

STATE PUBLIC SECTOR UNDERTAKINGS

Introduction

Functioning of State Public Sector Undertakings (Power Sector and Non-Power Sector)

General

1 State Public Sector Undertakings (PSUs) comprise State Government Companies¹ and Statutory Corporations. State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people; they occupy an important place in the State economy. As on 31 March 2018, there were 94 PSUs in West Bengal, including 85 Government Companies and nine Statutory Corporations (including 21 inactive Government Companies and one inactive Statutory Corporation) under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). During the year 2017-18, four PSUs were added to the audit jurisdiction,² while two existing PSUs³ were amalgamated into one PSU. Only one⁴ PSU was listed in the Calcutta Stock Exchange. During the year no PSU was dissolved and the name of no PSU was struck off from the Register of Companies by the Registrar of Companies, Kolkata under Section 248(5) of the Companies Act 2013.

2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs & Accounts received

Nature of PSUs	Total Number of PSUs	Number of accounts received from PSUs during reporting period ⁵				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2018
		Accounts for 2017-18	Accounts for 2016-17	Accounts upto 2015-16	Total accounts received	
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2) - (3)
Working Government Companies	64	33	24	19	76	31(50)
Statutory Corporations	08	2	3	6	11	6 (9)
Total Working PSUs	72	35	27	25	87	37(59)
Inactive Government Companies	21	6	6	3	15	15 (70)
Inactive Statutory Corporation	1	-	1	-	1	1 (1)
Total Inactive PSUs	22	6	7	3	16	16 (71)
Total	94	41	34	28	103	53(130)

¹ Including any other companies owned and controlled, directly or indirectly by the State Government referred to in Section 139(5) and 139(7) of the Companies Act 2013.

² West Bengal State Beverages Corporation Limited, Webel Electronic Manufacturing Clusters Limited, Webel Electronic Infrastructure Development Limited and West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development and Finance Corporation.

³ West Bengal Scheduled Castes, Scheduled Tribes Development and Finance Corporation and West Bengal Backward Classes Development and Finance Corporation

⁴ WEBFIL Limited, the shares which were not traded in the past five years from 2013-14 to 2017-18.

⁵ From October 2017 to September 2018

During 2017-18, the working PSUs as per their latest finalised account registered an annual turnover of ₹ 43,900.15 crore. The turnover relative to the Gross State Domestic Product (GSDP) was 4.30 *per cent*. As on March 2018, the working PSUs had a work force of 46,602 employees. The working PSUs incurred aggregate losses of ₹ 720.56 crore as per their latest finalised accounts (September 2018).

As on 31 March 2018, there were 22 PSUs which were inactive⁶ for the last one to 12 years. The total investment in these inactive PSUs was ₹ 1,449.12 crore. The total numbers of employees with these inactive PSUs was 1,793.

Accountability framework

3 The procedures for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013. According to Section 2 (45) of the Companies Act, 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Companies.

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditors are to be appointed by the CAG within sixty days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-section 5 or sub-section 7 of Section 139, if considered necessary, by an order, conduct test audit on the accounts of such Company. The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such Audit. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

4 The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, appointed by CAG as per the provisions of Section 139 (5) or (7) of the

⁶ Inactive PSUs are those which have not being carrying on any business or operation.

Companies Act, 2013, who shall submit a copy of their audit report, including the financial statements of the Company, to the CAG, under Section 143(5) of the Companies Act, 2013. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Companies Act, 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of eight working Statutory Corporations, CAG is the sole auditor for six Corporations.⁷ In respect of the remaining two⁸ working Statutory Corporations, audit is conducted by Chartered Accountants and supplementary audit by CAG. In the case of one inactive Corporation, *i.e.*, Great Eastern Hotel Authority, CAG conducts audit only under Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Submission of accounts by PSUs

Need for timely finalisation and submission

5 According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

6 Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration. Section 129(7) of the Companies Act 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

7 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the Legislature under Section 394 of the Companies Act,

⁷ Calcutta State Transport Corporation, South Bengal State Transport Corporation, North Bengal State Transport Corporation, West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development & Finance Corporation, West Bengal Minorities Development and Finance Corporation and West Bengal Industrial Infrastructure Development Corporation.

⁸ West Bengal State Warehousing Corporation and West Bengal Financial Corporation.

2013 or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of West Bengal

8 The State Government has financial stakes in these PSUs, which is mainly of three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans and interest availed by the PSUs from Financial Institutions.

9 The sector wise summary of investment (equity⁹ and long-term loans) in 94 PSUs as on 31 March 2018 is detailed below:

Table 1: Sector-wise investment in PSUs

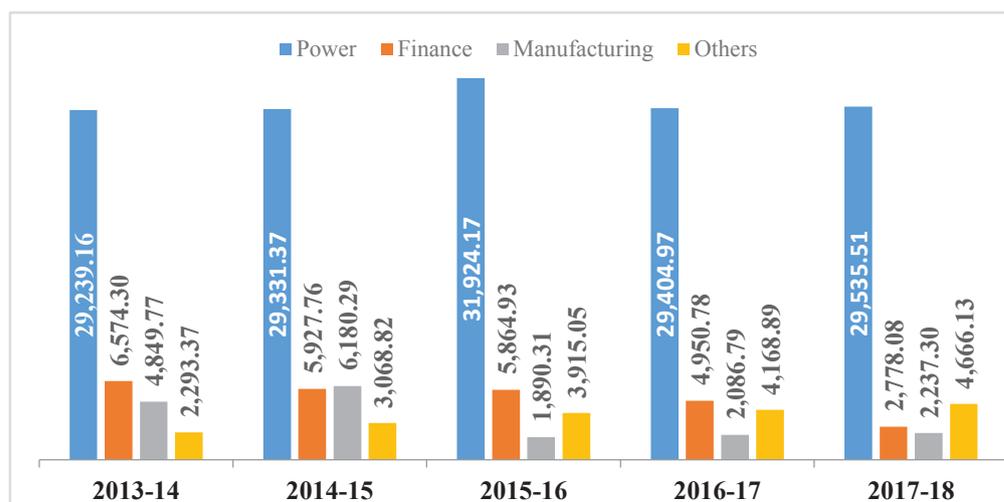
Name of Sector	Nos. of Government Companies		Nos. of Statutory Corporations		Total	Investment (₹ in crore)		
	Working	Inactive	Working	Inactive		Equity	Long term loans	Total
Power	07	01	-	-	08	11,539.72	17,995.79	29,535.51
Finance	06	01	03	-	10	1,434.22	1,343.86	2,778.08
Service	14	-	03	01	18	230.75	2,083.89	2,314.64
Manufacturing	11	18	-	-	29	484.19	1,753.11	2,237.30
Infrastructure	10	-	01	-	11	1,798.78	205.31	2,004.09
Agriculture & Allied	12	01	01	-	14	104.90	161.41	266.31
Miscellaneous	04	-	-	-	04	6.59	74.50	81.09
Total	64	21	08	01	94	15,599.15	23,617.87	39,217.02

Source: Complied based on information received from PSUs

As on 31 March 2018, the investment (capital and long-term loans) in 94 PSUs was ₹ 39,217.02 crore (*Annexure-1*). Of the total investment in State PSUs, 96.30 per cent was in working PSUs and the remaining 3.70 per cent in inactive PSUs. This total investment consisted of 39.78 per cent in equity and 60.22 per cent in long-term loans. The thrust of PSU investment was mainly in power sector which increased from 67.30 per cent in 2013-14 to 75.31 per cent in 2017-18. In absolute terms, investments rose by ₹ 296.35 crore in power sector during the period 2013-18 while it declined by ₹ 3,796.22 crore and ₹ 2,612.47 crore in finance and manufacturing sectors respectively, during the same period.

10 The investment in different sectors at the end of 31 March 2014 and 31 March 2018 are indicated in **Chart 1**. The 'Others' sector includes PSUs in the service, infrastructure, agriculture and miscellaneous sectors.

⁹ Comprises of paid-up capital and share application money pending allotment.

Chart 1: Sector-wise investment in PSUs (₹ in crore)

Source: Compiled based on information received from PSUs

We are presenting the results of audit of eight Power Sector PSUs in Part – I¹⁰ of this report and of the remaining 86 PSUs (Non Power Sector) in the Part II¹¹ of the report.

¹⁰ The Part I includes Chapter-I (Functioning of Power Sector Undertakings) and Chapter-II (Performance Audit relating to Power Sector Undertaking).

¹¹ The Part II includes Chapter-III {Functioning of State PSUs (Non Power Sector)} and Chapter-IV {Compliance Audit Observations relating to State PSUs (Non Power Sector)}.

