

SECTION I

CHAPTER 1

Audit of Government Public Sector Undertakings

1.1 BASIC AUTHORITY FOR AUDIT by C&AG

The powers of the Comptroller and Auditor General of India (CAG) are derived from the provisions of Articles 149 to 151 of the Constitution of India. The CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971 (Act No.56 of 1971) was passed in 1971 (amended in 1976, 1984 and 1987) under Articles 148 (3) and 149 of the Constitution to regulate the duties, powers and conditions of service of the CAG. The mandate of CAG of India for Systems Audit is governed under Sections 13, 14, 16, 17, 18, 19 and 20, as the case may be, read with Section 23 of this Act. Further, in pursuance of Section 23 of the CAG's (DPC) Act, 1971, the CAG of India issued the Regulations on Audit and Accounts, 2007. These Regulations apply to the ministries and departments of the Union Government, State Governments and Union Territory Governments as well as bodies, authorities and enterprises, to which the audit or accounts jurisdictions of the CAG of India extend.

No law of a State Legislature can cast any duties or confer any duties or confer any power on the CAG of India or his representatives. Likewise, the duties and powers of the CAG of India prescribed by law made by Parliament cannot be superseded or abridged by or under any law made by any State Legislature.

1.2 Audit of Government Companies

1.2.1 Mandate

Mandate of the C&AG in regard to audit of Government companies

The Section 19(1) of the CAG's (DPC), Act 1971 provides that the audit of the accounts of Government companies shall be performed and exercised in accordance with the provisions of Section 143(6) of the Companies Act, 2013.

The accounts certified by the Chartered Accountants appointed by the CAG under Section 143(5) of the Companies Act, 2013 are subject to supplementary or test audit under Section 143(6) the Companies Act, 2013 by the CAG of India. The Section 143(5) of the Companies Act, 2013 empowers the CAG to issue directions to the Chartered Accountants on the manner in which the Company's accounts shall be audited. The CAG gives his comments or supplements the report of the Chartered Accountants under Section 143(6) of the Companies Act, 2013.

1.2.2 Audit of corporations set up by or under law made by Parliament

The Section 19 (2) of the CAG's DPC, Act 1971 provides that the CAG in relation to the audit of the accounts of Corporation established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations.

In respect of the Calcutta State Transport Corporation, South Bengal State Transport Corporation and North Bengal State Transport Corporation, the CAG is the sole auditor under Section 19 (2) of the CAG's DPC Act, read with Section 33 (2) of the Road Transport Corporation Act, 1950 while in respect of West Bengal Industrial Infrastructure Development Corporation, the CAG is also the sole auditor under the aforesaid Section of the DPC Act read with Section 25(2)(b) of the West Bengal Industrial Infrastructure Development Corporation Act. 1974.

Moreover, the accounts of West Bengal State Warehousing Corporation and West Bengal Financial Corporation certified by the Chartered Accountants appointed by the State Government are audited by the CAG independently under Section 31(8) of the Warehousing Corporation Act, 1962 and Section 37(6) of the West Bengal State Financial Corporation Act, 1951 respectively.

1.2.3 Audit of State Corporations and other bodies and authorities entrusted to the C&AG

Section 19(3) of the Act *ibid* provides that the Governor of a State or the Administrator of a Union Territory having a legislative assembly may, where he is of the opinion that it is necessary in the public interest so to do, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such Corporation.

The Government of West Bengal entrusted to the CAG the audit of West Bengal Industrial Infrastructure Development Corporation, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minority Development and Finance Corporation and West Bengal Backward Classes Development and Finance Corporation under Section 19 (3) of the CAG's DPC Act, 1971. Out of that the CAG office entrusted the audit of West Bengal Industrial Infrastructure

Development Corporation to Economic Sector Audit II (ESA-II), Office of the AG (E&RSA) and audit of all other Corporations are entrusted to the Office of the Pr. Accountant General (G&SSA).

1.3 Applicability of the various sections of the Act

The duties and powers of the CAG with reference to the audit of Government Companies and autonomous bodies flow from statute. However, it is also desirable to persuade the Governments to include in the conditions of grants, loans or investments an enabling clause to the effect that the books and accounts including Board Agenda/Minutes of the recipient institutions shall be made available to the CAG for his scrutiny or audit wherever and whenever, necessary. It is clarified in this connection that provisions of Section 18 of the Act are applicable to audit under Sections 14, 15, 19 or 20 as they are applicable to audit under Sections 13 and 16 of the Act.

(C A G's Manual of Instructions for Audit of Autonomous Bodies)

1.4 Guiding Principles in the audit of Public Sector Undertakings

The guiding principle for public Sector Undertakings (PSU) is "Efficiency cum Performance Audit" rather than verifying regularity of expenditure against sanctions or appropriations. The main object of audit is to see how far the auditee organisation has achieved the objectives for which it has been established and whether the operations are being carried on efficiently with due regard to the economy and effectiveness. In this process, audit has to appraise the soundness or otherwise of various decisions of the management, in regard to the construction and operation of undertakings. By its very nature, it is not and cannot be a purely financial audit.

(CAG's letter No. 626/CA IV/8, dated 25.11.1969)

The auditee units coming under the audit control of ESA-II wing have generally an organized financial accounting system. In Government companies as well as in some statutory corporations, the accounts are audited by the statutory auditors. In such undertakings commercial audit wing may not cover the same field as covered by the internal auditors or statutory auditors and may be limited to some percentage of audit checks on various types of transactions.

The routine checks are exercised by the Accounts and Internal Audit wing of the undertakings. However, it has to be seen that internal audit adequately covers the entire field of operations that is

functioning effectively, that its reports are properly considered at appropriate level and that necessary action is taken on them. In such cases of routine audit, if taken up at all, it will be of negligible quantum and the main purpose in such cases would be to see how far internal check operates effectively. Audit in this regard should be confined to efficiency-cum-propriety audit, the broad principles of which have been laid down in Manual of Standing Orders (Audit).

These apart, the statutory auditors are required to submit a special report, on completion of their audit of a Government Company, on the various points, covered by the directions of the CAG issued to them. The report not only gives information on various matters but also secures that the statutory auditors have discharged their functions well and with reasonable degree of efficiency. In view of this, there is no necessity to cover the entire field again particularly on application of routine audit checks.

The annual accounts of these concerns (particularly Balance Sheet, Profit and Loss Accounts and subsidiary schedules) are certified by the statutory auditors. Since the routine check have already been exercised by the internal auditor/statutory auditors, it is not necessary that similar checks should be exercised by our audit. However, while certifying the correctness of annual accounts, certain checks will have to be conducted. It will be necessary to see that annual accounts have been properly drawn up on the basis of records, already checked reflecting true and fair view of the PSu.

(CAG's letter No. 216/CA/61-1965, dated 02.02.1966)

ESA-II Wing performs its audit functions in harmony with the Auditing Standards promulgated by the CAG, which are consistent with the International Organisation of Supreme Audit Institutions (INTOSAI) Auditing Standards. CAG's Auditing Standards 4.9 in chapter I (corresponding INTOSAI Auditing Standards 1.0.38) defines the scope of audit as under:

“The term ‘Audit’ includes financial audit, regularity audit and performance audit” It further adds that in pursuance of the constitutional responsibility, the CAG is empowered to decide the nature, scope, extent, and quantum of audit to be exercised by him or on his behalf.

Further, the objectives of audit of accounts or audit of receipts & expenditure of Government Companies/Bodies and authorities under Sections 14, 19 and 20 of the Act are three-fold. The first is to check that transactions comply to relevant laws, rules and regulations, (Compliance Audit), the second is concerned with the certification of annual accounts (Financial Audit), and third is to conduct Performance audit to assess economy, efficiency and effectiveness of various activities/programmes undertaken by these Government Companies/Bodies and authorities (Performance Audit). The scope of audit under all

these sections can cover all these objectives depending on the facts of each case. In practice, however, the certification of annual accounts is undertaken only under the provisions of sections 19 and 20.

(C A G's Manual of Instructions for Audit of Autonomous Bodies)

1.4.1 Supplementary Audit:

Duly adopted and audited accounts to be made available for supplementary Audit

The company shall make available the Balance Sheet and the Statements of Profit and Loss account and any other statements or documents declared under the Companies Act, 2013 to be part of or annexed to the Balance Sheet and the Profit and Loss account (called Financial Statements) duly adopted by the Board of Directors and audited by the statutory auditor to the AG within three months after the close of the year of accounts for timely finalisation and supplementary audit by the CAG, and for consequently holding the annual general meeting of the company within the time stipulated in the Companies Act, 2013.

It is the statutory auditor who is primarily responsible for expressing an opinion on the accounts of the company. Supplementary audit of the accounts by the CAG is, by its very definition, mainly an instrument of quality control of financial audit of accounts that begins with careful selection of the statutory auditor and continues with the ongoing oversight of his work including review of the conclusions drawn in his audit report. The scope of supplementary audit of annual accounts of a Government company and a deemed Government company by the CAG shall include an examination of selected accounting records and a review of the audit report of the statutory auditor including the opinion expressed by him on the annual accounts of the company. The supplementary audit of the Companies and Corporations is conducted mainly by reference to the Accounting Standards and Auditing & Assurance Standards issued by the Institute of the Chartered Accountants of India. In any area where standards are still to be put out by the Institute of Chartered Accountants of India (ICAI), the International Accounting Standards are adopted as guidelines. Further, if the accounts of the Company certified by the Statutory Auditor, have misrepresented any fact or overlooked any material fact, they are commented upon by CAG's Audit. The supplementary audit is aimed at ensuring that the accounts represent a "true and fair view" of the financial position of the Company and are in conformity with the provisions of the Companies Act. The significant and material observations made in supplementary audit shall be issued as comments of the CAG under the Companies Act, 2013 after due

consideration of the views, if any, of the statutory auditor and the management of the company. The comments on the Accounts are required to be placed before the Annual General Meeting of the Company.

(Regulations on Audit and Accounts, 2007, Chapter 9)

1.4.2 Certification of accounts of autonomous bodies set up by or under law made by Parliament and Audit of State Corporations and other bodies and authorities entrusted to the C&AG

Provisions relating to audit of Statutory Corporations, Autonomous Bodies and Authorities are contained in Sections 14, 19(2), 19(3) and 20 of the CAG's DPC Act, 1971. The certification of accounts is "the independent examination of and expression of an opinion on the financial statements of an entity by an appointed auditor in pursuance of the terms of appointment and in compliance with statutory obligation"

Applicable standards and verifications required in audit of accounts

Where the CAG is the sole auditor of a corporation, the financial audit is conducted in accordance with the auditing standards issued by the CAG. Audit shall verify whether systems and procedures are in place and implemented to ensure that the accounts

- (1) Comply with the requirements of the applicable law(s), rules and administrative instructions;
- (2) Comply with the accounting standards prescribed by the Institute of Chartered Accountants of India;
- (3) Contain adequate disclosures in respect of financial transactions; and
- (4) Present a true and fair view of the corporation's financial position.

On the completion of financial audit, the AG (after approval of the CAG of India) shall send the audit certificate and the separate audit report which will form part of the audit certificate on the accounts of the corporation to the Secretary to Government of the concerned department with a copy to the Chief Executive Officer of the corporation after completion of accounts audit. The separate audit report and audit certificate on the accounts are required to be placed in the Assembly.

(Regulations on Audit and Accounts, 2007, Chapter 8)

1.4.3 Transaction Audit: Scope of test audit by the C&AG

In addition to the supplementary audit of annual accounts of a Government company or a deemed Government company, the CAG may conduct test audits during the year. This audit shall cover transactions entered into by the company with a view to examining their regularity, propriety, probity, economy, efficiency and effectiveness and report on cases of failure of compliance with laws, rules and regulations, waste, mismanagement, other irregularities and frauds and corruption. The scope of test audit may extend to more than one financial year.

(Regulations on Audit and Accounts, 2007, Regulation 136 of Chapter 9.)

It covers also audit against Waste and Value for Money (VFM) audit. The audit includes examination of transactions in sales, purchases, contracts, pricing, costing, material management, outstanding dues, inadequacies in control systems, comparison of performance with standards of performance laid down, improper decisions leading to waste, internal audit, productivity, financial and physical performance, attention to environmental problems, energy conservation, capacity utilisation, investment decisions, project implementation etc. Audit is not limited to financial (vouching) or compliance (regularity) audit. The scope and extent of audit is determined by the AG (E&RSA), West Bengal as per Manual of Standing Orders (Audit) issued by the CAG.

1.4.4 Reporting and Follow Up:

The Audit Reports (PSUs), Government of West Bengal of the CAG are presented to the Legislative Assembly. Such reports include three Chapters on 'Overview of State Public Sector', 'Performance Audit Reports' and 'Compliance Audit'.

The Reports are examined selectively by the Committee on Public Undertakings (COPU), which is a committee of Legislative Assembly. The committee is assisted by the C&AG and/or his officers. The committee takes evidences and witnesses from Management and/or Department. It calls for Action Taken Note (ATN) from the Department and/or Management of the Undertaking in addition to or without taking evidence, as it considers necessary. Its findings and recommendation are presented to the 'Assembly and are generally accepted and acted upon by the Government. The vetted documents of ATN on all the actionable points in the audit report are watched by the ESA-II Wing, those are examined and accepted if adequate remedial measures have been taken by the Government.

1.4.5 Authority of the C&AG to dispense with supplementary audit

The CAG may, at his discretion, dispense with supplementary audit of the accounts of a company for any particular year.

1.4.6 Preliminary audit compliance

Before taking up the detailed checking of different items of Balance Sheet and Profit and Loss Account it is to be seen:

- Whether previous year's accounts along with the Auditors' Report and C&AG's comments thereon are adopted by the members in the Annual General Meeting prior to approval and authentication of current year's accounts.
- Whether the accounts are approved by the Board of Directors and authenticated by the directors as required under Section 134 of the Companies Act, 2013.

1.5 Special Audit

1.5.1 Request for special audit

- (1) The CAG or any officer so authorised shall give due consideration to a request for special audit of a programme, project or organisation within the audit jurisdiction provided that every such request:
 - (a) Is made with the approval of the Secretary to Government of the concerned department;
 - (b) Shall state the justification and reasons that necessitate a special audit, including the results of any preliminary inquiry, investigation or study that may have already been conducted; and
 - (c) Specify the period to be covered in the special audit.
- (2) The decision of the CAG or any officer so authorised in regard to the special audit shall be final.

(Regulations on Audit and Accounts, 2007, Regulation No 17 of Chapter 3)

Besides the AG may also receive requests from the State Government or Management of the Government companies/corporation to undertake special audit. The following principles may be followed in such cases:

State Government Companies

In terms of Section 148(4) of the Companies Act, 2013 where the Central Government is of opinion (a) that the affairs of the company are not being managed in accordance with sound

business principles or prudent commercial practices; or (b) that any company is being managed in a manner likely to cause serious injury or damage to the interest of trade, industry or business to which it pertains; or (c) that the financial position of any company is such as to endanger its solvency; the Central Government at any time by order direct that a special audit of the company's accounts for such period or periods as may be specified in the order, shall be conducted. However, audit in depth of the transactions can be conducted under Section 143(6) of the Companies Act, 2013. In the course of the audit, it should be possible to cover any particular transaction referred to by respective Government or the management of the company for special audit. Normally request for special audit as such need not be entertained. If such request is received and pressed for, it should be examined on the merits and proposals for conducting audit in depth of the concerned company under section 143(6) of the Companies Act, be referred to CAG for clearance and approval.

Statutory Corporations

The position varies from corporation to corporation. In certain corporations, audit by CAG is supplementary to the audit conducted by the statutory auditors, while in others, CAG is the sole auditor. The requests, if any, for special audit relating to corporations are required to be examined with reference to provisions contained in the relevant Acts and after taking into account other relevant factors. In each case, CAG will be approached for prior approval with recommendations of A.G.

(CAG's letter No. 119/CA-IV/Tech/1-80, dt. 25-01-1980.)

1.6 FUNCTIONS OF ECONOMIC SECTOR AUDIT-II WING

The ESA-II Wing of the Office of Accountant General (E&RSA) – West Bengal has been constituted mainly to conduct concurrent and local audit inspection of the Commercial enterprises, Statutory Corporations/Boards formed under separate Acts of Legislature and to conduct supplementary audit of the Companies under Section 143(6) of the Companies Act 2013, under the Government of West Bengal.

1.7 ORGANISATIONAL SET UP

The Wing comprises: -

- (i) Outside Audit (ESA-II), Headquarters' Section.
- (ii) Report (ESA-II) Section.

- (iii) Resident Audit Party, State Power Utilities, Kolkata (RAP/SPU)
- (iv) Resident Audit Office, Calcutta State Transport Corporation, Kolkata (RAO/CSTC).
- (v) Peripatetic Audit Parties (PAP).

CHAPTER 2

ECONOMIC SECTOR AUDIT-II HEADQUARTERS SECTION

2.01. Constitution and Control

The ESA-II (Headquarters) Section is headed by one Sr. Audit Officer (ESA-II) who reports to the Senior Deputy Accountant General (ESA-II)/ Deputy Accountant General (ESA-II). The Statement of facts (SOF) is issued with the current Inspection Reports. It contains potential paras of the Inspection Report with the objective of acquiring reply from the government along with the PSU which will ultimately be a guiding factor in understanding the potentiality of the paragraph and processing as Draft Paragraph.

The Audit Committee is held with the internal auditor periodically to discuss the internal audit plan and to discuss the results of the internal audit work. The outstanding paragraphs of the auditee entity are discussed to settle at the audit committee meeting.

2.02. Duties and Responsibilities

The Section is entrusted with the following duties and responsibilities which are subject to change according to orders of AG/Sr. DAG (ESA-II)/DAG (ESA-II)

- (i) Administration and co-ordination of the work of the ESA-II Wing as a whole, matters relating to Officers/staff of ESA-II Wing, preparation of programmes of field parties and inspecting officers and all matters relating to government companies/statutory corporations etc.
- (ii) Maintenance of a list of government companies/corporations/departmental commercial undertakings.
- (iii) **Preparation and submission of Strategic Audit Plan of ESA-II Wing (Hqrs. Section) (Rolling Plan for three years) through Report Section as per guideline issued by the Headquarters' office for approval of AG and onward submission to the Headquarters' office latest by 15th**

February of every year for approval of CAG. Structure of Strategic Audit Plan has been shown in Annexure-A

(109/ER/Coord/Audit Plan/2013-14/164-2012 dated 05-02-2013 and letter No. 389/ER/Coord/St.Audit Plan/2013-14/39-2013 dated 29-04-2013)

- (iv) Preparation and submission of Annual Audit Plan of ESA-II Wing based on the Strategic Audit Plan as per guidelines issued by the Headquarters' office for approval of AG and onward submission to the Headquarters' by 15 January of every year for approval of CAG.

(Reference Headquarters' DO letter No.666-CAII/460-99 dated 12.09.2001 read letter No 491/CA-II/Coordn/ Corporate Plan/Major Parameters/123-2002 dated 26.05.2003,)

- (v) Implementation and monitoring of Annual Audit Plan of the ESA-II Wing.
- (vi) To prepare tour programme for approval of the Sr. DAG (ESA-II)/DAG (ESA-II) particularly for peripatetic audit parties and Inspecting Officers based on approved Annual Audit Plan.
- (vii) To arrange to issue the approved tour programme to the Senior Audit Officer ESA-II (Sr. AO ESA-II)/Audit Officer ESA-II (AO ESA-II)/Assistant Audit Officer ESA-II (AAO ESA-II)/ Senior Auditor/Auditor.
- (viii) Issuance of intimation letters to the auditee units to be visited by the audit parties with the instruction to supply the records and information as may be required by the parties for conducting audit.
- (ix) Editing and issuing of the Inspection Reports relating to all Government Companies, Government Departmental Undertaking (Commercial), and statutory corporations as submitted by the field parties
- (x) Watching the compliance and pursuance of Inspection Reports until all paragraphs of the Inspection Reports are fully settled and the reports closed.
- (xi) Maintenance of Objection Book, Progress Register, Outstanding Paragraphs Register, IR Progress Control Register, IR Selection Register, Accounts Selection Register, PDP Register, Calendar of Returns, Casual leave register and Inward and Outward letter Registers

- (xii) Maintenance of Register of Important Points (RIP) and Register of Press Clipping (RPC) and recording of results of audit in the RIP/RPC. [*OA(ESA-II)/DG(Insp)/2012-13 dtd. 30-07-2013*]
- (xiii) Checking of T.A. bills of members of Audit parties including Supervising Officers with reference to tour diaries and programmes, revised programmes and casual leave register.
- (xiv) Assisting the report section in selection to topics for Performance Audit of selected companies/corporations for Audit Report (ESA-II) and fixing time schedule for the completion of Performance Audits.
- (xv) Scrutiny of the Memorandum and Articles of Association of newly formed Government Companies and Accounting Manual of Government Commercial Undertakings.
- (xvi) Processing the draft comments under Section 143(6)(b) of the Companies Act, 2013 for approval by the AG in consonance with Head Quarter Office instructions after due verification of management/statutory auditor's replies and for onward transmission to the Headquarter's Office for approval.
- (xvii) Issue of directions of the CAG to the Statutory Auditors (Chartered Accountants) under Section 143(5) of the Companies Act 2013 and to keep a watch over the receipt and disposal of reports after due verification by PAPs.
- (xviii) Submission of reports to the Report Section periodically for compilation of comments on deficiencies of internal control/internal audit mechanism for inclusion in audit report.
- (xix) Issue of approved comments/Nil-comments/Non-review certificates in prescribed format to the Management.
- (xx) Submission of approved comments on the accounts of PSUs to the Report Section for compilation and inclusion in the Audit Report (ESA-II).
- (xxi) To finalise the comments on the annual accounts of Departmentally managed undertakings and issue certificate with or without comments.
- (xxii) Evaluating performance of auditors on the basis of Statutory Auditor's work, information received from Government/Management, PAPs and others. Arrangement is also made for submission of recommendations of AG on the performance of Statutory Auditor's to the CAG for taking appropriate action in cases of misconduct.

- (xxiii) To watch the receipt of Annual Report with printed accounts and to forward two copies of the printed annual reports on accounts of the Companies/Corporation to CAG.

(C&AG's letter No. 456-CA/II/81/78 dated 23.04.1980)

- (xxiv) Scrutiny of draft separate audit report in respect of corporations (i.e. West Bengal Financial Corporation, Calcutta State Transport Corporation, North Bengal State Transport Corporation, South Bengal State Transport Corporation and West Bengal Industrial Infrastructure Development Corporation) submitted by PAPs for finalisation and onward transmission to Head Quarter's for approval.
- (xxv) Issue of approved Separate Audit Reports (SARs) to the Government as well as to the Management for laying the same before the Legislative Assembly. The format of revised SAR to be issued to the Autonomous Bodies along with other instructions has been indicated in Annexure-B and its sub-annexure.
- (xxvi) Maintaining a liaison with the Legislative Assembly in regard to dates of laying of SARs.
- (xxvii) Scrutinize Agenda Papers and Minutes of the Meeting of the Board of Directors of Government Companies and Statutory Corporation and also outcome of checking of audit team noted in the Board Minutes Register for necessary follow up.
- (xxviii) To furnish necessary material to Report ESA-I Section for the chapter on Commercial Undertakings (Departmental) including the summarized financial statement for inclusion in the Audit Report of ESA-I.

2.03. Audit Programme for Local Audit:

Frequency: Generally, The Compliance audit as well as the audit of Annual Accounts of commercial undertaking (Government Companies/Corporations and Departmental Undertakings) is carried out annually. The Resident Audit Office at Calcutta State Transport Corporation and Resident Audit Party at State Power Utilities get their annual programmes approved by the AG. For other undertakings, the duty of getting the annual programme approved by AG lies on ESA-II (Hqrs.). Though Head offices/main units of all concerns are audited annually, the Branch Offices for units situated in or outside Calcutta are so selected that all Branches/Units are covered within a cycle of three years. Subject to annual programme, monthly or quarterly programmes, are approved by the Sr. DAG (ESA-II)/DAG (ESA-II). The Resident Audit Office/Resident Audit Party get their monthly/quarterly programmes approved by Sr. DAG (ESA-II)/DAG(ESA-II), while for other units' responsibility lies on the ESA-II Hqrs. Section.

2.04. Duration of Audit

The number of days required for audit of records and accounts of various Government Companies/Corporations/Departmental Undertakings is dependent upon the availability of staff. Though there are no laid down norms for fixing the duration of audit of various Companies/Corporations/Departmental Undertakings, it is desirable that the existing time allocation (*viz. ad-hoc* party-days) should be closely reviewed keeping in view the expansion programme and increase in volume of activities of the undertakings. In order to facilitate the frequency, duration etc. of local audit, the Sr. AO (ESA-II)/AO (ESA-II)/AAO (ESA-II) should record specific opinion in this regard in the Title Sheet attached to the Inspection Report. The ESA-II (Headquarters) section before preparation of Strategic/Annual Audit Plan should compile those remarks and take appropriate action for allocation of party days after approval of Sr. DAG (ESA-II)/ DAG (ESA-II).

In terms of the Head Quarter's instructions the duration of local audit should not exceed 50 working days at a time. In order to improve the operational level of local audit party, the composition of the party, (normally one A.A.O. and two auditors or two A.A.O.s and one auditor) may be varied particularly for major and important local audits. The party, before proceeding on local audit, may undertake a detailed and in-depth study at Headquarters based on the functions, nature and extent of activities, magnitude of financial transaction of the units concerned. The Inspecting Officer also has to carry out some important original works. It has to be ensured that the supervision at Sr. A.O./A.O.'s level is meaningful and effective. Closer supervision by Sr. DAG (ESA-II)/DAG(ESA-II) would be desirable.

(ADAI's D.O. No. 673-TAU/I D (T.A.)/75, dated 05.08.1976)

2.05. Communication of Programme

(a) Normally, a quarterly programme (if that is not possible, a monthly programme) should be drawn up with the approval of Sr. D.A.G./D.A.G. (ESA-II) and field parties including Inspecting Officers be intimated on or before 25th of the preceding month/quarter. The Management shall also be intimated of the impending inspection by local audit parties. To avoid duplication and for facility of drawing up programme, a Programme Register shall also be maintained by the ESA-II Hqrs. Section and R.A.P./S.P.U. The Register will contain the following:

- (i) List of Institutions to be audited;
- (ii) Periodicity of audit;

- (iii) Date when programme/inspection commenced;
- (iv) Date when inspection completed.

As and when new institutions are assigned for audit the names of new units will be entered in the Programme Register.

Any deviation/revision of programme is required to be approved by the Sr. D.A.G./D.A.G. (ESA-II).

2.06. Preparation of Annual Audit Programme

- (i) At the beginning of January each year a list of audits to be undertaken during the next financial year which come in turn according to their periodicity of audit, should be prepared and the approval of the AG obtained to it.
- (ii) In preparing the annual programme, it should be ensured that all deletions and additions in the list of offices to be locally audited have been taken into account, the existing audits have been intensified where found essential and the existing party days for local audit have been increased or reduced wherever necessary so that the time and staff available are utilized to the best advantage.
- (iii) The local audit programme may be organized in such a way as to ensure that audit of all bodies and authorities selected under Section 14 and 15, Corporations, audit of which is entrusted under Section 19 of the CAG's DPC Act, 1971 and other institutions the audit of which devolves on the CAG under any law made by Parliament/State Legislature is completed according to the prescribed schedule. The performance audits of Schemes selected, should also be completed with the existing staff. The balance of staff may then be deployed on the normal work and it may be ensured that this is suitably phased so as to complete it with the available staff. For this purpose, it may be necessary to review the existing frequency and duration of inspection of offices coming under the usual local audit programme of this wing with regard to the importance of the audit of particular office/institution. For example, in case of institutions, the expenditure of which relates mainly to salary and allowances and audit of which is not likely to throw up important points for inclusion in the A.R. need be given only comparatively low priority in such programme. The intension is that while all institutions should be covered in the local audit programme over a period of time, it is not necessary to adhere to fix schedules of annual or triennial local audit in respect of

institutions, financial transaction of which are more of a routine nature and which do not generally deal with development programme. The old yard stick of fixed schedules of annual/triennial local audit in respect of institutions has become obsolete and the concept of any arrears in local audits should therefore not arise. All institutions should, however, be covered in local audit over a period of time without fixing any schedules.

(C&AG's letter No. 1062-BRS-192-74, dated 23.04.1975 and 380-Codes-1/41-74/Gr.-V, dated 05.08.1975)

- (iv) As great importance is attached by Headquarters and Government of India over the timely issue of audit certificates, the local audit of World Bank aided projects should be given priority.

(CAG's No. 711-Audit II/93-86, dated 12.05.1987)

2.07. Verification of points in Inspection Reports

(i) *Certification of Inspection Reports:*

During local audit, it should be ensured that all outstanding objections, raised during previous inspection are settled, wherever possible. The local parties shall take all the relevant files with them, verify the points either from the records of the office inspected or discuss the issues involved with the Management and record the results of verification in the relevant file over the signature of the Inspecting Officer for consideration of Sr. D.A.G. (ESA-II)/D.A.G. (ESA-II).

(ii) *Verification of Minutes:*

The party should scrutinize the original minutes and agenda notes in the units visited. (It is not customary for the Headquarters Section to supply to the inspection party the agenda notes/minutes received in the Section). The Hqrs. Section may refer particular aspects/points in respect of the minutes for detailed examination/in-depth study by the local audit party. Such a reference may be made in the following format

Sl. No.	Reference to minute Item No.	Subject in brief	Points to be scrutinized by party	Verification Results, whether points incorporated in para	Further Remarks by Hqrs.
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1	2	3	4	5	6
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(iii) Audit Note Book:

Care should be taken so that there is no omission in carrying out verification of points relating to Inspection Report and Minutes. For this purpose, an Audit Note Book in respect of each unit should be maintained. As soon as results of verification are received, suitable note thereof should be kept in the Audit Note Book with the attestation by the AAO ESA-II A folder in the form given in Annexure C is to be prepared for each unit audited locally and maintained to serve as a guide to audit.

2.08. Receipt of documents from Local Audit Parties

Immediately after completion of local audit or within seven days after the audit is over, the records sent from Hqrs. along with drafts Inspection Report and other materials are to be received at the Hqrs. and processed in the manner detailed in the succeeding paragraphs.

2.09. Processing of materials after completion of Audit

Where audit is conducted in more than one spell (in the case of Calcutta State Transport Corporation), Inspection Report should be issued for the audit scrutiny done in each spell so that the irregularity noticed by audit can be brought to the notice of the Management immediately. The Inspection Report for the final (last) spell should be issued after examining the accounts of that year.

(CAG's Letter No. 1009-CA/290-63, dated 07.12.1963)

After the final spell of audit, the following documents received from the Inspection Party are to be processed as detailed below:

1. Title Sheet and Inspection Report.
2. Note and particulars as regards settlement of paras of previous Inspection Report.
3. Action taken on the entries made in the Audit Note Book.
4. Action taken on Programme Audit Book, if any.
5. Audit Queries/Audit Enquiries.
6. Replies furnished by the Management on audit queries/enquiries.
7. Entries in the first page of the Inspection Report as regards discussion made on the points raised in the Inspection Report.

The Title Sheet to be attached to the Inspection Report should be in the pro-forma appended in Annexure D.

The Inspection Report should then be critically examined with reference to audit queries/enquiries issued and replies received thereon from the Management. The Inspection Report should then be edited and put up to Sr. D.A.G./D.A.G. (ESA-II) for approval and issue within a period of one month.

The Potential Draft Paragraph (PDP) cases should be noted in the Register of Financial Irregularities *viz-a-viz* Potential Draft Para Register. An advance copy of the para of Inspection Report based on which the Draft Paragraph (DP) is proposed, along with the PDP shall be sent to the Management/State Government for comment/replies. On receipt of the replies, the PDP along with key documents shall be finalized and handed over to the Report (ESA-II) Section for further processing.

2.10. Issue and pursuance of Inspection Report

Issue of Reports:

On approval of the Inspection Report by the Sr. DAG (ESA-II)/DAG (ESA-II), the same shall be sent to the Head of the Institution/Concern (say, Managing Director, General Manager or Officer-in-charge, etc.) with a copy to the Secretary to the State Government of the concerned administrative department.

Pursuance of Inspection Reports:

As per the prescribed time-schedule, replies to the points raised in the Inspection Reports are required to be received within four weeks from the date of receipt of the report by the Head of the concern/State Government. If no replies are received from the Management/State Government, D.O. reminders may be issued, if required, with the approval of Sr. DAG/DAG (ESA-II).

2.11. Register for watching the receipt and issue of Inspection Report

The issue of an Inspection Report must in no case be delayed beyond one month from the last date of inspection. On completion of audit, an Inspection Report presenting all the findings –both positive and negative –shall be issued within 30 days of completion of audit to each of the selected Audit Units with a copy to the corresponding next higher level in the organizational hierarchy and

to the lead team if constituted. A period of four weeks may be allowed to the Audit Units to provide responses to the audit findings contained in the Inspection Report.

2.12. Accounting Manuals

Each Statutory Corporation, Government Company or Government Commercial Concern should prepare a separate manual describing its organizational set-up, its financial and accounting arrangement, general system and procedure followed in running the day to day administration and so on. In cases where these are not prepared, the necessity of such manuals should be impressed upon.

Such manuals shall be prepared and finalized by the Management of the Companies/Corporations; and vetting of these by Audit is not necessary. If any Company/Corporation seeks advice from Audit authorities' on any specific problem, this may be given.

The Accounting Manual of Government Departments (inclusive of commercial undertakings run by the Departments) should be scrutinized in each case in terms of provisions of paragraph 34 of M.S.O. (Technical) Volume I.

2.13. Duties of ESA-II Hqrs. as Controlling Section

(i) Progress Reports of Inspection Reports

This return is to watch the prompt disposal of Draft Inspection Reports received from field parties. The RAP, S.P.U. and the RAO, CSTC are to furnish particulars of Draft Inspection Report received, and reports issued after editing by each Section. The ESA-II Hqrs. will consolidate these returns including the position of Inspection Report of that Section and submit the same to the Sr. DAG (ESA-II)/DAG (ESA-II)..

(ii) Clearance of Report during Local Audit

The local audit parties would send report of clearance of paragraphs of old Inspection Reports during local audit. The Resident Audit Officers & Sr. AO, ESA-II Hqrs would prepare a consolidated Report and submit the position of clearance of old paras and new additions to the Sr. D.A.G. (ESA-II)/DAG (ESA-II).

(iii) Inward Register

An inward register to watch the disposal of important correspondence will be maintained at ESA-II Hqrs. All papers from CAG, letter/replies received from other offices, D.O.

letters and reminders from Government or others relating to ESA-II Wing will be received at ESA-II being marked by the General (Record) Section. The Assistant Audit Officer will mark the letters and transfer them to RAO/RAP concerned if they relate to Transport or Electricity Audit. The ESA-II Hqrs. and RAO/RAP will prepare weekly letter reports and monthly letter report and submit the same as required under "Office Procedure (O.P.) Manual".

(iv) *Review of Monthly Arrear Report*

The Monthly Arrear Report of Transport and Electricity Audit are reviewed in ESA-II Hqrs. and a consolidated report is put up to Sr. DAG(ESA-II)/DAG (ESA-II by 2nd of each succeeding month and to A.G. by 7th of that month.

2.14. Other Important Duties of ESA-II Hqrs.

1. *Dealing with General Questions and Issue of Circulars*

All matters of general nature relating to ESA-II Wing are dealt with and necessary instructions in the form of circulars/notes, etc., are issued, wherever necessary, after getting approval of appropriate authorities.

2. *Check Register of Weekly Diaries*

The register of weekly diaries of local audit parties should be maintained at ESA-II Hqrs. and the register should be filled up with reference to the diaries forwarded by inspection parties and put up to Sr. DAG/DAG (ESA-II) for approval.

The weekly progress reports or diaries in Form No. SY-324 forwarded by the staff of local audit parties should show the progress of work of each Assistant Audit Officer and Sr. Auditor/Auditor separately during a week in respect of the items of work done in regard to audit undertaken. It should be ensured that the A.A.O. have examined the work done by each Auditor. It would also be seen that diaries are countersigned by Sr.A.O./A.O. where supervision is provided. It should be seen that diaries of parties in any week are received on the first day of the subsequent week.

3. *Check Register of T.A. Bills*

The register is intended to record the receipt of the T.A. (Travelling Allowance) Bills of the members of Inspection Parties as well as Officers. The T.A. Bills shall be verified

with reference to programme of parties, diaries, leave account, revision in programme, etc.

4. *Register of Government Companies*

A Register of Government Companies is maintained in ESA-II Hqrs. Section to record all particulars relating to Government Companies audited by this Office.

5. *Finalisation of Draft Paragraphs*

ESA-II Hqrs identifies paragraph from the respective Inspection Report having potentiality of being converted into Draft Paragraph. ESA-II/Hqrs forward the PDP to report section for further processing.

2.15 Scrutiny of Minutes of Board Meetings

Every company that is subject to audit by the CAG shall send copies of the agenda notes and minutes of the meetings of its Board of Directors, Board level committees and the Audit Committee, if formed, to the Accountant General (E&RSA).

(Regulations on Audit and Accounts, 2007, Regulation No 115 of Chapter 9)

Major decisions in companies, corporations are taken in the meetings of the Board of Directors. The decisions and deliberations in brief are incorporated in the minutes of the meetings. The CAG has decided that copies of the minutes together with connected agenda papers (where separately prepared) for submission to Directors should be sent by the company/corporation to the Officer-in-charge of Audit Office concerned by name in a confidential cover. In respect of companies, audit is entitled to get copies of minutes, agenda etc., in terms of Section 143 (6) of the Act as well as Chapter 9 Clause (e) of C & AG Audit Regulations, 2007. The Officer receiving these documents should keep them in his custody and review them and issue necessary instruction for a detailed examination of selected items to be made locally.

Where the agenda papers are not separately prepared and the relevant file and documents are put up to the Board of Directors, the authorities concerned should not be asked to compile separate information for being supplied to audit. In such cases, it may be possible to trace the relevant documents from other minutes of the Board meetings.

(CAG's letter No. 185-CA/87-RCA/63, dt. 4-7-1963.)

Copies of minutes and agenda papers from the date of commencement of audit or the date of incorporation may be called for from companies/corporations.

A review of minute/agenda would give not only a clear picture of the state of affairs of the company/corporation, but also enable audit to appreciate the difficulties faced by the company/corporation, from time to time as well as steps taken or proposed to rectify them. Major decisions taken in respect of purchases, sales, capital investment, projects undertaken, availability of funds, profitability analyses, etc., should be examined in detail to the extent possible and specific points should be marked for detailed examination during local audit.

2.16 Recovery of Audit Fee

When the CAG of India is the sole auditor of a body/institution, auditing charges will be payable by the auditee institutions in full unless specifically waived by the Government. No audit fee is, however, recoverable for superimposed audit. No cost of audit for ECPA, reviews of autonomous bodies be recovered even where cost of audit of accounts of these bodies is being recovered.

(C A G's Manual of Instructions for Audit of Autonomous Bodies Paragraph 15.10)

As authorised under respective Acts/Orders, audit fees are realisable from Calcutta State Transport Corporation, South Bengal State Transport Corporation, North Bengal State Transport Corporation, West Bengal Industrial Infrastructure Development Corporation West Bengal Electricity Regulatory Commission for the party-days utilized in connection with audit of these undertakings. Such fees are calculated by the Resident Audit Officer for Calcutta State Transport Corporation and by the ESA-II Headquarters' Section for the rest four concerns. The undertakings are intimated by the respective officers for depositing the same as receipts of Audit Department under the head "0070- Other Administrative Service- fees for Government Audit (Central)" in favour of "Pay & Accounts Officer (Audit), Office of the Accountant General (A&E), West Bengal".

No audit fee is levied in respect of audit of companies conducted under the provisions of the Act and in respect of those statutory corporation where audit by CAG is supplementary (i.e., in addition to that of the statutory auditors).

In respect of Departmental undertakings, the amount of audit fee is calculated and intimated to the undertakings for incorporation in the proforma accounts of the undertakings. The amount is shown as notional item in the revenue account, but is not recoverable from the

undertaking concerned. The progressive amount of audit fee is shown as “Un-discharged Liability for Audit Fee” in the Balance Sheet of the *Pro-forma* accounts

2.17 SCRUTINY OF ORDERS OF GOVERNMENT TO FOREGO RECOVERY

All orders issued by Government or any lower authority, forgoing or waiving recovery of amounts or writing off losses or deficiencies in cash or store mentioned in IR with the remarks of this wing should be accepted in audit by the Sr. AO/AO in-charge. Orders which can not be accepted owing to certain information being not forthcoming or which require further correspondence, should be recorded in the relevant audit note book so that the same may be verified by the inspecting party in subsequent audit.

FILING OF INSPECTION REPORTS

IRs should be preserved according to the following scale: -

Reports of Officer, the inspection of which is annual	5 years
Others	10 years

When finally disposed of, these reports should, therefore, be marked for destruction accordingly.

Further, the old IRs may be preserved for a period of one year after the objections are settled finally.

(AG's Order dated 16-4-1987 in file OA-I/RM/PD of REC/46)

REMINDERS FOR BROAD SHEET REPLIES

- (a) The following procedure should be adopted for issuing reminders in the case of non-receipt of Broad Sheet replies to IRs:
- 1) First reminder- After three months from the date of issue of the Inspection Report.
 - 2) Second reminder- After four months from the date of issue of the Inspection Report with a copy to the Head of the Department.
 - 3) Third reminder- Demi-officially after five months from the date of issue of the IR, to the Head of the Organisation with a copy to Government. Thereafter, demi-official reminders at intervals of one month.
 - 4) Delays over six months should be reported to Government demi-officially.

(b) The following procedure should be adopted for issuing reminders in case of non-receipt of replies to further comments of audit:

- 1) First reminder- After one month from the date of issue of further comments.
- 2) Second reminder- After two months from the date of issue of further remarks.
- 3) Third reminder- Demi-officially after four months from the date of issue of further remarks to the Head of the Department.
- 4) Demi-official reminder should be issued at intervals of one month. Delays over six months should be reported to Government demi-officially.

Civil Audit Manual (Inspection Civil Wing) (Volume I) Revised 2007

Annexure A**Para-2.02(iii)***Headings of Strategic Plan of Economic Sector Audit-II Wing-2xxx-2xxx {For three years}*

1. Introduction
 - 1.1 Vision
 - 1.2 Mission
 - 1.3 Our Core Values
 - 1.4 Rolling Strategic Plan
2. Plan priorities of Government of West Bengal
 - 2.1 Plan priorities of Government of West Bengal
 - (i) Power Sector
 - (ii) Industries
 - (iii) Information Technology
 - (iv) Tourism Departmen
3. Risk Assessment
4. Thrust Areas
 - 4.1 Focus areas: Government of West Bengal
 - 4.1.1 Investment and Industrial Policy of West Bengal
 - (i) Vision Statement of the Policy
 - (ii) Mission Statement of the Policy
 - 4.2 Focus Sectors and Policy Initiatives
5. Audit approach and methodology
 - (i) Financial Audit
 - (ii) Compliance audit
 - (iii) Performance Audit
- 5.1 Audit Methodology

- 5.1.1 Prioritisation
- 5.1.2 Integrated Audit
- 5.2 Financial Audit
 - 5.2.1 Audit of Accounts of the Public Sector Undertakings
 - 5.2.2 Audit of World Bank aided projects and Utilisation Certificates
- 5.3 Compliance audit and performance audit
- 6 Implementation strategy
 - 6.1 Individual Audit Plan
 - 6.2 Structural constraints
 - 6.3 Capacity Building
 - 6.4 Quality Assurance and Control
 - 6.5 Learning
- 7 Year-wise Audit Plan
 - 7.1 Audit Plan 20xx-xx
 - (a) Performance Audit
 - (i) Type of Audit
 - (ii) Theme
 - (iii) Sub-Theme
 - (iv) Topic
 - (v) PSUs to be covered
- 8 Conclusion

[Ref:389/ER/Coord/St.Audit Plan/2013-14/39-2013 dated 29-04-2013]

Annexure-B

Para 2.02 (xxiv)

**Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of
(name of the AB) for the year ended 31 March 2XXX**

1. We have audited the attached Balance Sheet of _____ (*indicate name of the AB*) as at 31 March 2XXX and the Profit and Loss Account/Income & Expenditure Account/Receipts & Payment Account (*strike out which is not applicable*) for the year ended on that date under Section 19(2)/19(3)/20(1)/20(2) (mention appropriate Section) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 read with Section _____ of the _____ Act, _____. (*mention the relevant section of the governing Act of the AB and the Act*). The audit has been entrusted for the period upto {*mention in case of Section 19(3)/20(1)*}. These financial statements include the accounts of _____ units/branches of the AB (*strike out if not applicable*). These financial statements are the responsibility of the AB's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. This separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any are reported through Inspection Reports/CAG's Audit Reports separately.
3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.
4. Based on our audit, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. The Balance Sheet and Profit and Loss Account/Income & Expenditure Account/Receipt & Payment Account dealt with by this report have been drawn up in the format approved by the (*mention the name of the authority approving the format*) under Section/Rules (*mention the relevant section of the Act governing the AB and the Act*).

iii. In our opinion, proper books of accounts and other relevant records have been maintained by the _____ [Name of AB] as required under section (*mention the relevant section of the Act governing the AB and the Act*) in so far as it appears from our examination of such books.

iv. We further report that

- A. Balance Sheet
- B. Profit & Loss Account/Income & Expenditure Account
- C. Receipt & Payment Account
- D. Accounting Policies
- E. General

{Note: Significant audit observations on financial statements may be classified into above categories and non-compliance, if any, of the Accounting Standards may be mentioned under respective category referring to any mandatory requirements to follow Accounting Standards by the AB}

- F. Grants in aid

Out of the grants in aid of Rs crore received during the year, the organization could utilize a sum of Rscrore leaving a balance of Rscrore as unutilised grant as on 31st March 2XXX
(Please mention if applicable)

- G. Management letter : Deficiencies which have not been included in the Audit Report have been brought to the notice of thethrough a management letter issued separately for remedial/corrective action. (*Please mention this comment, if any management letter is being issued*)

v. Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Profit and Loss Account/Income & Expenditure Account/Receipt & Payment Account dealt with by this report are in agreement with the books of accounts.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure-I (*number of annexures may be mentioned in case where there are more than one annexure to the Audit Report*) to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in India.

- a. In so far as it relates to the Balance Sheet, of the state of affairs of the _____ (Name of AB) as at 31 March 2XXX; and
 - b. In so far as it relates to Profit and Loss Account/Income & Expenditure Account of the profit/loss/surplus/deficit for the year ended on that date.
5. A review of accounts showing the summarized financial results of the AB for the last three years is given in Annexure-II (Para applicable where a review of accounts is issued to the AB).

For and on behalf of the C&AG of India

Principal Accountant General/Accountant General

Director General of Audit/Principal Director of Audit

Place:

Date:

Annexure-I to (Annexure)-B

It should contain the following comments/observations:

1. Adequacy of Internal Audit System: Whether internal audit system is adequate and commensurate with the size and nature of the AB. Deficiencies and weakness in the system and recommendations for improvement/strengthening of internal audit system.
2. Adequacy of Internal Control System: Whether internal control system is adequate and commensurate with the size and nature of the AB. Deficiencies and weakness in the system and recommendations for improvement/strengthening of internal control system.
3. System of Physical verification of fixed assets: Whether fixed assets have been physically verified by the management at reasonable intervals. Whether any material deficiencies were noticed on physical verification and if so, the same have been properly dealt with in the books of accounts.
4. System of Physical verification of inventory: Whether the physical verification of inventory has been carried out by the management at reasonable intervals.

5. Regularity in payment of statutory dues: Whether the AB is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Service Tax, Custom Duty, Cess and any other statutory dues at the close of financial year outstanding for more than six months from the date they became payable.
6. Any other observation on the functioning of the Corporation which suggests a significant risk to financial reporting.

Annexure-II to Annexure-B

(to form part of Audit Report where Review of Accounts is issued)

Review of Accounts of (name of the AB) for the year ended 31st March 2XXX by the Comptroller and Auditor General of India.

NOTE: This Review of Accounts has been prepared without taking into account the audit observations/comments contained in the Audit Report of the Comptroller and Auditor General of India.

(The above note should be mentioned before summarized financial results of the AB)

ANNEXURE-C

(Referred to in Paragraph 2.07)

Folder for Government Companies/Corporations

(Model Form)

In order to serve as a guide to audit/reference book, a folder shall be maintained in respect of each institution.

SECTION 'A'

1. Introduction-Formation/Historical Background.
2. Main objects (as laid down in Memorandum).
3. Names of Units/Branches and their location.
4. Line of production/activities actually undertakes with installed capacity.
5. Brief mention about the process of manufacture.

6. Organisation set up (in the form of a chart preferred and delegation of duties/responsibilities).
7. Capital structure (authorized, issued and paid-up capital, Government contribution, private participation).
8. Borrowing (Loan from Government/Industrial/Financial corporation/Banks/West Bengal Financial Corporation) with details of default, etc.
9. Cash credit arrangement with maximum limit and guarantee.
10. Expansion Schemes.
11. Details of contract with foreign firm: -
 - (i) Technical Consultation.
 - (ii) Turnkey agreement.
 - (iii) Erection and installation.
 - (iv) Other agreements.

SECTION 'B'

The various items of work to be done in audit are listed below. The points to be specially seen have been mentioned in the chapter for a particular concern in this manual. The folder may be revised suitably with addition/alteration of items: -

1. Cash Book – General review.
2. Petty Cash Book – General review.
3. Salaries and Wages Book: -

Stage allowed, method of fixation, rate of increment allowed, analysis of wages and allocation/apportionment of the same to job. Verification of leave granted with availability, etc.
4. Purchase – Major Examination of purchase transaction both local and foreign.
5. Purchase Return Book.
6. Sales Book – General review.
7. Bills receivable and bills payable books-General review.

8. Journal Book-General review
9. Creditor's Ledger-Examination of individual accounts, reconciliation of individual accounts with these in Central Accounts.
10. Debtor's Ledger-Examination of overdue accounts, provision for bad debts, adjustment of advances, periodical reconciliation with statement of accounts.
11. Nominal ledger-Examination of the following items with special reference to last year's profit, Rent, Rates, Salaries, Wages, Insurance, Telephone, Printing and Stationery, Discounts, Interest etc.
12. Stock-Valuation Method
13. Provision relating to depreciation, bad debts, income tax, and other taxes, accrued interest on loans.
14. Dividends.
15. Maintenance of Stationery Book etc.
16. Plant and Machinery Register.
17. Physical Inventory.
18. Examination of construction expenses estimates, invitation of tender, comparative statement, terms of contracts, periodical measurement with semi-class contracts, advance payments, guarantee clauses, obligations of the company for the execution of the contract, etc.
19. Examination of Costing Records - Booking of direct-materials, labour, apportionment of overhead, production programme and fulfillment.
20. Examination of the documents relating to: -
 - (i) Transport
 - (ii) Packing
 - (iii) Workshop
21. Examination of Agenda and minutes of the Meetings of the Board of directors and committees.
22. Examination of General Items:-

- (i) Sufficiency of depreciation, method applied
 - (ii) Reserves appropriated – classification
 - (iii) Sufficiency of working capital
 - (iv) Debt equity ratio
 - (v) Ways and means position
 - (vi) Stock/stores/inventory control
 - (vii) Preparation of budget, if any
 - (viii) Selling organisation
 - (ix) Capitalisation of expenses
 - (x) Pricing policy followed
 - (xi) Internal control system
 - (xii) Quantum and periodicity of Internal Audit
 - (xiii) Cash flow/fund flow statement
 - (xiv) Tax clearance certificate (Corporation Tax, Sales Tax, etc.)
 - (xv) General State of Books and Records, etc.
23. Examination of Annual Accounts (All schedules pertaining to Balance Sheet, Profit and Loss Account of the Company be placed in the file.)

CHAPTER 3

Report (ESA-II) Section

General

The Report (ESA-II) Section is under the direct charge of The Accountant General (E&RSA) and is supervised by a Senior Audit Officer (ESA-II).

1. Functions of Report Section in brief

- (i) Scrutiny of the potential draft audit paragraphs received from ESA-II Hqrs. with reference to key documents. Drafting and submission of DPs to AG for approval and issue of the same to the management with copy to Principal Secretary of concerned Department etc.
- (ii) Getting the topics/undertakings selected for Performance Audit in consultation with ESA-II Hqrs. and obtaining approval of the CAG for incorporation of the same in the Audit Report (PSUs).

- (iii) Preparation of guidelines, pilot studies in respect of Performance Audits in consonance with the Performance Audit guideline of the Head Quarters.
- (iv) Arrangement for holding meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) for obtaining the views of the Management as well as the Administrative Department.
- (v) Finalisation of performance audit reports after considering the views of the ARCPSE and issuance to the Management/Administrative Department for reply within six weeks.
- (vi) Preparation of Bond Copy of the Audit Report for finalisation by Head Quarters. In addition, paragraphs are given weights considering the money value and nature of audit observation.
- (vii) On receipt of the approval of the Head Quarter two copies of the Bond Copy of the Audit Report are sent to the Secretary to the Governor and the Principal Secretary, Finance Department for laying of the same in the State Legislative Assembly.
- (viii) Arrangement for the printing of the Audit Report in English as well as vernacular in adequate number from the Press.
- (ix) On receipt of the communication of the Assembly regarding tentative date of laying, printed copy of audit reports are handed over to the State Legislative Assembly for distribution among the MLAs as well as to the Finance Department.
- (x) Submission of briefs to O/o PAG (G & SSA) for arranging the Press conference after laying of the Audit Report.
- (xi) Distribution of Audit Reports to the Electronic and Printing Media and other Offices/Departments as and when required.
- (xii) Preparation of brief of important points in connection with discussion of Audit Report (PSUs) by the Committee on Public Undertakings (COPU).
- (xiii) Vetting of notes, reports, etc. forwarded by the Administrative Departments/Legislative Secretariat for being placed before the COPU.
- (xiv) Review the Reports of COPU/Audit Reports of other States and circulation of important comments in the reports to the concerned sections.
- (xv) **Preparation and submission of Strategic Audit Plan (SAP) (Rolling Plan for three years) of ESA-II Wing of Report Section after considering SAP prepared by Hqrs. Section as per guideline issued by the Headquarters' office for approval of AG and onward submission to the**

Headquarters' office latest by 15th February of every year for approval of CAG. Structure of Strategic Audit Plan has been shown in Annexure-A

(109/ER/Coord/Audit Plan/2013-14/164-2012 dated 05-02-2013 and letter No. 389/ER/Coord/St.Audit Plan/2013-14/39-2013 dated 29-04-2013)

2. Selection of Topics for Performance Audit.

The Report Section is to invite proposals from the Resident Audit Officers, attached to Electricity Companies (SPU), Calcutta State Transport Corporation, (CSTC) and ESA-II Hqrs. regarding the topics to be selected for performance audits for incorporation in Audit Report (PSUs) and for inclusion in Commercial Chapter to Audit Report (ESA-I). The suggestion of the State Government in this regard may be called from the Finance Secretary and Secretaries to the Government of the Departments which are in the Administrative control of the Companies/Undertakings.

Proposals should then be sent to the CAG in respect of the undertakings/topics to be selected for performance audits to be taken up for the ensuing audit report.

The CAG has decided that while sending proposals for selection of Companies/topics for performance audits, information in the prescribed proforma (Annexure-A) should be furnished.

(CAG's Letter No. 135-CA-II/271-81, dated 25.01.1982).

On receipt of approval as regards selection of undertakings/topics for performance audits from CAG, a Pilot Study is conducted to ascertain the suitability of the proposed performance audits. On receipt of approval from CAG's Office the performance audits is taken up. Instructions to be observed during and after completion of the performance audits are shown in "Annexure-B"

The Report (ESA-II) Section may watch the progress of the performance audits and bring out the cases of inordinate delay to the notice of appropriate authorities and should also initiate remedial measures to adhere to the due date of submission to Hqrs.

3. Time Schedule for Draft Materials

The target date (which is January) fixed for sending draft materials is only the final date by which all materials should reach CAG Hqrs' office and it is imperative that the materials should be sent in convenient batches. It may also be ensured that the replies to comments as well as revised draft chapters are prepared simultaneously within a fortnight after receipt of CAG's comment. The annotated chapters need not be sent to CAG in many batches but in two volumes – one for Companies and the other for Corporations.

The D.Ps. need not wait for selection of performance audits. They may be sent as and when ready. (D O No.1436/CA /ii/253/82 Dated 30-7-1984 from CAG's Office).

4. Guidelines for Draft Paragraphs

- (i) Facts and figures in the draft paras should be updated as far as possible and Government replies should be obtained.
- (ii) The draft para should give total picture of the incidence, the lapses and irregularities (with reference to the prescribed norms, guidelines, government orders etc.) and the persons responsible for the same.
- (iii) Categorisation of the paras for placing in Chapter-III should be made carefully keeping in view the ultimate audit conclusion of the paras.
- (iv) The Group heading of the para, title of the para, top gist and audit conclusion of the para should be mutually consistent.
- (v) Money value of the para should be clearly indicated in the para. The expression like "rendered the expenditure largely wasteful" or "objectives of the programme were not fully achieved" may be avoided in the Transaction Audit Paragraphs.
- (vi) Reply of the department and rebuttal thereof should be covered in the para/objection.
- (vii) Reply should be supported by available audit evidence and extreme care should be taken in utilizing the same for audit comment.
- (viii) Paras of similar nature particularly of same Department should be clubbed rather than submitting them separately.
- (ix) Long paras should contain conclusions as well as recommendations. Top gist in draft paragraphs and side gist should invariably be included.
- (x) Paras involving transactions between Government Departments including transaction with Government Undertakings may not be raised unless it is proved that payment made would not be recovered or adjusted.
- (xi) Chronology of the events in the para should be properly followed.

- (xii) Old paras generally (more than four years) should not be processed. If audit was conducted late, the audit observations should be pursued through Inspection Reports.
- (xiii) Facts and figures in the draft paragraph should be updated as far as possible and Government replies should be obtained.
- (xiv) The aggregate money value of a paras should not be below ₹ 10 lakh unless system lapses/cash loss/fraud etc. is involved. (Head Quarter letter no. 139.CA2/Co-ordination dated 08.02.2006). However, the aggregate money value of a para should be commensurate with the activities of the Audited Entity and with the total volume of transactions.
- (xv) Draft paragraphs should be realistic and mortality rate in any case should not exceed 10 per cent (No. 219/CAII/co-ordn/action plan 2004-05 dated 25.02.2005)

5. Points of Style Guide/Instructions for Drafting Materials for Audit Reports

- (i) Instructions of style guide limiting numbering of paras and sub-paras to 4 digits may be adhered to.
- (ii) Number less than ten should appear in words (one, two, nine) but number greater than nine should be used in numbers (10th, 12th etc.). However, sentences commencing with numbers irrespective of magnitude should state number in words e.g. twenty-one vacancy reported PHE, XYZ.
- (iii) Use lakh and crore instead of lakhs and crores. Sentence starting with monetary value should read like 'Rupees 1.78 lakh were shown as expended during January 2004 rather than "₹s 1.78 lakh were shown....."
- (iv) Per cent should be written rather than % and percentage rather than %age. A range of values should be expressed as 10-12 per cent, not 10%-12 or 10 per cent-12 per cent.
- (v) To draft well, a writer must know just what meaning he wishes to convey.
- (vi) A foreign phrase, a scientific word or a jargon word should be avoided when a straight forward English word is available.
- (vii) Use verbs actively, write short sentences and keep the essentials. The more complex the subject the simpler the style should be. Readers seem to be comfortable with the average sentence length of 15-20 words in most circumstances.

- (viii) Paragraphs should be no+ longer than a third of a typed page.
- (ix) Keep the abbreviations to a minimum, particularly where they are likely to be unfamiliar to the reader.
- (x) Decimals and fractions should not be used at a time; thus, either 3 ½ lakh or 3.5 lakh but not both. Commas should be used appropriately while writing figures (12, 34, 56, 789.99)

6 *Communication of draft paragraph to Government and discussion thereon*

The Accountant General (E&RSA) shall send a copy of the proposed audit observations in the form of a draft paragraph to the concerned Secretary to Government by name for communicating the comments, observations and explanation of the Government within a period of six weeks from the date of the letter or within such other period of time as may be specified. The Accountant General (E&RSA) shall also offer to discuss the draft paragraph with the Secretary at mutual convenience within the aforesaid period. A discussion may not be necessary in the case of a draft performance audit report that has been separately discussed with the Secretary at an exit conference in terms of the Regulations.

The Accountant General (E&RSA) shall simultaneously send one copy of the draft paragraph to the Secretary to the Finance Department, by name.

The draft paragraph shall be annotated with reference to the supporting audit evidence. The Accountant General (E&RSA) shall provide copies of relevant documents and evidence in his possession that may be required by the Government department.

7. **Reply to draft paragraph by Government**

- (1) The Secretary to Government of the concerned department shall (a) confirm or cause to be confirmed, the receipt of the draft paragraph to the Accountant General (E&RSA) as soon as it is received, and (b) communicate the comments, observations and explanation of the Government on the draft paragraph in writing to the Accountant General (E&RSA) by name within the specified period. The reply shall be signed by the Secretary or carry an indication of approval by the Secretary.
- (2) The reply of the Secretary to Government shall state:

- (a) Whether the department accepts the facts and figures mentioned in the draft paragraph; if not, the reasons supported by the relevant documents and evidence duly authenticated;
 - (b) Comments, observation and explanation of the Government on matters included in the draft paragraph;
 - (c) Government's response to suggestions and recommendations made in the draft paragraph;
 - (d) Remedial action taken or proposed to be taken; and
 - (e) Any other observations or remarks of the department.
- (3) Consistent with the schedule of preparation, finalisation and presentation of the audit report in the legislature, the Accountant General (E&RSA) may consider a request made by the concerned Secretary to Government for extension of time for sending the reply to the draft paragraph. Even such request shall (i) specify the reasons for seeking extension beyond the time stipulated, and (ii) state the date by which the final reply to the draft paragraph shall be sent to the Accountant General (E&RSA).
- (4) The Accountant General (E&RSA) will proceed on the assumption that the Government has no comments, observation and explanation in the matter in case a final reply is not received within the specified period or the extended period agreed to. The Government shall bear responsibility for the accuracy of the facts, figures and the related audit evidence mentioned in the draft paragraph in such cases.
- (5) The Accountant General (E&RSA) shall give full consideration to the reply of the Government. The draft paragraph may be modified or settled or may not be included in the audit report in the light of the reply.

8. Communication of finalised paragraphs for inclusion in Audit Report

After the draft paragraph has been finalised for inclusion in the audit report, the Accountant General (E&RSA) shall send copies of the finalised paragraph by name to the Secretary to Government of the concerned department and the Secretary, Finance Department.

9. Printing of Audit Reports

Immediately on receiving the Head Quarters approval, the report should be sent for printing and the same should be completed within 10 days through private printers, if needed. Translation of the report should be taken up simultaneously with the preparation of bond copy so that the draft-translated

version is ready by the time the approved bond copy is returned by Head Quarters. (Head Quarters letter no. 562/CA II/Co-order/Sr. Officer Meeting/2003-04/87-2004 dated 04.07.2005).

10. Forwarding copies of audit report for laying before Legislature

An officer authorized by the CAG shall send copies of the audit report duly signed by the CAG to the Secretary to the Finance Department, who shall take prompt action for the submission of the audit report to the Governor for further action and for the presentation of the report in the State Legislature. Copies of the audit reports under Section 19A of the Act shall be sent to the Secretary of the Department concerned, who shall take prompt action for laying the same in the legislature of the State.

11. Forwarding copies of audit report to the Secretary to Government after presentation

The Accountant General (E&RSA) shall send copies of the audit report to the Secretary to Government of concerned department after the presentation of the report in the legislature.

12. Forwarding copy of audit report to Secretary to the Governor of the State

A signed copy of the audit report shall simultaneously be sent to the Secretary to the Governor of the State, informing him of requisite copies having been sent to the Ministry/Department of Finance. [Regulation 210(2) under Chapter 15 of the Regulations on Audit and Accounts (Amendment), 2012]

13. Preparation of Action Taken Note (ATN) for submission to COPU

The Secretary to Government of West Bengal of the concerned department shall cause preparation of self-explanatory action taken note(s) on the audit paragraph(s) relating to his department, that are included in the audit report, for submission to the Committee on Public Undertakings. The self-explanatory action taken note shall carry the approval of the Secretary and State.

- (1) whether the facts and figures stated in the audit paragraph are acceptable and if not, the reasons for not pointing this out when the draft paragraph was received by the Secretary;
- (2) the circumstances in which the loss, failure, infructuous expenditure, etc. as pointed out in the audit paragraph occurred; whether due to (a) deficiency in the existing system including the system of internal control, (b) failure to follow the systems and procedures, or (c) failure of individuals including individuals at supervisory levels;

- (3) the action taken to fix responsibility on the individual(s) responsible for the loss, failure, infructuous expenditure, etc; and the likely time frame within which such exercise is expected to be completed;
- (4) the current status of recovery of any amount due to Government as pointed out in the audit paragraph and the action taken or proposed to be taken on the suggestions and recommendations made in the audit paragraph;
- (5) the result of review of similar other cases, and the action taken;
- (6) the remedial action taken or proposed to be taken to avoid occurrence of similar cases in future, to streamline the systems and to remove system deficiencies, if any; and
- (7) Such other information as may have been prescribed by Committee on Public Undertakings.

14. Vetting of action taken notes and responses on the recommendations of COPU by Accountant General (E&RSA)

States having legislative assembly where legislative committees desire the CAG to vet the action taken notes and the responses of the Government on the recommendations of the Committee on Public Undertakings, the following procedure will apply:

- (1) The Secretary to Government of the concerned department shall send two copies of the draft self-explanatory action taken note to the Accountant General (E&RSA) for vetting along with the relevant files and documents on which the explanatory note has been formulated, properly referenced and linked. This shall be done within such period of time as may be decided consistent with the requirements of the time-schedule for the submission of the self-explanatory action taken notes prescribed by the Committee on Public Undertakings.
- (2) The Accountant General (E&RSA) shall return the self-explanatory action taken note to the Secretary duly vetted as soon as possible but not later than one month. Subject to any requirements that may have been prescribed by the Committee on Public Undertakings, the vetting comments of the Accountant General (E&RSA) may include suggestions for further course of action.

- (3) The Secretary shall send the requisite number of copies of the vetted note, as prescribed by the Committee on Public Undertakings, to the Secretariat of the Committee on Public Undertakings in accordance with the time schedule prescribed by the latter and also forward a copy to Finance Department, and the Accountant General (E&RSA).
- (4) On receipt of the recommendations of the Committee on Public Undertakings, the Secretary shall initiate action to prepare the government's response by way of action taken note for submission to the Committee within such period and in such form as the Committee on Public Undertakings may prescribe.
- (5) The Government's response on the recommendations of the Committee on Public Undertakings shall be sent to the Accountant General (E&RSA) for vetting before its submission to the respective Committee with the relevant files and documents properly referenced and linked. The vetted comments of the Accountant General (E&RSA) shall be duly reflected in the response that may be sent to the Committee on Public Undertakings.

15. Duty of Government for systems and procedures to ensure timely response

It shall be the duty of the government to establish and enforce adequate and reliable systems and procedures, clearly defining *inter alia* the roles and responsibilities at all levels to ensure that (i) the replies to the draft paragraphs, (ii) the self explanatory action taken notes on matters included in the Audit Reports and (iii) the action taken notes on the recommendations of the committee on Public Undertakings are sent to the appropriate authorities within the time limit prescribed in each case.

16. Reporting of cases of delay to Government

The Accountant General (E&RSA) will report cases of delay to Secretary Department of Finance and to the Chief Secretary of the State Government. Cases of delay may also be appropriately commented in the audit report.

Statutory Corporations-Matters to be dealt with in the Conventional Audit Reports and Separate Audit Reports (SARs)

The Audit comments on the accounts of an undertaking may be of two kinds viz.:

- (i) Those arising out of the scrutiny of the accounts of the undertakings; and
- (ii) Those made on consideration of propriety audit which are of a prominent financial character requiring the attention of COPU.

The separate audit report will contain important points arising as a result of the audit of the undertaking, which is considered essential to bring to the notice of the Legislature and the Government. This report will be distinct from the conventional Audit Report which will contain such material falling under propriety audit and is considered necessary to be brought to the notice of the Legislature. The irregularities included in the conventional Audit Report need not necessarily relate to transactions/accounts of a particular year.

There is no restriction on the points which can be included in the Separate Audit Report but it is desirable that comments in such report should be confined to a brief factual mention of accounting or other irregularities, the facts of which are beyond dispute and in regard to which, apart from giving any explanation, the Administration is not likely to raise a controversy over the view expressed by Audit. Any important matter in regard to which Audit considers it necessary to express a view which will amount to a criticism of the Administration should be reserved for the conventional Audit Report.

Audit is not precluded from including in the Separate Audit Reports any comments relating to the accounts of the previous year if there is any important point on which adequate action has not been taken.

It is possible that there may be some overlapping in the audit comments appearing along with the annual accounts and those in the conventional Audit Report, if the material appeared worth inclusion in both places.

(CAG's Letter No. 2154-Rep. 339-61, dated 09.10.1961.)

ANNEXURE-A
Referred to in paragraph (2)

Information in regard to selection of undertakings/topics for review for inclusion in the PSUs Audit Report/Commercial Chapter of ESA-I Audit Reports for the year.....

1. Name of the Company/Corporation. :
2. Place of the registered office and branches (in case of Government Companies) :
3. Extent of review (whether the entire working or certain particular) aspects :
4. Status in case of Government company :
5. Object of the Company/Scheme in brief :
6. Brief description and activities undertaken :
7. How long in operation :
8. Capital structure/pattern of shareholding by Government/corporations/others (in the case of Government Companies) :
9. Borrowings (extent, purpose and defaults in repayment etc.) :
10. Statement of accounts-period for which accounts were prepared/audited :
11. Expenditure for the past three years (revenue and capital also indicating working results) :
12. Production/operational performance :
13. Sales performance :
14. Expansion programmes and extent of outlay and period of execution and date of completion :
15. Areas identified for review and important points to be stressed :
16. Special features, if any, and topics proposed to be covered in the review :
17. Consideration for selecting the Company/Corporation aspects for audit review :
18. Whether the Company/Corporation was covered in earlier audit review and if no, whether taken up by COPU and what are their recommendation and action taken :

- 19.** Whether the Company/Corporation has been subjected to suo motto :
examination by COPU earlier, and if so, the additional consideration for
review in Audit Report

ANNEXURE-B

Referred to in paragraph (2)

Instructions for collection of materials/drafting review paragraph

- (1) Audit objectives are to be clearly spelt out and should be in consonance with the objectives of the programme/department.
- (2) Audit criteria are to be decided keeping in view the Audit objectives set for the review.
- (3) Organisational set up should clearly indicate the implementing agencies at various levels (state level to village level) and their duties and responsibilities in brief.
- (4) In the financial management area, funding pattern, all sources of funds and all expenditure should be clearly mentioned. Wherever feasible expenditure incurred under various components of the programme should be indicated.
- (5) Expenditure figures obtained from the departments should also be verified with the Finance Accounts and Appropriation Accounts wherever feasible and source quoted.
- (6) All finance related points/sub-paras should be put under financial management.
- (7) The paras and sub-paras in the review should be carefully arranged so that a common reader can easily understand the programme performance, the constraints, lapses and ultimate impact.
- (8) The highlights should be carefully drafted to give a fair picture of overall implementation of the programme, shortfall in achieving the objectives/goals, lapses and irregularities.
- (9) Conclusion should be drawn from the audit observations and should indicate about the success or failure of the programme in specific terms.
- (10) Recommendations should be specific and action-oriented. These should have link with the audit objectives and audit conclusion.
- (11) In Reviews, narration should be concise, focused and lucid. Loosely knitted points often tend to fall apart and dilute the intended focus of the review;

- (12) A comparison in the narrative of the draft should be attempted with reference to a trend over a period of five years and not with reference to a chosen base year when the figures were lowest or highest as the case may have been.
- (13) Maintenance of records should be critically examined. Lack of proper maintenance of records leading to incorrect reporting of achievement should be focused.
- (14) Audit comments of insignificant amounts or where corrective action had been taken/presumptive objections/where the department reply is convincing should be reconsidered for inclusion by AG.
- (15) Contents of any Annexure should be carefully analysed and should be linked with the main body of the para. Spellings, abbreviations/acronyms and calculation of percentages should be accurate.
- (16) Abbreviations, acronyms, technical words or jargon used in the narration should be suitably expanded and explained through a footnote, if necessary.
- (17) Calculation should be checked thoroughly.

SECTION – II

CHAPTER 4 LOCAL AUDIT

4.01. Duties and Responsibilities of Local Audit Parties.

- (i) Local Audit of Government Companies is generally taken up twice in a year once for Efficiency-cum-Propriety Audit (ECPA) commonly called as Transaction Audit and the other for audit of Financial Statements under Section 143(6)(a) of the Companies Act, 2013.
- (ii) The audit of West Bengal Financial Corporation and West Bengal State Warehousing Corporation by CAG is supplementary. The statutory auditors are appointed in accordance with the provisions of the statutes governing them. The audit party has also to check the prescribed records in the Head office/units in accordance with the selection made and communicated by the ESA-II Headquarter Section. In the case of West Bengal Financial Corporation, the local audit party has to prepare Draft Audit Report in the prescribed proforma.

- (iii) The audit of transactions of the Departmental Undertakings is taken up annually and generally completed in one spell. The prescribed quantum of checks is applied to the initial accounts and the transactions. In case the annual accounts are not ready at the time of taking up the transaction audit, a separate spell of audit is arranged as and when the accounts are ready. The units of these undertaking are also audited based on selection made and communicated by ESA-II Headquarters.

4.02 Standards of Financial Propriety

It would be seen during transaction audit that the following rules/principles have been strictly observed by the executives:

- (i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- (ii) The expenditure should not be prima facie more than the occasion demands.
- (iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- (iv) Expenditure from public moneys should not be incurred for the benefit of a particular person or a section of the people, unless-
 - (a) a claim for the amount could be enforced in a Court of Law, or
 - (b) the expenditure is in pursuance of a recognized policy or custom.
- (v) The amount of allowances granted meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

4.03 Procedure for Local Audit.

The audit party shall examine records and details of transactions no doubt but should apply their mind to appreciate any transaction in its proper perspective. The party should make a study of the system and procedure prevailing in the institution, its system of internal check and internal control, budget, manual, administrative orders and annual report and also make a general review of agenda and minutes to form an idea of the institution as a prelude to commence audit. The local

audit shall be an intelligent scrutiny to assess the institution's performance in its proper footing and shall never be a routine exercise and a check in a mechanical way.

The purpose of checks to be exercised by local audit may be summarized as under: -

- (i) To ascertain the authorities competent to sanction expenditure, to receive or pay money, or incur liabilities on behalf of the institution.
- (ii) To understand the system of accounts followed.
- (iii) To check, as far as possible, the accuracy of original records viz. cash book.
- (iv) To see that all transactions are in accordance with the minutes of the meetings of the Board of Directors or order of competent authorities.
- (v) To investigate unusual items.
- (vi) To check compilation of the accounts from the original records and to suggest corrections in the classification of transactions.
- (vii) To review the procedure of stock taking and of the pricing of goods in hand.
- (viii) To check the financial results, i.e., the Manufacturing, Trading and Profit and Loss Account and Balance Sheet, which will indicate accurately the progressive position of affairs. Abrupt increase of expenditure over the previous year requires detail analysis. This necessitates investigation of procurement of assets (building, machinery, furniture etc.), the soundness of investments, debts due to the firm, and the correct allocation of expenditure to capital accounts.

(Paragraph 21 of "An Introduction to Indian Government Accounts and Audit")

The objection noticed as a result of audit should be recorded in the form of an audit query and the same is issued to the Management for obtaining their remarks.

The audit query should be prepared in duplicate and one copy be given to the Management even while the audit is in progress. The audit query should be in serial numbers and proper acknowledgement be obtained from the officer receiving the query.

Every effort should be made to get replies to audit queries. The drafting of Inspection Report should in no case be delayed due to non-receipt of replies to the audit queries issued to the Departmental officers at the time of local audit. There is no justification for the audit party waiting

indefinitely for a reply from the Management before drafting the Inspection Report, as it is the primary responsibility of Management to satisfy audit by furnishing replies to audit observations.

The audit party shall not wait for figures to be compiled by the Management to enrich the comments included in the paragraph, but shall take all possible care to compile the figures and collect the information from files, records and reports produced before them during local inspection and intimate the figures/information to the management for confirmation within the specified time limit and shall also state in the reminder (if no confirmation is received within a reasonable time) that “since the management has not contested the position as stated in the query, audit shall presume that the facts and figures stated in the query as correct” and then the party would draft the Inspection Report or PDP as the case may be.

No objection should be dropped without the specific approval of the Audit Officer-in-charge of the party or the Headquarter Audit Officer (if no officer is allotted for supervision of the Local Audit). The Officer-in-charge of the party should not accept vague replies but insist on the Management giving suitable explanation for omission and errors so that they are rectified as far as possible, even during the course of inspection. If the replies to the audit queries are incomplete or inadequate, points on which clarifications are required should be brought to the notice of the appropriate higher authorities in the Management. If any objection has been dropped from the Inspection Report during discussion, the minutes of such discussion should be kept to enable Headquarters to understand the circumstances under which objection has been dropped.

4.04 GUIDELINES OF SUPREME AUDIT INSTITUTION (SAI) TO BE FOLLOWED:

Auditor should keep in view the guidelines on Auditing Standards issued in 2017 by the SAI. Audit should pay particular attention to quality assurance programme to improve audit performance and the result thereof. The following steps should be ensured:

- (a) The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.
- (b) It is the duty of audit to bring to light wastefulness, failures, system weaknesses, deficiencies and the circumstances leading to infructuous expenditure.

- (c) Audit should see the correctness and sufficiency of the form and content of the financial report and other information.
- (d) Consistency in following accounting standard for expressing fair opinion on the performance of an auditee.
- (e) Adequacy and reliability in internal control systems to protect the resources of the company and ensure that applicable statutes, regulations are complied with. Auditors should make use of the INTOSAI guidelines on evaluation of internal controls and reporting thereon. Audit should confirm that internal quality assurance processes have been operated satisfactorily.
- (f) Auditor need to be alert for situations, or results, which could be indicative of fraud, improper, or unlawful expenditure, unauthorized operations, waste, inefficiencies or lack of probity.
- (g) Audit should satisfy itself that Accounting Standards and Standard Auditing Practices as issued by ICAI have been complied with.
- (h) Audit must apply adequate procedures to provide assurance that the other auditors have exercised due care and complied with relevant auditing standards, and may review the work of the other auditors to satisfy itself as to the quality of that work.
- (i) In conducting regularity (financial) audits, a test audit should be made in compliance with applicable laws and regulations. The auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the financial statement or the results of regularity audits. The auditor should also be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statement or results of regularity audits.
- (j) Competent, relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding the organization, programme, activity or function under audit.
- (k) The work of audit staff at each level and audit phase should be properly supervised during the audit and a senior member of the audit staff should review documented work.

4.05. Audit Note Book.

An Audit Note Book showing broadly the essential particulars relating to the objective and functions, organisational set up, system of internal audit etc., and also the various registers/records maintained by each institution, should be prepared and updated, wherever necessary. The details as to which member of the party checked a particular document should be indicated against the respective item in the Audit Note Book.

4.06 Inspection Report.

After examining the replies received for audit queries and after verification, if required, of the matter dealt in the audit query, the Inspecting Officer would decide what matters would be included in the Inspection Report. The Draft Inspection Report will be finalized and discussed with the Head of the Office/Chief Executive of the Undertaking.

The party should forward to headquarter all documents such as Draft Inspection Report, Certified accounts, draft comments, rough notes, etc., with a covering list immediately after the audit is over but in any case not later than 5 days after the completion of field audit.

4.07 Attitude of Inspecting Staff.

The members of Local Audit Parties should conduct themselves in such a way as to avoid any mis-understanding or friction with the auditee. Their attitude shall be one of assisting the units and not merely to criticize but to avoid raising frivolous objections. They should bear in mind that unnecessary meticulous and badly expressed objections not only bring discredit to audit and cause annoyance to the company officials but increase the work at both ends. The members of audit party should maintain a strictly detached and dispassionate attitude in day to day conduct of their work.

(D.O. Letter No. P/5588/56, dated 23.10.1996 from CAG's office)

Inspecting officers should not make suggestions asking the officers to maintain records other than those prescribed or to dispense with any prescribed record. They should be circumspect when discussing the objections with the Departmental officers. If their advice is sought on any matter by the local authorities, they may do so only in regard to minor cases. The substance of the advice so tendered should be included as a brief note in the Inspection Report for information of the main office.

4.08 Attendance of Party.

The Assistant Audit Officer of each Inspection Party is supplied with an Attendance Register. The register should be submitted to the Audit officer when he visits the party.

Casual Leave should normally be availed of by the members of Inspection Parties only after obtaining prior sanction. Casual Leave Register is maintained by ESA-II Headquarters. The party may itself maintain a Casual Leave Account for ready reference. The Casual Leave applications should be sent to Headquarters.

4.09 Quantum of Checks.

Normally only routine items of work are entrusted to Auditors. Inspecting Officers (AAO/AO/ Sr. AO) while doing the original work are required to supervise the work of Auditors.

(CAG's Letter No. 598-CA-IV-87-74, dated 13.09.1974)

(a) Duties of Supervisory Officer

The duties of Supervisory Officer, apart from what has been stated elsewhere and in the preceding or succeeding paragraphs/chapters, shall be the following: -

- (i) The Supervisory officers shall call on the Chief Executive of the Undertaking or Head of the office and have general discussions with him at the time of commencement of audit.
- (ii) During supervision, the local audit party works under his control. He has to ensure that the prescribed quantum of checks have been completed by the local audit party (all members jointly)
- (iii) If the test check reveals any serious irregularity, he should get in touch with the Group Officer with a view to making arrangement for detailed investigation.
- (iv) If he finds that any of the irregularities noticed could be considered for further processing into DP for incorporation in Audit Report, he should see that a paragraph is drafted separately, copies of all relevant key papers are collected, and replies of the Management obtained. A self contained, DP should be forwarded by him directly to the Group Officer.
- (v) He should complete those items of original work which should be carried out as per orders of A.G. issued from time to time. The items of work checked by him personally should be recorded in the title-sheet to the Inspection Report.

- (vi) The Inspecting officer should write the report himself and should not leave it to the subordinates to do the drafting.
- (vii) He should discuss the Draft Inspection Report with the Chief Executive/Head of the office and obtain his signature in token of verification of facts and figures and of having discussed the Draft Inspection Report. The following forwarding memo may be written :

“Forwarded to the (write here the designation of the Head of the office visited) for perusal”.
Detailed replies are not necessary at this stage. Any mis-statement of facts may be pointed out.

(b) Duties of Assistant Audit Officer

The Assistant Audit Officer is generally guided by the Supervisory Officer and shall conduct audit in accordance with his instructions. The AAO should see that:

- (i) The allocation of work in between the members of the party has been carried out in such a way as to complete the work within the time allowed in the programme approved by the Group Officer. If the work can not be completed within the allotted time, the A.A.O. shall apply for extension of time with justification through ESA-II Headquarter for approval of Group Officer. Approval of Supervisory Officer may be obtained before submission of same to Headquarters.
- (ii) Items of work completed should be indicated in the title-sheet.
- (iii) The Auditors have satisfactorily completed the work assigned to them.
- (iv) The points marked by ESA-II Headquarter for local verification, including those relating to Agenda and Minutes, have been examined and put up to the Inspecting Officer.
- (v) Work diaries are written up daily by the Auditors and the work diaries of all party personnel are put up to the Inspecting Officer on the dates of supervision and the diaries are despatched to Headquarters at the end of the week regularly.

When no supervision by an Inspecting Officer (Audit Officer/Senior Audit Officer) has been provided all the responsibilities of an Inspecting Officer in respect of audit of the Institution would rest on AAO.

4.10 The general allocation of duties in respect of audit of annual accounts and audit of transactions among the Sr. AO/AO, AAO, Sr. Auditor/ Auditor have been indicated at Annexure: “A” & “B”

4.11 Following items are to be seen in connection with the audit of Material Management during local audit.

MATERIALS MANAGEMENT

Organisation and functions of the Central Purchase Organisation (CPO):

The Central Purchase Organisation of Companies/Corporations functions under the Chief Materials Manager/Material Manager. The functions of the CPO include tender related works, preparation of list of vendor base for various items for limited tender enquiry, guiding/ coordinating field/indenting offices with regard to purchases, processing and issuing of purchase orders and post-purchase order coordination with indenting officers and suppliers. In addition to the CPO, purchases are also being made at field level as per the delegation of financial powers.

In Government Companies/Departmental Undertakings, purchases are generally made through tenders, which are of following types: -

(i) Open Tender

Open Tender may be preferred when value of supply/work is very high in order to achieve economy through competition. It may be called within the country or globally in order to get most effective offer in terms of value and efficiency. In terms of rule 47 of the West Bengal Financial Rule –Open tender shall invariably be invited for supply of articles or stores for execution of work and services worth Rupees 20,000/-or more.

(ii) Limited Tender

To save money and time the limited tender may be called from listed contractors. However, the value of such contract should not generally be high.

(iii) Single Tender

Single tender is prepared when the material is proprietary in nature or a Rate Contract item.

Generally lowest quotation is accepted in order to maintain economy in purchase. However the purchase authority should decide considering the quality of the material to be procured.

Critical records to be seen during Audit:

- i. Registers of Sale of Tender Documents.
- ii. Register of Earnest Money Deposits.
- iii. Tender Opening Register & Comparative Statements
- iv. Individual Purchase Order files.
- v. Files relating to Tender Committee meetings.
- vi. Register of Security Deposit.
- vii. Register of Bank Guarantees.
- viii. Register of Advance to Suppliers.
- ix. Register of penalties imposed / recovered.
- x. Suppliers' bills register.

Audit of Purchase:

Knowledge regarding actual market price of the goods or services prevailing at the period of tender is the pre-requisite for the commencement of purchase audit. For ascertaining the price, audit may take help of recent price bulletins available with the company or collect from different sources viz- DGS&D Rate Contracts and compare the same with the purchase order price.

Sometimes there are two kinds of bids- technical and commercial. When a firm's goods match with the technical aspects of the items to be procured then only commercial bids are opened to know the price bid. The following items to be scrutinized in this connection-

- i. Whether appropriate vendor base for various items is being prepared, maintained and updated at regular intervals, for which limited tender enquiry and/or single tender enquiry is to be issued.
- ii. Whether the vendor base includes only the vendors who have proven records of performance in respect of technical, financial and past purchase compliances.
- iii. Whether the limited tender or single tender was invited based on adequate reasons in the given circumstances.

- iv. Whether the limited tender or single tender enquiry is requested by the indenting officers only in writing and purely on technical ground/emergency.
- v. Whether the delayed tender, late tender and incomplete tender are dealt with appropriately as per the rules / regulations of the Companies / Corporation.
- vi. Whether all tenders are opened on due dates, place and time specified in the NIT in the presence of intending tenderers. Whether all corrections and over writings are initialed by the tender opening committee and number of corrections and overwriting in each page recorded under the dated initials .
- vii. Whether earnest money deposits furnished by suppliers are noted in a register with sufficient details and reference to refund of earnest money is entered under proper attestation against the relevant deposit.
- viii. Whether the bank guarantees furnished by suppliers are noted in a separate register and timely action taken for their renewal keeping in view the delivery period of materials.
- ix. Whether the purchase procedure starts immediately without any undue delay on receiving the indent. Whether the indent is complete in all respects such as nature of purchase, technical specifications of items, estimated prices, back-up sheet, urgency etc.
- x. Whether the technical and commercial terms and conditions for a bid is frozen before opening the price bids.
- xi. Whether the lowest offer was accepted in each case. In case this was not done, whether adequate justification has been mentioned for rejecting the lowest offer , the difference between the lowest offer and that accepted should also be quantified. If the purchase order contains a price variation clause, the same should be examined, to verify whether it is appropriate.
- xii. Whether the foreign purchases are made, as far as possible, with due consideration of import substitution, economy and foreign currency expenses.
- xiii. Whether the technical specification is incorporated in the purchase orders without any ambiguity as per the user / indent requirement.
- xiv. Whether the liquidated damages clause invariably incorporated in all the purchase orders where delay in delivery create complication in the execution of related works / projects and/or financial burden to the Corporation/Company.
- xv. Whether the delivery terms and condition indicating delivery schedule, place of delivery, inspection of stores, despatch instruction, particulars of consignee etc. including transport contractors duty and responsibility are clearly spelt out in purchase order.

- xvi. Whether the purchase of coal is made from different suppliers {viz., BCCL, CCL, ECL, etc.} as per allocation and economy in transportation is kept in view (in respect of power sector).
- xvii. Whether a proper clause is entered into in the coal/other fuel purchase contract regarding determination of grade of coal.
- xviii. Whether all advances paid to suppliers against a particular purchase order are noted in a Register and final adjustment is watched through the same.
- xix. Whether the unloading of coal/ other fuel from wagons are made within the time limit prescribed by the railways.
- xx. Whether the comparative statements of the tenders are correctly prepared and checked by Accounts/ Finance representative.
- xxi. Whether the tenders are finalized within the validity periods. Cases in which extra expenditure incurred due to delay in finalisation of tenders should be examined.
- xxii. Whether a register of purchase order is maintained and progress of deliveries is watched.
- xxiii. Whether amendments to purchase orders are approved by competent authority.
- xxiv. Whether the rates paid agree with those shown in the contract / purchase orders.
- xxv. Whether the certificates regarding quality and quantity of stores purchased have been furnished by the consignee or by the appropriate authority before payment is made.
- xxvi. Whether orders for purchase were splitted up so as to keep within the financial powers of the issuing authority. Valid reasons for splitting up of the purchase may be examined.
- xxvii. Incase where more favourable or advantageous offers were rejected on the ground that the firms were unapproved or lack experience it should be examined whether feasibility of placing a trial order on the firm was considered with a view to achieving economy.
- xxviii. Whether the successful tenderer had indirectly derived any advantage over other tenderers because of the insertion of certain special conditions, it should be examined whether incorporation of these special conditions resulted in any avoidable expenditure.
- xxix. Whether the difference between the purchase price finally accepted and that estimated in the tender is within reasonable limit, if not, it should be examined whether acceptance of higher purchase price is justified.
- xxx. Whether the purchase order was placed with a registered firm, in case this was not done, whether sanction of the competent authority was obtained and obtaining appropriate security, guarantees, etc. were insisted upon for adequately safeguarding Company's / Corporation's interests.

- xxxi. Whether the accepted rates/ prices had been modified or revised in any case after conclusion of the contract and if so, whether this was done with the approval of the competent authority and the reasons justifying the revision were adequate.
- xxxii. In case any supplementary contract had been negotiated or payments authorized for any additional services required subsequent to the acceptances of the tender, the appropriateness thereof should be examined from the competency and proprietary angle.

4.12 Audit of Stores Management

Stores in many cases result in blocking up of capital for long periods, this may not be justified unless essential. In order to ensure this and affect economies, appropriate stock limits for different categories of stores should have been fixed by the Company/Corporation. Audit may, therefore, see that this has been done and that balances in stock do not exceed the prescribed limit. Audit should also scrutinise cases of purchase of stores without actual need or in excess of requirement, resulting in accumulation of idle stock and consequently resulting in blocking of capital. Similarly audit may also look into cases of purchases less than the actual requirement that might have affected adversely the progress of works and resulted in subsequent procurement at enhanced cost.

Audit of Stores Records

- i. Whether the stores have been physically verified periodically to guard against any loss, pilferage etc.
- ii. Discrepancies, if any, between the book balances and the ground balances have been reconciled promptly.
- iii. Appropriate and effective follow-up action has been taken on reports of physical verification of stores for making good any losses, shortage etc. and to fix responsibility thereof.
- iv. Adequate precautionary measures have been taken to prevent cross issue (different specification under the same store material) and misuse of materials issued to contractors for use in works.
- v. Adequate storage facilities are available and precautionary measures have been taken to protect stores from damage and undue deterioration.
- vi. Efforts have been made to divert the surplus stores to other works, divisions or department where these could be utilised. For this purpose circular should be issued from time to time
- vii. A report on obsolete and unserviceable stores, specifying the reasons for so declaring them, has been properly sent to the competent authority for facilitating their disposal.

- viii All issue of stores are supported by proper indents have been approved by the competent authority.
- ix Audit should ascertain whether all stores were examined on receipt and while accepting delivery, to determine their condition and to ensure that they were of the approved quality, make and specifications and the qualities conformed to approved specification.
- x. The stores have been taken on stock and entered in the Goods Received Note/Bin card.
- xi.. Price store ledgers containing the value account of stores have been maintained. Reconciliation should be made between balance of quantity as per Stock Register and those of Priced Stores Ledger, if there is any discrepancy. For this purpose Goods received notes, Stores transfer notes, Goods Return Notes, Suppliers bills etc should be examined to verify the actual stock position. Moreover, it should also be seen that stock ledgers are updated. Carry forward of balances from the previous year ledgers should be checked with the opening balances of the current year ledger.
- xii.. The competent authority should have accorded sanctions for write-off of stores. Any deficiencies in the systems requiring attention should be brought to the notice of the authority.

4.13 Audit of contracts:

When two or more persons with common intension to communicate each other to create some obligation between them is called an Agreement. An agreement which is enforceable by law is called Contract. On an offer being accepted it imposes an obligation upon the person making the offer. Thus it is to be seen that the agreement was accepted by the contractor/suppliers, otherwise the latter would not be held responsible for non-executing the assignment. The responsibility for the conclusion of contracts for works to be done and supplies to be made and enforcing them rests with the executive. However, scrutiny of these contracts or agreements constitutes one of the important functions of audit. The objective of such a scrutiny is to see whether the contracts of agreements have led to wastage of public money and also ensure that the rules and regulations provide reasonable security against malpractices.

[Paragraph 3.7.1 of C&AG's MSO (Audit) 2002]

General principles governing audit of contracts

- (i) The terms of a contract must be precise and definite, and there must be no room therein for ambiguity or misconstruction.
- (ii) As far as possible, legal and financial advice should be taken in the drafting of contracts before they are finally entered into.
- (iii) No contract involving uncertain or indefinite liability or any condition of an unusual character should be entered into without prior consent of the competent financial authority.
- (iv) Similarly, terms of a contract once entered into should not be materially varied without the prior consent of the competent financial authority.
- (v) Contracts should invariably be executed only after inviting of open tenders and the lowest tender accepted. In cases where it was not considered practicable to invite open tenders or to accept the lowest tender, the reasons for deviations should be recorded.
- (vi) In selecting the tender to be accepted, the financial status of the tendering individuals and firms must be taken into consideration, in addition to all other relevant factors.
- (vii) Even in case where a formal written contract is not entered into, no order for supplies should be placed without at least a written agreement in regard to price.
- (viii) Provision must be made in contracts for safeguarding government property if entrusted to contractors.
- (ix) When a contract is likely to endure for a period of more than five years, it should include, whenever feasible, a provision for its unconditional revocation or cancellation at any time after the expiry of six months' notice to that effect.
- (x) Compare the conditions included in the "Notice Inviting Tender" with the agreement and whether any deviations made? If so what were the reasons and financial implications for such deviation.
- (xi) Whether clauses of "liquidated damages", escalations etc were correctly included without causing any financial loss to the Company? Moreover penalty recoverable should commensurate with the actual loss suffered by the organization. Thus, in case of replacement of generators, boilers, etc. (in case of electricity companies) provision should be inserted so

that delay in completion should attract value of loss of generation for such period instead of a general penalty clause imposing five or ten percent of the contract value.

[Paragraph 3.7.2 of C&AG's MSO (Audit) 2002]

4.14 Audit of Establishment

A. HUMAN RESOURCE DEVELOPMENT (HRD)

In corporate office HRD department is headed by Director (HRD)/Manager. The main functions of HRD Department are as under:-

- (i) To deal with recruitment, transfer and posting of all employees.
- (ii) To deal with confidential and disciplinary issues.
- (iii) Assessing the requirement of fund for welfare activities.

The following may be examined in audit :-

- (i) Scrutiny of records relating to appointment-whether procedure adopted for recruitment is as per Corporation's/Company's directives and whether the appointment is within the sanctioned strength.
- (ii) Detailed examination regarding justification for appointment of casual labourers.
- (iii) Detailed scrutiny of payments made to casual labourers.
- (iv) Confidential/Disciplinary matters should be verified. Whether any disciplinary action, recommended against any employee by competent authority, has been strictly adhered to; if not, the fact should be highlighted.

B. Cash Books/Cash Accounts

Verification of Cash Book/Cash Account requires greater attention. Following points should be carefully verified:-

- (i) It should be seen that instructions issued by the Corporation/Company for writing Cash Book are strictly followed.
- (ii) That the Cash Book is balanced daily.
- (iii) That the actual balance of the cash in chest is invariably stated in the body of the cash book both in figures and words at the end of each month.
- (iv) That the disbursing officer checks all the entries in cash book as soon as possible after the date of their occurrence and initials the book with date after the last entry is checked.
- (v) That the actual balance of cash in chest is counted by the Disbursing Officer himself on the last working day of each month but where this is not possible, that the cash balance is counted on the first working day of the following month before any disbursement is made on that day and records a certificate in cash book under his dated signature that he has verified cash balance in hand and found that it agrees with balance as shown in the cash book. In case of discrepancy he invariably records a note in the cash book and takes prompt action immediately.
- (vi) That the cash held by sub-ordinate officers is checked at least once in two months by the Controlling Officer.
- (vii) That the totaling of cash book is correct.
- (viii) That each entry of payment is supported by a genuine voucher passed for payment by the Competent Authority with a certificate of disbursement signed by himself or an authorized sub-ordinate.
- (ix) That the vouchers contain full and clear particulars of the claims and all information necessary for its proper classification and identification in the account.
- (x) That the arrangement for the drawal of cash from treasuries/banks, custody, payment and accounting should be examined to see that they are in conformity with the prescribed rules.
- (xi) All entries regarding receipts of cash as shown in the counterfoils of receipt Books as well as cash drawn from banks duly certified under proper dates and with correct particulars.
- (xii) That there is no tendency to keep unduly large balance in hand.

- (xiii) That there is no unusual time lag in issuing cheques to the payees after receipt of the passed bills in the cash section.
- (xiv) The register of cheque books is maintained as per rules.
- (xv) That register for recording daily balance is verified by the officer-in-charge of the cash.
- (xvi) That the chest has been adequately insured so that actual holding of cash should not exceed the limit covered by insurance.
- (xvii) Whether there was any withdrawal from bank for payment despite having adequate balance in cash.
- (xviii) Withdrawal of money through "self cheques" should be discouraged as far as possible.

C. Cheque Books

Cheque Books required by disbursing officers are obtained by them from the respective banks. It should be scrutinized:

- (i) That the cheque books on receipt are carefully examined by the disbursing officer who should count the number of cheques contained in each and record a certificate of count on the fly leaf.
- (ii) That the cheques books must be kept under lock and key in the personal custody of the disbursing officer. Counter foils of the used cheque books should be carefully preserved.
- (iii) That the disbursing officer draws cheques for the minimum of cash actually required to meet current disbursement only.
- (iv) That in case of expiry of the currency of Cheque due to non-presentation within three months after the month of issue, it may be received back by the drawer who should then destroy it and draw fresh cheques in lieu of it. The fact of destruction and the number and date of new cheque and old cheque are required to be recorded in the counter foils of old and new cheques and that necessary entries are recorded in the cash books.
- (v) That on receipt of a cheque being lost the drawing officer shall obtain a certificate from the bank to the effect that the relevant cheque has not been paid and will not be paid in future on presentation.

- (vi) That when a cheque is required to be cancelled the fact of cancellation should be recorded in the counter foil and the cheque, if in the possession of drawer should be destroyed, If the cheque is not in the possession of drawer, he should promptly request the bank to stop payment of the cheque and on receipt of confirmation from the bank written back entry is to be passed in the books of accounts. A cheque remaining unpaid for six months after the month of issue should be cancelled and written back.
- (vii) That a register of cheque book is maintained in the form prescribed by the Corporation/Company.

D. Counter foils of paid cheques

- (i) It should be seen that the details recorded in the counter foils of cheque books agree with the entries made in the cash book.
- (ii) In case of paid cheques, the endorsement thereon should be compared with acquittance on vouchers.
- (iii) The monetary limits prescribed by the Corporation/Company from time to time for signing of cheques on behalf on the Corporation/Company are duly observed and initials of concerned officer/officers are recorded in the counter foils.

E. Bank Reconciliation

A Bank reconciliation statement is required to be prepared monthly and the position of the differences should be clearly explained month wise separately in the monthly abstract and shown in monthly accounts submitted by the Corporation/Company.

It should be seen: -

- (i) That the balance in the bank column of the cash book is reconciled with the balance reported by the bank in the pass book or in the bank scroll.
- (ii) That every old items remaining un-reconciled are brought to the notice of higher authorities for investigation.
- (iii) That prompt action is taken with the bank authorities for early settlement of all differences.

- (iv) That the closing balances at the end of the financial year as incorporated in the Annual accounts are fully reconciled with the balance reported by the bank.
- (v) One month's bank reconciliation (Preferably end March of FY) should be carried out by the party from the original records.

F. Advances to officials

Various loans and advances such as advances for construction of houses, purchase of conveyances, advances of traveling allowances, advances of pay on transfer, festival advances etc. are granted to the officials of the Company/Corporation.

Some of the important points to be looked into in the course of audit.

- (i) It should be verified that competent authorities have sanctioned the loans and advances to the officials in accordance with the rules and orders governing them.
- (ii) In cases where utilisation certificates are required to be furnished by the beneficiaries, it should be verified that the respective offices have been obtaining these.
- (iii) Audit should also verify the fulfilment of the conditions relating to mortgage, insurance etc.
- (iv) The position of recovery of the advances to be watched. The concerned recovery register may be verified to see that opening and closing balances are noted correctly. Amount of advance sanctioned and recovery particulars are noted promptly and accurately.

G. Service Book

The service book shall be maintained for each official from the date of his first appointment. Every step in the official life must be recorded in the service book and each entry must be attested by the competent authority. The head of the office must see that all entries are duly made and attested and the book contains no erasure or overwriting, all corrections being made are properly attested.

At a fixed time early in the year the service books should be taken up for verification by the head of the office who after satisfying himself that the service of the employees concerned are correctly recorded should record in it a certificate over his signature.

The following points relating to service books should be checked.

- (i) Relaxation, if any, of age and/or education qualifications.
- (ii) Declaration in regard to marital status
- (iii) Declaration of home town and acceptance thereof.
- (iv) Nominations in respect of death-cum-retirement gratuity and provident fund.
- (v) Details of family.
- (vi) Options exercised in respect of service matters.
- (vii) Condonation of breaks in service, if any
- (viii) Orders, if any, in regard to change in birth date.
- (ix) Change in name.

H. Fixation of Pay

When there is a general revision of pay, fixation of pay in such circumstances should be test checked during local audit with reference to service books. When, however, a new time scale of pay is introduced or an existing time scale of pay is revised the calculation of initial rates of pay and date(s) of next increment fixed for each official should be scrutinised after calling for the service book and such other necessary particulars as is deemed convenient.

I. Travelling expenses bills.

The following points are to be seen during audit of travelling expenses bills

- (i) The bill does not contain erasures and overwriting [T.R. 4.025(6)].
- (ii) The hour of arrival at and departure from the Head Quarters/residence/station/Bus-stand/Airport shown in the bill [Rule 71A of WB SR-II]
- (iii) Whether purpose of journey has been stated (Rule 60 of WBSR II)
- (iv) Whether hour of arrival at and departure from, halting place has been shown in the bill (Rule 71A of WBSR-II).
- (v) Whether head quarters stated in the bill(Rule 33 of WBSR-II)

- (vi) Whether basic pay has been indicated (T.R. form No. 21/22/23).
- (vii) Whether bill signed by the employee (T.R. form No. 21/22/23).
- (viii) Whether time limit for submission of the bill has exceeded/the claim is time, barred (Rule 166A of WBSR-II)
- (ix) Whether Railway Ticket no. and date quoted in the bill (State Government decision no. (1) below note 4 of Rule 38 WBSR-II)
- (x) Money receipt/counterfoil of the ticket for the air-journey furnished (G.O. No. 7647-F, dated 21.07.1978, note 7 below rule 54 of WBSR-II).
- (xi) The requisite certificate for travelling special types of bus viz. Mini Bus, Rocket, Deluxe Bus between places connected by rail furnished (Rule 47 of WBSR and Rule 49 *ibid*).
- (xii) The requisite certificate in support of drawl of full taxi/Rickshaw hire charges furnished (Note 2 below Rule 88 of WBSR-II).
- (xiii) Whether the certificate that the Government employee was not provided with free board/lodging for drawal of daily allowance at full rate during halt at the outstation in case of journey on training, attending conference etc. (note 2 below Rule 57 (B) of WBSR-II)
- (xiv) In case of transfer, T.A. Bill should be examined. It is also to be seen whether the certificate to the effect that the member of the family accompanying the Government employee are actually residing with and wholly dependent upon him (TR 4.104 (4), Rule 101 of WBSR) in case of transfer TA Bills.
- (xv) Whether a certificate has been furnished to the effect that the cost of transportation of personal effects has been charged for at goods rate (Rule 100 (vi) of WBSR-II item 2)
- (xvi) It would be seen if the absence from the head quarter did not exceed 6 hours no DA will be admissible but if exceeded 6 hours but did not exceed 12 hours 70% DA will be admissible and if exceeded 12 hours full DA will be admissible (Rule 71A of WBSR-II)

J. Salaries and Allowances

The following points should be seen during audit of salaries, allowances bills.

- (i) Whether signed by the drawing and disbursing officer [TR 4.025(3), TR 4.027]
- (ii) Whether contains any erasures and overwriting [TR 4.025 (6)]
- (iii) Whether contains unattested corrections/alterations [TR 4.025 (6)]
- (iv) The amount of the bill should be written. The same should not differ in words and figures.
- (v) Should be supported by a absentee statement/increment certificate.
- (vi) Whether leave salary bill prepared in accordance with the provisions of TR 4.068.
- (vii) Strength of the establishment should be shown in the bill [TR 4.095 (2)]
- (viii) Pay and allowances drawn for the post of should not exceed sanctioned strength.
- (ix) Whether necessary certificate required for supplementary/arrear claim recorded in the original bill (TR 4.024)
- (x) The following documents should be attached in case of requirement
 - a. LPC (TR 4.081 (1), 4.013)
 - b. Pay fixation order
 - c. Income Tax Deduction schedule (TR form No. 10)
 - d. House rent recovery schedule (TR form No. 11)
 - e. Festival/pay/house building/cycle advance schedule (TR form No. 38)
 - f. Professional Tax Deduction Schedule (TR form No. 12)
 - g. CPF schedule (TR form No. 47/48)
 - h. Group Insurance Subscription Schedule (GISS) (TR form No. 53/55) if applicable

K. *Audit of Leave Travel Concession Bills (LTC)*

- (i) It will be seen that Leave Travel Concession facility will not cover incidental expenses and expenditure incurred on local journeys.
- (ii) Reimburse for expenses of journey shall be allowed on the basis of a point to point journey on a through ticket over the shortest direct rout.

- (iii) The claim for the reimbursement in respect of LTC will have to be made in the usual TA bill form.
- (iv) In case of non-drawal of advance the claim would have to be preferred within three months of completion of journey.
- (v) Where an advance had been drawn by the Government employee, the claim for reimbursement of the expenditure incurred on the journey will have to be submitted within one month of the completion of the return journey.
- (vi) The declaration of the family members of the Government employee will be checked with preference to the relevant records.
- (vii) It will be seen that the officers drawing pay of Rs 8000 and above are entitled AC II Class 2-Tier Sleeper at Rajdhani Express and AC Chair Car at Satabdi Express and for other trains AC II Class 2-Tier Sleeper.

The officers drawing pay of Rs 4100 and above but less than Rs 8000 will be entitled AC 3-Tier Sleeper at Rajdhani Express and AC Chair Car at Satabdi Express and others trains First Class/AC II Class 3-Tier Sleepers/AC Chair car. The officers drawing below Rs 4100 will be entitled AC II Class 3 Tire Sleeper at Rajdhani Express and AC Chair Car at Satabdi Express and for other trains II Class Sleeper.

- (viii) It will be seen that in case of journeys to place like Port Blair in the Andaman & Nicobar Islands and Lakhadweep group of Islands by ships operated by the Shipping Corporation of India, the officers drawing pay of Rs 6500 and above will be entitled to first/A Cabin Class and the officers drawing Rs 4100 and above but less than Rs 6500 will be entitled to second/B Cabin Class. The officers drawing less than Rs 4100 will be entitled to bunk class.

L. *Payment of Ex-gratia and Bonus*

It would seen in audit that payment of Ex-gratia to the employees of the Public Sector organisation had been made strictly as per instructions of the State Government. It would also be seen that bonus has been paid only to those employees who were entitled to bonus under the payment of the Bonus Act.

M. *Use of Vehicles in Company/Corporation.*

The following points are to be seen during audit. :

- (i) It will be seen that only entitled officers use the motor vehicles as per order of the State Government.
- (ii) The consumption of fuel is to be restricted as per order of the State Government. In case of new vehicles oil consumption should be compared with the literature of the car manufacturer.
- (iii) No vehicle can be used on holiday except in emergency with prior permission of the competent authority.
- (iv) Log Book shall be properly maintained and duly attested i.e. indicating the date of journey, place of visit, purpose of journey etc.
- (v) Overtime allowance should be avoided.
- (vi) Repair expenditure of Company's/Corporation's own vehicle should be reviewed.
- (vii) In case of hiring of vehicle it would be seen that the same has been effected only after inviting quotations and the rate fixed within the limit prescribed by the State Government.

(West Bengal Government's notification No. 2711-EB, September 2002)

4.15 Audit of fraud and corruption:

1. Introduction:

Examination of system for detection and prevention of fraud and corruption will be an integral part of regularity audits and also of performance audits.

2. Fraud examination:

Fraud examination is a part of the normal auditing procedures and includes.

- (a) Being alerts for situations, control weaknesses, inadequacies in record keeping, errors and unusual transactions or results, which could be indicative of fraud, corruption, improper expenditure or lack of probity and
- (b) Focusing audit strategy on areas and operations prone to fraud and corruption by developing effective high risk indicators for fraud.

3. Types of fraud and corruption:

There are several types of fraud and corruption. Some illustrative types are indicated below:

- (a) **Bribery and kick backs** – Money or any other form of reward or favour is exchanged between public functionaries and provider of goods and services in order to obtain some benefit e.g., acceptance of substandard goods or obtaining unauthorized information.
- (b) **Change in original contracts** – changes are made in the original contract requiring flow of additional fund from the Government to the contractor or supplier, which may affect the basis on which the contract was awarded to the contractor or supplier in the first instance. This may also involve front-loading of contract in the hope of increasing the price of the original contract through change orders or subsequent modifications to the contract.
- (c) **Duplicate Payment** – The contractor or supplier claims and receives payment for the same service or work done or goods supplied under the same or different contracts.
- (d) **Conflict of interest** – Contracts are awarded on the basis of vested interests of the decision makers.
- (e) **Defective Pricing** – The contractor or supplier submits inflated invoices.
- (f) **False invoices** – The contractor or supplier submits invoices for goods that have not been delivered or do not properly represent the quantity or quality of goods and services supplier or work done as per contracted specifications.
- (g) **False representations** – The contractor falsifies the goods specifications or his ability to provide certain services.
- (h) **Splitting of purchases** – The purchase of good and services are split either to avoid open competition or having to seek the approval of higher authority.
- (i) **Phantom contractor** – Purchases are made from a fake supplier or contractor.
- (j) **Pilferage of public assets** – Public funds are used to acquire goods for personal use or public assets pilfered by officials.
- (k) **Tailored specifications** – Specifications and time limits are manipulated to favour a certain contractor or supplier.

- (l) **Supply orders** – In excess of or without establishment the requirement/need and much ahead of the actual requirement.

Some indicators for possible fraud and corruption (Illustrative)

Procurement and Contracting of goods and services

Requirement defining stage:

- (i) In adequate needs analysis.
- (ii) In adequate information about potential suppliers.
- (iii) In adequate review of existing and required inventory.
- (iv) Unduly short supply period.
- (v) Some other than the user defines the user requirements and
- (vi) Unwarranted involvement of senior officials.
- (vii) Need analysis is product rather than need oriented.

Bidding and selection stage:

- (i) The specifications are not clearly defined.
- (ii) A very limited number of offers is received.
- (iii) Documentation indicates unusual involvement of an official.
- (iv) Suspicion about conflict of interest.
- (v) Evidence of early receipt of information by some contractors or suppliers.
- (vi) Request for proposal is not properly advertised.
- (vii) Unusual handling of the bidding process.
- (viii) Evaluation criteria are not consistent for different offerors.
- (ix) Exceptions to the tender deadlines.
- (x) Changes in the bids made after their formal receipt.

- (xi) Lowest responsive bidder is not selected.
- (xii) Contractor or supplier submits unrealistic bid indicating collusion or bid rotation.
- (xiii) Unusual withdrawal of bid.
- (xiv) Re-bid results identical to original bid.
- (xv) Justification for single source procurement is inadequate etc.

Contract performance and evaluation stage:

- (i) Change in a contract result in the large increase in the cost of goods and service.
- (ii) Change made without adequate explanation.
- (iii) Unwarranted contract extension.
- (iv) Complaints about the quality of goods and services received.
- (v) Inadequate inspection and quality assurance of goods and services received.
- (vi) Evidence of over charging and duplicate billings.
- (vii) Insufficient pre-audit of contractor payment.
- (viii) Contracts repeatedly awarded to one contractor and
- (ix) Unduly high labour payments etc.

Accounting records:

- (i) Missing vouchers.
- (ii) Production of photocopies of documents instead of originals.
- (iii) Alterations and erasures in accounting record.
- (iv) Any unusual accounting entries.
- (v) Discrepancies between control accounts and subsidiary records.
- (vi) Employees in sensitive posts not taking leave etc.

Responsibilities of audit:

1. Detection of fraud is not the primary objective of audit. Audit must, however, evaluate and report on the adequacy and competence with which the management has discharged its responsibility in relation to preventions, detection, response and follow-up/remedial measures in relation to fraud and corruption. Audit should make the management aware that the absence or lack of application of reliable and valid performance measures and indicators could increase the possibility of occurrence of fraud and corruption.

Audit should be alert to shortcomings in systems and controls that are likely to provide an environment conducive for fraud and corruption and should recommend to the management measures to improve the control environment and minimize the risk of fraud and corruption.

(CAG's letter No. 126/Audit (AP)/I-2004 dt 06.09.2006)

4.16 Auditing in Information Technology Environment**Scope of auditing in IT environment**

The term 'auditing in IT environment' encompasses auditing IT systems including those under development, and IT assisted audits. Auditing in IT environment is a methodology of audit and can be applied to all types of audit, namely, financial audit, compliance audit and performance audit.

Applicability of broad principles of audit

The following principles of audit would be applied to auditing in IT environment:

Audit of economy, efficiency and effectiveness of IT systems

Audit examines the economy, efficiency and effectiveness of the IT systems in the utilisation of resources, to achieve the organisational goals.

Audit examination of IT systems at various stages

Audit may examine the IT systems at various stages such as feasibility study, system development, implementation and maintenance. This is to ensure that IT assets are safeguarded and that appropriate controls are in place to ensure (a) integrity of the system, (b) reliability availability and confidentiality of the data and information and (c) compliance of the system with rules and procedures.

Documentation of all the stages of IT system by the auditable entity

An auditable entity is required to maintain complete documentation related to all the stages of development of an IT system. The documentation shall also include user requirement specifications, system requirement specifications and system design and development details.

Documentation of changes made

The auditable entity is required to document all changes made in its IT systems.

Requirements of Audit to be incorporated in the IT system

The auditable entity is required to ensure that all requirements for the purpose of facilitation of audit are incorporated in the IT system.

Right of access to Audit

The auditable entity shall ensure that Audit has the right of access of the IT systems, irrespective of the fact whether the systems are owned, maintained and operated by the auditable entity or by any other agency on behalf of the auditable entity.

Information of IT systems

- (a) Audit may, at periodic intervals, call for information from the auditable entity about various IT systems in use or being developed.
- (b) Audit Trail
 - There should be logs to identify and locate the component file records and input/output documents involved in the processing of a given transaction or in the accumulation of a given total.

(C&AG's Checklist for Involvement of Audit in the System Development Phases of Information Technology Systems)

Methods and techniques for evidence

Depending upon the audit task, the audit officer may use IT tools as appropriate for collection and evaluation of evidence.

(C&AG's Regulations on Audit and Accounts 2007)

For details please refer to I.T. Audit Manual issued by C &AG.

Some of the checks which could be applied in connection with detection of fraud in course of audit

- (i) Examine the use of delegation of powers in vulnerable areas.
- (ii) Examine the effectiveness and adequacy of internal controls in various areas.
- (iii) Examine cases of misuse of financial power.
- (iv) Examine evidence for split purchase, collusive bidding, over and under invoicing and making payments on the basis of false progress reports.
- (v) Examine the payments made for service/supplies not received.

Nature of IT fraud:

IT fraud could involve the manipulation of a computer or computer data by whatever method in order to dishonestly obtain money, property or some other advantage of value or to cause loss.

- (a) Computer provides opportunities for their misuse for economic or financial gains. Computer networks can be used to commit crimes from geographically far off places.
- (b) IT frauds are committed by insiders, outsiders, vendors competitors, etc. Such frauds are committed by manipulation of input, output or throughput of a computer system.

Fraud can also be committed by hacking into the system for causing deliberate damage.

Role of audit in relation to IT fraud:

- (i) Since many records are produced by computers in the usual and ordinary course of work, auditors should understand how to collect and handle those records as audit evidence. Collecting computer evidence requires careful planning and execution. It should be examined whether appropriate controls are in place in order to ensure the authenticity of computer evidence.
- (ii) The steps in prevention of frauds in computerized system involve setting up of proper access controls both physical and logical. Physical access controls ensure against unauthorized access to computerized system and logical access controls prevent unauthorized access to data and software for its use and manipulation.

- (iii) The most effective tool is data enquiry, analysis and reporting software. Powerful interactive softwares like ACL and IDEA can quickly sift through voluminous electronic data and assist in the detection and prevention of fraud in an organization. They can be used to process normal data as well as exception reports and audit trails.

(CAG's letter No. 126/Audit (AP)/I-2004 dt 06.09.2006)

4.17 Performance Audit

Definition

Performance audit is an independent assessment or examination of the extent to which an organization, programme or scheme operates economically, efficiently and effectively. One of the main objectives of performance auditing is to assist the people's representatives in exercising effective legislative control and oversight over the policy objective and their implementation.

Three Es of performance audit

Performance audit assesses:

- (a) **Economy** – Economy is minimizing the cost of resources used for an activity, having regard to appropriate quality. Economy issues focus on the cost of the imports and processes economy where equal-quality resources are acquired at least cost.
- (b) **Efficiency** – Efficiency is the relationship between the output, in terms of goods, services or other results and the resources used to produce them. Efficiency exists where the use of financial, human, physical and information resources is such that output is maximized for any given set of resource inputs, or input is minimized for any given quantity and quality of output.
- (c) **Effectiveness** – Effectiveness is the extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity. Effectiveness addresses the issue of whether the scheme, programme or organization has achieved its objectives.

Planning Performance Audits:

Performance audits have four stages which are:

- (i) Defining scope and objectives
- (ii) Establishing audit criteria

- (iii) Collecting audit evidence
- (iv) Drawing conclusions and framing recommendations.

These precede the drafting of the report. Of these the first two (i & ii) constitute planning phase of the audit, and second two constitute the audit execution phase.

At the outset we need to understand the entity we are auditing in order to carry out audit of high quality, to determine risk and materiality of risk, to define the scope and objective of audit, to determine our audit approach, to decide the time and staff availability for audit. Sources from which we can understand the entity are Plan/Budget document Annual report Administrative Instruction, Past Audit Reports, Annual Accounts, Evaluation Report of other entities.

Setting Audit Objective

The most important stage in performance audit process is defining the audit objective

Performance auditors may find answers to the following two basic questions: -

- Are things being done in the right way?
- Are the right things being done?

The first question means, broadly speaking, whether policy decisions are being carried out properly. This question is usually associated with a normative perspective, i.e. the performance auditor wants to know whether the executive has observed the rules or the requirements consistent with the programme. Up to this point, performance auditing is mainly concerned with different aspect of the economy or the efficiency of the operations.

The scope for analysis becomes considerably greater by posing the second question. In other words it is equivalent to ask whether, the adopted policies have been suitably implemented or whether, adequate means have been employed.

Audit objective are usually expressed in terms of questions about performance i.e. achievement of economy efficiency and effectiveness of an entity/programme/activity under audit. An objective may have sub-objective also.

Audit Criteria

Audit criteria are reasonable and attainable standards of performance against which economy, efficiency and effectiveness of programmes and activities can be assessed. They reflect a normative (i.e. desirable) control model for the subject matter under audit. They represent good practice-a reasonable and informed person's expectations of '*what should be*'.

When criteria are compared with what actually exists (what is) audit findings are generated. Meeting or exceeding the criteria might indicate the 'best practice', but failing to meet the criteria would suggest that improvements could be made.

Example: - Let us say that the guideline for a mid day meal programme stipulate an expenditure of Rs 20 per meal. Then that becomes a criterion. If the authority is spending more than the amount, then they are not paying due regards to the economy of operations. However, a performance auditor is not happy if the authority spends much less than that, because it may mean that the meals are lacking either in quality or in quantity or even both. So we will have to fix criteria for quality and quantity.

Audit Evidence

Audit evidence is the information collected and used to support audit findings. The conclusions and recommendations in the audit report stand on the basis of evidence. It is, therefore, important that the nature, quality and amount of evidence collected should endure the criteria for audit evidence. It implies that the data collection and sampling techniques are carefully chosen.

Hence, audit is fundamentally a comparison of audit evidence to audit criteria to determine findings. The evidence is the information collection through various methods which includes review or documents observations/photos, surveys, case studies, interviews, physical observation, expert opinion, reviewing previous audit reports.

Example: - Suppose sub-objective in a performance audit of a hospital was to see if the buildings had been constructed economically. We would want to see if payments had been made according to permissible rates. So the permissible rates are the criteria. Now the source of criteria "schedule of rates". The evidence is the contractor's bills that have been passed. The data gathering method is by inspecting records/voucher in the PWD division and the data analysis method is by comparison.

For detailed study please refer to Guideline on Performance Audit

4.18 AUDIT OF STATE POWER UTILITIES

(a) The Resident Audit Party, State Power Utilities, West Bengal, is responsible for conducting the audit of the following Power Utilities functioning under the control of the State Government:

- i) West Bengal State Electricity Distribution Company Limited (WBSEDCL)
- ii) West Bengal State Electricity Transmission Company Limited (WBSETCL)

- iii) West Bengal Power Development Corporation Limited (WBPDC)
- iv) Durgapur Projects Limited
- v) New Town Electric Supply Company Limited (NTESCL)
- vi) West Bengal Electricity Regulatory Commission (WBERC)
- vii) West Bengal Green Energy Development Corporation Limited
- viii) DPL Coke Oven Limited

Functions of Resident Audit Party

The main duties of the Resident Audit Party are broadly as follows:

- (i) Scrutiny of agenda notes, minutes and resolutions of Board papers and other Committees formed within WBSEDCL & WBSETCL.
- (ii) Approval of programme of local Audit parties and sending intimation to the Management and despatch of documents to the parties.
- (iii) Editing, issue and pursuance of Inspection Reports.
- (iv) Periodical review of Inspection Reports and preparation of potential Draft Paragraphs for Audit Report (ESA-II).
- (v) Editing and finalization of comments on annual accounts and despatch copies of those to appropriate authorities.
- (vi) Calculation of Audit Fees recoverable from the WBERC and watching the recovery of the same and their adjustment in the annual accounts.
- (vii) To process T.A. advance/T.A. adjustment bills of PAPs attached to the RAP/SPU and send those to ESA-II Hqrs. for further processing.

ANNEXURE – A**Referred to in paragraph 4.10****Allocation of duties in the field parties conducting audit of annual accounts****Duties of the Audit Officer/Senior Audit Officer:**

- (1) Coordination and supervision of the work of the audit team.
- (2) Review of the Minutes and Agenda papers of the Board of Directors meeting or meetings of committees regarding resolution relating to annual accounts.
- (3) Review of the system of internal control and internal audit and their effectiveness to determine the extent of audit.
- (4) Review of the Balance Sheet and Profit and Loss Account to see that they meet the requirements of the relevant statute and the generally accepted accounting principles.
- (5) Examination of the Auditor's report to the shareholders to see whether they indicate any persistent deficiencies in systems and similar examination of various disclosures made in the notes to the accounts to see whether adjustments which ought to have been reflected in accounts in accordance with the accounting standards have been carried out or not.
- (6) Review of the accounting policies.
- (7) Review of the Journal Vouchers involving large amounts relating to adjusting entries in connection with the annual closing of accounts.
- (8) Review of the large and unusual items in Sundry Debtors, Sundry Creditors, payments etc.
- (9) Finalisation of the draft comments and discussion with the Management.

The following additional duties are incorporated in Comptroller and Auditor General's circular No. CA-IV/Tech-4/84-545-CA-IV/87-91 Vol. VI, dated 11.09.1984;

- (10) Review the issue of shares.
- (11) Review the issue of bonds/debentures
- (12) Review the verification of assets.

- (13) Check the addition to fixed assets.
- (14) Review the valuation of Capital work-in-progress.
- (15) Review the creation of Reserves.
- (16) Review the provision for dividend, if any.

Duties of the Assistant Audit Officer

- (1) Review of the various items in the schedule forming part of the Profit and Loss Account and Balance Sheet to see that these are correct and meet the requirements of the relevant statutes and accepted accounting principles.
- (2) Verification of the figures in the Profit and Loss Account and Balance Sheet with reference to schedules.
- (3) Checking of the correctness of sales set-up and checking of adequacy of the provisions for depreciation, taxation, dividends, bonus, outstanding expenses, etc.
- (4) Allocation of expenditure between capital and revenue.
- (5) Contingent Liabilities.
- (6) Check of Consolidated annual accounts with reference to the audited accounts of the branches/units.
- (7) Preparation of Review of accounts.
- (8) Examination of the basis of valuation of inventories and adequacy of provisions.
- (9) General review of the Journal Vouchers including adjustment entries in connection with annual closing of accounts.
- (10) Check the calculation of interest on Government Capital account and leave salary and Pension contribution charges.
- (11) Verify the audit fee Charged to Revenue Account.
- (12) Check the addition to Fixed Assets.

- (13) Review the remittances to and withdrawal from Treasury in the case of proforma accounts.
- (14) Review the reconciliation between Departmental figures and figures booked in Finance Accounts in the case of Proforma accounts.
- (15) Any other item of work entrusted by the Audit Officer.

The following additional duties were added as per C&AG circular dated 11.09.1984.

- (16) Examine the minutes of the meeting of the Board of Directors approving final accounts.
- (17) Check the share certificate register.
- (18) Scrutinise each credit agreement.
- (19) Check the issue of bonds/ debenture, etc.
- (20) Check the verification of fixed assets, certificate of closing cash balance and investments made.

Duties of the Senior Auditor/Auditor

- (1) Checking of accuracy of Cash and Bank Balances with reference to Physical Cash Balance report and Bank Reconciliation Statements.
- (2) Checking of book balances in the physical inventory sheets with reference to the Stores Ledgers.
- (3) Reconciliation of the value of inventories as per Priced Store Ledger and General Ledger.
- (4) Checking of Debtors and Creditors Ledgers and Fixed Assets Registers.
- (5) Checking of interest on secured and unsecured loans and interest income.
- (6) Checking of previous year's figures.
- (7) Physical Verification Report of assets.
- (8) Checking of valuation of Inventories etc.
- (9) Adequacy of the provisions of Bad and Doubtful Debts and Advances.

- (10) Prior Period Adjustments.
- (11) Verification of the figures in the Profit and Loss Account and Balance Sheet with reference to schedules.
- (12) Checking of posting from Cash Book/Journal to Ledgers, from Ledgers to Profit and Loss Accounts and Balance Sheet as per prescribed quantum of audit.
- (13) Scrutinise the balance of the Personal Ledger Accounts.
- (14) Check the remittances to and withdrawal from Treasury in the case of proforma accounts (for both capital and current account).
- (15) Any other item of work entrusted by Sr. AO/AO/AAO/SO.

ANNEXURE – B**Referred to paragraph 4.10****Allocation of duties among the Sr. AO/ AO (ESA-II) and AAO (ESA-II) in course of conducting transaction audit of any Company/Statutory Corporation etc.***AO/Sr. AO*

1. Co-ordination and supervision of the works of the Audit Party.
2. To review the Board minute and agenda papers.
3. To review the budget.
4. To examine the capacity utilisation of machineries and utilisation of man power (where necessary).
5. To examine the major purchase cases.
6. To examine the procurement policy of raw materials and their utilization.
7. To examine the price fixation policy of selling items.
8. To check the process of acquisition of land (where necessary).
9. To examine the major cases of civil works.
10. To review the production programme
11. Any other important matter which may come to notice.

AAO

1. To review the position of cash realisation against credit sale.
2. To review the position of outstanding dues/advances.
3. To examine the cases of all major sales.
4. To see the rejects are kept minimum.
5. To examine the major contracts.
6. To examine the bills for carriage payment (where necessary)

7. To check the measurement books of the works executed.
8. To see whether internal control mechanism is in operation.
9. To see whether statutory dues like CPF, EPF, Income Tax etc. are being regularly remitted.
10. To review the average cost of production and investigate the variations in cost compared to previous year. Also examine the target fixed for production and see that the management takes all steps to reach the target for production.
11. To review the repairs/maintenance and over hauling of plant and machinery
12. Any other important matter which may come to notice.

CHAPTER 5

General Outline on Government Companies

1. Introduction

Government Company means any Company in which not less than fifty-one percent of the paid up share capital is held by the Central Government or 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 of a Government Company. (Section 2(45) of the Companies Act, 2013)

The following special features are applicable in case of a Government Company:

- (i) No Government Company can appoint a Managing Agent.
- (ii) The Auditor of a Government Company shall be appointed or re-appointed by the Comptroller & Auditor General of India.
- (iii) The auditor of a Government Company shall submit a copy of his Audit Report to C&AG who shall have the right to comment upon, or supplement, the audit report. (Section 143 (5) of the Companies Act, 2013).
- (iv) The C&AG shall have the power to direct the manner in which the Company's Account shall be audited by such Auditor, and to conduct a supplementary or test audit of the Company's

Account by such person or persons as may be authorised on his behalf. (Section 143 (6) of the Companies Act, 2013)

- (v) It is obligatory on the part of the Company to place the C&AG's comments under sub-section (6) of section 143 alongwith the audit report before the annual general meeting of the Company.
- (vi) The Central Government/State Government or both (as the case may be by virtue of share holding in the Company) shall cause an annual report on the working and affairs of that Company to be prepared, within three months of the annual general meeting to be laid before the Parliament/State Legislature along with the Audit Report and C&AG's comments referred to above. (Section 394(2) of the Act.)

As soon as a Government Company is formed/incorporated in accordance with the provisions of section 2(45) of the Companies Act, 2013, it is necessary that information in respect of such Company should be made available to the C&AG's office, by the respective Government Administrative Departments of each company alongwith the full details, copies of Memorandum and Articles of Association, Certificate of Registration, Shareholding pattern etc. This will enable the office of the C&AG to conduct Supplementary Audit of such Government Company expeditiously under provision of section 143 (6)(a) of the Companies Act, 2013.

2. Memorandum of Association/Articles of Association.

The Memorandum of Association is the principal document, which upon registration gives the Company its legal entity (with the certificate of incorporation) and defines the scope of its activities.

Articles of Association are the rules relating to the Management of the internal affairs of a Company. Unlike Memorandum of Association, the Articles are only the subsidiary documents dealing with the manner in which the objects for which the Company has been formed are to be carried out.

The Governor or/State Government has reserved to themselves sufficient powers in the Memorandum and Articles in respect of the matters specified below: -

- (i) Power to issue mandatory direction/instructions to the Company.
- (ii) Power to appoint vis-à-vis remove Managing director and other Directors.
- (iii) Powers of sanctioning of posts carrying pay exceeding a specified limit.
- (iv) Powers of incurring capital expenditure on schemes over a specified limit.
- (v) Sales lease or dispose off or otherwise part with the whole or substantially the whole of the undertaking of the Company.
- (vi) Power for formation of a subsidiary Company.

After receipt of the above documents in the AG's office the same are scrutinized at ESA-II Hqrs. and after completion of scrutiny, the documents are forwarded to the C&AG with the remarks of A.G. if any. If it appears that the Memorandum and/or Articles require some amendments, the question of such amendments can be taken up with the State Government only after obtaining instructions of C&AG in this regard.

3. Books/Statutory/Optional

Every limited company, whether large or small, is required to maintain books for the purpose of recording financial transactions, as well as other happenings in the life of the Company. These books can be grouped under two heads:

A Statutory or Compulsory Books.

B Non Statutory or Optional Books.

Statutory books are those which a Company is required to maintain under the provisions of the act. Non maintenance of these books makes the management of the company liable for penal action. The followings are the statutory books:

- (i) Register of Members and Index thereof.
- (ii) Register of Debenture holders and Index thereof.
- (iii) Register of Mortgage and Charges.
- (iv) Register of Directors, Managing Director and Secretary.
- (v) Register of Contracts, Companies and Firms in which Directors are interested
- (vi) Register of Company's investment not held in its own name
- (vii) Register of Company's investment in Companies in the same group
- (viii) Register of Director's Shareholding
- (ix) Minute Book.
- (x) Accounts Books.
- (xi) Branch Register if any, and its duplicate at the Registered Office.
- (xii) Register of Investments made in shares and debentures of bodies corporate in the same group.

Optional Books are those which a company is not bound, under the law, to keep. But all Companies find it desirable for maintenance of proper records. These books are termed as non statutory books. The following are the optional books generally maintained by Companies.

- (i) Register of Transfers.

- (ii) Register of Documents sealed.
- (iii) Share Certificate Books.
- (iv) Register of Probates and Letter of Administration.
- (v) Director's Attendance Book.
- (vi) Log Book.

4 Register of Companies Investments

A company is required to maintain a register called Register of Company's Investments. When it makes investments in shares, debentures of a Company or Companies in the same group the following particulars (are entered there within 3 days of investments).

- (A) Name of the Company in which investment is made.
- (B) Date on which investment made.
- (C) Nature and extent of investment.

5 Accounting Books

In terms of section 128 of the Act every company must keep at its registered office or any other place in India, as the Board of Directors think fit, books of accounts in respect of

- (A) All sums of money received and spent by the Company together with the details of receipts and expenditure.
- (B) All sales and purchase of goods by the Company and all assets and liabilities.

In case the Company has a branch office, whether in or outside India it is required that proper books of accounts pertaining to transactions at that branch office must be kept at that office and summarised return of the same, prepared quarterly sent to the registered office or any other place as decided by the Board.

A Company may keep the books of accounts of the Company at any place in India other than the registered office of the Company; but in that case, the Company must file with the Registrar a notice in writing giving the full address of such other place, within seven days of the decision of the Board.

Appointment of Statutory Auditors

1. The Statutory Auditor of a Government Company or a deemed Government Company shall be appointed by the C&AG from amongst persons qualified to act as auditors under the Companies Act, 2013. The C&AG shall appoint the Statutory Auditor for a financial year through a process of selection as may be prescribed and thereafter, subject to the following regulation, re-appoint him on year to year basis unless special circumstances, warrant appointment for a longer period. The total period of appointment including the initial appointment should not ordinarily exceed four financial years. The appointment shall be subject to such terms and conditions as C&AG may prescribe from time to time.

2. Re-appointment of Statutory Auditor.

The re-appointment of Statutory Auditor shall be subject to satisfactory performance of the audit assignment in earlier year (s) assessed in terms of the criteria prescribed by the C&AG including the extent of compliances of directions issued to him by the C&AG relating to the Audit.

3. Communication of acceptance by Statutory Auditors.

The Statutory Auditor shall send acceptance of the audit assignment in writing to the C&AG within 3 weeks of the date of issue of communication of appointment, failing which the offer of appointment is liable to be cancelled without any notice.

4. Termination of appointment before expiry of normal tenure

The C&AG may terminate the appointment of a Statutory Auditor before the expiry of the normal tenure of appointment for reasonable and sufficient grounds after following the due administrative process, including giving an opportunity to the statutory Auditors to make representation against the premature termination of appointment.

5. Debar from further appointment in case of serious irregularities.

In case serious irregularities are noticed in the discharge of professional duties by the Statutory Auditor, the C&AG may, if considered necessary on the recommendation of a committee appointed by him after giving due opportunity to the Statutory Auditor to represent, debar him from further appointment as auditor of a Government Company or a deemed Government Company for such period as may be considered fit and also refer the case to the Institute of Chartered Accountants of India for taking disciplinary action against the Statutory Auditor.

6. Responsibility with reference to annual accounts.

While the Statutory Auditor is responsible for forming and expressing an opinion on the annual accounts of the Government Company or the deemed Government Company, the responsibility for their proper preparation is that of the management of the Company. The audit of the annual accounts does not relieve the management of its responsibilities relating to the maintenance of adequate accounting records, internal controls and safe guarding the assets of the Company.

(Regulation on audit and accounts by C&AG, 2007)

Audit by Statutory Auditor

7. Role of the C&AG with regard to audit by statutory auditor

The Comptroller and Auditor General is authorized to:

- (1) Direct the manner in which the statutory auditor shall audit the accounts of the company and to give such instruction in regard to any matter relating to the performance of his functions as such and

- (2) Conduct a supplementary or test audit of the accounts of the Company.

8. *Preparation of audit report by the statutory auditor*

On completion of audit, the statutory auditor shall prepare his audit report under the Companies Act, 2013 and submit a copy to the A.G.

9. *Communication of matters of governance of Audit*

The statutory auditor, at the time of submission of his report under the Companies Act, 2013, shall also forward to the A.G. a copy of any communication containing matters of governance issued by him to the management of the company in compliance with the relevant auditing and assurance standards of the Institute of Chartered Accountants of India.

10. Responsibilities of statutory auditor vis-à-vis A.G.

The statutory auditor shall also:

- (1) Make himself available for discussions with the office of the C&AG and the A.G. as and when required;
- (2) Furnish reply to the provisional comments of the A.G. within three days of issue and, if required, attend the meeting called by the A.G. with the management of the Company to discuss the provisional comments;
- (3) Attend the meetings of the audit committee, if formed, held in pursuance of the companies Act, 2013;
- (4) Retain the record of work done by him in the form of working papers with sufficient details so as to support his observations and conclusions for a period of five years unless required for a longer period;
- (5) Make portions of or extracts from his working papers available to the A.G. in cases where it is considered necessary by Audit to verify the authenticity and correctness of the conclusions drawn in his audit report; and
- (6) Submit to the C&AG through the A.G., a report under the Companies Act, 2013 in compliance with the directions issued to him.

(Regulation on audit and accounts by C&AG, 2007)

The evaluation of performance of auditors should be communicated to C&AG at the same time when the draft comment under section 143(6)(a) of the Companies Act 2013 are forwarded to C&AG for approval.

(C&AG Circular No. 107-CA(v)/30-2003, dt. 24.05.2007)

*Mandate***11. Intimation of formation and closure of a government company or a deemed Government company by the Government**

The administrative ministry/department concerned shall intimate the C&AG in writing about the formation of a new Government company or a deemed Government company and forward a copy of its certificate of incorporation within one month of its incorporation. The administrative ministry/department concerned shall also intimate to the C&AG if a Government company or a deemed Government company ceases to be so, within one month of such an occurrence. The administrative ministry/department shall also intimate to the C&AG about a company becoming a Government company or a deemed Government company within one month of such an occurrence.

12. Intimation by Government Company or deemed Government Company of its formation

A Government company or a deemed Government company shall also intimate to the C&AG about its formation along with the shareholding pattern, details of the management and a copy of the memorandum of association and articles of association within one month of its incorporation. Similarly, in the case of an existing company, the intimation about becoming a Government company or a deemed Government company under the Companies Act, 2013 and other details and documents shall be sent by the company within one month of such an occurrence.

SECTION III**Audit of Public Enterprises Department****CHAPTER 6****DURGAPUR CHEMICALS LIMITED****6.01 Introduction**

Durgapur Chemicals Limited (DCL) was incorporated as a Government Company on 31 July 1963 with an authorised capital of ₹ 5.10 crore which was increased to ₹ 393 crore as on 31.03.2018. The paid-up capital of the Company as on 31 March 2018 was ₹ 197.56 crore. DCL is the only chlor-alkali Company in West Bengal having production facilities of various chemicals viz. Caustic Soda (CS) Lye, Chlorine and Hydrogen at the CCP with Mono Chloro Benzene (MCB), mixed Di Chloro Benzene (DCB), Sodium Penta Chloro Phenate (SPCP) and Synthetic Hydrochloric Acid (syn-HCL). DCL had been declared as Public

Utility Company by Govt. of West Bengal. Further, new membrane cell project was commissioned with a capacity of 100 MT per day of caustic soda (expandable to 150 MT per day) with ₹ 31.00 crore of Equity support from GoWB. However, due to shortage of project funds, downstream operations could not be strengthened and some old equipment causing bottlenecks could not be replaced.

The Company is presently (2016-17) engaged in production and sales of CS Lye, Liquid chlorine, Hydrochloric acid, SPCP, SBP and Hydrogen gas. It is continuous process plant running in 3 shifts. Chlorine and Hydrogen comes out as by products. About 55-60 *percent* of the gaseous chlorine (about 50 MT-55 MT) is liquefied which is sold in the market after consuming about 6-7 MT in Bleaching Powder and SPCP (Sodium Penta Chloro Phenate). Rest of the gaseous chlorine is consumed captively for production of Hydrochloric Acid. The production of MCB and DCB has been temporarily suspended after they were found commercially unviable and the operation of MCB and DCB Plant was shut down since August 2013.

The Board was informed (dated 01.09.2016) by the Additional Secretary of the Govt of West Bengal for taking immediate measures regarding 100 per cent Stake-sale of DCL. However, the company did not take any action in this regard.

6.02 Organisation Set-up

The Company is under the administrative control of the Public Enterprise Department, Government of West Bengal (GoWB). The overall management of the Company is vested with the Board of Directors consisting of 10 directors (as per MCA website) including the Chairman as against the requirement of minimum two and maximum eleven number of Directors as determined by the Governor from time to time as stipulated by Article 104(a) of the Memorandum and Articles of Association of the Company.

The Managing Director is the Chief Executive officer of the Company who is assisted by General Manager (Works), General Manager (Commercial), Chief Development Engineer (at present the post is vacant), Personnel Manager and Director (Finance)/Controller of Finance and Accounts (COFA). COFA is officiating as Director-in-Charge since March 2010¹.

6.03 Processing Plants

¹Order of PE Department vide notification no. 237/PE/DCL/1E-6/2012 dated 10.03.2010 & 238/PE/DCL/1E-6/2012 dated 20.03.20105

(a) The Company has the following plants: -

- (i) Caustic Chlorine or Electrolysis Plant
- (ii) Phthalic Anhydride Plant
- (iii) Monochlorobenzene Plant
- (iv) Sodium Penta Chlorophenate Plant

(b) Various products processed and their annual capacities and production are stated below: - (as on 31.03.2017)

(In Tonnes)

ITEMS	INSTALLED CAPACITY
CAUSTIC SODA LYE	33000
LIQUID CHLORINE	29240
BLEACHING POWDER	4950
HYDROGEN BOTTLE	2376000
Sodium pentachloro phenate	400
Monochloro benzene	9900
DCB	2475

Production performance for the last three years ending 31 March 2017 may be depicted as under:

Sl. No.	Product	UNIT	2014-15	2015-16	2016-17	2017-18
1	CS Lye	MT	25869	22807	20538	
2	Liquid chlorine	MT	15445	12334	11005	
3	HCL	MT	24793	25038	22640	
6	SPCP	MT	97	59	33.2	
7	SBP	MT	3963	4016	3531	
8	Hydrogen Gas	NM ³	618836	437542	303426.9	
9	MCB	MT	0	0	0	

Sl. No.	Product	UNIT	2014-15	2015-16	2016-17	2017-18
10	DCB	MT	0	0	0	
11	SHC	MT	6180	7215	7935	

6.04 Manufacturing process

Caustic Chlorine Plant/Electrolysis Plant

The process used is the electrolysis of brine solution in the Mercury-Cathode cell. The main raw material used is the common salt or sodium chloride. The salt solution is first made free from impurities like salts of calcium and magnesium and the concentration used is approximately 300 grams of salt per liter of the solution. By the process of electrolysis, sodium is set free in the first chamber and carried to the second chamber by the Mercury –Cathode as sodium amalgam which reacts with the water of the second chamber setting free mercury and caustic soda or sodium hydroxide is formed. A forty percent concentration of caustic soda is maintained and sold in market as caustic lye.

Chlorine gas is liberated in the first chamber and hydrogen gas in second. Chlorine gas is purified and liquefied and either packed in the gas cylinder or stored in the chlorine tank for internal use in the Phenol and Pentachloro Phenol Plants. Excess of Chlorine gas is absorbed in the slaked lime which is a waste product.

Some portion of the hydrogen gas liberated is allowed to react with chlorine and synthetic hydrochloric acid is manufactured. Excess of hydrogen is liberated in the atmosphere.

6.05 Purchase procedure

The Purchase Manager of the Company is the Head of the Purchase Department. He is assisted by the Assistant Manager (Purchase), Purchase Engineer and Assistant Industrial Engineer.

6.06 Sales Management

The General Manager (Commercial) is the Head of the Sales Department. He is assisted by the Assistant Manager (Marketing), Sales Officer and Junior Officer (Commercial). There is also a pricing committee consisting of Senior Managers.

6.07 Inventory Control

The Store Department functions under the overall control of the Purchase & Store Manager who is assisted by the Assistant Manager (Material Management) and Stores Officer.

6.08 Accounting Organisation

The Controller of Finance and Accounts is the Head of the Accounts and Finance Wing of the Company and is assisted by the Deputy Manager (Finance and Accounts).

6.09 Accounting Manual

Entire Accounting System has been computerised as part of ERP (Enterprise Resource Planning) system based on structure suggested by PWC. Detailed operating manual has been provided by WTL for each module of ERP.

6.10 Cost Control/Budgetary Control

The Company uses Cost Control and Budgetary Control technique as a tool of management. There is also a system of costing and budgeting in the Company.

6.11 Vigilance Mechanism

Personnel Manager was appointed as the Vigilance Officer of the Company. The appointment had been duly approved by the Government of West Bengal. The process charted to address any vigilance issue is as follows:

- Complaint lodged, if any will be initially addressed by the Vigilance Officer.
- On the basis of the requirements of the case, either an in house investigation will be conducted or an investigation may be conducted involving external resource.
- The report of investigation will be presented to the Director-in-Charge/ Managing Director.
- Depending on the gravity of the case, the Director-in-Charge/ Managing Director may bring the matter to the knowledge of the Chairman of the Audit Committee.

6.12 Internal Audit

There is an Internal Audit Cell under the charge of an Assistant Manager (Internal Audit).

6.13 Laboratory

The Laboratory is one of the divisions of the Company and is functioning under a Chief Chemist who is answerable to the G.M. (W). The functions of the laboratory embrace three distinct spheres: (i) at the stage of procurement of raw materials, (ii) at the stage of processing of products

and (iii) at the time of sale. In the case of any dispute as regards quality of any product, the laboratory analysis is vital.

6.15 Financial Performance

The working results of the Company during the last three years ending 31 March 2018 was as follows:

₹ in lakh

Year	2015-16	2016-17	2017-18
A. Income			
Revenue from Operations	8705.04	7937.54	5686.54
Other Income	53.34	59.94	52.80
Total:	8758.38	7997.48	5739.34
Cost of Raw material consumed	1872.12	1340.16	975.52
Changes in inventories	146.10	40.35	19.94
Employees Benefits Expenses	1059.23	1190.51	1156.69
Power & Fuel	4344.95	4076.85	3125.70
Sales Tax	434.19	394.53	
Other Expenses	1799.28	1952.78	1905.23
Finance Cost	640.17	711.83	45.44
Depreciation & Amortizations less Charged To Capital Reserve	1218.53	889.48	691.78
Total:	11514.57	10596.49	7920.30
C. Item below the line			
Profit/(Loss) before exceptional & extraordinary items & Tax	(2756.19)	(2599.01)	(2180.96)
Prior period adjustment	200.52	(75.82)	(46.74)
Profit before extraordinary items & Tax	(2555.67)	(2674.83)	(2227.70)
Extraordinary items	1029.61	-	3000.64
Profit before Tax	(1526.06)	(2674.83)	772.94
Tax Expenses			
Profit/(Loss) for the year	(1526.06)	(2674.83)	772.94

It can be seen from the table above that the performance of the Company has reduced over the years.

6.16 Special Points to be seen in Audit

- (i) Review the production process of the caustic chlorine plant and account for the variation in consumption of salt per unit of production compared to plant supplier's (Krebs and Cie) consumption norm of 1.8 tonnes per tonne of 100 *per cent* caustic soda lye.
- (ii) Review the process/procedure followed in the liquefaction of chlorine obtained as a by-product in the anode chamber of caustic chlorine plant and see that steps have been taken by the Management for its safe storage in cylinders or otherwise and sale to the extent possible.
- (iii) Review the capacity for commercial preparation of hydrochloric acid by the synthetic method by burning hydrogen and chlorine obtained as by-products in the caustic chlorine plant and see that the capacity has been fully utilised. Report on the under-utilisation of capacity if any.
- (iv) As a precaution against pollution of atmosphere, excess chlorine gets absorbed in slaked lime which, in present state of affairs in the Company, is a waste product. Review, whether, the Company has exploited market for sale/disposal of the chlorinated lime or alternatively the Company has taken possible steps for proper use of chlorine so wasted.
- (v) Excess of hydrogen is permitted to escape in the atmosphere. Review the procedure for utilisation of hydrogen by the Company. See whether the Company, through sales-promotion measures, has found any market for hydrogen gas and has also taken steps for storage and transportation of gas for eventual sale.
- (vi) Review the rated capacity of each plant and examine, whether, there were under-utilisation of capacity.
- (vii) Review the collection of reboiler tar, obtained from raw phthalic on clearing the tank, as waste product and see whether the management has taken steps to find out its use to obtain some realisable value therefrom.
- (viii) Review the procurement programme of benzene and see whether the product fulfil ISI specification.
- (ix) Review the monthly Production Report and monthly Statistical Report of Residue (Chlorobenzene) Recovery Section (R.C) and see that the production does not vary widely with the target. Report on the wide variation.

- (x) Review the “Statement of Performance bottle-neck faced” and see how the problems have caused set back in the performance and what corrective measures have been adopted by the Management and with, what results.
- (xi) Review the consumption of barium carbonate, sodium carbonate and sulphuric acid for purification of brine or drying of gases liberated in the caustic chlorine plant and see that consumption compares favourably with the production achieved.
- (xii) Check the Inter-plant Transfer notes (I.P.T.N.) for consumption of caustic soda and chlorine in the phenol plant and of caustic soda in the phthalic anhydride plant and see that the consumption compares with the production on both the plants and total consumption with the figures booked as “captive consumption” in the budget or accounts.
- (xiii) Check the production recorded and see that it tallies with the figures booked in the Daily stock account (Rule 10 of Central Excise Rules)
- (xiv) Check the quantity of benzene procured and sees that it tallies with the figure booked in regard to materials received at a concessional rate for industrial purpose.
- (xv) Check the quantity of each product sold and see that the quantity sold tallies with the figures booked in the Personal Ledger Account (P.L.A) maintained in respect of Tariff items:
 - Tariff item 2815 caustic soda
 - Tariff sub-heading 280610-hydrochloric acid
 - Tariff item 280110-cholorine gas
 - Tariff item 29071110-Phenol
- (xvi) Review the costing system in vogue in the Company including the cost audit report of the Company under section 209 of the Companies Act of the preceeding/current year and see that the procedure adopted by the Company in the valuation of work in progress and final product including by-product is scientific.
- (xvii) Report/comment on the difficulties of the Company in introducing a full-fledged cost control measure.
- (xviii) Review the working of Internal Audit Cell and see that its strength and scope commensurate with the volume of performance and working of the Company.

- (xix) Assess the performance of the laboratory as a servicing wing with reference to production units and its role as a R&D Unit.
- (xx) Check a few testing reports of the laboratory in the procurement of salt, benzene and naphthalene and see how the reports are helpful in the selection of raw materials and the ultimate effect in the processing circle viz., lesser content of impurities and/or foreign elements to boost up production process.
- (xxi) Check a few test reports on the concentration of caustic soda lye and their use in the valuation of sales.
- (xxii) Check the laboratory test reports of disputed sold products as regard their conforming to ISI specification and settlement of sales value claims.
- (xxiii) Review the effective long term strategic plan for modernization and renovation of plants was devised and effectively implemented.
- (xxiv) Review the target set in the post-restructuring period was achieved, both in operational and resource management field.
- (xxv) Review Detailed Project Report (DPR) of membrane cell plant.
- (xxvi) Review industry norms for production and consumption of raw materials.
- (xxvii) Review the impact of GST.

CHAPTER-7

WESTINGHOUSE SAXBY FARMAR LIMITED

7.01 Introduction

Westinghouse Saxby Farmer Private Limited, managed by Westinghouse Brake and Signal Company Limited, London was taken over by the State Government on 19 July 1969. It was renamed as Westinghouse Saxby Farmer Limited on 6 August 1969. The main activities of the company are to manufacture and dealing of the following items-

- (i) Railway signaling and interlocking apparatus, railway brakes, couplers, rolling stock etc.
- (ii) Brakes and other mechanical appliances and accessories for all kinds of wagons, trucks, tramways and vehicles.
- (iii) Pneumatic/mechanical tools, electrical tools, compressors,

- (iv) Pneumatic, electric and hydraulic railway and marine signal equipments.
- (v) Civil Engineering construction work under PWD, NHAI, PDCL etc. duly executed by sub-contractors on a back-to-back payment agreement.

The present activities of the Company are confined to manufacture and sale of brakes, coupler, signaling (electrical) and impedance bond for Indian Railways.

7.02 (a) Organisational Set-up.

The management of the affairs of the company is vested in the Board of Directors. The Directors including the Managing Director are nominated by the State Government. The Managing Director is the chief executive of the Company who is assisted by the Director (Finance & Marketing), Works Manager and Manager (Personnel).

7.02 (b) Capital Structures

The authorized share capital of the company is ₹ 387.99 crore and the paid up capital of the Company was ₹ 7.74 crore as on 31 March 2017.

7.03.(A) Manufacturing Process

The Company has been divided into two functional divisions, Entally division and Tangra division.

The Entally division specialises in manufacturing of brakes of diverse types and also making diesel pump sets. It has introduced new products like semi-permanent coupler for EMU coaches, AAR 'H' type coupler for mainline passenger coaches.

The Tangra division has extended its product-range to a panorama of automatic signalling relays of twelve types and some more types are in development stage. Tangra division is supplying Impedance Bond to Metro Railways on a regular basis.

7.03 (B) Civil Engineering Project (CEP)

The Civil Engineering Project (CEP) Division was set up in 1975 and since then it has successfully completed and is working on various projects under different State and Central departments and undertaking viz. PWD, PW (Roads), NHAI, Indian Railways, NTPC, BHEL, WBSEB, WBPCL, WBPCB, WBREDA, KMDA formerly CMDA), ADDA, Farakka Barrage Project etc. and different Zilla Parishads etc. with their full satisfaction regarding quality of job and timely completion of projects.

7.04 Purchase Procedure

The Material Manager at Entally Workshop and Senior Purchase Officer at Tangra Works look after the respective purchase wings. They are assisted by Purchase Officer and supporting staff.

7.05 Sales Management

For products manufactured at Entally works, there is one Business Head assisted by Senior Sales Officer to look after sales, while for Tangra Works, sales are looked after by the works Manager being assisted by the Sales Officer.

7.06 Inventory Control

The Manager (Production) of Entally division and Works Manager of Tangra Division are in-charge of stores of the respective units. They are assisted by Store-keeper and supporting staff.

7.07 Accounting Organisation

The organisation is headed by Director Finance (F&M)/COFA and under him, Manager (F&A), Assistant Manager (EDP) function. The Company finalized its annual accounts till financial year 2016-17 only.

7.08 Budgetary Control

The Company prepares Annual Budget for production and sales.

7.09 Cost Control

The Company has got a well organised Costing Department with specified assignment of work to its executives and staff. The job-cum-batch costing system is adopted.

7.10 Machine Accounting

The Company has introduced Relational Database Management System (RDBMS-Oracle 8.0.5 as backend, Developer 2000 ver. 6 as front end) with SCO Unixware ver.7 operating system which was multitasking as well as multi-user platform. All applications were developed in the said platform. Many jobs relating to financial department like staff Payroll System, workmen's wages system, Store Accounts system, Cost Accounts System, P.F. Accounts System, Accounts Payable Systems etc. are computerised. The existing application of software system appears to be inadequate. So, there is a plan for automation of "sales management system" which would include "tendering to Billing" as well as Sundry Debtors ledger

with Sale-Tax, Excise Duty Accounting etc. The other areas are “Purchase Account System” with Stores and G.R. Section automation and Cash-Bank System are required to complete the cycle of “Financial Accounts System.” For improvement in the existing computer system based on RDBMS, company has introduced Enterprise Resource Planning (ERP), which is under process of implementation.

7.11 Internal Audit and Internal Control

The Company had no separate internal audit wing of its own. The system of internal audit is carried out by Chartered Accountants firm, duly approved by the Board of Directors. The important activity of the Company, like project-wise analysis of projects, cash analysis vis-a-vis make or buy decision in respect of the Company’s main projects remained unascertained by the internal auditors.

7.12 Laboratory

The Tangra Works of the Company has got a laboratory for conducting chemical analysis, physical, mechanical and metallographical test in respect of raw materials and stores.

7.13 Provident Fund

From the Accounting year 2005-06, the Provident Fund accumulation of all the employees of the Company has been transferred to RPFC, Eastern Region.

7.14 Future Projects

The Company has been working on the following projects:

- Const. of internal bituminas road for WBPDCCL
- Const. of (‘ARBAN HAAT’) At Durgapur (CIVIL portion only)
- Provision of Security control room at DDJ, BNXR & Kolkata Terminal
- ECR metal to carbon contact WSF Relays for driving LED signals.
- AAR-H Tight-lock Coupler for passenger coach
- Q-series metal to carbon contact WSF Relays for driving signalling equipments.

7.15 Financial Performance:

The comparative financial performance of the Company for the last three years upto 2016-17 is given below:-

(b) Working Results*(₹ in lakh)*

Sl.No.	Particulars	2014-15	2015-16	2016-17
I	Income			
1.	Sales	19,346.91	11,849.52	7052.59
2.	Other income (incl.stock accretion and decretion)	301.35	343.03	365.98
A.	Total Income	19,647.26	12,192.55	7418.57
II	Expenditure			
1.	Cost of Material	1,459.47	1,581.31	5425.31
2.	Employee benefit expenses	1,382.87	1,333.17	1169.21
3.	Finance costs	612.18	747.68	731.27
4.	Depreciation & Amortization	68.99	42.13	56.38
5.	Other expenses	16,121.16	8,321.42	570.85
6.	Other adjustments (incl. Provision and change in inventory)	564.44	9,23.17-	586.11
B.	Total Expenditure	20209.11	12,948.88	8539.13
III	Net profit (A-B)	(560.85)	(756.33)	(1120.56)
1	Add:-Other adjustments (incl. Prior period adjustments)	(77.41)	(17.43)-	(0.30)
2	Tax adjustments	97.23	27.19-	173.26
3	Adjustments to capital reduction	(42.64)	-	-
IV	Balance transferred to balance sheet	(583.67)	(746.57)	(1294.12)

7.16 Merger of Britannia Engineering Limited

As per West Bengal Order No. 1093-F(Y) dated 21.02.2017, M/s. Britannia Engineering Limited will be merged with the Company with an objective to improve the operational efficiency and to optimally utilize the manpower and assets. However, the same is yet to be operationalized.

7.17 Special Points to be seen

- (i) Review the performance of the Company relating to civil construction works and civil contracts as measures of diversification and see whether the Company can make profit in such works. Comment on the performance
- (ii) Examine the production programme of the Company in it's Entally and Tangra Workshops to see whether the Management of the respective units can achieve the targets of production. Comment on the shortfall.
- (iii) Check whether management has fixed rated/derated capacity of each production centre. Compare the actual attainments against the aforesaid capacities.
- (iv) See whether the management has maintained job cards and time cards and determined idle time paid for. Calculate the quantum of idle time and amount paid there against.
- (v) Examine the quality control procedure of the Company at the work-in-progress (manufacturing) stage and finished stage and see that there are minimum rejects by the consumer on delivery.
- (vi) Determine the machine hour available and machine hour utilised. Compare the figures for the last three years. Analyse the causes for idleness of machines and fixed costs involved therein.
- (vii) Tabulate the number and amount of outstanding orders with reference to their year of origin and analyse the reasons of their non-execution so that payment of liquidated damages could have been avoided.
- (viii) Scrutinize the process of merging M/s. Britannia Engineering Limited with the company.

CHAPTER 8

THE SHALIMAR WORKS (1980) LIMITED

8.01 Introduction

The Shalimar Works (1980) Limited was incorporated as a public limited Company on 12 January 1981, with an authorized capital of ₹ 1.00 crore which was later increased to ₹ 2.00 crore and the paid-up capital of the Company was ₹ 1.25 crore as on 31 March 2018. The Company is fully owned by the State Government.

The business of the Company is at present confined to ship-building, ship-repairing and general engineering and also project business.

9.02 Organisation Set-up

The Company was originally under the administrative control of Public Enterprises Department, Government of West Bengal (GoWB) but was transferred (March 2014) to Transport Department, GoWB from vide Government Notice dated 10 March 2014. The Management of the Company is vested with the Board of Directors (BoD) comprising of the Chairman, Managing Director and three Directors as at the end of the year 2017-18 as against minimum two and maximum nine Directors as required in Article-64 of the Memorandum and Articles of Association of the Company.

The Managing Director (MD) is the Chief Executive Officer and is assisted by three officers' viz. Financial Advisor & Chief Accounts Officer (Finance & Acct.), General Manager (Tech & Comm.) and General Manager (Ship Building & Repair), in discharging day-to-day operations of the Company. All the above officials were engaged on contractual basis.

8.03 (A) Manufacturing Process

The Company is engaged in the engineering and ship building trade. The erstwhile "The Shalimar Works Limited" had the record of having built ships of various specifications from simple barges to complex naval vessels, coasters and tugs being planned in their own design office and are built in their shipyard. The present Company, on reincorporation in January 1981, has inherited all the building infrastructure of the erstwhile company (of 1895). The company has the capacity and infrastructural facilities for construction (building) and repairing the following:

- (i) Twin screw diesel tug.
- (ii) Twin screw diesel fire float.
- (iii) Ore carrier

- (iv) Sounding Launch
- (v) V.I.P. Launch.
- (vi) Stovedore's Launch.
- (vii) Cargo Vessel
- (viii) High speed Motor Launch.
- (ix) Twin screw Launch.
- (x) Twin screw lighthouse tender vessel.
- (xi) Grab dredger-cum-rock breaker.
- (xii) Twin screw water barge.
- (xiii) Twin screw kort Nozzle Harbour Tug.
- (xiv) Single screw diesel tug.
- (xv) Shrimp trawler.
- (xvi) Tunnel type Kort Nozzle Survey Towing Launch.
- (xvii) Single Screw coastal cargo vessel.
- (xviii) Fuel Barge (500T)

The ship repairing division of the Company is capable of handling upto 20 ships at a time. It can undertake surveys and voyage repairs to both hull and machinery of all types of ocean going vessels.

General Engineering Section of the Company has the capacity of producing a wide range of products which include Colliery haulers, Ball valves, E.O.T. Cranes, Steel structures, Storage tanks, Pressure vessels, Air compressors and Steam engine parts. The workshop has facilities for castings, both ferrous and non-ferrous, fabrication, machining and assembly.

The company had received orders from GoWB for building of vessels under "JALADHARA" scheme. It was also awarded orders for building "RO-RO" vessels from GoWB. However, till date no vessel was delivered.

8.03 (B) Project Work

To undertake civil construction of buildings, roads, power or Gas plant and to construct and install of retail outlets for oil companies, Pontoon Jetties, Foot Bridges over cannels and structural fabrication work at project sites.

8.04 *Purchase Procedure*

Purchase Organisation functions under the control of the GM (MM/SBR). Normal procedure of tender/quotation is followed in initiation of purchases.

8.05 *Sales Organisation*

The Sales Organisation is under the charge of GM Material Management, Ship Building & Repairs (MM/SBR) & Works In Charge (WIC).

8.06 *Inventory Control*

The Stores Organisation is under the charge of Dy. Manager who is assisted by other staff.

8.07 *Accounting Organisation*

Two Deputy Managers are the head of the Accounts and finance and they are assisted by the Accounts assistants.

8.08 Cost Control

The Company has introduced Job Costing system on historical cost basis. The Company prepares cost estimate in order to respond to quotations. Most of the jobs of the Company are on contractual basis.

8.09 *Budgetary Control*

The Company prepares Expenditure Budget incorporating probable receipts in order to apprise the State Government of the requirement of loan (from Government) to run the Company as a going concern.

8.10 Financial performance

The financial performance of the company for the last three years ending 31 March 2017 was given below:-

Figures in lakh

	Particular	2015-16	2016-17	2017-18
A	Incomes			

	Revenue from operations	4625.93	1798.11	1846.40
	Other Income	595.1	164.27	204.52
	Total:	5221.03	1962.38	2050.92
B	Expenses			
	(i) Cost of material consumed	1212.62	1125	1484.10
	(ii) Changes in inventories of finished goods, work in progress & stock in trade	3221.28	-675.24	-747.15
	(iii) Employees Benefit Expenses	509.23	604.83	651.94
	(iv) Depreciation and amortization	32.71	34.91	34.82
	(v) Finance Cost	1800.89	1813.95	1911.14
	(vi) Other Expenses	1265.39	1076.09	861.54
	Total expenses:	8,042.12	3,979.54	4196.39
C	Profit/(loss) before Tax, Extra Ordinary Items	-2,821.09	-2,017.16	-2145.46
	Exceptional Items/ Extraordinary items	608.73	3622.33	2340.70
D	Tax expenses	-	-	
E	Profit/(loss) after tax	-3,429.82	-3,056.52	-2691.90

8.11 Modernization of shipyard:

Go WB had released ₹ 6.60 crore during the period 2011-12 to 2013-14 (as loan at 14.5 per cent interest rate) for modernization of shipyard of the Company. As on March 2017, ₹334.17 lakh had been spent including modernization of work of ₹157.03 lakh by MBL. The renovation work was not completed till date.

8.12 Special Points to be seen

- (i) Review the estimates for works and see that it covers all costs including overheads. In case where the actual cost incurred is more than the contract price see that the Management has taken appropriate steps for cost reduction.

- (ii) Investigate the contractual price and see that it is comparable with rates of other competing units.

Also see whether contract price appears to be below prime cost.

- (iii) Calculate the man-hours available and the man-hours utilised for productive purposes. Work out the idle hours and payment made therefor.
- (iv) **Deficiency in scrap identification by the company should be scrutinized**
- (v) **Delay in completion of modernization of shipyard should be scrutinized**

CHAPTER 9

EASTERN DISTILLERIES AND CHEMICALS LIMITED

9.01 Introduction

The Company was incorporated (April 1986) as a wholly owned Government Company mainly to carry on the business of distillery and to manufacture, sell and deal in rectified spirit, brandy, whisky, gin, rum, etc and to promote cultivation of sugarcane, sugar beet for extraction of spirit from sugar beet etc. The company's activities were confined to production and sale of bottled country spirit, coloured and flavoured spirit, Indian Made Foreign Liquor (IMFL), rectified spirit, 50° UP Rum, Special and Ordinary Denatured Spirit (SDS). The company has been producing only Country Spirit (CS) from 2010-11 onwards.

Distillation Activities

The distillation plant of the Company having capacity to produce 15,000 litres of rectified spirit (RS) per day from molasses was installed in 1916. The company, having lost its technical life of distillation plant, moved a proposal for modernisation of the plant in 1991, but it was rejected by the Government due to decontrol of molasses market and increase of molasses crisis. The revised proposal was submitted again in 1993-94 but the same was not approved due to non-completion of accounts. During December 1998, yet another proposal for modernisation was prepared but met the same fate since the Pollution Control Board rejected (May 2000) the same on the ground that the plant was located in the Kolkata Municipal Area. The distillation plant was closed (May 1997) and the company had been purchasing rectified spirit for production from the open market since then.

Meanwhile, the company commissioned an Effluent Treatment Plant (ETP) at the factory premises in 1996 under Ganga Action Plan. Following the closure of Distillation Plant (May 1997), the tanks in ETP and the Molasses tank are used for storing SDS and the Board finally declared (May 2003) the ETP as abandoned.

9.02 Organisation Set-up

The Company is under the administrative control of the Finance Department, GoWB. The Management of the company is presently vested with the Board of Directors (BoD) comprising of the Chairman, Managing Director and six Directors.

The Managing Director (MD) is the Chief Executive Officer and is assisted by five officers (*viz.* General Manager (Finance) cum Company Secretary, General Manager-Works, Store & Purchase Officer, Personnel & Administrative cum Law Officer, Sales Officer) in discharging day-to-day operations of the company.

In order to enable effective governance and manage the performance of the Company, independent Directors may be inducted in the Board in line with the principles of good governance and create Board level committees to closely monitor the affairs of the Company.

9.03 Operational Performance

The Company is engaged in manufacturing and bottling of country spirit in 600 ml bottles at its Kolkata factory. The raw materials for the same *viz.* rectified spirit, bottles, labels, caps etc are purchased from open market and finished products sold within West Bengal at rates administered by the State Government. Some important mechanisms associated with the operation of the company are as follows:

a) System of purchase of Rectified Spirit

The Company purchases Rectified Spirit (RS) manufactured out of sugarcane molasses from Uttar Pradesh and Uttarakhand. Sugarcane being a seasonal crop, the price of RS varied from time to time. The Company used to invite quotation every month from the manufacturers for purchase of RS and fix the price after negotiations on the basis of the maximum price fixed by the Excise Authority every month. However, after November 2010 the Company is at liberty to fix its own price and procured RS from open market.

b) Pricing System

The selling prices of bottled country spirit coloured and flavoured spirit and SDS were fixed by the Government of West Bengal. The Govt. has withdrawn its control on fixation of price of CS and principle component of cost like cost of rectified spirit, label, cap, bottle price etc. from 2010-11 as per the order of Excise Deptt. Accordingly, the Company has introduced its first brand of country liquor TUFAN (50° up) and TEKKA (60° up).

c) System of sale

Country Spirit and SDS are sold to the license vendors and license users respectively having license from the Excise department, coloured and flavoured spirit and 50° UP Rum to country spirit vendors and Ganja shops, the rectified spirit to central medical stores and hospitals with the approval of the Excise Department and IMFL (Indian made foreign liquor) to the BSF Canteen.

d) Presently the Company is operating two automatic bottling plants for bottling of country spirit of 600ml (60° up) under the Brand name Toofan.

9.04 (A) Purchase Procedure

Purchases are made by the Sales and Purchase officer and Asstt. Purchase and Stores officer with the approval of Managing Director on the basis of rate approved by the Purchase and Sales Committee and from the suppliers selected by the said Committee.

(B) System of purchase of Rectified Spirit (RS)

The Company purchases Rectified Spirit (RS) from various parties mainly from Uttar Pradesh and Uttarakhand. The Company invites quotation every month from the manufacturers for purchase of RS and fixed the price after negotiations on the basis of the maximum price fixed by the Excise Authority every month. From November 2010 onwards the Company has at liberty to fix its own price and procure RS from open market.

9.06 Sales Organisation

There is a separate sales department headed by a Sales Officer who is assisted by the Sales Representatives.

9.06 Inventory Control.

The Company has separate wing for its store/stock management under the stores and purchase officer. Bills for supplies are paid on the basis of receipted challans and goods received notes and valid orders.

9.07 Accounting Organisation

The Accounts Department is headed by a Company Secretary-cum-financial Controller who is assisted by a Finance Manager and Accounts officers. The Company is not regular in preparation of its annual account. The Company was able to prepare its annual account and submit to C&AG till the financial year 2012-13 only.

9.08 Cost Control/Budgetary Control

The Company has not introduced any regular cost control system so far. Annual financial budget is being prepared for submission to the State Government for incorporation in the State Budget. There is no system to compare the actual expenditure against the estimates and to ascertain reasons thereof to guard against excess expenditure.

9.09 Internal Control/Internal Audit

Internal check and internal control with regard to cash, stores and stock-in-trade are being exercised by a Chartered Accountants firm appointed by the Company as Internal Auditor and also by the Departmental Officers.

9.10 Provident Fund

Contributory Provident Fund is applicable to all the employees of the Company.

9.11 Computerisation

The Company has computerised in the area of Sales and Financial Accounting, Inventory records, Personal and Pay-Roll etc.

9.12 Special points to be seen

- i. Review the production programme and examine variations in production actually achieved with reference to target.
- ii. Review the price fixation of India Made Foreign Liquor (IMFL).
- iii. Review the progress of sales with respect to sales programme and examine cases, if any, of delay in adhering to delivery programme.
- iv. Review the performance of Commission Agents for sale IMFL.

- v. Examine the quality control procedure to see that products marketed by Company are of standard quality.

CHAPTER 10

SARASWATY PRESS LIMITED

10.01 Introduction

The Company under the name 'Sree Saraswati Press Limited' (SSPL) was established in the year 1923 and was taken over (1984) by State Government under Sree Saraswati Press Ltd (Acquisition and Transfer of Undertakings) Act 1984. Subsequently, SSPL was incorporated (January 1987) as a wholly owned Government Company which was renamed in the style of 'Saraswati Press Limited' (SPL) with effect from 25 June 1993. Against authorized Share Capital of ₹ 800 lakh, Issued, Subscribed & fully paid-up capital of SSP-L as on 31.03.2018 stood at ₹ 550.00 lakh.

The main objectives and activities of the Company are confined to photo offset, letter press and flexography printing, press engraving, packing and book binding, computer typesetting, image processing, security designing and printing *etc.* The business of the Company is extended into three main categories *viz.* (I) Books and Forms unit, which prints Text Books and Forms for Government Departments, (II) Security Printing Unit, engaged in printing excise label, Ration Card, Pollution under Control (PUC), Hospital OPD tickets, cheques drafts of Banks, Road Permits, Sales Tax Declaration Forms, Ballots, Budget Books *etc.* and (III) Confidential Printing Unit, engaged in printing of confidential documents for Examination Bodies, CAG Report, Assembly materials, Calcutta High Court cause list *etc.* The above jobs are done by the Company in its own printing press as well as through outsourcing.

The Company has its own Printing Press at Kolkata with installed capacity of 536.76 crore impressions (including rental machine) annually and is dependent on orders from various State Governments like- West Bengal, Jharkhand, Tripura, Bihar and many large print buyers from various Government Departments, Examination bodies *etc.* The press section has web-offset, sheet-fed offset and others machines which operates presently on two shift basis with an annual standard capacity of printing of 182.98 crore impressions. Since printing of text books is a seasonal job, the Company has increased its own capacity and at same time had also engaged sub-

contractors to install and run their own machines as-well-as SPL's machines at Company's premises. However, their payment is made on the basis of production achieved beside rental charges for installation of machines. The annual standard production capacity was fixed at a much lower side compared to installed capacity.

10.02 Organisational Set-up

The Company is under the administrative control of the Public Enterprises Department. The Management of the company is vested with the Board of Directors (BoD) consisting of seven directors including the Chairman and the Managing Director. The Managing Director is the Chief Executive of the company and is assisted by the Production Controller, Financial Controller, Controller of Personnel & Administration and Marketing Manager.

10.03 Purchase Procedure.

The company had separate Purchase and Sales Department. Purchase Department is headed by Superintendent (Purchase). The Basic raw material is paper. Besides this, the Company also procures adhesive glue, Colour for printing and binding of books. Purchase rates are fixed on negotiation. Normal purchases are made by resorting to tender process.

10.04 Sales

The Sales/Marketing Department is headed by the Marketing Manager. There is an estimating section responsible for preparation for estimates for quoting rates.

10.05 Inventory Control

Controller (Production) is the head of the Stores Department. He is assisted by an In-Charge Store. Physical verification reports of stock are prepared quarterly.

10.06 Accounting Organisation

The Company has a separate accounting organization headed by the Financial Controller (FC), who is the head of Finance and Accounts. He is assisted by three Assistant Manager (Accounts).

10.07 Cost Control/Budgetary Control

The Company has not introduced any well organised costing or budgetary control techniques. As far as the costing system is concerned the Company follows some aspects of Marginal Costing system. Expenditure Budget is prepared with probable forecast of receipt.

10.08 Internal Audit

The Company has no separate Internal Audit Wing of its own. The Company appoints a Chartered Accountant Firm duly approved by the Board of Directors to look after the Internal Control System and submit their report, to the Managing Director on quarterly basis.

10.09 Computerisation

The Company has computerised drawal of pay and allowances, preparation of Annual Accounts with all necessary schedules, General Ledger, Cash Book, Bank Book and Attendance Mechanism of the employees.

10.10 Provident Fund

Employees Contributory Provident Fund is applicable to all the employees of the Company. The Provident Fund is being managed by the Board of Trustees constituted for this purpose.

10.11 Special Points to be seen

- (i) Scrutiny of the scheme for modernisation and renovation and to see how far these meet the level set-forth in the project report.
- (ii) Review the quality control measures adopted and see that rejection of printed materials by customers are kept at the minimum.
- (iii) Compare the consumption of white paper and ink with reference to the norms fixed by All India Federation of Master Printers (AIFMP)
- (iv) Reconcile the consumption of paper where this is supplied by clients.
- (v) Review the price fixation policy to check whether prices fixed taking into account reasonable costs incurred.
- (vi) Review the reports relating to the scrapping of metal types and connected machines/facilities and their disposal.
- (vii) Review the utilisation of man power particularly taking into account the change over in the printing system.
- (viii) Review the special emphasis on cost sheet.

CHAPTER 11**BRITANNIA ENGINEERING LIMITED***11.01 Introduction*

Britannia Engineering Products and Services Limited was incorporated on 14 April 1986 under the Companies Act, 1956 with the object of taking over the undertaking of Britannia Engineering Company (Titagarh unit), and to carry on the activities of the erstwhile Britannia Engineering Company Limited (Titagarh unit) mainly to manufacture and trade in Road Rollers, Tea and Jute Processing Machinery and Printing Press Machinery and various industrial, agricultural, construction and food-processing machines. The name of Britannia Engineering Products and Services Limited has been changed as Britannia Engineering Limited with effect from 21st October 1994. Against an authorised share capital of ₹ 137 crore, the paid-up capital of the Company as on 31 March 2018 was ₹ 11.29 crore (*i.e.* 684004 equity shares of ₹2000 each less reduction of Share Capital amounting to ₹ 1,25,51,47,340 during 2011-12 effected by the order of Government of India, Ministry of Corporate Affairs under File no. 40/2/2010-CL-III dated 13th June 2011) fully subscribed by the State Government.

Presently the Company is manufacturing only road-rollers (4-5 tones and 8-10 tones capacity), tea processing machines and dispensed with the manufacture of other products due to lack of demand. The Company has also ventured into construction works and trading activities, lately.

Prior to Early Retirement Scheme (ERS) in 2004-05, the Company in respect of financial matter was totally dependent on Government Non-Plan Loan for payment of employee's obligation. After introduction of ERS, there is a reduction in manpower along with substantial increase in production particularly of road roller, which is the main product of the Company. As a result, the Company could achieve operational profit from 2005-06 to 2009-10 but from 2010-11 onwards the Company incurred huge losses.

11.02 Organisational Set-up

The administrative control of the Company had shifted from Public Enterprise Department to Public works Department in February 2014. The Management of the Company is vested in a Board of Directors whose number should not be less than three and more than nine. The Managing Director is the Chief Executive

of the Company who is assisted by several departmental heads. At present there are four directors and one Managing Director on the Board. The Managing Director is the only whole-time director of the Company and has been appointed by the Government of West Bengal. The remaining directors have also been nominated by the Government of West Bengal. The Managing Director (MD) is assisted by six officers (*viz.* Company Secretary, Head of Finance & Accounts, Works Manager, Head of Marketing and Sales, Head of Civil Project, Head of Personnel and Administration) in discharging the day-to-day operations of the Company. Out of above six officers, three officers² are employed on contractual basis, one on deputation³, and the remaining two officers⁴ are regular employees of the company.

11.03 Purchase Procedure

Purchase of materials for production is made by calling for tenders which are finalised by a committee.

11.04 Sales Management

The Company has got a separate Sales Department located at Kolkata.

11.05 Inventory

The Company has a separate stores organisation. The stores are mainly required by the projects. The stores organisation is looked after by a Supervisor (Store) who is assisted by staff members of Central Stores.

11.06 Accounting Organisation

The Accounts and Finance Wing of the Company is headed by the 'In-charge' Finance and Accounts who is assisted by staffs and one Cashier.

11.07 Cost Control/Budgetary Control

The Company has not yet introduced the technique of Cost Control or Budgetary control. The Company works out the average cost of the product on historical cost basis to ascertain the extent of loss incurred on each product. The Company prepares an overall Expenditure Budget. A Monthly Performance Budget is being prepared for submitting the same to the State Government.

11.08 Internal Audit

²Company Secretary, Head of Finance & Accounts, Works Manager.

³Superintend Engineer (Head of Civil Project).

⁴ Head of Marketing and Personnel Sales and Administration.

Internal Audit of the Company is conducted by a firm of Chartered Accountants appointed by the Board of Directors from time to time.

11.09 Provident Fund

The Company has introduced Contributory Provident Fund Scheme (C.P.F.) for its regular employees.

11.10 Computerisation

The Company has computerised preparation of final accounts alongwith necessary schedules, Stores records, Pay-Rolls, Billing for sales of products.

11.11 Merger with Westinghouse Saxby Farmer Limited

As per West Bengal Order No. 1093-F(Y) dated 21.02.2017, M/s. Britannia Engineering Limited will be merged with Westinghouse Saxby Farmer Limited with an objective to improve the operational efficiency and to optimally utilize the manpower and assets. However, the same is yet to be operationalized.

11.12 Special points to be seen

- (i) Review the pricing policy and the fixation of selling price for each of the equipment produced viz. Road Roller and Tea Processing Machinery and specially examine those cases which result in a loss due to wrong fixation of selling price.
- (ii) Examine sub-contracts entered into for execution of works, its procedure and selection of contractor, supply of materials to the sub-contractors, recovery of cost, undue financial benefit given to the sub-contractors, reconciliation of free material supplied etc.
- (iii) Examine estimates, contract price, revision of estimates vis-à-vis actual expenditure incurred in each Road Roller and Tea Machinery and analyse the variance along with the reasons thereof.
- (iv) Review the capital works undertaken by the company under different schemes sanctioned by the Govt. specially the cases which are lying in Capital-work-in –Progress for long period and also utilisation of funds released by Govt. for capital works.
- (v) Examine idle labour vis-à-vis overtime payments.
- (vi) Utilization of Plan & Non-plan loan taken from Govt and interest on such Loans.
- (vii) Review the sale of scrap material.

- (viii) Review the targeted production of Road Roller and actually produced and consequent survey of market demand.

CHAPTER 12

GLUCONATE HEALTH LIMITED

12.01 Introduction

In terms of Government of India's gazette notification of 1st February 1995, Gluconate Health Limited was incorporated as a wholly owned Government Company with retrospective effect from October 1990 by amalgamation of Gluconate India Limited and Indian Health Pharmaceutical Limited.

The Company manufactures medicines like Alkacitron, Calcifoxin, Vallon, Vinacord, Zymatone, Dextrose injection, Klofen etc and supplies those items to hospitals, institutions, and private parties. Besides, the Company also supplies the medicinal kits to various Anganwadi units of West Bengal and supplies health kits to various sub-centres as per the guidelines issued by the Department of Women & Child Development, Government of India and Department of Health, Government of India and Department of Health & Family Welfare, Government of West Bengal.

The Company is under the administrative control of Health & Family Welfare Department. As per the order of Finance Department, GoWB (May 2017), the Company was to be merged with West Bengal Medical Services Corporation Ltd. Consequent upon merger, the company would be transferred to social sector for audit.

12.02 Capital Structures

Against the authorized share capital of ₹ 100 crore, the paid up capital of the Company was ₹ 54.38 crore as on March 2018.

12.03 Miscellaneous

(i) Purchase Department is headed by one Purchase officer under the supervision of Managing Director. Generally Purchases are made on the basis of limited quotations and urgent purchases on the basis of spot quotations.

(ii) Inventory control

The Company has got a Central Stores under the supervision of Works Manager. Materials received are inspected by the Quality Control Section and after due clearance, these are taken into stores.

(iii) Sales

Sales Department is headed by Sales Manager. The Company has one outstation sales depot at Patna which is under the charge of one Assistant Manager. As the Company is having no set up outside West Bengal, hence, the Company appointed promotional distributors to operate in other States on commission basis. Bulk of the sales is controlled by the sales wing at the head office of the Company.

(vi) Accounting Organisation

The Company has a separate accounting organization headed by Finance Manager who is assisted by Accounts Officer and other Accounting Staff. The Company is maintaining books and accounts in computerised system at Head Office.

(v) Cost Control and Budgetary Control

Full fledged costing system is not in vogue. Maintenance of Cost records and procedures in respect of bulk drug, such as Pethedine Hydrochloride Powder is maintained. Production cost structure is prepared for fixation of price. However, no variance analysis is done. Although the Company prepares production and sales budget, actual performance against budgetary allocation is not compared.

(vii) Internal Control/Internal Audit:

The Company has got no Internal Audit cell of its own. However, a firm of Chartered Accountants is appointed to conduct internal audit on continuous basis. It submits its report monthly to the Managing Director.

(viii) Provident Fund:

The Company is covered by the Contributory Provident Fund Scheme (CPF) of the Regional Provident Fund Commissioner, for the employees of erstwhile Gluconate India Limited. The provident funds of the employees of erstwhile Indian Health Pharmaceutical Limited are maintained by P.F. Trustee Board.

12.04 Special Points to be seen: -

- (i) The basis for issue of raw materials to production may be studied. Compare the actual consumption with the standard.
- (ii) See that the utilization of fund received is proper.
- (iii) Review the price fixation policy for each of the product and specially examine cases which result in loss due to wrong fixation of selling price.

- (iv) Review the production target and work out the activity ratio. Account for under-utilisation of capacity.
- (v) Review the average cost of production per unit and investigate the variation in cost compared to earlier year.
- (vi) Terms of agreement with promotional distributors appointed at various States and their performances thereon.

CHAPTER 13

NEO PIPES AND TUBES COMPANY LIMITED

13.01 Introduction

The Company was incorporated as a wholly owned Government Company in January 1983. The paid up capital of the Company was ₹ 2.20 crore against authorized share capital of ₹ 4.00 crore as on 31st March 2017. The Company is under administrative control of Large Industries & Enterprise Department.

The Company has stopped operating activities since long and is in the process of re-structuring. The Company was in position to prepare its annual accounts and submit to C&AG till financial year 2016-17 only.

13.02 Organizational set up

The Company is managed by a Board of Directors. The Managing Director is the Chief of the Company and has been appointed by the Government of West Bengal

13.03 Provident Fund

The Company contributes mainly to recognized provident fund except for few employees whose fund is maintained in Trust.

CHAPTER 14

MACKINTOSH BURN LIMITED

14.01 Introduction

The Company was incorporated as a Government Company in December 2010. Against authorized share capital of ₹ 31.47 lakh as on 31st March 2018, the paid up capital stood at ₹ 31.15 lakh

14.02 Organizational set up

The Company is came (February 2014) under the administrative control of the Public Works Department, GoWB from Public Enterprise Department, GoWB. The Management of the company is presently vested with the Board of Directors (BoD) comprising of the Chairman, Managing Director and five Directors. The Managing Director (MD) is the Chief Executive Officer and is assisted by one Chief General Manager and by two General Managers (*viz.* General Manager -Projects and Dy. General Manager -Accounts) and one Finance Controller in discharging day-to-day operations of the company.

14.03 Activities

The Company is an architectural, engineering and construction Company. The Company has been operating in diversified fields ranging from construction of Buildings, Bridges, Flyovers, Roads and Highways, drainage and others etc. The Company operates through two division viz. Construction and Workshop.

14.04 Securing orders

The Company secures orders by quoting rates against tender enquiry floated by different Government organization as well as private parties. The Tender Department of the company is entrusted to quote rates/value after making an estimate. The Company is heavily dependent on Government orders. In terms of GoWB notification (June 2012), non-engineering departments of GoWB can nominate the Company as agencies for the management of works.

14.05 Workshop Division

The workshop of the Company performs maintenance of plant and machinery of the Company and captives steel fabrication. Due to lack of orders the workshop suffered losses.

14.06 Internal Audit & Internal Control

The Company has no internal audit wing of its own. The system of internal audit is carried by a Cost/ Chartered Accountant Firm, The important activity of the Company like Project wise analysis, Cash analysis. Vis-à-vis make or buy decision in respect of the Company's main projects remained unascertained by the internal auditors.

The internal control on the whole is commensurate with the nature and size of the activities carried out by the company.

14.07 Special points to be seen

- (i) Check the procedure followed by the Company while quoting the rate and subsequently awarded it to sub-contractor.
- (ii) Whether the taxes/ cess / other statutory levies fully realized from the sub-contractor.
- (iii) Whether the cost estimation for execution of work adequate.
- (iv) Review the purchase rate of building material.
- (v) Project Management, *viz. regular monitoring, Delay, if any*, reason for delay in execution of work and loss thereof.
- (vi) Whether liquidated damages imposed due to delay of execution of jobs by the contractor
- (vii) Review the cost escalation of work and loss thereof.
- (viii) Whether the PF of contract labourers recovered from the sub-contractors.
- (ix) Whether interest/penalty imposed by the respective authorities due to delay in assessment and remittance.
- (x) Reasons for non-adjustment of suppliers advance.
- (xi) Review the selection of contractors as well as tendering of contract.
- (xii) Test check of measurement book of works executed and running bills to the contractor.

CHAPTER 15

WEST BENGAL TEXT BOOK CORPORATION PVT. LIMITED

15.01 Introduction

West Bengal Government took initiative to form a Text Book Corporation like other states for printing and publishing the School Text Books for primary level education. Since, paper purchase for publishing of Government published School Text Book are exempted from payment of Excise Duty, the Board of Saraswaty Press Limited (SPL) decided to form a Company under the name of West Bengal Text Book Corporation (Pvt.) Limited so that the State could declare the Company for being exempted from Excise Duty. Accordingly, West Bengal Text Book Corporation Private Limited was formed in December 2006 as a subsidiary Company of SPL, which is holding 998 no. of shares out of 1000 no. of shares of West Bengal Text Book Corporation Private Limited as a holding Company. However, such excise exemption was withdrawn subsequently. In addition, the Company has no employees or fixed assets (Machines) of its own and gets the entire job work done through utilizing the Manpower, Plant & machinery and infrastructures of SPL. Against authorized Share Capital of ₹ 500.00 lakh, Issued, Subscribed & fully paid-up capital of the company as on 31.03.2018 stood at ₹ 10.00 lakh.

15.02 Organizational set up

The company is under the administrative control of Industry Commerce and Enterprise Department. The management of the company is vested with the Board of Directors (BoD) consisting of four directors including the Chairman and the Managing Director. The Managing Director is the Chief Executive of the company and is assisted by the Production Controller, Financial Controller, Controller of Personnel & Administration and Marketing Manager.

15.03 Operational activities

The functional objectives of the Company inter alia included the following-

- i) To carry on the business of the Government of West Bengal relating to printing and publication of the text books on all subjects from primary to university level.
- ii) To carry on the business as publishers, printer sellers, suppliers of all kind of books, journals, magazines for the Government of West Bengal and other statutory bodies under the Government of West Bengal.
- iii) To purchase or otherwise acquire own establish, edit and sell import or export or otherwise deal in any magazine pamphlets, leaflets, poster, journal, pictorials etc. and other literary works and publication and various other activities principally based on printing.

The Company also participates in printing and publishing of books relating to Sarva Siksha Abhijaan (SSA) after participating in tender process.

15.04 Internal Audit

The Company has no internal audit wing since the activity of the Company is meager.

15.05 Special points to be seen

- (i). Review the rate at which the order placed.
- (ii). Scrutiny the cost of printing, binding and transportation charges.
- (iii). Review the action taken by the company to increase its trading and marketing activities.
- (iv). Reason for delay in start functioning and hindrance to increase the functioning even after expiry of 7 years as on March 2013
- (v). Review the utilization of manpower.
- (vi). Compare the consumption of white paper and ink with reference to the norms fixed by All India Federation of Master Printers (AIFMP)
- (vii). Review quality control measures adopted and reconcile the consumption of paper where there is supplied if client

CHAPTER 16

NATIONAL IRON AND STEEL COMPANY (1984) LTD

16.01 Introduction

The Company was incorporated in July 1980 under the Companies Act 1956. The authorized Share Capital of the Company is Rs 5 crore against paid up share capital of Rs 0.50 crore and share suspense Rs 11.50 crore as on March 2012. Since inception activities of the Company were confined mainly manufacturing of ingots, rolled products and steel castings. The

manufacturing process involved operation of steel melting shop, rolling mills, foundry and machine shop.

The production activity of the Company had stopped since October 2005. Presently the activities of the Company are restricted to trading activities which was started in 1996.

16.02 Organizational set up

The Company is managed by a Board of the Directors. The Managing Director is the Chief Executive of the Company. Most of the key positions of the Company are lying vacant.

16.03 Merger/Restructuring of the company

As per Order No. 1093-F(Y) dated 21.02.2017, Government of West Bengal decided to merger/restructure the company to improve the operational efficiency and to optimally utilize the manpower and assets. However, the same is yet to be operationalized.

16.04 Internal control

Since most of the key positions of the Company are lying vacant it leads to poor internal control of the Company.

16.05 Special Points to be seen

- Whether the Company prepares annual budget/plan
- Review the land encroachment and compensation received thereon
- Review the unadjusted advance to suppliers
- Review the needs of appointment of contractually temporary employees
- Issue of work orders to the contractor.
- Whether the company maintains any register for fixed assets as well as stock
- Review of basis or method to calculate interest on GoWB

SECTION IV

Audit of Commerce & Industries Department

CHAPTER 17

WEST BENGAL MINERAL DEVELOPMENT AND TRADING CORPORATION LIMITED

17.01 Introduction

West Bengal Mineral Development and Trading Corporation Limited was incorporated on 23 February 1973 as a Government Company. The authorized Share Capital of ₹ 5.00 crore and the paid up capital was ₹ 4.43 crore as on 31.03.2018. The Company is owned by Government of West Bengal under the administrative control of Commerce & Industries Department, Government of West Bengal and the entire share capital of the Company is contributed by the State Government. The Government of West Bengal (GoWB) holds 100% equity in the Company.

The present activities of the Company are confined to extraction of stone boulders from Pachami Hatgacha Stone Project at Birbhum for crushing into stone chips, rock phosphate from Beldi and Quartz from Mirmir mines both in Purulia district. The Company is in the process of mining of Coal in Trans-Damodar, Jagannathpur (A & B), Raghunathpur, Kulti & Sitarampur, Ichhapur. Extraction of coal from Trans Damodar Project was started from April 2012. Mining of Fireclay, Granite, Correndum, and Silimanite has been abandoned.

17.02 Organisation Set-up:

The Company is under the administrative control of the Commerce & Industries Department, GoWB. As on 31.03.2016 the Management of the Company was vested with the Board of Directors (BoD) comprising of the Chairman, Managing Director and five Directors. All the Directors including the Managing Director are nominated by the State Government.

The Managing Director (MD) is the Chief Executive Officer of the Company and is assisted by one Executive Director (Technical), four Advisor (PD&AM, Project, Finance), three General Manager (Project, HRD), and four Dy. General Manager (Project, Geology) who are discharging day-to-day operations of the Company.

17.03 Manufacturing Process:

- (a) The Company extracts stones from the stone quarries situated in Birbhum District (Pachami). The stones are then crushed in the crushers, graded to different sizes and sold.

- (b) The Rock-Phosphate ore is extracted from the Beldi mines situated in Purulia-District. The ore is then pulverized and sold as fertilizer.
- (c) The following Coal Blocks of the Company was allotted by the Ministry of Coal, GOI through State dispensation route for exploration and exploitation of coal. However, all the coal blocks were de-allocated with effect from 24.09.2014 vide Hon'ble Supreme Court order dated 25.08.2014.
 - (i) **Trans-Damodar Coal Block** (open cast & underground) was an operating non-captive and non-coking coal mining block with an estimated reserve (opencast) – 61.73 MT. The private contractor was Trans Damodar Coal Mining Pvt Ltd. (TDCMPL). The coal production was started from April 2012. The coal block was re-allocated to M/s. Durgapur Projects Limited.
 - (ii) **Jagannathpur (A & B)** (underground), **Kulti Coal Block** (underground), **Sitarampur Coal Block** (underground) and **Ichhapur Coal Block** (underground) were completely non-operating coal before de-allocation following Hon'ble Supreme Court Order

17.04 Purchase Procedure:

The purchases are approved by a tender committee. However, in case of high valued items, the same is placed for approval by Board.

17.05 Sales Management:

Sales Officer who is assisted by a Marketing Assistant looks after the sales of the Company. The price of Rock-Phosphate is based on market rate as the cost of production is higher.

17.06 Inventory Control:

Stock registers are not maintained properly. Production is counted only when dispatches are made. No record of production is maintained.

17.07 Accounting Organisation

Advisor Finance and Accounts is the financial head of the Company. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

17.08 Budgetary Control

The Company has not introduced Cost control and Budgetary Control technique as a tool of managerial control. However, it prepares projected cash flows statement from time to time.

17.09 Provident Fund:

The Company had three Provident Fund Accounts for its employees. Two of such accounts were in respect of mining and factory workers/employees which were under control of Regional Provident Fund Commissioner and the other account is being managed by Trustee Board formed by the employees of the Head office of the Company.

17.10 Internal audit

Neither there has any Internal Audit Wing of the company and nor any chartered accountant firm was appointed as internal auditor.

17.11 Special Points to be seen:

- (i) Review the financial condition of the company after de-allocation of the coal blocks vide Hon'ble Supreme Court Order.
- (ii) Review the financial adjustment with various collaborators post de-allocation of coal mining blocks.
- (iii) Review the price fixation policy and fixation of selling price for each product and specially examine the cases, resulting in loss due to wrong fixation of selling prices, where selling price is less than the market price.
- (iv) Review the progress of sales with respect to sales programme and examine cases, if any, of delay in adhering to the delivery programme.
- (v) Examine the mining lease and prospecting agreement and see that the Company has made profitable use of the lease agreement.
- (vi) Check the Royalty Account and see that royalty paid tallies with the quantity of extraction. Specially see that shortfall in operation of earlier years have been adjusted against future performance of good harvest (extraction of ore).
- (vii) Examine the records of mining activities to see whether stone aggregates are of required size and specification.
- (viii) Review the production and sales of coal from Trans-Damodar Coal Mines till de-allocation.
- (ix) Whether there is any excess or shortage of raising of mineral in comparison to target.

- (x) Review the tendering process, mining cost, retention money and bank guarantee of coal blocks.

CHAPTER 18

WEST BENGAL INDUSTRIAL DEVELOPMENT

CORPORATION LIMITED

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18.01 Introduction:

The company is under the administrative control of the Commerce and Industries Department, Government of West Bengal (GoWB). The Company was incorporated in 1967 under the Companies Act, 1956. Government of West Bengal designated the Company as a nodal agency for promotion and development of large and medium scale industries in the State. The present activities of the Company are confined mainly to the development of different industrial parks and financial assistance to the industrial units by way of loan and equity participation. .

Against an authorised capital of ₹ 2000 crore and paid-up capital of ₹ 435.93 crore as on March 2018 wholly subscribed by the State Government.

18.02 Objective of the Company

Government of West Bengal designated the Company as a nodal agency for promotion and development of large and medium scale industries in the State. The present activities of the Company are confined mainly to the development of different industrial parks and financial assistance to the industrial units by way of loan and equity participation. The Company has twelve Divisions for performing different activities.

The company is the premier State Government Agency responsible for promotion of industrial and infrastructure investments in the State. The main functions of the Company are;

- a) Financing medium and large scale industries through various loan schemes;
- b) Providing facilitation services through its 'Single Window Agency' (Shilpa Bandhu) and State Investment Facilitation Centre (SIFC).
- c) Promotion of Joint Sector and Assisted Sector Units in important industry segments.

- d) Development of business, trade and industrial links with domestic as well as foreign institutions and companies.
- e) Management and operation of State Incentive Schemes as a nodal agency of the State Government.

18.03 Organisation Set-up:

The Management of the company is presently vested with the Board of Directors (BoD) comprising the Chairman, Vice- chairman, Managing Director, Two Executive Directors.

The Managing Director (MD) is the Chief Executive Officer and is assisted by two executive directors and four Advisors⁵ who are in turn assisted by other subordinate officers in discharging day-to-day operations of the company.

18.04 Financing Procedure:

The Company renders assistance to medium and large scale sectors by way of term loans and equity participation. The applications for loan are appraised and put up before the Executive Committee/Board in memo form for consideration and sanction. The security for loan is first equitable mortgage of the immovable properties created/to be created for the project and first hypothecation charged of all immovable assets including Plant and Machinery, Spares, Miscellaneous Tools and Titles and other specified movables except prior charge in favour of banks for book-debts and other current assets as may be necessary for working capital assistance. Personal guarantees of the shareholders as well as co-lateral security are also taken as and when necessary. Loans are also additionally secured by personal guarantees of the Director having shareholders' interest of the Company availing of the loan. Presently, the term loan amount is fixed with per debt-equity ratio of 1:1. In case of higher rate, adequate collateral securities are asked for.

Overall limit for sanctioning loans is regulated by debt equity ratio 2:1 generally. The margin for loans, in fact, varies from project to project in between 50 per cent and 60 per cent depending upon its location, product and promoters.

18.05 Accounting Organisation:

⁵Advisor– Project, land, HRD and F&A

The Company has a separate Accounts Department headed by a Deputy General Manager (Accounts). He is assisted by Deputy Managers and Officers-on-Special Duty. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

18.06 Cost Control and Budgetary Control:

Though there is scope for maintaining the cost records of the services rendered by the Company and its year to year comparison, it has not introduced any such Costing Procedure. As regards Budgetary Control, the Company prepares functional budgets and compares actual figures with budgeted figure.

17.07 Internal Audit and Internal Control

The Company has no Internal Audit wing of its own. However, internal audit was conducted by engaging outside agency. The systems of Internal Control being followed by the Company were not spelt out in any manual.

18.08 Repayment of Loans/Recovery:

The repayment of the instalments of principal and payment of interest in the accounts of the Company are not satisfactory. Some of the units with overdues are sick. In order to make an intensive effort to increase the recovery of Company's dues from the borrowers, a separate Follow-up and Recovery Department headed by a General Manager has been formed. The Company has also instituted money suits against some of the defaulting loanees.

18.09 Computerisation:

The Company is equipped in computerisation in preparing of entire Financing and Annual Accounts alongwith the relevant schedules, loan accounting, Pay and allowances of the employees, attendance etc.

18.10 Industrial Parks

The Company is developing sector specific and multi product industrial parks in the State keeping in mind the Government of West Bengal roadmap for rapid industrial growth. An overview of some of the Industrial Parks initiated and/or developed in the State are as follows

Name	Products / Services	Location	Area (acres)
Manikanchan SEZ (Phase I and II)	Gems & Jewellery	Salt Lake, Kolkata	5
Shilpangan (Light Engineering Park) (Phase I and II)	Light Engg. Products.	Salt Lake, Kolkata	2.25
Garment Park (Paridhan)	Garments	Kolkata	8.78
Food Park (Phase I & II) (Sudha Ras Food Park)	Food processing	Sankrail, Howrah	49.98
Kandua Food Park	Food processing	Sankaril, Howrah	52
Food Park (Phase III)	Food processing	Sankaril, Howrah	
Bengal Aerotropolis Project	Aviation	Durgapur – Asansol, Dist. Burdwan	
Raghunathpur Steel & Allied Industrial Park – I	Iron & Steel, Cement and Power	Raghunathpur, Purulia	684.36
Raghunathpur Steel & Allied Industrial Park – II	Iron & Steel, Cement and Power	Raghunathpur, Purulia	733.99
Poly Park	Polymer products	Sankrail, Howrah	60
Rubber Park	Rubber footwear, hoses, tubes, automotive rubber products	Sankrail, Howrah	90
Plasto Steel Park (Phase - I & II)	Iron & Steel and Plastic products	Borjora, Bankura	423.20
Foundry Park (Phase I and II)	Castings, Forgings and other Foundry items	Sankrail, Howrah	556.93
Vidyasagar Industrial Park	Engineering and manufacturing	Kharagpur, Pashchim Medinipore	1246.05
Raghunathpur Steel & Allied Industrial Park	Iron & Steel, Cement and Power	Raghunathpur, Purulia	7420.24
Panagarh Industrial Park	Engineering and manufacturing	Panagarh, Bardhaman	2716.198

Shalboni Industrial Park	Iron & Steel	Shalboni, Pashchim Mediniporel	4500
Godapiasal Industrial Park	Cement	Godapiasal Pashchim Medinipore	165.5
Salanpur Industrial Park	Iron & Steel	Salanpur, Bardhaman	2550
Ranigunj Aluminium & Non-ferrous Metals Park	Aluminium Smelter Plant & Power Plant	Raniganj, Bardhaman	1500.00
Rishi Bankim Industrial Park	Multi product	Naihati, 24 Parganas (N)	163.38

17.11 Financial Performance

The working results of the Company during the last three years ending 31 March 2018 was as follows:

	Particular	2015-16	2016-17	2017-18
I.	Revenue	(₹ i n c r o r e)		
II.	Revenue from operations	6.16	7.02	32.79
III.	Other Income	53.94	46.26	39.57
	Total:	60.10	53.28	72.36
IV.	Expenses			
	Administrative Expenses	5.26	7.07	9.32
	Employee Benefits Expenses	6.41	6.66	6.48
	Promotional Expenses	2.84	3.95	7.04
	Finance Charges	1.26	-	-
	Depreciation	1.75	1.41	1.19
	Other Expenses	0.92	7.70	8.27
	Total:	18.44	26.79	32.30
V	Profit before Tax	41.66	26.49	40.06

	Particular	2015-16	2016-17	2017-18
	Tax expenses	14.48	15.02	(2.24)
	Profit after tax	27.18	11.47	26.31

18.12 Special points to be seen:

(A) Investments made to assisted units

- (i) Examine the collaboration agreements with the joint sector projects and assess the extent of liability of the Company. Also review beneficial interest of the Company as well as the collaboration.
- (ii) See whether any separate agreement of the joint sector Company with other collaborators or other Company has landed the Company in any financial involvement and whether such liability has the approval of the Board.
- (iii) Review the loans sanctioned/paid with reference to the terms and conditions mentioned in the mortgage deeds and ensure that there exists sufficient security.
- (iv) See that the periodicity of repayment of instalment of principal and interest is strictly adhered to.
- (v) Review the cases of release of assets mortgaged to the Company.
- (vi) Review the loans advanced/investment made to see that those have been utilized for the purposes for which they were sanctioned.
- (vii) Check that the sale of assets, if any, of the loanee has been made following prescribed procedure and the sale proceeds credited to the Company's account within a reasonable time.
- (viii) See that the legal deeds, viz., title deeds, mortgage deeds, etc. have been properly executed and are kept under safe custody.
- (ix) See that the assets mortgaged to the Company and any subsequent addition thereto are fully insured with Insurance Company.
- (x) Check the Insurance Policies and see that these are in custody of the Company and premium in respect of them are being paid regularly and the policies are renewed from time to time.

- (xi) See that proper accounts have been kept in respect of fund received from the Central Government/State Government (under incentive scheme and otherwise) and other financing agencies and spent/disbursed for the purpose for which it was released by the Government/Agencies. Report on deviation/diversification of fund.
 - (xii) See that loans are sanctioned in keeping with the lending policy of the Company i.e. for bonafide purposes within the prescribed limits and on fulfillment of the conditions laid down.
 - ~~(xiii) See whether loan has been sanctioned to a unit in violation of the purpose for which it has been established.~~
 - (xiv) See that investments are sanctioned and made in keeping with the policy of the Company.
 - (xv) See that the loanee companies' titles to various assets mortgaged as security for loans are clear and marketable and such rights have been passed on to the Company according to law on the subject.
 - (xvi) See whether the approval of one time settlement (OTS) is ~~according to RBI~~ **adhered to** company's guidelines.
 - (xvii) Scrutinise and enlist cases where the Company has issued "Full recovery of loan" certificates without getting back the principal/interest in cash or without marshalling the securities (i.e., adjusting the realizable value of securities).
 - (xviii) Enlist the cases where outstanding dues have exceeded the value (or depreciated value) of securities.
 - (xix) Scrutinise the cases where loan has been sanctioned/released for the second time though the loanee was either defaulter or irregular in payment of instalment of principal/interest.
 - (xx) Examine the investment of the Company as underwriter or otherwise in the shares or debentures of other companies and see that the uncommitted reserve is adequate to cover the fluctuation or permanent diminution in the market price (value) of the investments.
 - (xxi) See whether the financing policy followed for trading activities are admissible under RBI notification.
- (B) Development of Industrial parks
- (i) DPR for development of industrial parks
 - (ii) Proposal sent to Land and Land Reforms Department for acquisition of land and advances given vis-a-vis Land actually received;
 - (iii) Whether there was cost and time over-run;

- (iv) Selection of contractors;
- (v) Allotment procedure, allotment made, fixation of allotment price;
- (vi) Whether the allottee has been running the industry, employment generated and investment made.

CHAPTER 19

WEST BENGAL PHARMACEUTICAL AND

PHYTO CHEMICAL DEVELOPMENT CORPORATION LIMITED

19.01 Introduction.

The West Bengal Pharmaceutical & Phytochemical Development Corporation Limited was incorporated in 1974 under Companies Act 1956 with an authorized capital of ₹ 30.00 crore and paid up capital of ₹ 23.99 crore as on 31st March 2017. The Company was created with the objective of development of Pharmaceutical and Phytochemical Industries and production of Drugs and Drug Intermediates. In order to meet the objective of preparation of bulk drugs, the Company had set up a manufacturing unit at Kalyani for production of Drug Intermediates. But the Productions had to be discontinued in 2001-02 owing to major policy changes of Government of India. The Company then had to diversify the existing infrastructure at its Kalyani unit for production of home care products, Glycerine Monostearate (emulsifier for Bakery Industries), Agricultural input product etc.

At Jalpaiguri Complex, the Company had developed a facility for production of Tri-acetanol based growth promoter (in the brand name of Phytonol) for promoting growth of all types of crops including horticultural crops and tea crops.

Further, the company has one Drug Testing Laboratory at Behala. The Laboratory extends drug testing facility to small scale drug manufacturers in the State. In addition to helping drug manufacturers, this laboratory also tests drug samples offered by Health Department, Government of West Bengal (GoWB) and also from some Railway Hospitals.

The Company is under the administrative control of Health & Family Welfare Department. As per the order of Finance Department, GoWB (May 2017), the Company was to be merged with West Bengal Medical Services Corporation Ltd.

19.02 Organisational Set-up

The Management of the Company is presently vested with the Board of 10 Directors (BoD) comprising of the Chairman, the Managing Director and eight other Directors. The M. D. the head of the company and is assisted by one Sr. Advisor (development) who looks over the administrative control, one Production Manager who looks over the production and marketing, one Procurement Superintendent who looks over the procurement under the supervision of Production Manager and one Advisor (Accounts) who looks over the accounts of the company with the assistance of contractual and regular employees. The Company has not formed any Board level committee.

19.03 Manufacturing Process

The Corporation produces various products at its units as stated below:

	Name of the unit	Name of he Products
(A)	Phytochemical complex at Jalpaiguri	Phytonol, Phytoneem,
(B)	Kalyani Unit	Glycerin Monostearate (GMS), Black Phenyle, Phytofresh, Phytospray, Golden Harvest, Detergent Powder, Micromix, Phytoclean, Phytomos, Phytopine,
(C)	Behala Unit	
(i)	Household utility product	Phytofresh, Phytospray
(ii)	Dr. P.C. Roy R&D Drug Testing & Pollution Testing Lab.	Testing of Water, Air and Pharmaceutical samples for the purpose of quality control are done by various Central Government, State Government and Private Sector Agencies. The Testing Laboratory is approved by the State Drug Controller.

19.04 Purchase Procedure

Raw materials, packing materials, printing materials, laboratory Chemicals, Reagents, and other ingredients required for manufacturing and marketing of Company's products are procured through press tenders/limited tenders.

19.05 Sales Organisation

The Marketing Department is looked after by the Marketing In-charge as well as Senior Development Officer.

19.06 Inventory Control

At the time of purchase of raw materials and packing materials goods are received against creditor's challan. Raw materials/packing materials are issued on receipt of indents from production section. Consumables and spares are purchased as and when required. Finished goods, Raw materials, packing materials are entered into receipt side of Stock Ledger and issued on the basis of indents adopting FIFO (First In First Out) method. Finished goods at factory are despatched to Central Godown at Phearse lane, Kolkata on the basis of requisition/sales order.

19.07 Accounting Organisation

Accounts Department is headed by a Chief Accounts Officer/ Financial Advisor assisted by an Assistant Accounts Officer, an Accountant and a cashier at Head office. The Company was able to prepare its annual accounts and submit to C&AG till 2016-17 only.

19.08 Cost Control, Budgetary Control

Performance Budget is prepared at the beginning of each year along with the expenditure Budget.

19.09 Computerisation

Accounts are prepared on the basis of entries made in the Computerised General Ledger and manually maintained Cash Book. Computerised Trial Balance is prepared at Head office after incorporating Computerised Trial Balance of Behala unit, Kalyani unit and Jalpaiguri unit.

19.10 Special points to be seen

- (i) Review the progress of sales with respect to sales programme and examine cases, if any, of delay in adhering to delivery programme.
- (ii) Review the performance of consultants if any for Marketing Division, and comment in case of un-satisfactory performance.
- (iii) Review the production programme and examine the variations in productions actually achieved with reference to target.

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- (iv) Review the average cost of production and investigate the variation in cost compared to previous year.
 - (v) Review the promotional activity of the Company to set up bulk drug manufacturing units.
 - (vi) Review the progress and expansion programme of the Company for cultivation of medicinal and aromatic plants in North Bengal; and also examine the utilisation of land allotted by the State Government.
 - (vii) Review the working of R&D-cum-testing laboratory in the light of its chemical analysis as well as microbiological assay.
 - (viii) Examine the utilisation of excess land at Kalyani and see whether it has been utilised for the best interest of the Company.
 - (ix) Examine the utilization of vacant space at Behala office premises and see whether it has been utilized for the best interest of the Company.
 - (x) Review the Consumption of raw material and Standard Conversion of finished output.
 - (xi) Review the Quality list of batch wise Production of finished goods.

CHAPTER 20

WEST BENGAL TEA DEVELOPMENT CORPORATION LIMITED

20.01 Introduction

West Bengal Tea Development Corporation Limited (the company) was set up in August 1976 with the main objective to takeover, purchase, promote, take on lease and manage tea estates for protecting the interest of workers of the abandoned tea gardens and development of the same or carrying on the business in plantation, manufacturing and selling of tea. The Government of West

Bengal (GoWB) mainly took over sick tea gardens abandoned by the private owners through the company.

Between July 1977 and April 1981, the Company took over the ownership of four sick tea estates abandoned by erstwhile private owners, viz. Rungmook/Cedars, Pandam, Rangaroon in the district of Darjeeling and Hilla in the Dooars region, Jalpaiguri district, while it developed Mahua tea estate in Dooars region.

During 3rd week of March 2015 the Company transferred its 5 gardens segregating in Packet A (Rangmook/ Cedar, Rangaroon, Pandam) and Packet B (Mohua & Hilla) to the Darjeeling Organic Tea Estates Pvt Ltd. and Malnady Tea Estates Pvt Ltd. at ₹ 21 crore and ₹ 7.31 crore respectively.

Against authorized share capital of ₹ 50 crore the paid up capital stood at ₹ 47.22 crore as on 31st March 2018, At present, the Company produces 'Orthodox' and 'CTC' variety of tea at Darjeeling and Dooars tea estates (TEs) respectively and sells tea in auction at Kolkata (Darjeeling tea) and Siliguri (CTC tea). The Company also runs factories at Pandam, Rungmook/Cedars and Hilla TEs for processing green leaves of these TEs into 'made tea'. However, green leaves of Rangaroon and Mahua TEs are sent to Pandam and Hilla factories for manufacturing into 'made tea'

Company had auctioned its gardens and has no commercial activities at present. It is in the process of winding up.

20.02 Organisational Set-up:

The Company is under the administrative control of the Commerce & Industries Department, GoWB. The Management of the Company is presently vested with the Board of Directors (BoD) comprising of the Chairman, Managing Director and three Directors as against minimum three and maximum twelve Directors as required in clause – 91 of the Memorandum & Articles of Association of the Company. The Managing Director is the Chief Executive of the Company. He is assisted by Company Secretary, General Manager (Tea), Manager (Finance and Accounts) and Dy. Manager (Administration).

20.03 Manufacturing Process

Commercial tea is obtained in several forms viz. black tea & green tea. Of these productions, the largest is black tea.

The tea leaves as they are plucked are collected in baskets and transported as frequently as possible to the factory, lightly packed to prevent brushing and heating.

In the manufacture of black tea the operations are fourfold-(i) withering (ii) rolling (iii) fermenting and (iv) drying.

When the green leaf reaches factory it is weighted and then spread out thinly and evenly on racks or shelves protected from weather. The object is to dry the leaf partially and evenly until it attains a soft flaccid condition. Where the weather condition is cold and moist the leaf is spread over long troughs at desired thickness and hot air is circulated through the leaves, by which nearly 60 (sixty) percent of the moisture withers away at about eighteen hours. The withered leaves are then rolled in the rolling machine, by which process the cells of the leaves are punctured. The rolled leaves are spread in the floor and allowed there for a specified period in a required humid condition, where by fermentation takes place. The fermented leaves (having the smell of almost rotten apple) are then taken in the drier, where hot air is blown. The processed black tea comes out of the drier mouth. The tea is then sorted into different grades simply by permitting it to pass through nets made of wire-mesh of different sizes. The grades of tea are the following.

(a)	Leaf grades	F.T.G.F.O.P.-1
		T.G.F.O.P -I
		S.F.T.G.F.O -I
(b)	Broken gardens	T.G.B.O.P.-I
		S.T.G.B.O.P
		A.T.G.
(c)	Fencings	G.O.F.
(d)	Dust	Broke down
		Dust

Note:

S-Special	F-Fine	T-Tips
G-Golden	F-Flowery	O-Orange
P-Pekoe	B-Broken	

Best grade under, leaf grade obtained during second flush is special Fine Tips Golden Flowery Orange Pekoe-I (i.e. S.F.T.G.F.O.P-I)

20.04 Purchase Procedure

For all major purchases approval is made by the Managing Director/Board. At plantation level the Plantation Managers are empowered to approve purchases.

20.05 Sales Management

Bulk of the tea manufactured is sold by auction. In some cases sales are also effected through broker on contractual basis and direct private sale. There is no direct sale from the factory premises. The Company has got no organised sales department, for retail marketing. Sales are made through authorised auctioneer at Kolkata auction/Siliguri auction. Recently auction has also been started from Jalpaiguri (2007).

20.06 Inventory Control

The company has got separate and well organised store department fulfilling requirement under Central Excise and Salt Act. A store keeper is in charge of store and stock in trade.

20.07 Accounting Organisation

The Accounting department is headed by the Company Secretary presently (December 2007) with additional charge. He is assisted by two Deputy Managers (F&A) and one Assistant Manager (F&A).

20.08 Internal Control/Internal Audit

The Company has appointed a firm of chartered Accountants to act as its internal auditors who are to furnish half yearly/annually internal audit report to the Managing Director. The internal audit report mainly focused on the accounting entries. However, coverage was absent/ inadequate in respect of performance of the gardens in respect of plucking, pruning, production of factories and selling activities. The internal Control does not commensurate with the size and nature of business carried out by the Company.

20.09 Cost Control/Budgetary Control

The Company has not yet introduced the technique of cost control or Budgetary Control. The Company works out the average cost of the product on historical cost basis to ascertain the extent of loss incurred on each product.

The Company prepares expenditure budget and in plantation level and intimates monthly, the requirement of its cash in advance. The target of production for a year is also determined.

20.10 Computerised system of accounting.

The Company does not have an IT enabled real time accounting system neither it has any ground level expertise to look after it for the best interest of the Company. A strong IT enabled Accounting System capable of producing real time output in today's multilevel business maneuver is quite obligatory else management will have little control over its monetary or otherwise resources. The matter had been discussed (March 2013) in the Board of Directors meeting but no remedial measures had been taken by the company since then to streamline the Company's electronic accounting system.

20.11 Special Points to be seen

- (i) See the green leaf account and compare it with weighment register and drier mouth register.
- (ii) Check that there is no wide variation in the production of tea from green leaf. It is around forty per cent of green leaf; any wide variation must be reported.
- (iii) Compare the different grades of tea manufactured with drier mouth register and see that any discrepancy can be explained with reference to unsorted tea and tea waste (See also packing register).
- (iv) Verify the daily stock account with drier mouth register.
- (v) See the adjustment made in respect of tea found excess in the case of absorption of moisture or due to other means.
- (vi) See the consumption of fuel (viz. coal and furnace oil/L.D.O.) and see that consumption is not in excess compared to each kg. of tea manufactured. Any excess of above norm should be adequately explained.
- (vii) See the consumption of lubricating oil and whether the consumption is more or less appropriate to the machine hours operated.

- (viii) Check the ration distribution register with stock of ration procured and see that ration has been distributed to the workers and eligible members of the family.
- (ix) Check the quantum of duty free sample and the complimentary tea given.
- (x) See the denaturing of waste tea and see that it has been destroyed in the presence of authorized person or sold to caffeine manufacturer.
- (xi) Check the expenditure on nursery and on in filling and replantation. Check the percentage of survival in case of new plantation.
- (xii) Check the area under cultivation with tea bushes above 50 years of age and the scheme for replacement of such bushes.
- (xiii) Check the damage recorded, if any, in hail storm and recovery from insurer.
- (xiv) See whether the Company keeps separate accounts in respect of money received under different schemes and from different agencies.
- (xv) Check how the Company has procured its requirement of fuel viz. coal and furnace oil.
- (xvi) Check the steps taken by the company to control expenditure for cost of production.
- (xvii) Check the manuring cycle of tea bushes, and how it affects the production.
- (xviii) Make a comparative study of expenditure on pesticides and weedicides from garden to garden and its effect on production vis-à-vis cost.
- (xix) Evaluation of various developmental programmes to improve the prospects of tea gardens as undertaken by the company.

CHAPTER 21
WEBFIL LIMITED

21.01 Introduction

West Bengal Filaments & Lamps Limited was incorporated on 31st May 1979 under Companies Act 1956 as a joint venture between West Bengal Industrial Development Corporation Limited (WBIDC) and the Andrew Yule Group of Companies. It was renamed WEBFIL Limited on 25th March 1988 for diversification of products. The paid up capital of the Company as on 31st March 2018 was ₹ 10.58 crore as against the authorized capital of ₹ 16.00 crore. Its activities were to manufacture tungsten filament, UHF multi channel equipment with digital multiplex equipment, mini computer, micro processor, Digital microwave system SMPS Based Power Supply system.

21.02 Production Process

WEBFIL has a factory located at Kalyani, Dist. Nadia – 60 Kms from Kolkata City. The Company has two production divisions viz. Filament Division and Digital Division

(a) Filament:

For production of incandescent lamp filament, tungsten and molybdenum wires are first drawn to the required thinness. Thereafter molybdenum wire is used as mantel on which tungsten wire is coiled and the double coiled molybdenum wire is then dissolved completely in a mixture of sulphuric and nitric acid and leaving only the tungsten filament of finished product. For production of cathodes secondary coiling is done on mandulloness coiling machine.

(b) Digital Division

Under this division the company produces programmable primary digital drop insert multiplexer, universal fail safe block interface, block providing by axle counter etc. Further, the division purchase STM, battery, battery charger and other materials required for execution of Optic Fibre communication systems of customers.

21.03 Miscellaneous

(i) Purchase Procedure

Deputy General Manager (P&L) of the Company looks after the Purchase Department. Materials are purchased at competitive rates on the approval of purchase committee. The Company imports Tungsten and Molybdenum from China as raw materials for production of Tungsten Filament.

(ii) Inventory Control

The Stores Department at the factory is headed by the Deputy General Manager Works. Materials are received after proper inspection and used through stores requisition notes. Stock taking is being done at regular interval by the management and verified by internal auditor.

(iii) Sales Management

The Senior Manager Sales looks after the Sales Department. A tender committee is entrusted with the duty of fixing prices of various products. In most cases payment is received after delivery. The Company sells/exports Tungsten Filaments in domestic and international market.

(iv) Accounting Organisation

Senior Manager (Finance & Accounts) with three senior managers and deputy manager look after the Finance and Accounts Wing of the Company. The Wing is also entrusted with the preparation of annual budget. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

(v) Budgetary and cost control

The Company prepares expenditure budget showing forecast of sales, production, consumption of raw materials and maintenance programme. Monthly loss statement in respect of filament product are analysed by the management.

(vi) Internal Audit & Internal Control

Internal audit is conducted by a firm of Chartered Accountants whose periodical reports are placed before the Audit Committee and Board of Directors. The Company has not maintained any checks for strengthening its internal control procedure.

(vii) Research and Development

The Company is continuously engaged in research and development activities with the object of developing various telecommunication equipments and filament with emphasis on minimizing the cost and improving the quality of its products. R&D unit is in the process of developing a number of new products which are required by Railways, Telecommunication and other sectors.

21.04 Special points to be seen

- (i) Review the production process and analyse the reasons for variation in consumption of input materials per unit of production compared to the norms if any.
- (ii) Review the annual production with reference to installed capacity and report on under utilized capacity.
- (iii) Review the production schedule of different orders procured and sees that supplies of such products are completed as per terms of sale. Delay in delivery, if any attracting penal provision should be examined.
- (iv) Check the production of finished products and scrap recorded and see that those tally with the figures booked in Daily Stock Account (Rule 10 of Central Excise Rule).
- (v) Check the quantity of each product sold and sees that it tallies with the figures booked in personal ledger accounts.
- (vi) Review the purchase and imports of raw materials.
- (vii) Review the sells/exports of Tungsten Filaments in domestic and international market.
- (viii) Review the internal control procedure followed by the Company for reduction of old outstanding debts, non-moving stores at different locations, purchase, advances, sales and sales taxes.

CHAPTER 22

GREATER CALCUTTA GAS SUPPLY CORPORATION LIMITED

22.01 Introduction

The Greater Calcutta Gas Supply Corporation Limited was incorporated on 23rd December, 1987. In 1990, the Company took over erstwhile Oriental Gas Company, a departmentally managed commercial undertaking. The Company had with the authorised capital of ₹ 70.00 crore of which ₹ 41.15 crore was subscribed and paid up (March 2018). The Company is under the administrative control of Large Industries & Enterprises. The activity of the Company is now confined to purchase of coal gas from Dankuni Coal Complex and to sell or distribute the same to consumers for domestic, commercial and industrial purposes.

22.02 Organisational Set-up

The Company is governed by a Board of Directors with a full time/part time Managing Director.

22.03 Purchase Procedure

The Assistant Manager (Material) and Assistant Manager (Commercial) initiate purchase proposals on the basis of requisitions from consumers or stores Department. Quotations are invited from enlisted suppliers.

22.04 Sales Management

The Commercial Department, headed by Commercial Manager, is responsible for meter reading and sales. Bills are issued monthly. The Company prepares statement of gas purchased, gas bills raised and amount realised every month. Monthly inspection report on meter reading is submitted to Management for information and review.

22.05 Accounting Organisation

The Accounts Department is headed by Finance Manager assisted by Deputy Manager (Finance) and the Assistant Manager looking after Cost, Budget, Billing and Internal Audit. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

22.06 Cost Control and Budgetary Control

The Company has a costing cell under Assistant Manager (Finance). The price of gas fixed by Government from time to time is examined with reference to its cost and cost control measures are taken if necessary.

It prepares an Operational Budget incorporating income, expenditure of the previous year and scrutinises whether there were variations between actual and estimated figures of income and expenditure. Those are duly analysed and suitable remedial measures taken.

22.07 Internal Audit and Internal Control

The Company has its own internal audit cell headed by an Assistant Manager (Finance), who is responsible directly to report to Managing Director.

22.07 Special points to be seen

- I. Check the annual reports/returns and see that the Company has reconciled the total quantity of gas purchased from the suppliers with that sold to various consumers. Comment whether line losses are beyond the norm fixed, if any.
- II. Check the billing procedure for distribution of gas and see that bills are raised correctly with reference to the gas consumed by each consumer.
- III. Check the metering procedure and system of recording of consumption. Comment on the defects observed particularly on the failure of the management to record actual consumption and to raise appropriate bills.
- IV. Check the utilisation of two gas holders. Assess the loss arising from short supply due to non-utilisation or underutilisation of gas holders.
- V. Examine the pricing policy of sale of gas and see whether there was undue delay in fixation of price and consequential loss arising there from.
- VI. Procurement against repairing and other capital jobs.
- VII. Normal and other loss of Gas along with flaring of Gas.

CHAPTER 23

WEST BENGAL TRADE PROMOTION ORGANISATION

23.01 Introduction:

The Company was incorporated by Indian Trade Promotion Organisation (ITPO), Kolkata Municipal Corporation (KMC) and West Bengal Industrial Development Corporation (WBIDC) in November 2003 under the companies Act 1956. In October 2008, ITPO, the major shareholder, transferred its entire shares of the Company to WBIDC and the company became a State Government Undertaking since then. The paid up capital of the Company is ₹ 60.00 lakh as on March 2018 against authorised share capital of ₹ 100.00 lakh. The Company was created mainly for creating, managing, developing and building a platform for organizing national and international exhibition, conference, business meets and social infrastructure.

As per the GoWB notification (February 2017), the Company would be merged with West Bengal Industrial Development Corporation Limited (WBIDCL). However, the same is yet to be completed (December 2018).

23.02 Organisational set up

The Management of the Company is presently vested with the Board of Directors (BoD) comprising of the Chairman, Chief Executive Officer and nine Directors.

23.03 Infrastructural facilities

The Company provide infrastructural facilities for organizing national and international exhibition, conference, business allied public utilities and social events, to the clients.

23.04 Rate structure

The Company provide infrastructure on rental basis per day approved by the Government of West Bengal. The rate structures provide separate tariff rates for Government/ NGO Parties and Private Customers.

23.05 Accounting Organisation

Accounts Officer is the financial head of the Company. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

23.06 Internal Audit & Internal Control

The company has no separate Internal Audit wing of its own. The system of internal audit is carried out by a chartered firm annually. There is no process devised for internal control.

23.07 Special Points to be seen

- (i) Review the tariff rate fixation and provision of separate rate structure for different parties.
- (ii) Review the fixation of standard level of occupancy for open area and other facilities.
- (iii) See that lease deeds of land have been properly executed.
- (iv) Review of construction of exhibition complex and right of the Company on the land where construction will take place.
- (v) Review the reason for delay in construction of exhibition complex.
- (vi) Review the reason for delay in allotment of space to various parties.
- (vii) Utilisation of grant received from ASIDE (Assistance to States for Infrastructure Development and Exports).

CHAPTER 24

WEST BENGAL INDUSTRIAL INFRASTRUCTURE DEVELOPMENT CORPORATION

24.01 Introduction

West Bengal Industrial Infrastructure Development Corporation (WBIIDC) was established (November 1973) by an ordinance replaced subsequently by the West Bengal Industrial Infrastructure Development Corporation Act, 1974 to develop the trade, commerce and industries in a well-planned manner. Under the WBIIDC Act 1974, objectives of the Corporation are

- I. Framing schemes for and developing industrial areas as new growth centres for setting up industries and carrying on trade and commerce.
- II. Acquiring and developing land in any existing industrial estate and providing amenities like roads, drainage, power, water etc.
- III. Leasing out plots in the growth centres for industrial purposes and to control and manage the offices of administrations of such centres.
- IV. Constructing factory sheds/ buildings including residential accommodation for employees of the undertakings

- V. To advance loans to industries to enable them to shift their factories into aforesaid areas and estates.

So far, the Corporation has developed 17 and is developing one Industrial Growth Centres/Park over an area of 2119 acres of land with requisite industrial and social infrastructural facilities at various locations across the State. Besides, WBIIDC was also entrusted with deposit work of various Govt. Deptt. of West Bengal.

24.02 Organisational Set-up:

The Corporation is under the administrative control of the Industry Commerce and Enterprises Department (formerly Commerce and Industries Department), GoWB. The management of the Corporation is presently vested with the Board comprising of the Chairman, Vice-Chairman, and seven other members as per notification (02 February 2016) of Government of West Bengal as against one Chairman, one Vice-Chairman and seven other members as per the West Bengal Industrial Infrastructure Corporation Act, 1974.

The Chief Executive Officer (CEO) is the head and principal officer of the Corporation and is assisted by four officer's viz. Chief Accounts Officer (Accounts Head), Secretary (Administration Head), Superintendent Engineer, North Bengal and South Bengal (Engineering Head) in discharging day-to-day operations of the Corporation.

24.03 Purchase Procedure:

The Corporation has constituted a Tender Committee with a member of the Board acting as Chairman. Purchases are normally done by tender/quotation vetted and approved by the tender committee.

24.04 Sales Organisation:

The Corporation was established with the object of providing industrial infrastructure facilities in the backward industrial areas of the State of West Bengal as such there is no sales organization in the Corporation. However, the Corporation realizes lease premium from the land leased to Entrepreneurs in various growth centers established by the Corporation. Besides, the Corporation is associated with execution of different deposit works entrusted by the Government departments and realizes agency charges.

24.05 Inventory Control:

The undertaking has got no separate stock/store organization. The Stock Ledger is maintained to locate inflow and outflow of stores. The closing stock is normally certified by the Site Officer-charge. Annual stock taking is done.

24.06 Corporation's Fund:

The Corporation maintains its own fund, to be called the West Bengal Industrial Infrastructure Development Corporation Fund, to which shall be credited: -

- (a) All moneys received by the Corporation from the State Government by way of grants, loans, advances or otherwise.
- (b) All moneys received by the Corporation from the disposal of lands, buildings and other properties, movable and immovable and other transactions.
- (c) All moneys received by the Corporation by way of rents and profits or in any other manner or from any other source.

24.07 Maintaining of Accounts:

- 1) The accounts of the Corporation are prepared and maintained in accordance with the commercial system.
- 2) The statement of accounts to be submitted to the State Government under sub-section (6) of section 25 shall be in Form-C.

24.08 Accounting Organisation

The accounting organization of the Corporation functions under the overall supervision of the Chief Accounts Officer who is assisted by the Accounts officer. The Corporation was able to prepare and submit its accounts to C&AG till 2016-17 only.

24.09 Cost Control/Budgetary Control

The system of cost control is not in vogue in the Corporation as it is not a manufacturing organization. The Budgetary Control technique is not in operation. However, the corporation prepares Expenditure Budget annually.

24.10 Provident Fund:

The provident fund of the Corporation is recognized under provisions of the Provident fund Act, 1925. The Corporation deposits the employees' & employer's contribution to the EPFO from time to time.

24.11 Upcoming Project:

The Corporation is executing the following new projects:

- 1) Creation of 250 sitting capacity Auditorium of at 3rd floor of Shilpa Sadan.
- 2) Creation of Conference Hall at 1st floor of Shilpa Sadan.
- 3) .M.C. Services for Electrical Work at Food Park, Phase III, Sakrail, Howrah
- 4) Different Civil Works for R.I.D.F. project under Bidhan Chandra Krishi Viswavidyalaya, Mohanpur, Nadia.

24.12 Special Points to be seen: -

- (i) Review the project estimates and see that any deviation from estimates has been explained. Critically investigate the reasons for upward revision of estimates.
- (ii) Review the cases award of civil works and see that every possible effort has been made to get the work done at minimum cost and there is no loss due to delay in execution of work.
- (iii) Examine the contracts for civil construction and see whether final bills have been released. Examine the bills with reference to measurement books, terms and conditions of contracts and consumption statement.
- (iv) Review critically the method of allotment of plots and see that the procedure adopted is suitable for fulfillment of the objective.
- (v) See that claim preferred as audit fees has been paid by the Corporation.
- (vi) Review of tendering process of awarding contract.
- (vii) Examination of fixation of lease premium and lease rent and periodical revision thereof.

- (viii) Review the recovery performance of rent, other charges.

SECTION V

Audit of Information & Technology Department

CHAPTER 25

WEST BENGAL ELECTRONICS INDUSTRY DEVELOPMENT CORPORATION LIMITED

25.01 Introduction:

The Company was incorporated (February 1974) as a subsidiary of the West Bengal Industrial Development Corporation Limited and it became an independent Government Company in August 1981. The main objectives of the company were to develop electronics and allied industries through establishment of manufacturing, research and development activities and such other means as will be conducive to growth of electronics and allied technology, to manufacture, repair, overhaul re-condition, modify, re-class and deal in all types of electrical and electronics equipment, accessories and parts. The Company performs to carry out research development of Pilot production to promote new industries and to assist in the expansion of existing industries in the field of electronics. The paid up capital of the Company stood at ₹ 228.57 crore as on 31.03.2018 against authorized capital of ₹ 250 crore.

As the nodal agency catering to IT and ITeS infrastructure development and support, the company executes its operations through seven activity cells viz. Infrastructure Development and Maintenance (IDM), Realty Management Cell (RMC), Networking (NWD), Business Development (BD), Webel Learning Services (WLS), Internet service provider (ISP) and Medical Equipment and Maintenance Centre (MEMC). In addition, the Commercial department (CD) responsible for procurement, with Finance & Accounts department overseeing financial reporting while the Company Secretary looks after administration, secretarial affairs and incentive

schemes. As of March 2017, the company has six⁶ associate companies and one joint venture Company⁷.

25.02 Electronics Complex:

With a view to providing infrastructural facilities to electronic industries in the State, the Company has constructed electronics complexes at following places:

- (a) Webel Bhavan (10,000 sq.ft.)
- (a) SDF (198942 sq.ft.)
- (b) STP-II (74656 sq.ft.)
- (c) Salt Lake Incubation Center (6300 sq.ft.)
- (d) Siliguri IT Park (53977 sq.ft.)
- (e) Durgapur Incubation Center (58593 sq.ft.)
- (f) Taratala (HRDC and incubation) (80869.25 sq.ft.)
- (g) Moni Bhandar (17600 sq.ft.)

The following 10 projects are under the progress: -

- | | |
|-----------------------|---------------------------|
| i. Siliguri Phase-II | vi. Barjora IT Park |
| ii. Durgapur Phase-II | vii. Rajarhat IT Park |
| iii. Purulia IT Park | viii. Bolpur IT Park |
| iv. Bantala IT Park | ix. Khargpur IT Park |
| v. Asansol IT Park | x. Sonarpur Hardware Park |

25.03 Organizational set up

The Company is under the administrative control of the Information Technology Department, Government of West Bengal (GoWB). The Management of the Company is presently vested with the Board of Directors headed by a Chairman and seven other directors, all nominated by GoWB as against requirement of minimum three and maximum fifteen Directors under clause-88 of the Memorandum &

⁶ Webel Technology Limited, Webel Informatics Limited, Webel Mediatronics Limited, Webel Electronic Communication System Limited, Webel Consumer Electronic Limited and Webel Communication Industries Limited.

⁷ Webel Akash IT

Articles of association of the Company. The Managing Director (MD), the Chief Executive Officer, is assisted in day to day management by the Executive Director (Finance), Executive Director (technical), Company Secretary, General Manager (Finance), General Manager (Technical). There are 10 Deputy General Managers to look after the matters of Projects, Commercial, RMC, Finance, Maintenance, Human Resource, Govt Sales, Internal Audit division.

25.04 Purchase Procedure:

The Executive Director is in-charge of the Purchase Department. The Company follows the normal purchase procedure of open tender and quotation.

25.05 Sales Management:

The Company has four operating divisions which are headed by the Executive Director (Technical and Business Development).

25.06 Marketing:

The Company has a Marketing Division with the object of marketing the products of its subsidiaries and joint sector units. Orders are obtained from public sector undertakings in the Company's name directly by submitting quotations against tenders and supplies are made after getting the job executed by its subsidiaries/joint sector units.

25.07 Accounting Organisation:

The Company has a separate Accounts Department headed by Executive Director (Finance) who is assisted by a group of Accounts Professionals. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

25.08 Budgetary Control:

The Company prepares yearly functional budget by way of comparison of actual figures with the budgeted figures. In case of new projects, the Company evaluates the cost benefit analysis of the projects for approval by the Board.

25.09 Internal Audit:

The Internal Audit is conducted by a firm of Chartered Accountants. As per terms of appointment, the firm is required to submit its report on half-yearly basis.

25.10 Provident Fund:

All the employees of the Company are covered under Contributory Provident Fund (C.P.F.) Scheme.

25.11 Computerisation:

The Company is equipped with the computerization of entire Final Accounts alongwith the relevant schedule through SERVER in LAN Package. Pay and allowances, Cash Book, Bank Book, General Ledger, are prepared through LAN/MAN. The Company has a FACT Package (An accounting application software).

25.12 Special points to be seen:

- (i) Examine the collaboration agreements with the joint sector partners and assess the extent of liability of the Company.
- (ii) See whether any separate agreements of the joint sector Company with other collaborators or other Company has landed the Company in any financial involvements and whether such liability has the approval of the Board.
- (iii) Examine the collaboration agreements with foreign firms for transfer of technology and know-how for manufacturing different electronic equipment, component, etc.
- (iv) Review the terms and conditions of loans paid by the Company to its subsidiaries/joint sector units and see that these are not detrimental to its interest.
- (v) Scrutinise the adequacy of action taken by the Company in respect of default, if any, in payment of instalments of principal and interest due to it.
- (vi) Review the investment made in subsidiaries/joint sector units to see that those have been utilised for the purpose for which they were sanctioned.
- (vii) Review the extent to which various projects entrusted to the Company has been implemented.

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- (viii) Review the sales promotion programme and see whether it has been helpful in promoting sales of electronic equipment/components.
 - (ix) Review the price fixation policy of the Company and see that it covers all costs.
 - (x) Review the cases of allotment of plots/sheds/modules of electronics complexes of the Company. See that no deviation is made from the declared policy of the State Government/Company in this regard.
 - (xi) See that realisation of rent is upto-date and appropriate steps have been taken where the rents are in arrears.
 - (xii) Review the performance reports submitted by the subsidiaries and joint sector units from time to time and study the profitability of the units.
 - (xiii) See that the Company is taking collateral securities from the loanee or subsidiaries as the case may be before disbursing any loan.
 - (xiv) Review the expenditure incurred on new projects and their present status.
 - (xv) Review the performance of Real Management Cell (RMC) for recovery of rent and permission fee from customers.

CHAPTER 26

WEBEL TECHNOLOGY LIMITED

26.01 Introduction:

The Company was incorporated on 15 February, 2001 and commenced its business on 1 March, 2001. Against an authorised capital of ₹ 200 lakh, the paid-up-capital of the Company as on 31 March 2018 was ₹ 100.40 lakh (i.e. 10,04,042 equity shares of ₹ 10 each) contributed by WBEIDC and its nominees. WTL is an ISO 9001:2008 certified (certification valid upto 03/09/2018), professional Information Technology (IT) Solutions provider company under Government of West Bengal. The Company is the premier Government Agency for implementation of IT and Information Technology Enabled Services (ITES) projects of the state

of West Bengal. The Company till date as an e-governance initiative of the State and Central Government, has executed major State Projects in several Govt. Departments of the state which includes West Bengal State Wide Area Networking (WBSWAN), Commercial Tax computerization of West Bengal & Kolkata police, Finance, Treasuries, Animal Resource Department, Backward classes, Photo Ration Card, Public Works Department (PWD) web portal and School Education Department, spot billing of WBSEDCL, EPIC job for the state of Rajasthan, Sikkim, Punjab, Madhya Pradesh etc. They commissioned VSAT systems for Education Departments of Tripura, Meghalaya, Arunachal Pradesh. National Projects like National Population Register and Socio-Economic Caste Census-2011. The Company was formed with the objectives as stated below:

- (i) To carry on and to undertake the business as Manufacturers, Importers, Exporters, Buyers, Sellers, Dealers, Renters, Licensors, Lessees, Mediators, Exchangers, Agents, Franchisees, Distributors, Suppliers Traders, Brokers, Commission Agent, Consultants & Advisors etc. of all kinds of Computer, Computer Systems, Computer Software, Computer Peripherals & Accessories, Networking and other components, accessories and related items.
- (ii) To provide services necessary to be carried out in order to enhance the value of the above activities.
- (iii) To carry on and to undertake the business as Manufacturers, Importers, Exporters, Buyers, Sellers, Dealers, Renters, Licensors, Lessees, Mediators, Exchangers, Agents, Franchisees, Distributors, Suppliers Traders, Brokers, Commission Agent, Consultants & Advisors etc. of all kinds of communication system, Electrical and Engineering Items, Security Devices & Systems etc.
- (iv) To provide related services like Research, Design, Development, Inspection, Testing, Assurance, Credit Rating, Study Material Development, Internet Service Provider, Data Entry & Processing, Business in Database etc.
- (v) To provide services related to E-commerce, E-Mail business, Transaction Security Services, Web host designing, software and solution consultants etc. **System adopted:** The Company entered into separate agreement with the agencies from which they got the work orders. Thereafter initiated process of outsourcing through tendering (limited/open/even negotiation, as the case may be) executed by them. For each project, designated officer was entrusted with the charge to monitor, evaluate the project and report to higher authorities.

26.02 Organisational Set-up

Webel Technology Ltd. (WTL) is under the administrative control of Personnel, Administrative Reforms & e-Governance Department, Govt. of West Bengal. The Management of the Company is vested with the Board of Directors (BoD) comprising of the Chairman and three Directors (as per the 64th board meeting dated 21st March, 2016) as against minimum three & maximum twelve Directors (until otherwise determined by the Company in a General Meeting) as required in Article-87 of the Memorandum and Articles of Association of the Company. The Directors were appointed by the holding company WBEIDCL. Presently one of the Directors held the post of Chief Executive Officer of the Company.

26.03 Purchase Procedure

The Company has a Purchase cell with one Manager and one Purchase Assistant. The normal procedure of inviting tender and quotation is followed during regular purchase.

26.04 Sales Organisation

The Company has three well-organised Marketing Divisions headed by a Strategic Business Unit Head (SBUH) in the rank of General Manager who is looking after the function of the sales organisation. Selling price is fixed against the tender/offer approved by the SBUH/Advisor.

26.05 Accounting Organisation:

The Company has a separate Accounting Organisation headed by the Deputy Adviser (Finance and Accounts). He is assisted by the Dy. Adviser (Finance), Executives (Finance and Accounts) and three Assistants. The Deputy Adviser (Finance and Accounts) is the overall in-charge of the wing. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

26.06 Budgetary Control

The Company prepares operating Budgets on Zero base budgeting system and exercises control over the operation.

26.07 Cost Control

The Company places purchase order/work order against each customer's order by keeping a desired margin. While quoting for an order, it takes into account, the cost and some margin of profit ranging 5 *per cent* in case of trading activities and 20 *per cent* in case of manufacturing business.

26.08 Internal Audit

The Company has no internal audit cell of its own. A Chartered Accountants firm was engaged for conducting internal audit.

26.09 Provident Fund

All the employees of the Company are covered by Contributory Provident Fund (C.P.F.) Scheme.

26.10 Computerisation :

The Company is equipped in computerisation only in preparation of Annual Accounts alongwith the relevant schedules, in LAN system, and Leave Account, Attendance, Acquittance Roll of Pay and Allowances, Cash Book, etc.

26.11 IT application

The Company has installed five laptops during the year 2011-12 that was mainly used for preparation of office document, accounting function, report generation and monitoring, fund management and other miscellaneous correspondence, etc. For this, software used was Tally, MS Office 2010, Windows and other Internet related application.

26.12 Projects running successfully:

During the year 2011-12 the Company had initiated some high value national level projects like National Population Register (NPR Project), Socio Economic Caste Census (SECC Project) etc. Those Projects were running successfully. The Company is expecting some more similar kind of business in the near future.

26.13 Status of Webel Technology Limited (WTL):

As per GoWB order no. No. 1093-F(Y) dated 21 February 2017, WTL which was a subsidiary company, was decided to be transferred to Personnel and Administrative Reforms & E-Governance. The process of transfer was not completed yet.

26.14 Special Points to be seen:

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- (i) Review the price fixation policy of the Company and see that it covers all costs.
 - (ii) Review the sales promotion programme and see whether it has been helpful in promoting sales of electronic equipment/components.
 - (iii) Review the extent to which the various projects entrusted to the Company has been implemented.
 - (iv) Review the project estimates and see that any deviation from estimate has been explained. Specially investigate the reasons for upward revision of estimates.
 - (v) Review the working of R&D Wing and see to what extent the expenditure has yielded results.
 - (vi) See earnest money, if any, deposited by the Company for bidding purpose in connection with jobs undertaken/to be undertaken, and whether the same had been recovered incase the jobs were completed or the Company did not become a successful bidder.
 - (vii) Scrutiny the terms & conditions of the agreement for job contracts.
 - (viii) scrutiny and reporting on the system of purchase/procurement covering selection of vendors, issue of orders and payment thereof,
 - (ix) Billing procedure and collections from clients,
 - (x) Total project management,
 - (xi) Payment to parties and employees,
 - (xii) Review of legal case.

CHAPTER 27

WEBEL MEDIATRONICS LIMITED

27.01 Introduction

Webel Mediatronics Limited (the Company), a subsidiary of Webel Electronics Industry Development Corporation Ltd (WEIDCL) and also a Govt. of West Bengal Undertaking, is a technology driven Company. The Company designs, manufactures, supply, installs, commissions and undertake turnkey execution of the projects for different kinds of electronic and electrical equipment, products, systems and services. The Company was incorporated as Webel Dawn Limited on 20 January 1981 and renamed as Webel

Mediatronics Limited since 15th March 1990. The authorised and paid up equity share capital of the company as on 31.03.2018 was ₹ 6.00 crore and ₹ 4.04 crore respectively.

27.02 *Organisational Set-up*

The Company is under the administrative control of Department of Information Technology and Electronics, Government of West Bengal. The Management of the Company is presently vested with the Board of Directors (BoD) comprising 4 no of director from Webel Group as against minimum three and maximum twelve Directors as required in Clause – 88 of the Memorandum & Articles of Association of the Company.

27.03 **Operational and Financial Performance**

The *operational performances* of the Company are as follows:-

During the period of audit, the Company was engaged in the following activities:

- a. Manufacturing of Broadcasting equipment and Audio consoles like Audio Distribution, Amplifier, FM Transmitter, Transmitter Rack, and Phone in Programme.
- b. Manufacturing and supplying following classes of equipments/systems:-
 - (i) Defence items viz. Floating Recorder Unit for Navy, Chopper Controller & parts thereof;
 - (ii) Pollution Control Equipment.
- c. Trading of electronic components and spares;
- d. Manufacture & supply of Braille Transcription systems;
- e. IT enabled Braille Education for augmentation of infrastructure more than 100 Blind Schools and Library in the country.

Company currently taken up following projects worthwhile mentioning:-

However, the company had taken up the following projects:-

1. **Community Radio System-** Community Radio System is a small FM radio station catering to an area of around 5 - 10 kms for the purpose of entertainment, education, empowerment, disaster mitigation, health awareness etc. for a community within that area. A very powerful medium of communication to mass yet at a very low cost. It offers the broadcaster

distinct identity with a separate frequency. Community members get information and entertainment in clear sound on a portable radio, while even on move or doing other jobs.

2. **Digitization of Documents & DMS** -The company have already implemented Centralized Secure, Web based, Document Management & Archival System (DMAS) at the State Data Centre (SDC) for the State Govt. DMAS has been set up to track and store images of paper documents and electronic documents. , and it is also designed to manage the creation, storage, retrieval and publishing of documents. DMS has a centralized repository that is used to manage the storage of any type of information that could be of value to the Govt and protect the same against loss.
3. **Systems for Disabled**
 - A. WML The company is engaged in technology development of software and electronic assistive devices for visually impaired persons since 1999.
 - B. Icon based education and communication software, special access switches, voice output communication aid for Cerebral Palsy affected children and development of software and multimedia for education of hearing impaired students.
 - C. WML is engaged in technology development of software and multimedia for education of hearing impaired students.
 - D. Multimedia based teaching aid for language development.
4. **Fire Alarming System:** -
The company offers high end Fire Detection and Alarm System of Schrack Seconet as Distributor and Integrator. The system provides 100% hot redundancy with full IP connectivity.

27.04 Purchase Organisation

Purchase orders are placed on the basis of recommendation of the Tender Committee. For overseas suppliers, negotiations are made directly with the suppliers and materials are procured against letter of credit and foreign exchange advance payment system.

27.05 Sales Management

A separate sales organisation is in existence. One Assistant Manager (Marketing) and other executives (Marketing) negotiate with the customers under the guidance of the Deputy General Manager (Technical) as well as the Deputy General Manager (Production). The main customer of the organisation is "Prasar Bharati" (i.e. All India Radio and Dooradarshan).

27.06 Inventory Control

The Deputy General Manager (Production) is the overall in-charge of the Stores Department. He is assisted by Executive (Stores).

27.07 Accounting Organisation

The Assistant manager (Finance and Accounts) under the Financial Advisor is the in-charge of the Accounts Department consisting of four Assistants. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

27.08 Cost Control/Budgetary Control

The Company prepares annual expenditure budget consisting of sales, overhead, Profit & Loss Account and cash flow and is approved by the Board. On the basis of the budget report, the Company maintains a review system of cost control.

27.09 Internal Control/Internal Audit

The Company is not having any Internal Audit Cell of its own. The internal audit was conducted from Internal Audit Cell of WEIDC Limited (the Holding Company) from the year 2011-12 onwards and submitted the internal audit report accordingly.

27.10 Provident Fund

The Company is covered under the Contributory Provident Fund Scheme. The Regional Provident Fund Commissioner is empowered to inspect and audit the C.P.F. Accounts.

27.11 Computerisation

The Company is equipped in computerisation with the preparation of Inventory Control System, Billing (i.e. Bills of materials), Indent & Purchase order, Accounting including Annual Accounts, Financial Management System, Pay-Roll System, Employees Attendance Register, Design, Drawing and Engineering Development System, Braille Printing, Transliteration, Data Generation and Data Storage, converted Multimedia Presentation, E-mail file transfer (Website), Marketing, Planning and offer creation.

27.12 Special points to be seen

- (i) Review the price fixation policy of the Company and see that it covers all costs
- (ii) Review the progress of sales with regard to sales programme and examine cases, if any, of delay in adhering to delivery programme.

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- (iii) Review the production programme of the company and see that the capacity is properly utilised. Account for the underutilisation of capacity.
 - (iv) Review the working of Research and Development Wing and see to what extent the expenditure has yielded results.
 - (v) Examination of utilisation of funds received from the Government of India and Government of West Bengal for various projects viz. National programme of Braille literacy in Indian language and Information technology enabled education etc.
 - (vi) Review the system of material control for issue of materials to production and examine the reasons for excess utilisation, if any, of materials on production as compared to standard requirements.
 - (vii) Review the training scheme of the Company and assess the cost incurred there upon and see whether it serves the interest of the Company.
 - (viii) Review the sales performance of export of goods & others, pollution control equipment, I.T for disabled and F.M Transmitter.
 - (ix) Review the shifting and relocation of overhead transmission lines and installations works of NHA and Prasar Bharati.

CHAPTER 28

WEBEL INFORMATICS LIMITED

28.01 Introduction

Webel Informatics Limited was incorporated on 28th November 1981 as wholly owned subsidiary of West Bengal Electronics Industry Development Corporation Limited (WBEIDC) with an authorized Share Capital of ₹ 40. lakh divided into 4 lakh equity shares of ₹ 10 each, the paid up capital of the Company stood at ₹ 39.60 lakh (i.e. 3,96,007 shares at ₹ 10 each) as on 31st March 2018. The loans from WBEIDC are used to meet the deficit in working capital. The Company was formed with the following major objectives:

- i) To conduct and carry on business of designing, developing, buying, selling, exporting, importing, installing, maintaining, hiring, renting, repairing, supply, distributing to trade of and to deal in computers and peripherals, devices, equipment, systems *etc.*
- ii) To establish, maintain and conduct training schools, courses and programmes in connection with sale, installation, use, maintenance, repair, scientific and technical research *etc.* in the field of IT and ITES.
- iii) To enter into any agreement with any Government or Authority (Central or State) or any private individual that may seem conducive to Company's objectives.

The Company is now engaged in imparting computer education and training.

28.02 Sources of Finance

The Company's primary sources of funds are subscription to its Equity Share Capital and Unsecured Loans from WBEIDC.

28.03 Activities

Webel Informatics Limited (WIL) is the IT & Electronics Education and Training arm of WBEIDCL. WIL is one of the very few organizations in India, imparting education and training for more than two decades. Since 1992, WIL has produced around 18000 industry ready professionals every year from its own classrooms and authorized training centres established at more than 140 locations throughout West Bengal. WIL has imparted training to more than 7500 participants from 35 Government and PSU Clients, including CM Secretariat.

WIL conducts Diploma and Certificate courses in Software, Hardware with Networking and Multimedia courses, besides a host of other Basic and Advanced IT courses. Special emphasis is given while training College Students to make them ready for professional placement on graduation.

WIL is the CISCO Networking Academy and provides CISCO certified Network Associate (CCNA) training. WIL is RedHat Training Partner with RedHat Authorised Examination Center at its premises. WIL conducts training of RedHat Certified Engineer (RHCE), RedHat Certified Security Specialist (RHCSS), RedHat Storage and RedHat Open Stack cloud platform for individuals and corporate clients. WIL also conducts customized training programmes as per the requirement of clients/students.

WIL imparts training to the beneficiaries of Government sponsored skill development programs *viz.* skill development for unemployed Registered Job seekers in association with Directorate of Employment, Department of Labour since 2007, skill development of unemployed youths under municipality area in association with State Urban Development Authority since 2013, skill development of minorities through Minorities Finance Development Corporation *etc.*

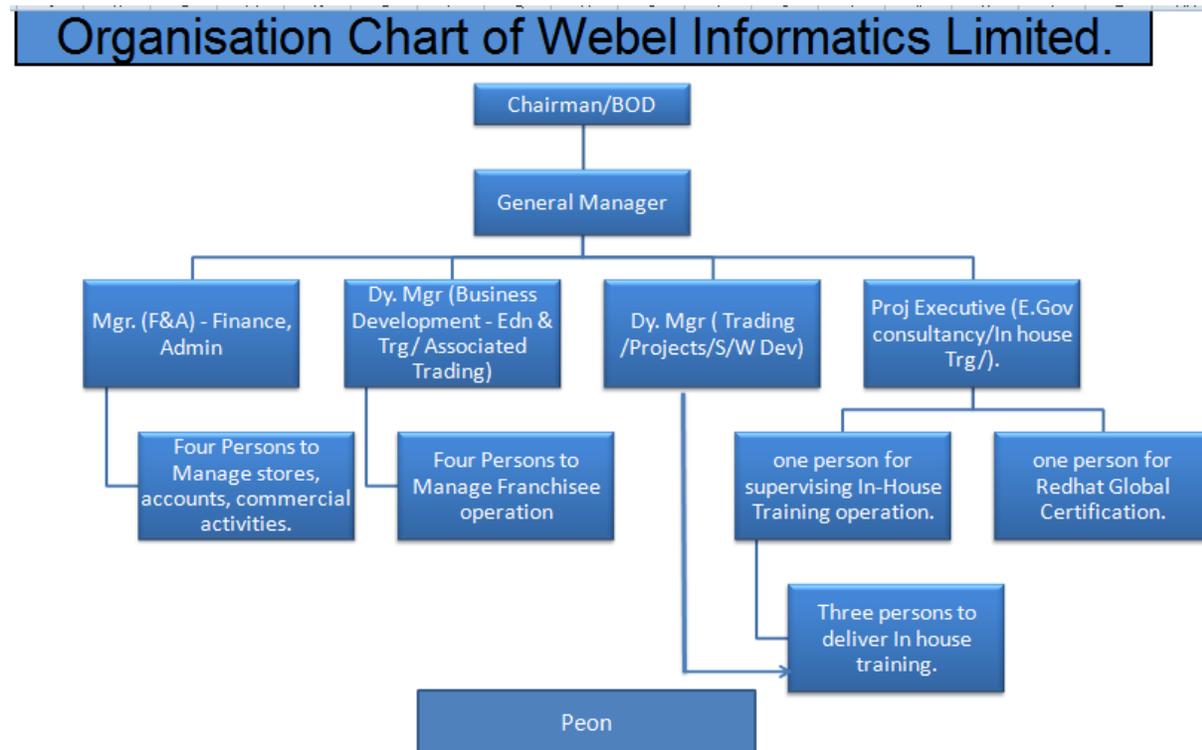
Besides Training and Education activities, WIL is also engaged in (i) Supply and Maintenance of IT Hardware and Software, (ii) Software Development including web portal design and hosting, (iii) System integration activities and providing solution to different government and semi-government organisations.

WIL is engaged as a consultant organization by School Education Department to implement and monitor [ICT@School](#) project in 2005 schools.

28.04 Organisational Structure

The Company is under the administrative control of the Department of Information Technology and Electronics, Government of West Bengal. The management of the company is vested with the Board of Directors (BoD) comprising of Chairman and five other Directors against minimum three and maximum 12 Directors as required in clause 88 of the Memorandum & Articles of Association of the company. The Company's accounting activities is entrusted to the Manager (F&A) who is assisted by Accounts Executive, Sr. Accounts Assistant and Accounts Assistants.

The organisation chart of WIL is as under:



28.05 Cost Control and Budgetary Control

The Company is yet to formulate any cost control mechanism. It however, prepares annual budgets.

28.06 *Internal Audit & Internal Control*

Being a Subsidiary Company of West Bengal Electronic Industry Development Corporation Limited (WBEIDCL), the Internal Audit Wing of WBEIDCL conducts the internal audit of the company.

28.07 Special Points to be seen:

- (i) Proper ascertainment of sign up fees as applicable for the first center and for subsequent centers of the franchisee.
- (ii) Disclosure of number of students by the franchisee for each course and appropriate royalty being collected by the Company before issuing certificates.
- (iii) Prompt deposit of royalty and its remittance to bank.
- (iv) In case of late payment, whether appropriate penalty is levied
- (v) Scrutiny of franchisee agreements to ascertain that the Company's interest is well protected.
- (vi) Study of the schemes and proposals of the State Government and Corporate Houses to ascertain that the Company's participation in such projects is commercially viable.
- (vii) In case of purchase or development of computers and other equipment, examine the justification and whether the same were as per rules and orders.
- (viii) Cost analysis of each course, schemes, programmes or contract.
- (ix) Verification of fringe benefits to ascertain whether they are admissible under contracts for employment or under relevant Government Rules.

CHAPTER 29

NEW TOWN TELECOM INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED

29.01 Introduction

New Town Project at Rajarhat, Kolkata is being implemented by the Urban Development Department (previously Housing Department), Government of West Bengal through a wholly-owned State Government Company (incorporated under the Companies Act, 1956) known as "West Bengal

Housing Infrastructure Development Corporation Ltd.” (WBHIDCO Ltd.) with well-planned futuristic outlook to provide all basic infrastructural facilities as are available in any modern smart township.

A Memorandum of Understanding/ Joint Venture Agreement was executed on 1st day of April, 2006 between WBHIDCO Ltd. and WEBFIL Ltd. for formation of a Company under the Companies Act, 1956 on a 51:49 partnership basis in equity participation and accordingly, New Town Telecom Infrastructure Development Company Ltd. (NTTIDCO Ltd.) was incorporated with the Register of Companies, West Bengal on 12th May, 2006 under the Companies Act, 1956 and Certificate of Commencement of Business was issued by the Register of Companies, West Bengal on 23rd May, 2006 with objectives of carrying on business activities relating to creation of Telecom Infrastructure.

The Company is registered with Government of India, Ministry of Communication and IT Department of Telecommunications, New Delhi under Registration Certification No. 124/2006 dated 18 September 2006 for Infrastructure Provider Category-I (IP-I)

Appropriate Lease Agreement conferring title to the strips of land and all through New Town has been executed between WBHIDCO Ltd. and NTTIDCO Ltd. on 07 February 2009.

As a drive for expansion of business, implementation of Wi-Fi System in New Town has since been implemented effective, May 2015. Efforts are being made to extend such Wi-Fi system from New Town end covering NABADIGANTA Industrial Estate upto Chingrihata and also in some specific spots/areas under WBHIDCO as per its direction.

The Company was formed for creation of underground multi-duct infrastructure to accommodate optical fibre for all Telecom and utility operators, providing Telecom/Network services of all description on sell and/or on let and/or on lease and/or on rent and/or on hire.

The paid up capital of the Company is ₹ 1.05 crore against authorised capital of ₹ 5.00 crore as on 29.03.2018. The paid up capital of ₹ 1.05 crore contributed jointly WBHIDCO Limited (₹ 53.55 lakh i.e. 51 *per cent*) and WEBFIL Limited (₹ 51.45 lakh i.e. 49 *per cent*).

At present the Company is building a comprehensive network of multiple Ducts of various size from 40 mm to a maximum of 200 mm (maximum 2 to 10 nos. of Ducts depending one tele density of various roads as estimated) and of various specification, most of which will be permanently lubricated

HDPE Ducts and optical fibres to be leased out to various Telecom, Cable, Internet and such other operators.

29.02 Organisational set-up

The Board of Directors (BoD) of the company consists of Chairman and six other directors as on 31 March 2017. The management of the day to day affairs of the Company was vested with Chief Operating Officer (COO), who was assisted by six contractual employees.

29.03 Accounting Organisation

Chief Operating Officer is the financial head of the Company. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

29.03 Marketing Strategy

In order to fix the tariff structure for leasing out the underground telecom infrastructure, the Company prepared Telecom Infrastructure Pricing Strategy with the assistance of IIM Kolkata. However, at the direction of West Bengal Housing Infrastructure Development Corporation Limited (Holding Company) to expand the telecom facilities in New Town area. The Company had reduced its one time upfront fees from ₹ 5 lakh to ₹3.75 lakh per Duct kilometer Up-front payment and to ₹ 3.00 lakh for Low Income Group, Medium Income Group and other residential areas in Internal Roads. Annual Lease Rental charges ranging between ₹ 50,000/ to ₹ 2, 75,000/- per kilometer per annum for drawing 24 to 288 strands fibre.

29.04 Internal Audit

The internal audit of the company is outsourced. A Chartered Accountant firm is entrusted with Internal Audit annually.

29.05 Special points to be seen

- (i) Services rendered.
- (ii) Loan from WBHIDCO and advances to WEBFIL.
- (iii) Progress of work.
- (iv) Building of duct and leasing out to customers.

- (v) Offer for connectivity received from customers.
- (vi) Scrutiny of Lease Rent, Upfront fees, Invoice issued to Service operators, Wi-Fi related work. Fixed Deposit files. Sundry Debtors.

CHAPTER 30

WEBEL VENTURE CAPITAL LIMITED

30.01 Introduction

Webel Venture Capital Ltd. was incorporated on 7 February 2007, as wholly owned subsidiary of West Bengal Electronics Industry Development Corporation Limited (WBEIDC) with an authorised share capital of ₹ 200.00 lakh divided into 20 lakh equity shares of ₹ 10 each and the paid up share capital of the Company stood at ₹ 5.00 lakh as on 31st March 2018.

The Company used to distribute the funds to the beneficiary units either as loan or equity participation.

30.02 Sources of finance

The WBEIDC received funds totaling ₹ 6.00 crore from the Government of West Bengal towards venture funds which was in turn transferred to the Company as Grant.

30.03 Activities

The activity of the Company is to pursue and carry on the business and activities of venturer in all aspects and to perform all deeds and act as may be required to carry on the business and activities of venture capital fund of any type and category by the Company and for arranging or participating in venture capital fund or any other fund for seed capital, risk capital foundation. The Company also for carrying on the business of Assets Management Company acting as manager, operators and administrator of mutual funds in private and joint sectors, in accordance with the guidelines issued by the Government of India and Securities and Exchange Board of India (SEBI) from time to time.

30.04 Organisational set up

The company is managed by a Board of Directors appointed by WBEIDC. The Chairman is the head of the office.

30.05 Accounting Organisation

The Accounts Department is headed by the Finance and Accounts Officer assisted by the Assistant Accounts Officer. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

30.06 Disbursement of Fund

The fund to be disbursed to the deserving units has to be approved by the Screening Committee framed under the directives of the Department of Information Technology, Government of West Bengal during July 2007. Further, the Screening Committee decided (August 2008) to engage West Bengal Consultancy Organisation Limited (WEBCON) to undertake the techno-financial appraisal of the project proposal after preliminary scrutiny.

30.07 Internal Audit

WBEIDCL is entrusted to conduct internal audit annually.

30.08 Special points to be seen

- (i) Review the loan disbursed to the venturer.
- (ii) Review the recovery of loan from the venturer.
- (iii) Review the interest income received from the venturer.
- (iv) Review the application for loan received and rejected there from.
- (v) Review the applications send to Screening Committee and approval received.

CHAPTER 31

WEBEL ELECTRONIC COMMUNICATION SYSTEM LIMITED

31.01 Introduction

The Company was incorporated in September 1981 as a wholly owned subsidiary of West Bengal Electronics Industry Development Corporation Limited (WBEIDCL) with an Authorised Share Capital of ₹ 150.00 lakh. The paid up capital of the Company stood at ₹ 83.54 lakh as on 31st March 2018. The main objectives of the company is to-

- conduct and carry on the business designing, manufacturing, developing, buying, selling, operating, imparting, maintaining, installing, repairing to trade of and deal in all types of Telecommunication equipments, data communication equipment, and other forms of Electronic communication system such as HF,VHF, UHF and microwave transmitter receiver sets, transmitter and receivers, HF communication link, switching and link equipment for generation, transmission, reception and recording, display of speech, message signal data and picture for all types usage and execution, VHF/UHF Radio relay link equipment and fixed installation etc.
- conduct and carry on the business of manufactures, buyers, sellers, importers, exporter hirers, distributors, exchangers, assemblers of and dealers in all kinds of accessories, apparatuses, technical equipments, interfaces etc.
- carry on all or any of the business of electrical, electronic electromechanical, mechanical, electrochemical telecommunication, radio communication, optical communication data communication and general engineering, manufacturers and merchants, agents for and dealers in engineering, specialties of every description and to buy, sale ,import , export etc.
- carry on the business of the manufacturing, buying, selling, exporting, importing, hiring, dealing and trading of all or any of the following-
 - i. Analogue and digital computer mini and microcomputer personal computer business computer office computers microprocessor based system and all associated equipment.
 - ii. Medical instruments and system electrocardiograph electroencephalograph, stimulators, pace makers, ultrasonic therapy units, X-ray equipment *etc.*
- conduct and carry out business of designing, manufacturing, buying, selling exporting, importing and installation of all types of telecommunication, radio communication, data communication and any other form of communication equipment systems.

The Company primarily undertakes mainly execution of service contracts besides jobs against Grants-in-Aid project, development of technology and manufacture and sale of telecommunication equipment system. Business is conducted under back to back basis by receiving order for various works from several departments / own holding company, subsequently entrusting execution to private party and thereby earns only margin money.

31.02 Activities

The Company conducts and carry out business of designing, manufacturing, buying and selling, exporting and importing and installation of all types of telecommunication, radio communication, data communication any other form of communication equipment system.

31.03 Organisational set up

The Company is under the administrative control of the Information Technology Department, GoWB. The Management of the Company is presently vested with the Board of Directors (BoD) comprising of the Chairman and three Directors (as of March 2016) as against minimum three and maximum twelve Directors as required in clause-88 of the Memorandum & Articles of Association of the Company.

The Unit Head of the rank of General Manager (GM) is the Chief Executive Officer of the Company who is in turn and is assisted by Dy. Manager-Project in discharging day-to-day operations of the company.

31.04 Purchase and Store

The Company has a Purchase and Stores Department headed by a Deputy. Manager. The normal procedure of inviting tender and quotation is followed during regular purchase.

31.05 Sales Department.

Function of Sales Department is looking after by a Manager, Marketing Field Services.

31.06 Accounts and Costing System

The Company has separate Accounts Department headed by a Finance Manager. The Company is not required to maintain costing system U/S 209 (1) (d) of the Companies Act, 1956. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

31.07 Internal Audit

The Internal Audit is conducted by Internal Audit Cell, of WBEIDCL.

31.08 Provident Fund and Pension Fund

The Company regularly deposits the contributions of employer and employees to the above stated Funds in terms of the provisions of Provident Fund & Miscellaneous Provisions Act, 1952.

31.09 Special points to be seen

- (i) Review the price fixed for various products and commensurate with the cost of production.
- (ii) Utilisation of plant capacity to the optimum level.
- (iii) Orders for supply of raw materials and Plant & Machinery are placed judiciously.
- (iv) Effect of supplies as per condition of sales order ₹
- (v) Review the performance of repair and maintenance using and ensure that there is no inadequacy which may hamper production.

SECTION VI**Audit of Agriculture Department****CHAPTER 32****WEST BENGAL STATE SEED CORPORATION LIMITED****32.01 Introduction**

West Bengal State Seed Corporation Limited was incorporated in November 1980 as a Government Company with the object of producing and marketing quality seeds on commercial basis and to assist Government for implementation of various National and State level schemes throughout the State. The authorised capital was ₹ 5.00 crore against which the paid up capital stood at ₹ 2.50 crore as on 31st March 2017

Major activities of the Company includes production, purchase and sale of different certified seeds of various crops, fertilizer, pesticides, subsidised distribution of inputs and

agricultural machineries and equipments *etc.* This apart, the Company also expanded its activities in the following cases: -

1. Development of a soil-testing laboratory at Jalpesh village of Maynaguri block in Jalpaiguri district.
2. A dehumidified godown, seed bank with a capacity of storing 1000 MT seeds at Midnapur District.
3. A production unit for Granulated Mixed Fertilizer has been established at Dinhata in Cooch Behar district.

32.02 Organisational Set-up

The Management of the Company is vested in a Board of Directors. The Managing Director, an Agricultural Scientist on deputation from the State Government is the Chief Executive and is assisted by the Production Manager, the Marketing Officer, the Company Secretary, the Finance and Accounts Officer to manage its day to day affairs.

32.03 District Units

Besides its Head Office in Kolkata, the Company operates from two Regional Offices, thirteen District Units and one sub-unit. Each of the two regional offices is headed by the Regional Manager who operates through the District Managers working under his region. Similarly, each District Office is headed by a District Manager who looks after the entire production programme and marketing activities of the district. The district units also maintain at unit level basic records such as cash book, stock register, issue register, annual stock verification report, journal, ledger, sales register *etc.*

32.04 Purchase

The Company mainly undertakes supply of seeds, fertilizers *etc.* as per the orders of the State Government. A meager portion of such supplies are met directly by the Company by purchasing the seeds produced by its registered growers and the major portion is met by procurement from third parties inviting open tenders.

32.05 Sales

The Company is having one Marketing Officer at its Head Office who looks after sales. In other units sales are looked after by the respective Unit-in-charges. Sales are effected through registered dealers against payment of commission at varying rates and direct from district units also.

32.06 Inventory Control

The stores records are looked after by Service Assistant/Junior Assistants in each district unit/sub-units under the supervision and control of the District Managers and Officer-in-charge.

32.07 Accounting Organisation

The Accounts Department is headed by the Finance and Accounts Officer assisted by the Assistant Accounts Officer. The annual account of the Company could be prepared by the company and submitted to C&AG upto financial year 2016-17 only.

32.08 Cost Control

The Company is not having any costing system. Cost estimates are prepared as and when necessity arises.

32.09 Internal Audit

The Company has an internal audit wing headed by an Internal Audit Officer.

32.10 Computerisation

The Company has not yet introduced fully computerised accounting system. Posting in cash book, data entry, ledger posting, trial balance etc. are computerised but other records are maintained manually.

32.11 Special Points to be seen

- (i) Whether purchase of seeds from open market is limited to cases where supplies from registered growers are not available.
- (ii) When other than lowest tender is accepted on the grounds of favourable delivery dates or urgency, whether the actual deliveries were as per purchase order and the seeds, etc. are immediately utilised.
- (iii) Whether purchases have been made without any specific scheme/Government order.
- (iv) Whether protective clause against delayed delivery, supply of substandard seeds, items etc. are inserted in the terms and conditions of the purchase orders and invoked wherever necessary.
- (v) See that seeds are produced as per demand of growers and are sold within their validity periods.

- (vi) Plan to compete with the private entrepreneurs
- (vii) Implementation of production programme
- (viii) Marketing set up and market survey
- (ix) Sale through tender and Fixation of selling price
- (x) Monitoring mechanism of sundry debtors.

SECTION VII

Audit of Fisheries Department

AUDIT OF FISHERIES DEPARTMENT

CHAPTER 33

THE STATE FISHERIES DEVELOPMENT CORPORATION LIMITED

33.01 Introduction

The State Fisheries Development Corporation Limited was incorporated as a Government Company on 30 March 1966. The Company is fully owned by the State Government. The paid-up capital of the Company as on 31 March 2018 was ₹ 2.70 crore (i.e. 270 equity shares of ₹ 1 lakh each) against an authorised capital of ₹ 3.00 crore.

The main objects of the Company were to aid, assist, promote, develop and scientifically exploit fisheries and other aquatic products, to acquire, by purchase, lease, acquisition or fresh enactment, right and privileges over tanks, river, lakes, reservoirs, fresh and salt water fisheries, tidal swampy areas.

The business of the company is at present mostly confined to fresh water, brackish water and reservoir fisheries, sewage fed fisheries and marketing of fish, shrimps etc. The Company had 12 fish farms in five districts viz. three sewage fed farms, six brackish water fish farms, three sweet water fish farms and five Tourists Complex (TC) viz. Oceana TC at Digha, Mangrove and Sundari TC at Henry's Island, Amrapali TC at Jamunadighi (Burdwan), and Giriraj TC at Siliguri, The Company has also a Food Park at Nalban, Saltlake in Kolkata.

During the period 2016-17 the Company has 15 Fisheries Projects (FP) including six brackish water Fisheries Projects⁸ (FP), two sewage fed F.P⁹, five fresh water F.P¹⁰ and one hatchery at Jamunadighi.

33.02 Organisational Set-up

The Company was incorporated in March 1966 as a wholly owned Government Company under the administrative control of Fisheries Department mainly for the promotion of pisciculture in the State of West Bengal. The Board of Directors of the Company is assisted by five key managerial posts, viz: General Manager (Technical), Senior Project Engineer (SPE), Company Secretary (Secretary), Deputy Administrative Officer (DAO), and Chief Accounts Officer (CAO).

The Company is managed by the Board of Directors comprising of Chairman, Co-Chairman, Managing Director and Secretary of Department of Fisheries, Aquaculture, Aquatic Resources & Fishing Harbours.

33.03 Land Management of the fisheries Project

The Company possessed land (in acres) from Fisheries Department, Government of West Bengal for operation of Fisheries Projects at different places all over the State. As per record of the Company, a large area was encroached by others or lessee in different projects due to which company was not in a position to utilise those lands

33.04 Purchase Procedure

The Company follows the normal purchase procedure of tender and quotation. There is a Tender Committee headed by the Company Secretary.

33.05 Sales Organisation

At present, the Company has no separate Sales Department. The Managing Director is the main authority for sale of any commodities like spawn, fries, finger lines and stock of various sizes including prawns (bagdas). The pricing policies are fixed by the Board and executed by the Managing Director. At

⁸Alampore F.P, Alampore UNDP F.P, Digha F.P, Frasurgunge F.P, Henry Island (A) and (B)

⁹Nalbon F.P and Goltala F.P

¹⁰Krishnabundh F.P, Chotkhand F.P, Haldia F.P, Katnadighi F.P, Norghat F.P and New town Eco F.P

present, the Project-in-charges sells their fishes on spot by auction sale not below the minimum price fixed by the Managing Director. The stocks are sold for cash except the supplies to the hospitals and other Government institutions.

33.06 Inventory Control

The Company has got no separate Stores Organisation. The stores are mainly required by the projects. The store records are also maintained by the Project-in-charge. Entries are made in Stock Book from the challans. There is a system of annual stock taking.

33.07 Accounting Organisation

The Accounts Wing of the Company is headed by the Chief Accounts Officer who is assisted by the other officials of the Accounts Wing.

The Projects have its own accounts staff. On the basis of income and expenditure statement furnished by the projects, Head office compiles the accounting books.

The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

33.08 Cost Control/Budgetary Control

The Company has not introduced any Cost Control and Budgetary Control technique for the purpose of managerial control. However, the Project-in-charge prepares Budget for his unit on the basis of last year's performance and ensuing year's suggestive programme and also asks for allotment of funds. The Company prepares a Master Budget incorporating the facts and figures of unit budgets. The project is empowered to incur its revenue and capital expenditure subject to allotment.

Costing done, if any is for the purpose of revision of prices. However, in fixation of price by the Board/M.D. prevailing market price of the stocks is taken into consideration.

33.09 Fish Farming

The Company cultures fishes and prawns in three types of Fish Farming-Sweet water fish farming, Brackish water fish and prawn farming and Sewage Fed Fisheries. Farming generally embraces a 3-tier system viz. nursing, rearing and stocking.

Sweet Water Fish Farming

The farming is mainly confined to culture of Indian major carp (Catla, Rohu and Mrigal) including exotic carp (silver carp, grass carp and common carp). Nursery stage begins from three

to four days old hatchlings (5 to 6 mm in size) to 25 to 30 mm size in about two weeks in nursery pond. At this stage, yolk absorption is complete and spawn can feed independently. Hatchlings obtained from hypophysation or artificial breeding are pure and preferred for culture.

(1) Nursery Pond Management:

First the pond is made free from weed to facilitate free movement of spawn. Then it is made free from predatory and other unwanted fishes. In this case pond is dewatered and toxicants (viz. oil cake of mohua-Bassi Latlifornia) are used at the rate of 2,000 to 2,500 kgs. per hectare. Mohua oil cake kills snails, frogs, crabs etc., within 3 to 4 hours of its application and is finally converted into food of fishes after 30 days.

(2) Carp Rearing:

The fry raised in nursing pond is then transferred to rearing pond where the fry is allowed to grow to fingerling (100-150 mm. in size). Fingerlings are raised mainly to avoid predation in large stock pond.

(3) Mixed Farming/Poly culture:

In the poly-culture or composite culture, Indian major carps viz. Catla, Rohu and Mrigal can simultaneously be cultured in the same pond. There is no competition in taking food among these species. A study reveals that Catla takes foods (Zoo-plankton) from the upper stratum of the pond, while Mrigal takes only from the lower stratum. The Rohu moves normally in the middle stratum. At present the Corporation follows such culture.

4) Hypophysation/Induced

In hypophysation or artificial breeding, one suitable female fish (preferably weighing 6 kg.) is taken and correspondingly two male fishes of same species are also selected. The hormone extracted from pituitary gland is injected to the female fish. Further six hours after the first injection, second injection is administered to the female fish and simultaneously the two male species are injected with this pituitary hormone. These three fishes (one female and two males) are placed in a HAPA (a rectangular tank 3m x 2m x 1m) or artificial breeding tank. The female fish liberates egg and male fish oozes milk to milk, the other may continue in order to fertilise all the eggs liberated. In about four hours' time, the eggs flatten and the spawns come out. For the first three days absorb yolk and afterwards can take food independently.

(5) Brackish Water Fish and Prawn Farming:

Brackish water fish and prawn can be harvested in large quantities if suitable species of fish and prawn in appropriate combination and after applying proper fertilizers and fish food are cultured.

At a salinity range of 5-20 p.p.t. poultry manures (91 kg.) urea (23 kg.) and single super phosphate (23 kg.) may be applied on monthly basis per h.a.

For better survival and growth of fish and prawn, quality of water plays a vital part. During spring tide, fresh tidal water may be let in. The flow created by exchange of water removes the metabolites and maintains the important physicochemical and biological properties of pond water.

Suitable water is what contains dissolved oxygen 4 p.p.m, salinity 5-20 p.p.t. and P^H around 8.

(6) Talapia:

The farming of Talapia is profitable as it grows in plenty in any pond. It can survive both in sweet water and brackish water and adjust itself with the changes in any circumstances. It has the affinity for devouring manures direct before the latter's conversion into plankton. Consequently poly-culture along with Talapia is not possible since other variety of fishes would find scarcity of food for want of plankton. The female fish gives shelter to the spawnings against enemy attack. Consequently percentage of survival of Talapia is much more compared to other species.

(7) Sewage fed fish farms:

Sewage fed fisheries is a low cost highly productive enterprise that can be developed on the fringes of urban agglomerations as an ecological way of recycling organic waste. Two sewage fed fish farms at Nalban (176 hectares) and Goltala (74 hectares) followed continuous liberation of fingerlings and daily harvesting of IMC (Indian Major Carps) and exotic carps. To achieve optimum production, the factors to be maintained are water quality, soil conditions, proper stocking density of fish, and regular supply of sewage and prevention of poaching.

The achievable production in sewage fed fisheries is 10-14 tonnes per hectare. As per norms of the Company, liberation of IMC fingerlings of 543.40 kg. per hectare per annum at the stocking proportion of 1:2:2 for Rohu, Catla and Mrigal gives annual production of 3674.125 kg. fish per hectare.

33.10 Future Roadmap:

The State Fisheries Development Corporation Limited is committed to fulfill the goal of “Blue Revolution by enhancing the production to a scale of double within next five years by means of introduction of new species, use of quality seed and feed and new technologies and sciences.

The State Fisheries Development Corporation Limited strongly believes that the concept of retail marketing of fishes is needed to be updated as per the requirement of Generation-X. It also introduced 14 nos of new refrigerated mobile fish vending van with a smart sleek looks which can provided fish to your platter at your door step be it in its frozen forms or fresh. Recently the company also introducing nine more number of such vehicle and by the next three years the company are confident to serve the entire Kolkata by such vehicle to provide fish (Fresh & frozen) in hazard free, hygienic and less time consuming manner.

The SFDC Ltd is committed to transfer the new knowledge and technology to the fish farmers of the state by means demonstration, training and hand holding support. The newly acquired knowledge of the Corporation in respect of species like Silver pompano, Ompak Pabda, Vietnam Koi, Cobia, L. vannamei, GIFT Tilapia, MystusGulion(Nona Tangra) etc are being transferred to the local fisherman. The Company committed to implement the true spirit of “Blue Revolution” in reality in West Bengal.

The SFDC Ltd is determined to bring back the glory of “Mache Bhatey Bengali” by upholding the popular fish delicacy using new and low cost substitute species like Pangasiussutchi in place of Bhetki, Puntiusserana, Vietnam Koi in place of traditional Koi, L. vennamei in place of Tiger of Jumbo Shrimp etc. In the coming years the Company is to introduce a lot of species like Cibia, Jayanti Rohu, ChanosChanos etc.

The SFDC Ltd. had connectivity through E-mail, Website, Facebook and Twitter to have a transparent and new age inter face with new generation. The online booking facility of the guest house of the SFDC Ltd. very user friendly one by March 2016 ISO 9001-2008 Certification will be completed.

In coming years we are also tieing up with the corporate and private player to have a better well managed fisheries business for the state.

Already SFDC Ltd. had signed memorandum of understanding with one globally acclaimed restaurant chain and retails shopping chain in the year 2015.

Fish production: SFDC has the rare achievement in the country to introduce the new diversified species like genetically improved farmed Tilapia, Vietnam koi, ompakpabda, MystusGulio(nana tangra)

Pangasiussutchi (Indian basa), chanoschanos, silver pampono and cabia. Complete operationalisation of all the new circular hatcheries in the last one and half year.

Fish marketing: SFDC is involved in wholesale and retail of fish. Retail sales of fresh fish through refrigerated fish vending vans (21 nos.) sales counters (09 nos.) at markets at Kolkata, Municipal Corporation, Bidhannagar Municipal Corporation, Howrah Municipal Corporation and counters at Bolpur, Digha and Frasergunge and franchise (stall) and mobile franchisee (bike/moped).SFDC has provide frozen and processed fish and shrimps through its counters and vending vehicles. The income from retail marketing was ₹1.75 crore during 2016-17. In the year 2017-18, it is projected at ₹2.80 crore.

33.11 Merger of WBFC with SFDC: The board took note of the Memo no. 1093-F(y) dt.21.02.2017 of the Finance Deptt, GoWB directing the merger of West Bengal Fisheries Corporation Ltd.(WBFC) with the State Fisheries Development Corporation Ltd. (SFDC). The Managing Director informed the board that planning and preparatory steps are already being taken in this regard. The proposed steps for merger were placed before the board for perusal and suitable action. The commissioner of fisheries informed that the deptt. of Finance had already floated an Expression of Interest (EOI) for the engagement of a professional agency for the purpose of merger. However, it was felt that some handholding support is required. The board authorized the MD, SFDC to engage a suitable professional agency for assisting both the corporation for the smooth transition of the merger.

33.12 Special points to be seen

- (i) Review the cases for maintenance work relating to development or improvement of tank fisheries and see that the expenditure incurred commensurate with the work performed.
- (ii) Review the system of fixation of production target and see that it is in conformity with the area of the tanks.
- (iii) Review the production programme relating to nursing, rearing and stocking of fishes and prawn and also harvesting of each grade.
- (iv) Examine the reasons for variations in the production actually achieved with reference to target.

- (v) Scrutinise the liberation register and see that harvesting is consistent with the culture of species.
- (vi) See that the Management has fixed a norm for mortality of each process of culture viz. nursing, rearing and stocking and also see that actual performance commensurate with the norm in this regard.
- (vii) Review the economics of culture and see that actual performance is consistent with standard.
- (viii) Review the average cost of production per Kilogramme of the product or per thousand of spawn or fingerlings and investigate the variation in cost compared to previous year.
- (ix) Review the price-fixation policy and the fixation of selling prices for each of the products and specially examine cases resulting in loss due to wrong fixation of selling prices.
- (x) Review the progress of sales and sales volume achieved with respect to sales programme.
- (xi) Review the system of pond preparation and water management technique of the Company and see that in the application of input, the management, particularly the project authorities, has adopted the scientific management procedure by means of laboratory test/visual inspection, where applicable, of soil, water, growth of the plankton and algae bloom and taken appropriate steps wherever deemed necessary.
- (xii) Review the “cultural technology” practised by the Company in various projects and see that Management have adopted appropriate technology for fish farming and prawn farming suitable in sweet water or brackish water and comment on the wrong steps adopted, if any, that resulted in the loss in fish/prawn farming and in adoption of “poly-culture” or “composite culture” owing to fall in production.
- (xiii) Examine whether the Company has taken any corrective steps for recycling organic waste water so that the water of the river (viz. Vidyadhari) does not make pollution while running the Sewage fed fish farms at Nalban and Goltala.
- (xiv) Analyse the reasons as to why the departmental fishermen failed to achieve same production target in comparison to authorised share catchers.

- (xv) Review the performance of Nalban Fisheries, Food Park and other Projects and comment in case of unsatisfactory performance.
- (xvi) Examine the utilisation of fund in respect of “Assistance to State for Infrastructure Development for Exports” (ASIDE)
- (xvii) Examine the occupancy ratio of the tourist lodges and the money received have been properly accounted for
- (xviii) Whether the land of fisheries project are encroached and if encroached, steps taken by the management in this regards.
- (xix) Whether the Company takes sufficient steps to improve the overall production in each project through distillation work in pond despite being repeatedly reported by the concerned Project In-Charges.
- (xx) Whether the Company cautiously engage sufficient Security guards and lighting of project area to curb any type of malefic activities.

CHAPTER-34.

WEST BENGAL FISHERIES CORPORATION LIMITED

34.01 Introduction

West Bengal Fisheries Corporation Limited (WBFCL) was incorporated in March 1980 as a wholly owned Government Company with following major objectives:

- A. Promoting and scientifically developing artificial breeding of cultivable species of fish to meet the seed requirement of West Bengal and India.
- B. Setting up modern hatcheries to produce and distribute quality carp fish seeds.
- C. Purchasing or leasing tanks, rivers, lakes, reservoirs, fresh/salt water bheries, tidal swampy areas etc.
- D. Acting as agents for operation of World Bank aided inland fisheries projects and providing tourism.

Subsequently, the objects were expanded (September 1985) to include construction of fishing harbours and minor ports etc. on behalf of Government organisations and other Government bodies.

The activities of WBFCL are limited to construction of and operation of fishing harbours, tourist lodges, Food Park, dredging of harbours as well as operation of fish farms. WBFCL operated two fishing harbours at Sankarpur and Petuaghat and two brackish water fish farms at Sankarpur . The Company is also engaged by the Administrative Department for execution of various schemes under RIDF. Besides, the Company also provides consultancy services to other State Government for construction/ renovation / up-gradation of Fish landing centres etc.

As on 31.03.2017, its authorised share capital was ₹ 5.00 crore, and the Issued & Subscribed share capital was ₹ 2.00 crore (200 equity shares of ₹ 1,00,000 each) which was fully paid up by the State Government (₹ 185.00 lakh) and West Bengal State Fisheries Development Corporation Ltd. (WBSFDCL) [₹ 15.00 lakh].

34.02 Organisational Set-up

The Company is under the administrative control of the Department of Fisheries, Aquaculture, Aquatic Resources and Fishing Harbours, Government of West Bengal. The Management of the Company is presently vested with the Board of Directors (BoD) comprising of the Chairman, one Deputy Chairman, Managing Director and three Directors.

The Managing Director (MD) is the Chief Executive Officer being assisted by Manager (Finance) heading Finance wing, Senior Project Engineer heading Engineering Wing, Company Secretary (part time) and one Officer on Special Duty (OSD) to look after establishment wing for discharging day-to-day operations of the Company.

34.03 Accounting Organisation

Manager (Finance) heads Finance wing of the Company. The Company had submitted its annual accounts till 2016-17 only.

34.04 Vigilance Mechanism

The Company had not instituted any separate mechanism to deal with vigilance matters.

34.05 Special Points to be seen:

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- (i) Review the actual costs incurred and investigate the deviation, if any, from estimates.
 - (ii) Compare the actual water area noticed against available water area (;in hectares) to justify optimum utilisation of available water area.
 - (iii) Evaluate the performance of the fish farms by applying standard survival percentage [e.g. 75, 70) for prawn (golda, bagda), IMC (Indian Major Carps viz., Rohu, Mrigal and Catla) and other species respectively] against actual percentage survival achieved.
 - (iv) Examine the actual stocking density of prawn, IMC and other species against norms fixed by the Company and compare the yield per hectare in Kgs. against standard to find out the reasons for short fall, if any, from target.
 - (v) Review the civil construction as well as project work undertaken by the company.
 - (vi) Review the irregular confirmation of contractual employees.
 - (vii) Review the rate of occupancy in the tourist complex, 'Jower', at Sankarpur in absence of effective marketing policy.
 - (viii) Whether any revenue lost by the Company in leasing out Petrol Pump.
 - (ix) Whether extra payment made to contractor due to price variation of different materials.
 - (x) Compare the Project wise fund received with the fund approved by Fisheries Department of Govt. of West Bengal against each projects and fund spent thereon and also reasons for excess/shortage of fund.
 - (xi) Whether the capacity of ice plants at Sankarpur and Petuaghat fully utilised and due to poor marketing strategy of sell of ice whether the Company seeking loss of revenue.

SECTION VIII

Audit of Water Investigation & Development Department

CHAPTER-35

WEST BENGAL STATE MINOR IRRIGATION CORPORATION LIMITED

35.01 Introduction

West Bengal State Minor Irrigation Corporation Limited was incorporated as a State Government company on 29th January 1984 with an authorised capital of ₹ 600 lakh. The authorised capital and paid up capital of the Company as on 31st March 2017 stood at ₹ 1200 lakh and ₹ 1165 lakh respectively. The Company is fully owned by the State Government.

The main objectives of the Company are (i) to manufacture and sale river lift equipments, tube well equipments, spare parts, machinery, tools, implements, materials or any other commercial or industrial products; (ii) to take over from the Government of West Bengal any existing system of state owned tube wells and river lifts as may be in good working condition along with connected land buildings and assets; (iii) to undertake the installation and construction of tube wells, river lifts and other connected works on behalf of private individuals, associations, institutions, panchayats and Government Companies; and (iv) to setup and maintain laboratories, workshops and other works for providing technical guidance and repair facilities as also stock of such materials and stores and sale stores concerning tube wells and minor irrigation projects.

The main function of the Company is to install Deep Tube Well (DTW) and River Lift Irrigation (RLI) scheme and to supply water to the cultivators for irrigation at a nominal rate of water tax, fixed by the Government from time to time.

35.02 Organisational Setup

The management of the Company vests in a Board of Directors with a Managing Director functioning as the Executive Head of the Company. The Company has been divided into following functional divisions under one Divisional Engineer each as stated below.

- (i) Planning Division.
- (ii) Barasat Division.
- (iii) Burdwan Division.
- (iv) Midnapore Division.
- (v) Siliguri Division.
- (vi) Berhampur Division

35.03 Purchase Procedure

The main items purchased are cement, pipes, other construction materials, pump and accessories for tube wells. Normal procedure for tender/quotation is followed.

35.04 Sales Organisation

The Company has no separate sales organisation. The commodity sold is mainly water lifted from river and to supply the same through Deep Tube Wells (DTW) to the cultivators for irrigation at a nominal rate of water tax, fixed by the State Government from time to time.

35.05 Inventory control

The company has a Central Stores at Kolkata. Stock books are maintained. The annual stock taking procedure is followed.

35.06 Accounting Organisation

The Accounting wing of the company including finance is headed by the Financial Advisor and Chief Accounts Officer. The accounts and finance of the division is looked after by the Divisional Accountant. The compilation of final accounts is done at Head Quarters. The Company had submitted its Annual Accounts upto the financial year 2016-17 only.

35.07 Internal Control and Internal Audit

The Company having its own Internal Audit wing and also conducts its internal audit by an external chartered firm.

35.08 Provident Fund

The Company provide for provident fund under Employees' Provident Fund Scheme.

35.09 Special Points to be seen.

- (i) Review the cases for award of civil works and see that every possible effort has been made to get the work done at minimum cost and there is no loss due to delay in execution of work.
- (ii) Examine the contracts for civil construction and examine bills with reference to Measurement Book, terms and conditions of contract and consumption statement and check whether final bill has been released and refund of Earnest money ordered observing all formalities. Specially see whether advances made to contractors or materials issued have been adjusted against appropriate bills.

- (iii) Examine the records in respect of services rendered by way of water supply and see that amount received and receivable on this account can be reconciled with total supply of water.
- (iv) Examine the funding pattern of the Company and see that proper accounts have been kept in respect of funds received from different agencies including Government and they are spent for the purpose for which they have been received. Report on the deviation noticed, if any.
- (v) Examine the records in respect of Deep Tube Well (DTW) scheme and River Lift Installation (RLI) Scheme and see whether the Company suffered any loss due to failure in operating the above schemes.
- (vi) See whether the consumption of Electricity, Diesel and Mobil are according to standard norms.
- (vii) Review the delayed payment surcharge paid/payable to Electricity Company.
- (viii) Utilisation of Govt. funds received.
- (ix) Scrutiny of work relating to Conversion of Diesel Generated RLI to electrically operated one.

CHAPTER 36

WEST BENGAL AGRO-INDUSTRIES CORPORATION LIMITED

36.01 Introduction

With the modernization of agriculture, it was felt that more and more fertilizer, seeds, pesticides would be required and demand for appropriate farm machinery, agricultural implements/equipment will be increased so as to enable the farmers of the State to perform different operations efficiently to increase the agricultural production. This required development of agro based industries. The need to equip farmers with modern technology and equipment was felt and Agro Industries Corporations were set up to meet the demand for fertilizers, seeds and agriculture equipment. The primary objectives of the Company were (i) to increase agricultural production, (ii) to equip farmers with modern technology and (iii) employment generation.

Towards these objectives, Government of India took initiative for setting up Agro Industries Corporation in various states and accordingly West Bengal Agro Industries Corporation Ltd. (WBAIC) was established in the State of West Bengal. WBAIC was incorporated under the Companies Act, 1956 on 16 August 1968.

Accordingly, the Company was established to fulfill the above objectives within the state of West Bengal. Earlier Government of India (GoI) and Government of West Bengal (GoWB) jointly contributed towards the paid-up share capital of the Company. Up to 31.03.2005, Government of India and Government of West Bengal's shareholding were 32 *per cent* and 68 *per cent* respectively. From 2005-06, Government of West Bengal's shareholding became 100 *per cent*. The Company undertook the execution of various schemes in agriculture thereby fulfilling its social obligation at the instance of the Government. The Company is, now, under the administrative control of Water Resources Investigation & Development Department, GoWB. As on 31st March 2018 the authorised share capital and issued and paid up capital of the company was ₹ 50.00 crore and ₹ 8.41 crore respectively.

36.02 Organisational Set-up

The Management of the Company is presently vested with the Board of Directors (BoD) comprising of the Chairman, the Managing Director and one Director appointed by the Government of West Bengal. The Company has not formed any Board level committee.

There is one General Manager to assist the Managing Director on operational side. The Company has three Divisions (Project, Agricultural Engineering and Agronomy), one Central store at Kolkata and 20 District offices all over West Bengal. Further, the Company has six sections to carry out its operation (i) Secretarial and Establishment Section (ii) Agronomy Section (iii) Project Section (iv) Accounts Section (v) Recovery and Law Section (vi) Agricultural Engineering Section.

36.02 (A): Project Division:- This division deals with the following product range

- Tractors of different manufacturers, different models, different H.P.
- 'KAMCO' brand of Power Tiller, Power Reaper, accessories.
- Tractor drawn implements such as, Trailer, Cultivator, Disc Harrow, Disc Plough, Cesspool Emptier, Container Carrier, Water Tanker, Dumper, Bulldozer, Excavator Loader etc
- Agriculture implements/equipments such as Sprayer, Thresher, Seed Drill, Paddy Weeder, Wheel Hoe etc.

- Seed Bins of different capacities.
- Spare parts for power tillers, Garden tools, Pump-sets of different H.P, Agricultural machinery such Seed Drier, Seed Treater, Seed Processing Machine.
- Assists farmers in adopting modern and scientific cultivation techniques by using agriculture machinery and equipments such as Tractors, Power Tiller, Agriculture implements, Tractor, Drawn implements, KAMCO Engines, Seeds Bins, Pump sets, Spare Parts, Scrap Materials etc.
- The Project Division contributed 30.56 *per cent* of total sale during the year 2016-17.

36.02 (B): Agronomy Division:

- * Supplies various agriculture inputs like fertilisers, herbal manure, organic manure, seeds, fruit plant, seedlings and soil liming materials, Damaged Food grains etc.
- * Agronomy Division contributed 3.00 *per cent* of total sales during the year 2016-17.

36.02 (C): Agri Engineering Division:

- Executes schemes of drinking water and arsenic removal (like Arsenic free drinking water unit under MSDP fund), Pump sets with accessories, Pipes with accessories, Arsenic removal plants, Sale of accessories, Inspection charge, civil works of various departments.
- The Agri Engineering Division contributed 66.44 *per cent* of total sales during the year 2016-17.

36.03 Purchase Procedure

The Company has got no separate Purchase Department. Each operating Division of the Company initiates purchase for its own requirement. The normal procedure of quotation/tender is followed.

36.04 Sales Organisation

There is no organised Sales Department of the Company. Each operating Division sells its own goods. Prices in most cases are fixed by the Government.

36.05 Inventory Control

There is one officer in charge of Inventory Control. He is assisted by a Store Keeper or Junior Store Keeper. There is no system of stores verification on regular basis.

36.06 Internal Audit and Internal Control

The Company had not prepared any Corporate Plan to draw its long-term planning as well as annual plans. No budget was prepared to assess the variance and take corrective action. The Company had no internal audit wing of its own. The internal audit was conducted by a firm of Chartered Accountants.

36.07 Accounting Organisation

The Accounting Organisation of the Company is headed by one Financial Advisor and Chief Accounts Officer who is assisted by the Deputy Financial Advisor for Finance and Deputy Chief Accounts Officer for Accounts. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

36.08 Cost Control/Budgetary Control

The Company has not yet introduced Costing and Budgetary Control system as a tool of managerial control system. Costing done, if any, is done to ascertain the cost for the purpose of pricing the product sold by the Company.

36.09 Computerisation

The Company prepares Final Accounts alongwith its supporting schedules, all billing jobs through computers.

36.10 Special points to be seen

- (i) See that proper accounts have been kept in respect of fund received from Central Government and it has been spent for the purpose for which it was released by Government.
- (ii) Review the price fixation policy and the fixation of selling prices for each of the product and specially examine cases resulting in loss due to wrong fixation of selling price.
- (iii) Review the progress of sales with regard to sales programme. Account for variation in sales. Examine cases, if any, of delay in adhering to delivery programme.
- (iv) Review procurement programme of fertilizers and reconcile receipts accounted for in various depot/sub-depot/godowns and stores with the purchase bills (quantity paid-for).

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- (v) See that the suppliers/transport contractors actually delivered the total quantities purchased by the Company in any year.
 - (vi) Examine the cases where delay in receiving consignment of seed resulted in the loss of its potency and the same diverted as feed stuff. Assess differential price loss.
 - (vii) Examine the utilisation of staff engaged in “Custom Service Centre” during off season.
 - (viii) Check the Sales Register with reference to work order, sales invoices, agreements and terms and condition, etc.
 - (ix) See whether the Company has recovered/collected the subsidy against the Power tillers supplied to the beneficiaries from the Government.
 - (x) See if the Company could take the advantage of seasonal price-fall while procuring raw materials.
 - (xi) See whether any over payment made to any supplier where payment is made through L.C.

SECTION X

Audit Of Micro & Small Scale Enterprise And Textiles Department

CHAPTER 37

MAYURAKSHI COTTON MILLS (1990) LIMITED

37.01 Introduction

In 1963, the Mayurakshi Cotton Mills Limited was formed as a Private concern in Birbhum. The Company became a sick Industry and was referred to BIFR. The BIFR requested the Hon’ble High Court to liquidate the Company. In February 1990, the Government of West Bengal purchased that liquidated unit from the official liquidator of the Hon’ble High Court, Calcutta as a new entity by named “Mayurakshi Cotton Mills (1990) Limited”.

The authorised capital of the Company as on 31st March 2018 was ₹ 9.25 crore while the paid up capital was ₹ 7.76 crore, which is fully held by the Government of West Bengal. The main objective of the company was starting one or more cotton, jute, staple fibre, silk, nylon or any other textile fibre spinning and weaving and processing mills and also manufacture of cotton, flex, hemp,

jute, wool, linen, silk and any artificial filaments, wool merchants, wool combers, woollen spinners, hosiery goods, bleachers, printers, dyers etc.

Since the mill was running loss (both operational and net loss) it was recommended by the Committee of Secretaries to close down the same during the year 2005.

Subsequently, on the basis of the performance of Tamralipta Co-operative Spinning Mills Limited, the Government of West Bengal handed over the management of MCM (1990) Ltd. in January 2007.

37.02 Manufacturing Process

The Company is engaged in the manufacture of cotton yarn of coarser/finer counts by means of four distinct processes like Blow room (clearing of raw cotton), carding (clearing and making lap), Drawing (making even sliver) and Simplex (make roving in bobin form). Finally, the yarn is produced in ring frame. At the finishing stage, the yarn is wound either in cone form or in hanks. There is also system of bleaching and mercerising. Since, in February 2007, Government of West Bengal handed over the Management of the Company to Tamralipta Co-operative Mills Limited the activities of the Company at present restricted to manufacturing of cotton, synthetic & synthetic blended yarn to cater the need of the mill handloom & hosiery sectors.

The spinning mill of the Company situated at Panchra in Birbhum district had installed capacity of 16384 spindles but reduced to 15368 in 2003-04. Out of 15368 spindles, 1728 spindles are idle for want of renovation (renovation process is under progress), 2200 spindles converted to doubling, 2200 spindles are non-working and 440 spindles are idle awaiting renovation. Thus, total workable spindles available for production are 8800. The Company fixed the production target on the basis of 95 per cent spindles efficiency and working of 7.5 hours per shift for six days a week with three shifts each. On January 2014 the Company installed and commissioned a KTTM Ring Frame machine with 960 nos. of spindle.

1.	No. of installed spindles	16328
2.	No. of Spindles under operation	9760
3.	Production capacity (MT)	620

37.03 Administration

The Company is under the administrative control of the Department of Micro & Small Scale Enterprises & Textiles, Govt. of West Bengal. The Management of the company is presently vested with the Board of Directors (BoD) comprising of the Chairman, Vice Chairman, Managing Director and three Directors.

The Managing Director (MD) is the Chief Executive Officer and is assisted by Works Manager, Site In-charge, Dy. Spinning Master, Electrical Engineer in discharging day-to-day operations of the company.

The post of the Managing Director was being looked after by the Managing Director of Tamralipta Co-operative Spinning Mills Limited as additional charge. This created conflict of interest to run the company effectively.

37.04 Purchase Procedure

The main raw materials of the Company is cotton which is purchased mainly from three approved sources in Public Sector and State Government organisation at prevailing market price on the basis of contracts on approved samples.

37.04 Sales Management

The Sales Department is headed by a Sales Supervisor. Sales are normally effected in meeting attended by the representatives of the Company and the registered dealers, quota and price are also fixed.

37.05 Inventory Control

The Company has its Inventory of Cotton of different qualities and grades and other raw materials like chemicals, consumable stores, spares, tools etc. numbering nearly 2000 items.

37.06 Accounting Organisation

The Accounts Organisation of the Company is inadequate in its present formation and no professional expertise is available. There is no Chief Accounts Officer or Accounts Officer in this office and the accounts of the company were prepared by a Chartered firm, outsourced for the purpose. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

37.07 Cost Control and Budgetary Control

The Company has not introduced system of costing. Budgetary control technique is not also under operation.

37.08 Internal Control/Internal Audit

The system of Company's internal check particularly in passing bills and to watch adjustment of advance is not adequate. The Company has got no Internal Audit cell. The Company

has dispensed with the system of Internal Audit by a firm of Chartered Accountants from the year 2000-01 onwards.

37.09 Future Programme of the Mill

The mill is running with both operational and net loss since taken over by State Government. By changing the product mix and with some reservation the financial loss has been restricted. But, due to old condition of plant and machineries which are more than 47 years in age against industry norms of 20-25 years, immediate replacement of plant and machineries were felt necessary by the management. The company submitted a DPR to State Government.

37.10 Application of Information Technology

- i. The Corporation does not have an approved IT strategy or plan.
- ii. No Computerized system of accounting is maintained for stores, preparation of accounts and to judge the performance of its various operating parameters.

37.11 Environmental Management

The Company has no such environmental management policy.

37.12 Special points to be seen

- (i) Review the progress of sales and sales volume achieved with respect to sales programme.
- (ii) Check every item of reduction in price of old, damaged and obsolete stock and critically appraise them.
- (iii) Check the time card/job card in respect of each worker and see that time is fully utilised.
- (iv) Review the percentage of spoilage and waste.
- (v) See the system of material control for issue of materials to production and examine reasons for excess utilisation of materials on production as compared to standard requirements.
- (vi) See that quality of products is as per specification so as to minimise rejects by customers.
- (vii) Examine whether there had been any payment of carrying charges due to delay in taking delivery of cotton.

THE KALYANI SPINNING MILLS LIMITED

38.01 Introduction

The Company is under the administrative control of the Department of Micro, Small and Medium Enterprises and Textiles (MSMET), Govt of West Bengal. The Company was established in January 1960 and registered as a Private Ltd. Company by virtue of the Provision of section 43A(IA) of the Companies Act, 1956 (Amended Act, 1947). Thereafter, it became a Public Limited Company wef February 1975. The company has Head Quarter at Kolkata and two production units viz. Kalyani and Habra though both the production units remained non- operational since July 2011. Against authorised share capital of ₹ 18 crore as on 31st march 2018 the paid up capital stood at ₹ 14.13 crore.

The company was formed with the main objectives:

- (i) To cater the need of the Handloom Weavers and Hosiery Industries through supplying them Cotton/Blended (Polyester/Cotton, Polyester/Viscose) yarn of different counts.
- (ii) To provide employment opportunity to the migrates of Bangladesh (erstwhile East Pakistan).
- (iii) To acquire and take over from the Government of West Bengal the undertaking for setting up the Kalyani Spinning Mills at Kalyani in the District Nadia in West Bengal with all assets and properties appurtenant thereto.
- (iv) To acquire land, building, plants and machineries for starting of one or more cotton, jute staple fibre silk, nylon, or any other textile fibre spinning and weaving and processing mills in India
- (v) To manufacture all kinds of yarn single, double, cable, cord, fancy, lace, crochet sewing thread etc., bleach, gas print, mercerise, or process such yarns;
- (vi) To carry on the business of cotton spinners and doublers, flax, hemp, silk, nylon, jute, spinners, linen and cloth manufacturers, flax, hemp and jute and wool merchants, wool combers, worsted spinners, woollen spinners, yarn merchants, worsted stuff manufacturers, bleachers, and dyers and makers of vitriol, bleaching and dyeing materials
- (vii) To purchase, comb, prepare, bleach, spin, dye and deal in cotton, flax, hemp, jute wool, silk, and any fibrous substances
- (viii) To weave and manufacture, buy and sell and deal in linen cloth and other goods and fabrics, whether textile, felted, netted or looped.

(ix) To buy sell, import and export, manufacture, manipulate, treat, prepare and deal in merchandise, commodities and articles of all kinds, and to carry on business as merchants, importers and exporters etc.

38.02 Organisational set up

The Management of the Company is presently vested with the Board of Directors (BoD) comprising of the Chairman and four other Directors as against minimum three and maximum fourteen Directors as required in clause – 74 of the Articles of Association of the Company. The Company is headed by the Chairman and Managing Director assisted by seven persons in key posts (Manager, unit I, Manager-Unit II, Administrative Officer, Sr.Sales Executive, Secretary, purchase Officer, Chief Accounts Officer). Out of these, all posts except that of Manager I and Manager II, FA&CAO remained vacant as there is no production since July 2011. The Company has not formed any Board level committee.

38.03 Accounting Organisation

The Accounting Organisation of the Company is headed by Chief Accounts Officer. The Company is regular in maintaining its accounts. Annual Accounts upto the financial year 2017-18 has been submitted to the C&AG.

38.03 Activities

Upto 1997-98 the activities of the Company were limited mainly to manufacture of cotton yarn and production of 100 *per cent* polyester yarn and polyester cotton (PC) as well as polyester viscose (PV). Blended yarn were introduced gradually.

It has two units viz. Kalyani, Nadia (established in 1960 with installed capacity of 49760 spindles) and Ashoke Nagar, Habra, in the district of North 24 Parganas (established in 1966 with installed capacity of 32916 spindles and Open end Spinning Frame (OE) installed in 1991-92 with 336 rotors under modernization scheme). As there is no production since July 2011 total installed capacity remained idle for last six years. In order to utilize the idle machinery M/s Maurakshi Cotton Mills (1990) Ltd. requested MSMET Department to transfer the machinery of the company to its unit as per restructuring project. However, the same is yet to be done.

38.04 Cost Accounting Record

The Company's costing records are restricted to preparation of monthly consumption, production, raw material usage details and some other operational statements. Budgets are not prepared, cost ledgers are not maintained and no variance analysis of standard and actual expenditure was done.

38.05 Cotton procurement

The Company procures raw cotton from the Cotton Corporation of India with a credit limit of Rs. 190 lakh. Any procurement above this limit is on cash basis.

38.06 Internal Audit

The Company has neither internal audit cell of its own nor any internal audit being conducted by any other agency.

38.07 Provident Fund

Provision for interest payable to provident fund trust is provided for on the basis of Company's audited accounts.

38.08 Special Points to be seen

- (i) Review of payment of wages to contractual employee.
- (ii) Review of procurement of cotton of within credit limit and interest on the above credit limit.
- (iii) Review of cotton dispatched to godown as against indent and lifting thereon.
- (iv) Review of delayed cotton clearance charges.
- (v) Review suspension of production due to shortage of raw material.
- (vi) Review of the investment for renovation and modernisation of existing machinery.
- (vii) Present stage of disinvestment process since the Company selected for disinvestment.