from ₹ 2,080.81 crore in 2005-06 to ₹ 982.83 crore in 2010-11 due to increase in number of non-working companies and restructuring of PSUs.

1.12 The PSUs are liable to pay Guarantee Commission at the rate of one *per cent per annum* to the State Government on the maximum amount of Loan guaranteed irrespective of the amount availed or outstanding as on 1 April of each year till liquidation of Loan. During 2010-11, the State Government had guaranteed Loans aggregating ₹ 578.21 crore to seven PSUs. At the end of 2010-11, Guarantee commitment by the Government was ₹ 24,438.60 crore in respect of 19 PSUs. During the year three PSUs paid Guarantee Commission of ₹ 5.58 crore to the State Government while ₹ 79.39 crore were outstanding from 21 PSUs.

Reconciliation with Finance Accounts

1.13 The figures in respect of Equity, Loans and Guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below: -

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	10,365.34	10,417.29	51.95
Loans	9,200.69	8,633.07	567.62
Guarantees	10,954.28	24,438.60	13,484.32

1.14 We observed that the differences occurred in respect of 52 PSUs and some of the differences were pending reconciliation since many years. The Principal Accountant General (PAG) had addressed the Chief Secretary of Government of West Bengal in February 2011 drawing his attention to the need for reconciliation of figures appearing in Finance Accounts with the figures furnished by the PSUs in their respective accounts. No response was received either from the concerned administrative departments or from the Managements of the concerned PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

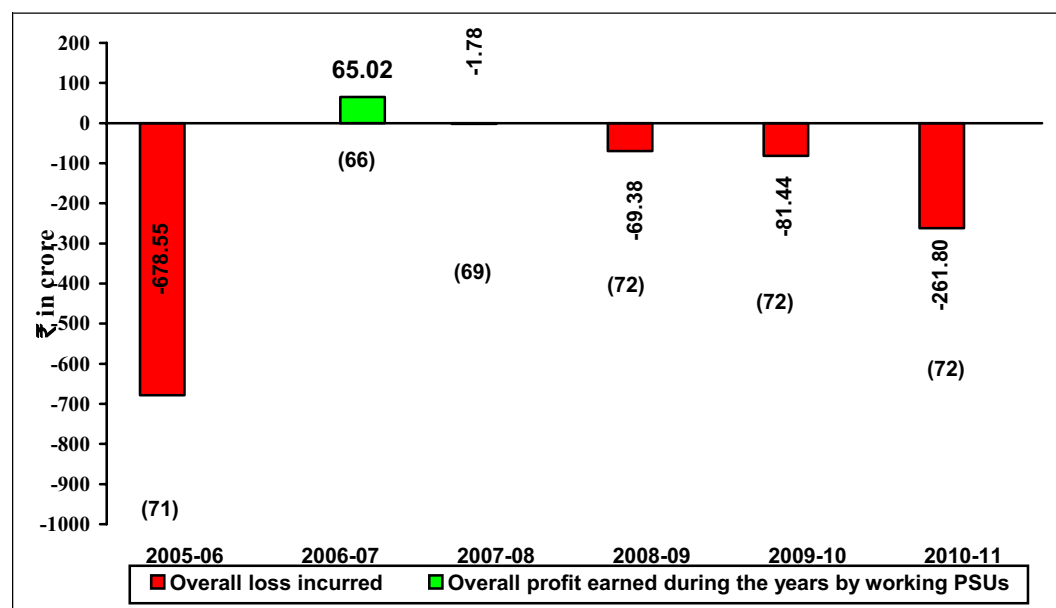
1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure 2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the

State economy. Table below provides the details of working PSU Turnover and State GDP for the period 2005-06 to 2010-11.

	(₹ in crore)					
Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover [∞]	10,623.04	12,530.81	6,630.89	17,295.92	21,669.75	23,319.08
State GDP	2,07,495	2,62,291	2,98,566	3,40,544	4,00,561	4,60,071
Percentage of Turnover to State GDP	5.12	4.78	2.22	5.08	5.41	5.07

It would be seen from above that in terms of Turnover PSUs had played a significant role in State GDP. The percentage of Turnover to State GDP hovered around five *per cent* during the last six years except in 2007-08. In 2007-08 the turnover shrunk due to delayed finalisation of accounts by two re-structured PSUs in power sector.

1.16 Profit (Loss) earned (incurred) by State working PSUs during 2005-06 to 2010-11 as per their latest finalised accounts are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

It could be seen from the chart above that overall Loss incurred by the working PSUs had decreased from ₹ 678.55 crore in 2005-06 to ₹ 261.80 crore in 2010-11. According to latest finalised accounts out of 72 working PSUs, 30 PSUs earned Profit of ₹ 550.58 crore and 40 PSUs incurred Loss of ₹ 812.38 crore during 2010-11. One working PSU[♥] prepared their accounts on a 'no Profit no Loss' basis, while another working PSU[♣] has not yet submitted their first accounts. The major contributors to Profit were West Bengal State Electricity Transmission

[∞] Turnover of working PSUs as per the latest finalised accounts as of 30 September.

[♥] Sr. nos. A-21 of Annexure 2.

[♣] Sr. nos. A-59, of Annexure 2.

Company Limited (₹ 174.49 crore), Haldia Petrochemicals Limited (₹ 134.64 crore), West Bengal State Electricity Distribution Company Limited (₹ 95.13 crore) and West Bengal Power Development Corporation Limited (₹ 65.40 crore). Heavy Losses were incurred by The Calcutta Tramways Company (1978) Limited (₹ 208.25 crore), The Durgapur Projects Limited (₹ 183.50 crore), Calcutta State Transport Corporation (₹ 46.98 crore) and West Bengal Surface Transport Corporation Limited (₹ 47.47 crore).

1.17 The Losses of PSUs are mainly attributable to deficiencies in Financial Management, Planning, implementation of project, inefficient operation and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred Losses to the tune of ₹ 6,072.96 crore and infructuous Investment of ₹ 268.52 crore which were controllable with better management. Year wise details from Audit Reports are stated below: -

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net loss	(69.38)	(81.44)	(261.80)	(412.62)
Controllable losses as per CAG's Audit Report	1,321.35	2,353.98	2,397.63	6,072.96
Infructuous Investment	84.35	127.97	56.20	268.52

1.18 The above Losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable Losses would be much more. The above table shows that with better management, the Losses can be eliminated or the Profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below: -

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (per cent)	6.14	7.67	6.93	6.83	6.46	5.97
Debt	28,171.06	28,667.74	25,701.20	29,226.67	29,105.56	27,121.64
Turnover ^r	10,623.04	12,530.81	6,630.89	17,295.92	21,669.75	23,319.08
Debt/ Turnover Ratio	2.65:1	2.29:1	3.87:1	1.69:1	1.34:1	1.16:1
Interest Payments ^z	1,933.47	1,677.11	2,163.73	2,606.69	2,693.44	2,758.18
Accumulated Losses (-)	(-) 10,671.41	(-)10,232.99	(-)4,617.69	(-)5,248.69	(-)5,019.44	(-)5,047.12

(Above figures pertain to all PSUs except for Turnover which is for working PSUs).

^r Turnover of working PSUs as per the latest finalised accounts as of 30 September of respective years.

^z As per latest finalised accounts as of 30 September of respective years.

1.20 The above parameters indicate no significant improvement in financial position of the PSUs. The Return on Capital Employed actually decreased from 6.14 *per cent* in 2005-06 to 5.97 *per cent* in 2010-11. The Debt Turnover Ratio had improved from 2.65:1 in 2005-06 to 1.16:1 in 2010-11 mainly due to restructuring in power sector companies and inclusion of one major 619-B Company namely Haldia Petrochemicals Limited. Consequently, Accumulated Loss decreased from ₹ 10,671.41 crore in 2005-06 to ₹ 5,047.12 crore in 2010-11.

1.21 The State Government had not formulated any Dividend payment policy for PSUs. Though 30 PSUs earned an aggregate Profit of ₹ 550.58 crore as per their latest finalised accounts only seven PSUs (West Bengal Forest Development Corporation Limited, Saraswaty Press Limited, New Town Electric Supply Company Limited, New Town Telecom Infrastructure Development Company Limited, West Bengal Financial Corporation, Mackintosh Burn Limited and West Bengal State Seed Corporation Limited) declared Dividend of ₹ 7.41 crore.

Arrears in finalisation of accounts

1.22 The accounts of the 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 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Number of Working PSUs	66	69	72	72	72
2	Number of accounts finalised during the year	79	77	67	74	69
3	Number of accounts in arrears	62	53 [∞]	67 [∞]	62 [∞]	59 [∞]
4	Average arrears per PSU (3/1)	0.94	0.77	0.93	0.86	0.82
5	Number of Working PSUs with arrears in accounts	36	33	43	41	41
6	Extent of arrears (years)	1 to 6	1 to 4	1 to 5	1 to 6	1 to 7

1.23 It would be evident from the above table that in 2010-11, there was marginal improvement in arrears of accounts over the previous two years. It

[∞] No. of arrear accounts at the end of each year may not tally with previous year due to addition (+) and deletion (-) of working PSUs arising from interchanging of status between working and non-working and new additions during the respective years. The net impact on each year are: 2007-08: No. of PSUs (+) 3, No. of accounts (-) 1; 2008-09: No. of PSUs (+) 3, No. of accounts (+) 9; 2009-10: No. of accounts (-) 3; 2010-11: No. of accounts (-) 6.

would be seen from **Annexure 2** that till September 2011, only 31^Y of 72 working PSUs had finalised their accounts for the year 2010-11. As at September 2011, four^W PSUs had arrears in accounts for three or more years aggregating to 16 arrear accounts. Of these, in the past one year, three^δ PSUs had not finalised accounts of even a single year. The reasons for arrears as stated by the companies were inadequate/ unskilled manpower, absence of accounting records/ information and legal case regarding status as PSU. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and ensure that accounts are up to date.

1.24 In addition to above, there was also arrears in finalisation of accounts by non-working PSUs. Out of 18 non-working PSUs, 17 PSUs had arrears of accounts for one to seven years while one PSU had finalised their accounts for the year 2010-11.

1.25 The State Government had invested ₹ 1,097.83 crore (Equity: ₹ 19.06 crore, Loans: ₹ 337.12 crore and Grants/ Subsidy: ₹ 741.65 crore) in 30 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 cannot be ensured whether the Investments made 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 also bears the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 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. The concerned administrative departments and officials of the Government were informed every quarter by the PAG, of the arrears in finalisation of accounts, but no remedial measure was taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was addressed to (February 2011) the Chief Secretary/ Finance Secretary by the PAG to expedite the clearance of backlog in accounts in a time bound manner.

1.27 In view of above state of arrears, it is recommended that – the Government monitor and ensure timely finalisation of Accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

^Y Refer Serial Nos. A-2, 3, 7, 10, 12, 20, 22, 24, 25, 26, 27, 28, 29, 37, 39, 41, 42, 43, 44, 45, 46, 47, 48, 52, 53, 55, 56, 57, 62, 63 & B-2 of **Annexure 2**.

^W Refer Serial Nos. A-6, 40, 54 & 59 of **Annexure 2**.

^δ Refer Serial Nos. A-40, 54 & 59 of **Annexure 2**.

Winding up of non-working PSUs

1.28 There were 18 non-working PSUs (17 companies and one Statutory corporation) as on 31 March 2011. Of these, three PSUs have commenced voluntary liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
No. of non-working companies	19	20	22	19	17
No. of non-working corporations	1	1	1	1	1
Total	20	21	23	20	18

The non-working PSUs are required to be closed down as their existence is not serving any purpose. During 2010-11, two non-working PSUs incurred an expenditure of ₹ 46.50 lakh towards salary and establishment expenditure. This was financed by the State Government.

1.29 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1	Total No. of non-working PSUs	17	1	18
2	Of (1) above, the No. under			
(a)	Liquidation by Court (liquidator appointed)	-	-	-
(b)	Voluntary winding up process completed	1	-	1
(c)	Voluntary winding up process started	3	-	3
(d)	Closure i.e. closing orders/ instructions issued but liquidation process not yet started	7	1	8
(e)	Yet to take any decision for closure	6	-	6

1.30 The process of voluntary winding up under the Companies Act is much faster and needs to be adopted / pursued vigorously. After completion of voluntary winding up process the names of the four[∇] companies were struck off from the Register of companies by Registrar of Companies, Government of India during the year. The Government may take a decision regarding winding up of six non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

[∇] Technology Infrastructure Company Limited, I.P.P. Limited, Sundarban Sugarbeet Processing Company Limited and Lime Light Industries (Private) Limited.

Accounts comments and Internal Audit

1.31 Fifty-three working companies forwarded their 60 audited accounts to PAG during the period from October 2010 to September 2011. Of these, 44 accounts of 38 companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below: -

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in Profit	12	123.71	8	545.62	11	326.73
2	Increase in Loss	18	100.79	7	114.71	23	85.41
3	Non-disclosure of material facts	9	196.54	7	174.28	13	41.44
4	Errors of classification	6	64.55	16	140.56	14	150.95

(Amount ₹ in crore)

Aggregate money value in respect of decrease in Profit and increase in Loss in 2010-11 was mainly due to non compliance of generally accepted accounting policies by three power sector companies viz. The Durgapur Projects Limited (₹ 51.03 crore), West Bengal State Electricity Distribution Company Limited (₹ 333 crore) and West Bengal State Electricity Transmission Company Limited (₹ 32.42 crore). Moreover, there was further scope for betterment in the areas of disclosure and errors of classification.

1.32 During the year 2010-11 Statutory Auditors had given unqualified certificates for 16 accounts and qualified certificates for 44 accounts. Further, there was scope for improvement in compliance by companies with the Accounting Standards as there were 88 instances of non-compliance in 35 accounts during the year.

1.33 Some of the important comments in respect of accounts of companies are stated below: -

The Durgapur Projects Limited (2010-11)

- Loss for the year was understated by ₹ 51.03 crore due to short provision for Doubtful Debts.

West Bengal State Electricity Transmission Company Limited (2010-11)

- Profit for the year 2010-11 was overstated by ₹ 32.42 crore due to recognition of revenue of under recovery of transmission charges pending approval by West Bengal Electricity Regulatory Commission (WBERC).

West Bengal State Electricity Distribution Company Limited (2010-11)

- Profit for the year 2010-11 was overstated by ₹ 333 crore due to accounting of revenue realisable (₹ 328.45 crore) for which WBERC had not passed any order and non-accounting of revenue (₹ 4.55 crore) arising from claim settlement with WBREDCL, the subsidiary Company, against supply of materials.

Kalyani Spinning Mills Limited (2009-10)

- Loss for the year was understated by ₹ 9.76 crore due to non provision of Liability for purchase of cotton (₹ 2.58 crore) and arrear salary & wages (₹ 7.18 crore) of the employees of the Company in terms of recommendation of 5th Pay Commission.

West Bengal Mineral Development & Trading Corporation Limited (2008-09)

- Loss for the year was understated by ₹ 5.07 crore due to non provision of Doubtful Debts, for diminution in the value of Investments, Liability acknowledged by the Company towards royalty and cess for the period and against arrear pay and allowances to the employees upto March 2009.

West Bengal Tourism Development Corporation Limited (2009-10)

- Profit for the year was overstated by ₹ 6.64 crore due to inclusion of Interest earned from short term deposit of the unspent fund under Miscellaneous Income instead of adding to the Total Project Fund for utilisation in project purposes.

West Bengal Small Industries Development Corporation Limited (2009-10)

- Profit for the year was overstated by ₹ 2.13 crore due to non provision of arrear pay and allowances and Liability towards claim raised by the Kolkata Port Trust (KPT) in respect of Stock Yard taken on lease from KPT.

West Bengal Housing Infrastructure Development Corporation Limited (2009-10)

- Profit for the year was understated by ₹ 48.10 crore due to over valuation of cost of land, non accounting of sale of land/ flats, additional premium and development cost (₹ 55.73 crore) and understatement of Liability towards compensation for delayed delivery of plots (₹ 7.63 crore).

1.34 Similarly, eight working Statutory corporations forwarded their nine accounts to PAG during the period from October 2010 to September 2011. Of these, seven accounts of six Statutory corporations pertained to sole audit by CAG which was completed. Of the remaining two accounts, both were selected for supplementary audit. The audit reports of Statutory Auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below: -

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in Profit	4	4.83	3	7.44	4	8.69
2	Increase in Loss	5	33.87	5	13.16	4	16.25
3	Non-disclosure of material facts	4	2.88	2	10.17	7	61.44
4	Errors of classification	6	86.23	7	119.57	8	76.72

Money value of comments having impact on Profit and Loss accounts had increased in 2010-11 compared to previous year due to non compliances with generally accepted accounting policies by the Management. However, there was further scope for betterment in the areas of disclosure and errors of classification.

1.35 During the year, seven accounts received qualified certificates while adverse report was issued to West Bengal Industrial Infrastructure Development Corporation. The compliance of Accounting Standards by the Statutory corporations remained poor as there were nine instances of non-compliance in five accounts during the year.

1.36 Some of the important comments in respect of accounts of Statutory corporations are stated below: -

North Bengal State Transport Corporation (2007-08)

- Loss for the year was understated by ₹ 13.49 crore due to non provision of Liability for Bad and Doubtful Debts, Doubtful Receivables, arrears of salary on account of pay revision, Liability towards PF Commissioner, Claim payable to petitioners in connection with award of Motor Accident Claims Tribunal, Arrear property tax, error in Interest computation, calculation of staff entitlement.

Calcutta State Transport Corporation (2008-09)

- Loss for the year was understated by ₹ 3.66 crore due to non provision of Liability for payment towards Bonus and ex-gratia, penal interest payable to lenders, Audit fees and Subsidy meant for CPF and Death Linked Insurance as well as for non moving stores.

West Bengal Industrial Infrastructure Development Corporation (2008-09)

- Profit for the year was overstated by ₹ 7.94 crore due to non accounting of Loss on sale of land, non provision of Liability for arrear pay and allowances, Statutory dues and Doubtful Debts arising from water, maintenance and service charges due from 24 closed units of industrial estates.

1.37 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 18 companies for the year 2009-10 and 21 companies for the year 2010-11 are given below: -

Sl. No	Nature of comments made by Statutory Auditors	Year of Accounts	Number of companies where recommendations were made	Reference to Sl. No. of the companies as per Annexure 2
1	Non-fixation of minimum/ maximum limits of store and spares	2009-10	7	A-26, A-35, A-38, A-50, A-51, A-56 & C-13,
		2010-11	11	A-3, A-10, A-27, A-28, A-29, A-37, A-41, A-43, A-44, A-45, & A-46
2	Absence of internal audit system commensurate with the nature and size of business of the company	2009-10	5	A-5, A-9, A-32, A-35, & C-5
		2010-11	1	A-24
3	Non maintenance of cost record	2009-10	8	A-2, A-5, A-11, A-18 A-22, A-30, A-32 & A-38,
		2010-11	5	A-24, A-29, A-34, A-37, & A-39
4	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, dates of acquisition, depreciated value of fixed assets and their locations	2009-10	11	A-2, A-5, A-8, A-9, A-22, A-30, A-32, A-35, A-50, A-58, & C-5
		2010-11	12	A-3, A-10, A-24, A-29, A-34, A-37, A-42, A-45, A-52, A-63, C-27 & C-28
5	Absence of clear credit policy and policy for providing doubtful debts/ write off and liquidated damages.	2009-10	5	A-5, A-32, A-35, A-58, & C-13
		2010-11	9	A-3, A-10, A-24, A-28, A-29, A-37, A-41, A-43 & A-62
6	Absence of security policy for software / hardware and backup of past records	2009-10	1	A-58
		2010-11	4	A-12, A-39, A-45 & A 48
7	Absence of effective system of monitoring of advances/ outstanding dues	2009-10	7	A-5, A-9, A-18, A-30, A-32, A-50 & A-53
		2010-11	8	A-3, A-10, A-29, A-37, A-39, A-43, A-44 & A-45
8	Absence of vigilance department or existence/ effectiveness of delineated fraud policy.	2009-10	6	A-2, A-5, A-11 A-32, A-38 & A-56
		2010-11	11	A-3, A-9, A-10, A-24, A-28, A-34, A-37, A-46, A-48, A-52 & A-62

Status of placement of Separate Audit Reports

1.38 The following table shows the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	West Bengal State Warehousing Corporation	2007-08	2008-09 2009-10	28.01.2010 11.05.2011	Not furnished by the Government
2	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation	2006-07	2007-08 2008-09 2009-10	10.01.2011 Audit in progress Audit in progress	Not furnished by the Government
3	West Bengal Backward Classes Development and Finance Corporation	2007-08	2008-09 2009-10	07.05.2010 Audit in progress	Not furnished by the Government
4	South Bengal State Transport Corporation	2008-09	2009-10	Audit in progress	-
5	West Bengal Minorities Development and Finance Corporation	2007-08	2008-09 2009-10	02.11.2010 26.08.2011	Not furnished by the Government
6	Calcutta State Transport Corporation	2007-08	2008-09	18.05.2011	Not furnished by the Government
7	North Bengal State Transport Corporation	2006-07	2007-08 2008-09	18.05.2011 Audit in progress	Not furnished by the Government
8	West Bengal Financial Corporation	2009-10	2010-11	Audit in progress	-
9	West Bengal Industrial Infrastructure Development Corporation	2007-08	2008-09 2009-10	09.11.2010 Audit in progress	Not furnished by the Government
10	West Bengal Electricity Regulatory Commission	2009-10	2010-11	27.10.2011	-

It would be observed from the table that 10 SARs were not placed for periods ranging from one month to 15 months despite the matter were taken up with the Chief Secretary/ Principal Secretary by the PAG in February 2011.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the Legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.39 The State Government undertook (August 2007) second phase of Public Sector Restructuring programme with the financial assistance from Department of International Development, Government of United Kingdom. The second phase

to be implemented from 2007-08 to 2010-11, will cover PSUs in the transport sector as well as 14 PSUs and three Department Undertakings (DUs) under six Departments which envisaged restructuring and retention of 10[♦] PSUs under Government ownership, conversion of four[†] PSUs into Joint Ventures, closure of one[‡] PSU and Corporatisation of one DU and conversion of two DUs into Joint Ventures. Among them the Government had decided to disinvest majority of shares in four PSUs and retained 10 PSUs after restructuring and business optimisation process. Though reform in power sector companies were completed in 2009-10, further developments on reform of transport and other sectors are awaited.

Reforms in Power Sector

1.40 The State has formed West Bengal Electricity Regulatory Commission on 6 January 1999 under the Section 17 of erstwhile Electricity Regulatory Commission Act, 1998[°] with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2010-11, WBERC issued 23 orders (ten on annual revenue requirements and 13 on others).

1.41 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2011)
Commitments made by the State Government			
1	Reduction in transmission and distribution losses	20 <i>per cent</i> by 2005	25.24 <i>per cent</i>
2	100 <i>per cent</i> electrification of all villages	By March 2007	93.28 <i>per cent</i>
3	100 <i>per cent</i> metering of all consumers	December 2002 (Revised)	99.64 <i>per cent</i> achieved.

[♦] W.B. Mineral Development & Trading Corporation Ltd., W.B. Pharmaceutical & Phytochemical Development Corporation Ltd., The Infusions (India) Ltd., W.B. Dairy & Poultry Development Corporation Ltd., Electro-Medical & Allied Industries Ltd., W.B. Small Industries Development Corporation Ltd., W.B. Tourism Development Corporation Ltd., W.B. State Minor Irrigation Corporation Ltd., W.B. Agro Industries Corporation Ltd., W.B. State Warehousing Corporation.

[†] W.B. Film Development Corporation Ltd., Kalyani Spinning Mills Ltd., West Dinajpur Spinning Mills Ltd. and W.B. Handicraft Development Corporation. Ltd.

[‡] West Bengal Projects Limited

[°] Now Section 82(1) of the Electricity Act 2003.

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2011)
4	West Bengal Electricity Regulatory Commission (WBERC)		
	i) Establishment of WBERC	NA	Constituted in January 1999.
	ii) Implementation of tariff orders issued by WBERC during the year		Tariff orders of 2010-11 was implemented.
Commitments made by the Central Government			
5	Funds under Restructured Accelerated Power Development and Reform Programme (R-APDRP)	NA	₹ 68.50 crore received upto 2010-11.
6	Waiver of late payment surcharge on dues to CPSUs after securitisation	NA	No such case occurred.
7	Payment of reform-based incentives	NA	No payment was received during the year.
General			
8	Monitoring of MOU		Monthly progress reports were submitted to the State Government by WBSEDCL.