



सत्यमेव जयते

REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR 1977-78
(COMMERCIAL)

GOVERNMENT OF WEST BENGAL

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PREFATORY REMARKS

Government Commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories :

- (i) Government Companies;
- (ii) Statutory Corporation; and
- (iii) Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of the accounts of Government Companies and Statutory Corporations, including the West Bengal State Electricity Board. The Report of the Comptroller and Auditor General of India (Civil) contains the results of audit relating to departmentally managed commercial undertakings.

3. The cases mentioned in the Report are those which came to the notice of Audit during the year 1977-78 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1977-78 have also been included, wherever considered necessary.

4. In the case of Government Companies, audit is conducted by professional auditors appointed on the advice of the Comptroller and Auditor General, but the latter is authorised under section 619(3) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the professional auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In November 1962, such directives were issued to the auditors of the Government Companies having paid-up capital of Rupees one crore or above for looking into certain specific aspects of the working of the Companies. These were revised in December 1965 and February 1969.

5. There are, however, certain Companies where Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of such undertakings where Government investment is more than Rs.10 lakhs as on 31st March 1978 is given in Appendix "A".

6. In respect of Calcutta State Transport Corporation, North-Bengal State Transport Corporation, Durgapur State Transport Corporation and West Bengal State Electricity Board, the Comptroller and Auditor General is the sole auditor, while in respect of West Bengal State Warehousing Corporation and West Bengal Financial Corporation, he has the right to conduct the audit of the concerns independently of the audit done by the professional auditors appointed under the respective Acts.

In respect of West Bengal Industrial Infrastructure Development Corporation, the Comptroller and Auditor General who has been entrusted (June 1978) with the audit thereof under section 19(3) of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 will be the sole auditor for five years from the accounts for 1973-74 in the first instance, subject to review of arrangement thereafter. The accounts of the Corporation in the *pro forma* prescribed under the West Bengal Industrial Infrastructure Development Corporation Rules, 1978 are awaited (May 1979).

7. The points brought out in the Report are those which have come to notice during the course of test audit of the accounts of the above undertakings. They are not intended to convey or to be understood as conveying any general reflection on the financial administration of the undertakings concerned.

CHAPTER I

SECTION I

Government Companies

1. Introduction

There were 26 Companies of the State Government as on 31st March 1978.

Of these, 15 Companies submitted their accounts for 1977-78. The accounts of other Companies are in arrears (April 1979), as shown below :

Name of the Company	Year|Years for which accounts are in arrears
West Bengal Small Industries Corporation Limited ..	1977-78
West Bengal Agro-Industries Corporation Limited ..	1977-78
The Electro-Medical and Allied Industries Limited ..	1977-78
Westinghouse Saxby Farmer Limited ..	1977-78
West Bengal State Minor Irrigation Corporation Limited ..	1977-78
West Bengal Livestock Processing Development Corporation Limited ..	1977-78
West Bengal Handloom and Powerloom Development Corporation Limited ..	1976-77 and 1977-78
West Bengal Dairy and Poultry Development Corporation Limited ..	1975-76 to 1977-78
West Bengal State Textile Corporation Limited ..	1977-78
Basumati Corporation Limited ..	1975-76 to 1977-78
West Bengal Ceramic Development Corporation Limited ..	1976-77 and 1977-78

The matter was brought to the notice of the Government (January 1979); their replies are awaited (May 1979).

A synoptic statement showing the summarised financial results of the working of 23 Companies, on the basis of the latest available accounts, is given in Appendix "B".

2. Investment and guarantees

2.01. **Paid-up capital:** The aggregate of paid-up capital of 15 Companies including two subsidiaries (the accounts of which are up-to-date) at the end of 1977-78 was Rs.4,030.22 lakhs. The particulars of investments made by the State Government and the Holding Companies in the paid-up capital of the 15 Companies are as follows :—

Category of Companies	Number of Companies	State Government	Holding Companies	Total
(In lakhs of Rupees)				
Companies fully owned by State Government ..	13	3,900.72	..	3,900.72
Wholly owned subsidiary Company ..	1	..	10.50	10.50
Company jointly owned by State Government and Holding Company.	1	55.00	64.00	119.00
Total ..	15	*3,955.72	74.50	4,030.22

2.02. The State Government invested, by way of share capital, Rs.1,139.75** lakhs in seven Companies, which rendered their accounts for 1976-77 in 1978-79. In one of these seven Companies, private investment in the share capital is Rs.12.50 lakhs.

2.03. The State Government investment in one Company (fully owned), which rendered accounts for 1975-76, is Rs.59.54*** lakhs.

2.04. Government have also given guarantees for payment of loans|overdrafts and amounts raised by issue of bonds|debentures in respect of Companies as detailed below :

		(In lakhs of Rupees)
Maximum amount guaranteed and outstanding as on 31st March 1978		2,117.00†
Principal and interest		1,942.29†

The Companies are required to pay to Government guarantee commission at the rate of 0.50 *per cent* of the outstanding amount of guarantee. One Company (*viz.*, The Kalyani Spinning Mills Limited) defaulted in payment of guarantee commission of Rs.0.43 lakh for the year 1977-78.

*Differs from the figure shown in the Finance Accounts for 1977-78 which is Rs. 2,668.26 lakhs. The difference is under reconciliation.

**Differs from the figure shown in the Finance Accounts for 1976-77, which is Rs. 871.91 lakhs. The difference is under reconciliation.

***Differs from the figure shown in the Finance Accounts for 1975-76, which is Rs. 57.74 lakhs. The difference is under reconciliation.

†Differs from the figure of guarantee shown in the Finance Accounts for 1977-78 which is Rs. 1,916 lakhs for maximum amount guaranteed and Rs. 1,893.43 lakhs for outstanding principal and interest. The difference is under reconciliation.

3. Profits and losses

The working results of 15 Companies (including two subsidiaries) for their accounting years up to 1977-78 are analysed in the table below :

	Number of Companies	Paid-up capital	Aggregate of Profits(+)/ Losses(-)	Percentage of profits to paid-up capital
(In lakhs of Rupees)				
Companies other than subsidiary Companies—				
(i) Which earned profits	5	2,932.20	(+) 77.07	2.63
(ii) Which incurred losses	8	968.52	(-) 495.83	
Subsidiary Companies—				
(i) Which earned profits	1	119.00	(+) 1.17	0.98
(ii) Which incurred losses	1	10.50	(-) 1.91	

None of the 15 Companies declared dividend during 1977-78.

The cumulative losses incurred by each of the following Companies were more than their paid-up capital :—

			1977-78	
			Paid-up capital	Cumulative loss
(In lakhs of Rupees)				
Kalyani Spinning Mills Limited .. ..	..	..	158.21	1,223.57
Durgapur Chemicals Limited .. ..	..	..	474.81	1,520.87

Of the seven Companies that submitted accounts for 1976-77 in 1978-79, two Companies with paid-up capital of Rs.212.44 lakhs earned profit of Rs.28.24 lakhs, while the other five Companies with paid-up capital of Rs.927.31 lakhs incurred losses amounting to Rs.270.14 lakhs.

One Company with paid-up capital of Rs.59.54 lakhs, that submitted accounts for 1975-76 in 1978-79, incurred losses amounting to Rs.1.13 lakhs.

4. Borrowings

Long-term loans : The balance of long-term loans outstanding against 15 Companies (including two subsidiary Companies), in respect of which accounts for 1977-78 have been received, stood at Rs.11,587.35 lakhs at the end of 1977-78 (Rs.9,822.36 lakhs from

the State Government and Rs.1,764.99 lakhs from other parties including Rs.106.10 lakhs as deferred payment credits), representing an increase of Rs.1,263.45 lakhs over the long-term loans (Rs.10,323.90 lakhs) outstanding at the end of the previous year.

During 1977-78, the State Government paid loan of Rs.762.95* lakhs to six Companies (including one subsidiary). The amount received by the State Government from two Companies during the year, on account of repayment of principal, was Rs.103.71* lakhs. Out of the outstanding balance of Rs.11,587.35 lakhs against the State Government Companies on 31st March 1978, a sum of Rs.3,272.35 lakhs was on account of overdue interest from them. Information in respect of overdue principal, as on 31st March 1978, is awaited (May 1979).

The balance of long-term loans outstanding against seven Companies, in respect of which accounts for 1976-77 have been received, stood at Rs.949.87 lakhs at the end of 1976-77 (Rs.904.47** lakhs from the State Government and Rs.45.40 lakhs from others). The overdue interest at the end of 1976-77 in respect of these seven Companies stood at Rs.156.78 lakhs (Rs.146.04 lakhs due to the State Government and Rs.10.74 lakhs due to others). Information in respect of overdue principal, as on 31st March 1977, is awaited (May 1979).

5. Further, there was one Company in the State coming under section 619B of the Companies Act, 1956 viz., Indian Mechanisation and Allied Products Limited, as on 31st March 1977. In the absence of information on the share-holding pattern as on 31st March 1978, it could not be decided whether it continues to attract section 619B *ibid*. This information and the accounts for the years ending October 1975 and 1976 are awaited (May 1979).

*Differs from the figure shown in the Finance Accounts for 1977-78 which is Rs. 6,478.35 lakhs in respect of balance of outstanding loans, Rs. 1,038.12 lakhs paid by the State Government during the year and Rs. 150.00 lakhs on account of repayment of principal during the year. The difference is under reconciliation.

**Differs from the figure shown in the Finance Accounts for 1976-77 which is Rs. 1,099.76 lakhs. The difference is under reconciliation.

SECTION II

WEST BENGAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

1. Introduction

1.1. West Bengal Industrial Development Corporation Limited was incorporated on 6th January 1967 as a private limited company to secure and assist in the expeditious and orderly establishment, growth and development of industries in West Bengal. The Company was converted into a public limited company from 15th November 1972 in order to enable the company to raise loans from the open market and for taking up joint sector projects.

1.2. **Objects :** The main objects of the Company are to—

- (i) advance loans and participate in the share capital of companies, firms and associations to be established within the State,
- (ii) undertake schemes or works either jointly with persons, firms, companies or associations or with Government or local authorities or to act as agents,
- (iii) procure capital for or to provide machinery, equipment and other facilities to any company, person or association for industrial development of the State and to subscribe for or underwrite or otherwise deal with shares, debentures and securities,
- (iv) explore possibilities of establishing large, medium and small scale individual plants and to prepare and publish project reports,
- (v) provide financial assistance to industrial concerns or to furnish necessary guarantee to procure such financial assistance,
- (vi) enter into any partnership or arrangement for joint working in business, and
- (vii) promote and undertake the formation of any institution or company or form any subsidiary company.

1.3. **Organisational set-up :** The management of the Company vests in a Board of Directors headed by a Chairman who is also the Managing Director of the Company. He is assisted by three Chief Executives.

1.4. **Capital structure :** The authorised capital of the Company is Rs.500.00 lakhs divided into 50,000 shares of Rs.1,000 each. The paid-up capital (including share capital deposit) of the Company as on 31st March 1978 was Rs.343.42 lakhs subscribed entirely by the State Government.

In addition, the Company obtained from time to time unsecured loans from Government aggregating Rs.48.37 lakhs. Terms and conditions for repayment of the loans and payment of interest thereon have not yet been decided (February 1979). However, the Company has been making provision in the accounts for interest at the rate of 8 *per cent* per annum.

In order to provide finances for the Company's main object of participating in the share capital of assisted companies and to meet the cost of the various projects undertaken, it also raised funds of Rs.1,320 lakhs by public issue of bonds (Rs.220 lakhs each year from 1972-73 to 1977-78). All the bonds are guaranteed by Government for repayment of principal and payment of interest thereon. The Company paid Rs.11 lakhs to the State Government as guarantee fee up to 31st March 1978.

Out of these resources (Rs.1,711.79 lakhs), only 34.62 *per cent* had been utilised on share participation (Rs.241.93 lakhs), long-term loan (Rs.83.80 lakhs), bridging loan (Rs.150 lakhs) and expenditure on joint sector projects (Rs.116.96 lakhs) totalling Rs.592.69 lakhs, while Rs.665.21 lakhs had been utilised for giving short-term loans. The Management stated (February 1979) that the money raised could not be fully utilised due to delays in the execution of joint sector projects. They stated in March 1979 that the disbursement of short-term loans had enabled the Company not only to earn large interest but also to act as a promotional and developing agency for medium and large industries by meeting their genuine production needs.

1.5. Financial position : The table below summarises the financial position of the Company under the broad headings for the three years up to 1977-78 :—

	1976-76	1976-77	1977-78
	(In lakhs of Rupees)		
Liabilities :			
(i) Paid-up capital (including share deposits) ..	343.42	343.42	343.42
(ii) Reserves and surplus (including reserve for bad and doubtful debts)	32.23	52.56	79.62
(iii) Borrowings—			
(a) Unsecured loans from the State Government ..	48.37	48.37	48.37
(b) Loans by issue of bonds	880.00	1,100.00	1,320.00
(c) Unsecured loans from Government against West Bengal Incentive Scheme, 1971, less amount disbursed	30.48	16.03	8.12
(iv) Trade dues and other current liabilities (including provisions).	88.42	97.05	107.85
Total ..	1,422.92	1,657.43	1,906.88
Assets :			
(v) Gross block	4.04	4.18	4.29
(vi) Less : depreciation	1.37	1.65	1.92
(vii) Net fixed assets	2.67	2.53	2.37
(viii) Investment (in shares of companies) ..	110.18	190.15	241.93
(ix) Current assets, loans and advances—			
(a) Current assets	770.23	500.51	605.26
(b) Loans and advances	534.93	957.57	1,040.23
(x) Deferred revenue expenditure	5.01	6.67	8.00
Total ..	1,422.92	1,657.43	1,906.88
Capital employed ..	1,184.60	1,447.44	1,679.95
Net worth ..	870.64	889.31	414.95

Note : (i) Capital employed represents the mean of the aggregates of opening and closing balances of paid-up capital, reserves and borrowings.

(ii) Net worth represents paid-up capital plus reserves and surplus less intangible assets.

1.6. **Working results :** The table below shows the working results of the Company for the three years up to 1977-78 :—

	1975-76	1976-77	1977-78
	(In lakhs of Rupees)		
(i) Income	93.81	115.26	143.06
(ii) Expenditure :			
(a) Salaries and other expenses	18.76	20.26	24.19
(b) Interest on loans	52.32	64.03	77.22
(iii) Profit and Loss :			
(a) Profit before tax	22.73	30.97	41.65
(b) Tax provision	8.08	10.63	14.60
(c) Profit after tax	14.65	20.34	27.05
(iv) Percentage of profit after tax to—			
(a) Capital employed	1.24	1.40	1.61
(b) Net worth	3.95	5.22	6.52
(c) Equity capital	4.26	5.92	7.87
(v) Percentage of administrative expenditure to interest and other business income.	12.96	11.18	9.45

2. Activities

Up to the year 1971-72, the Company rendered assistance, by way of term loans and equity participation, to small and medium scale sectors. After re-organisation in 1972, the Company extended its activities of rendering assistance to medium and large scale sectors. Up to 31st March 1978, the Company set up two subsidiary units, namely, West Bengal Electronics Industry Development Corporation Limited (investment in shares: Rs.64 lakhs) and West Bengal Cement Limited (advance : Rs.27.34 lakhs). It made investment of Rs.166.48 lakhs in shares and debentures of 39 private companies and Rs.7 lakhs in shares of one Government Company (*viz.*, West Bengal Sugar Industries Development Corporation Limited) and took up 13 new projects in the joint sector (amount invested : Rs.244.07 lakhs including bridging loan of Rs.150 lakhs) which are under various stages of development. It also disbursed loans of Rs.749.01 lakhs to 63 units, rendered assistance of Rs.455.18 lakhs under West Bengal Incentive Scheme, 1971 to 99 units and disbursed subsidy under Central Subsidy Scheme, 1971. In addition, Rs.665.21 lakhs were advanced as short-term loans to various industries out of the surplus resources referred to in paragraph 1.4

above. This, the Management has stated (March 1979), has, apart from bringing in a larger amount of interest for the Company, acted as a promotional and developing measure for medium and large industries by meeting their genuine production needs.

Apart from the above activities, the Company has established (August 1978) follow-up-cum-monitoring cell with the object of assessing the problems and monitoring the working and performance of the assisted units.

2.1. Assistance to Industries : Up to 31st March 1978, the Company assisted 146 units comprising 101 new projects and 45 projects of substantial expansion with a total project cost of about Rs.26,801.55 lakhs. It was noticed in audit that out of the 146 units, development of 8 units have been given up by the promoters and 50 units with a total project cost of about Rs.4,718.23 lakhs have been commissioned by 31st March 1978, as indicated below :

Year of assistance	Number of units assisted	Number of units commissioned					Total
		1973-74	1974-75	1975-76	1976-77	1977-78	
1972-73	15	..	5	1	1	..	7
1973-74	23	1	4	3	1	1	10
1974-75	33	..	6	5	4	3	18
1975-76	25	..	..	2	3	2	7
1976-77	31	..	..	..	4	3	7
1977-78	19	..	..	..	..	1	1
Total	146	1	15	11	13	10	50

It would be seen from the above table that even after a period of five years, 5 units out of 15 (33.3 per cent) to which assistance was given in 1972-73 were not commissioned by 31st March 1978. Similarly, 11 units (48 per cent), 14 units (42.4 per cent) and 17 units (68 per cent) of the units assisted in 1973-74, 1974-75 and 1975-76, respectively, have not been commissioned by the end of 1977-78.

The Company did not have information regarding the reasons for non-commissioning of such a large number of units in the absence of follow-up action as brought out in paragraph 2.2(b)(v) below. It also did not have a system of monitoring the progress of these units in the absence of which it could not take appropriate remedial steps.

A districtwise analysis of the assistance given revealed that none of the districts of Murshidabad, Malda and Cooch Behar which are industrially backward, has derived any benefit of the industrialisation

programme of the Company. The assistance have been given towards augmenting the industrial growth of the districts which are already industrially developed. The Management had stated (February 1979) that response from entrepreneurs from the said industrially backward districts for setting up industries in the medium or large sectors had so far been very poor.

2.2. Investments by the Company : (a) *Underwriting of shares* : The Company underwrites public issue of shares by limited companies in the private sector for promotion and establishment of manufacturing units within the State.

Up to 31st March 1978, the Company underwrote shares of 19 units (whose shares were also underwritten by other financial institutions) after financial appraisal and technical scrutiny. The total underwriting commitment up to 31st March 1978 was for Rs.99.40 lakhs against which the Company subscribed shares of the face value of Rs.96.40 lakhs and earned underwriting commission of Rs.1.95 lakhs.

(b) *Investment in shares and debentures* : Up to 31st March 1978, the Company invested Rs.234.93 lakhs, including Rs.96.40 lakhs on account of underwriting commitment, in the shares of 42 companies manufacturing chemicals, paper, steel, machinery and engineering goods, leather, industrial gas, sugar, gramophone records, business forms, rubber products, food stuff, electronic equipment, oil, abrasives, glass and ceramics, wood crafts and textiles and Rs.7 lakhs in debentures of a light engineering company.

In terms of the agreements executed with the private and joint sector units regarding investment in shares, the Company had a right to appoint a nominee on the Board of Directors of those companies. The agreement further stipulated that in those cases where the company failed to pay dividend on equity shares for three consecutive years from the date of coming into production, the Managing Director of such a company should himself buy the equity shares held by West Bengal Industrial Development Corporation Limited at par value.

The following points were noticed :—

- (i) Only six units in which the Company invested Rs.13.74 lakhs up to 1977-78 have declared and paid dividends amounting to Rs.3.93 lakhs both on preference and equity shares. The remaining 36 units in which the Company invested Rs.221.19 lakhs have not paid any dividend so far (March 1979). Seven companies in which Rs.22.91 lakhs have been invested and whose shares are quoted are not faring well as market value of their shares was below face value (March 1978).

- (ii) Though the Company has invested Rs.45.39 lakhs in the cumulative preference shares of 17 companies, only three have declared dividend so far. The three companies declared and paid dividend of Rs.2.95 lakhs up to 31st March 1978.
- (iii) For non-payment of dividend within the stipulated period, the Company instituted suit against one unit only, out of 11 units, for enforcing the buy-back clause. The Management stated (February 1979) that the question of taking similar action against other units was under consideration.
- (iv) The Company has nominated (March 1979) directors only in seven companies, five in the private and two in the joint sectors. The Management stated (February 1979) that due to the limited number of officers available it could not appoint nominee directors in the remaining companies. However, Government stated (March 1979) that it has instructed the West Bengal Industrial Development Corporation Limited to appoint directors in each of the units in the private and joint sectors.
- (v) The Company also did not make any arrangement for studying|scrutinising the Profit and Loss Account and Balance Sheets of assisted companies to ascertain the reason for non-payment of dividends and keeping complete information|records regarding the progress made during the construction period and progress of implementation as stipulated in the project reports and to assess their performance and profitability when these went into production. The Management stated (August 1978) that it had received progress reports from some assisted units and a follow-up division started functioning from August 1978 to monitor|analyse periodical progress reports from the assisted units.

It was also stated (February 1979) that a report containing information regarding the assisted units had been submitted (November 1978) to the Board and that it would be a regular feature hereafter.

3. Joint sector

Up to 31st March 1978, the Company took up 13 joint sector projects, out of which seven have been incorporated as companies.

The progress of the projects is summarised in the table below :

Particulars of project	Date of incorporation /setting up	Estimated capital cost (In lakhs of Rupees)	Installed capacity per annum	Company's investment as at 31st March 1978				Remarks
				Preliminary and technical survey	Other expenditure	Fixed Assets	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(In lakhs of Rupees)								
Television sets	.. March 1973 ..	43	7,500 (numbers)	N.A.	N.A.	N.A.	4.45 (Investment in shares)	Telerama India Limited commenced commercial production in April 1974. The unit declared and paid dividend of Rs. 86,411 during 1977-78 on preference shares of Rs. 2.50 lakhs held by the Company relating to the year 1973-74 to 1976-77.
Scoters	.. March 1974 ..	300	30,000 (numbers)	0.23	2.05	3.00	20.77 (Including Rs. 15.49 lakhs advanced against shares)	West Bengal Scooters Limited commenced commercial production in December 1976. West Bengal Industrial Development Corporation Limited advanced Rs. 20.77 lakhs up to 31st March 1978 towards promotional expenses and advance for shares of the Company against which shares are yet to be issued (February 1979). In addition, a sum of Rs. 150 lakhs was paid as bridging loan by West Bengal Industrial Development Corporation limited during 1976-77, on which a sum of Rs. 21.28 lakhs was due on account of

interest (31st March 1978). The company manufactured 1,250 scooters up to 30th June 1978. The cumulative loss of the project up to 30th June 1978 was Rs. 64.54 lakhs.

Cement and slag	..	November 1977	1,300	2.5 lakh tonnes	2.40	0.02	4.81	7.23	Under construction (February 1979) (Damodar Cement and Slag Limited).
Maleic anhydride	..	December 1973	293	3,000 tonnes	5.99	0.54	0.63	7.16	(Allied Aromatics Limited). The project is under construction. Revised project cost is estimated at Rs. 3.81 crores (February 1979). Technical collaboration with a French firm was approved by Government of India.
Tungsten filament	..	May 1979	325	104 million pieces	0.47	Nil	Nil	0.47	The terms of foreign collaboration offered by three firms have been approved by the Government of India and West Bengal Lamp and Filament Company Limited has been incorporated (May 1979).
Watch	..	February 1977	30	2.5 lakhs	2.14	0.07	Nil	2.21	The unit will be set up near Kurseong in Darjeeling district; West Bengal Times Limited is under construction (February 1979). Hindusthan Machine Tools Limited will provide technical know-how and will supply the entire components for assembly at this unit. The assembled watches will be taken back by HMT for marketing.

Particulars of project	Date of incorporation/setting up	Estimated capital cost (In lakhs of Rupees)	Installed capacity per annum	Company's investment as at 31st March 1978				Remarks
				Preliminary and technical survey	Other expenditure	Fixed Assets	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(In lakhs of Rupees)								
Tyre and tube	.. January 1974	3,000	4 lakhs each	23.14	10.44	20.38	53.96 (-) <u>11.92*</u> 42.04	Webstar Limited was incorporated in January 1974 and a private firm joined as joint sector partner in October 1974, by which time a technical know-how agreement was executed with a firm of the United Kingdom. Due to all-round deterioration in tyre market, the financial institutions withdrew (August 1977) their letter of intent given in 1975 and declined to revalidate it, by which time land (Rs. 22.73 lakhs) was acquired, know-how fee of Rs. 11.25 lakhs was paid and know-how started flowing in (March 1976). The joint sector partner withdrew in March 1976 due to his inability to mobilise sufficient resources after making payment of Rs. 11.92 *lakhs, being his share. The State Government decided in June 1978 that the project be deferred pending completion of a market survey regarding demand for tyres and tubes to be conducted by an expert body. Net expenditure incurred to end of March 1978 is Rs. 46.92 lakhs. The licence has been revalidated up to July 1979.
Shipping	.. Not yet incorporated	600	N.A.	Nil	Nil	Nil	Nil	Joint venture agreement with a private sector firm has been executed (October 1977) for setting up a shipping project

for carrying cargo traffic emanating from Haldia port. A new company is under incorporation (February 1979).

Alloy steel	..	January 1974	4,500	25,000 tonnes	4.54	0.17	Nil	4.71	West Bengal Alloy Steel Limited incorporated in January 1974 undertook the Alloy Steel Project estimated to cost Rs. 45 crores (January 1975). Because of inordinate delay, the West German collaborator did not renew the agreement when it expired on 1st March 1977 and consequently the joint sector partner also withdrew. This company has been requested by West Bengal Industrial Development Corporation Limited to consider setting up an unit in the line in Purulia.
Newsprint	..	Not yet incorporated	7,000	60,000 tonnes	2.00	0.08	Nil	0.08	The letter of intent obtained in July 1974 for setting up a newsprint project having lapsed on 31st January 1978, the Government of West Bengal decided that a fresh application would be made after an acceptable project report is prepared by Hindustan Paper Corporation Limited, in collaboration with this company and West Bengal Industrial Development Corporation Limited.
Petro-chemicals	..	Ditto ..	16,000	22.25 lakh tonnes of naptha	0.03	0.01	Nil	0.04	A letter of intent was received in November 1977. The Project Report was prepared by the Company in April 1977 for setting up the project at Haldia. The Technical consultancy agreement with a U.S. firm has been approved by the Government of India (May 1979).

Particulars of project	Date of incorporation /setting up	Estimated capital cost (In lakhs of Rupees)	Installed capacity per annum	Company's investment as at 31st March 1978				Remarks
				Preliminary and technical survey	Other expenditure	Fixed Assets	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(In lakhs of Rupees)								
Spinning mill	.. 14th January 1977	500	25,000 spindles	0.01	0.57	Nil	0.58	Licence for setting up five spinning mills was obtained in March 1974. Owing to unsatisfactory situation in textile industry in the State, high cost of raw materials and increase in railway freight, it was decided (April 1977) to transfer one licence to a new private sector company which has been set up (January 1977) to manufacture polyester blended yarn and industrial cotton which is under negotiation (February 1979). No extention for other 4 licences was sought for.
Nylon-6	.. Net yet incorporated	1,700	2,100 tonnes	0.72	1.57	Nil	2.29	The decision of the Government of India on licensing is awaited (February 1979).

4. Incentive

The Corporation administered the following incentive schemes as an agent of the State Government under the West Bengal Incentive Scheme, 1971 :—

- (a) Return of sales tax by way of unsecured interest-free eighteen years loan;
- (b) Contribution towards the cost of feasibility and project report;
- (c) Subsidy on power; and
- (d) Refund of octroi/entry tax.

Up to 31st March 1978, the Company received Rs.463.30 lakhs from the State Government under the above scheme and disbursed Rs.455.18 lakhs till that date. Government sanctioned the amount of Rs.463.30 lakhs as loan, terms and conditions of which have not been decided (February 1979). The Company is not levying any agency charges for rendering services under these schemes. Points noticed during review of working of these incentive schemes are given in the succeeding paragraphs.

4.1. Excess return of sales tax : Under the Incentive Scheme, 1971, existing units get "return" of sales tax credited by them to Government during the preceding three years in the form of unsecured long-term interest-free loan recoverable in three annual instalments starting from the end of the 18th year from the date of its disbursement subject to a maximum of 25 *per cent* of capital outlay on land, buildings, plant and machinery, equipments, etc., for financing their expansion projects.

In one case, a sum of Rs.15.94 lakhs was paid to a firm on account of "return of sales tax" for expansion of its existing unit. The return of sales tax was based on the sales tax paid for the years 1972, 1973 and 1974, limited to 25 *per cent* of the total value of fixed assets amounting to Rs.63.77 lakhs created during the years from 1973 to 1976, as certified by the Chartered Accountants. The records, however, revealed that the total value of fixed assets as indicated above, included Rs.6.07 lakhs being the value of a 405 KVA diesel generating set to be installed as stand-by arrangement, which was inadmissible for the purpose of return of sales tax. Thus, a sum of Rs.1.52 lakhs, being 25 *per cent* of the above amount, was paid in excess to the firm. Government have stated (April 1979) that orders have been issued (March 1979) to the West Bengal Industrial Development Corporation Limited for the recovery of the excess "Return of sales tax", which is awaited (April 1979).

4.2. Contribution towards the cost of feasibility and project report: As per the Incentive Scheme, 1971, the Company contributes 75 *per cent* of the cost of the feasibility study report on a project promoted by a private party, provided the report is prepared by an agency approved by the State Government. If the project is implemented within the prescribed period, the contribution made by the State Government shall be converted into State Government's contribution towards the share capital of the assisted company. In case of a company other than a limited company, the contribution shall be treated as unsecured loan bearing a rate of interest of half *per cent* above the borrowing rate of the State Government, fixed from year to year, for a period of five years. The reports on the projects which do not materialise would remain the property of the State Government. The Company has, up to 31st March 1978, contributed Rs.8.14 lakhs in respect of 42 units for feasibility reports, against which only four companies have issued shares valued at Rs.0.75 lakh. Eight units to whom a sum of Rs.1.52 lakhs was granted as assistance, have been given up by the promoters and the other 30 units which have received (Rs.5.87 lakhs) assistance under the above scheme, have neither converted advances into shares nor into loan as required under the scheme.

The Company did not maintain any records indicating the due dates of implementation|commissioning of the projects as per the project reports and the actual date of commissioning|progress made in this respect.

The Management stated (February 1979) that all cases in which contributions have been made are being examined for appropriate action.

5. Outright grant or subsidy scheme for industrial units

To promote the growth of industries in selected backward districts, the Government of India implemented a scheme for giving subsidies for setting up new industrial units or for undertaking substantial expansion of the existing units, through the State Government, which on its part appointed the Company as its operating agent in respect of medium and major industries. The results of the review in audit of the scheme are contained in paragraph 3.5 of Chapter III of Report of the Comptroller and Auditor General of India for the year 1977-78 (Civil), Government of West Bengal.

6. Accounting manual and internal audit

The Company has not prepared any accounting manual (February 1979). In 1973-74, a firm of Chartered Accountants was entrusted with the work of preparing an accounts manual and financial

procedure manual at a fee of Rs.5,000. The firm submitted its report in August 1973. The Company has stated that some of its recommendations have been acted upon. The Company has also not introduced any internal audit system (February 1979).

7. Summing up

The role of the Company which was redefined in 1972, was to speed up the industrial climate in the State by giving direct financial assistance in the form of loans and share capital to new enterprises, establishment and management of projects and to function as an agency of the State Government to pay the various incentives. But the activities as brought out in the above study indicate that the major contribution has been in the limited sphere of share capital and loan assistance and the various incentives given by the State Government. The feasibility studies undertaken so far are on the initiative of the entrepreneurs to which the Company's contribution is only subsidy element. In the joint sector, only two out of 13 units have reached the production stage, of which one has paid a dividend. Of these, the tyre and tube project has been deferred for the present and there is uncertainty about the execution of the Alloy Steel Project.

Out of the resources of Rs.1,711.79 lakhs raised by issue of bonds (Rs.1,320 lakhs), Share Capital (Rs.343.42 lakhs) and loans (Rs.48.37 lakhs), only 34.62 *per cent* had been utilised on share participation (Rs.241.93 lakhs), long-term loan (Rs.83.80 lakhs), bridging loan (Rs.150 lakhs) and expenditure on joint sector projects (Rs.116.96 lakhs), totalling Rs.592.69 lakhs, while Rs.665.21 lakhs had been utilised for giving short-term loans. The Company did not have any system of follow-up action and has not been keeping watch on the progress of the units, their timely completion, their performance and profitability and payment of dividend by them, etc. The Company did not also nominate Directors on the boards of the assisted units in all cases.

Out of 146 units assisted, apart from the delay noticed in commissioning of 50 units which have come up, 5 units (33.3 *per cent*) to which assistance was rendered more than five years ago, have not yet been commissioned. Similarly, 11 units (48.0 *per cent*) for more than four years, 14 units (42.4 *per cent*) for more than three years, 17 units (69 *per cent*) for more than two years have not been commissioned by the end of 1977-78. The reasons for their not being commissioned were also not available and, therefore, not analysed (August 1978) with a view to taking remedial steps.

There is no system of periodical review or monitoring of progress made by the units to which incentives comprising Sales Tax Return, Power Subsidy, subsidy towards cost of Feasibility Reports and Octroi/Entry Tax Refund were paid, in their utilisation.

SECTION III

WEST BENGAL ESSENTIAL COMMODITIES SUPPLY
CORPORATION LIMITED

1. West Bengal Essential Commodities Supply Corporation Limited was incorporated in March 1974 as a wholly owned Government Company with the object of stepping into the import and wholesale trade in certain essential commodities in which the State is deficit and with a view to exercising a dominant stabilising influence on the market.

The authorised capital of the Company is Rs.2 crores divided into two lakh equity shares of Rs.100 each, against which the paid-up capital as on 31st March 1978, was Rs.40 lakhs wholly subscribed by Government.

A summary of the Company's financial position and working results for the last four years up to 1977-78 are given below :

A. Financial position

	1974-75	1975-76	1976-77	1977-78
	(In lakhs of Rupees)			
Liabilities :				
(a) Paid-up capital	15.00	15.00	15.00	40.00
(b) Reserve and surplus	4.19	3.89	6.62	9.22
(c) Borrowing (including cash credit) ..	46.67	43.33	62.13	54.51
(d) Trade dues and other liabilities ..	47.57	20.01	26.80	135.65
Total ..	113.43	82.23	110.55	239.38
Assets :				
(e) Gross block	0.97	1.43	1.70	1.76
(f) Less : depreciation	0.17	0.29	0.60	0.78
(g) Net fixed assets	0.80	1.04	1.10	0.98
(h) Current assets, loans and advances ..	112.63	81.19	109.45	238.40
Total ..	113.43	82.23	110.55	239.38
Capital employed ..	65.86	62.22	83.75	103.73
Net worth ..	19.19	18.89	21.62	49.22

Notes :

(1) Capital employed represents net fixed assets plus working capital.

(2) Net worth represents paid-up capital plus reserves and surpluses less intangible assets.

B. Working results

	1974-75	1975-76	1976-77	1977-78
	(In lakhs of Rupees)			
(i) Sales	1,231.10	268.57	362.36	1,268.18
(ii) Add: subsidy received from Government for sale of rapeseed oil at subsidised rate. .. .. .	..	..	12.53	11.57*
(iii) Profit	11.44	3.23	9.10	12.80
(iv) Cost of sales (i+ii-iii)	1,219.66	265.34	365.79	1,266.95
(v) Percentage of cost of sales to sales	99.07	98.80	100.95	99.90

The Company declared dividend of 12, 7.5, 6 and 8.5 *per cent* respectively, on the paid-up capital, during the four years up to 1977-78.

Some points noticed during the course of test audit of the records of the Company are mentioned in the succeeding paragraphs.

2. Unauthorised sale of potatoes by cold storage owner

In March 1977, the Company procured 4,839.12 tonnes of table potatoes from the Hooghly district through ten owners of cold storages, who were appointed as its commission agents for procurement and storage of potatoes. One of these agents, procured 843.78 tonnes of potatoes and stored it in his own cold storage.

During the period from September to November 1977, the Company invited open quotations for quantities of potatoes proposed to be released from the cold storage. The aforesaid agent also submitted quotations for the full quantities earmarked for release by the Company but actually lifted only lesser quantities ultimately on 15th November 1977, leaving a balance quantity of 183.24 tonnes in the cold storage.

On 15th November 1977, the agent offered a rate of Rs.122.50 per quintal for this quantity; but the offer was not accepted, as the rate was below the prevailing market price on that date. On 21st November 1977, the agent informed the Commercial Manager of the Company that 15th November being the last date of keeping potatoes in the cold storage, as per provisions of the West Bengal Cold Storage Act, 1966 and rules framed thereunder, he had unloaded the entire balance stock and kept it in an open shed. As the Company, the agent added, did not take delivery of the stock till 20th November 1977, as per section 12 of the Cold Storage Act, 1966 he sold the stock

Note : *This includes Rs. 4.50 lakhs for mustard seed.

of 183.24 tonnes for Rs.93,120 at the rate of Rs.50.80 per quintal. Thus, the Company failed to take suitable action in disposing of the balance stock within the time specified in the Act, resulting in a loss to the extent of Rs.1.36 lakhs due to the agent having sold the stock at Rs.50.80 per quintal against the then prevailing wholesale market rate of Rs.125 per quintal.

Government stated (January 1979) that the storing agent had made unauthorised sale without any prior intimation to the Company in violation of the Cold Storage Regulations, 1967 and the case had been referred to arbitration. The Arbitrator's award is awaited (April 1979).

3. Suspected pilferage of mustard seeds in transit

The Company procured 4,727.80 tonnes of mustard seeds during the period from April to October 1974 from the surplus producing States of Punjab, Haryana, Uttar Pradesh and Rajasthan through different procurement agents.

The Company received a total quantity of 4,385.70 tonnes only, indicating shortage of 342.10 tonnes in transit. Claims for Rs.9.66 lakhs were preferred with the Railways, against which only Rs.10,000 had been admitted and paid for by the Railways. Most of the claims were repudiated on grounds of "delivery in seal-intact condition", "loading not supervised by railway staff", etc.

The mustard seeds were moved by the Railways from despatching stations and received in wagons at Chitpur railway siding. The Railways unloaded the wagons at the railway sheds. There being no weigh-bridge at the Chitpur railway siding, the clearing agents had to take delivery of the stocks from the railway shed, get them weighed at private weigh-bridge situated at a distance of 2.5 km. from the railway siding and move the stock to the Dakhindari godown.

According to the system approved by the Board of Directors, the Company kept minimum staff at the railway siding and depended mainly on the clearing agents. Early in September 1974, the Company came to know of the heavy transit loss.

Since a reputed firm inspected and supervised weighment at the despatching points and as there was no shortage found in the test case conducted for ascertaining shortage in one wagon confidentially by the Company in October 1974 through an outside clearing agent, the Managing Director considered "the so called Railway transit losses which have been shown are quite fictitious and these losses have actually occurred either in the railway shed itself or *en-route* to the weigh-bridge. There was a systematic and heavy pilferage of mustard seed from the lorries. This large quantity of mustard seeds must have gone to some oil mills and there must have been some organised channel for such pilferage which requires investigation".

In the overall analysis, ultimately the Company had to bear a loss of Rs.13.17 lakhs on account of the shortages noticed due to whatsoever be the cause.

The services of the Assistant Manager, Movement, a re-employed superannuated officer, placed in charge of the Chitpur railway siding, were terminated (January 1975) under orders of the Managing Director. Neither any action in regard to the contemplated investigation was taken nor did the Company fix responsibility on the clearing agents for recovery of the loss (May 1979).

Government stated (January 1979) that in railway movement of food stuff, clear railway receipts are seldom available. As a result, claims for losses in transit were generally repudiated by the Railways for one reason or the other. Government further stated that it was hardly possible for the Company to conduct investigation to find out whether the pilferage had occurred at the Railway premises, the possibility of which could not, however, be ruled out.

4. Shortage of refined rapeseed oil during transit

With a view to meeting the urgent demand for rapeseed oil for distribution through "Public Distribution System" in Calcutta and districts during October and November 1977, the Board of Directors decided in September 1977 to transport 900 tonnes of oil by road from the procuring agents at Amritsar and Delhi. It was further decided (September 1977) by the Board that the transport contractors would be selected in consultation with a Director of the Board. This Director recommended two contractors and one of them was appointed on 8th October 1977 as agent of the Company for movement of 300 tonnes of rapeseed oil from Kundli and Amritsar to West Bengal.

Among other conditions of the contract, the contractor was to furnish a bank guarantee for Rs.1 lakh and was liable for shortage in transit. Instead, the contractor deposited Rs.0.20 lakh in cash and tendered a cheque for Rs.0.30 lakh, which was returned dishonoured. The reasons for acceptance of a smaller amount and in a different form by the Company were not made available. Action taken on the cheque dishonoured was not stated by the Company.

During the period from 18th October to 18th November 1977, 95.3987 tonnes of oil contained in ten lorries despatched from Kundli was delivered in Calcutta indicating a shortage of 16.2013 tonnes valued at Rs.1.29 lakhs.

A claim for Rs.0.72 lakh, after adjustment of security deposit of Rs.0.20 lakh and transport charges of Rs.0.37 lakh, was preferred with the contractor on 8th December 1977; but the contractor did not make any payment. In July 1978, the Company filed a suit in a

court of law for recovery of a total sum of Rs.0.78 lakh including interest at the rate of 15 *per cent* for the period from 19th November 1977 to 18th May 1978.

In this connection it may be mentioned that despite the urgency of the coming festive season (October|November 1977), the transport contract was awarded to only one contractor on negotiation basis. The performance of the contractor was seen to be not satisfactory right from the beginning, as sufficient number of lorries were not put on road by him, as per terms of the contract. Though the contract was terminated on 31st December 1977, legal action against the contractor was taken only in July 1978. The quantity of rapeseed oil transported by the contractor during the season 1977 being small, its impact on the edible oil market could not have been significant.

Government stated (January 1979) that the modality of appointment was governed by the primary consideration of bringing the commodity to the State within the quickest possible time. However, for the abnormal shortage in the movement of the stock by the carrying agent, a suit has been instituted.

5. Shortage in transit

Apart from the shortages discussed in earlier paragraphs, the shortages of the principal commodities dealt in by the Company during the four years up to 1977-78, are indicated in the table below :

Commodity	year	Quantity purchased (In tonnes)	Shortage (In tonnes)	Value of shortage (In lakhs of Rupees)	Remarks
Rice ..	.. 1974-75	4,902.10	199.40	7.68	Shortage in rail transit.
Rice ..	.. 1975-76	5,216.10	2.58	0.05	Storage shortage after allowing 0.15 <i>per cent</i> normal storage shortage.
Rice ..	.. 1976-77	1,700.95	49.99	0.50	Shortage in road transit.
Wheat ..	.. 1974-75	50,093.40	1,879.16	28.11	Shortage in rail transit.
Mustard seed	.. 1975-76	404.7	6.5	0.14	Shortage in road transit.
Rapeseed oil	.. 1976-77	2,797.17	21.33	1.34	Storage shortage after making allowance for normal shortage of 0.75 <i>per cent</i> .
Total ..				37.82	

Against the shortage of Rs.35.79 lakhs in rail-transit during 1974-75, the Company preferred claims for Rs.35.70 lakhs with the Railways, of which an amount of Rs.0.67 lakh only was realised till

September 1978. Claims amounting to Rs.9.13 lakhs were repudiated by the Railways on various grounds, viz., "loading without supervision by railway staff", "non-submission of original railway receipts", "delivered on clear receipts", "non-provision of dunnage at the flap door", "original seal intact", "non-submission of amended bills", etc. This suggests that adequate arrangements did not exist for avoiding transit losses, documentation and preferment of claims.

The internal auditors of the Company observed (May 1978) that "the steps taken by the Corporation to settle the claims were not adequate". Government stated (January 1979), *inter alia*, that "Company's office has since been geared up for properly pursuing the claims with the Railways".

6. Internal audit

The Company has not got any internal audit cell of its own for conducting internal audit. In February 1975, a firm of Chartered Accountants was appointed as internal auditors for checking the Company's transactions for the period from the date of incorporation to 31st January 1975. In each of the following three years up to 1977-78, different firms of Chartered Accountants were appointed for conducting internal audit of the Company's accounts for the first half year, i.e., for the period ended 30th September each year. It is rather an unusual feature that the firm was appointed to conduct internal audit only for the first six months of each financial year and not for the whole year. In 1975-76, the Company appointed as their internal auditors a firm of Chartered Accountants who conducted the statutory audit of the Company for 1974-75 for the first time and the same firm was reappointed (30th January 1976) as normally expected, as Statutory Auditors for 1975-76. The firm completed internal audit by 12th January 1976. Neither the firm nor the Company brought to the notice of either the Company Law Board or the Comptroller and Auditor General of India about its having functioned as internal auditor of the Company during 1975-76.

The areas of major deficiencies, as pointed out by the internal auditors were as follows :

- (i) Against the total transit loss (in 1974-75) of Rs.49.67 lakhs, claims aggregating Rs.33.57 lakhs only were lodged. Neither the reasons for not claiming full amount of transit loss from the Railways had been determined nor responsibility fixed.
- (ii) Physical verification of stock at the godown was not possible as neither the bags were standarised nor were these properly stacked for facility of counting.

- (iii) Stock ledger was not properly maintained, daily opening balance was not recorded, adjustments of excesses and shortages were not noted in separate columns and running totals were not given in the stock ledger.
- (iv) Storage condition was not looked into by the Management to prevent deterioration of the quality of stock.
- (v) No procedure for "effective quality control at the time of purchase, sale, receipt and issue of commodity from godown" was introduced.
- (vi) "Effective internal control should be introduced, particularly in regard to receipt and issue of commodities quality-wise and their documentation, payment and purchase procedure". No manual "incorporating the organisational set up, the administrative responsibilities of different officers, delegation of financial powers and streamlining the procedure of purchase, sales receipts, storage and financial management" was prepared.
- (vii) "System of drawing up budget for cash, purchases and sales should be introduced for effective control over the activities of the Company".
- (viii) The method of valuation of "closing stock; which was taken at lower of cost or market rate, was not in accordance with the normally accepted principles of accounting since the cost price included charges for notional interest and other indirect fixed overhead expenses, such as, salary of office staff, administrative expenses, etc". In valuation of closing stock direct cost and direct expenses alone were not considered.

No corrective action has so far been taken (May 1979) by the Company.

7. Demurrage charges

During the period from June 1974 to January 1975, the Company paid demurrage charges to the extent of Rs.3.47 lakhs on account of delay in clearance of the wagons at the destination stations, in respect of consignments of rice, wheat and mustard seed transported by rail. Claims for the amount were preferred with the clearing agents during the period from November 1974 to February 1975 and an amount of Rs.0.68 lakh only could be recovered from them up to 31st March 1976. Of the aforesaid claim, the clearing agents could not be held responsible for demurrage charges amounting to Rs.0.46 lakh due to delay in issuing instructions by the Company to the clearing agents in time, for non-receipt of railway receipts, delay in making out of indemnity bonds, etc., after placement of the wagons by the Railways

in the destination station. An amount of Rs.1.18 lakhs has been withheld from the clearing agents' bills for clearing charges. Claims for the remaining Rs.1.15 lakhs could not be recovered (May 1979).

Government stated (January 1979) that two of the agents have applied for arbitration for settlement of their claims. The cases were referred to arbitrators. The awards are awaited (May 1979).

8. Claims for refund of freight

A claim pertaining to September 1974 for refund of freight amounting to Rs.15,360 was preferred against the Railways in January 1975. The amount of freight payable in respect of three railway receipts was Rs.66,616, whereas the amount paid (September 1974) by credit note-cum-cheque was Rs.81,976. There is nothing on record to show how this mistake occurred. The Railways acknowledged (September 1976) that the correct amount of freight payable was Rs.66,616 but were silent about the refund of the excess amount paid. The case was not pursued further and the amount of Rs.15,360 was not recovered (May 1979).

In reply, Government stated (January 1979) that the matter was being looked into.

CHAPTER II

SECTION IV

Statutory Corporations**1. Introduction**

There were six Statutory Corporations in the State as on 31st March, 1978, viz., West Bengal State Electricity Board, Calcutta State Transport Corporation, North Bengal State Transport Corporation, Durgapur State Transport Corporation, West Bengal Financial Corporation and West Bengal State Warehousing Corporation.

Apart from above, the audit of West Bengal Industrial Infrastructure Development Corporation, incorporated in November 1973 under the West Bengal Industrial Infrastructure Development Corporation Ordinance, 1973 (since repealed and substituted by the West Bengal Industrial Infrastructure Development Corporation Act, 1974), had been entrusted (June 1978) to the Comptroller and Auditor General of India by the State Government.

A. WEST BENGAL STATE ELECTRICITY BOARD

2. The accounts for 1977-78 have been received (28 February 1979) for audit but the supporting records required for conducting the audit are awaited (May 1979). The figures given in this Report relating to the Board for 1977-78 are provisional.

3. Loan capital

The aggregate of long-term loans, including loans from Government, bonds, debentures and deposits obtained by the Board, was Rs.39,976.98 lakhs at the end of 1977-78, representing an increase of Rs.8,678.97 lakhs over the total long-term loans of Rs.31,298.01 lakhs at the end of the previous year.

4. Guarantee

Government have guaranteed repayment of loans of Rs.21,310.97 lakhs obtained by the Board under section 65 of the Electricity (Supply) Act, 1948 against which Rs.19,440.41 lakhs were outstanding as on 31st March 1978.

5. Surplus

The Board had a surplus of Rs.103.04 lakhs in 1977-78 (being the amount appropriated towards contribution to General Reserve) as against Rs.102.70 lakhs in the previous year.

A synoptic statement showing the summarised financial results of the working of the Board for 1977-78 is given in Appendix "C".

B. OTHER STATUTORY CORPORATIONS

6. The accounts of the following four Corporations for the years mentioned against each have not been finalised (April 1979) :

Name of the Corporation	Years for which accounts are in arrears
*Calcutta State Transport Corporation ..	1977-78
North Bengal State Transport Corporation	1974-75 to 1977-78
Durgapur State Transport Corporation ..	1975-76 to 1977-78
West Bengal State Warehousing Corporation	1976-77 to 1977-78
West Bengal Industrial Infrastructure Development Corporation	1973-74 to 1977-78

The matter was brought to the notice of Government (January 1979); Government issued instructions to the Corporations for finalisation of account, which are awaited (May 1979).

7. Paid-up capital

The paid-up capital of the West Bengal Financial Corporation at the close of 1977-78 was Rs.280 lakhs (including share application money of Rs.30 lakhs) as against Rs.220 lakhs at the close of the previous year.

8. Loans

The aggregate of long-term loans obtained by the four Corporations, viz., West Bengal Finance Corporation, Calcutta State Transport Corporation, North Bengal State Transport Corporation, and Durgapur State Transport Corporation, at the close of the year, mentioned against each, was as noted below :

	At the close of the year	Amount (In lakhs of Rupees)
West Bengal Financial Corporation ..	.. 1977-78	1,541.20
Calcutta State Transport Corporation ..	.. 1976-77	5,066.86†
North Bengal State Transport Corporation	.. 1973-74	79.87†
Durgapur State Transport Corporation	.. 1974-75	53.64†

*Accounts received (December 1978) and are under audit (May 1979).

†Excludes capital contribution received from State Government or Central Government, where received.

9. Guarantees

Government have guaranteed repayment of principal and payment of dividend on shares of Rs.250 lakhs** and also repayment of loans of Rs.595 lakhs** obtained through issue of bonds by West Bengal Financial Corporation; repayment of any part of these loans has not become due.

10. Profits|Losses

According to the latest available annual accounts, the working results of the five Corporations were as given below :

	Year	Net Profit(+) Net Loss(-) (In lakhs of Rupees)
(a) West Bengal Financial Corporation ..	1977-78	(+)56.10
(b) Calcutta State Transport Corporation ..	1976-77	(-)1,114.80
(c) North Bengal State Transport Corporation ..	1973-74	(-)103.14
(d) Durgapur State Transport Corporation ..	1974-75	(-)54.58
(e) West Bengal State Warehousing Corporation ..	1975-76	(+)11.03

A synoptic statement showing the summarised financial results of working of the five Corporations, on the basis of their latest available accounts, is given in Appendix "C".

**Differ from the figures shown in the Finance Accounts for 1977-78, which are Rs. 150 lakhs for shares and Rs. 360 lakhs for loan. The difference is under reconciliation.

SECTION V**WEST BENGAL STATE ELECTRICITY BOARD****Purchase and performance of transformers****1. Introduction**

Transformer is a static equipment used for stepping up or stepping down voltage in the transmission and distribution of electricity. Transformers, the input or output voltage of which is greater than 550 volts are called power transformers and others are generally referred to as distribution transformers.

2. Purchase of transformers

A transformer costs from Rs.600 to Rs.40 lakhs depending on specifications and capacity. Transformers having a rating of not less than 100 KVA have a normal life of 35 years and others have ordinarily an active life of 25 years with suitable preventive maintenance and adequate care in operation.

There were 13,209 transformers in service as on 31st March 1977, out of which 439 were power transformers and the remaining were distribution transformers. Transformers, which are not in use are held in stock in either Central, Regional, Divisional and Sub-divisional stores or kept in sub-stations awaiting installation.

Some of the important points noticed during test audit on purchase of transformers are given below :

(i) An order was placed (December 1971) on a firm of Calcutta for purchase of 700 distribution transformers at rates, dependent on the capacity, varying from Rs.3,860 to Rs.7,500 each. The supplies were to be completed at the rate of 100 pieces a month by July 1972, by which time the firm delivered 271 transformers. After supplying 263 more transformers, the suppliers stopped further delivery in March 1974. Penalty of Rs.0.47 lakh, leviable under the contract for late delivery, was deducted from the bills of the suppliers.

After prolonged consideration of the suppliers' request to cancel the order and waive penalty, the Standing Tender Committee of the Board decided (March 1977) to cancel the order for the remaining quantity without imposition of penalty and to release the amount of

penalty (Rs.0.47 lakh) already recovered for delay in supply of transformers. Subsequently, an order was placed (September 1977) on the firm for nine transformers not supplied against the original order at a higher rate involving an extra expenditure of Rs.5,160. The Board had further incurred an extra expenditure of Rs.1.47 lakhs towards purchase of 73 transformers from other sources during July and August 1977. Reasons for cancellation of the order for the remaining quantity without imposing any penalty for non-fulfilment of terms of agreement and release of penalty already recovered for delay in supply of transformers were not recorded in the relevant resolutions of the Committee and these are awaited (May 1979).

(ii) In response to a tender notice for procurement of eighteen 100 KVA, 33|0.415 KV 3-phase Earthing-cum-station transformers, which were to be procured for the first time by the Board, ten tenders were received (April 1975). A firm (firm A) of Madras quoted the lowest rate (Rs.73,173 each) which was rejected (February 1976) by the Tender Sub-Committee on the ground of "lack of experience" of the firm. The order was split up and distributed (May 1976) between two other tenderers, firms B and C, the rate of each transformer being Rs.1 lakh.

During the test audit (June 1978) of the Stores and Purchase Wing, it was seen that while one (firm B) of the two tenderers, on whom an order for 12 transformers was placed, had previously supplied earthing transformers to the Board which functioned satisfactorily, the other successful tenderer (firm C) was new to the manufacturing of even earthing transformer but their representative was stated to have assured the authorities, at the time of consideration of the tenders, that the firm would be in a position to manufacture a quality product. It was noticed from the records that the lowest tenderer (firm A) (unsuccessful) had also stated (January 1976) in writing that, although they had not manufactured earthing transformers previously, they had considerable experience of manufacturing power transformers and they would get the Earthing-cum-station transformers to be manufactured by them tested by Central Power Research Institute, Bhopal, to the satisfaction of the Board, before delivery. The firm A had already supplied to the Board transformers of higher ratings up to 3,000 KVA 33|11 KV capacity in May 1975.

It was seen from records that the firm C failed to supply any transformer within the stipulated date, viz., 4th December 1976, and only in June 1978, it had supplied four transformers, the remaining two are still to be delivered (January 1979). The other supplier (firm B) delivered all the 12 transformers within the stipulated date, viz., 4th May 1977. The non-delivery of the transformers by the date stipulated by the Board and incomplete supply even after 2 years in spite of an additional commitment of Rs.1.61 lakhs, shows that this firm (C) also did not have adequate experience in the manufacture of Earthing-cum-station transformers and the reasons for the rejection of the lowest tenderer were not well justified.

(iii) The Chief Engineer (Transmission and Distribution) proposed (October 1975) to the Board for immediate procurement of one 7.5 MVA, 132/33 KV transformer for Kharagpur Sub-station, from a manufacturer of Calcutta, ex-stock, as the existing transformer was stated to be giving trouble. The Chief Engineer (T & D) negotiated (November 1975) the rate of Rs.9.50 lakhs plus taxes as against Rs.9 lakhs plus taxes with 12 months' time for delivery offered by other local manufacturers. Though the proposal was approved (November 1975) by the Chairman of the Board on grounds of exigency and the delivery was taken in May 1976, the transformer has not been installed (May 1979). The reasons for non-installation of the transformer are not on record.

(iv) In respect of supply of 25 KVA sealed type transformers, the Standing Tender Committee of the Board approved (April 1977) after invitation of tenders, a rate of Rs.5,100 each for firms enlisted as small scale industries and Rs.4,700 for others. Orders for 160 transformers were placed (May 1977) on five unlisted suppliers. One of the five firms on whom order for supply of 33 transformers was placed, subsequently represented for increasing the rate to Rs.5,120 each on the ground that its loss would be excessive at the existing rate and accordingly, the Committee enhanced (September 1977) the rate from Rs.4,700 to Rs.5,100 resulting in an extra expenditure of Rs.13,200. The other four unlisted suppliers who had also quoted higher rates earlier, however, completed the supply at the agreed rate of Rs.4,700 each.

(v) As per standard stipulation in the purchase orders, one transformer is selected at random from every ten for routine test and one from every fifty for temperature rise test, out of the offered lot. Out of 151 transformers of 25 KVA capacity supplied by a Calcutta firm, as many as 38 transformers were found (September 1977) defective within the warranty period. The suppliers repaired nine transformers at site and the balance 29 valued at Rs.1.35 lakhs were lying unrepaired (May 1979).

3. Performance of transformers

The position of performance of some of the power transformers, as revealed in a test check, is indicated below :

(i) Two 31.5 MVA transformers (value : Rs.7.42 lakhs each) commissioned at Adisaptagram Sub-station in July 1970 and August 1971, failed in quick succession (September 1974). One of the transformers was recommissioned (September 1975) at Adisaptagram Sub-station after repair (January 1975) at a cost of Rs.0.58 lakh. The other transformer has not yet been repaired (May 1979) and the matter is under correspondence with the manufacturers, viz., Bharat Heavy Electricals Limited.

(ii) Two 1.5 MVA transformers (value : Rs.1.40 lakhs each), commissioned at Campadanga Sub-station in December 1972 and February 1973, developed fault in September 1974 and May 1974, respectively. These transformers were shifted to the works of the manufacturers in June 1976 who submitted (January 1977) an estimate of Rs.87,000 for repair. As the estimate was considered high, the Standing Tender Committee of the Board decided (March 1978) to take back the transformers for repair in the Board's workshop, on payment of inspection charge of Rs.7,000 to the manufacturers. The transformers have not been shifted from the works of the manufacturers (May 1979).

(iii) Order for six 3 MVA transformers at Rs.1.33 lakhs each was placed (November 1970) on a firm of Calcutta. The transformers received between August 1971 and October 1971 and installed at different sub-stations during 1976 and 1977, developed fault within one year of commissioning. The guarantee clause could not be invoked due to delay in installation. In four cases, the suppliers had agreed (March 1978) to share half of the cost of repairing (estimated cost Rs.1.10 lakhs each), the other half to be borne by the Board. Further developments in the matter are awaited (May 1979).

(iv) One 5 MVA transformer (value : Rs.2.42 lakhs) received in June 1974, was found defective at the time of carrying out commissioning test (October 1977). The guarantee period (based on delivery) having expired, the manufacturer refused to bear the responsibility for the defect.

The manufacturers have, however, subsequently repaired the transformer at their works at Bombay, free of cost. Two-thirds of the total cost on transport, but not exceeding Rs.16,000 would be paid by the Board. Payment on this account by the Board is awaited. The transformer is yet to be installed (May 1979).

4. Idle transformers

4.1. A test check (June 1978) of the accounts of the Board's Central Stores at Chord Road, Shyamnagar, revealed that a large number of transformers of different ratings were lying in stores unutilised (31st March 1978) since the date of purchase, as indicated below :

Rating	More than one year but less than 3 years	3 to 5 years	More than 5 years
	(In number)		
Below 25 KVA	5
25 KVA	..	6	..
50 KVA	..	19	8
100 KVA	3
500 KVA	..	1	11
1000 KVA	3
3000 KVA	4
5000 KVA	3
12500 KVA	1
Instrument transformers	10
Total	..	26	48
Value (In lakhs of Rupees)	..	3.47	18.03

Reasons for procurement of these transformers without any immediate demand and information in regard to their present condition are awaited (May 1979).

4.2. Some instances of non-utilisation of power transformers not included in the above table are indicated below :

(i) One 3 MVA transformer (Value : about Rs.1.18 lakhs) received in Chord Road Central Store prior to 1967-68 (exact date not available) got rusted. It was sent (July 1977) to the Board's workshop at Jadavpur. After repair (cost not recorded, being nominal), it was sent (January 1978) to Makardah Sub-station. Commissioning of the transformer is awaited (May 1979).

(ii) A 1 MVA transformer (Value : Rs.1.10 lakhs) was lying unutilised at Malda since its receipt (1966). It was sent (August 1977) to the Board's workshop in Calcutta, for testing and repair. The transformer was found to be in order and transported (February 1978) to Kaliachak Sub-station in Malda district. Commissioning of the transformer is awaited (May 1979). A sum of Rs.3,980 was spent on transportation to and from Calcutta.

(iii) Two 1.5 MVA transformers (Value : Rs.0.76 lakh each) were received at Siliguri Regional Store in 1966. The transformers are still lying unutilised in the store (May 1979).

In the above cases the reasons for keeping the transformers in store for such a long time were not made available.

5. Repairs to transformers

5.1. A test check of the records of few divisions/sub-stations revealed that a large number of defective transformers were lying in local stores/sub-stations. Detailed records showing dates of purchase, installation, date of failure, reasons for failure, receipt back in store, dates of sending for repair, etc., were not, however, maintained. History sheets were also not maintained for the transformers. A few instances indicating the accumulation of defective transformers of different categories are given below :

Unit	Number of defective transformers (as on 31st March 1978)
Midnapur (O & M) Division—Hizli Sub-station ..	327
Howrah (O & M) Divisional Store	87
Burdwan (R.E & D) Circle	576
Murshidabad (O & M) Division	290
Siliguri Regional Stores	60

Analysis about the failure of the transformers indicating the period within which the failure took place and the reasons therefor was, however, not available. As could be ascertained in audit from the records of four divisions, the analysis of defective transformers was as under :

Normal life expected (years)	Number of failures within						Total
	1 year	1 to 2 years	2 to 3 years	3 to 5 years	5 to 10 years	After 10 years	
Power transformer Distribution.—35.	10	6	1	2	3	3	25
Transformer—25. ..	19	18	26	17	33	..	113

A test check of some of the records revealed that seven transformers of ratings ranging from 1 MVA to 31.5 MVA, of total value of Rs.27.12 lakhs, were lying unrepaired at Kolaghat, Rishra, Adisaptagram, Ghoom, Kurseong and Siliguri for different periods, from 1 to 4 years.

5.2. Central Transformer Repairing Workshop : The Board has a Central Transformer Repairing Workshop located at Jadavpur, Calcutta, functioning since April 1968. Due to limited facilities, only transformers, having capacity of 1,000 KVA to 5,000 KVA, are normally repaired there. The repair of transformers which cannot be attended to at the workshop are allotted to the manufacturers or other agencies. Repair of distribution transformers is done by local contractors under the supervision of the Board's engineers.

Some instances of delay in repairs of transformers sent to the outside repairers are cited in the table below :

Capacity MVA	Value (Rupees in lakhs)	Place of installa- tion	Fault developed in	Sent for repair in	Remarks
12.5	7.38	Kolaghat	Decem- ber 1974	March 1976	Under repair (March 1979)
5	4.68	Naihati Jute Mill	June 1976	Septom- bor 1977	Under repair (March 1979)

Besides, 11 distribution transformers (Value : Rs.0.55 lakhs) handed over (March 1976) to repairers from Kurseong Sub-divisional Store had not been received back (March 1979).

6. Maintenance of transformers

The Board has not prescribed any preventive maintenance schedule for the transformers. A draft manual on erection, testing, commissioning and maintenance of power and distribution transformers was prepared (March 1978) and circulated amongst engineers of the Board for comments and suggestions. Approval of the Board to the adoption of the manual is awaited (May 1979).

7. Theft of transformers from the sites of agricultural pump sets

The subject of replacement of stolen transformers from the premises of deep tubewells and river lift irrigation pump stations has been a matter of concern to the Board from time to time. In order to maintain agricultural progress, the transformers stolen were being replaced by the Board. However, since the incidence of replacement of transformers located within the premises of the Agriculture Department also was increasing, a high level meeting between the Agriculture Department and the Board for evolving necessary steps to minimise the thefts and also to decide who should meet the cost of replacement was held in December 1973. The consensus reached in that meeting was that in case of any pilferage of transformers and equipment belonging to the Board from the premises of the Agriculture Department at various deep tubewells and river lift irrigation points, the Agriculture Department would reimburse the cost of replacement as for theft of transformers from shallow tubewell points, belonging

either to the State Government or private parties, the cost of replacement was to be shared equally by the Board and the beneficiaries.

It, however, transpired from the records that the Agriculture Department did neither confirm the aforesaid understanding, nor the bills prepared against Agriculture Department were paid by them. The Chairman of the Board, while reviewing the position, decided (March 1974) to continue to insist, from the Agriculture Department, payment for replacement of transformers from the premises of the Department and that transformers installed outside the consumer's premises and stolen for the first time only, might be replaced, free of cost. But no records were made available to indicate that the Board was reviewing the position closely by obtaining necessary particulars about transformers stolen and replaced in the above manner, the bills raised therefor and payments received, besides steps taken to realise the outstandings. It was only in October 1977 that a circular was issued by the Chief Engineer of the Agriculture Department to his field officers that cost of replacement of transformers stolen for more than once shall be borne by his department on receipt of estimates from the field officers. There was, however, no indication, as to in what manner the cost of transformers replaced earlier would be dealt with. Subsequent to the issue of this circular also, precise information was not available with the Board. A test check of the records of four divisions of the Board revealed that a sum of Rs.10.78 lakhs, as detailed below, was outstanding at the end of July 1978 in respect of bills preferred against the Agriculture Department :

Name of division	Period during which stolen	Total number of transformers stolen	Cost of replacement	Amount recovered	Amount outstanding	Date of first bill since when outstanding
(In lakhs of Rupees)						
Murshidabad (O & M) Division	1972 to 1977	111	7.26	..	7.26	December 1977
Hooghly (O & M) Division	1972 and 1973	19	0.92	0.80	0.12	March 1978
Howrah (O & M) Division	1974 to 1977	35	1.67	..	1.67	January 1975
Midnapur (O & M) Division	1974 to 1977	38	1.73	..	1.73	Not available

The need for collecting such data for effective review of the whole position has been felt by the Board only in January 1979. The magnitude of the problem is not available with the Board in physical and financial terms spread over a number of years and no steps have been taken to find a solution to the problem.

Scrutiny of the records of Midnapur (O & M) Division for 1977-78 revealed that though the theft cases were reported to the local Police, follow-up action was not taken in any of the cases. Records showing recovery (if any) of the stolen transformers were also not available.

8. Transformer oil

A test check of accounts of transformer oil revealed the following deficiencies :—

- (i) Transformer-wise account of issues of oil was not maintained.
- (ii) Account of used oil recovered from transformers was also not maintained.

In paragraph 28 of Section VIII of the Report of the Comptroller and Auditor General of India for the year 1976-77 (Commercial), mention was made about non-utilisation of the transformer oil reclamation plant set up at Majerhat Central Store in February 1976 at a cost of Rs.0.56 lakh. The plant was not utilised till February 1978 when it was shifted to and erected at Amtala 33 KV sub-station at a further estimated cost of Rs.0.75 lakh (transportation : Rs.0.22 lakh and construction of a shed : Rs.0.53 lakh) on the ground of want of space at Majerhat Central Store. The plant did not start continuous operation at Amtala up to December 1978 except for some trial runs during which it reclaimed about 2,000 litres of used oil against 71,000 litres available with the various units of the Board up to December 1977.

9. Summing up

Though the transformers play a vital role in the distribution of power and are of high capital value with a life of 25 to 35 years, no well defined policy in respect of their procurement, utilisation and maintenance was laid down and adopted by the Board, as would be evident from the following points :—

- (i) A large number of transformers purchased were not utilised promptly.
- (ii) Guarantee clause could not be invoked due to delay in installation resulting in extra expenditure on repairs| removal of defects.
- (iii) Non-maintenance of history sheets of transformers and lack of control over preventive maintenance and delayed and non-repairing of transformers stood in the way of their efficient functioning.

- (iv) Though thefts of transformers from the sites of agricultural pump sets has been posing problems of replacement and finances for the Board, complete and consolidated data about the locations, expenditure involved in replacements, claims preferred against and received from the Agriculture Department, are not available. Information regarding remedial steps taken to prevent|minimise thefts was also not available.
- (v) Transformer oil reclamation plant first installed in February 1976 did not start continuous production (May 1979).

SECTION VI

WEST BENGAL STATE ELECTRICITY BOARD

Performance of diesel generators

1. With the formation of the Board in May 1955, schemes were drawn up for augmentation of power generating capacity in North Bengal, which was inadequately served by generating stations. Pending formulation of major projects for power generation, steps were taken by the Board to set up diesel generating stations in various parts of North Bengal. Accordingly, 14 stations with installed capacity of 17,633 KW (capacity derated to 12,643 KW in March 1977 due to age of the sets and non-availability of required spares) are situated in North Bengal to minimise the incidence of uncertainty of power supply in case of grid power failure and to meet short-fall of power from grid during evening peak hours. In addition, three such stations with installed capacity of 851 KW (derated capacity : 590 KW) are situated in South Bengal, to cater to isolated places having no supply of power from the grid. Total investment (March 1977) in diesel generating stations was Rs.205.43 lakhs constituting two *per cent* of the total investment (Rs.9,809.10 lakhs) in power projects including thermal and hydel plants.

1.1. **Diesel generating scheme :** North Bengal being endowed with hydel power potentiality, the Board after its formation formulated hydel power schemes to harness the natural resources there. Jaldhaka Hydel Project Stage I (18 MW), being the first of such major schemes, operated since March 1967 suffered a serious set-back due to floods in October 1968. To cater to the minimum demand in North Bengal, an emergency diesel power generation scheme was prepared (August 1970) with a generating capacity of 4.5 MW, in addition to other hydel projects envisaged as referred to in paragraph 1.2. For the purpose, the Board procured (1972) 9 old sets from other State Electricity Boards on "as is where is" basis--two Deutz sets (620 KW each) from Mysore and seven MAN sets (500 KW to 600 KW each) from Gujarat. Out of the two Deutz sets, one was commissioned at Birpara power station in 1976-77 and the other one is yet to be commissioned (May 1979) (as referred to in paragraph 2.1.) Of the seven MAN sets received from Gujarat in 1972, two sets were installed and commissioned at Siliguri (1972 and 1973) and one set at Balurghat (September 1975). Installation and commissioning of the other two sets at Rajganj are awaited (April 1979). The remaining two sets at Siliguri (550 KW each) blocked up capital to the extent of Rs.2.55 lakhs from June 1972 (April 1979). The Divisional Engineering (O & M), Siliguri, assessed (June 1978) that spares valuing Rs.8 lakhs would be required for installing these two sets. The Government stated (April 1979) that the latter two sets would be installed at

Alipurduar. A scheme to install two 3.5 MW Russian diesel sets at Siliguri (referred to in paragraph 3) was also finalised (December 1974).

1.2. Major hydel schemes : To augment the power generation over and above the hydel capacity of 21.5 MW from Kurseong (1.2 MW), Bijanbari (0.3 MW), Jaldhaka (18 MW) and Little Rangit (2 MW), the following major schemes are in progress in North Bengal :

- (i) Rinchington Scheme, Stage II (2×1 MW).—The project is to generate 2 MW and is under implementation at an estimated cost of Rs.224.24 lakhs. Though the expected date of commissioning was June 1978, the project has not yet reached that stage. It is now (April 1979) under trial run.
- (ii) Jaldhaka Hydel Project, Stage II (2×4 MW).—The project envisages generation of 8 MW of power by utilising tailrace water of Jaldhaka, Stage I (2×9 MW), at an estimated cost of Rs.793.65 lakhs. The project was scheduled to be commissioned by March 1979. The construction is not yet (May 1979) complete.
- (iii) Rammam Project, Stage II (4×12.5 MW).—The project envisages harnessing the river Rammam to generate 50 MW firm and seasonal power, at an estimated cost of Rs.2,419 lakhs. Only the infrastructural preliminary work, commenced in 1976-77, is in progress (May 1979).

2. Generation

Of the 17 diesel generating stations, referred to in paragraph 1 a test check of the records of five in North Bengal, viz., Malda (Kalindri), Siliguri, Cooch Behar, Jalpaiguri, Birpara and three in South Bengal, viz., Bakkhali, Rudranagar and Pathar Pratima, showed the following :

2.1. North Bengal : (i) The particulars of number of generating sets, installed capacity, derated capacity, capacity attained and percentage of utilisation in the case of the four power stations

in North Bengal, during the five years up to 1977-78, are shown in the table below :

Year	1973-74	1974-75	1975-76	1976-77	1977-78
Malda—					
Number of sets	7	7	7	7	7
Capacity installed (kw) ..	3,656	3,656	3,656	3,656	3,656
Capacity derated (kw) ..	1,620	1,800	1,680	1,680	1,820
Capacity attained (kw) ..	70	825	973	927	1,197
Percentage of utilisation ..	4	46	58	55	66
Siliguri—					
Number of sets	9	9	9	7	7
Capacity installed (kw) ..	4,120	4,120	4,120	3,368	3,368
Capacity derated (kw) ..	3,550	3,550	3,550	2,870	2,870
Capacity attained (kw) ..	1,564	1,472	1,258	911	422
Percentage of utilisation ..	44	41	35	32	15
Cooch Behar—					
Number of sets	15	15	15	15	8
Capacity installed (kw) ..	3,354	3,354	3,354	3,354	N.A.
Capacity derated (kw) ..	2,574	2,574	2,574	2,574	2,060
Capacity attained (kw) ..	608	766	794	864	1,097
Percentage of utilisation ..	24	30	31	34	53
Jalpaiguri—					
Number of sets	6	5	5	3	3
Capacity installed (kw) ..	1,069	1,069	1,069	938	938
Capacity derated (kw) ..	860	860	860	760	760
Capacity attained (kw) ..	347	332	400	457	406
Percentage of utilisation ..	40	39	47	60	53

The Board could not state the causes for under-utilisation of the generating capacity. The management of the power station at Malda, however, attributed (August 1978) the variation in efficiency of the generating sets to hardness of water and non-availability of spares. Systematic records|reports relating to failure of grid, demand of load,

Notes : 1. Capacity attained is the energy generated in kwh divided by total supply hours.

2. Utilisation is the attained capacity to derated capacity.

hours of load-shedding and break-down of generating sets were not maintained (May 1979). The Government Board have intimated (April 1979) that power stations are manned mainly by illiterate persons and hence recording of failure of grid and operation of the diesel sets are not practicable.

(ii) Other points noticed during the course of audit of these generating stations were as under :

- (a) A test check by Audit (August 1978) of store ledgers for 1976-77 revealed that stores/spares valued at Rs.2.81 lakhs had not moved for more than five years. The Government stated (April 1979) that disposal of unserviceable and obsolete spares would be taken in hand shortly. No decision has been taken for utilisation/disposal of 40 KW MAN set (lying at Siliguri regional store, repairing cost being uneconomical), 80 KW RUSTON set (lying at North Bengal University Sub-station for want of spares) and 60 KW Trailor-mounted SKODA set (lying in administrative building, Siliguri). The value of the three sets or their dates of purchase were not made available (May 1979).
- (b) Among the eight sets, there is only one 150 KW 60 cycle Buckeye set at Cooch Behar power station, installed in 1960. This can take load but cannot run parallel with other 50 cycle sets. No steps had been taken for its operation as a single set elsewhere (May 1979). The cost of the set was not available (May 1979). Government stated (April 1979) that action would be taken for disposal of this set.
- (c) The generators of the makes stated below at Cooch Behar being not in operation, the spares thereof have become obsolete. The particulars, as available in the store, were as under :

Make of the generators				Number of items of spares	Total number of pieces
Blackstone	..	..	..	13	66
Buckeye	..	..	..	19	160
TLA-5 Mirrless	..	..	..	17	475
50 P.C. Mirrless	..	..	..	71	381

The Board did neither evaluate these spares nor take steps for their disposal (May 1979). The period since when these were lying in the store was not made available (May 1979).

- (d) Burnt lubricating oil available from the generators can be reprocessed and good lubricating oil can be reclaimed for utilisation with fresh lubricating oil. Cooch Behar power station got 2,792 litres of lubricating oil reclaimed out of 5,330 litres burnt oil (July 1977). The manner of disposal of burnt lubricating oil (that could be reclaimed|reprocessed) prior to July 1977 was not stated (April 1979). Records relating to utilisation|disposal of burnt lubricating oil in other stores were also not made available (May 1979).
- (e) Store materials and spares worth Rs.0.35 lakh including five numbers of pistons (value : Rs.0.15 lakh) and one field copper coil of a generator (value : Rs.0.15 lakh) were stolen during the period from 1974-75 to May 1978 from the Cooch Behar power station. No investigation was made (May 1979).
- (f) To cope with the demand of Jalpaiguri town, severely affected by frequent interruptions of grid power, the Chief Engineer (Transmission and Distribution) approved (November 1975) a scheme for shifting of a 440 KW SKODA set in operation at Siliguri, for installation at Jalpaiguri, at a cost of Rs.3.93 lakhs. An expenditure of Rs.0.10 lakh was incurred (January 1977) on transportation of this set. The foundation was laid at a cost of Rs.0.58 lakh (June 1976); but it was found to be defective. There was also leakage of water, submerging oil tank pit and tunnel. When the diesel set, erected on the defective foundation (December 1977) was put on load (January 1978), the stator coil in the alternator burnt out. Thus an expenditure of Rs.1.15 lakhs incurred up to January- 1978 (including cost of transportation and expenditure on foundation) proved unfruitful besides failing to supply the much-needed power at Jalpaiguri. Government stated (April 1979) that the alternator was under repair and expected to be back in service shortly.
- (g) *Birpara power station* : The alternator of the second Deutz set at Birpara power station (as referred to in paragraph 1.1. above) was repaired by a contractor at a cost of Rs.0.10 lakh, but the same burnt out (June 1977) due to poor insulation in the stator coil. Although the alternator was again mended by the same contractor at a cost of Rs.0.09 lakh, the set has not yet been commissioned (April 1979). The replies of the Board|Government in this regard have not been received (May 1979).

2.2. **South Bengal :** The particulars of number of generating sets, installed capacity, derated capacity, capacity attained and percentage of utilisation, in the case of the three power stations in South Bengal, during the five years up to 1977-78, are shown in the table below :

	Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Bakkhali—					
Number of sets	1	1	1	1	1
Capacity installed (kw) ..	14	14	14	14	14
Capacity derated (kw) ..	14	14	14	14	14
Capacity attained (kw) ..	4	2	2	2	1
Percentage of utilisation ..	29	14	14	14	7
Rudranagar—					
Number of sets	4	5	7	7	7
Capacity installed (kw) ..	416	441	594	594	594
Capacity derated (kw) ..	278	303	406	406	406
Capacity attained (kw) ..	19	32	38	9	42
Percentage of utilisation ..	7	11	9	2	10
Pathar Pratima—					
Number of sets	3	3	4	4	4
Capacity installed (kw) ..	191	183	243	243	243
Capacity derated (kw) ..	130	130	170	170	170
Capacity attained (kw) ..	5	6	9	11	10
Percentage of utilisation ..	4	5	5	6	6

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- Notes : 1. Capacity attained is the energy generated in kwh divided by total supply hours.
2. Utilisation is the attained capacity to derated capacity.

The details of demand against the capacity, energy generated and supplied, supply hours, number of consumers and operational loss, in the case of the three power stations in South Bengal, during the three years up to 1977-78, are shown in the table below :

Particulars	Bakkhali			Rudranagar		
	1975-76	1976-77	1977-78	1975-76	1976-77	1977-78
Derated capacity of the set under operation (kw)	14	14	14	82	82	82
Maximum demand (kw)	2	3	5	37	53	60
*Energy generated (kw)	1,929	1,547	2,107	59,115	**13,697	65,912
Energy supplied (kw)	1,468	1,133	1,707	57,286	**11,297	63,512
Supply hours ..	1,200	913	1,463	1,568	1,571	1,554
Number of consumers ..	1	2	2	39	91	116
Operational revenue (Rupees in lakhs)	0.01	0.01	0.01	0.06	0.13	0.27
Operational expenditure (Rupees in lakhs)	0.31	0.31	0.34	0.67	0.99	1.12
Operational loss (Rupees in lakhs)	0.30	0.30	0.33	0.61	0.86	0.85

Particulars	Pathar Pratima		
	1975-76	1976-77	1977-78
Derated capacity of the set under operation (kw)	40	40	40
Maximum demand (kw)	11	12	13
*Energy generated (kw)	11,832	15,954	13,888
Energy supplied (kw)	10,188	14,314	12,248
Supply hours ..	1,334	1,436	1,339
Number of consumers ..	55	56	67
Operational revenue (Rupees in lakhs)	0.06	0.10	0.09
Operational expenditure (Rupees in lakhs)	0.55	0.62	0.70
Operational loss (Rupees in lakhs)	0.49	0.52	0.61

*Includes station auxiliaries.

**Does not include generation/consumption relating to Sagar Mela held in January 1977.

The diesel generating sets do not have meters for recording energy generated. The figures of energy generated were, therefore, based on the energy supplied to the consumers. Any transmission loss, therefore, cannot be detected.

The demand in each power station was far less than the capacity of generation of the diesel plants. The matter was reported to the Board|Government in October 1978; their replies are awaited (May 1979).

2.3. Diesel power station at Chanchal : To meet the demand for power in and around Chanchal area (Malda), a decision was taken (August 1973) to construct a diesel power station there for installation of three diesel generating sets (240 kw each) at an estimated cost of Rs.15.50 lakhs by October 1976. One MAN set (300 kw) in operation since 1956 was transported (April 1976) from Siliguri. Though erection was complete (July 1977), the plant could not be commissioned due to poor insulation of the stator winding of the alternator. A decision for reinsulation was taken (February 1978), but the work was not taken up (May 1979). Total expenditure incurred (March 1978) on transportation, erection, etc., of the set was Rs.3.30 lakhs (excluding the cost of the diesel set, which is not available in records). The Government stated (April 1979) that the area being now connected by grid power, the set, after repair, would be shifted to Alipurduar.

3. Russian diesel generating sets

3.1. Scheme for installation of diesel sets at Siliguri : The Government of India approved (June 1973) import of two 3.5 MW Russian diesel sets at a cost of Rs.38.88 lakhs. Accordingly, an agreement was entered into (September 1973) between the Board and ENERGO MACH EXPOP, MOSCOW for supply and supervising installation of the sets by the latter at Farakka. The site for installation was shifted (December 1974) to Siliguri in order to meet the shortfall of grid power supply there. In terms of the contract (September 1973), the seller was to depute specialists from the U.S.S.R. to train buyer's personnel at site in operation, maintenance and supervision of erection, and putting into operation the equipment delivered under the contract, for a period of six months from their arrival in India.

3.2. Delivery of sets : Components of the sets arrived at the Calcutta Port between December 1974 and May 1975 in 116 packages, which were transported to Siliguri immediately on receipt. They were opened for verification between August 1975 and February 1976 in the presence of a Russian technician. Some components, viz., base frame, bearing for shaft and excitor for one set, were found

missing and a tank was found extra. The missing components were reported (June 1976) to the agent of the supplier. After considerable correspondence, the supplier declined (August 1977) to supply the missing components free of cost due to inordinate delay in reporting their shortage by the Board. The supplier, however, agreed in December 1977 to supply the missing components at half the cost, viz., at Rs.0.44 lakh, which was paid for by the Board. Though expected in August 1978, the missing components were received in January 1979.

3.3. Delay in commissioning : These sets were intended to be erected at Siliguri in an existing shed after modifications to the foundation and other structures. For want of civil engineering drawings and ground plan from the suppliers, foundation was completed late (June 1976). The Russian Diesel specialist arrived at site in September 1976 to supervise the installation|erection of the mechanical portion. The target date for commissioning the first and second sets were fixed (October 1976) as January and April 1977. But the erection work was not completed within the stipulated time. While the first set is in operation since September 1977 the second one has not yet been commissioned (May 1979).

3.4. Electrically operated travelling crane : For the erection and maintenance of these sets, the Board placed an order in August 1976 for a ten-tonne electrically operated travelling crane from Garden Reach Workshop Limited, at a cost of Rs.2.23 lakhs, to be delivered by December 1976. It was received in November 1977. But it could not be installed as the existing vertical concrete columns which were suitable for cranes for smaller sets did not have anchor bolts or plates to hold the gantry girders, rails and crane. When the vertical columns were being rebuilt to make them suitable for the erection of the crane, cracks developed in a number of them.

Government stated (April 1979) that the work of rectification of columns had been taken up and was in progress.

3.5. Cooling system : It is necessary to have adequate supply of water for cooling the generation system to secure optimum output from the sets. For this purpose a masonry well was constructed at a cost of Rs.0.97 lakh for supplying water to the cooling system. This well was sunk in the vicinity of another well for supplying water to the existing power house and the colony. Both the wells could not supply water simultaneously as the source of water of both the wells was from the same strata, resulting in non-availability of sufficient quantity of water for the cooling system of the Russian sets. The insufficient cooling system was stated to have resulted in fall of generation from the first set from 2.75 MW in January 1978 to 1.5 MW in June 1978. The Superintending Engineer (Extra High

Tension), Siliguri, stated (September 1978) that the insufficiency of the cooling system was basically due to a design mistake and that efforts were being made to have a deep tubewell constructed before commissioning the second Russian set.

Government stated (April 1979) that action had been taken for sinking deep tubewell for supplementing water for running all diesel sets at Siliguri.

3.6. Miscellaneous : The total expenditure incurred up to 31st March 1978 on these sets is Rs.135.47 lakhs, which includes Rs.38.88 lakhs, being the cost of the sets. The capital expenditure on the first set, which has already been commissioned in September 1977, has not yet been transferred to the assets account (May 1979).

4. Consumption of fuel

Light diesel oil (L.D.O.) or high speed diesel oil (H.S.D.) is used as fuel in the different diesel generating stations. No norm has been fixed by the Board for consumption of diesel oil in the generating sets. However, the Deputy Chief Engineer (North Bengal) fixed (December 1973) a norm of 0.25 litre of oil per unit of generation (kwh), but the consumption of fuel per kwh of generation varied widely in different generating stations, during 1973-74 to 1977-78, as shown in the table below :

Generating station	Consumption of oil (in litre) per kwh generated				
	1973-74	1974-75	1975-76	1976-77	1977-78
Malda (CDPS) ..	0.33	0.36	0.36	0.33	0.31
Cooch Behar ..	0.39	0.37	0.38	0.43	0.34
Siliguri ..	0.32	0.31	0.31	0.32	0.32
Bakkhali ..	0.68	1.02	1.56	1.49	1.70
Rudranagar ..	0.62	0.43	0.48	3.03	0.71
Pathar Pratima	1.93	1.25	1.20	1.43	1.56

In the case of generating stations in South Bengal, viz., Bakkhali, Rudranagar and Pathar Pratima, the consumption of fuel was much above the norm of 0.25 litre per kwh and even the average rate of consumption (0.35 litre to 0.38 litre per kwh from 1973-74 to 1977-78). In the case of Bakkhali, the maximum rate of consumption was 1.70 litres per kwh in 1977-78, in Rudranagar 3.03 litres per kwh in 1976-77 and in Pathar Pratima 1.93 litres per kwh in 1973-74. The Board has not stated the reasons for high consumption of fuel in South Bengal and steps taken for bringing down the consumption (May 1979).

The excess consumption of fuel from 1973-74 to 1977-78 as compared to norm resulted in an extra expenditure of Rs.21.71 lakhs for the four power stations in North Bengal and of Rs.2.25 lakhs for the three power stations in South Bengal, *vide* details in Appendix "D".

The Board has not analysed the reasons for high consumption of fuel (May 1979). The local management stated (August 1978) that steps would be adopted to bring down the excess consumption and to economise expenditure.

Government, however, stated (April 1979) that the standard rate (0.25 litre per kwh) had perhaps been fixed for brand new diesel sets, while all the diesel sets (excepting the Russian diesel set) were very old.

5. Disposal of worn-out sets

Most of the diesel sets in the generating stations are 10 to 20 years old. The sets, that are incapable of being repaired or overhauled, numbering 30, are occupying space in the power house and deteriorating due to passage of time. The Chief Engineer (T & D) ordered (October 1976) that the worn-out sets of North Bengal, which could be repaired economically, be repaired and overhauled and the remaining sets be disposed of early. Though 30 diesel sets lying in various diesel stations were ordered (October 1976) by the Chief Engineer (T & D) to be sold as scrap, action for their disposal is yet to be initiated (May 1979).

As per recommendation made by an Expert Committee and accepted by the Chief Engineer (September 1976) eight Mc-Laren, four Deutz and three SKODA sets, which are old and worn-out, but are capable of being economically repaired are lying at different generating stations unrepaired (April 1979).

The Government stated (April 1979) that out of the available diesel sets, the Board has sanctioned the installation of two sets at Cooch Behar and some at Alipurduar. After completion of this work action towards disposal of worn-out sets would be initiated.

6. Other points of interest

6.1. Loss on dismantling of foundation : The third power house building of the Siliguri diesel station accommodated (1972 and 1973) two 560 kw MAN diesel sets out of the seven sets bought from Gujarat, as referred to in paragraph 1.1. Foundation for five other sets had been laid (1973) at a cost of Rs.3 lakhs. Under the advice (December 1974) of the standing consultant of the Board, the two 3.5 MW Russian diesel sets, as referred to in paragraph 3, were to be installed at Siliguri. Instead of constructing a new building for the

Russian sets, the aforesaid foundation for the five sets was dismantled (1975-76) at a cost of 0.09 lakh to make room for foundation of the Russian sets. The reasons therefor were not made available (May 1979). Consequently, the expenditure of Rs.3 lakhs on the previous foundation became infructuous.

Government stated (April 1979) that in view of the installation of Russian diesel sets with higher capacity, the decision for dispersal of smaller sets to other areas was thought of. Accordingly, the dismantling of foundation, cast earlier, was resorted to.

7. Summing up

The diesel sets were operated in North Bengal with the object to minimise the incidence of uncertainty of power in case of grid power failure and to meet the shortfall of evening peak hours, at considerable cost. Their installation and operation were not economically managed nor was the generation or utilisation maintained at the optimum level.

The object of erecting two 3.5 MW Russian diesel sets to meet the severe shortage of power at Siliguri has still not been achieved as only one set has been commissioned so far (May 1979) and even this has not been generating power at the rated capacity due to shortage of water for cooling, etc.

Some of the diesel sets procured from other States were either not installed or having been installed, were not commissioned.

Stores valued at Rs.2.81 lakhs lying at Siliguri power station had not moved for more than five years. One 150 kw 60 Cycle Buckeye set installed at Cooch Behar power station is lying unoperated for the last 18 years, as it cannot run parallel with the other sets which operate at 50 cycles.

No action has been taken either to repair economically repairable diesel sets or dispose of surplus and unserviceable sets.

SECTION VII**Other points of interest****WEST BENGAL STATE ELECTRICITY BOARD****1. Purchase of cables**

After inviting limited tenders, a purchase order for supply of 915 metres of PVC cables of three different specifications with I.S.I. marking, valued at Rs.0.62 was placed with a firm of Satna (Madhya Pradesh) by the Deputy Chief Engineer, Bandel Thermal Power Project in July 1975, stipulating 100 *per cent* payment against despatch documents. The order provided that delivery of the cables be completed by October 1975 but did not include any provision for imposing penalty due to delay in delivery.

A sum of Rs.0.62 lakh was paid to the supplier in February and March 1976 against despatch documents and the cables were received in February and April 1976. On inspection (April 1976) by the engineers of the Board the cables were found to be defective due to difference in resistance value of insulation and were not, therefore, accepted. On being approached by the suppliers, I.S.I. requested the Board for samples of the cable. The Board sent (October 1976) samples to the suppliers and the I.S.I., New Delhi, whose test reports are awaited (May 1979). The cables were lying in the storeyard without having been taken on stock (February 1979) for over two years.

The Government stated (March 1979) that the cables had since been re-tested by Assistant Superintendent (O & M) and the results were reasonably within the acceptable limit. It would imply that the basis for rejection of the same material earlier was not on adequate grounds, leading to non-utilisation of the cables for over three years, besides being exposed to the vagaries of weather.

Information regarding the result of test undertaken by the I.S.I. and the cables being taken on stock and their utilisation is, however, awaited (May 1979).

2. Loss due to delay in preferring claims

Since the prices, at which coal was supplied to different consumers from different sources before nationalisation of coal mines in 1973, were not known to the Custodian General, Coal Mines Authority, it was decided in a meeting between the representatives of the Board and the erstwhile National Coal Development Corporation Limited in March 1973 that as an interim arrangement, all bills would be

preferred at the prevalent Joint Working Committee prices and that any adjustment arising out of contracted prices and Joint Working Committee prices would be made subsequently after examination of the relevant documents. Accordingly, full payment as per prices notified by the Joint Working Committee was made to the Coal Mines Authority for coal supplied by the collieries during 1973-74.

In December 1977, the Board preferred on Eastern Coalfields Limited, a subsidiary of Coal India Limited, claims totalling Rs.15.96 lakhs being the difference between the prices fixed by Joint Working Committee and contracted prices, in respect of coal bills for the period from February 1973 to June 1973, i.e., the period up to which the old contracts would remain valid had there been no nationalisation. The claims were, however, rejected by Eastern Coalfields Limited, in January 1978 on the following grounds :

- (i) The Board's agreements with the erstwhile mine-owners for supply of coal, which existed on the date of take over, were not got ratified by the competent authority appointed by the Government of India under the provisions of the Coal Mines (Nationalisation) Act, 1973.
- (ii) The claims were not preferred within the due date, i.e., 30th June 1975, as specified in the Act.

The non-ratification of contracts and delay in preferring the claims within the stipulated time have resulted in their rejection. The matter was brought to the notice of the Board and Government in October 1978. Government stated (March 1979) that the matter has been taken up with the Government of India for refund of the amount.

3. Issue of materials to contractors in excess of requirements

Works relating to electrification of 41 villages in the district of West Dinajpur (value of work : Rs.17.20 lakhs) were entrusted (July 1972) to three contractors. Materials, viz., ACSR conductors, salwood poles, etc., required for the works were supplied by the Board. According to the instructions of the Divisional Engineer (Rural Electrification) to the Divisional Engineers concerned, communicated while endorsing the work orders to them, issue of materials was to be regulated according to the programme of work and care was to be taken to ensure that materials in excess of one month's requirements were not issued at a time. These instructions were, however, not observed in practice as the materials required for more than a month were issued many times.

Work in respect of electrification of 28 villages was executed in 1974-75 and the remaining part (13 villages) was abandoned (September 1975) owing to paucity of funds under the Plan. But the contractors did not return the unutilised ACSR conductors, salwood poles, etc., valued at Rs.0.98 lakh. Even after setting off the dues in final bills (Rs.0.13 lakh) and security deposit (Rs.0.15 lakh), a sum of Rs.0.70 lakh remained to be recovered from them (February 1979). Both these amounts have not been adjusted yet (February 1979). This reveals lack of control over issue of materials to contractors.

The matter was reported to the Board|Government in August 1978; their final replies are awaited (May 1979).

SECTION VIII**DURGAPUR STATE TRANSPORT CORPORATION****1. Introduction**

The Durgapur State Transport Corporation was established on 7th December 1973 under section 3 of the Road Transport Corporations Act, 1950. Prior to the formation of the Corporation the transport service in Durgapur was being managed by the State Transport Service formed in August 1963 as a departmental undertaking and subsequently transferred to the control of the Durgapur State Transport Board on 15th August 1967 to form the nucleus of the Corporation.

The service, which was limited to the steel township having connecting links with the adjoining railway stations up to the end of 1963-64, was extended in 1964-65 to the entire industrial complex at Durgapur. Plying of buses on long distance routes was started in the following year (1965-66).

2. Objects

The Corporation was formed for improving the facilities for road transport in the districts of Burdwan, Birbhum, Bankura, Midnapur and Purulia and for providing an efficient and economical system of road transport service in these districts, besides co-ordinating road transport with rail transport.

3. Organisational set-up

The management of the Corporation vests in the Board constituted under section 5 of the Act. As on 31st March 1978, the Board consisted of 15 members including the Chairman. Of the 15 members, eight were non-officials and the rest were officials in their ex-officio capacities.

The Chief Executive of the Corporation, appointed under section 14(1) of the Act, is the General Manager who is assisted by two Deputy General Managers. One of the posts of the Deputy General Manager had been lying vacant (May 1979) since 1st July 1976. The General Manager is also assisted by the Chief Accounts Officer appointed by Government under section 14(1) *ibid*.

As on 31st March 1978, there was only one depot, with a workshop at Durgapur, headed by a Depot Manager.

4. Capital structure

As on 31st March 1978, the capital of the Corporation stood at Rs.119.91 lakhs (provisional) wholly contributed by the State Government.

In terms of section 23 of the Act, the capital of the Corporation is to be provided by the Central Government and the State Government in agreed proportion. The proportion at which the Central Government would provide capital to the Corporation had not been settled (May 1979). The Management stated (June 1978) that Government had been moved in this regard. No capital contribution has, however, been received from the Central Government.

4.01. Borrowings : The Corporation had also raised loans of Rs.256.56 lakhs from the State Government and Rs.12.24 lakhs from Industrial Development Bank of India up to 31st March 1978. Out of this, Rs.5.95 lakhs have been repaid to the Industrial Development Bank of India. The terms of repayment and the interest payable in respect of the loan from the State Government have not been determined (May 1979).

4.02. Internal resources : Section 29(2) of the Road Transport Corporations Act, 1950, provides that provisions for depreciation and reserves should not be utilised for any purpose other than that for which these were created, without the previous approval of the State Government. The West Bengal State Transport Corporations Rules, 1960, also provide that the cash balances of depreciation reserve and other funds which are not immediately required for disbursement may be invested by the Corporation.

The Corporation had not, however, invested balances in the funds fully as indicated in the following table, the shortfall having been utilised to meet its internal requirements :

	As on 31st March 1975		As on 31st March 1978	
	Balance in fund	Invest- ment made	Balance in fund (provi- sional)	Invest- ment made
	(In	lakhs	of	Rupees)
Depreciation Reserve fund	82.27	35.66	115.44	35.66
Accident Reserve fund ..	1.20	1.11	1.20	1.11

The Management stated (July 1978) that owing to paucity of funds more investment was not possible.

5. Plan programme

Total outlay provided for the Corporation in the Fifth Plan amounted to Rs.127.67 lakhs out of which Rs.87.67 lakhs were received up to 31st March 1978.

The table below indicates the targets and the actual progress during the Plan period, in the activities of the Corporation :

Programme (1st April 1974 to 31st March 1978)	Physical progress (Up to 31st March 1978)
(i) Acquisition of 38 new buses.	24 complete buses have been acquired and 14 chassis acquired.
(ii) Acquisition of one non-route vehicle.	One non-route vehicle has been acquired.
(iii) Construction of one sub-depot.	Work was in progress (May 1979).
(iv) Construction of store building.	Sanctioned and funds (Rs.1.29 lakhs) provided in 1974-75 but the work is incomplete (May 1979).
(v) Garage improvement	Work was in progress (May 1979).

Having felt in November 1974 that a store building was an immediate necessity the Corporation obtained in December 1974 from Government a loan of Rs.1.29 lakhs for constructing it before 31st March 1975. The first selected contractor scheduled to complete the job within four months from March 1975 having failed to start even in June 1975, the work was entrusted to another contractor in

September 1975 for completion within four months. He was, however, given seven extensions, the last one expired in December 1977. The work is still in progress (May 1979). As a result of the inordinate delay, stores could not be organised properly.

5.01. Construction of garage shed: A work order for construction of a permanent garage shed was issued on 1st March 1976 for Rs.0.83 lakh, to be completed by 30th April 1976. The construction of the shed was completed in March 1977. Due to delay in completion of the shed, a tarpaulin shed was hired from 27th May 1976 to attend to vehicles and a rent of Rs.0.40 lakh was paid for the period up to 22nd December 1976. The extra expenditure could have been avoided had the shed been completed within the stipulated period.

The Management reported (December 1978) to Government that the Corporation gave extension of time due to difficulty faced by the contractor in regard to site and procurement of material which were beyond the contractor's control.

6. Profitability analysis

6.01. Section 33(4) of the Road Transport Corporations Act, 1950, provides that the certified accounts of the Corporation together with the audit report thereon shall be forwarded annually to the State Government and that Government shall cause the same to be laid before the State Legislature. The annual accounts for the years 1973-74 and 1974-75 were adopted by the Corporation in February 1977 and July 1977 respectively. The accounts for 1973-74 and 1974-75 along with the Audit Report were sent to the Government in January and November 1978 respectively for placement before the State Legislature. They have not been presented to the Legislature (May 1979). The matter was brought to notice of the Government (February 1979) reply to which is awaited (May 1979). Annual accounts for 1975-76 onwards were in arrears (May 1979). Government stated (February 1979) that the Corporation had been asked to compile arrear annual accounts and make these up-to-date on an urgent basis.

6.02. Financial position : The financial position of the Corporation as at the end of the three years up to 1975-76 is indicated below :

	1973-74	1974-75	1975-76 (provi- sional)
	(In lakhs of Rupees)		
A. Liabilities :			
(a) Capital contribution from the State Government	119.00	119.91	119.91
(b) Reserves and surplus :			
(i) Depreciation Reserve Fund ..	70.04	82.27	69.09
(ii) Accident Reserve Fund ..	1.13	1.20	1.27
(iii) Contributory Provident Fund ..	15.39	19.42	24.88
(c) Deposits	1.02	1.34	2.21
(d) Loans	10.55	53.64	107.13
(e) Trade dues and current liabilities ..	14.37	31.55	46.07
Total ..	231.50	309.33	370.46
B. Assets :			
(a) Fixed assets	134.70	144.05	136.50
(b) Investments	48.95	48.92	48.79
(c) Current assets loans and advances ..	33.97	47.90	58.03
(d) Accumulated loss	13.88	68.46	127.14
Total ..	231.50	309.33	370.46
Capital invested	129.55	173.55	227.04
*Return on capital invested	(-11.29)	(-45.72)	(-45.91)
Capital employed	83.30	75.69	79.47
*Return on capital employed	(-11.29)	(-45.72)	(-45.91)

Notes : (i) "Capital invested" represents capital contributions *plus* loans.

(ii) "Capital employed" represents net fixed assets *plus* working capital.

(iii) *Return on capital invested/employed represents net loss *minus* interest on capital/loans.

6.03. Working results : The following table gives the working results of the Corporation for three years up to 1975-76 :

			1973-74 (7th De- cember 1973 to 31st March 1974)	1974-75	1975-76 (provisional)
(In lakhs of Rupees)					
Revenue—					
Operating	..	..	13.91	45.51	58.75
Non-operating	..	..	0.18	0.60	5.82
Total revenue	—	..	14.09	46.11	64.57
Expenses—					
Operating	..	..	25.38	91.83	110.48
Non-operating	..	..	2.59	8.86	12.77
Total expenses	..	..	27.97	100.69	123.25
Operating loss	..	..	11.47	46.32	51.73
Net loss	..	..	13.88	54.58	58.68
Ratio of operating operating expenses.	revenue	to	55:100	50:100	53:100

The accumulated loss exceeded the capital at the end of 1975-76 within a period of less than three years. The reasons for the loss, as stated by the Management from time to time, were as follows :

- (i) Uneconomic fare structure.
- (ii) Inadequate fleet strength leading to pressure on the existing fleet and consequent break-downs.
- (iii) Operation of old and worn-out buses.
- (iv) Reluctance of passengers to pay correct fare, particularly in township routes.
- (v) Leakage of revenue due to lack of proper vigilance.
- (vi) Increase in price of spare parts and operational materials.
- (vii) High ratio of staff employed to the number of vehicles on road.
- (viii) Lack of experienced maintenance staff.

The Corporation does not ascertain the profitability of various routes|services (long distance service and township service)|types of buses (ordinary, deluxe, etc.). As such, the Corporation cannot identify the areas of loss. A provisional route-wise cost statement

for the month of January 1978 was prepared by the Management. A comparison of the expenses incurred with the income received during January 1978 revealed the following position :—

Service			Total expenditure	Total earning	Loss
	(In lakhs of Rupees)				
Township	2.55	0.98	1.57
Long distance	5.75	5.52	0.23

Out of 18 long distance routes, only four indicated marginal profit while all other routes including township services showed losses during January 1978.

On a study of route-wise earnings with reference to overall average expenditure it was noticed that a large number were uneconomic routes. While the overall average expenditure per kilometre was Rs.2.45 and Rs.2.54 during 1976-77 and 1977-78 respectively, the income from some routes was as shown below :

Name of the route	Income per kilometre (in Rupees)	
	1976-77	1977-78
(a) Long distance :		
(i) Purulia	1.23	0.98
(ii) Burdwan	0.98	0.66
(iii) Asansol	0.91	0.49
(iv) Digha	1.11	1.01
(v) Rampurhat	1.06	0.80
(b) Township :		
(i) "A"	0.57	0.62
(ii) "C"	0.48	0.40
(iii) "7B"	0.41	0.41
(iv) "8"	0.28	0.28
(v) "C"	0.52	0.45

The Corporation has stated in December 1978 that the preparation of route-wise|service-wise profit and loss account was not possible with the existing system and that the accounting system will have to be reorganised.

7. Fleet acquisition and replacement

The following table indicates the position of fleet strength of the Corporation during the five years up to 1977-78 :

Year	Number of buses			
	At the beginning of the year	Added during the year	Condemned during the year	At the end of the year
1973-74*	114	27	Nil	141
1974-75	141	Nil	Nil	141
1975-76	141	12	44	109
1976-77	109	9	16	102
1977-78	102	15	10	107

There has been a gradual depletion in the fleet strength even though the number of routes increased from 20 as on 31st March 1974 to 32 as on 31st March 1978. With the anticipation of addition of new buses, schemes were prepared for additional routes. But when the new buses were procured, the effective vehicle strength did not actually increase as the existing vehicles grew older and a portion thereof had to be condemned. During the five years, the number of buses added to the fleet strength was less than the number of buses condemned.

A study Group (City Services) of the Association of State Road Transport Undertakings, New Delhi, recommended (June 1971) that the life of a single decker bus should be taken to be 5 lakh kilometres (or about 8 years). They also recommended that the percentage of "young" buses (with less than four years' service) to the total fleet strength should not be less than 60 and that of "age-old" buses should normally be nil and in any case it should not be allowed to exceed five *per cent*.

The Estimates Committee in their Sixteenth Report stated (March 1974) that although these norms were applicable to city services, the standard should approximate to the above norms, as far as possible, even in rural areas.

The life of the TMB (Tata Mercedez Benz) bus as fixed (March 1964) by the State Government at six years is being followed by the Corporation. Although no norm has been fixed by the Corporation as to the life of Leyland bus, the Management takes it as eight years.

*Includes pre-Corporation period of 1st April 1973 to 6th December 1973 also.

The following table indicates the Composition of vehicles in terms of years and distance operated, at the end of March 1978 :

		TMB buses	Leyland buses	Total number of buses
(a) In terms of kilometre run :				
(i) Six lakh kilometres and above	..	9	7	16
(ii) Five lakh kilometres and above but less than six lakh kilometres		6	3	9
(iii) Two and half lakh kilometres and above but less than five lakh kilometres		9	41	50
(iv) Less than two and half lakh kilometres		Nil	32	32
Total	.. ..	24	83	107
(b) In terms of period of operation :				
(i) Above eight years	.. ..	14	15	29
(ii) Above six years but not exceeding eight years		Nil	8	8
(iii) Above four years but not exceeding six years		10	23	33
(iv) Four years and less	.. ..	Nil	37	37
Total	.. ..	24	83	107

The percentage of "young" vehicles and "age-old" vehicles (in terms of period of operation) in the fleet, as on 31st March 1978, was 34.6 and 27.1 respectively. Absence of a balanced replacement programme resulted in unfavourable ratio of young buses to old ones. Increase in cost of operation due to preponderance of old buses in the fleet was, according to the Management, an important reason for the financial loss of the organisation. The Management Stated (December 1978) that timely replacement of buses was not possible due to non-availability of funds.

8.01. Fleet and vehicle utilisation : The following table shows the number of vehicles held in fleet, vehicles on road, percentage of fleet utilisation, etc., for the five years up to 1977-78 :

	1973-74 (7th December 1973 to 31st March 1974)	1974-75	1975-76	1976-77	1977-78
Average number of buses :					
(i) Held during the year ..	141	141	144	106	108
(ii) On road	73	63	55	62	63
(iii) Off road	68	78	89	44	45
Percentage of fleet utilisation ..	51.8	44.7	38.2	58.5	58.3
Average daily vehicle utilisation (in effective kilometres)	155	174	229	248	251
Gross kilometres operated (in lakhs)	14.06	43.42	49.87	59.93	61.36
Dead kilometres (in lakhs) ..	1.02	3.49	3.83	3.78	3.63
Percentage of dead kilometres to kilometres operated	7.3	8.0	7.7	6.3	5.9

Although there was not considerable improvement in position of average number of vehicles put on road, the percentage of fleet utilisation increased during 1976-77 and 1977-78, which was due to reduction in the average number of vehicles held in fleet. Average daily vehicle utilisation, however, showed an increasing trend since inception of the Corporation. No norm has been fixed about daily kilometerage to be done by a vehicle. No norm for the percentage of dead kilometres to the total kilometres run has also been fixed. Out of 107 vehicles held in fleet, only 56 were in road-worthy condition as on 31st March 1978 and the remaining 51 vehicles were awaiting repairs. Out of these, 18 vehicles awaiting heavy repair and engine job were idle for long periods as indicated in the following table :

Period for which lying idle	Number of vehicles
Two years or more	2
One year or more but less than two years ..	3
Six months or more but less than one year ..	3
Three months or more but less than six months ..	8
Less than three months	2

The depreciation during the long period of idleness amounted to Rs.2.06 lakhs.

The position of road-worthy vehicles vis-a-vis fleet strength was not satisfactory, resulting in poor outshedding and reduction in the effective utilisation of even the vehicles put on road.

Although percentage of dead kilometres to total kilometres showed a declining trend since 1975-76, the magnitude of dead kilometres is considerable. Cause-wise analysis of incidence of dead kilometres

worked out by the Management only for 1977-78 is shown in the following table :

Cause	Total kilometres (in lakhs)
(i) Pick-up	2.00
(ii) Parking, garaging, siding etc. ..	1.31
(iii) Road test	0.19
(iv) Attending break-down from garage ..	0.06
(v) Bank and store duty	0.07

8.02. **Break-downs :** The following table indicates the position of break-downs of the fleet of vehicles during the three years up to 1977-78 :

	1975-76	1976-77	1977-78
Number of break-downs :			
(a) Total	4,052	3,857	N.A.
(b) per 10,000 gross kilometres ..	8.13	6.44	N.A.
(c) Per day	11.07	10.57	N.A.
(c) Per vehicle on road	73.67	62.21	N.A.

Cause-wise analysis of break-downs was not made by the Management.

In November 1976, the Management had stated that it was one of the Corporation's immediate tasks to decrease the incidence of break-downs. Relevant records maintained at the depot office, however, showed that the incidence of break-downs had gradually increased, as would be evident from the following table :

Month	Number of break-downs
April 1977 ..	324
May 1977 ..	401
June 1977 ..	405
July 1977 ..	438
August 1977 ..	558
September 1977 ..	566

Note : Relevant records for the month of October 1977 and onwards were not made available.

The Management stated (December 1978) that the garage had for a long time been without any engineer and that as a result, preventive maintenance work in the garage suffered considerably resulting in increase in the number of break-downs.

A test check of the break-down records for the month of September 1977 showed that 69 break-downs were reported for avoidable reasons like door/window being broken, less air in tyre, shortage of engine oil, defects in head light, driver's seat being defective, etc.

Some vehicles reported break-downs frequently and on some occasions for the same reason. Some instances of such break-downs in the month of September 1977 are cited in the following table :

Vehicle number	Month of Commission	Reported break-downs		Reasons for break-downs			Remarks (Number of break-downs for the same cause)
		Number of days	Number of break-downs	Mechanical cause	Other causes	Cause not recorded	
6712	September 1965	15	20	18	2	..	Steering defect(7)
7078	December 1966 ..	11	15	12	3	..	Brake defect(3)
9003	August 1970 ..	18	21	17	4	..	Head light defect(4)
9161	November 1972	17	17	17	..	..	Brake defect(5), Steering defect(5)
9180	March 1973 ..	21	28	25	3	..	Brake defect(8)
9504	May 1973 ..	16	17	16	1	..	Steering defect(5), Air lock defect(4), Axle nut defect(3)
3422	August 1977 ..	8	8	5	3	..	
3424	August 1977 ..	7	8	5	1	2	
3430	August 1977 ..	9	10	4	5	1	

8.03. Regularity of service : Detailed records pertaining to scheduled trips, trips operated to time, cancelled trips, etc., were not maintained. It was, however, noted in the minute of a Corporation meeting (March 1978) that the Corporation buses had been reported to leave the Railway terminus before the arrival of the important trains for which the buses were supposed to be the connecting conveyance, thus failing to co-ordinate road transport with rail transport. The Management stated (December 1978) that action on a report of Corporation buses having left terminus before arrival of the important trains had been taken and that co-ordination with rail transport was not failing.

8.04. Suspension of service : A test check of records for the month of March 1978 showed that many services could not be operated as indicated in the following table :

Service	Number of vehicles scheduled to have been operated	Number of vehicles supplied by garage	Shortfall (i)—(ii)	Actual number of vehicles placed on route	Shortfall (ii)—(iv)
	(i)	(ii)	(iii)	(iv)	(v)
Long distance	1075	755	320	739	16
Township ..	2255	1299	956	1128	171

Note : The table covers available information for 29 days and 27 days in respect of long distance service and township service respectively.

The Management stated (December 1978) that “non-availability of buses” was the reason for short-fall in column (iii) of the above table.

“Break-down” and “held up for drivers” were reasons given in relevant records for the shortfall indicated in column (v) of the table as regards long distance services. Relevant records further showed that a considerable number of vehicles supplied by the garage could not be put on road for township service due to the following reasons :

Reasons	Number of cases
(i) Break-down	81
(ii) Held up for shortage of driver| conductor|staff.	53
(iii) Reasons not recorded	37

Circumstances under which there had been break-down after supply of vehicles from the garage but before placement thereof on the route were not stated by the Management.

8.05. Oil and lubricants: The following table indicates the consumption of high speed diesel oil and kilometres run per litre during the five years up to 1977-78 :

Year	Consumption of diesel oil			Cost per kilometre (in paise)	Kilometres run per litre of H.S.D. oil
	Quantity (in lakhs of litres)	Value (in lakhs of Rupees)	Gross kilometres operated (in lakhs)		
1973-74 7th December 1973 to 31st March 1974)	N.A.	3.63	14.06	25.82	N.A.
1974-75 ..	12.95	13.15	43.42	30.29	3.35
1975-76 ..	13.01	17.39	49.87	34.87	3.83
1976-77 ..	15.30	19.97	59.93	33.32	3.92
1977-78 ..	16.94	22.48	61.36	36.64	3.62

Note 1: Figures as regards value/cost from 1975-76 onwards are provisional.

Note 2: Figures for long distance services and township service separately are not available.

The following norms as regards consumption of H.S.D. oil was fixed by the General Manager in December 1978 to which approval of the Board of the Corporation is yet to be obtained (May 1979) :

- (i) Long distance vehicle—four kilometres per litre.
- (ii) Township vehicle—three and half kilometres per litre.

As against these norms, North Bengal State Transport Corporation fixed a uniform norm of 4 km. per litre of H.S.D. oil for all vehicles (September 1974).

A test check of relevant records revealed the following points :

- (a) Average kilometres run per litre of diesel oil was poor in respect of some vehicles; particulars of some such vehicles for a few months are indicated in the following table :

Vehicle Number	Month		Quantity of H.S.D. oil consumed (litre)	Total distance covered (kilo-metres)	Kilometre run per litre of H.S.D. oil
A. Long distance vehicle					
3346	March 1978	..	2,170	6,638	3.06
3363	January 1978	..	1,721	4,995	2.90
	April 1978	..	2,560	7,586	2.96
9005	February 1978	..	1,737	5,587	3.22
B. Township vehicle					
3430	September 1977	..	2,835	8,133	2.87
	December 1977	..	3,016	8,516	2.82
	February 1978	..	2,509	6,966	2.78
	March 1978	..	2,696	7,836	2.90
	April 1978	..	2,821	7,725	2.74
	May 1978	..	3,093	8,221	2.66
3422	August 1977	..	1,569	4,651	3.00
	August 1978	..	2,438	6,275	2.82
3425	August 1977	..	2,027	5,410	2.67
	September 1977	..	2,656	7,871	2.96
	January 1978	..	2,713	7,717	2.84
	February 1978	..	2,665	7,271	2.73
	March 1978	..	2,866	7,525	2.63
	April 1978	..	3,012	7,941	2.64
3423	August 1977	..	1,843	5,402	2.93
	November 1977	..	1,567	3,832	2.44
	July 1978	..	1,182	3,791	3.20

- (b) There was wide variation in consumption of H.S.D. oil by different vehicles (varying from 2.4 to 5.2 kilometres per litre). Further, there was considerable variation in consumption by the same vehicle on different dates of the same month (varying from 2.8. to 5.2. kilometres per litre).

The Management stated (December 1978) that the age and condition of the vehicles were the prime factors for different consumption figures for different vehicles and that variation in consumption by a particular vehicle on the same route might happen for the following reasons :

- (i) Consumption varies from driver to driver for different driving habits.
- (ii) Cases of diesel leakage have not been taken into account.

8.06. Consumption of engine oil: The General Manager stated (December 1978) that the following norms for consumption of engine oil (top-up) had been fixed :

Long distance vehicle—250 kilometres per litre. Township vehicle—200 kilometres per litre.

Approval of the Board of the Corporation to the norms is yet to be obtained (April 1979).

Test check of relevant records revealed that the consumption of engine oil for top-up purpose was excessive in many cases. The following table illustrates the position for the year 1977-78 in respect of some vehicles as revealed in a test check :

Vehicle number		Consumption of engine oil for top-up purpose (in litres)	Total kilometres run	Kilometres per litre
7207 (Long distance)	..	653.5	83,343	128
3239 (Long distance)	..	466.0	82,094	176
7078 (Township)	..	570.0	37,738	66
7182 (Township)	..	612.5	59,984	98
9504 (Township)	..	764.5	61,841	81
7413 (Township)	..	469.5	29,558	63

The Management stated (January 1979) that high consumption of engine oil could not be arrested as engine overhauling job of the vehicles was not undertaken in time.

8.07. Change of oil : The Central Institute of Road Transport stated (April 1975) in their Consultancy Report for the Corporation as follows :

“According to the existing rules, engine oil is to be changed on completion of every 6,000 Km and gear oil every 18,000 Km for both Leyland and TATA Vehicles”.

It was stated by the garage office of the Corporation that the following norms were required to be followed in this regard (no paper in support of fixation of such norm could, however, be shown) :

Type of Vehicle		Engine oil	Gear oil
Leyland	..	8,000 km.	24,000 km.
TMB	..	6,000 km.	18,000 km.

A scrutiny of relevant records revealed that neither the norm was followed nor any uniformity observed in this regard. Both engine oil and gear oil were generally changed after run of much more kilometres than the norm fixed. Instances of delayed change of engine oil and gear oil are cited in Appendices “E” and “F”.

Change of oils was undertaken after expiry of the due dates for the following reasons :

- (i) Shortage of materials and oils.
- (ii) Shortage of vehicles on route.

8.08. Tyres : There was no system of maintaining systematic records in respect of performance of tyres before and after retreading. A scrutiny of different records containing piecemeal information in regard to the performance of 120 rayon tyres rejected between 18th December 1976 and 9th July 1977 showed the following position (information in regard to the performance of new tyres and retreaded tyres separately was not available) :

Total distance covered before rejection (kilometres)		Number of tyres rejected		
Up to	9,999	..	..	4
10,000 to	19,999	..	..	5
20,000 to	29,999	..	..	9
30,000 to	39,999	..	..	22
40,000 to	49,999	..	..	18
50,000 and above	..	..	..	62
Total		..	..	120

According to the norm fixed by the Management in December 1978, a rayon tyre should run for 50,000 kilometres, including retreaded life. On that basis, about 48 per cent of the tyres shown in the above table could not attain the norm.

The Management stated (December 1978) that the following factors were responsible for shorter tyre life :

- (i) Non-regular and erratic supply of tyres prevents carrying out normal maintenance schedule and in exigency of services tyres due for retreading are fitted to vehicle.
- (ii) Bad road condition.

9. Ticketless travel

Leakage of revenue was stated from time to time by the Management to be one of the reasons for the financial loss suffered by the Corporation.

The following table indicates the particulars of the strength of the checking staff and number of cases detected during the five years up to 1977-78 :

Year	Strength of checking staff	Break-up of cases detected					
		Total number of cases detected	Non-issue of ticket reported	Non-collection of fare	Excess collection cases detected	Short collection cases detected	Others
1973-74 ..	33	26	4	3	14	2	3
1974-75 ..	33	41	2	5	18	10	6
1975-76 ..	47	330	6	12	128	129	55
1976-77 ..	47	219	4	8	96	89	22
1977-78 ..	47	141	2	15	56	51	17

Information as to the number of buses|way bills checked by the checking staff were not available.

The Corporation decided (March 1978) that effort should be made to increase its revenue by mobilising public opinion through handbills to check the corruption and that the public should be requested to co-operate in plugging the leakage in revenue.

The Management stated (December 1978) that leaflets were being distributed among the travellers to mobilise public opinion against corruption and in plugging leakage of revenue.

10. Inventory control

Test check of the store records disclosed the following deficiencies :

(i) On the recommendation of a seminar conducted in Delhi in December 1976, the Petroleum Conservation Action Group, an apex organisation established to plan, co-ordinate and implement all activities connected with conservation of petroleum products,

conducted a diagnostic study in diesel conservation in the Corporation, in which it stated (March 1977) that the spares policy of the Corporation was not very systematic. It pointed out that stock position of certain items, vital from maintenance point of view, was nil. Test check in audit revealed that stock position of some such items on 31st March 1978 also was nil. The Depot Manager also observed (May 1978) that the majority of the essential items of stores were out of stock.

(ii) Maximum, minimum and ordering levels of stock were fixed in July/August 1977 only in respect of a few items and the same were not strictly followed.

(iii) A stores manual laying down stores procedure had not been compiled (May 1979) although the Estimates Committee in its Sixteenth Report (March 1974) had suggested that a comprehensive material management manual should be drawn up.

(iv) Priced stores ledgers were not maintained. Bin cards and stock cards were maintained, both under the control of the Store Supervisor.

(v) The value of excesses and shortages of stores recorded in the physical verification reports for 1975-76 and 1976-77 has not been worked out and value of closing stock also not priced and the report for 1977-78 is in arrears (May 1979).

(vi) Balances as per the stock cards were not reconciled with those in the bin cards. The stores verifier observed in the report in respect of physical verification conducted by him (October 1976) that the balances in stock cards and bin cards did not tally.

(vii) A register of idle stock maintained by the store verifier showed that out of 5,424 items, 1,107 were lying on stock on 31st March 1977 without any movement for long periods as indicated in the following table :

Category of stores	As on 31st March 1977		No issue after
	Total number of items as per stock cards	Total number of idle items as per register of idle stock	
Fuel injector pump ..	392	185	29th November 1974
TMB spares ..	1,110	312	22nd May 1973
Leyland spares ..	1,792	376	18th May 1974
Miscellaneous ..	2,130	234	23rd December 1974
Total ..	5,424	1,107	

Besides the above attempt made by the stores verifier, no periodical review of inventory to assess and dispose of the surplus/obsolete items of stores and spares was conducted.

(viii) No record|account was maintained in respect of non-salvageable items|scrap|containers.

(ix) Huge quantity of salvageable materials was lying in stock without being reconditioned. Some such instances are cited below :

Name of item	Opening balance as on 1st April 1977	Receipts during the year 1977-78	Issue for the job during 1977-78	Closing balance as on 31st March 1978
Coupling flange (Tata) ..	40	6	42 numbers were written off	4
Fan—Leyland (for water pump)	57	14	Nil	71
Bearing hub-inner and outer Leyland	36	6	2	40
Bearing P.S. Centre Tata	68	4	Nil	72
Clutch pressure pin—255621 Leyland	354	35	Nil	389

(x) No record|account was being maintained in respect of parts taken out from the condemned vehicles and fitted in the vehicles which are in operation. Only 82 parts out of 340 as per inventory were available in the five vehicles declared condemned in February 1977; no record as to disposal of the remaining 258 parts was available.

11. Manpower analysis

11.01. The table below indicates the extent of staff utilisation during the five years up to 1977-78 :

	1973-74	1974-75	1975-76	1976-77	1977-78
(a) Number of vehicles held on 31st March	141	141	109	102	107
(b) Average number of vehicles operated	73	63	55	62	63
(c) Staff employed as on 31st March :					
(i) Drivers	170	174	164	155	163
(ii) Conductors	238	234	219	220	226
(iii) Other operating staff ..	58	58	90	90	89
(iv) Works and maintenance staff	252	237	245	244	248
(v) Administration staff ..	104	112	119	114	114
(vi) Others	52	33	48	48	248
(vii) Total	874	848	885	971	1,088
(d) Number of overall staff per vehicle held in fleet	6.20	6.01	8.12	8.54	10.17
(e) Number of overall staff per vehicle on road	11.97	13.46	16.09	14.05	17.27
(f) Number of drivers per vehicle on road	2.33	2.76	2.98	2.50	2.59
(g) Number of conductors per vehicle on road	3.26	3.56	3.98	3.58	3.59
(h) Works and maintenance staff per vehicle on road	3.45	3.76	4.45	3.94	3.94

No norm has been fixed by the Corporation about vehicle-staff ratio to be adopted. The reasons for increase in staff were enquired (July 1978), but reply from the Government is awaited (May 1979). The Estimates Committee had observed (March 1974) that "it is difficult to understand why it should be so high with the D.S.T.C. which ply their vehicles in some of the long distance routes in non-urban areas". As stated by the Management (September 1977), high vehicle-staff ratio was a reason for the financial loss of the Corporation. An analysis of the expenditure of the Corporation revealed that "Salary and allowances" was the highest cost area. The ratio of this factor to the overall expenditure is indicated in the following table :

Year	Overall expenditure	Expenditure on salary and allowances	Percentage of col.(iii) to col. (ii)
(i)	(ii)	(iii)	(iv)
(In lakhs of Rupees)			
1973-74 (7th December 1973 to 31st March 1974)	27.97	11.16	39.9
1974-75	100.69	39.93	39.7
1975-76 (provisional)	123.25	44.89	36.4

Government had earlier directed (July 1973) that no appointment whatsoever should be made without the approval of the State Government. Government approval, if any, for the additional appointments made since July 1973 could not, however, be shown to Audit (January 1979).

11.02. No study of idle labour and idle machine hour in the workshop has been undertaken by the Corporation. Records like labour card, machine log book, etc., have not been maintained for this purpose (May 1979).

12. Accounts, costing system and internal audit

12.01. **Accounts :** The Accounts Section is under the control of the Chief Accounts Officer. No accounts manual including, *inter alia*, procedure for accountal of tickets has been prepared (May 1979).

No register or accounts record was maintained by the Depot Cashier for recording receipt of tickets of different denominations in bulk from the Chief Accounts Officer and their day to day issue to the conductors.

Periodical reconciliation of ticket accounts showing the value of tickets issued|consumed and sale proceeds of tickets realised was not being made.

12.02. **Cost account :** Cost accounting system has not been introduced in the Corporation (May 1979).

12.03. **Internal audit :** There is an internal audit wing consisting of two Internal Auditors functioning since July 1975 under the control of the Chief Accounts Officer. No manual indicating the scope and functions of internal audit has been compiled (May 1979).

13. Other points of interest

Non-observance of the conditions prescribed for vehicles financed by Industrial Development Bank of India : In respect of 12 chassis procured in 1976-77, availing of the facility of the bills rediscounting scheme of the Industrial Development Bank of India, it has been laid down by the West Bengal Government in 1974, while sponsoring the scheme, that the buses should be deployed only on long distance express service and the income from those buses should be kept segregated and deposited in a separate bank account and utilised for payment of the loan with interest charges.

Part of the above fleet strength is being utilised for other purposes. No separate account with regard to the income from these buses is being kept and the income is not being used for the purpose of repayment of borrowings as contemplated initially.

14. Summing up

In the light of the foregoing paragraphs it would be evident that (i) the Corporation had not built up a fleet strength of the right mix in regard to age of vehicles, (ii) the accumulated loss to the Corporation as at the end of the year 1975-76 as per provisional accounts was Rs.127.14 lakhs against the capital of Rs.119.91 lakhs and adequate arrangements were not made for providing funds for replacement of vehicles when due, (iii) the two high cost areas of operational expenses are (a) staff cost and (b) cost of fuel, (iv) the high incidence of break-downs per vehicle, viz., 73.67 and 62.21 in 1975-76 and 1976-77 respectively reflects the need for better and efficient maintenance of vehicles, and (v) the operational efficiency which varied from 64 to 70 per cent and the poor fleet utilisation which ranged from 38 per cent to 58 per cent also need considerable improvement.

SECTION IX**WEST BENGAL STATE WAREHOUSING CORPORATION****1. Introduction**

The West Bengal State Warehousing Corporation was established in March 1958 under the Agriculture Produce (Development and Warehousing Corporation) Act, 1956, subsequently replaced by the Warehousing Corporations Act, 1962. The Corporation started functioning from January 1959 with a rented godown at Jiaganj in the district of Murshidabad.

2. Objectives and functions

The main objectives and functions of the Corporation, as envisaged in section 24 of the Warehousing Corporations Act and rule 14(1) of the West Bengal Warehousing Corporation Rules, 1974, are :

- (a) to acquire and build godowns and warehouses;
- (b) to run warehouses in the State for storage and scientific preservation of agricultural produce, seeds, manures, fertilizer, agricultural implements and notified commodities;
- (c) to arrange facilities for transport of agricultural produce to and from warehouses; and
- (d) to act as an agent of the State|Central Government, Central Warehousing Corporation, other Government companies, co-operative societies, etc., in the matter of purchase, sale, storage and distribution of agricultural produce, agricultural inputs and notified commodities.

3. Organisational set-up

3.1. In terms of section 20 of the Warehousing Corporations Act, 1962, the general superintendence and the management of the affairs and business of the Corporation vest in a Board of Directors who,

with the assistance of an Executive Committee and the Managing Director, exercise all the powers and discharge all the functions under the Act.

As per section 25 of the Act, the Executive Committee is competent to deal with any matter within the competence of the Corporation. According to section 20(3)(a) and section 33 of the Act, delegation of powers and duties are necessary for the Managing Director and other officers of the Corporation for efficient running of the business.

Some powers were delegated to the Managing Director in July 1974; no other officers of the Corporation have been delegated any powers (May 1979).

3.2. Regulations under the Act : In terms of section 42 of the Act, a Warehousing Corporation may, with the previous sanction of the appropriate Government, make regulations, not inconsistent with the Act and the rules made thereunder, for which provision is necessary or expedient for the purpose of giving effect to the provisions of the Act.

Accordingly, the Corporation sent draft regulations to the State Government in 1972 for approval. But the State Government returned the draft regulations and directed the Corporation to submit revised draft regulations keeping in mind the changing needs and the pattern of present administration.

In September 1973, the Corporation appointed a sub-committee for the purpose and the draft regulations submitted by the sub-committee were considered by the Board in October 1974 and submitted to the State Government in April 1976 for approval. Government approval is awaited (May 1979).

4. Capital structure

The Corporation was established with an authorised capital of rupees two crores divided into two lakh shares of Rs.100 each. The paid-up capital of the Corporation as on 31st March 1978 was Rs.181.40 lakhs, which was contributed by the Central Warehousing Corporation and the State Government in equal proportions.

5. Construction programme

The Corporation drew up programmes for construction of godowns from time to time and revised the same frequently. The details of the revised programmes for the six years up to 1977-78 are indicated below :

Year	Name of the centre	Number of godowns	Capacity (in tonnes)
1972-73 to 1974-75	{ Siliguri	2	2,500
	{ Tarakeswar	1	1,250
1975-76	.. Dinhata	1	1,250
	.. Jalpaiguri	2	2,500
	.. Ranaghat	2	2,500
	.. Kaliaganj	1	1,250
	.. Memari	1	1,250
1976-77	.. Cossimbazar	1	1,250
	.. Garbeta	1	1,250
	.. Purulia	1	1,250
	.. Sainthia	2	2,500
	.. Bankura	1	1,250
1977-78	.. Malda	1	1,250
	.. Rampurhat	1	1,250
	.. Basirhat	1	1,250
	.. Diamond Harbour	1	1,250
	.. Darjeeling	1	1,250

5.1. Acquisition of land : (i) In pursuance of its programme for construction of godowns the Corporation acquired/purchased land in different parts of the State from time to time. The table below indicates the names of the centres where land was acquired/purchased, the area of land, dates of acquisition/purchase, cost, etc. :

Place	Area (In acres)	Cost (Rupees)	Date of acquisition/purchase
Alipurduar	.. 2.130	6,712	6th June 1961
Tarakeswar	.. 3.300	49,736	10th June 1961
Jiaganj ..	.. 3.800	35,283	21st June 1961
Siliguri ..	.. 5.806	2,11,372	29th July 1963
Dinhata	.. 2.300	31,083	October 1965
Ranaghat ..	.. 3.180	76,597	15th September 1967
Kaliaganj ..	.. 7.485	1,28,401	5th August 1975
Momari ..	.. 3.990	N.A.	12th November 1976
Jalpaiguri ..	.. 3.890	3,99,525*	16th November 1976
Calcutta port area	.. 12,944.362 sq. mt.	49,926**	15th November 1977

*Including value of structures.

**This represents security deposit for the land taken on lease, on which a monthly rent of Rs. 8,099 is payable since November 1977.

Land purchased at Jiaganj in June 1961 at a cost of Rs.35,283 (including legal and fencing expenses) was sold out at a total price of Rs.42,000 in October 1968 after locking up of capital for more than seven years. The Management stated (August 1978) that in Alipurduar, Tarakeswar, Siliguri and Dinhata, godowns had already come up and in Memari, Ranaghat and Siliguri, the godowns were under construction. The Management, however, did not indicate whether all the land had been used.

6. Construction of godowns

By 1972-73 when the Corporation drew up a construction programme, it had constructed only two godowns of 1,000 tonnes each at Alipurduar (1964) and a cold storage at Tarakeswar (1961), besides purchasing two built up godowns at Siliguri of 3,000 tonnes capacity (1961). Out of a target of 21 godowns having capacity of 27,500 tonnes planned for construction during 1972-73 to 1977-78, only four godowns with a capacity of 5,000 tonnes have been completed by the end of March 1978, as shown in the table below :

Year	Targets		Achievements		
	Number of godowns	Capacity (in tonnes)	Estimated cost (In lakhs of Rupees)	Number of godowns	Capacity (in tonnes)
1972-73 to 1974-75 ..	3 (Revised)	3,750	12.50	Nil	Nil
1975-76 ..	6	8,750	30.38	Nil	Nil
1976-77 ..	6	7,500	23.50	4	5,000
1977-78 ..	6	7,500	28.50	Nil	Nil

The amount of expenditure incurred on the construction of godowns is not known to the Corporation (May 1979). The Corporation has advanced Rs.16.56 lakhs and Rs.15.00 lakhs respectively to the West Bengal Public Works Department and Central Warehousing Corporation during 1976-77 for the construction of godowns, the accounts of which are awaited (May 1979).

Construction of a godown at Memari (1,650 tonnes) and two each at Ranaghat (2,500 tonnes) and Calcutta port area (2,800 tonnes) is in progress (January 1979).

In 1971, when the Corporation closed the centre at Ranaghat on account of poor business, it did not take any decision regarding the disposal of land acquired in 1967 at a cost of Rs.0.77 lakh. However, in 1977-78 the construction of two godowns at Ranaghat was started in anticipation of fresh business.

7. Hiring of godowns

To meet the increasing demand for warehousing space, the Corporation hired godowns at different places. The position of owned, hired and the total space available during the five years up to 1977-78 is given below :

Year	Capacity available		Total (In tonnes)	Percentage of owned capacity to total
	Hired	Owned		
1973-74 ..	1,17,682	8,620	1,26,302	6.82
1974-75 ..	1,15,025	8,620	1,23,645	6.97
1975-76 ..	1,05,554	8,620	1,14,174	7.55
1976-77 ..	1,12,384	13,620	1,26,004	10.81
1977-78 ..	1,12,396	15,620	1,28,016	12.20

The Corporation mostly depended on hired godowns to meet the requirements of the State. The owned godown capacity remained static for 13 years up to 1975-76 at 8,620 tonnes. During the same period, the hired godown capacity increased from 39,380 tonnes to 1,05,554 tonnes. The rent paid for hired godowns during 1977-78 was about Rs.24 lakhs.

8. Utilisation of storage capacity

The table below indicates the details of the number of warehouses/centres and godowns, average storage capacity available, average utilisation of storage capacity, etc., for the five years up to 1977-78 :

Year	Number of godowns	Average capacity available	Average capacity utilised		Percentage of utilisation	Storage charges earned (In lakhs of Rupees)
			(In tonnes)	(In tonnes)		
1973-74 ..	183	1,26,302	60,048	47.5	58.58	
1974-75 ..	184	1,23,645	72,655	58.8	63.00	
1975-76 ..	204	1,14,174	74,463	65.2	74.87	
1976-77 ..	212	1,26,004	65,647	52.1	70.14*	
1977-78 ..	215	1,28,016	70,481	55.0	74.26*	

The utilisation of storage capacity decreased considerably in 1976-77 and 1977-78 as compared to that of 1975-76. The reasons for such downward trend of utilisation of storage space has not been analysed and clarified by the Management.

*Figures are provisional.

8.1. Pattern of utilisation : The Annual Reports of the Corporation revealed that Government and Government-sponsored organisations mostly utilised the storage capacity of the Corporation. But the actual quantum of utilisation by the producers, co-operatives, traders, Government and Government-sponsored Corporations, etc., could not be ascertained owing to non-maintenance of such detailed statistics by the Corporation.

No record indicating the volume of principal commodities handled was maintained. The Management stated (August 1978) that such analytical statements were not maintained as the nature of commodities stored varied largely from year to year.

9. Distribution of fertilisers

9.1. At the instance of Government, the Corporation entered (September 1967) into a special arrangement with the Agriculture Department of Government whereby the Corporation was entrusted with the task of distribution of fertilisers allotted by the Government of India. According to the terms of the agreement, the Corporation was to be allowed four months' credit for fertilisers valued at Rs.1 crore at one time and it had to make monthly payment to Government by the fifteenth of the month following the month of lifting. The Corporation was to pay interest on the amount due at the bank rate from the date of expiry of the credit period. Under this arrangement, the Corporation received a total quantity of 5,924 tonnes of fertilisers valued at Rs.42.94 lakhs during the period from September 1967 to March 1969.

The points noticed during the test audit of these transactions, which were still (May 1979) under various stages of correspondence, are detailed below :

- (i) Out of the total amount of Rs.42.94 lakhs, a sum of Rs.32.32 lakhs has been paid to Government up to 31st March 1978 leaving a balance of Rs.10.62 lakhs, apart from interest on overdue amounts at bank rates (amount not available). This balance of Rs.10.62 lakhs includes Rs.66,709 being the value of 83.334 tonnes of urea washed away by flood in October 1968, which was a loss to the Corporation. The Corporation requested Government several times for relief from payment of this amount, but the request was rejected by Government. However, the Corporation moved (September 1972) Government again through the Public Undertakings Department. Further developments are awaited (May 1979).

- (ii) Due to delayed lifting of fertilisers allotted by Government (February 1968) from the godown of the Food Corporation of India at Howrah, the Corporation had to incur an avoidable rental liability of Rs.10,034. Correspondence for exemption from payment of this amount to Food Corporation of India has not yielded any result so far (May 1979).
- (iii) The Corporation filed suits for recovery of Rs.9.72 lakhs of outstanding dues from six sub-distributors to whom supplies were made on credit, as detailed below :

Name of the party	Outstanding dues to be recovered (In lakhs of Rupees)		
A	5.17
B	3.86
C	0.19
D	0.11
E	0.20
F	0.19

Decrees of Rs.10,595 (in August 1978), Rs.5,054.75 (in August 1975) and Rs.13,136.50 (in May 1973) were obtained in favour of the Corporation against parties D, E and F, respectively. So far, only the decretal amount of Rs.5,054.75 has been realised by the Corporation and the other two decretal amounts are yet to be realised (May 1979).

The Managing Director had reported to the Board (November 1968) that the above business was undertaken "without much foresight or pre-planning and has proved to be a failure".

10. Shortage of stocks

(i) **Shortage of sugar :** As per physical verification reports of Cooch Behar, Raiganj and Kaliaganj warehouses, 270.84 quintals of sugar of a customer (F.C.I.) valued at Rs.0.89 lakh, was found short, as detailed below :

Name of the Centre	Quantity of shortage (in quintals)	Amount (In lakh of Rupees)	Date of physical verification
Kaliaganj	.. 18.48	0.08	31st March 1976 and 30th September 1977
Cooch Behar	.. 210.53	0.68	31st March 1978
Raiganj	.. 41.83	0.13	31st March 1977
Total ..	.. 270.84	0.89	

The Management stated (January 1979) that the shortage of sugar is under investigation and the respective Superintendents have been proceeded against. As regards the shortage at Kaliaganj the matter is under negotiation with the Food Corporation of India (May 1979).

(ii) **Shortage of fertilisers :** A quantity of 570 bags of fertilisers of different kinds and two new tarpaulins valued at Rs.60,500 and Rs.1,300, respectively, were found short in godown of Memari warehouse on 4th May 1977. Accordingly, an F.I.R. was lodged with the Police on the same day suspecting burglary. According to the initial and final investigation reports of the Police, there was no sign of incident of burglary in that warehouse. The amount could not be claimed from the Insurers as burglary was not established, and the Corporation had to bear the loss of Rs.61,800.

Departmental proceedings are being conducted against the persons responsible and the results thereof are awaited (May 1979).

(iii) **Excess shortage of foodgrains :** Physical verification on 31st March 1972 revealed an abnormal shortage of 130.056 quintals of foodgrains valued at Rs.14,306 at Chakdah warehouse, after allowing for a normal limit of one *per cent*.

The Corporation has stated (January 1979) that a huge quantity of infested and damaged foodgrains of the Food Corporation of India was stored and the matter was still under negotiation with them (May 1979).

(iv) As per shortage claim of the Food Corporation of India, preferred on 23rd June 1977, there was a shortage of 125.12 quintals of "gram dal" valued at Rs.0.86 lakh, which was stored in Cooch Behar warehouse during 1971-72. The claim was neither rejected nor admitted and the reasons for the shortage are awaited from the Corporation (May 1979). No investigation for the shortage was made by the Corporation.

The Management, however, stated (January 1979) in a general way that the shortage was due to long storage and the matter is under consideration of the Committee consisting of their officials and officials of the Food Corporation of India.

(v) **Excess shortage of wheat :** The report of physical verification conducted in 31st March 1978 in the Cooch Behar warehouse revealed that there was shortage of 346.14 quintals of indigenous wheat and 304.26 quintals of imported wheat at the said warehouse during the period from April 1977 to 31st March 1978.

After adjusting normal permissible shortage and quantities transferred to dust account, the net shortages were worked out to 216.59 quintals of indigenous wheat and 123.35 quintals of imported

wheat valued at Rs.34,587 and Rs.19,684, respectively. The reasons for such large shortages have not been clarified by the Management. The Management have, however, stated (January 1979) that departmental proceedings have been instituted against the concerned Superintendent in charge of the warehouse.

11. Tarakeswar cold storage

11.1. In order to enable the cultivators|producers of potatoes to scientifically preserve their produce, a cold storage having capacity of 1,620 tonnes was constructed at Tarakeswar in 1961. The capacity of the cold storage was increased to 3,620 tonnes by constructing two additional chambers in March 1966. The total cost of the project was Rs.28.06 lakhs. The main users of said cold storage are cultivators, co-operative and Government-sponsored organisations. The rates for storage of Tarakeswar cold storage are fixed by Government under the West Bengal Cold Storage (Licensing Regulation) Rules, 1967.

From the beginning, the cold storage has been facing stiff competition from a large number of cold storages in the private sector. The Corporation secured storage business mostly through agents on payment of commission. The amount of such commissions paid were Rs.35,324, Rs.25,927 and Rs.20,000 during the years 1975-76, 1976-77 and 1977-78, respectively.

The Tarakeswar cold storage has been running at a loss since its inception as would be evident from the table given below :

Year				Average quantity stored (In tonnes)	Percentage of occupancy	Amount of loss (In lakhs of Rupees)
1966-67	..	..	..	1,644	45	0.06
1967-68	..	..	..	1,879	52	0.87
1968-69	..	..	..	2,745	76	0.69
1969-70	..	..	..	986	27	1.92
1970-71	..	..	..	2,463	68	1.30
1971-72	..	..	..	1,820	50	1.59
1972-73	..	..	..	2,700	75	1.25
1973-74	..	..	..	3,300	90	1.00
1974-75	..	..	..	3,025	84	2.18
1975-76	..	..	..	2,488	69	0.72
1976-77	..	..	..	2,679	74	2.22
1977-78	..	..	..	3,149	87	0.96

12. Financial position

The table below indicates the summarised financial position of the Corporation for the five years up to 1977-78 :

	1973-74	1974-75	1975-76	1976-77	1977-78
	(In lakhs of Rupees)				
1. Liabilities					
(a) Paid up capital	82.00	92.00	106.00	127.00	181.40
(b) Reserve and surplus and other funds	24.50	29.39	39.90	41.90	41.45
(c) Current liabilities and provisions	49.82	47.21	56.96	74.03	81.02
Total ..	156.32	168.60	202.86	242.93	303.87
2. Assets					
(d) Gross block	40.19	40.87	47.30	73.90	77.00
(e) Less : Depreciation ..	16.84	17.94	19.42	21.72	24.30
(f) Net fixed assets	23.35	22.93	27.88	52.18	52.70
(g) Work-in-progress .. ..	..	..	7.30	..	..
(h) Current assets, loans and advances	132.97	145.67	167.68	190.75	251.17
Total ..	156.32	168.60	202.86	242.93	303.87
Capital employed	106.50	121.39	138.60	168.90	222.85
Net worth	106.50	121.39	145.90	168.90	222.85
Total return	1.71	3.23	11.03	1.00	0.88

Notes (1) Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital at the close of the year.

(2) Net worth represents paid-up capital plus reserve and surplus minus intangible assets at the close of the year.

(3) Figures for 1976-77 and 1977-78 are provisional.

13. Profitability analysis

The following table indicates the summarised working results of the Corporation for the five years up to 1977-78 :

	1973-74	1974-75	1975-76	1976-77*	1977-78*
	(In lakhs of Rupees)				
1. Income :					
(a) Warehousing charges ..	58.58	63.00	74.87	70.14	74.28
(b) Interest on deposits ..	0.78	1.36	1.74	1.94	1.75
(c) Other receipts	0.16	0.12	0.11	0.20	0.50
Total ..	59.52	64.48	76.72	72.28	76.51
2. Expenditure :					
(a) Pay and allowances ..	18.04	20.09	22.16	23.94	28.79
(b) Bonus and ex gratia ..	2.03	1.34	2.50	1.50	1.75
(c) Rent, rates and taxes ..	23.67	21.93	21.05	23.80	24.15
(d) Insurance	2.93	4.26	5.50	5.28	4.02
(e) Depreciation including repairs, etc.	2.11	2.50	2.72	3.41	2.67
(f) Provision for bad and doubtful debts	1.50	2.50	2.50	2.50	2.50
(g) Electricity charges ..	1.65	1.55	2.04	2.34	2.98
(h) Freight, cartage and labour charges	1.63	2.49	1.88	2.44	2.21
(i) Other items	4.25	4.59	5.34	6.07	6.56
(j) Profits during the year ..	1.71	3.23	11.03	1.00	0.88
Total ..	59.52	64.48	76.72	72.28	76.51
Percentage of net profit before tax to—					
(i) Warehousing charges ..	2.91	5.12	14.73	1.40	1.18
(ii) Equity capital	2.08	3.51	10.40	0.79	0.48
(iii) Capital employed ..	1.60	2.66	7.95	0.59	0.40
(iv) Net worth	1.60	2.66	7.56	0.59	0.40

*Figures for 1976-77 and 1977-78 are provisional,

The Corporation incurred losses from 1959-60 to 1964-65 and in 1967-68 which aggregated Rs.8.11 lakhs. In 1966-67, 1968-69 and onwards up to 1975-76 the Corporation earned profits which aggregated Rs.33.61 lakhs. The provisional account for 1976-77 and 1977-78 revealed profits of Rs.1 lakh and Rs.0.88 lakh respectively. While the accounts for 1976-77 have been finalised by the Corporation those for 1977-78 are not yet ready (May 1979).

14. Credit control

The following table indicates the year-wise volume of book debts and warehousing charges for the five years up to 1977-78 :

Year	Book debts at the end of the year	Provision for bad and doubtful debts	Income from warehouses	Percentage of debts to income
(In lakhs of Rupees)				
1973-74	85.89	1.50	58.58	146.61
1974-75	94.61	2.50	63.00	150.17
1975-76	103.18	2.50	74.87	137.81
1976-77*	95.89	2.50	70.14	136.70
1977-78*	91.17	2.50	74.26	122.79

The percentage of book debts to the warehousing charges is very high in all the years. Suits have been instituted for recovery of the outstanding dues amounting to Rs.10 lakhs (approximately) against seven private parties between the years 1969 and 1971. Out of this amount, the Corporation received three decrees of Rs.0.29 lakh in their favour against three parties (involving an amount of Rs.0.50 lakh) and realised only Rs.0.05 lakh so far (May 1979). The Management stated (January 1979) that the realisation of outstanding dues has been entrusted to a senior officer.

15. Uneconomic operation of warehouses

A review of the performance reports of different warehouses under the Corporation revealed that performances of some warehouses were far from satisfactory. The table below indicates that the total income

*Figures for 1976-77 and 1977-78 are provisional

In the following centres was not sufficient to meet even the direct expenditure during the three out of four years up to 1977-78, resulting in deficits :

Serial number	Name of the Centre	Year	Income Direct expenditure Deficit		
			(In Rupees)		
1.	Tufanganj	.. 1974-75	.. 19,387	34,747	15,360
		1975-76	.. 14,105	33,571	19,466
		1976-77	.. 19,046	30,978	11,932
		1977-78	.. 42,062	43,223	1,161
2.	Raiganj	.. 1974-75	.. 13,027	24,748	11,721
		1975-76	.. 20,150	34,558	14,408
		1976-77	.. 21,110	35,015	13,905
		1977-78	.. 43,870	60,765	16,895
3.	Chakdaha	.. 1974-75	.. 9,314	35,803	26,489
		1975-76	.. 8,348	28,724	20,376
		1976-77	.. 32,825	33,454	629
		1977-78	.. 27,949	51,662	23,713
4.	Dinhata	.. 1974-75	.. 29,474	62,422	32,948
		1975-76	.. 17,539	48,231	30,692
		1976-77	.. 59,804	54,795	..
		1977-78	.. 70,392	72,985	2,593
5.	Krishnagar	.. 1974-75	.. 38,766	78,457	39,691
		1975-76	.. 48,303	68,493	20,190
		1976-77	.. 64,392	62,059	..
		1977-78	.. 27,949	51,662	23,713

The Management stated (January 1979) that the storage rates paid by the Food Corporation of India at these centres were unremunerative and the upward revision thereof has been taken up with the latter.

16. Internal audit

No internal audit manual has been prepared by the Corporation (May 1979). The Management stated (January 1979) that the Corporation will prepare an audit manual shortly.

17. Summing up

(i) The purchase and acquisition of lands for construction of godowns were not well-planned.

(ii) The construction programme was drawn up late (1972-73) and was revised frequently without linking it with demand. The godown capacity created in the five years ending 1977-78 was only 5,000 tonnes compared to 25,000 tonnes' programme during the 4 years ending 1976-77. While owned godown capacity remained

static for 13 years from 1963-64, the hired godown capacity increased from 23,380 tonnes to 1,05,554 tonnes during the same period. The percentage of owned capacity to the total capacity was only 12.20 per cent in 1977-78.

(iii) The utilisation of warehousing space was the highest in 1975-76 at 65 per cent; it was, however, 55 per cent in 1977-78. In some centres the direct income from the godowns was not sufficient even to meet the direct expenditure.

(iv) The business of distribution of fertilisers taken up under special scheme of Government resulted in huge losses and also non-realisation of dues from sub-distributors.

(v) The running of a cold storage at Tarakeswar has resulted in a continuous drain on the finances of the Corporation.

(vi) There were huge shortages of rice, wheat, sugar, fertiliser, etc., beyond the allowable limits, where applicable, in different godowns, valued at Rs.5.50 lakhs.

(vii) The regulations for the conduct of the business of the Corporation have not been approved so far (May 1979).

K. Tyagarajan.

(K. TYAGARAJAN),

*Accountant General-II,
West Bengal.*

CALCUTTA,

The 12th FEB 1979

Countersigned.

Gian Prakash

(GIAN PRAKASH),

Comptroller and Auditor General of India.

NEW DELHI,

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APPENDIX "A"

[Reference : Paragraph 5 of prefatory remarks, page (i)]

List of Companies in which Government have invested more than Rs.10 lakhs but which are not subject to audit by the Comptroller and Auditor General

Serial No.	Name of the Company	Total investment up to 1977-78 (In lakhs of Rupees)
1	Engel India Machines and Tools Limited	30.00
2	Gluconate Limited	42.06
3	Eastern Distilleries (Private) Limited	19.50*
4	Sen Raleigh Limited	70.00
5	Krishna Silicate and Glass Works Limited	198.60
6	Incheck Tyres Limited	35.00*
7	Mackintosh Burn Limited	10.80
8	India Belting and Cotton Mills Limited	13.00
9	Great Eastern Hotel Limited	70.25
10	Duncan Brothers and Company Limited	34.58*

*Differs from the figures shown in the Finance Accounts for 1977-78, which are Rs. 6 lakhs for item 3, Rs. 30 lakhs for item 6 and Rs. nil for item 10. The difference is under reconciliation.

APPENDIX "B"

(Reference : Paragraph I of Section I, page 1)

Statement showing the summarised financial results of Government Companies

Sl. No.	Name of the Company	Name of the Department	Date of incorporation	Period of accounts	Total capital invested	Profit(+) / Loss(-)	Total interest charged to Profit and Loss Account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)													
1.	The Kalyani Spinning Mills Limited.	Public Undertakings.	13-1-1960	1977-78	875.26	(-)232.94	80.44	36.83	(-)196.11	..	(-)126.37	(-)152.50	..
2.	The Durgapur Projects Limited.	Ditto ..	6-9-1961	1977-78	6,786.46	(+)20.29	239.28	239.28	(+)259.57	3.82	4,718.01	(+)259.57	5.50
3.	Durgapur Chemicals Limited.	Ditto ..	31-7-1963	1977-78	1,719.41	(-)202.17	64.94	54.41	(-)147.76	..	141.43	(-)137.23	..
4.	West Bengal Handicrafts Development Corporation Limited.	Cottage and Small Scale Industries.	1-6-1976	1977-78	12.92	(-)1.91	..	..	(-)1.91	..	10.35	(-)1.91	..
5.	State Fisheries Development Corporation Limited.	Fisheries ..	30-3-1966	1977-78	295.17	(-)5.95	..	..	(-)5.95	..	267.94	(-)5.95	..

6.	West Bengal Industrial Development Corporation Limited.	Commerce and Industries.	6-1-1967	1977-78	..	(+)41.65	77.22	77.22	..	..	1,679.95	(+)118.67	7.08
7.	West Bengal Mineral Development and Trading Corporation Limited.	Ditto	23-2-1973	1977-78	59.16	(+)1.05	..	..	(+)1.05	1.78	34.43	(+)1.05	3.05
8.	West Bengal Sugar Industries Development Corporation Limited.	Ditto	30-5-1973	1977-78	226.82	(-)43.49	25.74	17.46	(-)26.03	..	142.91	(-)17.75	..
9.	West Bengal Electronics Industry Development Corporation Limited.	Ditto	4-2-1974	1977-78	142.47	(+)1.17	..	..	(+)1.17	0.82	44.90	(+)1.17	2.60
10.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited.	Ditto	28-3-1974	1977-78	28.00	(-)3.82	..	..	(-)3.82	..	19.24	(-)3.82	..
11.	The West Bengal Leather Industries Development Corporation Limited.	Ditto	3-3-1976	1977-78	89.01	(-)3.63	1.91	1.91	(-)1.92	..	84.30	(-)1.92	..
12.	West Bengal Tea Development Corporation Limited.	Ditto	4-8-1976	1977-78	38.94	(-)3.47	..	..	(-)3.47	..	34.81	(-)3.47	..
13.	West Bengal Essential Commodities Supply Corporation Limited.	Food and Supply.	15-3-1974	1977-78	85.88	(+)12.80	17.11	2.30	(+)15.10	17.58	103.73	(+)29.91	28.83
14.	West Bengal Forest Development Corporation Limited.	Forest	19-7-1974	1977-78	241.46	(+)1.28	0.10	0.10	(+)1.38	0.57	241.46	(+)1.38	0.57

Sl. No.	Name of the Company	Name of the Department	Date of incorporation	Period of accounts	Total capital invested	Profit(+) Loss(-)	Total interest charged to Profit and Loss Account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(Figures in Columns 6 to 10, 12 and 13 are in lakhs of Rupees)													
15.	West Bengal Tourism Development Corporation Limited.	Tourism	.. 29-4-1974	1977-78	119.80	(-)0.16	..	..	(-)0.16	..	115.40	(-)0.16	..
16.	West Bengal Small Industries Corporation Limited.	Cottage and Small Scale Industries.	29-3-1961	1976-77	430.50	(+)22.37	16.25	16.25	(+)38.62	8.98	415.99	(+)38.62	9.28
17.	The Electro-Medical and Allied Industries Limited.	Public Undertakings.	29-6-1961	1976-77	121.75	(-)4.78	5.37	5.37	(+)0.59	0.48	93.91	(+)0.59	0.63
18.	West Bengal Agro-Industries Corporation Limited.	Ditto	.. 16-8-1968	1976-77	738.52	(-)89.56	40.29	10.85	(-)78.71	..	553.07	(-)49.27	..
19.	Westinghouse Saxby Farmer Limited.	Ditto	.. 19-7-1969	1976-77	544.54	(-)167.92	64.93	28.99	(-)138.93	..	175.44	(-)102.99	..
20.	West Bengal State Minor Irrigation Corporation Limited.	Agriculture and Community Development.	29-1-1974	1976-77	249.99	(-)4.87	..	..	(-)4.87	..	244.69	(-)4.87	..

21.	West Bengal Live-stock Processing Development Corporation Limited.	Animal Husbandry and Veterinary Services.	9-4-1974	1976-77	20.94	(-)3.01	..	..	(-)3.01	..	15.11	(-)3.01	..
22.	West Bengal State Textile Corporation Limited.	Closed and Sick Industries.	19-3-1973	1976-77	102.00	(+)5.87	..	..	(+)5.87	5.75	92.12	(+)5.87	6.37
23.	West Bengal Handloom and Powerloom Development Corporation Limited.	Cottage and Small Scale Industries.	25-9-1973	1975-76	59.54	(-)1.13	2.64	..	(-)1.13	..	54.61	(+)1.51	2.76

Notes : (1) "Capital invested" represents paid-up capital *plus* long-term loans *plus* free reserves at the close of the year.

(2) "Capital employed" (except in the case of West Bengal Industrial Development Corporation Limited) represents net fixed assets (excluding work-in-progress) *plus* or *minus* working capital. In the case of West Bengal Industrial Development Corporation Limited, "capital employed" represents the mean capital employed, i.e., the mean of the aggregates of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowing including refinance, and (v) deposit.

APPENDIX "C"

(Reference : Paragraphs 5 and 10 of Section IV, page 29 and 31)

Statement showing the summarised financial results of statutory Corporations, Board

Sl. No.	Name of the Corporation /Board	Name of the Department	Date of incorporation	Period of accounts	Total capital invested	(Profit(+) Loss(-)	Total interest charged to Profit and Loss Account
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(Figures in columns 6 to 10, 12 and 13 are in Lakhs of Rupees)							
(i) Electricity Board							
1.	West Bengal State Electricity Board ..	Power	1-5-1955	1977-78	49,385.96	(-)103.04*	1,235.59
(ii) Other Statutory Corporations							
2.	West Bengal Financial Corporation ..	Public Undertakings ..	1-3-1954	1977-78	..	(+)56.10	90.47
3.	West Bengal State Warehousing Corporation.	Ditto	31-3-1958	1975-76	128.41	(+)11.03	..
4.	Calcutta State Transport Corporation ..	Home (Transport) ..	15-6-1960	1976-77	5,775.82	(-)1,114.80	419.46
5.	North Bengal State Transport Corporation.	Ditto	15-4-1960	1973-74	430.61	(-)103.14	25.14
6.	Durgapur State Transport Corporation	Ditto	7-12-1973	1974-75	178.55	(-)54.58	8.86

Sl. No.	Name of the Corporation/Board	Name of the department	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed	
(1)	(2)	(3)	(9)	(10)	(11)	(12)	(13)	(14)	
<i>(i) Electricity Board</i>									
1.	West Bengal State Electricity Board	Power	..	1,206.76	1,309.80	3.02	21,952.25	1,338.63	6.10
<i>(ii) Other Statutory Corporations</i>									
2.	West Bengal Financial Corporation	Public Undertakings	..	90.47	..	..	1,766.90	146.56	8.29
3.	West Bengal State Warehousing Corporation.	Ditto	..	..	11.03	5.94	112.32	11.03	9.32
4.	Calcutta State Transport Corporation	Home (Transport)	..	419.45	(-)695.35	..	(-)715.35	(-)695.35	..
5.	North Bengal State Transport Corporation.	Ditto	..	25.14	(-)78.00	..	106.80	(-)78.00	..
6.	Durgapur State Transport Corporation	Ditto	..	8.86	(-)45.72	..	75.69	(-)45.72	..

Notes : (1) "Capital invested" represents paid-up capital plus long-term loans plus free reserves at the close of the year.

(2) "Capital employed" (except in the case of West Bengal Financial Corporation) represents net fixed assets (excluding works-in-progress) plus working capital. In case of West Bengal Financial Corporation, "Capital employed" represents mean of the aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance, and (v) deposits.

(3) *This represents contribution to general reserve in terms of section 67(viii) of the Electricity (Supply) Act, 1948.

APPENDIX "D"

(Reference : Paragraph 4 of Section VI, page 52)

Statement showing excess consumption of fuel

Name of Power Station	Year	Consumption of fuel in litres			Extra expenditure (In lakhs of Rupees)
		Actual	As per norm	Excess	
<i>In North Bengal</i>					
Malda	1973-74	23,430	18,072	5,388	0.03
	1974-75	6,55,813	4,50,173	2,05,640	2.13
	1975-76	4,18,969	2,93,875	1,25,094	1.29
	1976-77	2,15,403	1,59,252	56,151	0.61
	1977-78	3,84,841	3,07,992	76,849	0.82
Cooch Behar	1973-74	2,79,649	1,77,683	1,01,966	0.60
	1974-75	3,73,633	2,55,168	1,18,465	1.23
	1975-76	6,34,954	4,19,865	2,15,089	2.23
	1976-77	4,86,090	2,99,113	1,86,977	2.02
	1977-78	9,17,791	6,82,609	2,35,182	2.52
Siliguri	1973-74	3,65,960	2,87,854	78,106	0.46
	1974-75	4,67,336	3,77,244	90,092	0.93
	1975-76	8,88,419	7,08,497	1,79,922	1.86
	1976-77	4,81,606	3,65,872	1,15,734	1.25
	1977-78 (December 1977)	6,60,365	5,14,529	1,45,836	1.56
Jalpaiguri	1973-74	1,24,934	93,606	31,328	0.18
	1974-75	1,43,286	1,04,389	38,897	0.40
	1975-76	1,88,557	1,42,218	46,339	0.43
	1976-77	1,66,888	1,35,622	31,266	0.34
	1977-78	3,38,554	2,67,090	71,464	0.77
				Total ..	21.77

Name of Power Station	Year	Consumption of fuel in litres			Extra expenditure (In lakhs of Rupees)
		Actual	As per norm	Excess	
<i>In South Bengal</i>					
Bakkhali	1973-74	1,366	506	860	0.01
	1974-75	2,754	673	2,081	0.02
	1975-76	3,012	482	2,530	0.03
	1976-77	2,320	387	1,933	0.03
	1977-78	3,584	527	3,057	0.04
Rudranagar	1973-74	22,334	9,030	13,304	0.14
	1974-75	22,294	12,864	9,430	0.10
	1975-76	28,283	14,779	13,504	0.15
	1976-77	41,544	3,424	38,120	0.52
	1977-78	46,819	16,478	30,341	0.42
Pathar Pratima	1973-74	8,221	1,066	7,155	0.07
	1974-75	10,401	2,084	8,317	0.09
	1975-76	14,171	2,958	11,213	0.12
	1976-77	22,889	3,988	18,901	0.26
	1977-78	21,704	3,472	18,232	0.25
				Total ..	2.25

Note: The average rate per kilolitres of L.D.O. from 1973-74 to 1977-78 was Rs. 586, Rs. 1,035, Rs. 1,079 and Rs. 1,072 respectively.

APPENDIX "E"

(Reference : Paragraph 8.07 of Section VIII, page 73)

Statement showing instances of change of engine oil

Vehicle number	Make	Successive dates of engine oil change along with kilometres covered during the interval
WMH 3256	Leyland	14th December 1977———11th January 1978———1st March 1978———29th March 1978 (11,228 kms) (21,684 kms) (10,072 kms)
WMH 3257	Do.	29th October 1977———5th December 1977———5th January 1978———27th February 1978 (15,555 kms) (10,180 kms) (17,229 kms)
WMH 3258	Do.	6th December 1977———28th January 1978———27th February 1978———23rd March 1978 (20,717 kms) (11,184 kms) (8,926 kms)
WGH 7182	Do.	2nd September 1977———2nd January 1978———8th March 1978 (14,233 kms) (8,592 kms)
WMH 3351	Do.	22nd April 1977———18th May 1977———22nd June 1977———3rd August 1977———30th September 1977 (13,810 kms) (7,608 kms) (10,403 kms) (12, 293 kms)
WGH 9149	TMB	16th December 1977———13th March 1978 (29,249 kms)
WGH 1994	Do.	28th January 1978———23rd May 1978 (*19,373 kms)

*Exclusive of the kilometres covered during May 1978 as the same are not recorded in the History Sheet.

APPENDIX "F"

(Reference : Paragraph 8.07 of Section VIII of page 73)

Statement showing instances of change of gear oil

Vehicle number	Make	Successive dates of gear oil change along with kilometres covered during the interval
WMH 3256	Leyland	10th September 1977———11th January 1978 (47,123 kms)
WMH 3257	Do.	27th July 1977———4th December 1977———5th January 1978 (48,285 kms) (10,180 kms)
WMH 3258	Do.	5th May 1977———17th November 1977 (78,179 kms)
WGH 9149	TMB	14th July 1977———16th December 1977 (41,122 kms)