

Presented to State
Legislature on 12.7.2009

**REPORT OF THE COMPTROLLER AND
AUDITOR GENERAL OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2008

COMMERCIAL

GOVERNMENT OF BIHAR

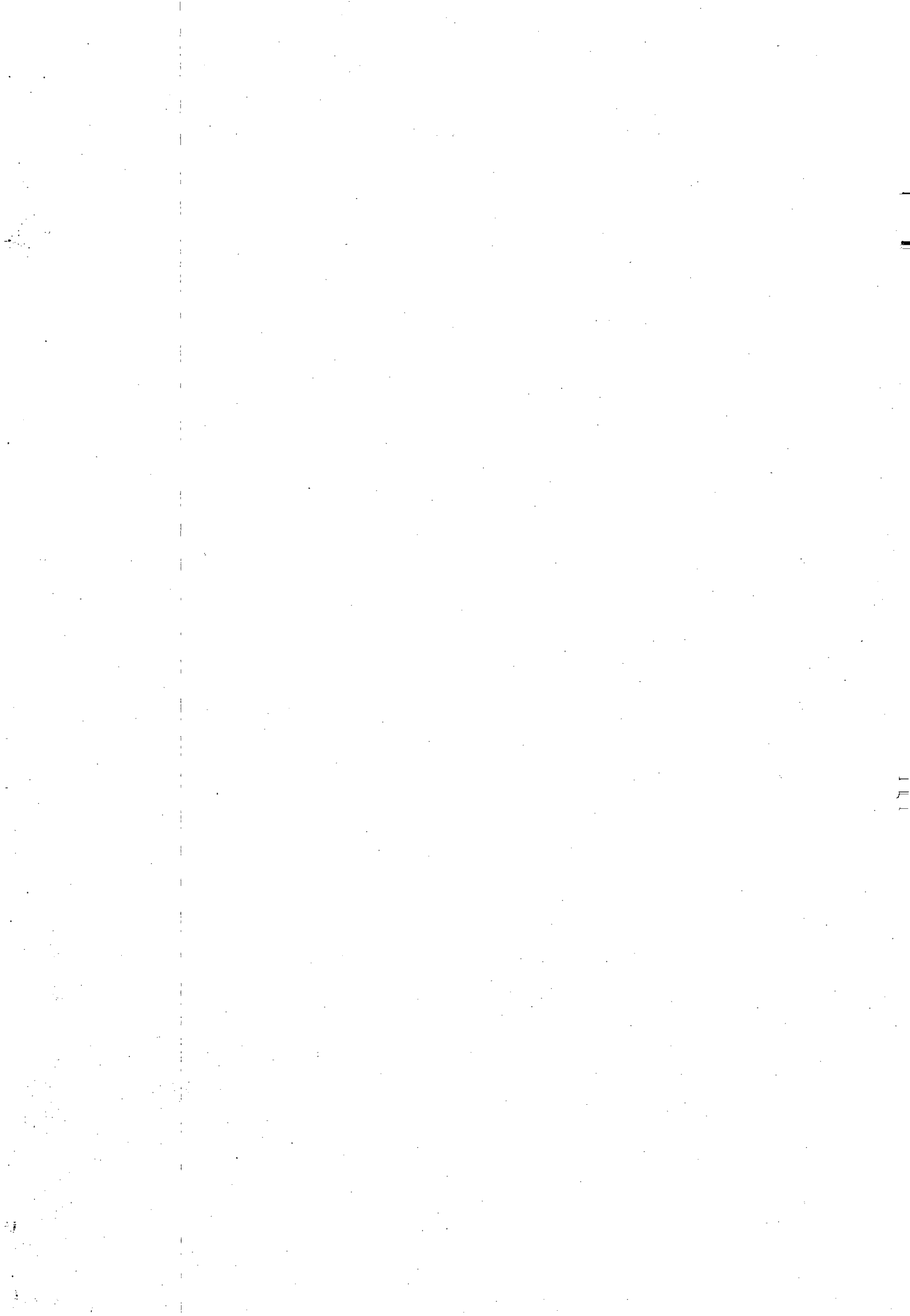


TABLE OF CONTENTS

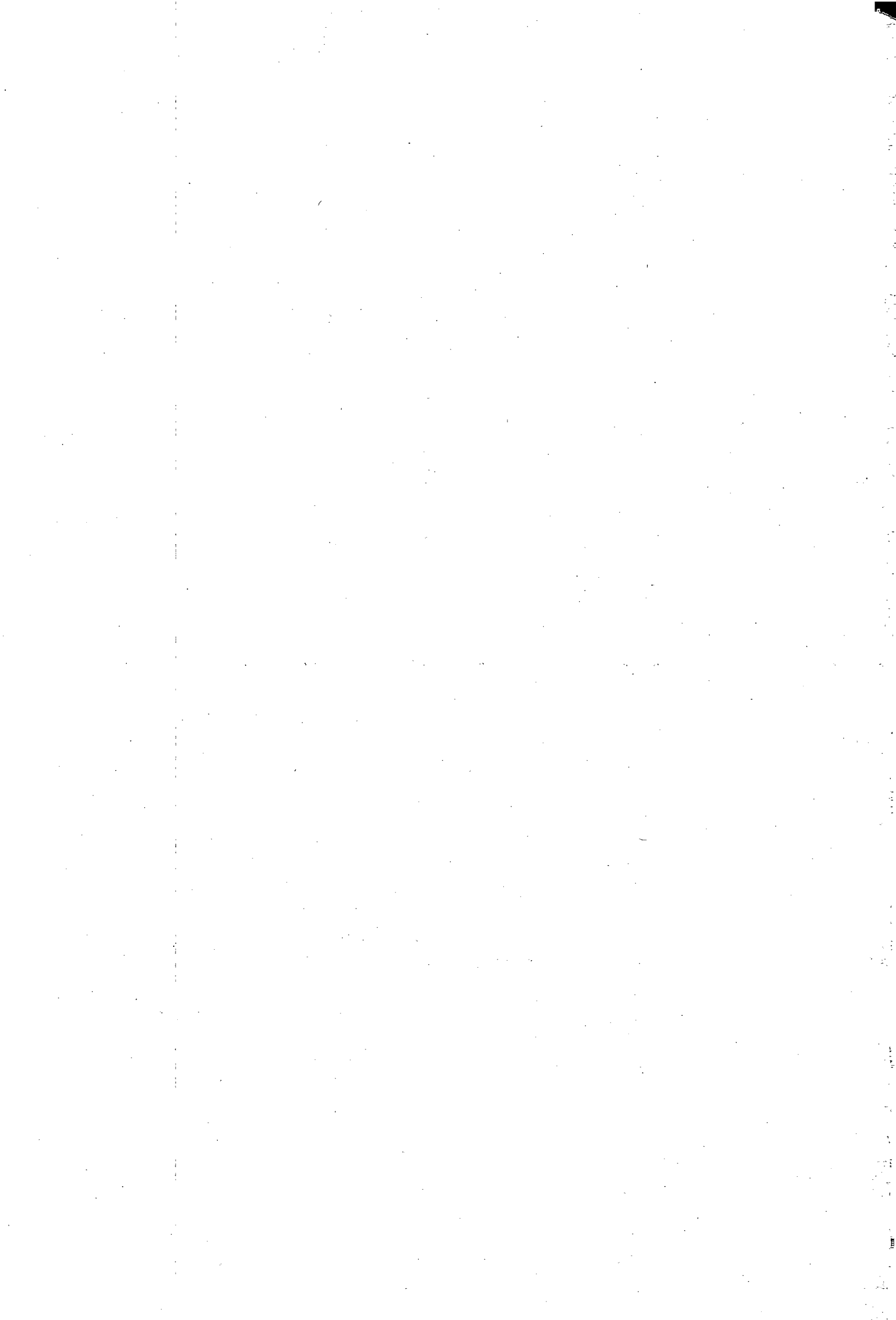
Particulars	Reference to	
	Paragraph (s)	Page (s)
Preface	-	vii
Overview	-	ix-xii
CHAPTER-I		
Overview of Government companies and Statutory corporations	1	1-17
Introduction	1.1	1
Working Public Sector Undertakings (PSUs)	1.2-1.13	2-8
State Electricity Regulatory Commission	1.14	8
Reforms in Power Sector	1.15	8-9
Non working Public Sector Undertakings	1.16-1.20	10-11
Status of placement of Separate Audit Reports of Statutory corporations	1.21	11-12
Disinvestment, privatisation, restructuring and reconstruction of Public Sector Undertakings	1.22	12
Results of audit of accounts of PSUs	1.23	12-14
Audit assessment of the working results of Bihar State Electricity Board (BSEB)	1.24	15
Recoveries at the instance of Audit	1.25	15
Internal audit / Internal control	1.26	16
Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)	1.27	16-17
619-B Companies	1.28	17
CHAPTER - II		
Performance reviews relating to Statutory corporations	2	18-48
Performance review on Material management in Transmission and Distribution wings of Bihar State Electricity Board	2.1	18-34
Highlights	-	18
Introduction	2.1.1	18-19
Scope of audit	2.1.2	19
Audit objectives	2.1.3	19-20
Audit criteria	2.1.4	20
Audit methodology	2.1.5	20
Audit findings	2.1.6-2.1.30	20-33
Material management	2.1.7	20
Planning	2.1.8	21
Assessment of requirement	2.1.9	21

Particulars	Reference to	
	Paragraph (s)	Page (s)
Purchase procedure	2.1.10	21-22
Deficiencies in procedure	2.1.11	22
Details of purchase	2.1.12	22-23
Purchase in excess of requirement	2.1.13	23
Delay in finalisation of tenders	2.1.14	23
Avoidable expenditure on purchase of SF-6 Gas cylinders	2.1.15	24
Unfruitful expenditure in supply/installation of defective electronic meters	2.1.16	24-25
Avoidable expenditure on purchase/transportation of PSC poles	2.1.17-2.1.18	25-26
Physical verification of stores	2.1.19	26-27
Deficiencies noticed in physical verification	2.1.20	27
Theft of materials	2.1.21-2.1.23	27-29
Inventory control and store management	2.1.24-2.1.26	29-31
Ineffective inventory management	2.1.24	29
Materials lying in stores	2.1.25	30-31
Non disposal of scrap	2.1.26	31
Advance to suppliers	2.1.27	32
Non maintenance of priced store ledger	2.1.28	32
Internal control and internal audit	2.1.29-2.1.30	33
Acknowledgment	-	33
Conclusion	-	34
Recommendations	-	34
Information Technology review on Computerisation of Bihar State Electricity Board	2.2	35-48
Highlights	-	35
Introduction	2.2.1	35-36
Organisational set up	2.2.2	36
Scope of audit	2.2.3	36
Audit objectives	2.2.4	36
Audit criteria	2.2.5	36-37
Audit methodology	2.2.6	37
Audit findings	2.2.7	37
Planning and Organisation	2.2.8-2.2.9	37-38
IT system acquisition and its implementation	2.2.10-2.2.12	38
General Control	2.2.13-2.2.14	38-39
Physical and Environmental Control	2.2.15-2.2.16	39
Business Continuity Plan	2.2.17	39-40
Application Control	2.2.18-2.2.20	40-41
Completeness of data base	2.2.18	40
Gap in ID	2.2.19	40-41
Sanctioned load	2.2.20	41

Particulars	Reference to	
	Paragraph (s)	Page (s)
Meter information	2.2.21	41-42
Meter rent	2.2.22	42
Validation checks	2.2.23	42
Business Rule Mapping	2.2.24-2.2.26	42-44
Shunt capacitor surcharge	2.2.24	42-43
Non-charging of additional security deposit	2.2.25	43
Fixed charges	2.2.26	43-44
Manual Intervention	2.2.27-2.2.28	44
Delayed payment surcharge (DPS)	2.2.27	44
Short/excess charging of Electricity Duty	2.2.28	44
Other points of Interest	2.2.29-2.2.30	44-45
Outstanding arrears of energy charges	2.2.29	44-45
Delay in billing	2.2.30	45
Evaluation of work by outsourced agencies	2.2.31-2.2.35	45-47
Agreement with the agencies	2.2.32	45
Back up of data	2.2.33	45
Defects in database maintained by outsourced agencies	2.2.34	46
Duplicate money receipt	2.2.35	46-47
Conclusion	-	47-48
Recommendations	-	48
CHAPTER - III		
Transaction audit observations	3	49-69
Government companies and Statutory corporations		
Bihar Rajya Pul Nirman Nigam Limited		
Avoidable payment of Income tax and penal interest on Income tax	3.1	49-50
Bihar State Minorities Financial Corporation Limited		
Avoidable payment of penal interest	3.2	50-51
Bihar State Food and Civil Supplies Corporation Limited		
Embezzlement	3.3	51-52
Bihar State Hydroelectric Power Corporation Limited		
Idle investment due to delay	3.4	53
Bihar State Backward Classes Finance and Development Corporation		
Non-achievement of objective	3.5	54-60
Statutory Corporations		
Bihar State Road Transport Corporation		
Loss of Revenue	3.6	60-61

Particulars		Reference to	
		Paragraph (s)	Page (s)
Bihar State Electricity Board			
	Wasteful expenditure	3.7	61-62
	Waiver of notice period charge	3.8	62-63
	Unfruitful expenditure	3.9	63-64
	Idle expenditure on power sub-stations and related 33 KV lines	3.10	64-65
	Short assessment of revenue	3.11	65-66
	Non collection of security deposits	3.12	66-67
	Non-compliance with Accounting Standards	3.13	67-68
General			
	Response to inspection reports, draft paragraphs and reviews	3.14	68-69
Annexures			
1.	Statement of particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2008 in respect of Government companies and Statutory corporations	1.3, 1.4, 1.5 & 1.17	73-78
2.	Summarised Financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised	1.6, 1.7, 1.13, 1.19 & 1.20	79-84
3.	Statement of subsidy received, guarantees received, waivers of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2008.	1.5 & 1.17	85
4.	Statement showing investments made by State Government in PSUs whose accounts are in arrears	1.6 & 1.19	86-87
5.	Statement of financial position of Statutory corporations	1.7	88-89
6.	Statement of working results of Statutory corporations	1.7	90-91
7.	Statement showing operational performance of Statutory corporations	1.12	92-94
8	Statement showing the names of the Government Companies of Bihar which are ordered to be wound up	1.16	95
9	Statement of names of the Companies for which decision for division of Assets,	1.22	96

Particulars		Reference to	
		Paragraph (s)	Page (s)
	Liabilities and Management has been taken		
10	Observations of the Statutory Auditors on the Internal Control / Internal Audit system of the Companies	1.26	97
11	Statement of paid-up capital, investment and summarised working results of 619 (B) companies as per their latest finalised accounts	1.28	98
12.	Statement showing shortage of materials found in physical verification of stores	2.1.19	99
13.	Statement showing the details of the State Public Sector Undertakings which violated the Accounting Standards in preparation of financial statements	3.13	100
14.	Statement of department wise outstanding Inspection Reports (IRs)	3.14	101
15	Statement of department wise draft paragraphs/reviews, reply to which are awaited	3.14	102



Preface

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 corporations, and
- (iii) Departmentally managed commercial undertakings.

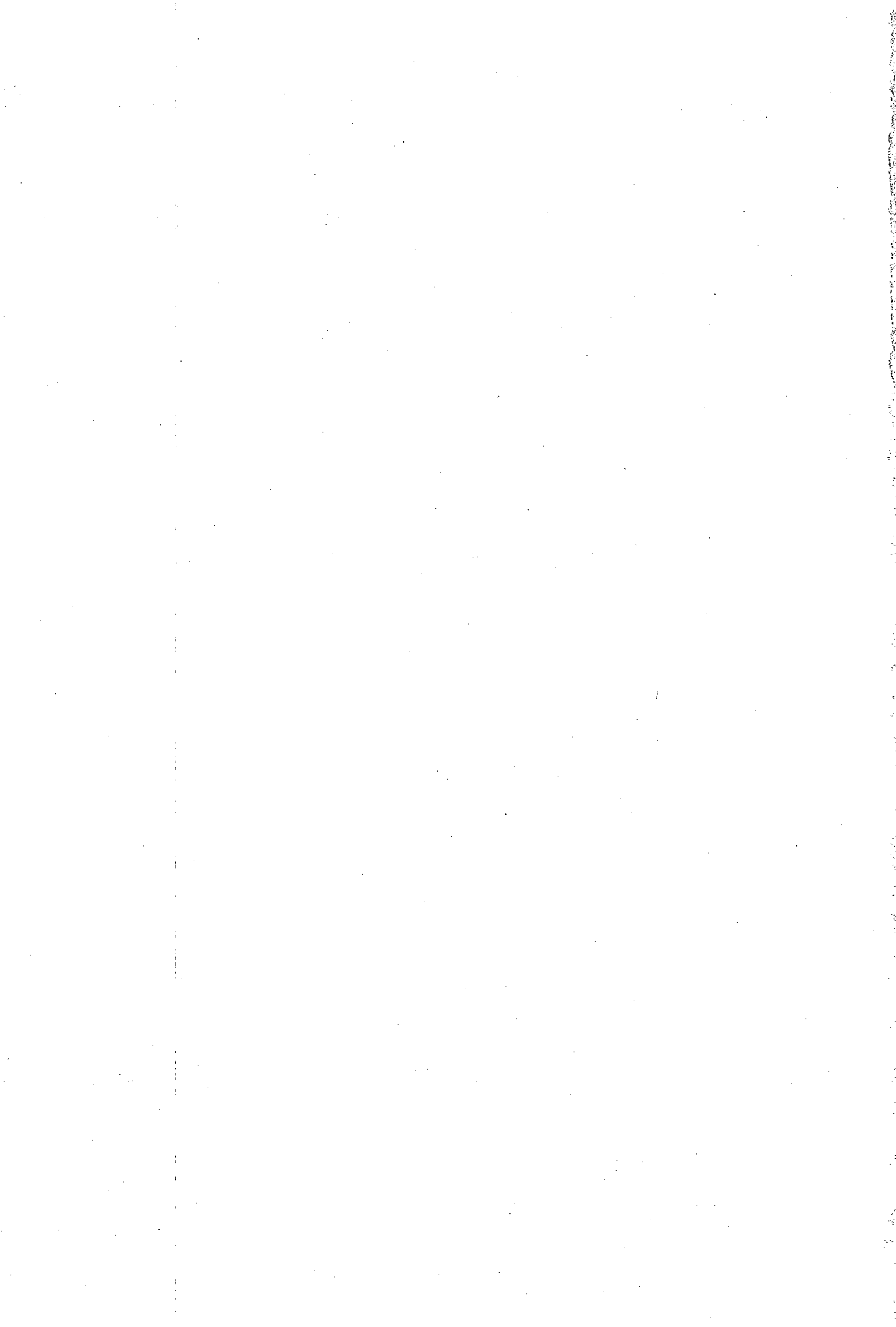
2. This report deals with the results of audit of Government companies and Statutory corporations, including Bihar State Electricity Board and has been prepared for submission to the Government of Bihar under Section 19A of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008 (Civil) - Government of Bihar.

3. Audit of accounts of Government companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Bihar State Road Transport Corporation and Bihar State Electricity Board which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. As per the State Financial Corporations (Amendment) Act 2000, CAG has the right to conduct the audit of accounts of Bihar State Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Bihar State Warehousing Corporation, the CAG has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with the CAG. In respect of Bihar Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2007-08 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2007-08 have also been included, wherever necessary.

6. The audit in relation to the material included in this report has been conducted in conformity with the Auditing Standards issued by the CAG.



Overview

I Overview of Government companies and Statutory corporations

- As on 31 March 2008, the State had 54 Public Sector Undertakings (PSUs) comprising 50 Government companies and four Statutory corporations, as against 55 Public Sector Undertakings (PSUs) comprising 51 Government companies and four Statutory corporations on 31 March 2007. Out of the 50 Government companies, 16 were working while 34 were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there were eight companies (two working and six non working) under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2008.

(Paragraphs 1.1 and 1.28)

- The total investment in the working Public Sector Undertakings increased from Rs. 7,929.91 crore as on 31 March 2007 to Rs. 7,976.96 crore as on 31 March 2008. The total investment in non-working PSUs was Rs. 718.03 crore as on 31 March 2008.

(Paragraphs 1.2 and 1.16)

- The Budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 264.84 crore in 2006-07 to Rs. 320.16 crore in 2007-08. The total amount of outstanding loans guaranteed by the Government to PSUs as on 31 March 2008 was Rs. 459.11 crore.

(Paragraph 1.5)

- None of the working Government companies and Statutory corporations have finalised their accounts for the year 2007-08 within the stipulated period. The accounts of 16 working Government companies and four working Statutory corporations were in arrears for periods ranging from 1 to 19 years as on 30 September 2008. The accounts of all the non-working Government companies were in arrears for periods ranging from 13 to 31 years as on 30 September 2008.

(Paragraphs 1.6 and 1.19)

- According to the latest finalised accounts, six working PSUs (four Government companies and two Statutory corporations) earned an aggregate profit of Rs. 38.24 crore. Against this, 13 working PSUs (11 Government companies and two Statutory corporations) incurred an aggregate loss of Rs. 946.16 crore as per their latest finalised accounts. Of the loss incurring working Government companies, seven companies whose accounts were finalised during October 2007 to September 2008 had accumulated losses aggregating Rs. 226.55 crore, which exceeded their aggregate paid-up capital of Rs. 34.29 crore. The two loss incurring Statutory corporations had accumulated losses of Rs. 2,149.14 crore.

(Paragraphs 1.7, 1.9 and 1.11)

2. Performance reviews relating to Statutory corporations

Performance reviews relating to Material Management in transmission and distribution wings and Information Technology review on Computerisation of **Bihar State Electricity Board** were conducted. Some of the major findings are as follows:

Material management in transmission and distribution wings of Bihar State Electricity Board

Performance of Bihar State Electricity Board (Board) with regard to material management in transmission and distribution wings was found to be deficient due to improper assessment of the requirements resulting in procurement of materials in excess of requirements, delay in finalisation of tender leading to avoidable expenditure on purchase of materials, non conduct of physical verification of stores and non-disposal of scrap, etc.

Some of the major deficiencies noticed are as under:

- Materials valuing Rs. 2.39 crore were purchased in excess of the requirement.
- The Board incurred unfruitful expenditure of Rs. 16.47 crore on purchase and installation of electronic meters and avoidable expenditure of Rs. 1.99 crore on purchase and transportation of PSC poles.
- Annual Physical verification of stores was not carried out as per norms.
- Stores valued Rs. 18.20 crore had not moved for more than five years and stores worth Rs. 1.5 crore were lying idle in locked stores.
- The Board lost Rs. 3.24 crore due to inadequate action in cases relating to theft of materials.
- Out of total scrap of Rs. 44.53 crore, the Board disposed of scrap valuing Rs. 7.45 crore (*17 per cent*) during the period 2004-08 and scrap worth Rs. 37.08 crore was lying undisposed.
- Priced store ledger and stores abstract book were not being maintained showing the absence of an effective system of stock reconciliation.

(Chapter 2.1)

Information Technology review on Computerisation of Bihar State Electricity Board

Performance of the Board with regard to computerisation was found to be deficient due to non assessment of requirement, incomplete data base, non-appointment of IT skilled man-power and non adherence to the terms of agreement with outsourced agencies. Some of major deficiencies noticed are as under:

- In the absence of adequate IT skilled manpower, the Board continued to depend on NIC even after six years of computerisation.

- The RF networking between divisions and headquarters, done at a cost of Rs. 21.09 lakh did not materialise.
- Lack of input controls and validation checks resulted in incomplete, inaccurate and unreliable database.
- Non mapping of business rules led to short or non levy of shunt capacitor surcharge, additional Security Deposits, Fixed charges for three phase connection from customers.
- Due to manual interventions the surcharge for delayed payments were collected incorrectly.
- Poor monitoring and deficient controls over the outsourced agencies led to deficient data and possible irregularities in accounting for the receipts from the customers.

(Chapter 2.2)

3. Transaction audit observations

Audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving financial irregularities.

The irregularities pointed out are broadly of the following nature:

- *Avoidable payment of Rs. 1.58 crore in two cases.*
(Paragraphs 3.1 and 3.2)
- *Embezzlement of Rs. 0.67 crore in one case.*
(Paragraph 3.3)
- *Idle investment of Rs. 7.29 crore in two cases.*
(Paragraphs 3.4 and 3.10)
- *Loss of Revenue and interest of Rs. 2.28 crore in three cases.*
(Paragraphs 3.6, 3.11 and 3.12)
- *Wasteful / unfruitful expenditure of Rs. 43.94 crore in two cases.*
(Paragraphs 3.7 and 3.9)
- *Undue favour of Rs. 0.24 crore in one case.*
(Paragraph 3.8)
- *Non-achievement of objectives and non-compliance with Accounting standards*
(Paragraphs 3.5 and 3.13)

Gist of some of the important audit observations is given below:

- In **Bihar Rajya Pul Nirman Nigam Limited**, losses for the years 1997-99 could not be set off against the profit for 2005-06 due to non-filing of Income Tax returns for 1997-99 which resulted in avoidable payment of Income Tax of Rs. 1.06 crore. Failure of the Company to

pay advance tax in time resulted in avoidable payment of interest on Income tax of Rs. 22.08 lakh.

(Paragraph 3.1)

- Embezzlement due to non observance of internal control system in **Bihar State Food and Civil Supplies Corporation Limited** resulted in loss of Rs. 66.73 lakh to the Company.

(Paragraph 3.3)

- In **Bihar State Electricity Board**, failure of the cables laid across Mahatma Gandhi Setu and associated Over Head Transmission lines resulted in unfruitful expenditure of Rs. 43.06 crore.

(Paragraph 3.9)

- The **Board** incurred an idle expenditure of Rs. two crore due to non completion of power sub-stations and related 33 KV line.

(Paragraph 3.10)

- The **Board** suffered a loss of Rs. 1.49 crore due to non billing according to tariff provision.

(Paragraph 3.11)

Chapter 1

I. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2008, there were 50¹ Government companies (16 working and 34 non-working²) and four Statutory corporations (all working) as against 51 Government companies (17 working and 34 non-working²) and four Statutory corporations (all working) under the control of the State Government as on March 2007. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per the provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the Corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1	Bihar State Electricity Board (BSEB)	Rule 14 of Electricity (Supply) (Annual Accounts) Rules, 1985 read with section 172 (a) and 185 (2) (d) of the Electricity Act, 2003	Sole audit by the CAG
2	Bihar State Road Transport Corporation (BSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG
3	Bihar State Financial Corporation (BSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by the CAG
4	Bihar State Warehousing Corporation (BSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG

The State Government has formed Bihar Electricity Regulatory Commission and its audit has been entrusted to the CAG under Section 104(2) of the Electricity Act, 2003.

¹ Excluding Tenughat Vidyut Nigam Limited. which had been transferred under the audit jurisdiction of A.G.(Audit), Jharkhand.

² Non-working companies are those which are under the process of liquidation, closure, merger etc.

Working Public Sector Undertakings (PSUs)

Investment in the working PSUs

1.2 The total investment in 21 working PSUs (17 Government companies and four Statutory corporations) and 20 working PSUs (16 Government companies and four Statutory corporations) at the end of March 2007 and March 2008 respectively, was as follows:

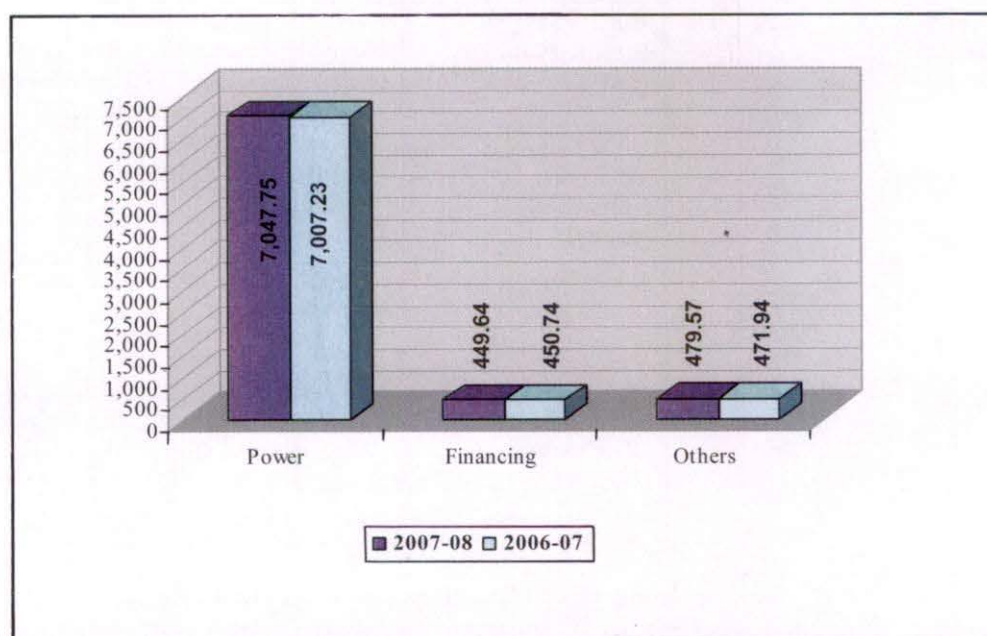
(Amount: Rupees in crore)

Year	Number of working PSUs and Corporations	Investment in the working PSUs			
		Equity	Share application money	Loan	Total
2006-07	21	463.08	9.86	7,456.97	7,929.91
2007-08	20	369.60	9.71	7,597.65	7,976.96 ¹

The analysis of investment in the working PSUs is given in the following paragraphs:

Sector-wise investment in the working Government companies and Statutory corporations

The investments (equity and long term loans) in various sectors at the end of 31 March 2008 and 31 March 2007 are indicated below in the bar chart:



¹ State Government investment in working PSUs was Rs. 7,093.12 crore (others Rs. 883.84 crore). The figure as per Finance Accounts is Rs. 11,703.49 crore. The difference is under reconciliation.

Working Government companies

1.3 The total investment in 17 working Government companies at the end of March 2007 and 16 working Government companies at the end of March 2008 respectively, was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Investment in the working Government companies			
		Equity	Share application money	Loan	Total
2006-07	17	282.60	7.86	1,100.80	1,391.26
2007-08	16	189.12	7.71	472.35	669.18

The decrease in investment during the year was mainly due to exclusion of investment in Tenughat Vidyut Nigam Limited.

The summarised statement of Government investment in the working Government companies in the form of equity and loans is detailed in **Annexure 1**.

As on 31 March 2008, the total investment in the working Government companies comprised 29.41 per cent equity capital and 70.59 per cent loans, as compared to 20.88 per cent and 79.12 per cent respectively, as on 31 March 2007.

Working Statutory corporations

1.4 The total investment in four working Statutory corporations at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Corporation	2006-07		2007-08	
	Capital	Loan	Capital	Loan
Bihar State Electricity Board (BSEB)	--	5,969.48	--	6,740.41
Bihar State Road Transport Corporation (BSRTC)	101.27	81.02	101.27	81.02
Bihar State Financial Corporation (BSFC)	77.84	299.19	77.84	299.19
Bihar State Warehousing Corporation (BSWC)	3.37	6.48	3.37	4.68
Total	182.48	6,356.17	182.48	7,125.30

The increase in the investment during the year was mainly due to receipt of loans by BSEB.

The summarised statement of Government investment in the working Statutory corporations in the form of equity and loans is detailed in **Annexure 1**.

As on 31 March 2008, the total investment in the working Statutory corporations comprised 2.50 per cent equity capital and 97.50 per cent loans as against 2.79 per cent and 97.21 per cent respectively as on 31 March 2007.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and Statutory corporations are given in Annexures 1 and 3.

The table below shows the budgetary support received by the working Government companies and Statutory corporations during the three years up to March 2008, in the form of equity capital and loans and grants/subsidies from the State Government:

(Amount: Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	--	--	--	--	2	9.20	1	2.00	2	4.05	--	--
Loans given from budget	2	122.78	1	1,053.46	2	51.09	2	202.55	--	--	2	293.11
Subsidy	--	--	--	--	--	--	--	--	1	23.00	--	--
Total outgo	2	122.78	1	1,053.46	4	60.29	3	204.55	3	27.05	2	293.11

During the year 2007-08, the Government had guaranteed loans aggregating Rs. 10.30 crore obtained by two working Government companies¹. In addition to this, subsidy from Government received by B.S. Text Book Corporation Limited was Rs. 23 crore. At the end of the year, guarantees on loans aggregating Rs. 459.11 crore against two working Government companies (Rs. 55 crore) and two working Statutory corporations (Rs. 404.11 crore) were outstanding. Guarantee commission of Rs. 37.62 lakh was payable by Bihar State Road Transport Corporation and Bihar State Financial Corporation to the Government.

Finalisation of accounts by the working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

¹ Bihar State Backward Classes Finance and Development Corporation and Bihar State Minorities Finance Corporation Limited.

Out of 20 working PSUs (16 Government companies and four corporations) no company/corporation had finalised its accounts for the year 2007-08 up to 30 September 2008 as can be seen from **Annexure 2**. During the period from October 2007 to September 2008, four working Government companies¹ finalised five accounts for the previous years. The accounts of 16 working Government companies were in arrears for periods ranging from 2 to 19 years. Besides, accounts of four Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2008, as detailed below:

Sl. No.	No. of working companies/corporations		Years for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	1	--	1989-90 to 2007-08	19	A-10	--
2	1	--	1990-91 to 2007-08	18	A-6	--
3	1	--	1992-93 to 2007-08	16	A-15	--
4	1	--	1993-94 to 2007-08	15	A-2	--
5	2	--	1996-97 to 2007-08	12	A-11 & A-12	--
6	2	--	1997-98 to 2007-08	11	A-1 & A-14	--
7	2	--	1998-99 to 2007-08	10	A-7 & A-9	--
8	1	--	2000-01 to 2007-08	8	A-3	--
9	2	--	2001-02 to 2007-08	7	A-4 & A-5	--
10	2	1	2002-03 to 2007-08	6	A-8 & A-13	B-2
11	1	--	2006-07 to 2007-08	2	A-16	--
12	--	3	2007-08	1	--	B-1, B-3 & B-4
Total	16	4				

The State Government invested Rs. 5,089.50 crore (equity: Rs. 30.70 crore; loans: Rs. 4,132.80 crore; grants/subsidy: Rs. 926 crore) in 20 working PSUs during the year for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been

¹ Bihar Rajya Beej Nigam Limited, Bihar Rajya Pul Nirman Nigam Limited, Bihar State Electronics Development Corporation Limited and Bihar State Food & Civil Supplies Corporation Limited

properly accounted for and the purpose for which the amount was invested has been achieved or not and thus the Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. The concerned administrative departments were informed every quarter by the Audit regarding arrears in finalisation of accounts.

Financial position and working results of working PSUs

1.7 The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, the statement showing the financial position and working results of the individual working Statutory corporations for the last three years are given in **Annexures 5 and 6** respectively¹.

According to the latest finalised accounts of 15² working Government companies and four working Statutory corporations, 11³ companies and two⁴ corporations had incurred aggregate loss of Rs. 40.69 crore and Rs. 905.47 crore respectively. Four⁵ companies and two⁶ corporations earned aggregate profit of Rs. 10.41 crore and Rs. 27.83 crore respectively.

Working Government companies

Profit earning companies and dividend

1.8 Out of 15² working Government companies, which finalised their accounts for previous years by September 2008, four companies earned an aggregate profit of Rs. 10.41 crore. The State Government had, however, not formulated any dividend policy for payment of minimum dividend.

¹ On the basis of information provided by the Corporations.

² Excluding Bihar State Beverages Corporation Limited (First accounts not yet finalised).

³ Bihar Rajya Beej Nigam Limited, Bihar Rajya Matsya Vikas Nigam Limited, Bihar State Electronics Development Corporation Limited, Bihar Police Building Construction Corporation Limited, Bihar Rajya Pul Nirman Nigam Limited, Bihar State Minority Finance Corporation Limited, Bihar State Backward Classes Finance and Development Corporation, Bihar State Food & Civil Supplies Corporation Limited, Bihar State Hydro Electric Power Corporation Limited, Bihar State Credit and Investment Corporation Limited, Bihar State Text Book Publishing Corporation Limited.

⁴ Bihar State Electricity Board and Bihar State Road Transport Corporation.

⁵ Bihar State Forest Development Corporation Limited, Bihar State Mineral Development Corporation Limited, Bihar State Tourism Development Corporation Limited and Bihar State Film Development Corporation Limited.

⁶ Bihar State Financial Corporation and Bihar State Warehousing Corporation.

Loss incurring companies

1.9 Of the 11 loss incurring working Government companies, seven¹ companies had accumulated losses aggregating Rs. 226.55 crore, which exceeded their aggregate paid up capital of Rs. 34.29 crore. Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, grant, subsidy and loan. According to available information, the total financial support provided by the State Government by way of equity, grant, subsidy and loan during 2007-08 to three companies out of 11 companies amounted to Rs. 27.05 crore.

Government of Bihar had decided (June 2003) to wind up five companies² having a total Government investment in equity and loans to the extent of Rs. 19.07 crore. Out of these five companies, one company³ had filed petition for winding up in the Patna High Court.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Two out of the four Statutory corporations have finalised their accounts for previous years. According to latest finalised accounts, two corporations earned an aggregate profit of Rs. 27.83 crore.

Loss incurring Statutory corporations

1.11 According to latest finalised accounts, two corporations incurred an aggregate loss of Rs. 2,149.14 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in Annexure 7.

Return on Capital Employed

1.13 As per the latest annual accounts finalised up to September 2008, the capital employed⁴ worked out to Rs. 256.21 crore in 15⁵ working companies and the total return⁶ thereon amounted to Rs. (-) 4.63 crore as compared to total return of Rs. 5.22 crore in the previous year. Similarly, the capital

¹ Bihar Rajya Beej Nigam Limited, Bihar Rajya Matasys Vikas Nigam Limited, Bihar State Electronics Development Corporation Limited, Bihar State Police Building Construction Corporation Limited, Bihar Rajya Pul Nirman Nigam Limited, Bihar State Food & Civil Supplies Corporation Limited and Bihar State Credit & Investment Corporation Limited.

² Bihar State Forest Development Corporation Limited, Bihar State Film Development and Finance Corporation Limited, Bihar State Electronics Development Corporation Limited, Bihar State Police Building Construction Corporation Limited and Bihar Rajya Pul Nirman Nigam Limited.

³ Bihar State Film Development and Finance Corporation Limited.

⁴ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserve, bonds, deposits and borrowings (including refinance).

⁵ Excluding Bihar State Beverages Corporation Limited (First accounts not yet finalised).

⁶ For calculating total return on capital employed, interest on borrowed funds is added to the net profit/subtracted from the loss as disclosed in the profit and loss account.

employed and the total return thereon in case of working Statutory corporations as per their latest annual accounts finalised up to September 2008 worked out to Rs. 3,099.78 crore and Rs. 6.87 crore respectively, against the total return of Rs. 472.19 crore in previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure 2**.

State Electricity Regulatory Commission

1.14 Bihar Electricity Regulatory Commission (Commission) was formed in April 2002 under Section 17 (1) of Electricity Regulatory Commission Act, 1998 with the main objective of rationalising generation, transmission, distribution and supply of electricity in the State, regulating the electricity industry in the State, including the purchase, distribution, supply and utilisation of electricity, the quality of service, tariff and other charges, keeping in view the interest of the consumers and utilities and creating an environment which would attract participation of private sector enterpreneurs in the electricity industry in the State. The Commission is a body corporate and comprises three members including the Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2) of the Electricity Act, 2003. The commission has received no grants during the period 2007-08 and the total grants received up to March 2008 were Rs. 2.11 crore. The commission, however, had not submitted any of its accounts for audit and the same are in arrears since inception.

Reforms in Power Sector

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.15 A Memorandum of Understanding (MoU) was signed (September 2001) between the Government of Bihar (GoB) and Government of India (GoI) as a measure of joint commitment to undertake power sector reforms in a time-bound manner. In the conference of Chief Ministers/Power Ministers, held in March 2001, consensus was reached to depoliticise power sector reforms and to speed up their implementation. The status of implementation of the reforms programmes vis-à-vis respective commitments made in the MoU is as follows:

Sl. No.	Commitments as per MoU	Targeted completion schedule	Status (As on 31 March 2008)
1	2	3	4
Commitments made by State Government			
1	State Electricity Regulatory Commission (SERC)	December 2001	The State Electricity Regulatory Commission (SERC) operationalised with effect from 15 August 2005.
2	Rural electrification programme	By 2006	Out of total 45,103 villages of Bihar, 21,135 villages were electrified.
3	Reorganisation of the Board	December 2001	Power Finance Corporation (PFC) has been appointed as consultant and has submitted a Report to the Government. The unbundling of the Board is under process.

4	Securitisation of outstanding dues of Central Power Sector Undertakings	Not fixed	An amount of Rs. 2,075.61 crore has been securitised (September 2008) against the previous dues of Rs. 2,075.61 crore (September 2001).
5	100 per cent metering of all 11 KV distribution feeders and 100 per cent metering of all consumers	December 2001	The installation of meters in 11 KV distribution feeders is in progress. The consumer metering work in 12 Circles out of 16 Circles is being executed under APDRP. In the remaining 4 circles the metering work sanctioned under the State Plan are yet to be taken up (September 2008).
6	Energy audit	June 2002	Energy audit could not be implemented, as metering of 11 KV feeders has not been completed.
7	Reduction in transmission and distribution losses upto 15.5 per cent	December 2002	T&D losses were 40.85 per cent in 2002-03, 36.04 per cent in 2003-04, 37.88 per cent in 2004-05, 42.83 per cent in 2005-06, 42.61 per cent in 2006-07 and 39.00 per cent in 2007-08. So the target could not be achieved.
8	Three per cent return on fixed assets	March 2004	Three per cent return on fixed assets could not be achieved.
9	Distribution Information Management System	June 2003	The Board awarded the work of SCADA ¹ /DMS ² for two ³ circles and IT Implementation and feasibility report for DMS/SCADA for Seven ⁴ circles along with other work under APDRP, to PGCIL ⁵ in December 2003. The installation of SCADA/DMS in two circles was under progress ⁶ and IT implementation in other seven circles was also in progress.
10	Minimum agriculture tariff of 50 paise per unit	Nil	The tariff structure of the agricultural consumers has been revised (November 2006) to enforce the decision taken in the Chief Ministers/Power Ministers' Conference. It was decided to fix agricultural tariff at a minimum of 50 paise per unit. As per revision, tariff rates of 80 paise and 130 paise per unit for rural and urban feeder respectively have been fixed. But meters have not yet been installed.

¹ Supervisory Control and Data Acquisition System.

² Data Management System.

³ Patna Electricity Supply Unit (East) and Patna Electricity Supply Unit (West)

⁴ Bhagalpur, Chapra, Darbhanga, Gaya, Purnea, Rahtas and Saharsa.

⁵ Power Grid Corporation of India Limited.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.16 The total investment in the 34 non-working PSUs (all Government companies) at the end of March 2007 and March 2008 respectively was as follows:

(Amount: Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loan	Total
2006-07	34	159.62	6.76	551.65	718.03
2007-08	34	159.62	6.76	551.65	718.03 ¹

Government of Bihar had decided (June 2003) to wind up 12 non-working companies (Sl. No. 1 to 12 of Annexure 8) having a total Government investment in equity and loans to the extent of Rs. 529.42 crore. Out of these 12 companies, eight companies (Sl. No. 1 to 8) had filed petition for winding up in the Patna High Court along with four other companies (Sl. No. 13 to 16). Out of the 12 companies which filed petition for winding up, orders had been passed in respect of two² companies. The details of non-working companies to be wound up and the non-working companies which have filed petitions for winding up are listed in Annexure 8.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues, and conversion of loans into equity by the State Government in respect of non-working PSUs are given in Annexures 1 and 3. At the end of the year, guarantees aggregating Rs. 2.07 crore were outstanding against two³ non-working companies.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total liability on account of the establishment expenditure of non-working PSUs and the sources of financing them during the last three years up to 2007-08, as furnished by the respective companies are given below:

(Amount: Rupees in crore)

Year	No. of PSUs	Total liability on account of establishment expenditure	Financed by holding Company	Outstanding liability
2005-06	12 ⁴	4.10	0.92	3.18
2006-07	11 ⁴	2.86	0.44	2.42
2007-08	11 ⁴	1.29	0.28	1.01

¹ State Government investment in non-working PSUs was Rs. 641.32 crore (others Rs. 76.71 crore). The figure as per Finance Accounts is Rs. 261.55 crore. The difference is under reconciliation.

² Bihar State Handloom and Handicrafts Corporation Limited and Bihar Paper Mills Limited

³ Bihar State Leather Industries Development Corporation Limited and Bihar State Agro Industries Corporation Limited

⁴ Information in respect of remaining companies (22 and 23 for the years 2005-06 and 2006-08 respectively) was not furnished

Finalisation of accounts by non-working PSUs

1.19 The accounts of the 34 non-working companies were in arrears for periods ranging from 13 to 31 years as on 30 September 2008, as can be seen from **Annexure 2**.

The State Government invested Rs. 775.61 crore (equity: Rs. 54.43 crore; loans: Rs. 662.75 crore; grants/subsidy: Rs. 58.43 crore) in PSUs during the year for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus the Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. The concerned administrative departments were informed every quarter by the Audit regarding arrears in finalisation of accounts.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure 2**. The net worth¹ of 34 non-working Government companies was Rs. (-) 69.66 crore against their total paid-up capital of Rs. 101.04 crore. These companies suffered a cash loss² of Rs. 18.37 crore and their accumulated loss worked out to Rs. 175.06 crore.

Status of placement of Separate Audit Reports of Statutory corporations in the Legislature

1.21 The following table indicates the status of placement in the Legislature, of various Separate Audit Reports (SARs) issued by the CAG of India on the accounts of the Statutory corporations, by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in the Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Bihar State Electricity Board	1999-2000	2000-01 2001-02 2002-03 2003-04 2004-05	30.06.2004 12.03.2007 24.10.2007 20.02.2008 29.04.2008	Reasons not intimated in spite of specific reminders issued to place them in the legislature.

¹ Net worth represents investment in share capital and free reserves less accumulated loss.

² Cash loss represents loss for the year before depreciation.

2	Bihar State Road Transport Corporation	1973-74	1974-75 to 2001-02 (28) <u>Details</u>		Copies of reports were not made available by the corporation to the Government for placement.
			1991-92	9.6.1997	
			1992-93	2.9.1998	
			1993-94	2.9.1998	
			1994-95	4.12.1998	
			1995-96	18.4.2000	
			1996-97	19.03.2004	
			1997-98	19.10.2004	
			1998-99	12.04.2005	
			1999-00	07.10.2005	
			2000-01	24.09.2007	
			2001-02	26.10.2007	
3	Bihar State Financial Corporation	2004-05	2005-06	28.12.2007	Under printing.
4	Bihar State Warehousing Corporation	2004-05	2005-06	04.06.2008	Reasons not intimated in spite of reminders issued to place them in the legislature.

It can be seen from the above table that 35 SARs relating to the four Corporations were not laid before the Legislature for one to 28 years. Due to non-placement of SARs the Legislature was deprived of the opportunity of exercising financial control on these corporations.

Government should take concrete steps for placement of the Separate Audit Reports in the Legislature in time, as required under the respective Acts.

Disinvestment, privatisation, restructuring and reconstruction of the Public Sector Undertakings

1.22 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2007-08. Subsequent to the formation of Jharkhand State, restructuring of all the PSUs was to be taken up. The decision on the division of assets and liabilities as well as of the management of 12 Companies/Corporations was taken in September 2005.

The implementation, however, has been done only in the case of four¹ Companies/Corporations (September 2008). Details are given in Annexure 9.

Results of audit of accounts of PSUs

1.23 During the period from October 2007 to September 2008, the accounts of five Government companies and four Statutory corporations were selected for review.

Some of the major errors and omissions noticed in the course of audit of annual accounts of these companies/corporations are mentioned in the succeeding paragraphs.

¹ Bihar Rajya Beej Nigam Limited, Bihar State Warehousing Corporation, Bihar State Hydro Electric Power Corporation Limited and Bihar State Text Book Publishing Corporation Limited.

Errors and omissions noticed in case of Government companies

1.23.1 Comments by the Statutory Auditors

Bihar State Food & Civil Supplies Corporation Limited (1987-88)

- Interest on Term Loans during the year charged by the Bank totaling Rs. 24.61 lakh has not been capitalised resulting in understatement of loss during the year to the same extent.

Bihar Rajya Pul Nirman Nigam Limited (1997-98)

- Accounting System followed by the Corporation for construction works is not in conformity with the Accounting Standard (AS-7- Accounting for Construction contracts) issued by the Institute of Chartered Accountants of India.
- Non provision for past years deficit of Rs. 28.26 lakh in respect of Provident Fund Trust has resulted in understatement of total accumulated loss by Rs. 28.26 lakh.

1.23.2 Comments by the Comptroller and Auditor General of India

Bihar State Food & Civil Supplies Corporation Limited (1987-88)

- Non-accountal for remittance in transit lying unreconciled has resulted in overstatement of Cash and Bank Balance and Profit by Rs. 0.48 crore.

Bihar Rajya Pul Nirman Nigam Limited (1995-96)

- Non-provision for advances made to suppliers and carried forward since long time without recovery/unadjustment has resulted in overstatement of advances and understatement of loss by Rs. 0.12 crore.

Errors and omissions noticed in case of Statutory corporations

1.23.3 Comments by the Statutory Auditors

Bihar State Warehousing Corporation (2005-06)

- Against the total debts of Rs. 1,261.03 lakh, provision of Rs. 376.19 lakh only has been made. This does not appear to be adequate. In our opinion substantial amounts (Rs. 600.00 lakh approximately) is doubtful of recovery for which provision should have been made. Short provision for approximately Rs. 600.00 lakh has resulted in overstatement of sundry debtors and understatement of loss.
- Treatment of Income tax liability does not ensure compliance of mandatory accounting policy AS-22 issued by the Institute of Chartered Accountants of India.

Bihar State Warehousing Corporation (2006-07)

- The practice related to Capitalisation of expenses followed by corporation does not ensure booking of capital expenditure in time. This has resulted in overstatement of advances, understatement of fixed assets and overstatement of profit due to short provision of depreciation.

1.23.4 Comments by the Comptroller and Auditor General of India

Bihar State Electricity Board (2004-05)

- Non accountal of coal stock shortages pending investigation at MTPS to the revenue account in violation of the rules resulted in overstatement of fuel stock and understatement of loss by Rs. 6.34 crore.
- An excess credit of Rs. 51.83 crore has been taken in the Cash Books during the period April 1983 to March 2003 which has resulted in overstatement of cash and bank balances, and understatement of loss by Rs. 51.83 crore.

Bihar State Road Transport Corporation (2001-02)

- Non-provision of dues on account of gratuity, leave encashment etc against employees retired/died/separated upto 31 March 2001 has resulted in understatement of gratuity as well as loss to the extent of Rs. 51.44 crore.
- Non-provision of irrecoverable tax deductible at source by Commercial Tax Department has resulted in understatement of provisions and loss.

Bihar State Financial Corporation (2004-05)

- Non- provision on account of arrears of salary payable to employees and interest on Government funds for Bonds shown as contingent liabilities has resulted in understatement of loss and other liabilities by Rs. 19.52 crore.

Bihar State Financial Corporation (2005-06)

- Non-provision for rent and maintenance receivable from various tenants are doubtful of recovery and has resulted in overstatement of assets and understatement of loss by Rs. 1.16 crore.
- Non-provision for Minimum Guaranteed Dividend of Rs. 2.45 crore has resulted in understatement of other liabilities and overstatement of profit to the same extent.
- Non-provision for interest on Government Loans has been shown as contingent Liabilities and has resulted in understatement of other liabilities and overstatement of profit by Rs. 23.38 crore.

Audit assessment of the working results of Bihar State Electricity Board (BSEB)

1.24 Based on the working results of BSEB for three years up to 2006-07, taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts up to the year 2004-05 and excluding the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of BSEB are as given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	2004-05	2005-06 (Provisional)	2006-07 (Provisional)
1	Net deficit as per the books of accounts.	54.31	429.42	854.61
2	Subsidy/Grants-in-aid from the State Government.	803.60	844.00	720.00
3	Net deficit before subsidy from the State Government. (1+2)	857.91	1,273.42	1,574.61
4	Net increase in deficit on account of audit comments on the annual accounts of the BSEB.	289.62	Audit completed, Comments under finalisation.	Not yet finalised.
5	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government. (3+4)	1,147.53	Audit completed, Comments under finalisation.	Not yet finalised.
6	Total return on capital employed. ¹	484.44	197.22	(-)45.31

Recoveries at the instance of Audit

1.25 A test check of the records of Bihar State Electricity Board conducted during 2007-08 disclosed wrong/short levy of tariff/short realisation of revenue aggregating Rs. 65.05 lakh. The Board accepted the audit observation and raised supplementary bills and recovered the short levy.

¹ Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Internal audit / Internal control

1.26 Under Section 227(4) of the Companies Act, 1956, the Statutory Auditors (Chartered Accountants) are required to report on the adequacy of Internal Control procedures commensurate with the size of the company and the nature of its business. Further, they are also required to furnish a supplementary report upon various aspects including the Internal Control/Internal Audit, in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619 (3) (a) of the Companies Act, 1956, and to identify areas which need improvement. Further, according to Section 292 A of the Act, *ibid*, as amended by the Companies (Amendment) Act 2000, every public company having paid-up capital of not less than rupees five crore is required to constitute an Audit Committee for ensuring compliance with Internal Controls; their adequacy and to review financial statements, before their submission to the Board of Directors.

An analysis of 12 such reports on the accounts of six Government companies relating to accounts finalised during October 2007 to September 2008, revealed that the Internal Control/Internal Audit system was inadequate in five companies. The deficiencies pointed out are given in **Annexure 10**.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.27 The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs discussed in the COPU as at the end of September 2008 is as shown below:

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1981-82	5	8	1	8
1982-83	8	18	4	18
1983-84	4	34	2	30
1984-85	3	9	2	8
1985-86	3	21	-	18
1986-87	6	29	-	24
1987-88	5	23	2	17
1988-89	4	44	-	44
1989-90	6	48	-	38
1990-91	4	39	-	36
1991-92	4	49	1	34
1992-93	5	31	-	23
1993-94	3	32	-	28
1994-95	3	19	1	13
1995-96	3	21	1	14
1996-97	3	21	1	4
1997-98	2	25	-	2
1998-99	6	15	-	5
1999-2000	3	15	1	-

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	2	13	-	-
2001-02	3	9	-	-
2002-03	3	7	-	-
2003-04	3	10	-	-
2004-05	3	9	1	6
2005-06	4	10	-	-
2006-07	3	13	-	-
Total	101	572	17	370

619-B companies

1.28 There were eight companies (two working and six non-working) under Section 619-B of the Companies Act, 1956, of which six companies have not finalised any accounts since inception. Applications for closure of these six companies had been filed in the High Court, Patna by Sone Command Area Development Agencies (SCADA) in September 2000. The details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies, based on their latest finalised accounts, are given in **Annexure 11**.

Chapter II

2. Performance reviews relating to Statutory Corporations

2.1 Performance review on Material management in Transmission and Distribution wings of Bihar State Electricity Board

Highlights

Materials valuing Rs. 2.39 crore were purchased in excess of the requirement.

(Paragraph 2.1.13)

The Board incurred unfruitful expenditure of Rs. 16.47 crore on purchase and installation of electronic meters and avoidable expenditure of Rs. 1.99 crore on purchase and transportation of PSC poles.

(Paragraphs 2.1.16, 2.1.17 and 2.1.18)

Annual Physical verification of stores was not carried out as per norms.

(Paragraph 2.1.19)

Stores valued Rs. 18.20 crore had not moved for more than five years and stores worth Rs. 1.5 crore were lying idle in locked stores.

(Paragraph 2.1.25)

The Board lost Rs. 3.24 crore due to inadequate action in cases relating to theft of materials.

(Paragraphs 2.1.21 and 2.1.22)

Out of total scrap of Rs. 44.53 crore, the Board disposed of scrap valuing Rs. 7.45 crore (*17 per cent*) during the period 2004-08 and scrap worth Rs. 37.08 crore was lying undisposed.

(Paragraph 2.1.26)

Priced store ledger and stores abstract book were not being maintained showing the absence of an effective system of stock reconciliation.

(Paragraph 2.1.28)

Introduction

2.1.1 Bihar State Electricity Board (Board) was formed on 1 April 1958 under section 5 of the Electricity (Supply) Act, 1948, mainly to supply electricity within the State. The Board is involved in generation, transmission and distribution of energy. To enable the Board to create and maintain its

infrastructure, materials and stores play a vital and effective role necessitating the need for adequate and proper material management.

The procurement of required materials is processed by the Central Purchase Committee (CPC). The Chief Engineer (Transmission) at Board headquarters procures the materials for transmission wing and the Chief Engineer (Stores & Purchase) for the distribution wing. Besides, the General Managers cum Chief Engineers of the two transmission zones and seven area Boards make purchases for the zones/area boards. Further, Superintending Engineers of the circles are delegated with power to procure materials for seven transmission and sixteen supply circles through Local Purchase Committees (LPC).

A review on material management in transmission and distribution wing of the Bihar State Electricity Board featured in the Report of the Comptroller and Auditor General of India for the year 1997-98 (Commercial), Bihar. The Report was yet (October 2008) to be discussed by the Committee on Public Undertakings.

The Bihar State Electricity Board is headed by a Chairman who is assisted by Member (Finance and Revenue), Member (Distribution and R.E.) and Member (Generation and Transmission).

Scope of Audit

2.1.2 The present review covers the performance of the Board in planning, procurement and utilization of the line materials for the five year period ended 31 March 2007¹. The activities of the Board were reviewed during the period from October 2007 to April 2008, covering Board Headquarters, five out of nine area boards/ zones (55 per cent) and 12 out of 23 supply/transmission circles (43 per cent) including stores, which were selected on the basis of despatch allocation and volume of purchase of materials (Rs. 270.72 crore, i.e., 66.25 per cent). Purchase transactions made during 2007-08 valued Rs. 53 crore were also selected for test check.

Audit Objectives

2.1.3 The performance review of material management in Bihar State Electricity Board was carried out to assess whether:

- the proper assessment of requirement of material was made before the purchase;
- the purchases were made ensuring economy while adhering to the laid down procedures and the materials procured were properly accounted for;
- physical verification of stocks was carried out as per norms and shortages/excess found were analysed promptly;
- the materials were guarded against theft/pilferage/overstocking etc;
- the materials procured were issued to the users promptly; and

¹ Figures for 2007-08 are not available.

- obsolete, unserviceable and condemned stores were duly identified and reported for disposal and these were disposed of in the best interest of the Board.

Audit criteria

2.1.4 The audit criteria, adopted for assessing the achievement of audit objectives were:

- Provisions of the Electricity (Supply) Act, 1948 and Electricity Act, 2003;
- Delegation of financial powers to the officers of the Bihar State Electricity Board;
- Financial and Account Code, Chapter-VII (Stores) (store manual).

Audit methodology

2.1.5 The following mix of methodologies was adopted:

- analysis of indents, Notice Inviting Tenders (NITs), Management Information System (MIS) returns and material budgets;
- review and analysis of Purchase Order files, deliberation of CPC/ LPC, registers and reports from user departments and case files relating to default and defective supply;
- review and analysis of reports of stores officers, reports on inspections, reports to authorities/ suppliers and MIS returns;
- review and analysis of records maintained at stores, survey committee reports, etc.

Audit findings

2.1.6 The audit findings were reported to the Government/Board in June 2008 and discussed in the meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) held on 12 September 2008 which was attended by the Secretary, Energy Department, Government of Bihar and the Chairman, Bihar State Electricity Board. The views expressed by the Management have been taken into consideration while finalising the performance review.

The Audit findings are discussed in succeeding paragraphs.

Material management

2.1.7 Material Management is an integrated Management approach to efficient planning, economic procurement and efficient utilisation of material inputs to control material cost and inventories to ensure uniform flow of materials of requisite quality and quantity at the appropriate time with minimum storage cost.

Planning

2.1.8 The main functions of Planning Department of the Board were as follows:

- Formulation, implementation and monitoring of five year plan and annual programme,
- Preparation of annual development programme and material budget,
- Compilation of statistical data from field offices, and
- Preparation of monthly administrative report and annual progress reports.

Audit observed that electricity statistics report were prepared only up to 1999-2000. Though the Board prepared annual budgets for generation, purchase and sale of energy, the same were not communicated to the concerned units. As a result the Board could not monitor their performance.

The Chief Engineer (Planning) stated that monitoring of plans was not possible due to shortage of officers and staff. The Planning Wing in the Board is not functioning as required for the various functions stated above.

Assessment of requirement

2.1.9 To ensure efficient control over stores, proper estimates of requirements have to be made keeping in view the principles of material management which includes ABC value analysis and movement analysis. As per F&A Code, half-yearly indents for the periods ending 30 September and 31 March must be prepared in the sub stores and divisional stores and submitted to the Circle Superintending Engineer. These indents should reach the Superintending Engineer (Store & Purchase) by 15 January and 15 July respectively, from the Circle Superintending Engineers. This system has not been followed by the Board.

It was observed in Audit that:

- The Board had not followed the above system of assessment of requirements.
- Though the Board evolved a system of fixing limits for inventory holding, the same could not be followed due to discontinuance of maintenance of Bin cards in stores and as such the assessment of requirements was not worked out scientifically.
- The Board had prepared its requirements on ad hoc basis rather than on realistic basis.

Purchase procedure

2.1.10 As per Para 7-21 of the F&A Code of the Board all stores for construction, operation and other activities of the Board are purchased through a Central Purchase Committee (CPC) working at Headquarters. According to the delegation of financial powers issued in July 2000, the Board has full

power to purchase the materials. However, it has delegated its powers to a Central Purchase Committee to the extent of Rs. 5 crore in each case, Chief Engineers of Headquarters up to Rs. 50 lakh, General Manager-cum-Chief Engineers of area boards/zones up to Rs. 10 lakh limited to Rs. 50 lakh in a year and Electrical Superintending Engineers up to Rs. 1 lakh limited to Rs. 5 lakh in a year.

Deficiencies in procedure

2.1.11 A review of the purchase procedure followed for purchases at the Headquarter and in the field offices revealed the following deficiencies:

- Non preparation of material budgeting on scientific basis to control inventory holdings;
- Non- maintenance of register of purchase orders and suppliers to indicate the commitments made and liabilities of the Board;
- Non-evolution of a vendor rating system or a data bank of vendors relating to their performance on the past supplies of materials and their manufacturing facilities based on site visits for helping in future procurement;
- Absence of standardised specification for various major supply items/materials;
- Absence of any system to compare to actual quantity procured against quantity approval obtained from the Board/sub committee meetings;
- Non recording of reasons for going in for limited tenders instead of open tenders;
- Non-adoption of a system to ascertain the minimum and maximum stock levels defeating the purpose of correct assessment of materials; and
- Absence of procedure of pre despatch of materials.

Details of purchase

2.1.12 The details of opening balance, purchases, consumption and balances of stock held in respect of transmission and distribution wings during 2003-07 as per Annual Accounts of the Board are given below:

(Amount: Rupees in crore)

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
(A) Opening balance	101.50	106.43	94.54	97.95	113.00
(B) Purchases	53.70	79.37	100.80	87.29	87.47
(C) Total (A+B)	155.20	185.80	195.34	185.24	200.47
(D) Issue for consumption	55.34	93.87	99.99	69.59	112.50

(E) Issue to contractors	(-)6.57	(-)2.61	(-)2.60	2.65	Nil
(F) Net issue (D+E)	48.77	91.26	97.39	72.24	112.50
(G) Closing balance(C-F)	106.43	94.54	97.95	113.00	87.97
Percentage of closing balance over annual consumption (Net issue)	218	104	101	156	78
Closing stock in number of month's consumption-	26	12	12	19	9

Note : Figures for 2007-08 are not available.

The closing balance of stock as a percentage of consumption has remained high though it decreased in 2006-07. The Board has not finalised the norms for inventory level. This, coupled with absence of proper system for assessment of requirement, has resulted in huge piling up of stores as discussed in succeeding paragraphs. It was also observed that the Board has not adopted any system of ABC value analysis and movement analysis.

Purchase in excess of requirement

2.1.13 As per para 7-21 of F&A Code all stores required must be consolidated and purchases effected in the most economical manner. Audit observed that the Board purchased (October 2005) 1164 MT GI wire no. 8 valuing Rs. 4.20 crore for use in RE and other works. As per the despatch instructions, materials were allocated to 12 central stores. A test check of seven stores revealed that in four central stores 729.35 MT wire was received (January 2006) while the issue was only 66.278 MT (9 per cent) during the period 2006-08. The balance material 663.072 MT valuing Rs. 2.39 crore was still lying in the stores. Audit scrutiny revealed that the materials were despatched to the stores without any indent for requirement from these stores. This had resulted in blocking of fund of Rs. 2.39 crore and consequent loss of interest of Rs. 62.00 lakh at 13 per cent for two years.

The Board admitted the fact and replied (September 2008) that materials could not be used due to shortage of matching materials. These would be used in Rural Electrification work to be undertaken by the Board in future. The reply confirms the fact that the Board had purchased the material without assessing the requirement, leading to blocking of fund of Rs. 2.39 crore.

Delay in finalisation of tenders

2.1.14 As per para 7-34 of F&A Code, the acceptance of the tender shall be communicated as soon as possible and not later than a week after the opening of tenders. As delays in acceptance result in the tenderers withdrawing due to fluctuations in the market prices and results in subsequent purchase at higher rate, the acceptance is to be sent with utmost expeditiousness. But, it was observed that these provisions were not followed by the Board.

A test check of tenders finalised during April 2004 to September 2007 revealed delays in finalisation of tenders against prescribed norms which resulted in avoidable expenditure on purchases as discussed below:

GI wire No. 8 worth Rs. 2.39 crore was purchased in excess of requirement.

Avoidable expenditure on purchase of SF-6 Gas cylinders

2.1.15 Tender for procurement of 76 no. SF-6 Gas (an operation & maintenance item required for functioning of 145 and 245 KV SF-6 circuit breakers installed at various Grid Sub Stations) cylinders (containing 26 Kgs SF-6 Gas) was invited (June 2005) by the Board. Among the three valid tenders received the price quoted by M/s Ajay Air Products Limited was the lowest. The price quoted was valid for 240 days (upto 26 February 2006) from the date of opening (1 July 2005). A purchase order was issued (March 2006) for Rs. 23.00 lakh to M/s Ajay Air Products Ltd after delay of nine months and beyond the price validity period. However, the supplier did not respond to the Board's purchase order. A fresh tender was invited (July 2006) and 57 nos of cylinders were purchased (August 2007) from M/s SMS Multitech India Pvt Ltd for Rs. 36.12 lakh and 19 nos of cylinders were purchased (October 2007) from M/s Vadilal Chemical Ltd for Rs. 12.04 lakh. Thus, due to delay in finalisation of purchase order, the Board had to pay Rs. 48.16 lakh as against Rs. 23.00 lakh, resulting in avoidable expenditure of Rs. 25.16 lakh.

Avoidable expenditure of Rs. 24.66 lakh was made on purchase of SF-6 Gas cylinders.

The Board admitted the fact and stated (September 2008) that the firm has been debarred from participating in three subsequent tenders of BSEB and their earnest money amounting to Rs. 0.50 lakh was also forfeited. But the fact remained that the avoidable expenditure of Rs. 24.66 lakh (Rs. 25.16 lakh – forfeited amount Rs. 0.50 lakh) has already been incurred. Moreover, no action has been taken against the officials of the Board responsible for making inordinate delay in finalising the purchase order and causing loss to the Board.

Unfruitful expenditure in supply/installation of defective electronic meters

2.1.16 The Board decided (September 2002) to replace normal electro mechanical meters by tamper proof electronics meters to ensure the accurate reading of consumers meters and to avoid the tampering of meter readings. Tender was invited (September 2002) for supply, installation, testing and commissioning of 2,46,300 single phase whole current static energy meters with antitamper features. Purchase orders were issued (November 2003) to M/s Jenus Overseas Electrical Ltd., Jaipur, M/s ECE Ind. Ltd., Hyderabad, M/s TTL Ltd., Delhi and M/s EMCO Ltd, Thane for supply, installations, testing and commissioning of 1,26,300, 40,000, 40,000 and 40,000 nos. of meters respectively at the rate of Rs. 935.83 per meter (Rs. 755.83 for supply and Rs. 180.00 for installation) in a phased manner. As per the terms & conditions of the purchase order, the meters were to be protected against fraudulence and jamming by spurious signal injection/high magnetic field application. Further as per clause 19 & 20 of purchase order, meters were to be inspected by the Board representatives during the process of manufacturing and all tests were to be carried out on each individual meter and meter box by the contractor prior to despatch.

Audit observed that:

- The compliance of clauses of the purchase order regarding provision of antitheft feature by the suppliers were not ensured by the Board before supply. After receipt of complaint in meters installed at Patna, an enquiry committee was constituted.

- Test check of meters supplied was made on 10 March 2006 and 16 May 2006 at Board's Laboratory.
- It was found that the Meters supplied by three suppliers out of four (except M/s EMCO) were found (March 2006) defective as they were not found protected against tampering and meter jamming by spurious signal injection/high magnetic field application which was essential as per the conditions of purchase order.
- The samples of defective meters were sent to CPRI¹, Bangalore for detailed testing. The CPRI opined (August 2006) that the meters were mal-functioning due to improper filtering provided in the meter design and suggested to connect a capacitor of 0.25 μ F inside the meter depending upon the rating of the meter and the box need to be sealed.
- As per suggestion of CPRI, the suppliers were asked to provide the required filters in the meter before installation. However, 1,75,981 meters already installed have been left untouched due to huge amount involved in the de-installation, reopening and reinstallation of meters after providing necessary filter. Hence these meters were prone to tampering.

Unfruitful expenditure of Rs. 16.47 crore was made on purchase of meters.

Thus due to failure of the Board in ensuring compliance of provisions of the purchase order, the expenditure of Rs. 16.47 crore² incurred on purchase and installation of these meters had become unfruitful. Besides the purpose of installing these tamper proof meters by removing already installed normal electro-mechanical meters could not be achieved.

The Board stated (September 2008) that all necessary specifications required to avoid tampering of the meters were incorporated in the purchase orders and checks were carried out but new technologies for tampering with the meters were evolved by the consumers which resulted in malfunctioning of the meters. The reply is not in consonance with the fact that out of four suppliers, meters supplied by one supplier were found to be tamperproof and the meters supplied by other suppliers were found defective due to provision of improper filter which required rectification by adding additional filter. Besides, the fact remained that the meters worth Rs. 16.47 crore which were already installed without proper rectification, were still susceptible and not protected against tampering.

Avoidable expenditure on purchase/transportation of PSC poles

2.1.17 Audit noticed (November 2007) that the pole units could cast 1,04,463 poles (62.63 *per cent*) only during 2002-05 against the set target of 1,66,800 resulting in shortfall of 62,337 poles (37.37 *per cent*). The Board purchased balance quantity of 62,337 poles from market at an average price of Rs. 1,122 per pole as against average cost of production of Rs. 874 per pole,

¹ Central Power Research Institute

² 1,75,981 x Rs. 935.83

leading to an extra expenditure of Rs. 1.55 crore being the differential amount between the purchase price and the production cost of poles. The reasons for the shortfall in production as attributed by the Board were shortage of input materials viz. Ordinary Portland Cement and High Tensile Steel wire etc.

Had the Board optimally utilised its resources by ensuring the availability of input materials at their pole manufacturing units through proper planning and procurement, and achieved the target fixed by itself, the extra expenditure of Rs. 1.55 crore could have been avoided.

The Board incurred avoidable expenditure of Rs. 1.99 crore on purchase and transportation of PSC pole.

2.1.18 In Magadh Electricity Supply Area, Gaya (MESA), one PSC pole unit at Barun could not fulfill the requirements of PSC poles in MESA due to production of 11,009 poles lower than the target during 2003-05. In that period 8,644 nos PSC poles were procured from the pole unit, Muzaffarpur and transportation charges were paid to the tune of Rs. 44.11 lakh. Had the pole unit, Barun achieved its target, transportation charges of Rs. 44.11 lakh could have been saved. Thus, the Board incurred avoidable expenditure of Rs. 44.11 lakh on transportation due to non achievement of targets by the pole unit, Barun.

The Board while accepting the fact stated (February 2008) that the manufacturing activity of the units was affected due to shortage of materials, delay in payment to the contractors, stagnation of poles on the platform due to non-lifting of poles in time by the allottees, non-availability of labour in time and frequent interruption of power supply, and therefore the poles were purchased from outside to meet urgent requirements. The reply is not acceptable as the units were established for captive production of the Board and all the above stated factors were controllable by the Board through proper planning, execution and monitoring the activities of the pole units.

Physical verification of stores

2.1.19 Clause 7-141 of F&A Code provided for physical verification of stores annually. This is also essential in order to depict the true and fair view of stock held by the Board at the close of the year. The F&A code also provided that shortages found in physical verification should be debited to personal accounts of the store keeper, pending recovery from the person responsible, or written off as the case may be.

The table below indicates number of stores available for verification, physical verification carried out in the stores by the Board during 2003-08, percentage of verification and the shortages noticed in eight¹ test checked stores during the period 2003-08 by Audit:

¹ Central Store Bihar Sharif, Bhagalpur, Chapra, Digha, Gaya, Motihari, Muzaffarpur and PESU.

Year	No. of stores available for verification	No. of stores verified	Percentage of verification	Shortages (In 8 test checked stores) (Rupees in lakh)
2003-04	72	32	44	16.60
2004-05	72	28	39	27.87
2005-06	72	05	07	5.82
2006-07	72	21	29	Nil
2007-08	72	32	44	4.04
Total				54.33

It would be observed from the table that:

- The Board had not compiled the total shortages found during the above verification.
- There was a failure to ensure 100 *per cent* verification.
- Audit observed that in eight test checked stores the shortages worth Rs. 54.33 lakh were found in 563 items in these stores (**Annexure-12**). No action had been taken against the officials responsible for such shortages by the Board.

The Management accepted the point and stated that shortages were being regularised.

Deficiencies noticed in physical verification

2.1.20 Audit further noticed the following deficiencies in physical verification:

- PSC poles and Rail poles worth Rs. 82.01 lakh were found short for which 14 Assistant Engineers were held responsible in 1993. No action for recovery has been taken till date (September 2008).
- Shortage of 23 items of stores worth Rs. 3.65 lakh was found in physical verification conducted in year 2001 for which Ex. Assistant Store keeper was held responsible by EEE store, Gaya (December 2005) but no action has been taken in this regard till date (September 2008).
- Materials worth Rs. 4.03 lakh was found short during physical verification of central stores, Muzaffarpur in 2003-04. No action has been taken as yet.

The Board accepted the audit findings and replied that action against the responsible persons was being taken.

Theft of materials

2.1.21 The theft of conductors in distribution wing and tower parts in transmission wing was a regular feature in the Board. As soon as theft occurred, an FIR was to be lodged in the respective police stations for speedy recovery of the materials from the miscreants. The total number of cases of

theft of materials during the five years ended 31 March 2008 and value thereof were as indicated below :

Year	No. of cases	Value (Rupees in crore)
2003-04	89	0.50
2004-05	116	0.61
2005-06	129	0.81
2006-07	157	0.66
2007-08	37	0.66
Total	528	3.24

It can be seen from the above table that there was an increasing trend in theft of materials till 2006-07. However, the number of cases reduced in 2007-08 but the value of stolen materials hovered around Rs. 65 lakh.

2.1.22 There existed instruction of the Board for filing of FIRs in all cases of theft and seeking assistance from the Director, Security in case of any difficulty in filing of FIRs. It can, however, be seen from the table below that only in 44.32 *per cent* of the cases, the Board filed the FIRs with the police authorities through direct lodging of FIR/by post :

Year	Total No. of theft cases	No. of cases where FIR lodged/posted	Percentage of cases
2003-04	89	65	73.03
2004-05	116	42	36.21
2005-06	129	22	17.05
2006-07	157	77	49.04
2007-08	37	28	75.68
Total	528	234	44.32

- Only in three cases involving Rs. 2.88 lakh, FIRs were filed directly;
- Intimation of theft was sent to police stations by post in 231 cases (44 *per cent*) involving Rs. 1.16 crore. But the confirmation of acceptance of information by the police had not been obtained and kept on record. No further action was taken to pursue the cases sent by post; and
- No action was taken in 294 cases (56 *per cent*) involving Rs. 1.74 crore.

Thus, due to lackadaisical approach of the Board in filing FIRs in theft cases and low rate of lodging of FIRs coupled with poor follow up of the cases resulted in non recovery of materials worth Rs. 3.24 crore.

The Board replied that FIR was being lodged in each theft incident. The reply is not factually correct as can be seen from the above table.

As per para 7.162 of the Financial and Account code (Chapter –VII) of the Board, the field offices had to submit report of loss due to theft to the Superintending Engineer (SE) with a copy marked to Accounts Officer. However, both the transmission and distribution wings and stores were not regular in submitting the reports to the SE. Thus the Board had failed to ensure compliance with its instructions regarding reporting and follow up of theft cases.

2.1.23 Audit analysis of the data on theft of materials revealed that out of seven circles/areas of transmission and distribution wings of the Board, two circles/areas represented 70.68 per cent of the value of reported theft cases as shown below :

(Amount : Rupees in crore)

Year	Details of theft		Share of Patna circles/areas		Share of Muzaffarpur circles / areas		Total value of the two circles / areas	Percentage
	No.	Amount	No.	Amount	No.	Amount		
2003-04	89	0.50	41	0.19	19	0.15	0.34	68.00
2004-05	116	0.61	22	0.16	41	0.18	0.34	55.74
2005-06	129	0.81	74	0.54	10	0.09	0.63	77.78
2006-07	157	0.66	51	0.18	35	0.28	0.46	69.70
2007-08	37	0.66	23	0.52	00	00	0.52	78.79
Total	528	3.24	211	1.59	105	0.70	2.29	70.68

The two regions viz., Patna and Muzaffarpur were theft prone areas/circles and preventive measures had to be taken such as (a) regular patrolling of LT lines in distribution wings, (b) arranging secret night patrolling, and (c) seeking assistance of police with the help of Director, Security in these areas. However, Audit noticed that there was nothing on record to show that the Board was overseeing implementation of these measures.

Inventory Control and Store Management

Ineffective inventory management

2.1.24 Inventory management plays a key role in material management so as to avoid unnecessary holding of materials leading to locking of fund, more inventory carrying cost and lack of space etc. The Board had no effective inventory management so as to facilitate identifying of obsolete, non moving, slow moving and active/moving items, besides fixing the limit for holding of inventory level viz. minimum, maximum, optimum etc. and reviewing the same periodically.

Materials lying in stores

2.1.25 As per F&A Code, the details of material received in store and issued should be sent to CE (S&P) monthly whereas details of idle materials along with scrap and unserviceable materials are to be sent to him annually by all central stores for compilation and disposal but this was not being followed by the Board.

However, on the basis of eight stores test checked in audit the position of closing stock of materials held at the end of each year during 2003-08 was as under:

(Amount: Rupees in crore)

Particulars	No. of items	Year wise amount of inventory held					Remarks (Issuance)
		2003-04	2004-05	2005-06	2006-07	2007-08	
Non moving	226	18.20	18.20	18.20	18.20	18.20	No issue for five years
Slow moving	39	8.73	6.48	8.72	9.16	7.84	
Total stagnant store	265	26.93	24.68	26.92	27.36	26.04	
Active/moving materials	34	4.35	3.91	3.28	6.69	11.36	
Total	299	31.28	28.59	30.20	34.05	37.40	
Percentage of stagnant store to total inventory	89	86	86	89	80	70	

Materials worth Rs. 18.20 crore were lying idle for more than five years.

It would be observed from the table that 226 items of store valued at Rs. 18.20 crore has not moved for more that five years and 39 items of stores valued at Rs. 6.48 to 9.16 crore were slow moving leading to the blocking of fund and inventory carrying cost. Thus, the stagnant stores (265 items) worked out to 89 per cent of the total 299 items and 70 to 89 per cent of the total value of inventory held.

The Board accepted the fact and replied that out of 226 non-moving materials 87 materials were required for maintenance work and would be used in future while 139 items were obsolete and their process of disposal was being initiated.

Audit scrutiny of records in eight stores further revealed the following:

- ACSR Moose conductor (500Km) was purchased by the Board (June 1992) at a cost of Rs. 4.21 crores for use in Tenughat-Biharsarif 400KV transmission line. Out of this 359.301 Kms was used in the line and remaining 140.699 Kms was sent to three transmission stores during January 1993 to April 1997 (Begusarai- 51.234 Kms, Bodh Gaya -29.465 Kms and Biharsharif-60.00 Kms) without requirement. It was observed that no issue has been made from the above stores so far (April 2008). Meanwhile, 7.783 Kms conductors worth Rs. 6.55 lakh and conductors valuing Rs. 3.00 lakh had been stolen from Begusarai (May 2006) and Biharsharif (January 2006) respectively. Thus, total 140.469 Kms Moose conductor worth Rs. 1.18 crore was purchased without requirement. As Moose conductor could be used only in 400

Moose conductor worth Rs. 1.18 crore was purchased without requirement.

KV transmission lines, for which there was no proposal/scheme with the Board, this has resulted in infructuous expenditure.

The Board replied (September 2008) that balance Moose conductor would be used in new grids and lines of 220/132KV. The fact, however, remained that the material was not used in the last 15 years and there was no proposal/scheme with the Board for 400KV transmission line for which the Moose conductor was meant.

Materials worth Rs. 1.5 crore were lying for five years.

- Sri Baidyanath Giri, store keeper central store, Gaya was in additional charge of MRT store Gaya. He retired from service on 31 December 2003 but charge of these two stores was not handed over to other staff and stores were lying locked since then. 385 items of stores worth Rs. one crore in central store, Gaya and 374 items worth Rs. 50 lakh in MRT store, Gaya were lying unused for five years. The Board failed to unlock the stores and prepare inventory list till date (September 2008). Sri Giri has been paid all his retirement benefits including gratuity.

The Board accepted the audit observation and replied that GM cum CE Supply Area Board, Gaya has been directed to unlock the store in presence of a Magistrate and prepare inventory of the materials.

- As per the reports of investigation, equipments valued at Rs. 2.98 crore were found obsolete and certain parts were stolen and damaged in the grid sub station, Begusarai under transmission circle, Purnea which was under construction. No action had been taken on the reports of investigation.

Non disposal of Scrap

2.1.26 Timely replacement of rejected materials and regular disposal of scrap is necessary to prevent deterioration in quality and value of scrap. As per F&A Code all scrap materials including copper, brass, lead, iron and aluminum should be returned to the stores with a devaluation note for giving credit to the works. It was found in Audit that old, unserviceable and scrap materials were lying in different sub-stations/sub-divisions which were not returned to stores and thus not accounted for. Out of total scrap of Rs. 44.53 crore as on 31 March 2004, scrap valuing Rs. 7.45 crore (17 per cent) was disposed of during the period 2004-08 and scrap worth Rs. 37.08 crore was still lying undisposed. Due to passage of time, the reduction in the value of scrap could not be ruled out.

Scrap materials worth Rs. 37.08 crore were not disposed of.

The Board replied (September 2008) that old, unserviceable and scrap materials worth Rs. 1.81 crore has been disposed of during year 2008-09. Thus, disposal of scrap materials was being done regularly. The fact remained that the process of disposal of scrap material was very slow. At this rate of disposal, it would take more than ten years to dispose of the entire material besides there would be further accumulation of scrap during the intervening period.

Advances to suppliers

2.1.27 Advances made to the suppliers/contractors amounting to Rs. 32.09 crore were pending adjustment as on 31 March 2006¹. A test check of such advances at eight stores revealed that the advances were not being adjusted promptly/correctly. The balances shown as outstanding include amounts pertaining to periods as early as 1988-89.

Audit scrutiny revealed that:

- In respect of advances of Rs. 1.38 crore relating to Bihar Sharif Transmission Circle (Rs. 0.75 crore) and Head office (Rs. 0.63 crore), party-wise and age-wise details were not made available to audit. These advances were being carried forward in the accounts for a long time, and were not adjusted for want of documentation/linkage and possibility of recovery/adjustment was remote.
- An amount of Rs. 4.69 lakh was booked under the sub-head 'Advances to Contractor' (Transmission Circle, Muzaffarpur). This represented the remaining amount of advances yet to be recovered from M/s Light & Co., Allahabad, which was paid prior to 1989, for construction of 220 KV MTPS-Begusarai transmission line. The contract of the agency was already closed prior to 1998 and no recovery was effected from its final bill.
- An amount of Rs. 25.15 crore being the amount advanced long back to suppliers in Barauni Thermal Power Station (Rs. 24.30 crore), Electric Supply Circle (ESC), Bhagalpur (Rs. 31.15 lakh), ESC Gaya (Rs. 43.57 lakh) and Advance to O&M suppliers in ESC Bhojpur (Rs. 7.40 lakh) and Electric Transmissin Circle (ETC) Gaya (Rs. 0.22 lakh), ETC Patna (Rs. 1.01 lakh) and Head office (Rs. 2.27 crore). Though the materials have been received and consumed, the adjustment to this effect has not been made, for want of documentation.

Non Maintenance of Priced Store Ledger

2.1.28 As per para 7-70 and 7-71 of F&A Code priced store ledger is to be maintained both in store pricing section and account section of the Board headquarter in EBS form -16 and stores abstract book is to be maintained at Board headquarter in form EBS -18. Audit observed (September 2008) that priced store ledger and stores abstract book were not maintained. In view of this, the existence and effectiveness of a system of reconciliation of quantitative stores ledger with the prices stores ledger and with financial accounts could not be ensured.

¹ Accounts were finalised upto 31 March 2006 only. Figures as on 31 March 2008 were not available.

Internal control and internal audit

Internal control

2.1.29 Internal control is a management tool used to provide reasonable assurance that objectives are being achieved in an economical, efficient and orderly manner. The Board prescribed furnishing of returns, reports and other information by various units to ensure the availability of materials in right quantities at the right time, to avoid locking up of funds in inventory and stock out situation, etc. Audit observed that:

- There was no system to watch the periodical receipt of such returns from all the officers handling the stores.
- No record was maintained to show the manner in which the returns so received had been put to use.
- The Board did not have a procurement system to guide its various departments dealing with procurement activities and to ensure proper assessment of requirement of materials.
- The Board had not evolved a vendor rating system.
- There was no system of ABC analysis of stores in the Board to control the inventory on the basis of value.
- The physical verification of stores was not carried out regularly. Discrepancies noticed during physical verification were not accounted for in the Books of account.
- There was no system of timely investigation and adjustments thereof of loss/damage of materials due to thefts in completed and ongoing capital works.
- There was no system of timely identification, adjustment and disposal of obsolete, unserviceable and non moving items.

Internal Audit

2.1.30 Internal Audit, an appraisal activity, is a service to the entity. Its function, *inter alia*, includes examination, evaluation and monitoring the adequacy and effectiveness of the accounting and internal control system.

It was observed that internal audit of procurement, issuance and storage of materials relating to transmission and distribution system was not being carried out by Internal Audit wing of the Board.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Board at various stages of conducting the performance audit.

Conclusion

The requirements of materials were not assessed properly and materials were procured in excess of or without any requirement. There was a delay in finalisation of tenders leading to avoidable expenditure on purchase of materials. Physical verification of stores was not carried out as per norms and shortages found in physical verification were not analysed. There was inadequate action in theft cases. There was inadequate monitoring of issue of materials as a result there was huge piling up of non-moving stores leading to blocking of funds. The position of disposal of scraps was very poor. The internal control/audit was inadequate.

Recommendations

The Board needs to:

- prepare an annual procurement plan and assess the requirements properly and realistically;
- avoid delay in finalisation of tenders for procurement of materials;
- conduct physical verification of stores as per norms;
- file FIRs and pursue them in all theft cases for prompt action by the police;
- dispose off the scrap promptly; and
- strengthen its internal control and internal audit system.

2.2 Information Technology review on Computerisation of Bihar State Electricity Board

Highlights

In the absence of adequate IT skilled manpower, the Board continued to depend on NIC even after six years of computerisation.

(Paragraph 2.2.9)

The RF networking between divisions and headquarters, done at a cost of Rs. 21.09 lakh did not materialise.

(Paragraph 2.2.12)

Lack of input controls and validation checks resulted in incomplete, inaccurate and unreliable database.

(Paragraphs 2.2.18 to 2.2.22)

Non mapping of business rules led to short or non levy of shunt capacitor surcharge, additional Security Deposits, Fixed charges for three phase connection from customers.

(Paragraphs 2.2.23 to 2.2.25)

Due to manual interventions, the surcharge for delayed payments was collected incorrectly.

(Paragraph 2.2.27)

Poor monitoring and deficient controls over the outsourced agencies led to deficient data and possible irregularities in accounting for the receipts from the customers.

(Paragraphs 2.2.31 to 2.2.34)

Introduction

2.2.1 Bihar State Electricity Board (BSEB) was established in 1958 as a statutory corporation under the Electricity (Supply) Act, 1948. Its primary role is to generate, transmit and distribute electrical power throughout the State. The IT Vision Plan drawn up by BSEB envisages making the billing process as simple and efficient as possible. It would encourage the consumers to understand the bills received, simplify payment process and ensure successful realisation of revenue through computerised cash collection counters.

The billing system which was earlier on UNIX based FOXPRO was re-engineered in September 2000 with Windows based ORACLE 8i. The objectives of re-engineered billing system were (i) to establish dial-up connectivity and RF link (wireless audio video transmitter) for data transfer; (ii) to decentralise billing from division level to small sized computer centers; (iii) to introduce user friendly graphical user interface; (iv) to provide accessibility and MIS to top management in appropriate format.

Data regarding Meter reading, new connection, updation of existing data etc. was entered at the divisions by data entry operators and data regarding revenue collection was entered at the collection counter by the counter clerk. The re-engineered billing systems became operational during 2002-03.

Organisational set up

2.2.2 The computerised billing and collection of revenue is controlled by the Revenue Dept of the Board headed by Member (Revenue) who is assisted by the Financial Controller (Revenue) for all matters related to billing and revenue collection and Director, IT for Patna Electricity Supply Unit (For matters related to IT).

There are 16 Circle offices of the Board. Each of the Circles of the Board consists of three to five divisions. The collection counters have been connected with the division server through a modem. Every evening after the completion of cash collection, the counter clerks log into the division server and transfer the daily collection data and also get the billing details at the division on that day for future collection.

Scope of audit

2.2.3 The scope of audit included a review of planning, implementation and monitoring of the computerization process and an examination of the controls in the major IT application running in the Board.

The data generated by the application was analysed using computer assisted auditing tools (CAATS). Further, the existence and adequacy of IT General Controls and Application Controls at Data Centre was also assessed. Audit for the period 2003-04 to 2007-08 was conducted from March 2008 to August 2008 at Board headquarters, PESU and three other circles¹ which have been outsourced to various agencies.

Audit objectives

2.2.4 The IT review was conducted with a view to ascertain:

- the efficacy of the Board's IT planning and organization.
- economic acquisition and effective implementation of IT system.
- whether sufficient controls were in place to obtain reliable and accurate information from IT system.
- whether the system security measures were in place to ensure confidentiality, integrity and continued availability of IT assets.
- adequacy of internal controls in information systems.

Audit criteria

2.2.5 IT review was conducted with reference to:

- Circulars/Instructions regarding Boards operation and Inventory Management.

¹ Arrah, Muzaffarpur and Darbhanga circles

- Tariff of the Board and notification relating to the terms and conditions of the tariff and related rules/regulations.
- Agenda/minutes of the Board.
- Agreement between Board and outside agencies.
- Generally accepted best practices in IT.

Audit methodology

2.2.6 Following mix of methodology for achieving the objectives with reference to audit criteria was adopted:

- Entry Conference with the Board.
- Scrutiny of agenda, minutes of the Board.
- Scrutiny of records and analysis of data with CAATs.
- Sampling.
- Questionnaire.
- Interaction with Management.
- Audit Review Committee for State Public Sector Enterprises (ARCPSE) meeting.

Audit findings

2.2.7 Audit findings, arising from the review of Computerisation of BSEB for revenue billing in all ten divisions of Patna Electric Supply Undertaking (PESU) along with Arrah, Muzaffarpur and Darbhanga circles were issued to the Government (August 2008). The reply was received on 12 September 2008. These findings were further discussed in Audit Review Committee for State Public Sector Enterprises (ARCPSE) meeting held on 12 September 2008. The views expressed by the Management and members present in the meeting have been taken into consideration while finalising the review. The audit findings are as below:

Planning and Organisation

IT policy

2.2.8 Though BSEB had developed substantial IT applications over the years, it is yet to formulate and document a formal IT policy and a long/medium term IT strategy incorporating the time frame and key performance indicators for development and integration of various systems.

Training

2.2.9 During audit it was observed that documents relating to assessment of requirement of IT skilled manpower were not maintained.

Due to non assessment of requirement and appointment of IT skilled manpower, the Board, even after six years of computerization is fully dependant on the NIC.

It was further observed that only three days training to clerical staff etc. and four weeks training was organised for 19 officers during the year 2002. There

were several modifications in the software due to change in tariff in November 2006. However no refresher training to those trained earlier or training to a fresh set of staff was organised by the Board.

The Board did not furnish the reply.

IT system acquisition and its implementation

2.2.10 Absence of Agreement

The work was undertaken by the NIC without entering into an agreement with the Board or receiving any work order for the same. The Board released payment of Rs. 2.98 crore from November 99 to August 2001 on ad-hoc basis and the expenditure incurred thereon was not monitored by BSEB. The work was completed by NIC during 2001-02. NIC submitted bill for Rs. 2.82 crore and thus Rs. 0.16 crore remained recoverable from the NIC (August 2007). In this connection following points were observed in audit.

2.2.11 Works not undertaken

Though the project was said to be completed, the other parts of the project such as Document Management System, personal information system (PIS), pay rolls, pension and GPF etc were not taken up by NIC. The Board did not take any action for the same.

The Board accepted the Audit observation.

2.2.12 RF networking

The RF networking done at a cost of Rs. 21.09 lakh failed to work successfully. Due to failure of the networking, the major purposes of getting bills and depositing revenue for any division, from any division could not be achieved. The data were transferred from division to Board Headquarters through external devices, where in security of the data could also not be ensured. Thus, expenditure of Rs. 21.09 lakh incurred on RF networking remained fruitless.

While accepting the audit observation the Board stated that action is being taken up to rectify the defects in the RF link.

General Control

Information System Security

Logical Access Control

2.2.13 In order to have a sufficient control over IT system, duties to different functionaries should be defined and documented.

Regarding logs maintained in the system, it was observed that privileges granted on the basis of designation were not being followed in divisions and unauthorised officials up to the rank of AEE (Revenue) and Counter Clerks were doing the deletion and modification of data.

The Board stated that the officers who are authorised to modify/change as per Finance/Account code are doing the job and no unauthorised officers are allowed to modify/change data beyond power granted to them.

The reply is not acceptable as AEE (Revenue) and Counter Clerks were not authorised to delete or modify data.

2.2.14 Users once logged-in in the system must be logged-out at the end of each and every session, so as to minimise the risk of unauthorised access/manipulation to the data. However, on scrutiny of data regarding users logs maintained, it was observed that user logs were not maintained in all divisions of PESU.

Physical and Environmental Control

2.2.15 During verification of security measures of IT assets located at various divisional offices for billing and revenue collection, it was found that :

- The system was located in wrecked buildings. The ceilings of the buildings were not made water proof.
- No fire extinguishers were installed to safeguard against fire.
- The assets were not safeguarded against power fluctuations/failure as UPSs were poorly maintained and alternate power supply systems, i.e., generators were not installed.
- Cleaning of ceiling, walls, floors, storage cabinets and necessary equipments was inadequate. The dust generating activities like paper shredding, and foodstuffs were not avoided.
- There was no control on the physical access to the system to prevent unauthorised access.
- Latest anti viruses were also not installed to protect the system from viruses, spyware etc.

The Board accepted the audit observation.

Change Management

2.2.16 During scrutiny of application, it was found that it was modified whenever new tariff rate was fixed. The records for the modification made in software were not recorded or documented or approved by the Board.

The board stated that whenever required, software was upgraded / modified by NIC, either on request from BSEB or on their own to enhance the features of software. However, no reply regarding documentation of modification and approval of modification by the Board could be furnished.

Business Continuity Plan

Failure to adhere to stipulated backup procedure

2.2.17 For effective business continuity plan, the management should implement a proper strategy for backup and its restoration.

On scrutiny of data regarding back up taken, it was observed that the process of taking backup is not regular in all divisions of PESU where the backups were taken after gap of several days ranging from 123 to 880 days. The absence of regular back up enhanced the risk to the business continuity and unauthorised changes to the database.

The copies of application software were also not available with the Board to make computers operational well in time in case of failure.

The Board stated that the backup of database is being taken on daily as well as on monthly basis. The daily and monthly back up of the database is kept at the divisional offices. The copies of backups of database are also kept at Department of IT of Board Headquarters.

The reply is not acceptable as the back up once taken was recorded in the database with date and time. Audit scrutiny of the data regarding backups taken revealed that backups were taken after gap of several days.

Application Control

Input Controls

Adequate input controls ensure the correctness and completeness of data entered. The following deficiencies were noticed due to lack of input controls.

Completeness of database

2.2.18 All details of consumers who were given energy connections were maintained in the database of the divisions. During scrutiny of database regarding completeness following deficiencies were noticed:

- In 500 consumer records the name of the consumer was not entered or junk characters were entered in PESU where data entry is done by its own officials.
- In Darbhanga division where data was entered by outsourced agency, 11,316 bills pertaining to 234 consumers did not contain names of consumers due to which the bill could not be served to them and Rs. 21.10 lakh could not be recovered.
- Similarly in 4,485 consumer records, the addresses of the consumers were not entered or junk characters were entered in PESU. In Darbhanga division addresses of 208 consumers were not entered against whom Rs. 21.10 lakh was outstanding.

Gap in ID

2.2.19 Consumer ID is a unique field generated by the system to identify a consumer. These codes are to be protected against modification and deletion to ensure the integrity of the database. There were 54,184 numbers of gaps in the consumer ID ranging from 1 to 3,075 in PESU.

The Board in its reply stated that at the time of computerisation duplicate/erroneous data found were deleted creating gaps in Unique ID number of consumers. This has no adverse effect in billing.

The reply is not acceptable as the range of gap was very large (up to 3,075) and duplicate/erroneous data could not be entered continuously up to 3,075 times.

Sanctioned load

2.2.20 Before giving energy connection to the consumer, load is sanctioned according to need of the consumers. Rate of energy charge, fixed charge and category of the consumers varies according to the sanctioned load. Thus accurate entry of sanctioned load is pre-requisite for correct calculation of the energy charges, etc. During analysis of database the deficiencies found regarding connected load are as below:

- In eight (excluding Dakbunglow and Danapur) divisions of PESU sanctioned load was entered as zero for 1,817 consumers.
- In case of 202 consumers of PESU, sanctioned load of Low Tension Industrial Services LTIS consumers was entered in Kilo Watt (KW) instead of Horse Power (HP) in violation of the tariff rule.
- In case of 105 Domestic and Non domestic consumers of PESU sanctioned connected load was more than 60 KW in violation of tariff rule.
- For calculation of additional security deposit, initial security deposit collected from the consumers should be available in consumer database. However it was observed that out of 3,45,299 consumers of PESU Security Deposit was mentioned as zero in case of 2,64,620 consumers.
- Rs. 10.83 crore were pending realisation from 1,796 Government servants who had vacated their official quarters on transfer. Out of these, names of 728 Government Servants were not available. The Board accepted the audit observation.

Meter information

2.2.21 At the time of connection an energy meter is installed in the premises of the consumers. Details of meters such as meter number, meter type, make etc are entered in the database. Every consumer should have unique meter number and one meter should be installed for one consumer only. However, deficiencies noticed during scrutiny of data regarding Meter information are as follows:

- In 1,564 cases incorrect meter numbers (0, na, xx etc.) were entered.
- In 22,967 cases no meter number was provided in the database.
- In 36,302 cases duplicate meter number was entered in the database.
- In case of 1,910 consumers, ownership of the meters (Whether meter provided by the Board or owned by the consumers) was not entered in the database.

- In Madhubani Division and Jhanjharpur Division under outsourced Darbhanga circle, it was observed that no provision to capture information regarding Meter viz., Meter owner, Meter phase, Meter number etc was available in database, therefore meter rent charged could not be vouched.

Regarding duplicate meter number the Board stated that the meters installed are provided by different manufacturers, so duplicate meter numbers might be possible, but considering the large number of duplicate meter numbers, the Board agreed to form a team to correct the meter numbers.

Meter rent

2.2.22 Further, as per tariff, meter rent is to be charged at the rate of Rs. 20 and Rs. 50 for single and three phase respectively in case of consumers to whom meters were provided by the Board and the same is in running condition. However, during scrutiny of data, it was observed that due to delayed entry of information regarding installation of meter, Meter rent was not charged in 1,33,608 bills of 14,232 consumers of all divisions of PESU resulting in loss of Rs. 29.30 lakh.

Board in ARCPSC Meeting accepted the audit observation and replied that corrective action will be taken.

Validation checks

Validation checks ensure that the data entered is valid and conforms to the validation rule.

Calculation of consumption charges

2.2.23 The system has provision to capture present reading and previous reading. Present reading of previous month becomes previous reading of next month and present reading is printed in the spot bill. In case of door lock both present reading and previous reading will be the same. Audit scrutiny of the bill raised in all divisions of PESU revealed the following:

- Present reading was less than previous reading in 4,34,750 records without change in meter.
- Calculation of consumption was not equal to present reading minus previous reading in numbers of bills.
- While accepting the seriousness of the observation the Board in ARCPSE meeting stated that deficiencies in the software, if any, will be corrected with the help of NIC.

Business Rule Mapping

Shunt capacitor surcharge

2.2.24 According to tariff, every LTIS consumers having connected load of five HP and above had to install shunt capacitor of appropriate capacity to maintain power factor at 90 per cent. Surcharge was also leviable in case of power factor below 90 per cent. However, during analysis of data it was

noticed that there was no field for power factor in the consumer data base of the Board. As a result no surcharge was charged as required in the tariff against any short fall in power factor.

Further, In case of non-installation of shunt capacitor, five *per cent* surcharge was to be levied. Analysis of the data regarding LTIS consumers showed that surcharge leviable for non-installation of shunt capacitor of appropriate capacity was short/not charged according to the tariff in 88,600 out of 1,19,702 bills of 2,785 consumers of PESU amounting to Rs. 53.14 lakh.

The Board in ARCPSE meeting stated that the NIC would be asked to make the required modification in the software.

Regarding Shunt capacitor charge, the Board stated that there was no facility to record the power factor maintained by the consumer. The Board also stated that the short charging would be checked in detail and would be corrected.

The reply is not acceptable as the Board should have obtained facilities to record power factor as required in tariff rule.

Non-charging of additional Security Deposit

2.2.25 According to tariff, the consumers except Government department are required to pay security deposit equivalent to estimated energy charges including fixed/miscellaneous charges for a period of three months.

Further, the amount of Security Deposit is liable to be enhanced every year in April-May of the next year on the basis of average bill for the previous year. Analysis of data base revealed that:-

- The system did not have provision to compute the average energy charge on the basis of which additional security deposit was to be collected. As a result additional security deposit could not be recovered from consumers.
- No provision for calculation of interest was available in the system as required under tariff.

The Board accepted the observation and stated that efforts will be made to update the database. Board also stated that the efforts will be made with the help of NIC to modify the software and to recover the additional security deposit in future.

Fixed charges

2.2.26 According to tariff, for Domestic Services-II consumers single phase supply is applicable to the consumers having sanctioned load up to four KW. For consumer having sanctioned load above four KW, three phase supply is applicable and further, fixed charge was charged at the rate of Rs. 150 per month instead of Rs. 25 for single phase supply up to October 2006 and Rs. 180 per month instead of Rs. 30 for single phase supply with effect from November 2006.

In the absence of proper mapping of business rules, consumers having single phase were sanctioned load above four KW and fixed charge were continued

to be charged at the rate of single phase. This deprived Board a revenue of Rs. 94.96 lakh from 6,993 consumers on account of fixed charges during period covered under audit in respect of nine divisions of PESU.

The Board in ARCPSE meeting accepted the objection and stated that there were many practical difficulties to provide three phase connection to the consumers having sanctioned load more than four KW. The Board also stated that it involved expenditure in giving three phase connection, but considering the increase in revenue in case of three phase connection, the Board stated that it would be increased accordingly in future.

Manual Intervention

Delayed Payment Surcharge (DPS)

2.2.27 According to tariff, delayed payment surcharge (DPS) was to be levied at the rate of two *per cent* up to October 2006 (as per old tariff) and 1.5 *per cent* with effect from November 2006 (as per new tariff) on the arrear outstanding against consumers. Analysis of data regarding DPS charged revealed that in case of 4,37,459 bills in respect of 2,02,758 consumers of PESU, DPS charged was not correct. In case of 1,81,005 bills DPS was short charged by Rs. 76.90 lakh and in case of 2,56,454 bills DPS was charged excess by Rs. 174.97 lakh. As the system had provision to apply the DPS, it indicated manipulation in the database through manual intervention.

Short/Excess charging of Electricity Duty

2.2.28 Electricity Duty should be charged at the rate of six *per cent* of energy charge. On analysis of data of consumers of all divisions of PESU, it was observed that in case of 6,298 bills of 300 consumers (both Government and non Government consumers) Rs. 44.10 lakh was not charged against electricity duty. As the system had provision to charge the electricity duty at six *per cent*, it indicated manipulation in the database through manual intervention.

The Board in ARCPSE meeting stated that Electricity Duty was not charged in case of Government consumers. When pointed out by audit that Electricity Duty was to be charged from each and every consumer, Board assured to take corrective action. It was also observed during scrutiny of data that electricity duty was charged to 115 (from 2003 to 2008) government consumers, as well, in Guljarbagh division of PESU.

Other Points of Interest

Outstanding arrears of energy charges

2.2.29 During the analysis of the data regarding bills generated and revenue collected of Danapur Division, it was observed that due to spot billing being introduced, computerised billing of 1,116 consumers was done after a gap of nine months (i.e. from August 2006 to April 2007). Further, it was also observed that outstanding energy dues of August 2006 was not carried forward and thus, not included in the next bill of April 2007. This resulted in non-posting of outstanding amount of Rs. 45.51 lakh.

Board accepted the observation and stated that due to some problem in spot billing it was stopped and computerised billing was again started. Due to this switch over, arrear was not being carried over. Board also stated that a detailed enquiry would be conducted and corrective action would be taken.

Delay in billing

2.2.30 Bills were to be issued every month. Analysis of data in PESU, showed that 8,41,599 bills were issued at a delay of months ranging from 16 to 85 months. Reason as analysed in audit revealed that lack of coordination between divisions and subdivisions and inefficient process of billing led to inordinate delay in issue of bills to new consumer.

The Board stated that due to Hardware constraints / shortage of meter readers, the energy billing of few consumers could not be done on monthly basis. It was also stated that in case of new connection billing starts on receipt of reports in divisional offices.

The reply is not acceptable as the fact remained that there was delay in billing due to lack of coordination between subdivision and division offices for furnishing new connection report immediately after giving connection to start billing. Further, the system was not configured to capture the complete process from the application for a new connection which left scope for delays and manipulations.

Evaluation of work by outsourced agencies

2.2.31 Computerised billing in divisions other than PESU is done through the outsourced agencies from the period prior to 1999-2000. The guidelines issued by the Board to field offices regarding outsourcing of agencies for computerised billing was not made available to audit. Deficiencies noticed during IT audit of three selected circles (Arrah, Muzaffarpur and Darbhanga) are discussed below:

Agreement with the agencies

2.2.32 The clauses of agreement executed with the agencies for computerised billing were different in different circles. The clause regarding details of tables to be maintained, software, consistency of data, back up of data, log files, security of data, accuracy were either not mentioned in the agreement or were not being adhered to.

Back up of data

2.2.33 According to the agreement for computerised billing, the agencies had to submit the copy of ledger, bills, Daily Collection Register, etc. in compact disks (CD) along with hard copy every month. At the end of each year the agencies had to submit master data in CD in Circle/division.

During audit it was, however, observed that the agencies did not submit the monthly and yearly back ups in the division/circle and the Board did not take any action to obtain the back ups.

Defects in Database maintained by Outsourced agencies

2.2.34 During scrutiny of the database maintained by the Outsourced agencies following deficiencies were noticed.

- In absence of any guidelines at Board Headquarters level, there was no similarity in the structure of the database. Database structures of even the same agency were not similar.
- Security deposits of consumers were not being recorded in the database.
- In Madhubani Division data for arrear energy and arrear DPS was not segregated.
- In Muzaffarpur Division, there was no provision to capture information regarding present meter reading and details of revenue realised (receipt number and date).
- There was no provision to capture feeder from which the consumers were getting power in violation to the provisions of the tariff.
- There was no supervision over security of data as required in the agreement.

As regarding non-maintenance of present reading and details of money receipt at Muzaffarpur circle, Board in ARCPSE meeting, accepted the audit observation and decided to conduct detail audit. It was also decided that the payment to the agencies would also be stopped.

Duplicate money receipt

2.2.35 The computerised bills for consumption of energy are issued to the consumer and the amount of revenue from the consumers are collected manually through money receipt. The revenue collected are taken in the cash book and deposited in bank for onward transmission to the bank account of Board headquarters. The amount collected, daily, is entered in Daily collection register (DCR) which is sent to the outsourced agencies for data entry to give credit to the consumers.

In order to avoid irregularity in crediting the consumers, the system should have control to ensure entry of unique receipt number against the credits given along with checks for control totals. However, during analysis of data of two circles, duplicate entries of receipt numbers were noticed as detailed below:

Circle	Divisions/Subdivisions	No of duplicate money receipt.
Arrah	Buxar	238
	Arrah (E)	619
	Arrah (N)	320
	Arrah (R)	60
	Arrah (W)	1,116
	Arrah (H)	1,149
	Arrah (I)	216

Darbhanga	Jainagar	34
	Benipur	137
	Biroul	28
	Nirmali	2
	Madhubani	60
	Phulparas	44
	Sakri	54

It was observed that though the receipt numbers and date being the same, the amount of receipt was different in many cases. Due to large numbers of duplicate receipts the amount of irregular credit could not be quantified in audit.

There was no system in the Board to check such duplication and possible irregularity.

Board while accepting the audit observation in ARCPSE meeting stated that it may result in fraud. Board also stated that corrective action would be taken.

Conclusion

Though the Board envisaged computerisation of billing system (from giving energy connection to collection of revenue), it continued to depend on the NIC in PESU area and the outsourced agencies in other area. The arrangements for development and implementation of the billing system with NIC were *ad hoc* and not monitored over the years. However, they operated the system in PESU area but lack of adequate manpower and supervision led to manual interventions.

The billing system in PESU had deficient application controls resulting in non/less charging of meter rent, fix charges, shunt capacitor charges, delay payment surcharge and electricity duty etc. The system also had incomplete mapping of the business rules relating to tariff which led to non application of its provisions.

In outsourced areas, the BSEB did not have adequate monitoring and control over the outsourced agencies, which not only led to deficient system and data maintenance, but also possibility of irregularities.

The above led to manual interventions, both in PESU area and other areas with outsourced agencies, which led to manipulation of data. This combined with the inadequate logical access controls, physical access controls and inadequate business continuity plan made the system highly vulnerable where the reliability of the data in the systems could not be assured.

Computerisation could not be of much use for higher decision making, also, where the linkage of the divisions to the headquarters could not be established. This in turn led to deficient services for the consumers.

Absence of a definite IT policy, strategies for IT implementation and lack of adequate performance indicators along with deficient monitoring,

supervision and controls led to inefficient utilisation of the computerisation efforts by the Board.

Recommendations

The Board should initiate steps to:

- Have a definite IT policy.
- Strengthen the capacity of its officials.
- Ensure adequate application controls are built into the application software.
- Monitor the terms of agreements with the outsourced agencies, its performance and ensure uniformity in the application software used by the agencies.
- Ensure business continuity through adequate back up plan which should be implemented scrupulously.

Chapter-III

3. Transaction audit observations

Important audit findings emerging from test check of transactions of the State Government companies/statutory corporations are included in this Chapter.

Government companies

Bihar Rajya Pul Nirman Nigam Limited

3.1 Avoidable payment of Income tax and penal interest on Income tax

Failure to file Income Tax returns for the years 1997-99 to set off losses for these years against the profit for 2005-06 and failure to pay advance tax in time resulted in an avoidable payment of Income tax and penal interest on Income tax of Rs. 1.28 crore.

Section 72 of the Income Tax Act, 1961, *inter alia*, provides that where, for any assessment year, the net result of computation under the head "Profit and gains of business or profession" is a loss, such loss should be carried forward to the following assessment year and so on for seven assessment years immediately succeeding and set-off against the profits, if any, during subsequent years.

Further, as per section 208 of the Income Tax Act, 1961, advance tax is payable during a financial year, in every case, where the amount of such tax payable by the assessee during the year, is rupees five thousand or more. Besides as per provision of section 234 (B) of the Act, where in any financial year, an assessee who is liable to pay advance tax under section 208 failed to pay such tax or where the advance tax paid by such assessee is less than 90 *per cent* of the assessed tax, the assessee shall be liable to pay simple interest at the rate of one *per cent* for every month from first day of April on the amount by which advance tax paid fell short of the assessed tax.

Section 234 (C) of the Act further stipulates that if the Company (assessee) failed to pay advance tax or advance tax paid is less than 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of tax due till 15 June, 15 September, 15 December and 31 March respectively, the Company shall be liable to pay simple interest at the rate of one *per cent* on the amount of the shortfall. Thus, to avoid payment of interest on tax, the Company should have assessed its income and paid tax in advance quarterly as per the Act.

It was found in Audit (January 2008) that the company sustained a loss of Rs. 3.54 crore during the years 1997-98 and 1998-99 and earned a profit of Rs. 5.96 crore during 2005-06. The Company, however, did not file the required tax returns for the years 1997-99 during the following years to carry forward the losses till 2005-06. As a result, the losses suffered during these years could not be set off against the profit for the year 2005-06.

Had the Company submitted the tax returns for the years 1997-99 to avail the facility of carry forward of losses as provided in the Act, these losses could have been set off against the profit of 2005-06 and payment of Income Tax to the extent of Rs. 1.06 crore (30 *per cent* of Rs. 3.54 crore) could have been avoided.

Audit further observed that the Company paid advance tax of Rs. 2.61 crore in two installments (January and March 2007) against provisional payment to be made every quarter for the year 2006-07. As a result of this deferment of payment of advance tax, the Company had to pay an interest amounting to Rs. 22.08 lakh under section 234 (B) and 234 (C) of the Act which was avoidable.

The Management stated (February 2008) that due to non finalisation of accounts for the years 1997-99, the returns could not be filed as the IT Act provided for audit of accounts and submission of Statutory Auditor's Report alongwith Tax Audit Report. The Management further stated that advance payment of Income tax was not made due to non-estimation of centage income; however, since 2006-07 estimation of centage income for payment of advance tax had been started. The fact remained that the Management failed to file IT Return for the years 1997-99 in violation of the IT Act and lost the opportunity of set off of losses suffered during the period which resulted in avoidable payment of income tax to the tune of Rs. 1.06 crore. As regards payment of interest due to non payment of advance tax, the fact, however, remained that the Company failed to assess the amount of tax due and remit the same in time.

Thus due to failure of the Management to file IT Return for the years 1997-99 and to assess the amount of tax due and remit the same in time, resulted in an avoidable payment of Rs. 1.28 crore on account of Income Tax and interest thereon.

The matter was reported to the Government (April 2008); their reply was awaited (September 2008).

Bihar State Minorities Financial Corporation Limited

3.2 Avoidable payment of penal interest

Non utilisation and non refund of the funds provided for extending welfare measure of minority communities resulted in an avoidable payment of penal interest of Rs. 30.37 lakh.

National Minorities Development & Finance Corporation (NMDFC) launched (December 2004) a special programme for the economic development of members of minority communities in the 41 minority concentrated districts of the country. NMDFC selected three districts *viz* Purnea, Katihar and Darbhanga, in Bihar for implementation of the programme and sanctioned Rs. 3.0 crore (Rs. 1.5 crore in January 2005 and Rs. 1.5 crore in March 2005) to Bihar State Minorities Financial Corporation Limited (Company), the State Channelising Agency. As per the guidelines, the Company was to utilise the amount within a period of six months and the funds remaining unutilised were

to be returned to NMDFC. In case the same were retained even after six months, the Company was liable to pay interest/ penal interest at the rate of 8.5 per cent per annum.

It was found (January 2008) in Audit that the Company did not make adequate efforts for identifying the beneficiaries and timely disbursement of the amount as a result the entire amount of Rs. 3 crore remained unutilised till March 2007. As the funds released to the Company remained unutilised, the same should have been returned to the NMDFC before the expiry of six months period. The Company, however, retained the fund for more than two years and paid penal interest of Rs. 30.37 lakh up to March 2007.

The Management stated (May 2008) that due to holding of two Assembly elections (two phases) in 2005 and Panchayat elections in May 2006, the model code of conduct was promulgated which prohibited the disbursement of loan for a period of eight to 10 months. It also stated that a request had also been made to the NMDFC in September 2006/December 2007 to waive the penal interest.

As the model code of conduct did not prohibit carrying out operations under normal activities and during the period between January 2005 and March 2007 (27 months) it was effective only for nine months on three occasions¹, the Company had enough time to identify the beneficiaries and disburse the loan. Besides, it did not prohibit the Company from identifying the beneficiaries and the actual disbursement could have been made during the period when it was not in force. In the meanwhile, NMDFC had not yet acceded to the request for waiver of penal interest (September 2008).

Thus the Company failed in identifying the beneficiaries and refunding the money received which resulted in avoidable payment of penal interest of Rs. 30.37 lakh besides defeating the purpose for which the funds were obtained from NMDFC.

The matter was reported to the Government (May 2008); their reply was awaited (September 2008).

Bihar State Food and Civil Supplies Corporation Limited

3.3 Embezzlement

Embezzlement due to non observance of internal control system resulted in loss of Rs. 66.73 lakh.

Internal Control is a management tool used to provide reasonable assurance that the objectives are being achieved in an economical, efficient and effective manner. Bihar State Food and Civil Supplies Corporation Limited (Company) formulated an Internal Control System for handling of food grains which is detailed below:

- Submission of monthly stock statements by the Godown Managers to the District office,

¹ 17.12.2004 to 05.03.2005, 03.09.2005 to 23.11.2005 and 25.02.2006 to 11.06.2006.

- Reconciliation of the Store Issue Orders with the balance stock available in the godowns,
- Surprise physical verification of stocks by the District Managers,
- Periodical verification of stocks by the District Supply Officers, and
- Devising and defining the system of accounting to be practiced for smooth and risk free functioning evolved and brought out in the form of a manual for better understanding of the officials, better internal control and efficient governance.

Non observance of the above prescribed internal control may result in defalcation/theft by the employees. Audit had already highlighted in the Report of the C&AG of India (Commercial), Government of Bihar, for the year ended 31 March 2006 on the failure of internal control system leading to defalcation of foodgrains worth Rs. 1.22 crore by the employees of the Company.

It was again found (April 2008) in Audit that the Company did not take corrective measures as pointed out by Audit to prevent defalcation/theft of foodgrains. The scrutiny of records of the Company revealed (November 2007) cases of embezzlement to the tune of Rs. 45.94 lakh at the District Office, Muzaffarpur by one Assistant Manager during his charge and Rs. 20.79 lakh at the District Office, Hazipur by the Salesman-in-Charge of Mahnar and Desari Godowns between June to November 2007 respectively as the Company failed to insist submission of monthly stock statements by the Branch Managers in Charge, conduct periodical and surprise verification of stores, etc.

It was further found in Audit that the same Assistant Manager was also involved in a similar case of embezzlement to the extent of Rs. 3.90 lakh in Palamu, Bhojpur and Ranchi Districts as District Manager and as Godown-in-Charge at Mohaddinagar and Patauri of Samastipur District during 2003-04.

The Salesman-in-Charge had also been found guilty of such cases once in 1992-93 to the tune of Rs. 1.14 lakh in sale centre No. 2 of Hazipur and was jailed for four months (January to April 1993) and subsequently embezzled Rs. 9,553 in Lalganj during 1995-96.

Thus, despite noticing these cases of embezzlement, the Management failed to observe the proper internal control measures which resulted in increasing trend of embezzlement. No responsibility had been fixed on the officials who failed to conduct surprise/periodical verification.

The matter was reported to the Government/Company (June 2008); their replies were awaited (September 2008).

Bihar State Hydroelectric Power Corporation Limited

3.4 Idle Investment due to delay

Idle investment in Tenu-Bokaro Link Canal Small Hydroelectric Power project of Rs. 5.29 crore resulting in loss of revenue of Rs. 1.83 crore per annum.

The construction and installation of 1 MW Tenu-Bokaro Link Canal Small Hydroelectric Project located at Tenughat, Jharkhand State was completed in March 2007 at a cost of Rs. 5.29 crore. The power house could not generate power till date (September 2008). The Company estimated (December 2007) the value of loss to the extent of Rs. 0.50 lakh per day due to non generation.

Audit observed (May 2008) that as the project was located in Jharkhand State, the Company could have taken up the matter with Jharkhand State Electricity Board (JSEB) for executing an agreement for transmission and evacuation of power through their transmission lines which is permissible under the Electricity Act, 2003. No such agreement was, however, executed by the Company with JSEB. Instead, it approached (September 2005) the JSEB for purchase of power from this mini hydel station which was still pending. Despite the fact that the project was completed in March 2007 and was ready for commissioning in April 2007, the power house has not generated any power till date (September 2008).

The Management accepted (June 2008) that the power house was ready for generation of power and would start only when the permission to evacuate power to Kathara sub-station (Jharkhand) is received and Memorandum of Understanding (MOU) for power purchase is signed with JSEB.

Thus the Company, instead of insisting on the JSEB to execute an agreement for purchase of power, could have approached the JSEB to enter into MOU for transmission and evacuation of power from the mini Hydroelectric project. Failure to execute an agreement for evacuation of power resulted in not only rendering the investment in the project of Rs. 5.29 crore as idle but also a recurring loss of revenue of Rs. 1.83 crore per annum.

The matter was reported to the Government (August 2008); their reply was awaited (September 2008).

Bihar State Backward Classes Finance and Development Corporation

3.5 Non-achievement of objective

The poor performance in implementing various schemes coupled with weak monitoring and poor recovery of dues resulted in non-achievement of the objective.

Introduction

3.5.1 Bihar State Backward Classes Finance and Development Corporation (Company) was set up (June 1993) under the Companies Act, 1956 with the objective of promoting the economic and development activities for the benefit of Backward Classes (BC) in the state by extending financial assistance for income generating activities, granting concessional finances to selected cases for the persons below the poverty line and extending loans to beneficiaries in pursuing professional/ technical education or training at graduate and higher levels. The Company functions as a State Channelising Agency (SCA) of National Backward Classes Finance and Development Corporation (NBCFDC) under various self-employment schemes of NBCFDC.

Implementation of schemes

3.5.2 NBCFDC allocates the funds for implementation of various schemes to each state as General Term Loan, Other Term Loan and Micro Finance. Based on the proposal submitted by the Company, NBCFDC sanctions loan, after deducting the share of Company towards margin money and promoter's contribution. Till March 2008, the Company had extended financial assistance aggregating Rs. 35.10 crore to 6,311 beneficiaries mainly under term loan scheme. The Company had also imparted vocational training to 1,488 BC students. During the period 2003-08, the company disbursed Rs. 5.53 crore to 600 beneficiaries mostly under education loan scheme (107 beneficiaries) and tractor loan scheme (105 beneficiaries).

Audit findings

3.5.3 As per norms fixed by National Agency, families belonging to the target communities living below double the poverty line from the specific target group are eligible for Company lending activity.

It was seen in Audit that the Company had not formulated any long-term perspective plan to implement the schemes for the social, economic and educational upliftment of BC people of the State.

Thus, the Annual Action Plan (AAP) formulated by the Company lacked long term perspective and direction required for achievement of objectives of the schemes.

Financial and physical target

3.5.4 The Company identifies the beneficiaries and disburses loans to them. The Company fixes financial and physical targets in the form of AAP. The Company has to provide guarantee from State Government for drawal of loan from NBCFDC. The Company had so far provided State Government guarantee for Rs. 25 crore only. The targets and achievement of the Company during 2003-08 are indicated below:

(Amount : Rupees in crore)

Year	Target		Achievement		Percentage of achievement	
	Physical (No. of beneficiaries)	Financial (Amount)	Physical (No. of cases)	Financial (Amount)	Physical	Financial
2003-04	1,784	13.00	340	3.19	19.06	24.54
2004-05	1,510	9.00	119	0.98	7.88	10.89
2005-06	2,146	9.57	62	0.46	2.89	4.81
2006-07	2,151	9.99	36	0.41	1.67	4.10
2007-08	4,409	19.21	43	0.49	0.98	2.55
Total	12,000	60.77	600	5.53	5.00	9.10

The Company could not achieve its targets in respect of any of the schemes during 2003-08. The percentage of achievement in respect of NBCFDC schemes was very low, i.e., between 0.98 to 19.06 *per cent* in physical terms and 2.55 to 24.54 *per cent* in terms of financial targets. The disbursement of loan mainly related to disbursement under education and tractor loans sanctioned during 2003-08.

The Management stated (September 2008) that the scheme objectives could not be fulfilled due to non furnishing of guarantee by the State Government and non repayment of loan to NBCFDC. Based on the Audit findings, the company addressed (June 2008) the State Government to increase the guarantee limit from Rs. 25 crore to Rs. 50 crore. The State Government is yet to increase the guarantee limits (September 2008).

Audit scrutiny revealed that the low achievement was due to failure to obtain enhancement of Government guarantee for repayment of loan, fixation of targets without identifying beneficiaries, ineffective monitoring and poor recovery as discussed in succeeding paragraphs.

Sanction of General Loan

3.5.5 Under General Loan scheme, it was noticed in audit that the Company procured 105 tractors from HMT at a cost of Rs. 2.95 crore during 2003-04 and distributed to selected beneficiaries without assessing the credit worthiness of the beneficiaries. As per guidelines of NBCFDC, beneficiary identification camp was to be held but the same was not carried out. Thus, the selection of beneficiaries lacked transparency and was in contravention of guidelines issued by NBCFDC. The Management accepted (September 2008) the poor recovery of tractor loans.

Education Loan Scheme

3.5.6 The Company operated Education Loan Scheme introduced by NBCFDC from 2001-02 under other Term Loan. The Company sanctions loans up to Rupees three lakh to meritorious students belonging to backward class families living below double the poverty line for pursuing professional or technical courses.

The details of target fixed for Education Loan sanctioned by NBCFDC, amount actually drawn and disbursed during last five years ending 2007-08 are as under: -

(Amount: Rupees in crore)

	Sanctioned		Receipt		Disbursed	
	Physical	Financial	Physical	Financial	Physical	Financial
2003-04	200	1.67	-	0.08	4	0.02
2004-05	50	0.32	15	0.10	12	0.11
2005-06	75	0.45	-	0.30	12	0.17
2006-07	100	0.68	70	0.47	36	0.41
2007-08	200	1.57	-	0.30	43	0.50
Total	625	4.69	85	1.25	107	1.21

It would be seen from above table that against the physical target of 625 beneficiaries and the financial target of Rs. 4.69 crore for 2003-08, the Company actually disbursed a meagre amount of Rs. 1.21 crore (25.80 per cent) only to 107 beneficiaries (17.12 per cent) leading to shortfall in achievement of physical and financial targets. This was mainly due to lack of awareness among the students.

It was noticed in Audit that:

- The Company did not form any committee for selection of beneficiaries as required under the scheme.
- Priority was given to the applicants who got their application verified first and thus the selection of beneficiaries lacked transparency.
- Loans were disbursed without obtaining guarantee papers and documents obtained as security against loan even though mortgaged were not registered.
- The rate of interest was indicated in the application form as 3.5 per cent per annum as against four per cent.
- In one case, assistance of Rs. 1.50 lakh was provided (July 2005) to a son of an employee of a Bihar State Government Undertaking whose income was more than the limit prescribed as the same beneficiary had produced the income certificate for amount less than the limit. The loan agreement was executed by the uncle of beneficiary to avoid the identity of father.
- In another case loan of Rs. 2.96 lakh was extended to a beneficiary (January 2005) who obtained admission in a private medical college under payment seat category and even failed in MBBS Phase-I examination. Thus, the Company extended assistance without

considering merit and released the loan in installments even after noticing that the beneficiary had failed.

Audit scrutiny further revealed that:

- After completion of course, beneficiaries had not intimated by the Company regarding the amount due, commencement and number of EMIs.
- The beneficiary also did not intimate the Company about completion of course. Though 29 beneficiaries, having loan of Rs. 45.48 lakh out of 107 beneficiaries, have completed the course (March 2008) as per records of the Company, only nine beneficiaries were addressed by the Company for repayment of loan. No further monitoring of recovery of loan was made. No efforts were made to address the balance 20 beneficiaries.

The Management stated (April 2008) that the loan was given as per the guidelines of NBCFDC and merit was not a criteria for giving loan. The reply is not in consonance with guidelines issued by the NBCFDC (December 2000) that selection of beneficiaries should be based on merit.

Absence of post disbursement monitoring

3.5.7 NBCFDC guidelines, *inter alia*, specify introduction of beneficiaries loan cards to ensure the authenticity of the transaction and to monitor/ verify the utilisation of loan and its repayment. Audit noticed that these guidelines were not complied with by the Company to ascertain the status of actual implementation of the schemes.

Deficiencies in monitoring

3.5.8 The monitoring mechanism of the schemes was inadequate as detailed below:

- No procedure was evolved for post disbursement inspection of the premises of beneficiaries before the first installment became due for repayment.
- The Company did not conduct physical verification of assets of the beneficiaries, as a result, it was not in a position to ascertain the existence of non- performing assets or the actual number of units working, closed, sold or managed by persons other than the beneficiaries.
- The Company did not maintain sufficient and up to date database of the addresses of beneficiaries and the guarantors as several reminders/ notices returned undelivered.
- Beneficiaries' ledgers were not maintained/ maintained properly by the DWOs, i.e., postings were not made for all the years. As a result, the amount due for the recovery and received thereagainst could not be verified.
- No loan pass books were issued to the beneficiaries indicating weak monitoring system.

- Surprise/ spot verification was not conducted. Proof of purchase of assets was not available in many cases. This indicates that the Company failed to obtain evidences after disbursement.

The Management stated (April 2008) that the Company is only a channelising agency and compliance with Government instructions was the responsibility of District Authorities. The reply is not acceptable because as per agreement with NBCFDC, the Company had to ensure compliance with the guidelines and necessary formalities. The Company had neither taken any step to set right the deficiencies nor taken any action against the erring officials.

Recovery performance

3.5.9 The Company gets 90 *per cent* of loan sanctioned to eligible categories from the NBCFDC at concessional rate of interest and gets interest margin of three *per cent* from the beneficiaries. It provides five *per cent* as margin money. The Company can be financially viable only if the recovery from the beneficiaries is ensured so as to broaden its activities by recycling the funds and make regular repayments to NBCFDC to avoid penal interest.

Audit noticed the following common deficiencies in recovery from all categories of the beneficiaries:

- The loanee ledgers were not properly maintained as complete addresses of the loanees and sureties were not maintained in the ledger and interest dues from the chronic defaulters were not worked out.
- The recovery notices/ reminders were not issued regularly.
- The Company did not maintain age-wise profile of dues to prioritise efforts for the recovery of old dues.
- No action has ever been taken against sureties (who are Government servants) in case of non payment of loan by the beneficiaries.
- There was no system of test checking of correctness of interest worked out/ recovered by the district offices, as such discrepancies in the amount recovered from the loanees could not be ruled out.

Recovery of dues

3.5.10 The position of recovery of dues during 2003-08 is given below:

(Amount: Rupees in crore)

Year	Opening Balance of Dues	Demand for the Year	Total Amount Recoverable	Amount Recovered	Closing Balance of dues	Percentage of recovery	Administrative Exp.
2003-04	17.63	4.85	22.48	0.53	21.95	2.36	0.51
2004-05	21.95	4.39	26.34	0.30	26.04	1.14	0.44
2005-06	26.03	3.20	29.23	0.62	28.61	2.12	0.31
2006-07	28.62	2.00	30.62	0.31	30.31	1.01	0.32
2007-08	30.30	0.93	31.23	0.28	30.95	0.90	0.38
Total	-	15.37	-	2.04	-	-	1.96

It was observed in Audit that:

- The recovery ranged between 0.90 and 2.36 *per cent* of amount due during above period. As a result, the outstanding amount of Rs. 21.95 crore in 2003-04 mounted to Rs. 30.95 crore in 2007-08 with an increase of 41 *per cent* in five years, indicating ineffective recovery.
- Out of 38 districts, in respect of 25 districts recovery could not be made for the various periods ranging from one year to four years (2003-04 to 2006-07).
- The Company could recover only Rs. 1.72 lakh from five beneficiaries against Rs. 9.98 lakh (approx) due from 29 beneficiaries who had completed the course under educational loan as on 31 March 2008.
- Due to poor recovery, the Company could not pay the installment of principal loan falling due from time to time. Consequently the NBCFDC levied penal interest of Rs. 3.77 crore till March 2008 which was yet to be paid.
- The Company incurred establishment expenses Rs. 1.96 crore against recovery of Rs. 2.04 crore.
- NBCFDC directed (2004) the Company to set up a recovery cell at headquarters' and district level. Though the Company set up a cell at headquarter in August 2005, it did not monitor the recovery of dues effectively. No such cell had been set up at the district level so far.
- The Company had failed to effect any recovery from a number of beneficiaries, while substantial number of beneficiaries had paid only a few installments against dues.
- The Company did not issue Beneficiary Loan Cards to oversee the recovery of dues as instructed (March 1998) by NBCFDC.
- NBCFDC sanctioned (July 2004) grant-in-aid of Rs. 2.50 lakh for strengthening the EDP cell and MIS to enable prompt monitoring of recovery. The Company spent Rs. 4.36 lakh on computerisation and obtained reimbursement from NBCFDC. The computers purchased out of above fund were not put to effective use to monitor the recovery.
- DWOs committed inordinate delay in sending the recovered amount from beneficiaries to the Company.

Thus, the recovery mechanism in the Company was deficient resulting in piling up of dues.

The Management stated (April 2008) that District level monitoring was being done under the supervision of DM/ DWO and the Company was actively considering setting up of its own monitoring cell at District level. The reply is not acceptable as no records relating to monitoring were produced to audit either at district level or at Headquarter of the Company nor did the results of recovery indicate any sort of monitoring being carried out. The Management also stated (September 2008) that reminders coupled with legal notices have been issued to more than 1,700 beneficiaries/ guarantors. Audit observed that neither there was any response from the beneficiaries/ guarantors nor further legal action taken by the Company.

In view of the poor performance of the Company in implementing various schemes coupled with weak monitoring and poor recovery of dues, the objectives of the Company could not be achieved. Hence the Company needs to: -

- prepare a long term perspective plan;
- strengthen the procedure of selection, sanction and disbursement of loan in co-ordination with DWOs;
- strengthen the post disbursement monitoring mechanism;
- redefine the recovery mechanism by strengthening it to ensure strict monitoring.

Statutory corporations

Bihar State Road Transport Corporation

3.6 Loss of revenue

Delay in payment of accident compensation claim resulted in a loss of revenue of Rs. 50.28 lakh.

The Bihar State Road Transport Corporation (Corporation) receives claims under third party accident compensation for various accidents occurred where the vehicles of the Corporation are involved. The payment of compensation of claims shall be payable in full within the due date prescribed as per the court orders unless otherwise contested by the Corporation. The Corporation received (December 1999) a sum of Rs. 3.50 crore from the Government of Bihar towards payment of compensation in motor vehicle accident claims.

The Corporation was directed (August 1999) by the Additional Motor Accident Claim Tribunal, Giridih to pay within two months Rs. 1.79 lakh as third party accident compensation to Smt Binapani Mitra and others (decree holders) with interest at the rate of six *per cent* per annum, failing which the interest would be payable at the rate of 10 *per cent* per annum. Consequent upon the dismissal of the appeal filed (August 1999) by the Corporation, the decree holder filed (12 September 2001) an Execution Petition in the Lower Court of Giridih. The Court issued (May 2004) an order to seize five buses of Giridih Depot. In compliance of the court order, three buses were seized (November 2004) and kept under its custody. The Corporation suffered a loss of revenue of Rs. 50.28 lakh due to seizure.

It was observed (January 2008) in Audit that:-

- The Corporation delayed in making payment of compensation and paid a sum of Rs. 3.99 lakh on various dates from April 2001 to July 2005 as against the amount of Rs. 4.95 lakh. This was due to incorrect calculation of interest payable for belated payment of compensation to the claimants. Hence, the Court pronounced that the amount was not

paid in full by the Corporation and reiterated that the seized buses might not be released till the judgment for payment was fully honoured. The Corporation had not fixed any responsibility on the officials who failed to comply with the court orders.

- The Corporation had received (December 1999) a sum of Rs. 3.50 crore from the State Government exclusively towards the payment of compensation in motor vehicle accident cases and at the time of judgment, the Corporation had sufficient funds to pay the compensation. The Corporation, however, did not comply with the court orders which led to loss of revenue of Rs. 50.28 lakh due to seizure of buses during the period November 2004 to March 2008¹.

Thus the lackadaisical approach in complying with the court orders coupled with incorrect calculation of interest payable, despite availability of funds for payment of compensation led to seizure of the buses which resulted in denial of service to the public and loss of revenue of Rs. 50.28 lakh.

The Management stated (June 2008) that the buses seized, were off the road on the date of seizure and were not deployed. Hence there is no loss of revenue. The fact, however, remained that the buses were not declared off road permanently and could have been repaired and introduced for operation on the road had they not been seized. The Management, further, filed writ petition in the Jharkhand High Court to get the buses released.

The matter was reported to the Government (May 2008); their reply was awaited (September 2008).

Bihar State Electricity Board

3.7 Wasteful expenditure

Wasteful expenditure of Rs. 88.40 lakh on setting up of new departmental manufactured pre stressed concrete (PSC) pole units at Ara and Gaya.

Bihar State Electricity Board (Board) decided (June 2003) to establish six pole casting units² in addition to five existing pole casting units³ to cater to requirements of Rural Electrification (RE) work during 2003-08. Accordingly, in first phase, two units, one each in Ara and Gaya on Board's land were proposed to be established. Administrative approval for Rs. 1.61 crore (Rs. 85 lakh for Ara and Rs. 76 lakh for Gaya respectively) was accorded (June 2003). The decision to establish pole casting units was taken when the capacity utilisation of the existing five units ranged between 38 per cent and 65 per cent during the period 2002-05.

The tenders were called (June 2003) for execution of the above works consisting of (i) construction of civil structures, (ii) installation of required equipment and machines and, (iii) supply, fabrication and installation of steel

¹ Based on average net income of three buses for the above period at Rs 40,881 per bus per month.

² Ara, Gaya, Nawada, Barh/Bihar Sharif/Bakhtiyarpur, Madhubani and Samastipur.

³ Purnia, Barun, Katihar, Muzaffarpur and Madhopur.

moulds. The work was to be completed by January 2004. The civil part of the works was completed by various agencies in Ara and Gaya and total sum of Rs. 88.40 lakh was spent till December 2005. The Board, however, stopped (December 2005) the ongoing works on the said pole units on the plea that:

- most of works of Rural Electrification had gone to Central Public Sector Undertakings (PSUs) for implementation and setting up of pole casting units at Ara and Gaya would not be beneficial under the prevalent circumstances,
- the requirement of poles to meet the need of works to be executed by the Board themselves would be less which could be met by the existing units, and
- the upcoming pole casting units might not be able to cater to the requirement by ensuring quantity and timely supply even if the poles were to be supplied to central PSUs who implement the scheme.

Hence, it was decided (14 December 2005) by the Board that it would be better to stop the ongoing works of pole casting units and lease them out on "as is where is" basis. Efforts made to lease these units, however, did not yield desired result as there were no takers. The Board had constituted (October 2007) a committee for revival of these units in view of increase in demand for PSC poles under RE schemes.

Thus, when the Board was unable to utilise the existing five pole casting units fully and effectively due to shortage of OPC cement and High Tension Steel wire etc., the decision to establish pole casting units lacked justification which led to an unfruitful expenditure of Rs. 88.40 lakh.

The Management while accepting the fact stated (February 2008) that efforts were made to lease out these units but no tender was received even after NIT was extended twice.

The fact, however, remained that the decision of the Management to establish the pole casting units, while the existing five units were not utilised to its maximum capacity, resulted in a wasteful expenditure of Rs. 88.04 lakh.

The matter was reported to the Government (April 2008); their reply was awaited (September 2008).

3.8 Waiver of notice period charge

Loss of Rs. 24.42 lakh due to irregular waiver of notice period charge to a HT consumer.

Bihar State Electricity Board (Board) introduced one time settlement (OTS) scheme (April 2006) with a view to provide relief to all types of consumers whose service connections are either connected or disconnected. The scheme *inter-alia* included 100 per cent waiver of the amount of delayed payment surcharge (DPS) charged up to March 2006 on the outstanding dues, if the consumer makes the payment of the balance amount of energy dues up to May 2006.

It was found (July 2007) in Audit that the service connection of Gaya Cotton & Jute Mills (Consumer No. HT-24) in Electric Supply Circle, Gaya, was disconnected in July 1998 due to non-payment of energy dues amounting to Rs. 1.42 crore. The consumer approached (April 2006) the Board to avail the benefits under OTS scheme. The energy bill of the consumer was calculated and as against the dues of Rs. 1.42 crore, the consumer was ordered to pay Rs. 1.12 crore which excluded the waiver of DPS amounting to Rs. 5.75 lakh being the eligible amount for waiver under OTS scheme. The notice period charge of Rs. 24.42 lakh, charged under clause 9B of the HT agreement was waived and no dues certificate was issued to the consumer without obtaining approval of the Board.

Thus, notice period charge, which was not covered under OTS Scheme, was waived irregularly without the approval of the Board, resulting in loss of revenue of Rs. 24.42 lakh.

The Board admitted (June 2008) that the notice period charge of Rs. 24.42 lakh was waived with the consent of the Chairman subject to approval of the waiver by the Board. However, it was observed by Audit that necessary approval of the Board had not been obtained till date.

The matter was reported to the Government (May 2008); their reply was awaited (September 2008).

3.9 Unfruitful expenditure

Unfruitful expenditure due to failure of the cables laid across M. G. Setu and associated OHT lines : Rs. 43.06 crore.

To meet the power requirements of Chapra, Hajipur and Gopalganj districts, the Bihar State Electricity Board (Board) executed an agreement (December 2003) with Power Grid Corporation of India Limited (PGCIL) for laying single circuit 132 KV cable across Mahatma Gandhi Setu (M. G. Setu) and associated overhead transmission line and Bay extension works in Gaighat and Hajipur sub-stations at a cost of Rs. 38.49 crore. The project was to be completed by June 2005.

The project was completed and handed over by the PGCIL to the Board in April 2005. The Board paid a sum of Rs. 43.06 crore (including amount paid due to escalation) to the PGCIL. The deteriorated condition of the bridge coupled with its effect on the hanging trough, caused damage to the cable. Two phases of the cables (R&B) in four pillars (28 & 29, 4 & 5) were punctured in May/June 2007. Due to these problems the line was tripping and finally failed in May/June 2007. In the meanwhile many cases of theft of aluminium clamps (5000 nos.) occurred during March/December 2005. The line was restored by the Cable Corporation of India Limited in August 2007. But, it again failed within a fortnight and was closed since August 2007. The cable was yet to be rectified. The Board is providing power to the three districts through Samastipur and Gopalganj 220/132 KV Grid Sub Stations.

Audit scrutiny revealed the following-

- While awarding (December 2003) the contract for laying of cables across the MG Setu, the Board failed to assess the deteriorating condition of the bridge. It also failed to notice the same even at the time of taking over the completed work in June 2005.
- After failure of the cable and consequent closure in August 2007, a joint investigation conducted (February 2008) by the Board, PGCIL and CCI reported that site induced problems such as deterioration of bridge conditions and its effects transmitted to the hanging trough, mechanical/physical damage caused to the cables had resulted in failure of the cables.
- The report further pointed out that due to theft of aluminium clamps and vertical gaps between troughs caused by severe jerking resulted in continuous deterioration of cables and suggested for regular surveillance to avoid further theft.
- As per design concept of M.G. Setu, original cable trough constructed beneath the eastern lane of the bridge was meant for laying the power cables of Board as decided in November 2002. However, the area was occupied by BSNL and Reliance Communication Limited. While BSNL cleared the area and shifted its line, the Reliance cable line was not shifted. The cables laid by PGCIL were damaged during the maintenance work carried out by the Tata Tele Services and Reliance Communication Limited which was reported (May 2007) by Transmission Division, Patna to the Board.

Thus non-assessment of the deteriorating condition of the bridge before taking up the work and theft of aluminium clamps not only resulted in unfruitful expenditure of Rs. 43.06 crore but also defeated the objective of providing reliable power to the three districts of Chapra, Hajipur and Gopalganj for which the project was envisaged.

The matter was reported to the Government/Board (May 2008); their replies were awaited (September 2008).

3.10 Idle expenditure on power sub-stations and related 33 KV lines

The Board incurred idle expenditure of Rs. 2 crore due to non completion of power sub-station and related 33 KV line.

Bihar State Electricity Board constructs Power Sub-Stations (PSS) and related 33 KV lines through their supply circles, for smooth transmission of electricity. The work is undertaken either by construction of new PSS, or rehabilitation of existing PSS. The civil and electrical works are executed by contractors and materials are supplied by the Board.

It was found (June-December 2007) in Audit that the Board undertook construction of three new PSS and their related lines in Manjhala (Nawadah), Belachi (Patna) and Barhat (Jamui District) as detailed below :

(Amount: Rupees in lakh)

Name of PSS related Line	Scheme	Year of estimate	Scheduled date of completion	Estimated cost of PSS/Line	Expenditure on PSS/Line
Manjhala (Nawadah District)	RE State plan	2003-04	May 2004	90.13/39.83	73.94/31.56
Belachi (Patna District)	Tal-Diara	2003-04	August 2003	90.04/128.90	Nil/55.94
Barhat (Jamui District)	RE State plan	1998-99	December 2000	40.76/44.00	39.04/Nil
Total				433.66	200.48

The construction work was undertaken by the supply circles at a total estimated cost of Rs. 4.34 crore, and an expenditure of Rs. 2 crore was incurred upto December 2005 on civil and electrical works, including cost of materials. In case of Manjhala PSS, the work has been stopped after incurring substantial expenditure on PSS and related line, while in the case of Belachi and Barhat there was no expenditure on PSS and related lines and the above works remained incomplete till date (August 2008). The PSS could not be energised until both the PSSs and the line works are completed. The main reason for non-completion of the works, as stated by the Circle/ Division was public obstruction in construction of line at Manjhala, non acquisition of land for power sub station in Belachi and non receipt of permission from the Railways for necessary level crossing of line in Barhat. Audit noticed (August 2008) that the Board failed to address this matter with the highest level officers in the Railway Board for according permission in respect of level crossing in Barhat. It also failed to expedite the matter of acquisition of land at Belachi with District Administration Authorities. Besides, the Board failed to foresee the problems as the lines pass through various habitated regions and plan accordingly.

Audit noticed that though the scheduled dates of completion have already elapsed and the works are lying incomplete since December 2005, yet the Board had not fixed a revised time schedule for completion of the PSS.

Thus, due to unplanned execution of works, the expenditure of Rs. 2 crore remained unfruitful and the desired benefit of the scheme could not be achieved.

The matter was reported to the Government/Board (May 2008); their replies were awaited (September 2008).

3.11 Short assessment of revenue

The Board suffered a loss of Rs. 1.49 crore due to non billing according to tariff provision.

The Bihar State Electricity Board's Tariff 1993 (Para 16.4) stipulates that the transformer capacity of High Tension (HT) and Extra High Tension (EHT) consumers shall not be more than 150 per cent of their contracted demand. Para 8-A and 8-D of the modified terms and conditions of Supply Notification

(October 2002) further stipulate that when a consumer is found to be using a transformer of higher capacity than admissible for his contracted demand, the compensation payable by the consumer should be assessed based on 2/3rd of the capacity of the transformer as contracted demand of the consumer for the entire period of malpractice and charged at twice the existing rate under appropriate tariff less already charged for the period. In case the period of malpractice could not be ascertained, six months period prior to detection of such malpractice shall be taken.

Audit observed (February 2008) that N.E. Railway, Siwan Junction, an HT consumer having a contracted demand of 250 KVA was found (September 2003) by the Board using two transformers of aggregate capacity of 410 KVA against the admissible capacity of 375 KVA. As the period of malpractice could not be ascertained, the billing was to be done from March 2003 (i.e., six months prior to detection of such malpractice). But, the Electric Supply Circle, Chapra, did not bill the consumer as per the prevailing tariff and orders of the Board. As a result, the Board was deprived of revenue of Rs. 1.49 crore during the period March 2003 to January 2008. As the Board is yet to revise the bill as per the above, it continued to be deprived of Rs. 0.23 lakh (approx) on a monthly basis.

The Board stated (June 2008) that the consumer has kept 160 KVA transformer as standby for emergency purpose and the consumer has been receiving supply from the transformer of 250 KVA against the contracted load of 250 KVA. The reply is not acceptable on the following grounds:-

- The Board's order (April 2006) for keeping standby transformer does not apply to this case, as the additional transformer was detected in September 2003 while the Board had allowed the consumers to keep standby transformers in April 2006 without retrospective effect.
- The reply is silent about whether the consumer informed in advance to the Board Headquarter (Commercial Wing) of the plan for installation of standby transformer of 160 KVA capacity as stipulated in the Board's order of April 2006 along with the affidavit and the Board's acceptance for the same.

Thus, the Board suffered a loss of Rs. 1.49 crore due to non recovery of compensation from the consumer as per provision of tariff.

The matter was reported to the Government (May 2008); their reply was awaited (September 2008).

3.12 Non collection of security deposit

Non-realisation of Security Deposit of Rs. 4.55 crore resulting in loss of interest of Rs. 28.50 lakh.

As per the terms and conditions of contract for power supply as regulated by Bihar Electricity Regulatory Commission, Security Deposit equivalent to the estimated energy charges including fixed/demand charges for a period of three months shall be recovered by the Bihar State Electricity Board (Board) from all public sector undertakings and local bodies along with other consumers except from Central and State Government departments. The amount of

security deposit shall be liable to be enhanced every year in April-May of next year on the basis of average bills of previous year. In case of non receipt of security amount, the service line of the consumer was to be disconnected after serving thirty days notice. The service connection thereafter could be restored only if the deposit was made in full along with the prescribed reconnection charges and surcharge at the rate of 1.5 *per cent* per month or part thereof on the outstanding amount.

Consequent upon the transfer (September/October 2000) of the business of providing telecom services in the country entrusted with the department of telecom services (DTS) and the department of telecom operations (DTO) to a corporate body Bharat Sanchar Nigam Limited (BSNL), a newly formed company incorporated as a company with limited liability under the Companies Act, 1956 with effect from 1 October 2000 by Government of India, security deposit was required to be collected from the electric connections earlier held by DTS and DTO.

It was found (April 2007 to January 2008) in Audit that the Security Deposit amounting to Rs. 74.73 lakh (upto April-May 2007) was neither demanded by the circle nor paid by 11 High Tension consumers under BSNL in five supply circles. No effective action to pursue claims for payment of Security Deposit by bringing to the notice of the highest level of officers in BSNL was taken. Despite non receipt of security deposit amount, the electric line of the consumer was not disconnected. Thus, failure of the Board to comply with provision of schedule of tariff resulted in non realisation of security deposit amounting to Rs. 74.73 lakh.

During test check of bills of four Electric Supply Circles and two Supply divisions¹ from April 2006 to March 2007, Audit observed that demand of enhanced amount of security deposits of 11 High Tension (HT), 52 Low Tension Industrial Services (LTIS) and six commercial consumers (CS) whose cases were reviewed in Audit were not preferred by the concerned Assistant Electrical Engineer/Electrical Executive Engineer/Electrical Superintending Engineer as per above provisions of tariff to safeguard against the accumulation of dues. As a result, additional security deposits of Rs. 3.80 crore could not be realised from 69 consumers and the Board also suffered a loss of interest amounting to Rs. 28.50 lakh at the rate of 7.5 *per cent* being the difference of interest payable on receipt of loan for working capital requirement and interest payable on security deposit of the consumers.

The matter was reported to the Government/Board (June 2008); their replies were awaited (September 2008).

3.13 *Non compliance with Accounting Standards*

Persistent non-compliance with Accounting Standards in preparation of financial statements.
--

Accounting Standards (AS) are the standards of accounting recommended by the Institute of Chartered Accountants of India (ICAI) and prescribed by the

¹ Electric Supply Circle(ESC) Darbhanga, Muzaffarpur, PESU (W) and Transmission Circle, Dehri and Electric Supply Divisions {(ESD) (rural)}, Gaya and Barh.

Central Government in consultation with the National Advisory Committee on Accounting Standards under Section 210A of the Companies Act, 1956. The purpose of introducing AS is to facilitate the adoption of standard accounting practices by companies so that the annual accounts prepared exhibit a true and fair view of the transactions and also to facilitate the comparability of information contained in published financial statements of companies. Under Section 211 (3A) of the Companies Act 1956, it is obligatory for every company to prepare the financial statements (profit & loss account and balance sheet) in accordance with the AS. Under Section 227 (3)(d) of the Act, *ibid*, the statutory auditors of the companies are required to report whether profit and loss account and balance sheet complied with the AS referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. A review of the financial statements and the Statutory Auditors' report thereon in respect of seven selected State Public Sector Undertakings (PSUs) revealed non-compliance with one to six Accounting Standards as detailed in **Annexure-13**.

It would be seen from the Annexure that:-

- Out of seven PSUs which finalised their previous year's accounts as of March 2008, five (Serial No. 1, 2, 4, 5 and 7 of annexure) PSUs did not comply with AS 15 which deals with accounting for retirement benefits to employees (viz provident fund, pension, gratuity, leave encashment, etc.) and provides that the contribution payable by the employer towards retirement benefits be charged to Profit and Loss account for the year on accrual basis and accruing liability calculated as per actuarial valuation.
- Three (serial No. 4, 5 and 6 annexure) PSUs violated AS 2 relating to determination of the value at which inventories are carried in financial statements until the related revenues are realised and provides that inventories should be valued at the lower of cost or net realisable value.
- Two (Serial No. 2 and 4 of annexure) PSUs persistently flouted AS 4 and AS 5 which deal with contingencies and events occurring after the Balance Sheet date and net profit or loss for the prior period items and charges in accounting policies respectively.

The matter was reported to the Government (June 2008); their reply was awaited (September 2008).

GENERAL

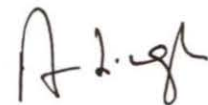
3.14 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through inspection reports. The heads of the PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2008 pertaining to 54 PSUs show that 4,126 paragraphs relating to 1,152 inspection reports remained outstanding at the end of September 2008.

Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2008 are given in **Annexure-14**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed, that replies to three reviews and 15 draft paragraphs forwarded to the various departments during April to August 2008 as detailed in **Annexure-15** were awaited.

It is recommended that the Government should ensure that (a) procedure exists for action against officials who fail to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule; and (c) the system of responding to audit observations is strengthened.



(Arun Kumar Singh)
Principal Accountant General (Audit),
Bihar

Patna
The 20 FEB 2009

Countersigned



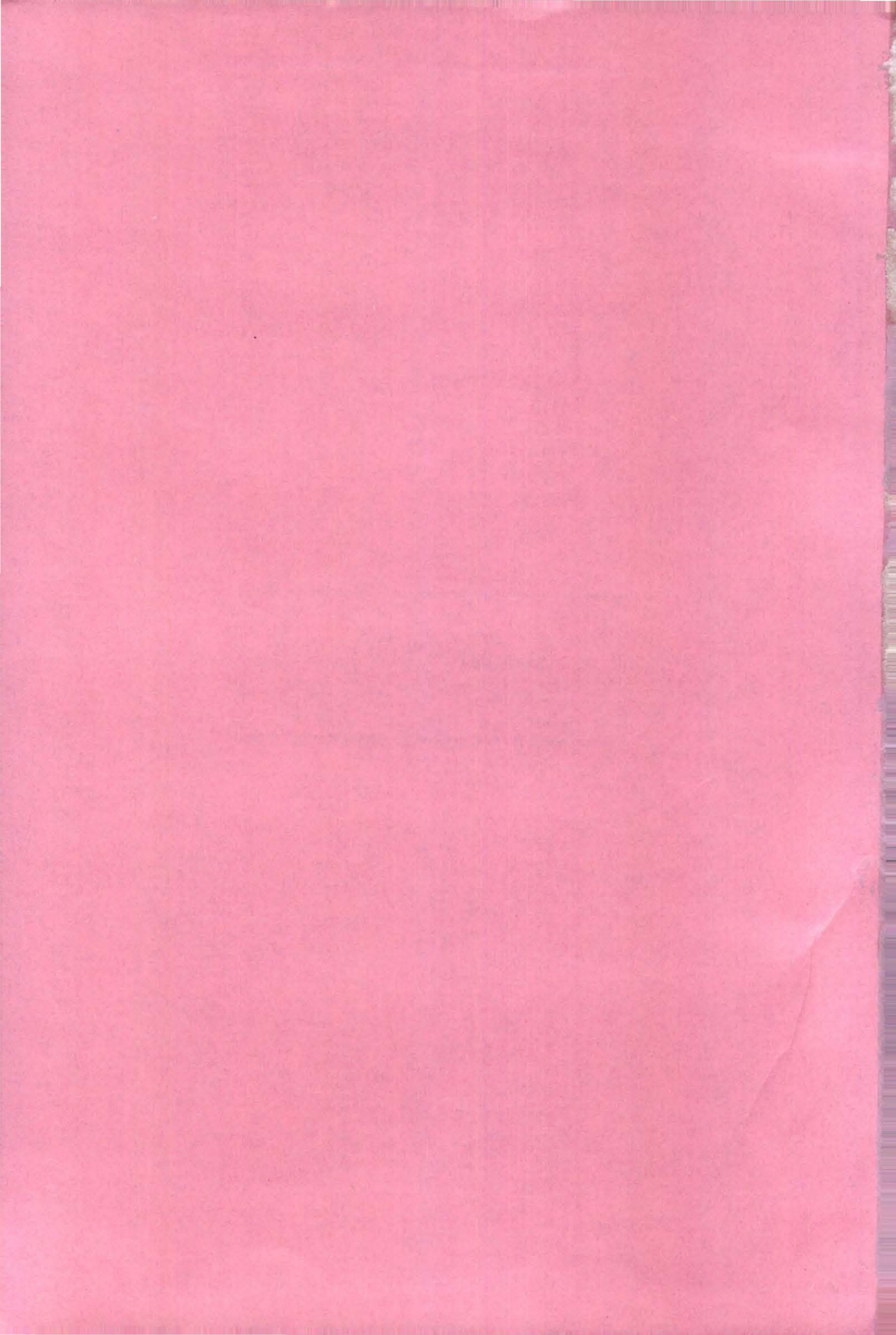
(Vinod Rai)
Comptroller and Auditor General of India

New Delhi
The 26 FEB 2009

S O FEB 2000

S O FEB 2000

ANNEXURES



Annexure – 1

(Referred to in paragraphs 1.3, 1.4, 1.5 & 1.17)

**Statement of particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on
31 March 2008 in respect of Government companies and Statutory corporations
(Figures in brackets indicate share application money pending allotment)**

(Figures in column 3(a) to 4(g) are Rupees in lakh)

Sl.No.	Sector and name of the company.	Paid up capital at the end of the current year.					Equity /loans received out of budget during the year.		Other loans received during the year.	Loans outstanding at the close of 2007-08.				Debt equity ratio for 2007-08 (Previous year) 4(g)/3(e)
		State Govt.	Central Govt.	Holding Companies	Others	Total	Equity	Loans		State Govt.	Central Govt.	Others.	Total.	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	4(g)	5
A	Working Companies													
	Agriculture and allied													
1	Bihar Rajya Beej Nigam Limited	162.46 (65.20)	--	--	138.94 (4.24)	301.40 (69.44)	--	--	227.62	3,020.17	--	--	3,020.17	8.14:1 (7.53:1)
2	Bihar Rajya Matasya Vikas Nigam Limited	174.75 (125.25)	--	--	--	174.75 (125.25)	--	--	--	263.12	2.50	--	265.62	0.89:1 0.89:1
	Sector-wise total	337.21 (190.45)	--	--	138.94 (04.24)	476.15 (194.69)	--	--	227.62	3,283.29	2.50	--	3,285.79	6.90:1 4.56:1
	Electronics													
3	Bihar State Electronics Development Corporation Limited	407.77 (159.14)	--	--	--	407.77 (159.14)	--	--	--	593.48	--	--	593.48	1.05:1 (1.05:1)
	Sector-wise total	407.77 (159.14)	--	--	--	407.77 (159.14)	--	--	--	593.48	--	--	593.48	1.05:1 (1.05:1)
	Forest													
4	Bihar State Forest Development Corporation Limited	175.08	54.00	--	--	229.08	--	--	--	--	--	--	--	--
	Sector wise total	175.08	54.00	--	--	229.08	--	--	--	--	--	--	--	--
	Mining													
5	Bihar State Mineral Development Corporation Limited	997.35	--	--	--	997.35	--	--	--	--	--	--	--	--

	Sector wise total	997.35	---	---	---	997.35	--	--	--	--	--	--	--	--
Construction														
6	Bihar Police Building Construction Corporation Limited	10.00	---	---	---	10.00	--	--	--	42.90	--	--	42.90	4.29:1 (4.29:1)
7	Bihar Rajya Pul Nirman Nigam Limited	350.00	---	---	---	350.00	--	--	--	--	--	--	--	--
	Sector wise total	360.00	---	---	---	360.00	--	--	--	42.90	--	--	42.90	4.29:1 (4.29:1)
Development of Economically Weaker Section														
8	Bihar State Minorities Finance Corporation Limited	895.00 (205.00)	---	---	1,132.43	2,027.43 (205.00)	205.00	---	451.48	--	--	2,569.59	2,569.59	1.15:1 (1.80:1)
9	Bihar State Backward Classes Finance & Development Corporation	1,336.00 (200.00)	---	---	---	1,336.00 (200.00)	200.00	---	212.08	---	2,091.21	---	2,091.21	1.36:1 (1.41:1)
	Sector wise total	2,231.00 (405.00)	---	---	1,132.43	3,363.43 (405.00)	405.00	---	663.56	---	2,091.21	2,569.59	4,660.80	1.24:1 (1.28:1)
Public Distribution														
10	Bihar State Food & Civil Supplies Corporation Limited	526.58	---	---	---	526.58	---	---	---	11,864.01	194.06	---	12,058.07	22.9:1 (22.9:1)
	Sector wise total	526.58	---	---	---	526.58	---	---	---	11,864.01	194.06	---	12,058.07	22.9:1 (22.9:1)
Tourism														
11	Bihar State Tourism Development Corporation Limited	500.00	---	---	---	500.00	---	---	---	---	---	---	---	---
	Sector wise total	500.00	---	---	---	500.00	---	---	---	---	---	---	---	---
Power														
12	Bihar State Hydro Electric Power corporation Limited	9,904.00	---	---	---	9,904.00	---	---	1,993.00	15,698.84	---	5,131.00	20,829.84	2.10:1 (1.90:1)
	Sector wise total	9,904.00	---	---	---	9,904.00	---	---	1,993.00	15,698.84	---	5,131.00	20,829.84	2.10:1 (1.90:1)
Financing														
13	Bihar State Credit & Investment Corporation Limited	1,500.00 (12.35)	---	---	---	1,500.00 (12.35)	---	---	---	2,047.34	---	3,701.38	5,748.72	3.80:1 (3.87:1)
	Sector wise total	1,500.00 (12.35)	---	---	---	1,500.00 (12.35)	---	---	---	2,047.34	---	3,701.38	5,748.72	3.80:1 (3.87:1)
Miscellaneous Sector														
14	Bihar State Text- Book Publishing Corporation Limited*	35.75	---	---	11.92	47.67	---	---	---	--	---	---	---	---

15	Bihar State Film Development and Finance Corporation Limited	100.00	---	---	---	100.00	---	---	---	14.80	---	---	14.80	0.15:1 (0.15:1)
16	Bihar State Beverages Corporation Limited	500.00	---	---	---	500.00	---	---	---	---	---	---	---	---
	Sector wise total	635.75	---	---	11.92	647.67	---	---	---	14.80	---	---	14.80	0.02:1 (0.93:1)
	TOTAL (A)	17,574.74 (766.94)	54.00	---	1,283.29 (04.24)	18,912.03 (771.18)	405.00	---	2,884.18	33,544.66	2,287.77	11,401.97	47,234.40	2.40:1 (3.79:1)
B	Working Statutory Corporations													
	Power													
1	Bihar State Electricity Board	---	---	---	---	---	---	22,211.12	8,249.43	6,17,732.92	---	56,308.09	6,74,041.01	---
	Sector wise total	---	---	---	---	---	---	22,211.12	8,249.43	6,17,732.92	---	56,308.09	6,74,041.01	---
	Transport													
2	Bihar State Road Transport Corporation.	7,475.57	2,651.78	---	---	101,27.35	---	---	---	8,102.22	---	---	8,102.22	0.8:1 (0.8:1)
	Sector wise total	7,475.57	2,651.78	---	---	10,127.35	---	---	---	8,102.22	---	---	8,102.22	0.8:1 (0.8:1)
	Financing													
3	Bihar State Financial Corporation.	3,994.77	---	---	3,788.94	7,783.71	---	7,100.00	---	19,851.42	---	10,067.50	29,918.92	3.84:1 (3.68:1)
	Sector wise total	3,994.77	---	---	3,788.94	7,783.71	---	7,100.00	---	19,851.42	---	10,067.50	29,918.92	3.84:1 (3.68:1)
	Miscellaneous													
4	Bihar State Ware-housing Corporation.	68.55 (200.00)	---	---	68.55	137.10 (200.00)	---	---	---	---	---	468.04	468.04	0.73:1 (1.92:1)
	Sector wise total	68.55 (200.00)	---	---	68.55	137.10 (200.00)	---	---	---	---	---	468.04	468.04	0.73:1 (1.92:1)
	TOTAL (B)	11,538.89 (200.00)	2,651.78	---	3,857.49	18,048.16 (200.00)	---	29,311.12	8,249.43	6,45,686.56	---	66,843.63	7,12,530.19	38.41:1 (34.83:1)
	Grand Total (A+B)	29,113.63 (966.94)	2,705.78	---	5,140.78 (04.24)	36,960.19 (971.18)	405.00	29,311.12	11,133.61	6,79,231.22	2,287.77	78,245.60	7,59,764.59	20.03:1 (15.77:1)
C	Non-working Companies													
	Agriculture and Allied													
1	Bihar State Water Development Corporation Limited	1,000.00	---	---	---	1,000.00	---	---	---	4,967.89	---	---	4,967.89	4.97:1 (4.97:1)
2	Bihar State Dairy Corporation Limited	672.36	---	---	---	672.36	---	---	---	175.35	---	---	175.35	0.26:1 (0.26:1)

Audit Report (Commercial) for the year ended 31 March 2008

3	Bihar Hill Area Lift Irrigation Corporation Limited	1,000.00	---	---	---	1,000.00	---	---	---	855.42	---	---	855.42	0.86:1 (0.86:1)
4	Bihar State Agro Industries Development Corporation Limited	756.52 (07.00)	---	---	---	756.52 (07.00)	---	---	---	1,259.99	---	---	1,259.99	1.65:1 (1.65:1)
5	Bihar Fruit & Vegetables Development Corporation Limited	161.37	49.00	---	---	210.37	---	---	---	41.81	70.00	---	111.81	0.77:1 (0.77:1)
6	Bihar Insecticides Limited	---	---	57.03 (238.90)	---	57.03 (238.90)	---	---	---	---	---	154.10	154.10	0.52:1 (0.52:1)
	Sector-wise total	3,590.25 (07.00)	49.00	57.03 (238.90)	---	3,696.28 (245.90)	---	---	---	7,300.46	70.00	154.10	7,524.56	1.9:1 (1.85:1)
	Industries (miscellaneous)													
7	Bihar State Small Industries Corporation Limited	718.48	---	---	---	718.48	---	---	---	1,040.00	---	183.00	1,223.00	1.70:1 (1.70:1)
8	Bihar State Industrial Development Corporation Limited	1,404.00	---	---	---	1,404.00	---	---	---	6,702.00	---	217.95	6,919.95	4.93:1 (4.93:1)
9	Bihar Scooters Limited	---	---	163.00	---	163.00	---	---	---	609.34	---	---	609.34	3.74:1 (3.74:1)
10	Bihar Paper Mills Limited	---	---	776.92	---	776.92	---	---	---	---	---	1,071.61	1,071.61	1.38:1 (1.38:1)
11	Bihar State Finished leathers Corporation Limited	---	---	88.00	59.00	147.00	---	---	---	918.00	---	---	918.00	6.24:1 (6.24:1)
12	Bihar State glazed Tiles & Ceramics Limited	---	---	115.00 (25.00)	---	115.00 (25.00)	---	---	---	---	---	366.33	366.33	2.62:1 (2.62:1)
13	Vishwamitra Paper Industries Limited	---	---	114.57 (59.72)	---	114.57 (59.72)	---	---	---	---	---	81.15	81.15	0.47:1 (0.47:1)
14	Jhanjharpur Paper Industries Limited	---	---	107.35 (41.55)	---	107.35 (41.55)	---	---	---	---	---	46.16	46.16	0.31:1 (0.31:1)
15	Bihar State Tannin Extract Limited	---	---	107.35	50.00	157.35	---	---	---	---	---	213.84	213.84	1.36:1 (1.36:1)
16	Bihar solvent & Chemicals Limited	20.00	---	68.15	20.07	108.22	---	---	---	---	---	88.69	88.69	0.82:1 (0.82:1)
17	Synthetic Resins (Eastern) Limited	---	---	21.47	9.52 (78.69)	30.99 (78.69)	---	---	---	---	---	105.08	105.08	0.95:1 (0.95:1)
18	Magadh Minerals Limited	---	---	0.07 (36.15)	---	0.07 (36.15)	---	---	---	---	---	46.58	46.58	1.29:1 (1.29:1)

19	Bhavani Active Carbon Limited	---	---	9.43	---	9.43	---	---	---	---	---	---	---	---
20	Bihar State Leather Industries Development Corporation Limited	1,000.00	---	---	---	1,000.00	---	---	---	1,242.55	---	170	1,412.55	1.41:1 (1.41:1)
21	Bihar State Construction Corporation Limited	700.00	---	---	---	700.00	---	---	---	105.10	---	---	105.10	0.15:1 (0.15:1)
	Sector wise total	3,842.48	-	1,571.31 (162.42)	138.59 (78.69)	5,552.38 (241.11)	---	---	---	10,616.99	---	2,590.39	13,207.38	2.28:1 (2.28:1)
	Engineering													
22	Kumardhubi Metal Casting & Engineering Limited	---	---	110.00	107.00	217.00	---	---	---	---	---	663.44	663.44	3.06:1 (3.06:1)
	Sector wise total	---	---	110.00	107.00	217.00	---	---	---	---	---	663.44	663.44	3.06:1 (3.06:1)
	Electronics													
23	Beltron Video Systems Limited	---	---	504.71	---	504.71	---	---	---	---	---	450.87	450.87	0.89:1 (0.89:1)
24	Beltron Mining System Limited	---	---	248.24	---	248.24	---	---	---	---	---	---	---	---
25	Beltron Informatics Limited	---	---	0.28	---	0.28	---	---	---	---	---	---	---	---
	Sector-wise total	---	---	753.23	---	753.23	---	---	---	---	---	450.87	450.87	0.60:1 (0.60:1)
	Textiles													
26	Bihar State Textile Corporation Limited	536.85	---	---	---	536.85	---	---	---	224.66	---	---	224.66	0.42:1 (0.42:1)
	Sector wise total	536.85	---	---	---	536.85	---	---	---	224.66	---	---	224.66	0.42:1 (0.42:1)
	Handloom and Handicrafts.													
27	Bihar State Handloom & Handicrafts Corporation Limited	999.98	---	---	---	999.98	---	---	---	115.78	---	---	115.78	0.12:1 (0.12:1)
	Sector-wise total	999.98	---	---	---	999.98	---	---	---	115.78	---	---	115.78	0.12:1 (0.12:1)
	Sugar													
28	Bihar State Sugar Corporation Limited	2,000.00	---	---	---	2,000.00	---	---	---	32,294.83	---	---	32,294.83	16.15:1 (15.7:1)
	Sector wise total	2,000.00	---	---	---	2,000.00	---	---	---	32,294.83	---	---	32,294.83	16.15:1 (15.7:1)
	Cement													
29	Bihar State Cement Corporation Limited	---	---	0.07	---	0.07	---	---	---	3.17	---	---	3.17	45.29:1 (45.29:1)

Audit Report (Commercial) for the year ended 31 March 2008

	Sector wise total	---	---	0.07	---	0.07	---	---	---	3.17	---	---	3.17	45.29:1 (45.29:1)
Drugs Chemicals and Pharmaceuticals														
30	Bihar State Pharmaceuticals and Chemicals Development Corporation Limited	1,500.00 (77.88)	---	---	---	1,500.00 (77.88)	---	---	---	427.91	---	---	427.91	0.27:1 (0.27:1)
31	Bihar Maize Product Limited	---	---	0.07 (73.68)	---	0.07 (73.68)	---	---	---	---	---	2.16	2.16	0.03:1 (0.03:1)
32	Bihar Drugs & Chemicals Limited	---	---	400.00	---	400.00	---	---	---	127.99	---	---	127.99	0.32:1 (0.32:1)
	Sector wise total	1,500.00 (77.88)	---	400.07 (73.68)	---	1,900.07 (151.56)	---	---	---	555.90	---	2.16	558.06	0.27:1 (0.27:1)
Financing														
33	Bihar Panchayati Raj Finance Corporation Limited	106.51 (37.69)	---	---	---	106.51 (37.69)	---	---	---	---	---	---	---	---
	Sector wise total	106.51 (37.69)	---	---	---	106.51 (37.69)	---	---	---	---	---	---	---	---
Miscellaneous Sector														
34	Bihar State Export Corporation Limited	200.00	---	---	---	200.00	---	---	---	121.77	---	---	121.77	0.61:1 (0.61:1)
	Sector wise total	200.00	---	---	---	200.00	---	---	---	121.77	---	---	121.77	0.61:1 (0.61:1)
	Total (C)	12,776.07 (122.57)	49.00	2,891.71 (475.00)	245.59 (78.69)	15,962.37 (676.26)	---	---	---	51,233.56	70.00	3,860.96	55,164.52	3.36:1 (3.32:1)
	GRAND TOTAL (A+B+C)	41,889.70 (1,089.51)	2,754.78	2,891.71 (475.00)	5,386.37 (83.57)	52,922.56 (1647.44)	405.00	29,311.12	11,133.61	7,30,464.78	2,357.77	82,106.56	8,14,929.11	14.85:1 (12.53:1)

Notes:-

- Loans outstanding at the close of 2007-2008 represent long term loans only.
- Figures are provisional and as given by the companies and corporations.
- The Companies at Sl. No. C-10 and C-27 have been ordered to be wound up by the Patna High Court.
- * The Paid up capital of Rs. 47.67 lakh in respect of Sl. No. A- 14 has been bifurcated between Bihar (Rs. 35.75 lakh) and Jharkhand (Rs. 11.92 lakh).

Annexure - 2

(Referred to in paragraph 1.6, 1.7, 1.13, 1.19 & 1.20)

Summarised Financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and Name of Company	Name of Department	Date of Incorporation	Period of Accounts	Year in which accounts finalised	Net Profit (+) / Loss (-)	Net impact of Audit comments	Paid up capital	Accumulated profit (+) / loss (-)	Capital employed (A)	Total Return on capital employed (B)	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover	Man Power
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A. Working Companies															
Agriculture and Allied															
1	Bihar Rajya Beej Nigam Limited	Agriculture	18.7.1977	1996-97	2007-08	(-)410.21	NRC	370.84	(-)4,284.96	841.26	(-)148.62	--	11	874.07	114
2	Bihar Rajya Matsya Vikas Nigam Limited	Animal Husbandry & Fisheries	23.3.1980	1992-93	1996-97	(-)22.16	---	174.75	(-)191.54	174.19	(-)4.77	--	15	---	42
Sector wise total						(-)432.37	---	545.59	(-)4476.50	1,015.45	(-)153.39	--	--	874.07	156
Electronics															
3	Bihar State Electronics Development Corporation Limited	Industry	21.2.1978	1999-00	2008-09	(-)136.60	NRC	565.50	(-) 1,164.10	431.49	(-) 42.10	--	8	225.08	60
Sector wise total						(-)136.60	---	565.50	(-) 1,164.10	431.49	(-) 42.10	--	--	225.08	60
Forest															
4	Bihar State Forest Development Corporation Limited	Forest & Environment	10.2.1975	2000-01	2005-06	27.63	Under-statement of loss by Rs 39.67 lakh	229.08	31.61	117.29	27.63	23.56	7	2,281.02	698
Sector wise total						27.63	---	229.08	31.61	117.29	27.63	23.56	--	2,281.02	698
Mining															
5	Bihar State Mineral Development Corporation Limited	Mines & Geology	12.6.1972	2000-01	2004-05	929.04	--	997.35	703.82	2,067.55	929.04	44.93	7	3,154.58	1
Sector wise total						929.04	--	997.35	703.82	2,067.55	929.04	44.93	--	3,154.58	1

Construction															
6	Bihar Police Building Construction Corporation Limited	Home (Police)	26.6.1974	1989-90	2004-05	(-)101.87	Under-statement of loss by Rs 14.20 lakh	10.00	(-)153.35	(-)100.95	(-)101.87	--	18	30.27	408
7	Bihar Rajya Pul Nirman Nigam Limited	Road Construction	11.6.1975	1997-98	2008-09	(-)180.15	NRC	350.00	(-)1292.70	1,589.04	(-)180.15	--	10	245.14	513
Sector wise total						(-)282.02	---	360	(-)1446.05	1,488.09	(-)282.02	--	--	275.41	921
Development of Economically Weaker Section															
8	Bihar State Minorities Finance Corporation Limited	Minority Welfare	22.3.1984	2001-02	2004-05	(-)25.13	---	1,280.00	(-)189.64	2,039.88	(-)25.13		6	30.84	27
9	Bihar State Backward Classes Finance and Development Corporation.	Welfare	17.6.1993	1997-98	2006-07	(-)29.42	---	362.00	52.86	386.06	38.22	9.90	10	63.89	17
Sector wise total						(-)54.55	--	1,642.00	(-)136.78	2,425.94	13.09	9.90	--	94.73	44
Public Distribution															
10	Bihar State Food and Civil Supplies Corporation Limited	Food & Civil Supplies	22.4.1973	1988-89	2007-08	(-)374.53	--	445.99	(-)2,920.03	3,177.68	190.20	5.99	19	16,638.12	1,460
Sector wise total						(-)374.53	---	445.99	(-)2920.03	3,177.68	190.20	5.99	--	16,638.12	1,460
Tourism															
11	Bihar State Tourism Development Corporation Limited	Tourism	28.11.1980	1995-96	2005-06	82.81	Profit overstated by Rs. 2.80 lakh	295.00	184.61	553.46	82.81	14.96	12	115.18	210
Sector wise total						82.81		295.00	184.61	553.46	82.81	14.96	--	115.18	210
Power															
12	Bihar State Hydro Electric Power Corporation Limited	Energy	31.3.1982	1995-96	2004-05	(-)1,430.44	Under-statement of loss by Rs 26.06 crore	8,926.00	(-)548.07	12,833.65	(-)878.82	--	12	296.06	118
Sector wise total						(-)1,430.44		8,926.00	(-)548.07	12,833.65	(-)878.82	--	--	296.06	118
Financing															
13	Bihar State Credit and Investment Corporation Limited	Industry	30.1.1975	2001-02	2006-07	(-)903.36	Under-statement of loss by Rs. 2.19 crore	1,512.35	(-)12,648.62	1,566.48	76.26	4.87	6	566.30	65
Sector wise total						(-)903.36		1,512.35	(-)12,648.62	1,566.48	76.26	4.87	--	566.30	65

Miscellaneous															
14	Bihar State Text Book Publishing Corporation Limited	Education	2.4.1985	1996-97	2006-07	(-)455.62	Under-statement of loss by Rs 81.39 lakh	47.67	161.94	(-)144.22	(-)427.12	--	11	812.71	226
15	Bihar State Film Development and Finance Corporation Limited	Industry	6.3.1983	1991-92	2000-01	1.87	---	94.50	(-)11.56	88.33	1.87	2.12	16	--	8
16	Bihar State Beverages Corporation Limited	Excise	25.5.2006	---	---	---	---	---	---	---	---	---	2	--	167
Sector wise total						(-)453.75	---	142.17	150.38	(-)55.89	(-)425.25	2.12	--	--	401
Total (A)						(-)3,028.14	---	15,661.03	(-)22,269.73	25,621.19	(-)462.55	106.33	--	--	4,134
B Statutory Corporations															
Power															
1	Bihar State Electricity Board.	Energy Department	1.4.1958	2006-07	2007-08	(-)85,461.42	---	---	(-)1,52,470.93	3,08,781.54	(-)4,530.79	--	1	1,27,593.90	13,572
Sector wise total						(-)85,461.42	---	---	(-)1,52,470.93	3,08,781.54	(-)4,530.79	--	--	1,27,593.90	13,572
Transport															
2	Bihar State Road Transport Corporation.	Transport Department.	1.5.1959	2001-02	2004-05	(-)5,085.59	--	10,127.35	(-)62,443.17	(-)38,546.00	(-)2,346.08	--	6	1,292.25	4,000
Sector wise total						(-)5,085.59	--	10,127.35	(-)62,443.17	(-)38,546.00	(-)2,346.08	--	--	1,292.25	4,000
Financing															
3	Bihar State Financial Corporation.	Industry Department	2.11.1954	2006-07	2008-09	2,625.90	Under-statement of loss by Rs. 21.69 lakh	7,783.71	(-)41,125.99	38,131.42	7,355.90	19.29	1	1,658.74	367
Sector-wise total						2,625.90	---	7,783.71	(-)41,125.99	38,131.42	7,355.90	19.29	--	1,658.74	367
Miscellaneous															
4	Bihar State Warehousing Corporation.	Co-operative	29.3.1957	2006-07	2008-09	157.45	Profit overstated by Rs. 8.18 lakh	137.10	434.51	1610.61	207.82	12.90	1	2,948.14	253
Sector-wise total						157.45	---	137.10	434.51	1610.61	207.82	12.90	--	2,948.14	253
Total (B)						(-)87,763.66	---	18,048.16	(-)2,55,605.58	3,09,977.67	686.85	0.22	--	1,33,493.03	18,192
Grand Total (A+B)						(-)90,791.80	---	33,714.69	(-)2,77,875.31	3,35,598.76	224.30	0.07	--	--	22,326

C Non-working Companies															
Agriculture and Allied															
1	Bihar State Water Development Corporation Limited	Water Resources	12.4.1973	1978-79	1997-98	216.84	---	500.00	(-)1,119.69	2,670.29	242.30	9.07	29	--	15
2	Bihar State Dairy Corporation Limited	Animal Husbandry & Fisheries	13.3.1972	1994-95	2007-08	(-)1.73	---	672.36	(-)1,057.76	368.60	(-)1.73	---	13	--	--
3	Bihar Hill Area Lift Irrigation Corporation Limited	Minor Irrigation	3.6.1975	1982-83	1993-94	(-)26.39	---	560.00	(-)85.78	953.41	(-)13.27	---	25	0.52	--
4	Bihar State Agro Industries Development Corporation Limited	Agriculture	28.4.1966	1986-87	1995-96	(-)192.79	---	741.52	(-)1,416.00	510.80	(-)142.86	---	21	--	388
5	Bihar Fruit and Vegetables Development Corporation Limited	Agriculture	8.10.1980	1991-92	2005-06	(-)95.84	---	201.74	(-)512.54	62.45	(-)37.38	---	16	0.33	8
6	Bihar Insecticides Limited	Industry	27.2.1983	1986-87	1991-92	(-)103.12	---	57.03	(-)103.12	234.98	(-)86.74	---	21	--	69
Sector wise total						(-)203.03	---	2,732.65	(-)4,294.89	4,800.53	(-)39.68	---	--	--	480
Industries (miscellaneous)															
7	Bihar State Small Industries Corporation Limited	Industry	29.10.1961	1990-91	2005-06	(-)141.93	Under-statement of loss by Rs 52.60 lakh	718.48	(-)1,655.56	185.69	(-)27.42	---	17	1,521.65	89
8	Bihar State Industrial Development Corporation Limited	Industry	5.11.1960	1986-87	-	(-)588.92		1,404.00	(-)2,290.78	2,724.94	(-)317.13	-	21	--	--
9	Bihar Scooters Limited	Industry	19.1.1978	----	----	---	---	--	---	---	---	----	31	--	--
10	Bihar Paper Mills Limited	Industry	08.07.1977	1985-86	1997-98	(-)6.09	---	156.12	(-)31.06	143.61	(-)6.09	----	The company is under liquidation since April 04	--	--
11	Bihar State Finished Leather Corporation Limited	Industry	20.4.1982	1983-84	1986-87	(-)149.39	---	146.59	(-)213.06	615.00	(-)76.48	---	24	--	252
12	Bihar State Glazed Tiles and Ceramics Industries Limited	Industry	2.4.1984	1985-86	1997-98	(-)8.48	---	15.52	(-)51.08	350.00	(-)17.60	---	22	--	32

13	Vishwamitra Paper Industries Limited	Industry	18.6.1983	1984-85	1988-89	(-)0.91	---	40.37	(-)1.45	69	---	---	23	--	16
14	Jhanjharpur Paper Industries Limited	Industry	27.2.1982	1985-86	1991-92	(-)1.33	---	42.41	(-)2.09	59.32	(-)1.33	---	22	--	13
15	Bihar State Tannin Extracts Limited	Forest & Environment	27.1.1984	1988-89	1993-94	(-)31.56	---	103.30	(-)66.59	249.15	(-)15.86	---	19	--	
16	Bihar Solvent and Chemical Limited	Forest & Environment	Aug-79	1986-87	1995-96	(-)32.31	---	66.22	(-)32.31	167.23	(-)25.86	---	21	--	
17	Synthetic Resins (Eastern) Limited	Industry	14.12.1982	1983-84	1987-88	(-)0.69	---	9.00	(-)0.73	17.41	(-)0.69	---	24	--	---
18	Magadh Minerals Limited	Industry	22.11.1984	----	----	----	---	----	----	---	----	----	23	--	5
19	Bhawani Active Carbon Limited	Industry	26.3.1985	1985-86	1989-90	(-)1.38	---	2.39	(-)1.38	1.05	(-)1.38	---	22	--	
20	Bihar State Leather Industries Development Corporation Limited	Industry	23.3.1974	1982-83	2004-05	(-)37.09	Under-statement of loss by Rs 0.57 lakh	514.00	(-)291.89	256.19	(-)37.09	---	25	--	419
21	Bihar State Construction Corporation Limited	Water Resources	22.8.1974	1986-87	2004-05	125.38	---	700.00	(-)278.67	(-)1,026.64	125.49	---	21	1,870.12	1,479
	Sector wise total					(-)874.70	---	3,918.40	(-)4,916.65	3,811.95	(-)401.44	---	--	--	2,305
	Engineering														
22	Kumardhubi Metal Casting and Engineering Limited	Industry	25.10.1983	1994-95	1995-96	(-)238.84	---	217.00	(-)815.97	91.13	(-)151.00	---	13	1,089.25	--
	Sector wise total					(-)238.84	---	217.00	(-)815.97	91.13	(-)151.00	---	--	--	--
	Electronics														
23	Beltron Video System Limited	Industry	19.9.1984	1987-88	1998-99	(-)54.51	---	121.45	(-)21.77	101.98	(-)9.57	---	20	75.46	--
24	Beltron Mining System Limited	Industry	30.1.1986	1989-90	2002-03	(-)9.57	---	125.84	(-)49.33	52.48	(-)9.57	---	18	41.38	--
25	Beltron Informatics Limited	Industry	1.3.1988	---	---	---	---	---	---	---	--	---	20	--	--
	Sector wise total					(-)64.08	---	247.29	(-)71.10	154.46	(-)19.14	---	--	--	16
	Textiles														
26	Bihar State Textile Corporation Limited	Industry	21.2.1978	1987-88	1995-96	(-)9.18	---	498.05	(-)32.22	372.35	(-)9.18	---	20	--	50
	Sector wise total					(-)9.18	---	498.05	(-)32.22	372.35	(-)9.18	---	--	--	50

Audit Report (Commercial) for the year ended 31 March 2008

Handloom and Handicrafts															
27	Bihar State Handloom and Handicrafts Corporation Limited	Industry	21.5.1974	1983-84	1996-97	(-)9.52	---	627.98	(-)43.81	707.51	1.46	0.21	Under liquidation since March 04	--	--
Sector wise total						(-)9.52	---	627.98	(-)43.81	707.51	1.46	0.21		--	--
Sugar															
28	Bihar State Sugar Corporation Limited	Sugar Cane	26.12.1974	1984-85	1996-97	(-)919.85	---	997.00	(-)7231.46	(-)1,023.69	(-)320.24	---	23	--	--
Sector wise total						(-)919.85	---	997.00	(-)7,231.46	(-)1,023.69	(-)320.24			--	--
Cement															
29	Bihar State Cement Corporation Limited	Industry	17.10.1981		---	---	---	---	---	---	---	---	27	--	--
Sector wise total						-	---	-	-	-	-	-		--	--
Drugs, Chemicals & Pharmaceuticals															
30	Bihar State Pharmaceuticals and Chemicals Development Corporation Limited	Industry	22.2.1978	1985-86	1992-93	(-)16.83	---	361.62	(-)73.84	687.48	(-)16.83	---	22	--	78
31	Bihar Maize Products Limited	Industry	2.9.1982	1983-84	1987-88	(-)2.70	---	66.59	(-)6.14	80.11	---	---	24	--	--
32	Bihar Drugs and Chemicals Limited	Industry	12.8.1983	1985-86	1991-92	(-)3.02	---	93.67	(-)16.09	115.65	(-)3.02	---	22	--	48
Sector wise total						(-)22.55	---	521.88	(-)96.07	883.24	(-)19.85			--	126
Financing															
33	Bihar Panchayati Raj Financial Corporation Limited	Panchayati Raj	20.4.1974	1984-85	1991-92	(-)1.19	---	144.20	(-)2.69	585.60	22.52	3.85	23	--	129
Sector wise total						(-)1.19	---	144.20	(-)2.69	585.60	22.52	3.85		--	129
Miscellaneous															
34	Bihar State Export Corporation Limited	Industry	29.12.1974	1991-92	1999-00	(-)10.50	---	200.00	(-)0.95	375.36	0.93	0.25	16	494.35	35
Sector wise total.						(-)10.50	---	200.00	(-)0.95	375.36	0.93	0.25	--	494.35	35
Total(C)						(-)2,353.44		10,104.45	(-)17,505.81	10,758.44	(-)935.62		--	--	3,141
Grand Total(A+B+C)						(-)93,145.24		43,813.64	(-)2,95,381.12	3,46,357.20	(-)729.32				25,467

Notes: 1. Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserve, bonds, deposits and borrowings (including refinance).

2. The Companies at Sl. No. C-10 and C-27 have been ordered to be wound up by the Patna High Court.

Annexure – 3

(Referred to in paragraph 1.5 & 1.17)

Statement of subsidy received, guarantees received, waivers of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2008*.

(Amount: Rupees in lakh)

Sl. No	Name of the Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year				Loans on which moratorium allowed	Loan converted in equity during the year
		Central Govt.	State Govt.	Others	Total	Cash credit from banks	Loans from other sources	Letters of credits opened by banks	Payment obligation	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A Working Companies																
1	Bihar State Backward Classes Finance Development Corporation	-	-	-	-	-	30.00 (2,500.00)	-	-	30.00 (2,500.00)	-	-	-	-	-	-
2	Bihar State Minorities finance corporation Limited	-	-	-	-	-	1,000.00 (3,000.00)	-	-	1,000.00 (3,000.00)	-	-	-	-	-	-
3	Bihar State Text Book Publishing corporation Limited	-	2,300.00	-	2,300.00	-	-	-	-	-	-	-	-	-	-	-
	Total- A	-	2,300.00	-	2,300.00	-	1,030.00 (5,500.00)	-	-	1,030.00 (5,500.00)	-	-	-	-	-	-
B Working Statutory Corporations																
1	Bihar State Electricity Board	-	-	-	-	-	6,149.00 (31,658.00)	-	-	6,149.00 (31,658.00)	-	-	-	-	-	-
2	Bihar State Financial Corporation	-	-	-	-	-	(8,752.50)	-	-	(8,752.50)	-	1,155.92	-	-	-	-
	Total B.	-	-	-	-	-	6,149.00 (40,410.50)	-	-	6,149.00 (40,410.50)	-	1,155.92	-	-	-	-
	Grand Total (A+B).	-	2,300.00	-	2,300.00	-	7,179.00 (45,910.50)	-	-	7,179.00 (45,910.50)	-	1,155.92	-	-	-	-
C Non-Working Companies																
1	Bihar State Leather Industries Development Corporation Limited	-	-	-	-	-	(62.48)	-	-	(62.48)	-	-	-	-	-	-
2	Bihar state Agro Industries development corporation Limited.	-	-	-	-	-	(145.00)	-	-	(145.00)	-	-	-	-	-	-
	Total C	-	-	-	-	-	(207.48)	-	-	(207.48)	-	-	-	-	-	-
	Grand Total (A+B+C)	-	2,300.00	-	2,300.00	-	(207.48) (45,910.50)	-	-	7,179.00 (46,117.98)	-	1,155.92	-	-	-	-

* Figures as per information provided by the Companies/Corporations
Figures in brackets represent guarantees outstanding at the end of the year.

Annexure – 4
(Referred to in paragraph 1.6 and 1.19)

Statement showing investments made by the State Government in PSUs whose accounts are in arrears

(Amount : Rupees in lakh)

Name of PSU	Year up to which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by the State Government during the years for which accounts are in arrears (year wise break up may be given separately)			
			Equity	Loans	Grants	Others to be specified (Subsidy)
A. Working Companies						
Bihar Rajya Beej Nigam Limited	1996-97	370.84	-	227.62	-	100.00
Bihar State Text Book Publishing Corporation Limited	1996-97	47.67	-	-	-	18,200.00
Bihar State Backward Classes Finance & Development Corporation	1997-98	362.00	1,174.00	749.40	-	-
Bihar State Tourism Development Corporation Limited	1995-96	295.00	205.00	-	-	-
Bihar State Food & Civil Supplies Corporation Limited	1988-89	445.99	80.59	20,225.44	-	-
Bihar Rajya Pul Nirman Nigam Limited	1997-98	350.00	-	-	-	-
Bihar Police Building Construction Corporation Limited	1989-90	10.00	-	-	-	-
Bihar State Hydro Electric Power Corporation Limited	1995-96	8,926.00	978.00	10,184.53	-	-
Bihar Rajya Matsya Vikas Nigam Limited	1992-93	174.75	125.25	562.99	-	-
Bihar State Forest Development Corporation Limited	2000-01	229.08	-	-	-	-
Bihar State Credit & Investment Corporation Limited	2001-02	1,512.35	-	-	-	-
Bihar State Film Development & Finance Corporation Limited	1991-92	94.50	5.50	1.30	-	-
Bihar State Electronic Development Corporation Limited	1999-2000	565.50	1.41	0.10	-	-
Bihar State Mineral Development Corporation Limited	2000-01	997.35	-	-	-	-
Bihar State Minorities Finance Corporation Limited	2001-02	1,280.00	-	593.25	-	-
Bihar State Beverages Corporation Limited	-	-	500.00	-	-	-
Total (A)			3,069.75	32,544.63	--	18,300.00

B. Working Statutory Corporations						
Bihar State Electricity Board	2005-06	-	-	3,65,107.25	72,000.00	-
Bihar State Road Transport Corporation	2001-02	10,127.35	-	4,529.09	-	-
Bihar State Financial Corporation	2006-07	7,783.71	-	11,098.92	-	-
Bihar State Warehousing Corporation	2006-07	137.10	-	-	-	-
Total (B)			-	3,80,735.26	72,000.00	--
Total (A+B)			3,069.75	4,13,279.89	72,000.00	20,600.00
Non-working Companies						
Bihar State Small Industries Corporation Limited	1990-91	718.48	-	165.50	-	246.50
Bihar State Pharmaceuticals & Chemical Development Corporation Limited	1985-86	361.62	1,291.88	630.45	-	-
Bihar State Industrial Development Corporation Limited	1986-87	1,404.00	-	3,846.62	-	-
Bihar State Leather Industries Development Corporation Limited	1982-83	514.00	1,226.24	4,318.33	-	-
Bihar State Textile Corporation Limited	1987-88	498.05	579.21	273.61	-	-
Bihar State Dairy Corporation Limited	1994-95	672.36	-	-	-	-
Bihar State Construction Corporation Limited	1986-87	700.00	-	105.10	-	-
Bihar Hill Area Lift Irrigation Corporation Limited	1982-83	560.00	440.00	1,878.41	-	5,541.00
Bihar State Sugar Corporation Limited	1984-85	997.00	1,003.00	36,531.70	-	-
Bihar Panchayati Raj Finance Corporation Limited	1984-85	144.20	-	-	-	-
Bihar State Water Development Corporation Limited	1978-79	500.00	500.00	15,433.42	-	-
Bihar State Agro Industries Limited	1986-87	741.52	22.00	2,487.06	-	-
Bihar Fruits & Vegetables Development Corporation Limited	1991-92	201.74	8.63	358.95	-	-
Bihar State Export Corporation Limited	1991-92	200.00	-	220.93	-	7.50
Bihar State Handloom & Handicrafts Corporation Limited	1983-84	627.98	372.00	25.00	-	48.34
Total			5,442.96	66,275.08	--	5,843.34
Grand Total			8,512.71	4,79,554.97	72,000.00	24,143.34

Annexure - 5

(Referred to in paragraph 1.7)

Statement of financial position of Statutory corporations

(Amount: Rupees in crore)

1. Bihar State Electricity Board			
Particulars	2004-05	2005-06	2006-07
A Liabilities			
Equity Capital	---	---	---
Loans from Government	4,326.86	5,273.95	5,577.62
Reserves and Surplus(excluding depreciation reserve)	---	---	---
Current Liabilities and provisions	3,543.41	3,400.94	2,812.26
Capital liabilities	1,796.83	2,647.91	3,829.17
Total – A	9,667.10	11,322.80	12,219.05
B Assets			
Gross fixed assets	2,409.64	2,516.28	2,242.43
Less depreciation	1,708.91	1,822.99	1,630.81
Net fixed assets	700.73	693.29	611.62
Capital work-in- progress	464.57	606.27	833.97
Current assets	4,044.63	4,326.91	4,454.49
Investments	383.74	349.48	415.01
Subsidy receivable from Government	3,829.15	4,673.15	4,315.65
Assets not in use	3.61	3.61	3.61
Regulatory assets	---	---	60.00
Miscellaneous expenditure	---	---	---
Deficits	240.67	670.09	1524.70
Total – B	9,667.10	11,322.80	12,219.05
C Capital employed*	1,666.53	2,225.54	3,087.81
2. Bihar State Road Transport Corporation[†]			
Particulars	2005-06	2006-07	2007-08
A Liabilities			
Capital (including capital loan & equity capital)	182.29	182.29	182.29
Borrowings (Government)	--	--	--
(Others)	--	--	--
Funds**	0.30	0.30	0.30
Trade dues and other current liabilities (including provisions)	998.30	1,057.94	1,109.90
Total – A	1,180.89	1,240.53	1,292.49
B Assets			
Gross Block	--	--	--
Less depreciation	--	--	--
Net fixed assets	57.99	52.39	47.00

*Capital employed represents net fixed assets (including Capital Work-in-Progress) plus working capital. While working out working Capital the element of deferred cost and investments are excluded from the current assets.

[†] Figures are as per information provided by the Corporation.

** Excluding depreciation funds.

Capital works in progress (including cost of chassis)	-	-	-
Investments	-	-	-
Current Assets, loans and advances	287.93	293.53	298.92
Accumulated Losses	834.97	894.61	946.57
Total - B	1,180.89	1,240.53	1,292.49
C. Capital employed[#]	(-)652.38	(-) 712.08	(-)763.98
3. Bihar State Financial Corporation			
Particulars	2004-05	2005-06	2006-07
A Liabilities			
Paid-up capital*	77.84	77.84	77.84
Reserve fund, other reserves	10.05	10.05	10.05
Borrowings	235.14	200.16	211.66
Bonds and Debentures	87.52	87.52	87.52
Others paid by State Govt.	0.14	--	--
Current liabilities and provisions	351.35	360.76	340.73
Total - A	762.04	736.33	727.80
B Assets			
Cash and Bank balance	13.40	13.58	69.13
Investments	0.05	0.05	0.05
Loans and advances	285.49	277.49	237.94
Net fixed assets	0.55	0.72	0.69
Current assets	6.66	5.94	7.72
Dividend deficit account	1.01	1.01	1.01
Deficit	454.88	437.54	411.26
Total - B	762.04	736.33	727.80
C. Capital employed**	404.60	393.06	381.31
4. Bihar State Warehousing Corporation[^]			
Particulars	2005-06	2006-07	2007-08
A. Liabilities			
Paid-up capital	1.37	1.37	5.31
Reserves and surplus	13.16	14.74	15.97
Trade dues and other liabilities (including provisions)	15.61	15.03	15.11
Total -A	30.14	31.14	36.39
B Assets			
Gross block	15.79	21.20	21.26
Less depreciation	3.89	4.79	5.74
Net fixed assets	11.90	16.41	15.52
Capital work-in-progress	5.07	0.07	0.07
Current assets, loans and advances	13.17	14.66	20.80
Profit and loss Account			
Total - B	30.14	31.14	36.39
C. Capital employed[#]	14.53	16.11	21.28

[#] Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

*Paid-up capital includes share application money.

**Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, reserves (Other than those which have been funded specifically and backed by investment outside) bond, deposits and borrowings (including refinance).

[^] Figures are as per information provided by the Corporation.

Annexure - 6

(Referred to in paragraph 1.7)

Statement of working results of Statutory corporations

(Amount: Rupees in crore)

1. Bihar State Electricity Board		2004-05	2005-06	2006-07
Sl. No	Particulars			
1	(a) Revenue Receipts	1,631.45	1,853.19	1,392.26
	(b) Subsidy from the Government	803.60	844.00	720.00
	Total	2,435.05	2,697.19	2,112.26
2	Revenue Expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and Interest)	1,861.66	2,121.82	2,041.09
3	Gross Surplus (+)/deficit (-) for the year (1-2)	573.39	575.37	71.17
4	Adjustment relating to previous years	13.21	(-)260.39	(-)58.25
5	Final Gross Surplus (+)/deficit (-) for the year (3+4)	586.60	314.98	12.92
6	Appropriation			
(a)	Depreciation (less capitalised)	117.27	117.76	58.22
(b)	Interest on capital loans	286.22	352.63	482.73
(c)	Interest on other loans, bonds, advances etc.	252.54	284.51	339.58
(d)	Total Interest on loans and finance charges (b+c)	538.76	637.14	822.31
(e)	Less : Interest capitalised	15.13	10.50	13.00
(f)	Net Interest Charged to revenue (d-e)	523.63	626.64	809.31
(g)	Total appropriation (a+f)	640.90	744.40	867.53
7	Surplus (+) /deficit (-) before accountal of subsidy from State Government (5-6(g) -1(b))	(-)857.90	(-)1273.42	(-)1574.61
8	Net surplus (+)/deficit (-) 5-6(g)	(-)54.30	(-)429.42	(-)854.62
9	Total return on Capital employed*	469.33	197.22	(-)45.31
10	Percentage of return on Capital employed	28.16	8.86	--
2. Bihar Road Transport Corporation [†]				
	Particulars	2005-06	2006-07	2007-08
	Operating			
(a)	Revenue	58.48	53.92	51.84
(b)	Expenditure	74.21	78.85	71.56
(c)	Surplus (+)/Deficit (-)	(-)15.74	(-)24.93	(-)19.72
	Non-operating			
(a)	Revenue	2.25	0.98	3.63
(b)	Expenditure	36.53	36.22	35.87
(c)	Surplus (+)/Deficit (-)	(-)34.28	(-)35.14	(-)32.24

*Total return on capital employed represents Net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

[†] Figures are provided by the Corporation.

	Revenue	60.73	54.90	55.47
	Expenditure	110.74	115.07	107.43
	Net Profit (+)/ Loss (-)	(-)50.01	(-)60.17	(-)51.96
	Interest on capital and loans	18.53	18.53	18.53
	Total return on Capital employed	(-)31.48	(-)41.64	(-)33.43
3.	Bihar State Financial Corporation[∇]			
	Particulars	2004-05	2005-06	2006-07
1	Income			
i)	Interest on loans	7.53	14.61	16.21
ii)	Other income	1.05	13.49	31.16
	Total - 1	8.58	28.10	47.37
2.	Expenses*			
i)	(a) Interest on long term loans and short term loans	17.47	8.67	47.30
	(b) Provision for non-performing assets	--	--	--
	(c) Other Expenses	7.56	11.16	10.57
	Total - 2	25.03	19.83	57.87
3.	Profit (+)/Loss (-) before tax (1-2)	16.45	8.27	10.50
4.	Provision for tax	--	0.02	0.01
5.	Other appropriations	16.98	9.08	36.78
6.	Amount available for dividend [#]	0.53	--	--
7.	Dividend	--	--	--
8.	Total return on capital employed	53.47	26.01	73.56
9.	Per centage of return on capital employed	4.45	6.62	19.29
4.	Bihar State Warehousing Corporation[∇]			
	Particulars	2005-06	2006-07	2007-08
1.	Income			
(a)	Ware housing charges	5.01	6.68	9.50
(b)	Other income	22.65	22.89	32.10
	Total - 1	27.66	29.57	41.60
2.	Expenses			
(a)	Establishment Charges	3.58	3.67	3.92
(b)	Other Expenses	23.74	23.78	33.44
	Total - 2	27.32	27.45	37.36
3	Profit (+)/Loss (-) before tax	0.34	2.12	4.23
4.	Prior period adjustment	0.28	0.07	--
5.	Other appropriation	--	--	3.30
6.	Amount available for dividend	--	--	1.24
7.	Dividend for the year	--	--	0.25
8.	Total return on Capital employed	0.46	2.08	NA
9.	Per centage of return on Capital employed	3.17	12.90	NA

[∇] Figures are provided by the Corporation.

* Provision for Non-Performing Assets for the year may be distinctly shown under the head Expenses.

[#] Represents profit of current year available for dividend after considering the specific reserve.

Annexure - 7

(Referred to in paragraph 1.12)

Statement showing operational performance of Statutory corporations

1. Bihar State Electricity Board⁰

Particulars	2004-05	2005-06	2006-07
Installed capacity (MW)			
(a) Thermal	540	540	320
(b) Hydro	--	--	--
(c) Gas	--	--	--
(d) Other	--	--	--
Total	540	540	320
Normal maximum demand			
Power generated: (MKWH)			
(a) Thermal	153.49	120.95	37.25
(b) Hydro	--	--	--
(c) Gas	--	--	--
(d) Other	--	--	--
Total	153.49	120.95	37.25
Less: Auxiliary consumption			
(a) Thermal (percentage)	30.79 (20.06)	25.13 (20.78)	9.12 (24.49)
(b) Hydro (percentage)	--	--	--
(c) Gas (percentage)	--	--	--
(d) other (percentage)	--	--	--
Total (percentage)	30.79 (20.06)	25.13 (20.78)	9.12 (24.49)
Net power generated	122.70	95.82	28.13
Power purchased:	6,432.42	7,498.75	7,886.79
Total power available for sale	6,555.12	7,594.57	7,914.92
Power sold: (MU)	4,101.85	4,341.94	4,541.68
Transmission and distribution losses	2,453.27	3,252.63	3,373.24
Plant Load factor (Percentage)			
Percentage of transmission and distribution losses to total power available for sale	37.43	42.83	42.61
Number of villages/towns electrified	20,006	20,610	20,626
Number of pump sets/wells energised	1,71,107	1,71,884	1,73,048
Number of sub-stations: 220&132/83KV	--	--	--
Transmission/distribution lines (in kms)	--	--	--
(a) High/medium voltage: 220KV	--	--	--
(b) Low voltage:132KV	--	--	--
Connected load (in MVA)	--	36.91	38.79
Number of consumers (in lakh)	22.61	24.27	25.34

⁰ Figures are as provided by the Board.

Number of employees	16,182	15,722	14,589
Consumer/employees Ratio	1:140	1:154	1:174
Total expenditure on staff during the year (Rs in crore)	541.87	348.92	551.84
Percentage of expenditure on staff to total revenue expenditure	19.02	13.01	22.64
Units sold			
(a) Agriculture	1,129.32	887.48	709.14
(Percentage share to total units sold)	27.53	20.44	15.61
(b) Industrial	724.46	786.06	873.25
(Percentage share to total units sold)	17.66	18.10	19.23
(c) Commercial	285.11	313.33	309.19
(Percentage share to total units sold)	6.95	7.22	6.81
(d) Domestic	1,161.68	1,303.89	1,450.45
(Percentage share to total units sold)	28.32	30.03	31.94
(e) Others	801.28	1,051.18	1,199.69
(Percentage share to total units sold)	19.54	24.21	26.41
Total	4,101.85	4,341.94	4,541.72
Particulars			
(a) Revenue (excluding subsidy from Government)(Rs. in crore)	1,631.45	1,853.19	1,392.26
(b) Expenditure* (Rs. in crore)	1,963.80	2,680.35	2,436.43
(c) Profit (+)/Loss (-) (Rs. in crore)	(-)332.35	(-)827.16	(-) 1,044.17
(d) Average subsidy claimed from Government (in Rupees)	803.60	844.00	720.00
(e) Average interest charges (in Rupees)	538.76	637.14	822.30

* Revenue expenditure includes depreciation but excludes interest on long term loans.

2. Bihar State Road Transport Corporation^o

Particulars	2005-06	2006-07	2007-08
Average number of vehicles held	637	637	637
Average number of vehicles on road	455	386	319
Percentage of utilisation of vehicles	71	61	50
Number of employees	4,367	4,171	3,955
Employee vehicle ratio	1:10	1:11	1:12
Number of routes operated at the end of the year	212	239	227
Route kilometers	198	198	198
Kilometers operated (in lakh)			
(a) Gross	391.53	347.05	298.49
(b) Effective	381.97	340.28	290.69
(c) Dead	9.56	6.77	7.81
Percentage of dead kilometers to gross kilometers	2.44	1.95	2.61
Average kilometers covered per bus per day	230	242	250
Average Operating revenue per kilometers (Paise)	15.30	14.94	14.66
Increase(+) / Decrease(-) in operating revenue over previous year's income (percentage)	(+)12.91	(-)2.35	(-)1.87

^o Figures are as per information provided by the corporation.

Average expenditure per kilometer (Paise)	28.99	23.17	24.62
Increase(+) / Decrease(-) in operating expenditure over previous year's expenditure (percentage)	(+)8.58	(-)20.08	(+)6.26
Profit(+)/Loss(-) per kilometer (Paise)	--	--	--
Number of operating depots	29	29	29
Average number of break-down per lakh kilometers	0.001	0.004	0.004
Average number of accidents per lakh kilometers	0.14	0.01	1.47
Passenger kilometer operated (in crore)	1.16	1.03	2.91
Occupancy ratio	65	65	64
Kilometers obtained per litre of			
(a) Diesel Oil	3.88	3.93	3.96
(b) Engine Oil	NA	NA	NA

3. Bihar State Warehousing Corporation^o

Particulars	2005-06	2006-07	2007-08
Numbers of the centres covered	46	46	46
Storage capacity created upto the end of the year (tonnes in lakh)	0.20	0.20	--
Owned godowns	15.01	17.35	17.37
Hired godowns	12.02	12.70	13.94
Total	27.03	30.05	31.31
Average capacity utilised during the years (in lakh tonnes)	21.58	24.96	30.58
Per centage of utilisation	80	83	98
(a) Average revenue per tonne per year (rupees)	122.97	118.59	136.04
(b) Average expenditure per tonne per year (rupees)	108.02	110.33	122.19

4. Bihar State Financial Corporation^o

(Amount: Rupees in lakh)

Particulars	2005-06		2006-07		2007-08	
	No.	Amount	No.	Amount	No.	Amount
Applications pending at the beginning of the year	--	--	--	--	--	--
Applications received	--	--	--	--	--	--
Total	--	--	--	--	--	--
Applications sanctioned	--	--	--	--	--	--
Applications cancelled/ Withdrawn/rejected	--	--	--	--	--	--
Application pending at the close of the year	--	--	--	--	--	--
Loans disbursed during the year	--	--	--	--	--	--
Loans outstanding at the close of the year	--	2,96,941.05	--	3,08,569.59	--	3,04,059.00
Amount over dues for recovery at the close of the year	--	--	--	--	--	--
a) Principal	--	24,949.99	--	21,138.29	--	18,530.00
b) Interest	--	2,71,243.31	--	2,86,259.44	--	2,85,181.00
Total	--	2,96,193.30	--	3,07,397.73	--	3,03,711.00
Amount involved in recoveries certificate cases	--	--	--	--	--	--
Percentage of default to total loan outstanding	--	99.74	--	99.62	--	99.88

^o Figures are as provided by the Corporation

^o Figures are provided by the Corporation.

Annexure – 8

Statement showing the names of the Government Companies of Bihar which are ordered to be wound up.

(Referred to in paragraph 1.16)

(Amount: Rupees in lakh)

Sl. No.	Name of the Company	Paid-up Capital	Loans and advances given by Government of Bihar	Remarks
1	Bihar State Leather Industries Development Corporation Limited.	1,000.00	1,242.55	--
2	Bihar State Handloom and Handicrafts Corporation Limited.	999.98	115.78	--
3	Bihar State Pharmaceuticals and Chemical Development Corporation Limited.	1,577.88	427.91	--
4	Bihar State Small Industries Corporation Limited.	718.48	1,040.00	--
5	Bihar State Sugar Corporation Limited.	2,000.00	31,406.27	--
6	Bihar State Agro Industries Development Corporation Limited.	763.52	1,259.99	--
7	Bihar State Textile Corporation Limited.	537.00	223.66	--
8	Bihar State Fruit and Vegetables Development Corporation Limited.	210.37	41.80	--
9	Bihar Panchayati Raj Finance Corporation Limited.	144.20	-	Not filed
10	Bihar State Industrial Development Corporation Limited.	1,404.00	6,702.00	Not filed
11	Bihar State Construction Corporation Limited.	700.00	105.10	Not filed
12	Bihar State Export Corporation Limited.	200.00	121.77	Not filed
13	Bihar Finished Leather Limited.	147.00	918.00	--
14	Bihar Paper Mills Limited.	776.92	-	--
15	Beltron Video Systems Limited	504.71	-	--
16	Beltron Mining Systems Limited.	248.24	-	--
	Total	11,932.30	43,604.83	--

Source: As per Resolution No. 2,538 dated 19.06.2003 of the Government of Bihar, it has been ordered to wound up companies from Sl. No. 1 to 12. Except Sl. No. 9 to 12, other companies have filed petition for winding up.

Annexure - 9

(Referred to in paragraph 1.22)

Statement of names of the Companies for which decision for division of Assets, Liabilities and Management has been taken

Sl. No.	Name of the Company/Corporation	Basis of reconstruction for Assets and Liabilities and its Management.	Implementation of the decision
1	Bihar Rajya Beej Nigam Limited	78:22 (Bihar: Jharkhand)	Decision implemented
2	Bihar State Mineral Development Corporation Limited	Division on the basis of the profit of the Corporation, in its operation in the areas of Bihar and Jharkhand for the nine years preceding the division	Decision not yet implemented
3	Bihar State Credit and Investment Corporation Limited	Division on the basis of outstanding loans in the respective areas.	Decision not yet implemented
4	Bihar State Warehousing Corporation	98:2 (Bihar: Jharkhand)	Decision implemented
5	Bihar State Tourism Development Corporation Limited	(i) The share, assets and liabilities (including Hotel Ranchi Ashok) should be divided in the ratio of 3:1 (Bihar: Jharkhand) (ii) Immoveable property on "as is where is" basis.	Decision not yet implemented
6	Bihar State Minorities Finance Corporation Limited	Division on the basis of outstanding loans in respective areas.	Decision not yet implemented
7	Bihar State Backward Classes Development Corporation	Division on the basis of outstanding loans in the respective areas.	Decision not yet implemented
8	Bihar State Hydro Electric Power Corporation Limited	69:31 (Bihar: Jharkhand)	Decision implemented
9	Bihar State Text Book Publishing Corporation Limited	Division of shares on the basis of population.	Decision implemented
10	Bihar State Financial Corporation.	Division on the basis of outstanding loans in the respective areas.	Decision not yet implemented
11	Bihar Hill Area Lift Irrigation Corporation Limited	No consensus was reached between the two Governments for its Division.	Decision taken, if any not available
12	Bihar State Food and Civil Supplies Corporation Limited	3:1 (Bihar: Jharkhand)	Decision not yet implemented

Annexure – 10

(Referred to in paragraph 1.26)

Observations of the Statutory Auditor on the Internal Control / Internal Audit system of the Companies

Sl No.	Name of the Company	Year of accounts	Observation
1	Bihar State Food and Civil Supplies Corporation Limited	1987-88.	<p>In our opinion, the internal control procedures relating to purchase of stores, raw materials including components, plant and machinery, equipment and other assets, are deficient and are not adequate and commensurate with the size of the company and nature of the business.</p> <p>In our opinion the company has an internal audit system commensurate with the size and the nature of business. However, there was no follow up of the reports submitted by internal auditor.</p>
2	Bihar State Electronic Development Corporation Limited	1999-00	Internal Control System needs to be strengthened keeping in view the size and nature of its business
3	Bihar State Pul Nirman Nigam Limited	1996-97, 1997-98.	<p>Internal control procedure regarding utilization of plant & machinery/ equipment needs to be further strengthened.</p> <p>The system of internal audit needs to be further strengthened.</p>
4.	Bihar State Dairy Corporation Limited	1992-93, 1993-94, 1994-95	The company has ceased to do business and as such the internal control procedure is not in existence.
5.	Bihar Rajya Beej Nigam Limited	1996-97	<p>In our opinion, the internal control procedure of the company relating to purchase, sales and inter unit transfers of stock are not commensurate with the nature and size of business of the company.</p> <p>Internal audit has been conducted by the different firms of Chartered Accountant after expiry of financial year. No follow up has been done on the observation made by internal auditors. As such the internal audit system is not adequate.</p>

Annexure-11

(Referred to in paragraph 1.28)

Statement of paid-up capital, investment and summarised working results of 619 (B) companies as per their latest finalised accounts

(Figures in column 5 to 19 are in Rupees lakh)

SLN a.	Name of company	Status (working/no n-working)	Year of account	Paid-up capital	Equity by			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit(+) /loss(-)	Accumulated profit(+)/accu- mulated loss (-)
					State Govt.	State Govt. companies	Central govt. and their companies	State Govt.	State Govt. companies	Central govt. and their companies	State Govt.	State Govt. compa- nies	Central govt. and their companies	State Govt.	State Govt. companies	Central govt. and their companies		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	Bihar Air Products Limited	Working	1992-93	79.99	-	79.99	-	-	11.25	48.85	-	-	-	-	91.24	48.85	5.53	(-) 102.68
2	SCADA Agro Business Co. Limited	Working	2004-05	05.00	-	05.00	-	-	302.78	-	-	-	-	-	-	-	(-)0.36	(-) 190.43
3	SCADA Agro Business Co. Khagaul Limited	Non- working**	Accounts not finalised since inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	SCADA Agro Business Limited Dehri	-do-	Accounts not finalised since inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	SCADA Agro Business Limited Arrah	-do-	Accounts not finalised since inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	SCADA Agro Business Limited Aurangabad	-do-	Accounts not finalised since inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	SCADA Agro Business Limited Mohaniyan	-do-	Accounts not finalised since inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	SCADA Agro Forestry Co. khagaul	-do-	Accounts not finalised since inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Companies at serial nos 3 to 8 have filed petition for winding up, in the Patna High Court.

Annexure-12

(Referred to in paragraph 2.1.19)

Statement showing shortage of materials found in physical verification of stores

Sl no	Name of store	2003-2004			2004-2005			2005-2006			2006-2007			2007-2008		
		Date	Short items	Value	Date	Short items	Value	Date	Short items	Value	Date	Short items	Value	Date	Short items	Value
1	Biharsarif	0	0	0	3.11.04-4.12.04	11	0.04	0	0	0	0	0	0	0	0	0
2	Bhagalpur	0	0	0	15.1.05-12.3.05	33	2.27	0	0	0	0	0	0	0	0	0
3	Chapra	16.10.03-25.11.03	9	0.18	0	0	0	17.5.05-16.6.05	9	0.18	0	0	0	6.2.08-20.2.08	9	0.18
4	Digha	0	0	0	1.9.04-29.10.04	53	1.48	6.9.05-14.11.05	68	1.66	0	0	0	17.8.07-30.11.07	98	1.95
5	Gaya	0	0	0	25.3.04-24.4.04	24	3.75	29.7.05-27.8.05	24	3.75	0	0	0	0	0	0
6	Motihari	22.2.04-21.3.04	3	0.01	0	0	0	29.11.05-31.12.05	5	0.09	0	0	0	7.4.07-24.5.07	0	0
7	Mujafferpur	24.9.03-22.11.03	90	16.41	4.11.04-31.12.04	105	20.33	0	0	0	0	0	7.4.07-11.6.07	21	1.91	
8	PESU	0	0	0	3.5.04-19.6.04	0	0	18.3.05-3.5.05	1	0.14	0	0	0	17.8.07-13.10.07	0	0
Total			102	16.6		226	27.87		107	5.82		0	0		128	4.04

Source: Records and files of BSEB

Annexure – 13
(Referred to in paragraph 3.13)

Statement showing the details of the State Public Sector Undertakings which violated the Accounting Standards in preparation of financial statements

Accounting Standards (AS) No. violated		AS-1	AS-2	AS-4	AS-5	AS-7	AS-12	AS-15	AS-22
Details of Accounting Standard		Non-disclosure of Accounting Policies	Valuation of Inventories	Contingencies and Events Occurring After the Balance Sheet Date	Net Profit or Loss for the period, prior period items and charges in Accounting policies	Accounting for Construction Contracts	Accounting for Government Grants	Accounting for Retirement Benefits in the Financial Statements of Employers	Accounting for taxes on income
Sl. No.	Name of the PSU	Year/Years in which violated							
1.	B.S. Warehousing Corporation							1998-99 2000-01 2001-02	2004-05 2005-06
2.	B.S. Financial Corporation			2000-01 2001-02	2000-01 2001-02 2002-03 2003-04 2005-06			2000-01 2001-02 2002-03	
3.	B. Rajya Pul Nirman Nigam Limited					1992-93 1993-94 1994-95 1995-96			
4.	B.S. Text Book Publishing Corporation Limited	1995-96 1996-97	1992-93 1993-94 1994-95	1995-96 1996-97	1995-96 1996-97		1995-96 1996-97	1995-96 1996-97	
5.	B.S. Mineral Development Corporation Limited		1999-00 2000-01					1999-00 2000-01	
6.	B.S. Hydroelectric Power Corporation Limited		1994-95 1995-96						
7.	B.S. Road Transport Corporation							1999-00 2000-01 2001-02	

Annexure-14

(Referred to in paragraph 3.14)

Statement of department wise outstanding Inspection Reports (IRs)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1.	Industry	28	52	247	1998-99
2.	Forest & Environment	3	44	262	1998-99
3.	Agriculture	3	24	121	1998-99
4.	Energy	2	856	2495	N.A.
5.	Animal Husbandry	2	7	32	1998-99
6.	Water Resources	2	1	3	1998-99
7.	Sugar Cane	1	11	96	1998-99
8.	Food, Supply & Commerce	1	48	323	1998-99
9.	Tourism	1	13	71	1998-99
10.	Human Resources	1	3	13	1998-99
11.	Road Construction	1	24	163	1998-99
12.	Home	1	4	25	1998-99
13.	Welfare	2	6	42	1998-99
14.	Panchayati Raj	1	0	0	1998-99
15.	Mines and Geology	1	20	72	1998-99
16.	Minor Irrigation	1	1	4	1998-99
17.	Transport	1	21	113	1998-99
18.	Co-operative	1	17	44	1998-99
19.	Excise	1	0	0	1998-99
Total		54	1,152	4,126	

Source: Information available with the PAG office.

Annexure – 15

(Referred to in paragraph 3.14)

Statement of department wise draft paragraphs/reviews, reply to which are awaited

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Periods of issue
1.	Energy	7	2	April-August 2008
2.	Road Construction	1	-	May-June 2008
3.	Transport	1	-	May-June 2008
4.	Minority Welfare	1	-	May 2008
5.	Food and Civil Supplies	1	-	June 2008
6.	Welfare	1	-	May 2008
7.	Co-operative, Industries, Road Construction, Education, Mines & Geology, Energy and Transport	2	-	June 2008

Source: Information available with the PAG office.