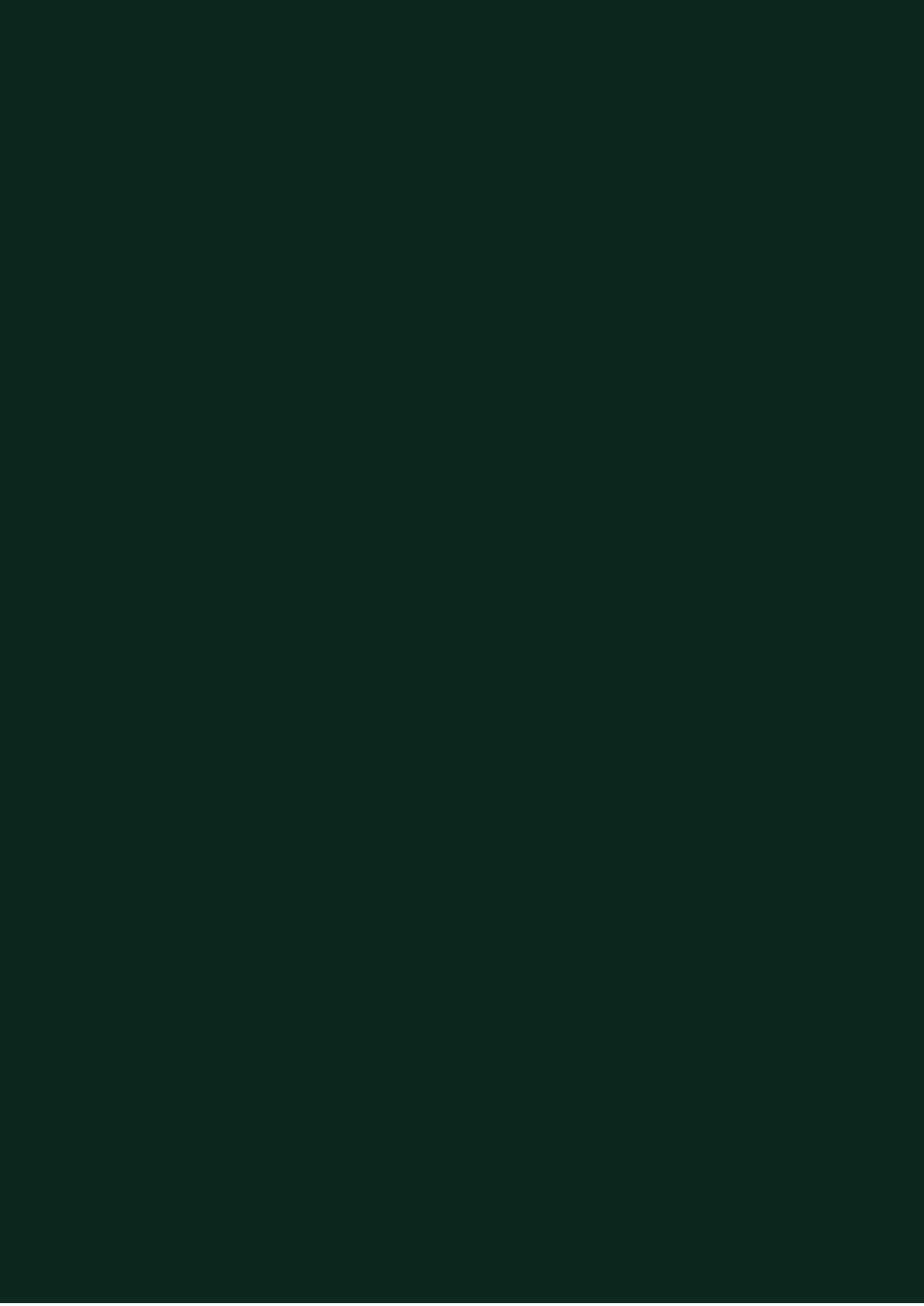


OVERVIEW



OVERVIEW

1 Functioning of State Public Sector Undertakings

As on 31 March 2016, there were 89 State Public Sector Undertakings (PSUs) in West Bengal which comprised of 70 working PSUs (including nine Statutory Corporations) and 19 non-working PSUs (including one Statutory Corporation). During 2015-16, the working PSUs registered a turnover of ₹ 30,360.74 crore which was equal to 2.92 *per cent* of Gross State Domestic Product (GSDP). They also had employed 0.49 lakh employees as of March 2016.

Investments in PSUs

As on 31 March 2016, total investment of the Government in 89 PSUs was ₹ 43,594.46 crore. Power sector accounted for 73.23 *per cent* of total investment in 2015-16. During 2015-16, State Government provided financial support of ₹ 2,655.32 crore to PSUs towards equity, loans and grants/ subsidies.

Performance of PSUs

Out of 70 working PSUs, only 29 PSUs prepared accounts for 2015-16 as of September 2016. During 2015-16, 22 PSUs earned profit of ₹ 604.76 crore and seven PSUs incurred loss of ₹ 478.56 crore. Major contributors to profit were West Bengal State Electricity Transmission Company Limited, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation. Heavy losses were incurred by The Durgapur Projects Limited and The Calcutta Tramways Company (1978) Limited.

Arrears in accounts and placement of Separate Audit Reports (SARs)

The accounts of 41 working PSUs were in arrears for periods ranging from one to six years. There were 19 non-working PSUs of which 12 PSUs had arrears of accounts for one to ten years.

There were 13 Separate Audit Reports on the accounts of Statutory Corporations which were yet to be placed before the State Legislature. Of these, the earliest SAR was issued to the State Government on 18 April 2013.

Follow up actions on Audit Reports

Explanatory notes to 55 paragraphs/ Performance Audits appearing in Audit Reports (Commercial/ PSUs) relating to 15 departments are yet to be received. Action Taken Notes on the recommendations contained in 18 reports of the Committee on Public Undertakings (COPU) were yet to be received from the departments as on 30 September 2016.

2 Performance Audits relating to Government Companies

2.1 Billing and Collection of Revenue including IT Audit

A Performance Audit was conducted on '**Billing and Collection of Revenue including IT Audit**' by West Bengal State Electricity Distribution Company Limited (WBSEDCL). The highlights of audit findings are as follows:

Introduction

West Bengal State Electricity Distribution Company Limited (WBSEDCL) is the main electricity distribution company of the State and undertakes the business of electricity distribution to consumers within the State. It procures power through direct purchase from State/ Central PSUs as well as private companies. As of March 2016, WBSEDCL had a network of over 1.64 crore consumers throughout the State. It also generates small amount of hydro-electric power which it sells to consumers.

Maximisation of revenue through reduction of commercial losses and improving collection efficiency

WBSEDCL had no plans/ targets to reduce aggregate technical and commercial (AT & C) losses. Due to delays in raising bills, theft of electricity, delay in disconnection of power supply, unauthorised use of electricity by deemed disconnected consumers, transformers having unregistered consumers, WBSEDCL suffered loss of revenue of ₹ 175.85 crore. Moreover, non-adherence to the regulations and violations of the provisions of the Electricity Act, 2003 led to continued AT & C losses.

Compliance with billing and collection system with applicable tariff orders, codal provisions, laid down procedures and regulations issued by WBERC

WBSEDCL failed to comply with relevant provisions of the Act/ tariff orders which led to loss of revenue. Failure of spot billing system, non-realisation of electricity duty and improper payment of disconnection/ reconnection charges led to inefficiencies in collection and loss of revenue as relevant provisions/ orders of the Act/ tariff orders were not complied with.

Adequacy of IT infrastructure, IT plan, business continuity plan, IT controls, disaster plan and optimum security for achieving data completeness, accuracy and reliability

WBSEDCL incurred infructuous expenditure of ₹ 45.75 crore as it had procured software licenses without the required IT infrastructure. In absence of automatic categorisation/ updation of consumers' database on the basis of nature of connection, contract demand, etc., in its IT billing system, WBSEDCL suffered loss of revenue of ₹ 8.22 crore. Delay in implementation of billing software and lacunae in the system led to non-achievement of the projected benefits to WBSEDCL as well as to the consumers as a whole.

Conclusion

WBSEDCL failed to formulate any plan or set targets for reduction of AT & C losses for its consumers as a whole, leaving 81.25 *per cent* of its total consumers uncovered by such plan. Applicable tariff orders, codal provisions, laid down procedures and regulations issued by West Bengal Electricity Regulatory Commission (WBERC) were either violated or not followed. There were inadequacies of infrastructure, plan and controls in the billing system. As a result of all these deficiencies, its primary objective of increasing revenue realisation and reduction of losses could not be met.

Recommendations

There are five recommendations. (i) WBSEDCL may formulate policy and set targets for reduction of AT & C losses to achieve the norms fixed; (ii) assess reasons for high AT & C losses to put in place a plan to address these issues to reduce AT & C losses as well as to maximise its revenue; (iii) maximise meter reading through Spot Billing Machines to realise revenue in time; (iv) it may review and incorporate appropriate validation of inputs in the existing software in conformity to its business needs, to minimise the incorrect generation of bills; and (v) institute a system to incorporate the current and relevant orders/ tariffs into the business rules in the software, whenever these are modified/ changed by WBERC/ Acts/ Rules.

2.2 Management of physical infrastructure and skill augmentation for IT Sector

A Performance Audit was conducted on '**Management of physical infrastructure and skill augmentation for IT Sector**' by West Bengal Electronics Industry Development Corporation Limited (WBEIDCL). The highlights of audit findings are as follows:

Introduction

West Bengal Electronics Industry Development Corporation Limited (WBEIDCL) was incorporated (February 1974) with the main objectives of (i) developing electronics and allied industries through establishment of manufacturing, research and development activities, and (ii) facilitating development of information technology in West Bengal.

Income from management of infrastructure decreased from ₹ 18.20 crore in 2011-12 to ₹ 16.99 crore in 2015-16. The reasons were application of differential rates of rental/ lease premium for allotments of plots and modules, non-revision of rent, recovery of service charges at different rates for similar/ comparable services, *etc.* Further, income from skill augmentation increased from ₹ 0.19 crore in 2011-12 to ₹ 0.86 crore in 2015-16 in respect of execution of centrally sponsored schemes. Total outstanding dues of WBEIDCL from GoWB amounted to ₹ 14.72 crore.

Management of infrastructural facilities

WBEIDCL had foregone revenue of ₹ 4.90 crore as a result of vacancy of two to 100 *per cent* in the 10 operational IT parks set up prior to April 2011. In addition, it was also foregoing a recurring amount of ₹ 13.46 lakh per month, since March 2016. Further, out of five new IT parks completed by January 2016, three were still vacant. Another three IT Parks were still to be fully constructed.

Processes of allotment of space, fixation of rents & rates and collection thereof

In case of 72 allottees occupying 1.47 lakh sft of rental spaces, in eight IT parks, WBEIDCL had under-charged/ not charged security deposit of ₹ 0.19 crore. Despite having an operational ERP system, WBEIDCL failed to execute/ renew lease/ rental agreements in case of 66 allottees with outstanding rentals of ₹ 1.64 crore. It had allotted plots on long term lease at differential rates of lease premium, leading to loss of ground rent of ₹ 1.84 crore since March 2016. Allotment of modules/ spaces at concessional rent to non-STPI registered units on short term rental leading to loss of rent of ₹ 0.21 crore. Non-revision of rental rates, at Taratala Industrial Estate (TIE), resulted in loss of rent of ₹ 1.54 crore. Delayed revision of transfer fees resulted in loss of ₹ 1.94 crore. WBEIDCL had to incur loss of revenue of ₹ 3.33 crore towards rent as of March 2016 by not raising invoices on defaulting allottees. The chances of collection of dues of ₹ 4.10 crore from 67 allottees who had either surrendered their modules or had been evicted by WBEIDCL between 2012-13 and 2015-16, were remote.

Skill Augmentation

WBEIDCL executed six GoI schemes of IT training during 2013-14 to 2015-16. The selection of candidates was not efficiently monitored by WBEIDCL and lacked transparency, resulting in expenditure of ₹ 4.75 crore on 3,913 ineligible candidates. Further, in violation of the scheme norms, WBEIDCL had transferred to its training partner the responsibility of disbursing the stipend to trainees. WBEIDCL did not inspect the training locations regularly to monitor progress and follow up on their outcome.

Conclusion

WBEIDCL could not ensure complete occupancy in seven out of its 10 IT parks. It did not uniformly collect the security deposits in accordance with its policy. Its management of physical infrastructure was not effective as it had allowed concessional rentals which had resulted in loss of revenue. Further, belated revision of transfer fees in deviation of government directives had led to loss of revenue. Non-invoicing on defaulting allottees had also resulted in forgoing of legitimate claims. WBEIDCL had failed in its role of effectively providing training in information technology to students who applied to its training programmes. There were inadequacies and irregularities in the selection process. WBEIDCL did not monitor the disbursement of stipend to

eligible candidates. Monitoring of training programmes was inadequate and the post-training follow up was non-existent.

Recommendations

There are three recommendations. (i) WBEIDCL may initiate an annual review of the rates for rent and service charges and revise them, keeping in view the need to ensure occupancy of the constructed IT parks, as well as revise its policy of not drawing invoices on defaulting allottees, to enforce its claims; (ii) comply with statutes and also improve internal check system for raising of invoices; and (iii) ensure that the selection of candidates for training is as per government guidelines with regard to eligibility criteria, necessary records are maintained and stipends disbursed directly to students.

3 Compliance Audit

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs, which had serious financial implications. The irregularities pointed out include:

- Loss of ₹ 42.07 crore due to non-compliance with statutes/ rules/ directives/ procedures in one case.
(Paragraph 3.2)
- Loss of ₹ 38.75 crore due to non-safeguarding of financial interests of organisation in one case.
(Paragraph 3.1)
- Loss of ₹ 16.79 crore due to defective/ deficient planning in four cases.
(Paragraphs 3.3, 3.4, 3.6 and 3.7)
- Loss of ₹ 2.42 crore due to inadequate monitoring in two cases.
(Paragraphs 3.5 and 3.10)
- Loss of ₹ 1.72 crore due to non-realisation of objectives in two cases.
(Paragraphs 3.8 and 3.9)

Gist of the important audit observations is given below:

West Bengal Small Industries Development Corporation Limited (WBSIDCL), a wholly owned Government company under the Department of Micro, Small & Medium Enterprises and Textiles, is engaged in developing, upgrading, creating and maintaining industrial/ commercial estates for allotment of plots/ sheds/ stalls/ building spaces to small scale entrepreneurs with the objectives of industrialisation and employment creation in the State. As of March 2016, WBSIDCL had established 49 operational, one non-operational and four upcoming industrial/ commercial estates in 13 out of 20 districts of the State covering 732.44 acres of land. The total investment in such estates stood at ₹ 162.69 crore (own fund : ₹ 48.34 crore, Government grants : ₹ 114.35 crore). Out of an aggregate of 415.45 acres of land registered, WBSIDCL had undertaken mutation of 2.12 acres only (0.29 per cent). In respect of 207 allotments in 22 estates, WBSIDCL had

allowed the entrepreneurs to occupy the plots without executing lease deeds. As of September 2015, out of 2,471 allottees, 424 allottees (17.16 per cent) were non-functioning and 654 plots/ sheds (26.47 per cent) in 40 industrial estates remained vacant. Lacunae in deeds, irregularities in transfer of lease deeds, non-inclusion of transfer fee, non-realisation of dues, etc. also resulted in loss of revenue.

(Paragraph 3.1)

West Bengal State Electricity Distribution Company Limited incurred extra expenditure of ₹ 42.07 crore on purchase of power in contravention of tariff policy and regulations. It failed to include a penalty clause for short supply of power in the long term power purchase agreement with a private generating company in violation of Government of India guidelines and regulations, which led to avoidable expenditure of ₹ 12.76 crore. It also did not enter into power purchase agreement with Dishergarh Power Supply Company Limited for purchase of power due to which rebate for timely payment of power bills could not be availed of, resulting in loss of ₹ 3.13 crore. Further, it retained funds in non-interest bearing current accounts and resorted to borrowings from cash credit accounts for making various payments, due to absence of fund management. This led to avoidable payment of interest of ₹ 1.79 crore on cash credit accounts.

(Paragraphs 3.2, 3.3 and 3.4)

Mackintosh Burn Limited suffered a loss of ₹ 1.61 crore in execution of water treatment plant due to improper estimate for the work on turnkey basis.

(Paragraph 3.6)

Shalimar Works (1980) Limited incurred loss of ₹ 1.21 crore on reconstruction and renovation of dry docks due to non-compliance with the prescribed standard design guidelines.

(Paragraph 3.7)