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Audit Report (Commercial) – Government of Bihar – 2006-2007

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

COMMERCIAL

GOVERNMENT OF BIHAR

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COMMERCIAL

GOVERNMENT OF BIHAR

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OVERVIEW

1 Overview of Government companies and Statutory corporations

- As on 31 March 2007, the State had 55 Public Sector Undertakings (PSUs) comprising 51 Government companies and four Statutory corporations, as against 54 Public Sector Undertakings (PSUs) comprising 50 Government companies and four Statutory corporations on 31 March 2006. Out of the 51 Government companies, 17 were working Government companies while 34 were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there were eight companies under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2007.

  (Paragraphs 1.1 and 1.30)

- The total investment in the working Public Sector Undertakings increased from Rs 7,638.65 crore as on 31 March 2006 to Rs 7,929.91 crore as on 31 March 2007. The total investment in non-working PSUs was Rs 718.03 crore as on 31 March 2007 as compared to Rs 709.13 crore in the previous year.

  (Paragraphs 1.2 and 1.15)

- The Budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs 1,176.24 crore in 2005-06 to Rs 264.84 crore in 2006-07. The total amount of outstanding loans guaranteed by the Government to PSUs as on 31 March 2007 was Rs 270.80 crore.

  (Paragraph 1.5)

- None of the working Government companies and working Statutory corporations has finalised its accounts for the year 2006-07 within the stipulated period. The accounts of 17 working Government companies and four working Statutory corporations were in arrears for periods ranging from one to 19 years as on 30 September 2007. The accounts of all the non-working Government companies were in arrears for periods ranging from 12 to 30 years as on 30 September 2007.

  (Paragraphs 1.6 and 1.18)

- According to the latest finalised accounts, seven working PSUs (five Government companies and two Statutory corporations) earned an aggregate profit of Rs 32.93 crore. Against this, 12 working PSUs (10 Government companies and two Statutory corporations) incurred an aggregate loss of Rs 154.59 crore as per their latest finalised accounts. Of the loss incurring working Government companies, seven companies whose accounts were finalised during October 2006 to September 2007 had accumulated losses aggregating Rs 214.57 crore, which exceeded their aggregate paid-up capital of Rs 34.39 crore. The two loss incurring Statutory corporations had accumulated losses of

Rs 865.10 crore, which exceeded their paid-up capital of Rs 101.27 crore.

(Paragraphs 1.7, 1.9 and 1.11)

- The State Government had decided to wind up 17 Government companies (five working and 12 non-working companies) having a total Government investment in equity and loans to the extent of Rs 548.49 crore.

(Paragraph 1.21)

2. Performance Reviews relating to Government companies and Statutory corporations

Performance reviews relating to Project implementation and generation performance of **Bihar State Hydroelectric Power Corporation Limited**, Publishing and selling activities of **Bihar State Text Book Publishing Corporation Limited** and Procurement, performance, maintenance and repair of transformers in **Bihar State Electricity Board** were conducted. Some of the major findings are as follows:

Project implementation and generation performance of Bihar State Hydroelectric Power Corporation Limited

The Company was incorporated in March 1982 to plan, promote and develop hydroelectric power in the State. Some of major deficiencies noticed are as under:

- The Company increased capacity of small hydroelectric power by 2 MW (0.85 *per cent*) against 23.5 MW proposed to be increased during tenth five year plan.
- Due to failure of the State Government to release its contribution in time for execution of 17 Small Hydroelectric Power Projects, the Company was unable to complete even a single project within the time schedule. The Company was, thus, deprived of envisaged potential revenue of Rs 23.64 crore per annum due to loss of generation.
- Due to non-construction of escape channels, water could not be utilised during non-irrigation season and generation units remained closed resulting in loss of potential generation of 175.17 MU valued at Rs 35.03 crore during 2002-07.

(Chapter-2.1)

Publishing and selling activities of Bihar State Text Book Publishing Corporation Limited

The Bihar State Text book Publishing Corporation Limited (Company) was incorporated (April 1965) as a wholly owned State Government Company. Some of major deficiencies noticed are as under:

- The Company delayed placing orders for printing of books as a result books remained unsold and the students did not get the books at the start of academic session.
- The failure of the Company to sell the available books resulted in blockage of funds ranging from Rs 3.22 crore to Rs 4.94 crore during the period 2003-06.
- Books supplied to BEPC at an inflated price resulted in Company claiming Rs 68 crore against the actual cost of Rs 61 crore.
- The Company is not likely to receive subsidy of Rs 40.61 crore from the State Government on the books supplied to BEPC.

(Chapter-2.2)

Procurement, performance, maintenance and repair of transformers in Bihar State Electricity Board

Performance of the Board with regard to procurement, maintenance and repair of transformers was found to be deficient due to lack of adequate planning and economy in procurement. Some of major deficiencies noticed are as under:

- Mismatch of power transformation capacity with sub-power transformation capacity resulted in over loading of transformers. During 2002-07, against the growth of 53.45 *per cent* in sub-power transformation capacity, the growth in power transformation capacity was only 31.06 *per cent*.
- Delay in taking decision to allow entry tax on procurement of transformers, resulted in avoidable expenditure of Rs 1.37 crore.
- Delay in finalisation of tender for procurement of 5 MVA power transformers resulted in extra expenditure of Rs 3.47 crore.
- Failure of 8,398 transformers in excess of norms resulted in extra expenditure of Rs 14.42 crore on repair during 2003-04 to 2005-06

(Chapter-3)

3. Transaction audit observations

Audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial irregularities. The irregularities pointed out are broadly of the following nature:

There were three cases of blocking of funds, wasteful/avoidable expenditure amounting to Rs 2.69 crore due to :

- failure to monitor release of funds,
- failure to utilise space acquired on rent,
- transportation of coal at uneconomical mode of freight.

(Paragraphs 4.1, 4.4 and 4.5)

There were seven cases of loss of revenue amounting to Rs 16 crore due to:

- non execution of rent agreement,

- defalcation,
- non observance of rules,
- non adherence to tariff provisions

(Paragraphs 4.3, 4.6, 4.7,4.8, 4.9, 4.10 and 4.12)

There were two cases of undue favour to loanees/consumers amounting to Rs1.85 crore due to:

- non execution and monitoring of schemes,
- defective agreement

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

Failure of **Bihar State Backward Classes Finance and Development Corporation** to monitor the release of fund resulted in blocking of Rs 1.17 crore for over three years and consequential loss of interest of Rs 63.39 lakh.

(Paragraph 4.1)

Bihar State Electronics Development Corporation incurred wasteful expenditure of Rs 49.91 lakh on rent on space acquired for development of Software Technology Park.

(Paragraph 4.4)

Bihar State Electricity Board incurred avoidable loss of Rs 1.74 crore by not taking effective steps for setting up of electric line.

(Paragraph 4.9)

The Bihar State Electricity Board suffered loss of Rs 7.17 crore due to non-billing according to tariff provisions.

(Paragraph 4.10)

CHAPTER – I

1. OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

Introduction

1.1 As on 31 March 2007, there were 51 Government companies (17 working and 34 non-working[1]) and four Statutory corporations (all working) as against 50 Government companies (16 working and 34 non-working[1]) and four Statutory corporations (all working) under the control of the State Government on March 2006. During the year 2006-07, one new company[2] came under the audit purview of Comptroller and Auditor General of India. 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 provision 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 is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003.

[1] Non-working companies are those which are under the process of liquidation, closure, merger etc.
[2] Bihar State Beverages Corporation Ltd.

Working Public Sector Undertakings (PSUs)

Investment in the working PSUs

1.2 The total investment in the 20 working PSUs (16 Government companies and four Statutory corporations) and 21 working PSUs (17 Government companies and four Statutory corporations) at the end of March 2006 and March 2007 respectively, was as follows:

(Amount: Rupees in crore)

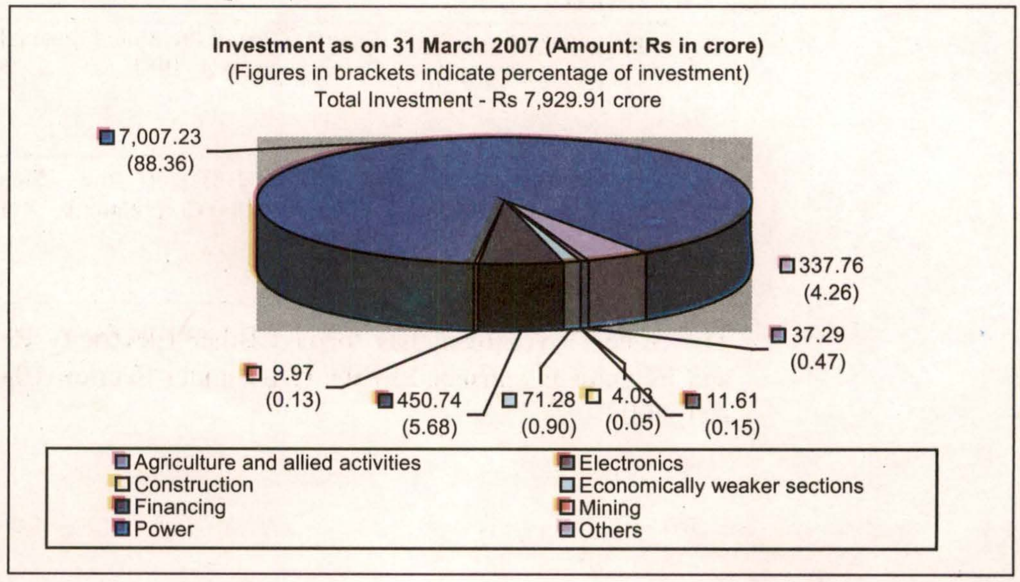
Year	Number of working PSUs and Corporations	Investment in the working PSUs			
		Equity	Share application money	Loan	Total
2005-06	20	456.08	3.66	7,178.91	7,638.65
2006-07	21	463.08	9.86	7,456.97	7,929.91[1]

Source: As per information provided by the PSUs.

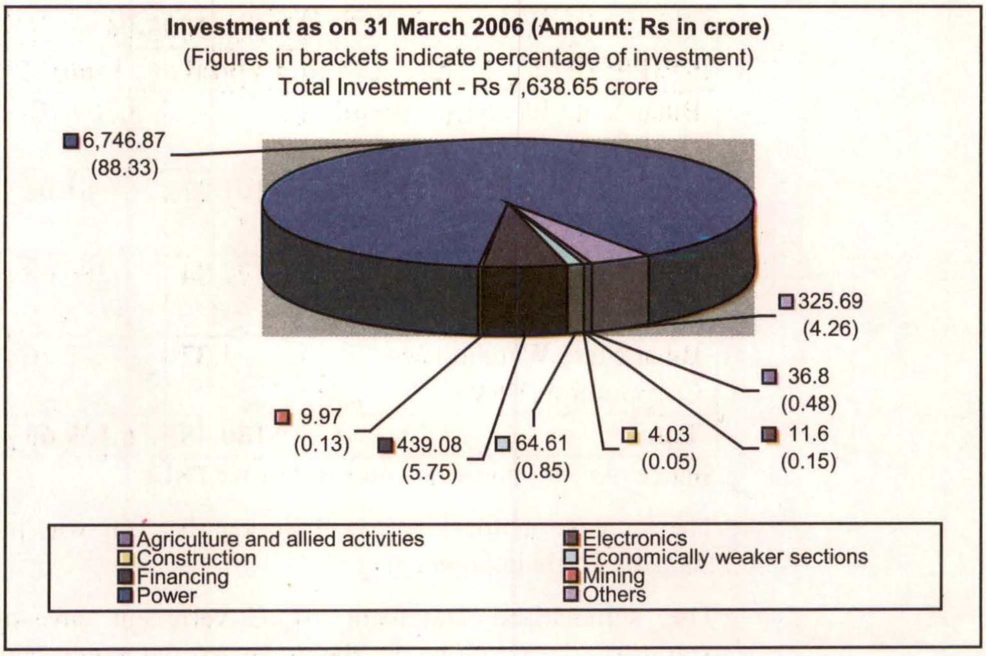
As on 31 March 2007, the total investment in working Government companies and Statutory corporations comprised 5.96 *per cent* of equity capital and 94.04 *per cent* of loans, compared to 6.02 and 93.98 *per cent* respectively as on 31 March 2006. An analysis of investment in the working PSUs is given in the following paragraphs:

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

The investment (equity and long term loans) in the various sectors and percentages thereof at the end of 31 March 2007 and 31 March 2006 are indicated below in the pie charts.



[1] State Government investment in working PSUs was Rs 7,091.48 crore (others Rs 838.43 crore). The figure as per Finance Accounts is Rs 12,209.14 crore. The difference is under reconciliation



Working Government companies

1.3 The total investment in the 16 working Government companies at the end of March 2006 and 17 working Government companies at the end of March 2007 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
2005-06	16	275.59	3.66	1,039.25	1,318.50
2006-07	17	282.60	7.86	1,100.80	1,391.26[1]

Source: As per information provided by the PSUs.

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

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 2007, the total investment in the working Government companies comprised 20.88 *per cent* equity capital and 79.12 *per cent* loans, as compared to 21.18 and 78.82 *per cent* respectively, as on 31 March 2006.

Working Statutory corporations

1.4 The total investment in the four working Statutory corporations at the end of March 2006 and March 2007 was as follows:

[1] Includes investment of Rs 100 crore in equity and Rs 608.89 crore loan to Tenughat Vidyut Nigam Limited (TVNL), in respect of which a case regarding transfer of ownership from the State of Bihar to the State of Jharkhand is pending before the High Courts of Patna and Ranchi.

(Amount: Rupees in crore)

Corporation	2005-06		2006-07	
	Capital	Loan	Capital	Loan
Bihar State Electricity Board (BSEB)	--	5,764.70	--	5,969.48
Bihar State Road Transport Corporation (BSRTC)	101.27	81.02	101.27	81.02
Bihar State Financial Corporation (BSFC)	77.84	286.68	77.84	299.19
Bihar State Warehousing Corporation (BSWC)	1.37	7.26	3.37	6.48
Total	**180.48**	**6,139.66**	**182.48**	**6,356.17**

Source: As per information provided by the PSUs.

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

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

As on 31 March 2007, the total investment in the working Statutory corporations comprised 2.79 *per cent* equity capital and 97.21 *per cent* loans as against 2.86 *per cent* and 97.14 *per cent* respectively as on 31 March 2006.

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 2007, in the form of equity capital and loans and grants/subsidies from the State Government:

(Amount: Rupees in crore)

	2004-05				2005-06				2006-07			
	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
Loans given from budget	1	3.02	3	775.23	2	122.78	1	1053.46	2	51.09	2	202.55
Subsidy	--	--	--	--	--	--	--	--	--	--		
Total outgo	**1**	**3.02**	**3**	**775.23**	**2**	**122.78**	**1**	**1053.46**	**4**	**60.29**	**3**	**204.55**

Source: As per information provided by the PSUs.

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During the year 2006-07, the Government had guaranteed loan aggregating Rs 6.33 crore obtained by two working Government companies[1]. At the end of the year, guarantees on loans aggregating Rs 270.80 crore against three working Government companies (Rs 44.65 crore) and two working Statutory corporations (Rs 226.15 crore) were outstanding. Guarantee commissions are payable by Government companies to the Government. Rupees 37.62 lakh were payable by Bihar State Road Transport Corporation and Bihar State Financial Corporation to the Government. During the year Bihar State Financial Corporation failed to repay the loan and interest due to which state Government paid Rs 127.51 crore.

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.

As can be seen from **Annexure - 2**, out of 17 working Government companies and four working Statutory corporations, none had finalised their accounts for the year 2006-07 within the stipulated period. During the period from October 2006 to September 2007, six working Government companies finalised 12 accounts for previous years. Similarly, during this period three working Statutory corporations finalised six accounts for previous years.

The accounts of 17 working Government companies were in arrears for periods ranging from one to 19 years. Besides, accounts of four Statutory corporations were in arrears for periods ranging from one to five years as on 30 September 2007, 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)	(2)	(3)	(4)	(5)	(6)	(7)
1	1	--	1988-89 to 2006-07	19	A-10	--
2	1	--	1990-91 to 2006-07	17	A-6	--
3	1	--	1992-93 to 2006-07	15	A-16	--

[1] Bihar State Backward Classes Finance Corporation Ltd. and Bihar State Text Book Publishing Corp. Ltd.

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
4	1	--	1993-94 to 2006-07	14	A-2	--
5	1	--	1994-95 to 2006-07	13	A-13	--
6	4	--	1996-97 to 2006-07	11	A-1, A-7, A-11, A-12	--
7	1	--	1997-98 to 2006-07	10	A-15	--
8	1	--	1998-99 to 2006-07	9	A-9	--
9	1	--	1999-2000 to 2006-07	8	A-3	--
10	2	--	2001-02 to 2006-07	6	A-4, A-5	
11	2	1	2002-03 to 2006-07	5	A-8, A-14	B-2,
12	--	1	2004-05 to 2006-07	3	--	B-4
13	--	1	2005-06 to 2006-07	2	--	B-1
14	1	1	2006-07	1	A-17	B-3
Total	**17**	**4**				

Source: As per latest finalized Accounts of the PSUs.

The administrative departments need to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Principal Accountant General regarding arrears in finalisation of the accounts, no effective measures have been taken by the Government and, as a result, the net worth of these PSUs could not be assessed in Audit.

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 - 4 and 5** respectively[1].

[1] On the basis of information provided by the Corporations.

According to the latest finalised accounts of 15[1] working Government companies and four working Statutory corporations, 10[2] companies and two[3] corporations had incurred aggregate loss of Rs 36.22 crore and Rs 118.37 crore respectively. Five companies[4] and two[5] corporations earned aggregate profit of Rs 15.30 crore and Rs 17.63 crore respectively.

Working Government companies

Profit earning companies and dividend

1.8 As per the latest finalised accounts, out of 17 working Government companies (September 2007), five companies[4] earned an aggregate profit of Rs 15.30 crore. No dividend was, however, declared by these companies. The State Government neither formulated any dividend policy for payment of minimum dividend nor issued any guidelines to the companies.

Loss incurring companies

1.9 As per their latest finalised accounts, 10[2] loss making companies had incurred an aggregate loss of Rs 36.22 crore. The aggregate accumulated loss of seven[6] loss making companies was Rs 214.57 crore which had exceeded their aggregate paid up capital of Rs 34.39 crore by more than six times.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of the four Statutory corporations, Bihar State Financial Corporation and Bihar State Warehousing Corporation had earned aggregate profit of Rs 17.34 crore and 28.97 lakh during the financial years 2005-06 and 2003-04 respectively. No dividend was, however, declared by the Corporations during the year.

Loss incurring Statutory corporations

1.11 Bihar State Electricity Board had an accumulated loss of Rs 240.67 crore (as on 31 March 2005) against the total investment (loans) of Rs 5,969.48 crore (as on 31 March 2007).

Bihar State Road Transport Corporation had accumulated losses of Rs 624.43 crore (as on 31 March 2002) which had eroded its paid-up capital of Rs 101.27 crore.

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[1] Excluding TVNL(the commercial production had not yet started) and Bihar State Beverages Corporation (First accounts not yet finalised)

[2] Bihar Rajya Beej Nigam, Bihar Rajya Matsya Vikas Nigam, Bihar State Electronics Development Corporation, Bihar Police Building Construction Corporation, Bihar Rajya Pul Nirman Nigam, Bihar State Minority Finance Corporation, Bihar State Backward Classes Finance and Development Corporation, Bihar State Hydro Electric Power Corporation, Bihar State Credit and Investment Corporation, Bihar State Text Book Publishing Corporation.

[3] Bihar State Electricity Board and Bihar State Road Transport Corporation

[4] Bihar State Forest Development Corporation, Bihar State Mineral Development Corporation, Bihar State Food and Civil Supply Corporation, Bihar State Tourism Development Corporation and Bihar State Film Development Corporation

[5] Bihar State Financial Corporation and Bihar State Warehousing Corporation

[6] Bihar Rajya Beej Nigam, Bihar Rajya Matsya Vikas Nigam, Bihar State Electronics Development Corporation, Bihar Police Building Construction Corporation , Bihar Rajya Pul Nirman Nigam, Bihar State Food and Civil Supply Corporation and Bihar State Credit and Investment Corporation.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6**. However, some of the important observations on their operational performance based on the data given in the aforesaid Annexure are given below:

Bihar State Road Transport Corporation

1.12.1 The percentage utilisation of vehicles reduced from 77 (2004-05) to 61 (2006-07).

Bihar State Financial Corporation

1.12.2 The amount overdue for recovery (principal and interest) increased from Rs 2,764.60 crore in 2004-05 to Rs 3,073.98 crore in 2006-07.

Return on Capital Employed

1.13 As per the latest finalised accounts (received up to September 2007) the capital employed[1] worked out to Rs 847.28 crore in 16 working companies and the total return[2] thereon amounted to Rs 5.22 crore as compared to total negative return of Rs 10.79 crore in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and the total return thereon in case of working Statutory corporations as per their latest finalised accounts (received up to September 2007) worked out to Rs 1,689.11 crore and Rs 472.19 crore respectively, against the total return of Rs 88.51 crore in previous year (accounts finalised up to September 2006). 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, tarrif and other charges, keeping in view the interest of the consumers and utilities and creating an environment which would attract participation of private sector enterprenures 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 grants of Rs 140.00 lakh during the period 2006-07 and the total grants received as on March 2007 was 211.39 lakh.

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[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] 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.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.15 The total investment in the 34 non-working PSUs (all Government companies) at the end of March 2006 and March 2007 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
2005-06	34	159.62	6.76	542.75	709.13
2006-07	34	159.62	6.76	551.65	718.03[1]

Source: As per information provided by the PSUs.

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

1.16 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 two non-working companies[2].

Total establishment expenditure of non-working PSUs

1.17 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 2006-07, 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
2004-05	11	14.74	0.07	14.67
2005-06	12[3]	4.10	0.92	3.18
2006-07	11[4]	2.86	0.44	2.42

Source: As per information provided by the PSUs.

Finalisation of accounts by non-working PSUs

1.18 The accounts of the 34 non-working companies were in arrears for periods ranging from 12 to 30 years as on 30 September 2007, as can be seen from **Annexure - 2.**

[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 257.58 crore. The difference is under reconciliation.
[2] Bihar State Leather Industries Development Corporation and Bihar State Agro Industries Corporation Ltd.
[3] Information in respect of 22 companies not furnished to Audit.
[4] Information in respect of 23 companies not furnished to Audit.

Financial position and working results of non-working PSUs

1.19 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure - 2**. The net worth[1] of 34 non-working Government companies was Rs (-) 68.08 crore against their total paid-up capital of Rs 101.04 crore. These companies suffered a cash loss[2] of Rs 18.34 crore and their accumulated loss worked out to Rs 173.48 crore.

Recoveries at the instance of Audit

1.20 A test check of the records of Bihar State Electricity Board conducted during 2005-06 disclosed wrong/short levy of tariff/short realisation of revenue aggregating Rs 1.54 crore. The Board accepted the audit observation and raised supplementary bills and recovered the short levy.

Recommendations for closure of PSUs

1.21 The accumulated loss of non-working Government companies was almost 1.7 times of their paid-up capital and as further losses are being incurred every year, Government needs to review and monitor their working closely.

Government of Bihar have decided to wind up 17 companies (five working and 12 non-working companies) having a total Government investment in equity and loans to the extent of Rs 548.49 crore. Out of these 17 companies 13 companies had filed petition for winding up in the Patna High Court and of these, winding up order has been passed in respect of two[3] companies. The companies to be wound up and the companies which have filed petition for winding up are listed in **Annexure - 7**.

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

1.22 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	30.06.2004 12.03.2007	Reasons not intimated
2	Bihar State Road Transport Corporation	1973-74	1974-75 to 2000-01	1991-92- 9.6.97 1992-93- 2.9.98 1993-94- 2.9.98 1994-95- 4.12.98	Copies of reports not made available by the Corporation to the Government for placement.

[1] Net worth represents investment in share capital, and free reserves less accumulated loss.
[2] Cash loss represents loss for the year before depreciation.
[3] Bihar State Handloom and Handicrafts Corporation Limited and Bihar Paper Mills Limited.

				1995-96-18.4.2000 1996-97-19.03.04 1997-98-19.10.04 1998-99-12.04.05 1999-00-07.10.05 2000-01-24.09.07	
3	Bihar State Financial Corporation	2003-04	--	-	--
4	Bihar State Warehousing Corporation	2000-01	2001-02 2002-03 2003-04	21.09.2004 20.03.2007 03.09.2007	Reasons not intimated

Source: As per information obtained from Vidhan Sabha, Secreteriat and information available at the PAG office.

It can be seen from the above table that 32 SARs relating to the three Corporations were not laid before the Legislature for two to 27 years, of which two SARs of Bihar State Electricity Board, 27 SARs of Bihar State Road Transport Corporation and three SARs of Bihar State Warehousing Corporation have not been placed so far (September 2007). 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/Corporations

1.23 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2006-07. 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 four[1] Companies/Corporations (September 2007). Details are given in **Annexure - 8.**

Results of audit of accounts of PSUs by the Comptroller & Auditor General of India

1.24 During October 2006 to September 2007, the comments of the Comptroller and Auditor General of India were issued on 16 accounts of 10 Government companies and four accounts of three Statutory corporations (BSEB, BSRTC and BSWC). The net impact of the important audit observations on the accounts of the PSUs is as follows:

[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. As per information submitted by the PSUs.

(Amount: Rupees in crore)

Particulars	Government companies		Statutory Corporations	
	Number of accounts	Amount	Number of accounts	Amount
Increase in loss	11	7.26	4	580.18
Decrease in loss	-	-	1	18.33
Misclassification of income /expenditure and assets and liabilities	-	-	1	8.96
Non-disclosure of material facts	7	14.10	-	-

Source: As per Comments issued to the PSUs.

Errors and omissions noticed in case of Government companies

1.25 Some of the significant errors and omissions noticed during audit in case of Government companies are tabulated below:

Sl. No.	Company	Year of accounts	Errors/Omissions	Amount (Rupees in crore)
1.	Bihar State Food and Civil Supplies Corporation Ltd.	1984-85	1) Non writing off of the stock of deteriorated wheat and rice in various godowns of the company worth Rs 1.34 crore has resulted in overstatement of Current Assets, loans and advances and understatement of loss to the same extent.	1.34
2.	Bihar State Text-Book Publishing Corporation Ltd.	1996-97	Non-provision for the advances made to suppliers prior to 1994-95 which are being carried forward since long without recovery/adjustment has resulted in overstatement of Loans and Advances and understatement of loss by Rs 0.34 crore	0.34
3.	Bihar State Credit and Investment Corporation Ltd.	2001-02	1) Non-provision for the diminution in the value of investment in 21 units which are either closed or under liquidation has resulted in overstatement of investments and understatement of loss by Rs 1.19 crore. 2) Non-provision on account of seed capital assistance given to 12 units which are either closed, sick or under liquidation has resulted in overstatement of loans and advances and understatement of loss by Rs 0.93 crore.	1.19 0.93
4.	Bihar State Forest Development Corporation Ltd.	2000-01	Non accountal of irrecoverable loss due to defalcation has led to the profit which would otherwise have resulted in loss to the extent of Rs 0.25 crore.	0.25

Source: As per Comments issued to the PSUs.

Errors and omissions noticed in case of Statutory corporations

1.26 Some of the significant errors and omissions noticed during audit in case of Statutory corporations are tabulated below:

Sl. No	Name of the corporation	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	Bihar State Electricity Board	2001-02	1) Non accountal for the liability of purchase of power Rs 6.04 crore (current year Rs 3.27 crore and previous year 2.77 crore) payable to Bihar State Hydroelectric power corporation Ltd. has resulted in understatement of purchase of power as well as loss by Rs. 6.04 crore each	6.04
			2) 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	6.34
			3) Non accountal of value of materials stolen in different transmission circles and supplies circles of B.S.E.B. has resulted in overstatement of Other debits and understatement of loss by Rs. 1.29 crore.	1.29
			4) An excess credit of Rs. 51.83 crore has been taken in the Cash Books during the period April 1983 to March 2002 which has resulted in overstatement of cash and bank balances, and consequential understatement of loss by Rs 51.83 crore each	51.83
2	Bihar State Road Transport Corporation	2000-01	1) Non-provision of dues on account of gratuity, leave encahsment etc against employees retired/died/seperated upto 31 March 2001 has resulted in understatement of gratuity and consequent understatement of loss to the extent of 45.30 crore.	45.30
			2) Non-provision of irrecoverable tax deductible at source by Commercial Tax Department has resulted in understatement of provisions and loss.	7.22
			3) Non-provision on account of compensation to the 3rd party on 137 claim cases pending against the corporation has resulted in understatement of provisions and loss.	3.67

Source: As per Comments issued to the PSUs.

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

1.27 Based on the working results of BSEB for three years up to 2003-04, taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts up to the year 2002-03 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	2001-02	2002-03	2003-04
1	Net deficit as per the books of accounts.	12.63	117.73	45.27
2	Subsidy/Grants-in-aid from the State Government.	471.80	541.30	668.40
3	Net deficit before subsidy from the State Government. (1+2)	484.43	659.03	713.67
4	Net increase in deficit on account of audit comments on the annual accounts of the BSEB.	521.27	524.38	Audit completed, Comments under finalisation
5	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government. (3-4)	1,005.70	1183.41	Audit completed, Comments under finalisation
6	Total return on capital employed.[1]	(-) 2629.85	93.09	354.81

Source: As per SARs issued to BSEB.

Internal audit / Internal control

1.28 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 2006 to September 2007, revealed that the Internal Control/Internal Audit system was inadequate in five companies. The deficiencies pointed out are given in **Annexure – 9.**

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

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

1.29 The position of discussion of Audit Reports (Commercial) by the CoPU, reviews and paragraphs discussed in the CoPU as at the end of September 2007 is 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	-	-
1999-2000	3	15	1	-
2000-01	2	13	-	-
2001-02	3	9	-	-
2002-03	3	7	-	-
2003-04	3	10	-	-
2004-05	3	9	1	6
2005-06	3	9	-	-
Total	**97**	**558**	**17**	**365**

Source: As per information available with the PAG office.

619-B companies

1.30 There were eight companies under Section 619-B of the Companies Act, 1956, of which six companies have not finalised any account since inception. Applications for closure 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 - 10**.

Chapter- II

Performance review relating to Government companies

2.1 Performance Review on Project implementation and generation performance of Bihar State Hydroelectric Power Corporation Limited

Highlights

The Company was incorporated in March 1982 to plan, promote and develop hydroelectric power in the State. The Company increased capacity of small hydroelectric power by 2 MW (0.85 *per cent*) against 23.5 MW proposed to be increased during tenth five year plan.

(Paragraphs 2.1.1 and 2.1.9)

Annual financial budget assessment under Revenue Receipt and Revenue Expenditure, Capital Receipt and Capital Expenditure was unrealistic, resulting in poor resource mobilisation and consequent delay in execution of the ongoing projects.

(Paragraph 2.1.8)

Due to failure of the State Government to release its contribution in time for execution of 17 Small Hydroelectric Power Projects, the Company was unable to complete even a single project within the time schedule. The Company was, thus, deprived of envisaged potential revenue of Rs 23.64 crore per annum due to loss of generation.

(Paragraph 2.1.15)

Time overrun in execution of Agnoor (61 months) and Dhelabagh (25 months) Small Hydroelectric Power Projects resulted in cost overrun of Rs 5.43 crore (Agnoor) and Rs 2.94 crore (Dhelabagh).

(Paragraphs 2.1.18, 2.1.19 and 2.1.27)

Ignoring the short completion period *i.e.* 27 months instead of 48 months of Triveni Link Canal Power Station, Valmikinagar, resulted in extra expenditure of Rs 4.61 crore in the award of the work.

(Paragraph 2.1.28)

Due to non-construction of escape channels, water could not be utilised during non-irrigation season and generation units remained closed resulting in loss of potential generation of 175.17 MU valued at Rs 35.03 crore during 2002-07.

(Paragraph 2.1.33)

Owing to non-automation of gate at cross regulators, the projects were never fed with required water discharge due to apprehension that the gate might not be operated manually within very short time in emergency and might cause canal breach. Thus resulted in loss of potential generation of 314.37 MU valued at Rs 62.87 crore during 2002-07.

(Paragraph 2.1.33)

Auxiliary consumption in projects was more than the norms fixed by Central Electricity Authority resulting in excess auxiliary consumption to the extent of 8.76 MU valued at Rs 1.75 crore.

(Paragraph 2.1.34)

In the absence of any agreement with Bihar State Electricity Board regarding terms and conditions for payment of energy bills, the outstanding revenue ranged between Rs 3.65 crore and 28.24 crore which resulted in loss of interest of Rs 2.40 crore during 2002-07.

(Paragraph 2.1.37)

Introduction

2.1.1 The Bihar State Hydroelectric Power Corporation Limited (Company) was incorporated (March 1982) as a wholly owned State Government Company under the Companies Act, 1956. The main objects of the Company were to plan, promote and to carry on all activities connected with the power projects for development of hydroelectric power in the State. At the time of formation of the Company the hydroelectric power potential was assessed to be 1,890 MW (Big Hydel: 1700 MW and Small Hydel 190 MW). With the formation (November 2000) of Jharkhand State out of Bihar State the available hydel potential between Bihar and Jharkhand was as below:

(In MW)

Category	Bihar	Jharkhand	Total
Big	450	1,250	1,700
Small	150	40	190
Total	**600**	**1,290**	**1,890**

Source : Annual Reports of the Company.

Small Hydroelectric Power Projects allocated (150 MW) to Bihar State include 20 MW power project at Kataiya, the administrative and technical control of which was transferred (June 2003) to the Company by the Bihar State Electricity Board (BSEB).

The Management of the Company is vested in a Board of Directors (BoD) comprising not less than four and not more than seven directors, including the Managing Director, who is appointed by the State Government. As on 31 March 2007, there were five directors including the Managing Director. The Managing Director is the Chief Executive of the Company, and is assisted by the Chief Engineer (Electrical), Superintending Engineer (Civil), Financial Advisor and the Director (Personnel & Administration).

The performance of the Company was last reviewed and featured in Audit Report (Commercial) of the Comptroller & Auditor General of India - Government of Bihar, for the year ended 31 March 2002. The Committee on Public Sector Undertakings has, however, not discussed the Report so far (September 2007).

Scope of Audit

2.1.2 The present review covers implementation of the completed/ongoing projects and generation performance of six operating projects for the five-year period ended 31 March 2007. The activities of the Company were reviewed during the period February 2007 to May 2007, covering headquarters office, all six[1] operational projects, and five[2] (out of 24[3]) under construction projects which were selected on the basis of expenditure booked and extent of completion of the projects .

Audit objectives

2.1.3 The performance audit of Project implementation and generation performance of Bihar State Hydroelectric Power Corporation Limited was carried out to assess whether:

- the generating stations are being operated and maintained economically and efficiently;
- operation and maintenance of generating stations and evacuation of energy generated is efficient;
- the execution of the hydroelectric power projects has been done effectively, efficiently and economically;
- a proper and effective monitoring system has been designed and followed in respect of execution of Hydroelectric Power Projects;
- the internal control mechanism was efficient and effective.

Audit criteria

2.1.4 The criteria considered for assessing the achievement of audit objectives were as follows :

- norms given in Detailed Project Reports;
- prescribed purchase procedures of the Company;
- technical evaluation/guidelines issued by Central Electricity Authority (CEA), Ministry of Non conventional Energy Sources (MNES) *etc*;
- PERT chart/Revised Pert chart, if any;
- generation targets fixed by management;
- terms and conditions of the agreement with BSEB for sale of energy.

Audit methodology

2.1.5 The following mix of methodologies was adopted for attaining the audit objectives and comprised the examination of:

- DPRs, agreements with the contractors, minutes of the purchase committees,
- agenda and minutes of Board's Meetings and observation of funding agencies,
- monthly generation reports, defect register, maintenance contracts and agreement with BSEB for sale of energy,
- issue of audit queries and interaction with the Management at various levels.

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[1] Agnoor, Barun, Dehri-on-Sone, Dhelabag, Kataiya and Valmikinagar
[2] Chandil, Jainagara, Nasariganj, Tenu Bokaro and Triveni
[3] (17 NABARD Projects- One commissioned + eight projects located in Jharkhand)

Audit findings

2.1.6 The Audit findings on the project implementation and generation performance of the Company were reported to the Government/Management in May 2007 and discussed in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 27 August 2007 which was attended by the Managing Director of the Company. The views expressed by the Management have been taken into consideration while finalising the review.

The audit findings are discussed in the succeeding paragraphs:

Planning of projects

2.1.7 On the basis of survey and investigation, the Company gets the Detailed Project Reports (DPRs) prepared from outside agencies. After inviting tenders, the bidders were asked to study the ground realities before quoting their rates. On receipt of bids, Alternate Hydro Energy Centre (AHEC), IIT Roorkee (being Company's consultant) evaluates the bids both technically and financially. Thereafter, the Company awards the contract. After awarding the contract the drawing for each activity is also approved by AHEC.

Financial Budget

2.1.8 The Company prepared annual budget to keep a watch over revenue/capital receipts and expenditure. The details of the projected revenue receipts, actual revenue receipts, projected capital expenditure and actual capital expenditure, for the five years ended March 2007 are given in the **Annexure-11.**

Annexure-11 reveals that budget assessment under the Revenue Receipt, Revenue Expenditure, Capital Receipt and Capital Expenditure was unrealistic.

- Revenue Receipt assessment fluctuated in all the years ranging from (-)60.40 and 28.91 *per cent.* For preceding years, the actuals of previous years were not taken into account for assessment of Revenue Receipts. Actual realisation varied from 12.88 and 90.79 *per cent.* As at the end of March 2007, the outstanding revenue was Rs 13.50 crores. This shows that revenue recoveries were poor.
- Revenue Expenditure assessed varied from year to year and ranged between (-) 20.51 and 88.08 *per cent* and was not related to actuals of the previous year. Actual Revenue Expenditure also varied between 46.44 and 52.25 *per cent* which shows inadequate maintenance of existing assets after expenditure on establishment.
- Capital Receipt assessment fluctuated in all the years ranging from (-) 5.26 and 109.51 *per cent.* For preceding years, the actuals of previous years were not taken into account for assessment of Capital Receipt. Actual realisation varied between 6.27 and 61.45 *per cent.* As at the end of March 2007, the outstanding Capital receipt was Rs 47.17 crores. This shows that Capital Receipt was inadequate.
- Capital Expenditure assessment also fluctuated in all the years ranging from (-) 0.98 and 34.70 *per cent* and was not related to actuals of the previous year. Actual Capital Expenditure also varied between 11.11

and 26.17 *per cent* which indicated unsatisfactory planning resulting in slow progress of ongoing projects/ capital works.

Overall physical target and achievement of projects

2.1.9 During the Tenth Five Year Plan (2002-07), the Company proposed to increase the capacity of Small Hydroelectric Power Projects (SHPP) by 23.5 MW by addition/commissioning of new plants and renovation/modernisation of all the three running plants. But by the end of March 2007, the Company could increase capacity by only 2 MW (0.85 *per cent*).

The Management stated (September 2007) that during Tenth Plan period, the Company carried forward its activities which were planned around initiatives taken during eighth and ninth plan period and a total of 16 MW was added to the capacity. The reply is not tenable as the projects carried forward from Eighth and Ninth Plan were not included in the projections for Tenth Plan. The fact, however, remains that addition of only 2 MW capacity was made under Tenth Plan and not of 16 MW.

- None of the 17 NABARD funded projects was completed by scheduled date of the completion (March 2005). Dhelabagh project was completed in August 2006. The physical progress (Civil and Electrical/Mechanical works) of other projects ranged between 6.06 and 96 *per cent* whereas expenditure incurred ranged between 2.24 and 100 *per cent* during five years ending March 2007 as detailed in **Annexure-12.**

The physical progress of projects under the territory of Jharkhand ranged between 20 and 90 *per cent* whereas expenditure incurred ranged between 6.20 and 83 *per cent* to the respective revised cost as detailed in **Annexure-13**. The earliest original scheduled date of completion of the projects was December 1992 and the latest scheduled date of completion was May 2001, however, none of the project was completed upto March 2007, though scheduled date of completion of two projects was revised to December 2001 and March 2002.

Project Implementation

2.1.10 Test check of the process of the project implementation from preparation of the Detailed Project Report (DPR) invitation of tenders, their evaluation, awarding of work order and execution of various projects revealed following deficiencies which are discussed in the subsequent paragraphs:

- Time and cost over run;
- Delay in processing tenders and award of work;
- Inaccurate assessment of tendered quantities;
- Inordinate delay in adjusting mobilisation advances;
- Defective evaluation of tenders.

NABARD funded projects

2.1.11 NABARD sanctioned (May 2003) 17 projects (as detailed in **Annexure-12**) with capital outlay of Rs 90.79 crore (Rs 60.15 crore – loan from NABARD, Rs 28.54 crore State Government contribution, apart from

Rs 2.10 crore already spent by the Company from its own fund) and scheduled date of completion as 31 March 2005.

Audit scrutiny of the implementation of these projects revealed the following:

Funding of projects

2.1.12 NABARD sanctioned loan (May 2003) of Rs 60.15 crore but the State Government delayed according (January 2004) administrative approval (AA) to these 17 projects. Contrary to the terms of the sanction letter, the State Government did not make any provision in its budgets and defaulted in releasing its contribution (2002-03 to 2004-05) amounting to Rs 28.54 crore. The NABARD released (till March 2005) only Rs 26.40 crore against committed amount of Rs 60.15 crore. The following table shows the amount of loan released by the NABARD/State Government and expenditure incurred by the Company, upto November 2006.

(Amount: Rupees in crore)

Sl.No.	Year	NABARD Loan	Amount Received from		Expenditure
			State Govt.	NABARD	
1.	2002-03	6.02	-	-	2.46[1]
2.	2003-04	36.09	-	23.38	2.37
3.	2004-05	18.04	-	3.02	10.31
4.	2005-06	-	8.45	-	11.48
5.	2006-07 (Nov. 06)	-	17.75	4.98	11.80
	Total	**60.15**	**26.20**	**31.38**	**38.42**

Source: Annual Budget/NABARD files

It would be seen from the above that upto the scheduled date of completion (March 2005) only an amount of Rs 26.40 crores was released by NABARD for 17 projects against which the Company spent only Rs 15.14 crores. The Company had not completed any of the 17 projects within the scheduled completion period of March 2005. Only Dhelabagh project was commissioned (August 2006).

Since the Company could not generate revenue from its internal resources such as recovery from BSEB for sale of energy and did not pursue the State Government effectively to fulfill its commitments, financial constrains remained a major impediment in the timely execution of ongoing projects.

Further, the Company had not paid a single installment of interest. Interest of Rs 5.18 crore on the loans obtained from NABARD, was due as of March 2007.

Status of the projects

2.1.13 The physical and financial progress of the 17 projects is given in **Annexure-12**. **Annexure-12** indicates that except for eight[2] projects the financial progress of the remaining projects was very poor and ranged between 2.24 and 37.01 *per cent*.

[1] Included Rs 2.10 crore incurred by the Company before 1 April 2002.
[2] Arwal, Dhelabagh, Jainagara, Nasariganj, Sebari, Shirkhinda, Tejpura and Triveni SHPPs.

Though, the Company had not analysed reasons for the delay in implementation of these projects. Audit scrutiny, however, revealed that the following factors contributed to the delay in completion of the projects:

- Delay by the State Government in according AA and in accepting terms and conditions as contained in the sanction letter of NABARD.
- Non provision of State share in Budget.
- Delay in releasing State Government contribution.
- Delay in invitation and processing of tenders and finalisation of agreement with the contractors.

The Management stated (September 2007) that there was no delay in according AA by State Government and progress of these projects was reviewed by a Committee presided by the Chief Secretary on second Friday of each month. The Management plans to complete these projects by March 2008. The reply is not tenable as NABARD sanctioned the 17 projects in May 2003 and the State Government accorded AA in January 2004 hence, projects were destined to be delayed. Secondly copy of the minutes of the meetings were neither shown to audit nor found enclosed with the reply.

Time and Cost overrun

2.1.14 As against the estimated cost of Rs 90.79 crore (May 2003), the revised cost (December 2006) was Rs 108.39 crore (**Annexure-12**). Thus, the escalation of Rs. 17.60 crore had to be borne by the State Government out of its budgetary provisions as stipulated by NABARD. The estimated cost in respect of six[1] projects (Rs 31.49 crore) is going to be revised (March 2007) again. This would further escalate the revised cost of the projects.

In view of the miniscule physical progress of 13 projects (**Annexure-12**), the capital outlay/escalation was bound to increase on completion.

The **Annexure-14** gives details of tenders, agreements and delay in execution of projects:

- **Annexure-14** reveals that even though the DPRs for all the 17 projects were ready before NABARD sanctioned (May 2003) loan, the Management invited tenders after delays ranging between five and 31 months in respect of eight[2] projects. Tenders were invited prior to NABARD's sanction of loan in nine[3] out of 17 projects. The Management also delayed signing agreements with the contractors ranging between eight and 68 months in respect of 15 projects. Letters of Intent (LoI) issued to two contractors were cancelled, and fresh tenders were invited (March 2007). Audit noticed the following points contributing to delay in processing the tenders.
- Tenders invited (April 2001) for Sipaha and Dehra were modified, and dates of opening the tenders were extended 14 times before these were finally opened in May 2003. The LoI in these two cases were issued (August 2004) to Power Vision Limited (PVL), even though it did not participate in the tender. Its sister concern Nippon Power Limited participated in the tenders. Further PVL did not execute the project and

[1] Amethi, Dehra, Natwar, Paharma, Rampur and Sipaha SHPPs
[2] Amethi, Arwal, Belsar, Natwar, Rajapur, Rampur, Tejpura and Walidad SHPPs.
[3] Dehra, Dhelabagh, Jainagar, Nasariganj, Paharma, Sebari, Shirkhinda, Sipaha and Triveni SHPPs.

was not even penalised. The Company cancelled (March 2007) the LoI issued to the contractor, and released Rs 6.50 lakhs on account of pre-construction survey and investigation.

- Tenders were invited (April 2001) for execution of SHPP Paharma and the same were opened (May 2003) and LoI issued (June 2004) to Biecco Lawrie Limited (BLL) (Central PSU). However, BLL refused (September 2005) to execute the work on the plea that the Company had delayed the tender processing resulting in cost escalation, for which there was no provision in the LoI. The Company cancelled (October 2005) the LoI and invited (February 2006) fresh tenders for execution of civil and electrical/mechanical works separately and work was awarded in October/November 2006. There was no increase in the cost of the work due to the delay. The inordinate delay of 61 months in awarding the work would, however, result in consequential delay of the benefits to the targeted population.
- Agreements for execution of four[1] SHPPs were signed (August 2004 to October 2004) after a delay of five months in call of tenders and 16 months in opening and award of work. The work was to be completed within eight months of agreement/ releasing the mobilisation advance. The contractors did not seek mobilisation advance until March 2005. It is pertinent to mention here that the State Water Resources Department (WRD), accorded formal clearance to execute the projects only in January 2006, after a delay of 15 months. These works are in progress, with schedule date of completion ranging between December 2007 and March 2008.

Potential generation loss

Non-completion of NABARD funded SHPPs in time deprived the Company of the envisaged annual revenue of Rs 23.64 crore due to loss of potential generation.

2.1.15 The Company envisaged (March 2001) increasing the hydel generation capacity of 16.75 MW by March 2005 and recovering the capital cost within four years of commercial operation of these 17 projects. The Company, however, was not able to add even a single KW of hydel power from these projects up to July 2006. As such the Company was deprived of the envisaged annual potential revenue of Rs 23.64 crore per annum, due to loss of potential generation (118.24 MU x Rs 2). The social objective of providing electricity to masses at reasonable rates was also defeated.

Capital Subsidy (MNES)

2.1.16 MNES formulated (July 2003) a scheme to promote development of SHPPs. The quantum of capital subsidy for plains and other regions of the States was 40 *per cent* of the project cost, limited to Rs 1.5 crores plus Rs 25 lakh per MW, in respect of projects ranging between one MW and 25 MW. In order to avail the capital subsidy, the Company was required to submit two copies of DPRs not more than two years old (prior to the date of submission) conforming to CEA/CWC guidelines covering various aspects of project implementation, and containing recent cost estimates.

NABARD sanctioned (May 2003) loans amounting to Rs 60.15 crore to execute 17 SHPPs on the basis of DPRs prepared (June 1986 and April 2000) by the Company.

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[1] Walidad,Arwal,Sebari and Tejpura

In contravention of MNES norms for claiming capital subsidy, the Company submitted (January 2004) its claim for capital subsidy (Rs 21.33 crores) for all the 17 SHPPs, without revising the cost of projects in the DPRs which were three to 17 years old as of January 2004. Though the MNES sanctioned (October 2004) Rs 6.63 crores as subsidy for four[1] SHPPs on the basis of old DPRs, it released only Rs 4.52 crores uptil March 2007. The reason for not releasing the remaining subsidy of Rs 2.11 crores by MNES was not on record. The Company, however, submitted (December 2006/January 2007) revised claims for capital subsidy (Rs 9.69 crores) in respect of seven[2] SHPPs on the basis of revised DPRs against which MNES sanctioned (March 2007) Rs.9.48 crore and released (March 2007) Rs. 2.38 crore. As regards the other six[3] SHPPs, the Company was updating (September 2007) the cost (Rs 6.11 crores) and the revised claim would be submitted accordingly. Thus, claiming capital subsidy in contravention of MNES guidelines had deprived the Company of Rs 15.52[4] crore (March 2007) assistance.

The Management stated (September2007) that MNES sanctioned and released subsidy for four[5] SHPPs on the basis of the old DPR, but directed the Company to reclaim subsidy for other projects after getting DPRs updated.

The reply is not tenable as the Company didn't receive full subsidy against four projects and for others the Company had to revise the project reports to claim the subsidy. As such, had the Company adhered to the guidelines of MNES, it would have claimed full subsidy in January 2004 itself.

Delayed completion of project

2.1.17 During the period covered under audit, only two projects *viz.* Agnoor (State funded) and Dhelabagh (NABARD funded) were commissioned (January 2006 and August 2006). Audit findings on these projects are discussed in succeeding paragraphs.

Agnoor SHPP (2 X 500 KW)

Delay in completion led to cost overrun of Rs 5.43 crore

2.1.18 For execution of Agnoor SHPP (capacity 2 X 500 KW) the estimated cost was Rs 2.45 crore as per DPR (June 1986). After a delay of nine years (August 1995) the Company invited tenders on turnkey basis, but did not finalise after declaration of policy decision by the State Government that the execution of Agnoor SHPP would be taken up through private entrepreneurs. The State Government, however, did not declare any policy for private participation. The Company re-tendered (December 1997) and an agreement was signed (May 1999) with Nippon Power Limited, Calcutta for Rs 7.97 crore and completion by November, 2000. However, the project was completed (January 2006) at a cost of Rs 13.40 crore resulting in time over run of over five years and cost over run of Rs 5.43 crore. Though the project was ready for commissioning (September 2005) but due to non-completion of transmission line to evacuate power from the project, the plant was formally commissioned only in January 2006.

[1] Dhelabagh, Jainagara, Nasriganj and Triveni
[2] Arwal,Belsar,Rajapur,Sebari,Shirkhinda,Tejpura and Walidad.
[3] Amethi,Dehra,Natwar,Paharma,Rampur and Sipha.
[4] Rs 21.33 crore +Rs 1.09 crore revised claim for seven SHPPs (Rs 9.69 crore – Rs 8.60 crore)– Rs 6.90 crore (Rs 2.38 crore + Rs 4.52 crore).
[5] Dhelabagh, Jainagara, Nasriganj and Triveni

Cost escalation due to delay in completion of the project

Commencement of work after the scheduled completion period resulted in extra expenditure due to cost escalation of Rs 87.22 lakh on account of civil works and electrical/ mechanical equipment

2.1.19 The project was to be executed within 18 months from the release of first mobilisation advance against bank guarantee. After release of first mobilsation advance (May 1999), the project should have been completed by 27 November 2000. The project was however commissioned (January 2006), after a delay of 61 months, due to:

- non-finalisation of layout plan of power house (8 months);
- non-acquisition of private land (20 months);
- delay in approval of drawings (21 months);
- delay in completion of transmission line to evacuate power (56 months).

It was seen that the entire civil work was executed after November 2000, as such, the price variation of Rs 36.62 lakh allowed by the Company on civil works was avoidable, which resulted into escalation of the cost of the project. Similarly the contractor supplied first consignment of Electrical and Mechanical equipment (July 2002) 19 months after the scheduled completion period (November 2000). Correspondingly the cost escalation Rs 50.60 lakh was also avoidable. The price variation on account of civil works and supply of electrical and mechanical equipments contributed to cost overrun of the project to the extent of Rs 87.22 lakh.

Loss due to delay in completion of the project

2.1.20 The Company envisaged generation of 4.489 MUs of energy per annum by November 2000. Since water for generation of power was available, the delay in commissioning the project caused potential loss of revenue of Rs 8.98 crore per annum.

The Management stated (September 2007) that construction was disturbed by anti-social elements on number of occasions and realising the gravity of the situation, the Government decided to locate the police station near the project site itself. The reply is not tenable as the Management was required to apprehend all such situations and take remedial measures at the time of commencement of the project.

Enhancement of tendered quantities

2.1.21 In all major contracts, right from PWD to International Competitive Bids (ICBs), a provision regarding variation in quantities is invariably included in the agreements. Usually the variation in agreed quantities is limited to 25 *per cent.* If any item of work executed by the contractor exceeds the stipulated quantity by more than 25 *per cent* of the estimated quantity, the contractor would be entitled to payment at item rate included in the contract, and no claim for increase in quantities up to 25 *per cent* would be admitted.

It was noticed that the quantity variation clause *i.e.*, capping the variation in the agreed quantities was not included in the contract agreements for execution of SHPPs. Execution of projects with abnormally huge excess quantities not only reflected the perfunctory manner in which the survey/investigation, DPRs and estimates were prepared but resulted in avoidable expenditure as discussed below:

Extra expenditure due to enhancement of tendered quantities

2.1.22 Test check of the running account bills and the quantities incorporated in the agreement with the contractor revealed that the percentage of excess work executed in respect of seven items ranged between 32 and 341 *per cent.*

The absence of an enabling provision for capping the maximum limit of quantity of works in the agreements resulted (September 2006) in payment of Rs 1.05 crore. This was due to abnormal increase in quantities of works which obviously is unreasonable as the contract was a turnkey contract. Moreover, an amount of Rs 7.5 lakh was paid to the contractor for survey and investigation and the contractor had assessed the work (pre-construction) before quoting rates.

The Management stated (September 2007) that the work was awarded on the basis of DPRs which gave a conceptual idea of the project. While awarding the work a provision is made, that the work would be started only on the basis of the construction drawing which was prepared after conducting a fresh survey. The reply is not tenable as the bidders were given opportunity to conduct survey of their own of the ground realities before quoting their rates. As such there should be no variation in quantities offered by the bidders in their bids and those given in the construction drawings. As such, the Company was required to put a cap on the variation of actual quantities in the tender documents.

Extra expenditure on dewatering

2.1.23 In the DPR (June 1986) of Agnoor SHPP, 3 *per cent* of the cost of civil work of the Power House, and 5 *per cent* of the cost of civil work at other locations was provided for as component of dewatering. Accordingly, a provision of Rs 11.40 lakh was made in the agreement (May 1999) for dewatering work. The contractor, however, claimed (May 2004) Rs 92.91 lakh for dewatering works on the grounds that the volume of excavation had increased due to changes in the orientation of Power House, size of power house, tail pool and forebay structures *etc.* The Committee constituted to settle the issue of dewatering allowed (June 2004) dewatering cost up to 12 *per cent* of the total increased value of civil works. It was seen that payment of Rs 56 lakh was released without working out the dewatering cost as decided by the Committee which amounted to Rs 14.40 lakh. Moreover, the change in orientation of the Power House did not justify additional dewatering as there was hardly any change in the location. While quoting the rates, the bidders were expected to consider the water level of the preferred site of the plant. Since, the execution of Agnoor SHPP was done on turnkey basis and there was a specific provision for dewatering, excess payment of Rs 44.60 lakh was not justified.

Extra expenditure on transmission line system

2.1.24 The DPR (June1986) for construction of 11 KV transmission single circuit line from Agnoor Power Station to Daudnagar Power Sub-Station (which was the nearest 33/11 KV substation of Bihar State Electricity Board), estimated the distance between these places as 10 KM instead of actual distance of 14 KM. The work was awarded to a contractor at a value of Rs 20 lakh. The contractor, however, submitted (September 2004 to December 2005) bills for erection of 32 KM transmission line at the cost of Rs 80 lakh[1]. The Company, however, released payment of Rs 46.66 lakhs for erection of 23.33KM. Due to inaccurate estimation of length of transmission line, which worked out to be 14 KM instead of 10 KM as incorporated in DPR (June 1986) and in the agreement with the contractor, the release of payment for additional 4 KM only was justified, but payment of Rs 18.66 lakh for execution of 9.33 KM at the rate Rs 2 lakh per KM was not justified.

Non-performance of contractual liability

2.1.25 For execution of SHPP Agnoor, the agreement (May 1999) made with Nippon Power Limited, Kolkata, included, *inter alia,* the commercial operation and maintenance for one year at no extra cost.

Scrutiny of records revealed that the agency did not perform its obligations and the Company instead of taking action against the contractor, took the services of Associated Engineering Centre, Patna, for the operation & maintenance of the project without inviting tenders, and incurred an extra expenditure of Rs 10.63 lakh (January 2006 to January 2007).

Loss due to belated adjustment of interest free mobilisation advance

2.1.26 Mobilisation advances are released to contractors for execution of big projects. Delayed completion of projects result in belated recovery of mobilisation advances.

In order to safeguard its commercial interests, the Company was required to incorporate a clause for recovery of interest in the agreement for belated execution of work.

As per agreement, 10 *per cent* of contract value was to be given to the contractor as interest free mobilisation advance against Bank Guarantee (BG) after execution of agreement. Further 10 *per cent* of contract value was to be given as advance against the BG after furnishing the detailed drawings of all civil works as well as E & M works.

Scrutiny of records revealed that a sum of Rs 1.58 crore had been released (May 1999 to March 2000) as mobilisation advance. It was further noticed that work valued at Rs 9.05 lakh (upto August 2001) *being* 1.14 *per cent* of agree mental value was measured, as against the scheduled completion period of November 2000. As such, interest free first mobilisation advance of Rs 79 lakh and second mobilisation advance of same amount remained unadjusted for 27 months and 17 months respectively, resulting in loss of interest of Rs 37 lakh at the rate of 13[2] *per cent.*

Dhelabagh SHPP (2 X 500 KW)

2.1.27 For execution of Dhelabagh SHPP (capacity 2 X 750 KW) the estimated DPR (April 2000) cost was Rs 6.87 crore. The Company invited (January 2001) tenders for turnkey execution of project. Accordingly, a contract agreement was signed (April 2002) with Shahabad Engineers Private

[1] The basis for claiming the additional payment was on account of, additional 4 KM distance from the Power Station to BSEB Sub-station, additional work on 2.5 KM due to theft that occurred between October 2004 to December 2005 and re-work on entire transmission line (15.5 KM)

[2] rate charged by State Government on loans to the Company.

Limited, for a total firm price of Rs 6.70 crore, for completion in 24 months from the date of release of first mobilisation advance. After release (July 2002) of first mobilisation advance the project was commissioned in August 2006, at a cost of Rs 9.81crore. This resulted in cost overrun of Rs 2.94 crore, and time overrun of 25 months. The delay in execution of the project was mainly due to change in specifications of E & M equipments for the project.

The Management attributed (October 2007) the delay in execution of the project to strike by transporters, law and order problem and delay in receipt of permission from PWD. The contention of the Management is not tenable as the delay was due to change in the specifications of E&M equipment owing to revised parameters of the project.

Reasons contributing to cost overrun are discussed below:

Loss due to decrease in capacity from 1500 KW to 1000 KW

- The Company envisaged in the DPR (April 2000) installation of two units of 750 KW each at Dhelabagh SHPP so as to generate 11.919 MU per annum. The contract agreement (April 2002) was also signed accordingly. Alternate Hydro Energy Centre (AHEC-consultant of the Company) while finalising (December 2002) the parameters (rated head and discharge of water) for the projects decided (January 2003) to reduce the capacity of the project from 1500 KW to 1000 KW due to change in the parameters. The capacity was reduced (January 2003) in view of the following:

Item	As per tender document	As per actual
(i) Head	3.20 Mtrs.	2.420 Mtrs
(ii) Discharge	54.40 Cusecs	51.80 Cusecs

Source : File regarding execution of Dhelabagh SHPP

Due to change of head and discharge, the dimensions of the power house were changed as follows:

Item	As per tender document	As per actual
(i) Size of Power House	12 X 8 Mtr.	32.24 X 21.32 Mtr.
(ii) Deepest Earth Level of Power House	92.12 Mtr.	89.47 Mtr.

Source :File regarding execution of Dhelabagh SHPP

Poor planning and belated change in the specification of the E/M equipment resulted in extra expenditure of Rs 2.81 crore.

Thus, due to poor planning, the Company had to incur an extra expenditure of Rs 2.81 crore on construction of the project, despite the capacity being reduced from 1500 KW to 1000 KW.

The Management stated (October 2007) that after completion of the maintenance of the Sone canal system by WRD, hydrological parameters of the project were revised, necessitating change in unit size from 2X 750KW to 2X 500KW in the first phase and after observing the performance, third unit of 500KW would be constructed.

The reply of the Management is not relevant as the parameters of head and discharge should have been correctly assessed at the time of preparation of DPR (April 2000) instead of in December 2002 *i.e.* even after the finalisation of contract for construction of 2 x 750 KW SHPP.

Extra expenditure due to enhancement of tendered quantities

- Test check of the running bills and the quantities incorporated in the agreement with the contractor revealed that the percentage of quantities of work executed exceeding the tendered quantities in respect of nine items ranged between 45 and 476 *per cent.*

  The absence of an enabling provision for capping the maximum limit of materials in the agreement had not only rendered the complete process right from survey and investigation to the preparation of DPR futile but had also resulted in payment of Rs 2.05 crore in consumption of material in excess of the material included in the agreement.

Extra expenditure due to cost escalation

- As per agreement (April 2002), the price was firm. Scrutiny of contractors bills, however, revealed that the contractor commenced (April 2005) supply of E & M equipment after the expiry (June 2004) of the scheduled period of the contract. Agreement provided E & M equipment for Rs 3.92 crore whereas expenditure of Rs 5.18 crore has been booked till January 2007. The main reason for delay in supply of E & M equipment was due to change in the specification necessitating changes in the manufacturer of the equipment. On contractor's representation (May 2005), the Company in contravention of the price clause, allowed price variation on E & M equipments amounting to Rs 84 lakh. Similarly, the major civil works were executed (July 2004-July 2006) after the scheduled completion period (June 2004), and price escalation of Rs 31 lakh was allowed to the contractor. The Company, as such, was put to a loss of potential revenue for 7.946 million units per annum valued Rs 1.59 crore, due to delay in completion of the project.

Triveni Link Canal Power Station (2 X 1.5 MW), Valmikinagar

Defective evaluation of tenders

Defective evaluation of tenders resulted in extra expenditure of Rs 4.61 crore in the award of the work.

2.1.28 The Company accorded (December 1992) AA for construction of hydroelectric project of 3 MW capacity (2 X 1.5 MW) on Triveni Link Canal on turnkey basis for Rs 9.15 crores. Tenders were invited (September 1999) for execution of the project on turnkey basis and LOI issued (April 2001) to Pareek Power Limited (first lowest), for Rs 13.50 crores, for completion within 48 months from the date of payment of first mobilisation advance.

It was seen that during evaluation (February 2001) of the bids by the Company's consultants AHEC and the Company, element of scheduled completion of the project and interest liability on loans obtained from NABARD was not considered. Nippon Private Limited the second lowest bidder at Rs 15.94 crores offered to complete the project within 27 months from the issue of the first mobilisation advance. Since the project was to generate 15.77 MU, the potential generation during 21 months (48-27) worked out to 27.59 MU valued at Rs 5.51 crore. After loading the cost of early completion of the project and interest liability Nippon was the first lowest at Rs 15.94 crore as against Pareek at the loaded rate of Rs 20.55 crore, thus resulting in extra expenditure of Rs 4.61[1] crore in award of the work. It was further seen that the contractor had not completed the work till date (September 2007), even though advance (Rs 67.62 lakh) was released on 11 October 2001, and the work was to be completed by 10 October 2005.

The Management stated (September 2007) that it was not clear what was the basis of second lowest tenderer for indicating 27 months as completion period for the project and that too at a higher price. The fact, however, remains that the Management failed to consider the short completion period while evaluating the bids of the tenderers.

Increase in quantities

2.1.29 The quantities of six items included in Power House portion of the project which was almost complete in March 2007, registered an increase ranging between six to 461 *per cent*. The Company incurred Rs 4.13 crores on these items till March 2007, while the work was envisaged to be completed at Rs 2.59 crores, resulting in extra expenditure of Rs 1.54 crores. Similarly the increase in the quantities of three items in the Head Regulator portion of the project ranged between 94 and 4,378 *per cent* resulting in extra expenditure of Rs 84 lakh against agreed amount of Rs.3.51 lakh. The Management regularised the increase in quantities due to requirement of detailed drawings prepared by AHEC. Since, the tenders were invited (September 1999) on turnkey basis and the bids were evaluated by (April 2001) AHEC, the increase in quantities subsequently was not justified.

Kataiya Hydel Power Station

2.1.30 Administrative and technical control of the Kataiya Hydel Power Station (4 X 4.8 MW) constructed and commissioned (November 1970 to October 1973) by BSEB was transferred (June 2003) to the Company at the instance of the State Government. Though 25 to 33 years had passed from the commissioning of turbine, generators and other auxiliary facilities but the average running hours ranged between 907 and 1,993 per annum against available hours of 8,760 in each year. The Company proposed (February 2007) to carry out renovation and modernisation of the plant at a cost of Rs 35 crore.

The terms and conditions of the transfer notification, *inter-alia,* provided that (i) in case the Company generated the same quantum of energy as generated in the previous year (August 2002 to July 2003) by BSEB, it would supply the entire energy free of cost to BSEB. In case the Company generated more energy after renovation, the excess generated energy would be supplied to BSEB at the rate fixed by the State Government, (ii) the entire cost of renovation would be borne by the Company.

In the above background, the following observations are made:

- The main reason for poor performance of the plant besides non-operation of units one and four from October 1995 and October 1993 respectively was non-availability of planned head and discharge, as the headrace canal and tailrace canal were heavily silted. As against 15000

[1] {Rs 13.50 crore + Rs 5.51 crore (generation potential for 21 months) + Rs 1.54 crore (interest on Rs 13.50 crore @ 6.5 per cent for 21 months)} – {Rs 15.94 crore } = Rs 4.61 crore

cusecs of water capacity of the main eastern canal, the actual discharge was 5000 to 6000 cusecs only, due to siltation of 5' to 11' in its bed. Due to heavy siltation of the escape channel, Irrigation Department did not release the required flow of water for running of all the four units. The escape channel could have improved the desiltation process, besides rendering the main canal open during the period of four to five month in a year in which there is no irrigation demand. This escape channel was also not operational. Bhegadhar river, wherein the escape channel landed was also heavily silted. The escape channel continued (September 2007) to remain under the control of WRD. There was no provision for desilting the Bhegadhar river, headrace, tailrace canal and escape channel in the Capital outlay for renovation of the plant being finalised by the Company (February 2007). As such the Company was not likely to get the required discharge of water and the entire investment of Rs 35 crore would prove unproductive.

- The terms of the agreement as regards the supply of energy to BSEB free of cost in lieu of the transfer of plant to the Company were vague. While the Company had adjusted 62.75 lakh and 66.71 lakh units of energy in the account of BSEB during 2003-04 and 2004-05 whereas operating cost for Kataiya Plants was Rs 25.31 lakh and Rs 49.94 lakh respectively, BSEB had been persuading the Company to transfer 8.4 MU of energy every year free of cost. As such, the term of the agreement was not favourable to the Company.
- The issue of liabilities (Rs 16.51 lakh) of the BSEB as on the date of transfer of the project was still unresolved.
- Stores and spares relating to the project had not been transferred to the Company so far (March 2007). The Company had to incur Rs 36.96 lakh on repair and maintenance of the plant during financial year 2003-04 to 2006-07. Had the stores and spares related to the project been transferred to the Company and utilised subsequently, the Company would have incurred reduced cost on repair and maintenance of the plant.
- The Company had spent Rs 19 lakh for residual life assessment testing, survey of the existing equipment, preparation of DPR for all the four units and Rs seven lakh for preparing tender documents for capital overhauling of Units one and four. The Company did not receive any financial assistance from the State Government so far (March 2007).

The transfer of Kataiya Hydel Power Station which was 25 to 33 years old and having operational problems *i.e.* low discharge of water due to siltation and needed a heavy capital investment – was not beneficial for the Company which was facing financial constraints in execution of its on-going projects on time.

Small Hydel Projects in Jharkhand

2.1.31 The Company decided to install five[1] SHPPs for Rs 9.36 crore. Due to delay in placing orders ranging between six and 35 months for the execution of these projects, the cost had to be revised (1999) to Rs 14.10 crore. The

[1] Sadani (July 1994), Lower Ghaghri (December 1994), Nindighagh (December 1996), Netarhat (July 1997), and Jalimghagh (July 1997)

revised estimated cost was to be contributed by State Government (Rs 11.38 crore) and MNES (Rs 2.72 crore). Sadani SHPP was to be completed by July 2002, Lower Ghaghri SHPP by September 2002, Netarhat SHPP by July 2001, Nindighagh SHPP by March 2002 and Jalimghagh SHPP by March 2002.

The Company also decided (May 1984) to install two projects at Tenu Bokaro and Mandal and one project at Chandil (March 1987) at a capital outlay of Rs 37.14 crore. These projects were to be entirely financed by the State Government. The work orders for execution of these projects were placed in January 1991, December 1989 and March 1992 after delays of 81, 68 and 61 months respectively. In the meantime the estimated capital outlay was revised to Rs 91.69 crore. The scheduled dates of completion of Chandil and Tenu Bokaro were July 2001and December 2001 respectively. Due to law and order problems, the work at Mandal was abandoned (August 1997) and no date of completion was fixed as of March 2007.

The State of Jharkhand came into being on 15 November 2000 after reorganisation of Bihar State, and all these eight projects fell in the territory of Jharkhand. The total investment of the Company up to January 2001 was Rs 60.98 crore. MNES sanctioned (January 1995) subsidy of Rs 2.72 crore, it released (uptil March 2007) only Rs 1.32 crore and did not release the balance subsidy of Rs 1.40 crore. The Company did not pursue MNES to release the balance subsidy. With limited resources (after bifurcation of states viz. Bihar and Jharkhand) both the Government of Bihar and the Company were skeptical of investing further funds on these projects at the cost of other projects under development in Bihar.

Section 65 of the Bihar Re-organisation Act, 2000, provided for the Company (being in 9th Schedule of this Act) to continue functioning in the area in which it was functioning immediately before the appointed date of reorganisation of the State of Bihar (15 November, 2000). The Company, as such was required to adopt a realistic approach of transferring these projects to the State of Jharkhand considering the administrative inconvenience, and financial constraints, thus allowing the State of Jharkhand to complete these projects. On the other hand ignoring all the above facts, the Company imprudently preferred to complete these projects on its own.

Non-completion of eight projects located in Jharkhand State in time, the State was deprived of the annual potential energy generation valued at Rs 27.19 crore besides unproductive investment of Rs79.09 crore in these projects.

The fact, however, remains that even after spending Rs 18.11 crore (January 2001 to March 2007) on these projects, not even a single project was completed (March 2007). The physical and financial progress of Jharkhand projects has been given in **Annexure-13**. Since capital subsidy was received against five projects, the Company could not transfer these projects to private firms at the book/assessed value to complete the projects and sell power on its own. As the assets falling in the jurisdiction of each State were to be apportioned, the Company was required to transfer these projects to the State of Jharkhand and consequently could have avoided expenditure of Rs 18.11 crore incurred between February 2001 and March 2007. As regards the other projects financed by the Company/State Government, the Company should have considered inviting private firms to take over the incomplete projects, and recoup its investment (Rs 79.09 crore).

Delay in awarding the work ranging between six and 81 months was the main reason for non-completion of these projects before reorganization of the State

(November2000), and the subsequent approach towards the incomplete projects had not only resulted in unproductive investment of Rs 79.09 crore, but also deprived the States of the potential energy generation of 135.96 MU per annum, valued at Rs 27.19 crore.

The major expenditure of the Company was on procurement of E & M equipment and execution of civil works. Since the equipments were received over 15 years back, their deterioration/obsolescence can not be ruled out. Thus, the entire expenditure proved infructuous.

Generation performance of completed projects

2.1.32 It was noticed that against the projected generation of 1,117.84 MU during 2002-03 to 2006-07 by six[1] completed projects, the actual generation was only 292.81 MU (26.23 *per cent)*. There was shortfall of 825.03 MU valued at Rs 165 crore. The reasons for shortfall in generation have been discussed in the succeeding paragraphs.

Overall performance of the above power projects in operation has been summarised in the following table:

(In million units)

Particulars	2002-03	2003-04	2004-05	2005-06	2006- 07	Total
Projected generation(DPR)	161.25	161.25	260.97	260.97	273.40	1117.84
Projected Auxiliary consumption (DPR) at the rate of 0.5 per cent	0.81	0.81	1.30	1.30	1.37	5.59
Actual power generation	47.29	49.02	54.77	72.58	69.15	292.81
Less: Auxiliary consumption	1.78	1.54	2.05	2.31	2.33	10.01
Less: Transformation and transmission loss deducted by the Board	1.82	1.84	1.97	2.20	1.95	9.78
Net power available for sale	43.69	45.64	50.75	68.07	64.87	273.02
Percentage of actual generation to projected generation	29.32	30.40	20.98	27.81	25.29	

Source: Generation Report/Registers

It would be seen from the above table that the percentage of actual generation as compared to projected generation ranged between 20.98 and 30.40, during last five years ending March 2007.

[1] Agnoor, Barun, Dehri-on-Sone, Dhelabagh, Kataiya and Valmikinagar SHPPs.

Actual generation of project raised between 59.84 and 3.48 percent of the projected generation

The project wise performance has been detailed in the **Annexure-15**. **Annexure-15** shows that actual generation of Barun, Dehri on Sone, Kataiya and Valmikinagar SHPPs ranged between 59.84 and 3.48 *per cent* of the projected generation during the last five years ended March 2007 (except Kataiya whose generation was taken from 2004-05).

The Management stated (September 2007) that target was fixed considering all aspect including condition of the unit and availability of the water, outages in transmission line *etc*. The reply is not relevant as audit worked out actual generation as compared with the projected generation.

Outages

2.1.33 Outages means shut down of power plants or the period during which generating unit is not available for power generation. Outages of power houses during the period of five years ended March 2007 have been classified into two categories, avoidable and unavoidable, as detailed in **Annexure-16**. **Annexure-16** shows that the percentage of avoidable outages to available hours ranged between 34.72 and 48.21 *per cent* at Barun project, 49.21 and 59.54 *per cent* at Dehri, 40.87 and 59.43 at Kataiya and 54.40 and 73.61 *per cent* at Valmikinagar, during last five years ending March 2007 (except Kataiya, whose generation was taken from 2004-05). Reasons of outages, as analysed in audit, are discussed in the subsequent paragraphs.

Delay in installation of reactor

- For the evacuation of power generated at Valmikinagar, two 132 KV feeders were provided (by BSEB). One feeder was connected with Surajpura substation in Nepal, and other feeder with Ramnagar substation of BSEB. Due to mismatch between Ramnagar feeder line voltage and generated voltage, it was not possible to synchronize the power house machines with Ramnagar feeder. Consequently, the power generated at Valmikinagar was being transmitted to Surajpura substation in Nepal, as a temporary measure.

  Many times, the Valmikinagar project was shut down due to lack of requirement of power at Surajpura substation, even when sufficient discharge was available for power generation.

- A team of experts (Company's consultants) visited the power station in August 2001 and recommended installation of a reactor to maintain the desired voltage. The Company, however, installed the reactor in July 2005. Thus, failure to anticipate the problem of mismatch due to high voltage initially, and subsequent delay in installation of reactor caused loss of 2.99 MU valued at Rs 60 lakh during April 2002 to July 2005.

Deficient power evacuation

- The DPR (October 1983) of SHPP Barun envisaged evacuation of generated power to the existing grid sub-station at Barun, through a single circuit 33 KV overhead transmission line. The DPR (R & M) of the project (April 2002) provided extension of the existing 33 KV feeder to nearby 132 KV Sone Nagar sub-station, or construction of a second 33 KV line from the switchyard of the power house to 132 KV Sone Nagar sub-station which was not implemented, till March 2007.

Audit scrutiny revealed that units of the power station remained shutdown for 5,047 hours during the last five years up to March 2007, due to tripping/failure of supply from BSEB, resulting in loss of potential generation of 6.95 MU valued at Rs 1.39 crore.

The Management admitted (September 2007) that since MNES did not sanction any amount for this work, the scheme could not be taken up for execution. The Board is to renovate 33/11 sub- station at Barun and it is expected that, with complete renovation of this sub-station by the Board, the power tripping would decrease.

Non-adherence to provision of DPR regarding evacuation of generated power resulted in loss of potential generation of Rs1.71 crore

Similarly for evacuation of power generated from Dhelabagh Power Station, the DPR (April 2000) proposed connecting the power station through a 14 KM long single circuit, 11 KV line from Dhelabagh to Dehri 33/11 KV grid sub-station. But it was noticed that the power generated at Dhelabagh Power Station was initially evacuated (August 2006) by Nasriganj power sub-station of Bihar State Electricity Board. This was subsequently connected (November 2006) on 11 KV line to Akhothigola power sub-station. Since faults on 11 KV line continue to travel to the distribution sub-station, the plant was shut down for 5,271 hours since commissioning to March 2007, resulting in loss of potential generation of 1.59 MU valued at Rs 31.83 lakh.

The Management admitted (September 2007) that the trippings were mainly due to non-existence of protection system at Akhothigola sub-station of the Board. The Management further added that certain provisions are being made for improving the protection system at Board's sub-station.

Non-construction of Escape Channel

- The generation of power in hydroelectric projects depends on availability of water to the power channel. Three power generating projects[1] were set up (1993-97) on the canals constructed for irrigation purposes at a cost of Rs 114.06 crore. Water discharge in the canal varied due to the seasonal irrigation needs of command area. The canals generally remained closed for two to four months in two stretches every year, as there was no need for irrigation in the command area during those periods. To overcome the problem of non-availability of water during the closure of canal, provision for escape channel was made in the DPR, so that after generation, water may be sent back to the river through such escape channels.
- Due to lack of construction of escape channels in these projects, 175.17 MU of energy valued at Rs 35.03 crore could not be generated for want of water, during the last five years ending March 2007.

[1] Barun, Dehri, and Valmikinagar SHP

Improper cleaning of trash rack caused low generation

- Accumulated debris (organic/floating material) on the upstream of trash rack[1] blocks the water discharge for the turbines. This needs to be cleared continuously. In order to remove debris manually, closure of the concerned unit was essential. In order to avoid the closure of the plant, an annual operation and maintenance contract is given to a contractor which, *inter alia,* stipulates cleaning all organic/floating material from the trash rack at bridge and intake gate, so that plant could run smoothly.

  Test check of records of four[2] hydroelectric projects revealed that during 2002-07, proper cleaning of the trash rack was not carried out by the contractor, for which no penal action against the contractor was taken. This resulted in closure of units for 1,271 hours due to non-cleaning of trash rack. Thus, the Company sustained loss of potential generation to the extent of 1.979 MU valued at Rs 39.58 lakh.

  The consultants of the Company suggested (August 2001) installation of trash rack cleaning machines at Barun, Dehri, and Valmikinagar at an estimated cost of Rs 76 lakh. The Management, however, continued with the manual system of cleaning the trash rack at all the four projects, including Kataiya.

  The Management stated (September 2007) that the outages due to trash rack cleaning was not so alarming yet, the operation and maintenance contractor was regularly reminded to avoid outages of the unit due to this reason. But the fact remains that the Company has already sustained a loss of Rs 39.58 lakh for which no action has been taken against the contractor.

Low discharge of water due to non- automation of gates at cross regulator

Non-automation of gates despite receipt of Rs 1.15 crore (March 2004) from WRD resulted in less availability of water and loss of potential generation valued at Rs 62.87 crore.

- The DPRs in three[3] projects provided, as also subsequently suggested (2001) by the consultants for remodeling the existing manually operated fall gates into electrically operated ones (backed by diesel generators) and linking with the power house gates, so that during emergencies, when power cuts off, the canal fall gates open automatically. Despite receiving Rs 1.15 crore (March 2004) from WRD, for modernisation of Dehri fall gate, and delay of over three years, the work was not initiated (March 2007).

  Consequently, the Irrigation Department did not allow more than 2/3rd of the required discharge in the power channel due to the apprehension that during tripping of the power generating units, the gates provided at cross-regulators of these projects might not open within a short time causing breach of canal. Thus, the powerhouses were never fed with the required water discharge. The Company had to incur loss of potential generation of 314.37 MU valued at Rs 62.87 crore during last five years ending March 2007.

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[1] Trash rack is a net which prevents debris to travel to turbines.
[2] Barun, Dehri, Kataiya and Valmikinagar SHPs
[3] Barun, Dehri and ValmikinagarSHPPs

The Management stated (September 2007) that against an estimate of Rs 2.25 crore for gates of the three projects, a sum of Rs 1.15 crore only was received from WRD for modernisation of Dehri fall gate for which work order was placed. The reply is not acceptable as fund for Dehri fall gate was received three years back and the Company has not completed the work so far (August 2007).

Auxiliary consumption

2.1.34 Some of the energy generated in a power station is consumed in its auxiliaries, and is not available for sale. As per the norms fixed by the CEA for hydroelectric projects, auxiliary consumption of energy should not exceed half *per cent* of the energy generated. The auxiliary consumption in various power projects for the five years ending March 2007 is given below:

(Figures in percentage)

Power projects	2002-03	2003-04	2004-05	2005-06	2006-07
Agnoor	-	-	-	-	3.33
Barun	3.53	3.38	3.57	3.30	3.38
Dehri	3.66	3.57	3.58	3.20	3.14
Kataiya	-	1.75	3.99	2.11	2.53
Valmiki Nagar	3.96	3.97	3.90	3.72	4.17

Source: Generation Report/Registers.

Excess auxiliary consumption resulted in loss of Rs 1.75 crore

The above table reveals that the least auxiliary consumption was 1.75 *per cent*, at Kataiya during 2003-04, and the highest was 4.17 *per cent* at Valmikinagar during 2006-07. The auxiliary consumption in all power projects in all the years had exceeded the norm (half *per cent*) of auxiliary consumption, resulting in excess auxiliary consumption of energy aggregating to 8.76 MU valued at Rs 1.75 crore. The Management had not analysed reasons for excess auxiliary consumption for remedial action.

The Management stated (September 2007) that excess auxiliary consumption was due to canal remaining closed for four months in a year, location of SHPPs in disturbed area, where good lighting is required and colony lighting at Barun being accounted for in auxiliary consumption. The Management further added that it will arrange for the metering arrangement for power station premises which will give a correct picture of the auxiliary consumption.

The contention of the Management is not tenable as while taking the norms of 0.5 per cent, non-availability of water for four months was taken into consideration. As regard consumption of electricity in the colony at Barun being booked against auxiliary consumption, it is a lapse on the part of the Management. The Management in its earlier reply (August 2006) had stated that Barun and Dehri SHPPs were located in naxal affected areas but now (September 2007) contention of the Management that all SHPPs are located in disturbed area, is not sustainable.

Renovation and modernisation of running plants

2.1.35 Barun (1996), Dehri (1993) and Valmikinagar (1995) plants were commissioned with minimum essential operating systems. The Company felt

(September 2001) that these units had the potential to become more viable with incorporation of certain features such as automation of gates, construction of escape channels and maintenance and replacement of machinery/ equipment. Accordingly, the Company proposed to commence the renovation and modernisation during 2003-04 and complete the work by March 2007 at the capital outlay of Rs 58.32 crore. The Company also envisaged (2003-04) to complete capital maintenance of four units *viz.* two units of Dehri and one unit each of Barun and Valmikinagar. As such, the Company proposed to undertake capital maintenance of these units during 2003-04 at a capital outlay of Rs two crore.

It was observed that the Company was neither able to generate funds from its own sources, nor mobilise funds from State Government/financial institutions. As such, the renovation and modernisation of the three plants and the capital maintenance of the four units were not taken up (September 2007).

The Management admitted (September 2007) that the Company did not receive any funds for this purpose and had started replacing governors one by one out of its own funds.

Operation and maintenance of the plants

2.1.36 The Company had engaged (May 1995) private agencies for O & M of its six[1] operational plants on monthly payment basis. Terms and conditions incorporated in the agreements with the private agencies, *inter alia,* stated that the contractors were liable to generate minimum target fixed for each year subject to availability of water. As per the O & M contracts upto 2004-05, in case a contractor failed to achieve the targeted generation, a proportionate deduction was to be made from the bills of the contractor.

It was observed that the O & M contractors at Valmikinagar and Kataiya did not achieve targets for generation fixed by the Company in any of the five years ended March 2007. Similarly, the O & M contractors for Barun and Dehri did not achieve targets for generation for two years each, in the last five years upto March, 2007. As regards Agnoor and Dhelabagh, the Company had not fixed any targets (March 2007). The shortfall in generation as compared to targets worked out to 76.03 MU, valued at Rs 15.21 crores.

The Company did not make any recovery for shortfall in the targeted generation even though enabling provision for such recovery was there in the agreements with the contractors up to 2004-05. The Company included a clause regarding incentive for power generation in excess of the targets in the agreements during 2005-06, but excluded the penalty clause for not achieving the targeted generation.

The Management stated (October 2007) that penalty clause (clause-15) was incorporated in all operation and maintenance agreements. The reply is not based on facts as clause-15 deals with penalty for shortfall in plant availability and damages to plant equipment. The other penalty clause for not achieving the targeted generation was deleted by the Management in all agreements during 2005-06 and onwards.

[1] Agnoor, Barun, Dehri-on-Sone, Dhelabagh, Kataiya and Valmikinagar SHPPs.

Sale of energy

2.1.37 A Committee, constituted (December 1993) by the State Government for fixation of rates for sale of Electric energy by the Company, decided (14 August 1996) that a flat rate of Rs 2 per unit should be fixed up to March 1999. The Committee did not review unit rate of energy sold by the Company after April 1999, as such sale of energy to BSEB continued at Rs 2 per unit till date (September 2007). Test check of records revealed that monthly bills for supply of power were sent to the Board from head office of the Company/respective power projects, after verification thereof from the concerned Electrical/Transmission divisions of the Board for payment. But neither any agreement nor commercial terms and conditions streamlining the procedure regarding the due date for payment of monthly bills by the Board, deductions on account of transformation and transmission loss, penal clause regarding default in payment of monthly bill/part payments, were finalised by the Management with the Board.

Scrutiny of records revealed that though the monthly bills for sale of power were raised by the Company, the Board was not making regular payment of monthly bills or was making part payments. Details of bills raised, payments received and outstanding recovery at the end of each year, for the five years upto March 2007 are given below:

(Amount: Rupees in crore)

Year	Opening balance	Bills raised	Total dues	Payment received	Outstanding dues
2002-03	6.89	8.73	15.62	4.00	11.62
2003-04	11.62	9.09	20.71	1.50	19.21
2004-05	19.21	10.15	29.36	5.31	24.05
2005-06	24.05	13.62	37.67	14.79	22.88
2006-07	22.88	12.86	35.74	7.50	28.24

Source: Billing Register.

Audit scrutiny of monthly bills raised during the period 2002-03 to 2006-07 revealed that the outstanding dues ranged between Rs 3.65 crores and Rs 28.24 crores as of March 2007.

Non-finalisation of commercial terms with BSEB resulted in huge accumulation of dues and loss of interest of Rs 2.40 crore

Thus, in absence of any contracted terms and conditions for payment of monthly bills/outstanding amount by the Board, the Company had to sustain loss of interest of Rs 2.40 crore during last five years ending March 2007, calculated at the rate of 13 *per cent*[1]. Reasons for not finalising commercial terms and conditions of sales of energy were not on record.

The Management stated (September 2007) that the Company was taking steps to get the tariff fixed by the Bihar State Electricity Regulatory Commission and power purchase agreement with the Board was drafted and was under negotiation.

Excess transformation loss

2.1.38 Power generated at three[2] SHPPs at 6.6 KV was transmitted to BSEB for sale. As per Electricity Act, 2003, meters should be fixed in the premises

[1] Rate charged by State Government on loans to the Company

[2] Barun, Dehri and Valmikinagar

of the consumers, which in this case is the Board. Hence, billing should be done on the basis of meter reading at 33 KV end of the Board. In the process of stepping up of the voltage (33 KV) of the power generated (6.6 KV), some power was lost as transformation loss. The GOI had fixed (March 1992) norms of 0.5 *per cent* of energy generated for transformation loss in hydroelectric power projects. The Company in a meeting held (April 2001) with BSEB, decided that 3 *per cent* would be deducted from the bill on account of transformation loss, till meters were installed by the Company at the receiving end of the Board.

It was noticed (January 2007) that the Company had installed meters at Dehri and Valmikinagar sub-stations of the Board in the months of March/April 2006, but had not got them tested by the Board so far (March 2007). The meter at Barun, was not installed so far (March 2007).

Thus, due to non-installation of meters at the receiving end of the Board, the Company had sustained loss of Rs 1.22 crore during 2002-07, due to transformation loss being in excess of the norms fixed by the Government of India.

The Management stated (September 2007) that the transformation loss agreed with the Board was purely an adhoc arrangement. Once the joint meter reading started, the adhoc arrangement would stop and all previous dues with the Board would be adjusted. The fact as such remains that the Company has been sustaining losses due to excessive transformation losses since commissioning of the SHPPs.

Insurance

2.1.39 Financial prudence demands that a Company obtain insurance cover for its assets and further ensure that timely renewal of insurance policies was done so as to safeguard its assets against theft and natural calamities.

Audit scrutiny of insurance policies relating to assets of various plants located at different places in the State revealed that three insurance claims of Rs 21.75 lakh were dismissed (August 2003) by the National Consumer Commission (NCC) on the grounds that the Company did not submit essential papers in support of the claims. The Company did not file any appeal against the decisions of the NCC. Similarly Company did not get any compensation against four insurance claims of Rs 16 lakh because on the date (7 August 1992, 25 August 1992 and 3 July 1992) of occurrence of damage due to flood/theft, the insurance policies had lapsed as the Company failed to keep the policies live.

The Management did not streamline the process of timely renewal of the insurance policies. It was seen that three insurance covers for various assets at Barun, Chandil and Valmikinagar plants of the Company lapsed on 13/14 February 2004, while insurance covers were obtained on 6 September 2004 (Barun), 21 August 2004 (Chandil), 9 August 2004 (Valimikinagar). Assets at Barun, Chandil and Valmikinagar remained without any insurance cover for periods ranging between 176 days and 205 days, thus exposing the assets to theft and natural calamities.

The Management stated (September 2007) that claims lodged were deliberately delayed/not settled and assurance given by the insurance companies also were not complied with by the insurer only to get the cases timed barred resulting in their dismissal on the ground of limitation only and not on the ground that the Company did not submit the essential paper in support of the claims. The contention of the Management is not tenable as on the date of occurrence of damage due to flood/theft, the insurance policies had lapsed and the Company did not file appeal against the decision of the National Consumer Commission.

Internal Control and Internal Audit

2.1.40 Internal Control System is an integral part of management functions. An efficient and effective internal control system helps the Company in achieving the objectives in a systematic, economical and orderly manner. Audit noticed the following deficiencies /weaknesses in the Internal control system and internal audit of the Company:

- The Company has not prepared any Internal Audit and Accounts manual.
- Physical verification of inventory kept at various hydel projects was never done.
- Generation reports submitted by operating hydel projects were sketchy, and did not give complete details of the outages.
- The post of Company Secretary was never filled in.

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 noticed that objections raised in the internal audit reports were of a routine nature and compliance thereof was not reported to the Board of Directors.

The above matters were reported to the Government (July 2007); the reply is awaited (October 2007).

Conclusion

The annual financial budget prepared by the Company could not be used as an effective tool of internal control to achieve the purpose of fund management since the estimates not only widely varied from actual but no analysis of variation was also being done. Though the Company envisaged during 10th Five year plan 2002-07 to increase its generating capacity by 23.5 MW and renovate/ modernise its three plants but by the end of March 2007 the Company could increase capacity just by 2 MW. The Company did not complete any of the 17 NABARD funded projects within the scheduled completion period. The fate of eight projects located in Jharkhand was uncertain. Inordinate delay in execution of projects resulted in substantial cost and time overrun besides defeating the social objective of providing power to the targeted masses at reasonable cost. The Company committed delay in inviting and processing tenders and signing of agreement. Inadequate provisions in the agreements led to abnormal increase in actual quantities as compared to tendered quantities and mobilisation advances remained unadjusted for long period. Generation performance of the completed projects was also unsatisfactory causing substantial loss of potential generation due to lack of essential facilities like escape channels, automation of gates and

effective evacuation system. In the absence of agreement for sale of energy and energy meters, the Company was not able to recover the full dues in time from Bihar State Electricity Board.

Recommendations

- **The Company should formulate its budget on realistic basis in accordance with performance.**
- **Improve revenue recovery.**
- **Processing time for inviting and finalising tenders and signing of agreements should be reduced.**
- **Company should review and revise enabling provisions in the agreement in respect of increase in quantities and quick adjustment of mobilisation advances.**
- **Expedite construction of escape channel, automation of gates and effective evacuation of power needs to be put in place to increase the generation capacity.**
- **Agreement for sale of energy, recovery of energy charges and installation of energy meters should be given priority so as to make timely recovery and measure energy charges accurately.**

2.2 Publishing and selling activities of Bihar State Text Book Publishing Corporation Limited

Highlights

The Company delayed placing orders for printing of books as a result books remained unsold and the students did not get the books at the start of academic session.

(Paragraphs 2.2.9)

The failure of the Company to sell the available books resulted in blockage of funds ranging from Rs 3.22 crore to Rs 4.94 crore during the period 2003-06.

(Paragraphs 2.2.10)

Books supplied to BEPC at an inflated price resulted in Company claiming Rs 68 crore against the actual cost of Rs 61 crore.

(Paragraphs 2.2.12)

The Company is not likely to receive subsidy of Rs 40.61 crore from the State Government on the books supplied to BEPC.

(Paragraphs 2.2.13)

Company purchased paper from HPCL at higher rates resulting in extra expenditure of Rs 37.82 lakh.

(Paragraphs 2.2.19)

Allowing excess wastage of paper (2.01 lakh Kg) resulted in undue favour of Rs 58.80 lakh to the printers.

(Paragraphs 2.2.20)

Books (3.80 lakh) valuing Rs 24.16 lakh for general sale and 3.31 lakh for Rs 30.86 lakh for DPEP became obsolete which resulted in loss of Rs 55.02 lakh.

(Paragraphs 2.2.21)

Introduction

2.2.1 The Bihar State Text book Publishing Corporation Limited (Company) was incorporated (April 1965) as a wholly owned State Government Company. The main objectives of the Company are to publish, print, sell and supply text books in all languages for primary, secondary and university education in the State of Bihar at cheaper rates. The Company however, confined its activities to publishing and selling text books for primary and secondary education only.

The activities of the Company therefore are:

- purchase of paper and printing of text books under various State/Centrally Sponsored Schemes, and for general sale (The Company was getting subsidy till May 2005 for selling its books in open market at concessional rates) ;
- printing of text books ;
- storage of printed books in own and hired godowns; and

- arranging and facilitating transportation of text books to different godowns/sales depots, and to the District Superintendents of Education/ District Programme Coordinators.

The Company operates five[1] sales depots and attached godowns. Each sales depot (Centre) is managed by a Centre Superintendent, under the supervision of a Manager (Sales & Marketing) who reports to the Managing Director of the Company.

The Management of the Company is vested in a Board of Directors (BOD) consisting of not more than fifteen and not less than three Directors. As on 31 March 2007 the Board consisted of a Chairman, Managing Director (MD) and three nominee Directors from State Government. The Managing Director is the Chief Executive of the Company who is assisted by five sectional incharges. In addition there are five sale depots under the charge of depot Superintendent. Detailed organisational chart is given in (**Annexure-17**).

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Commercial), Government of Bihar, which is yet to be discussed by the Committee on Public Undertakings.

Scope of Audit

2.2.2 The Present performance review conducted during the period from February to May 2007 covers the publishing and selling activities of textbooks by the Company during the period 2002-03 to 2006-07. Records at the Company at its headquarters and all the five centers, alongwith godowns were examined in audit.

Audit objectives

2.2.3 Performance audit of the publishing and selling activities of the Company was carried out to assess whether:

- purchase and consumption of paper was economical and consumption/wastage of paper was within the prescribed norms;
- planning, execution and printing of books were as per target;
- the Company had formulated a reliable marketing policy for optimising the sale of text books;
- realisation of dues and subsidy was prompt and efficient; and
- there existed an efficient internal control system.

Audit Criteria

2.2.4 The following audit criteria were adopted to assess the performance of the Company, with respect to the achievement of audit objectives:

- the mandate for printing of text books;
- system and norms for printing of text books;

[1] Patna, Gaya, Muzaffarpur, Bhagalpur and Purnea.

- rules, procedures, guidelines, Board's instructions, Government directions, *etc.* regarding printing /transportation *etc*;
- delegation of powers, internal control and internal audit systems, *etc* ;

Audit Methodology

2.2.5 The following mix of audit methodologies was adopted for attaining the audit objectives:

- examination of guidelines/directions issued by the State Government with respect to purchase of paper, printing /sale of books;
- examination of cases of purchase of paper and other material;
- study of the agenda and minutes of meeting of the Board of Directors, alongwith rules, procedures and guidelines;
- examination of category wise sale and billing of books, and collection of outstanding dues from sale and subsidy; and
- issue of audit enquiries and interaction with the Management.

Audit Findings

2.2.6 The audit findings were reported to the Government/Management in August 2007 and discussed in the meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) held on 27 August 2007, which was attended by the Managing Director of the Company. The views expressed by the members have been taken into consideration while finalising the review.

The audit findings are discussed in the succeeding paragraphs:

Books sold in the Market

Fixation of target

2.2.7 The Company's main objective was to publish textbooks, and provide the same to students of the State at cheaper rates. Prior to 1983 session, the assessment of books to be printed was made on the basis of data collected from the Education Department. The procedure was, however, changed from 1983 due to non-availability of data and the assessment of books to be printed was done on the basis of average sale during the preceding three years with a marginal increase.

The Company failed to formulate or marketing strategy for sale of books

The Managing Director (MD) while finalising the printing order of the books stated (October 2005) that it has been observed by Director Primary Education (DPE) that textbooks printed by the Company are in lesser number than the number of students (Class I to X) enrolled resulting in inflow of pirated books in the market. The students were thus, compelled to buy books published by other publishers at a higher cost. The Company failed to formulate a marketing strategy for optimising the sale of textbooks.

The Management stated (August 2007) that the Company is being run on commercial line and it has not to incur heavy losses by printing of books on the basis of number of students enrolled. The reply of the Company is not tenable as the fact of pirated books being sold in the market was being observed by the DPE.

Printing

2.2.8 The Company prints text books through its own press as well as other private printing presses during July to September each year, so that the books are received at least by third week of December, for making them available to the students at the start of the academic session which is from January every year.

As per the information provided by the Academic wing of Company, the details of books ordered and printed at the Company's own press and at private printing press during the five years from 2002-03 to 2006-07 are indicated below:-

(Number in lakh)

Sl. No.	Year Academic Session	2002-03 2003	2003-04 2004	2004-05 2005	2005-0 2006	2006-07 2007
1.	Target (Printing)	110.00	32.16	165.15	65.75	43.95
2.	Books ordered for printing					
	(a) Own Press	3.00	3.35	--	--	3.90
	(b) Private Printers	118.30	111.25	170.93	71.60	32.78
	(c) Total	121.30	114.60	170.93	71.60	36.68
3.	Ordered quantity in excess of the target	11.30	82.44	5.78	5.85	--
4.	Actual Supply					
	(a) Own Press	2.70	2.44	--	--	--
	(b) Private Printers	126.42	114.26	141.94	83.01	0.24
	(c) Total	129.12	116.70	141.94	83.01	0.24
5.	Books published in excess of :					
	(a) the target	19.12	84.54	--	17.26	--
	(b) the books ordered	7.82	2.10	--	11.41	--

Source: orders/supply registers/information furnished by the Company.

From the above table, it may be observed that :

- ordered quantity of books was in excess of the target fixed by the Management;
- books published were in excess of the books ordered (except for the years 2004-05 and 2006-07);
- a negligible quantity of books (1.09 *percent*) was printed at the Company's own press. The Company stated that this was due to non modernisation of its press;
- the BOD while fixing the targets made a mention that MD was authorised for placing order for printing of additional books as per requirement. The MD ordered for printing of 1.05 crore additional books without seeking approval of the Board;

- due to non maintenance of proper records for receipt of books from printers, quantities of textbooks shown to have been received from printers could not be vouchedsafed in audit.

The Management stated (August 2007) that printing programme is placed before the BOD for approval, and it is provided in the printing programme that whenever necessary, the MD will be getting the books printed and as regards Company's own press it was stated that the machines which are merely productive for name sake, are not being run because the percentage of wastage of these machines are more. The reply of the Management is not tenable as approval of BOD was required for the books printed in excess of the targets approved by the BOD and as regards its own press, there is a need to take a decision whether to run the press or not.

Delay in placing order

2.2.9 A test check of printing orders placed by the Company on various printers revealed that the Company did not place printing orders within the prescribed period of June-July, and there had been delay ranging from one to ten months, resulting in delayed printing of books.

It was observed that orders for printing of 67.84 lakh, 1.10 crore and 2.65 crore books were placed after a delay of one month, three months and more than three months respectively, during the five years period ending 2006-07 which has been tabulated below:

(Number in lakh)

Year	One Month	Three Months	More than three months
2002-03	1.25	3.90	14.95
2003-04	0.80	0.50	187.25
2004-05	48.64	80.61	24.77
2005-06	17.15	25.10	5.05
2006-07	Nil	Nil	32.78
Total	**67.84**	**110.11**	**264.80**

Source:- Order register

The Company delayed in placing orders to printers

The Company delayed in placing orders to the printers as a result of which the books remained unsold and the students did not get the books at the start of academic session.

The Management stated (August 2007) that tenders are invited on National basis and it delays in finalising the tender papers and printing programmes. The reply is not tenable as printing programmes should have been chalked out well in advance for timely receipt of printed books and distribution to students.

Delay in printing of books

2.2.10 A test check of records revealed that a substantial number of books had been supplied by private printers after delays ranging from one month to four months and on an average 66 *percent* books were printed and delivered late, after the start of the academic session. It was observed that during the period 2002-03 to 2005-06, 2.70 crore books were printed after the start of academic session. The value of closing stock of books (after excluding writing off of obsolete books) increased from Rs 3.22 crore in 2003-04 to Rs 4.71 crore in 2004-05 and to Rs 4.94 crore in 2005-06. During this period obsolete books

Delay in printing, resulted in books being obsolete and students not getting the books in time

valuing Rs 27.61 lakh were written off. Thus, delay in printing of books not only resulted in increase in the value of closing stock, but also deprived the students of getting these books at the start of the academic session.

The Management accepted (August 2007) that stock is bound to remain at the end of financial year. The fact, however, remains that because of delays in placing orders, delays in receipt and distribution, value of closing stock is increasing year after year resulting in avoidable blocking of substantial funds of the Company.

Sales Performance

2.2.11 The Company does not sell books in the market directly. The sale of books in the market was done through agents. The agents are paid commission at the rate of 17 *percent* on the value (selling price) of the books sold through them. The table below indicates the position of sale of books to the agents *vis-à-vis* total availability of books as provided by the Marketing wing of the Company during the five years from 2002-03 to 2006-07.

(Number in lakh)

Year	Opening Balance	Receip	Total (2+3)	Sale	Transfer to Project	Total sale (5+6)	Closing Balance (4-7)	Percentage of total sales to total availability of stock	Percentag of closing stock to total sale
1	2	3	4	5	6	7	8	9	10
2002-03	45.33	140.35	185.68	83.17	14.91	98.08	87.60	52.82	89.31
2003-04	87.60	51.36	138.96	87.68	5.85	93.53	45.43	67.31	48.57
2004-05	45.44	140.22	185.66	78.04	55.00	133.04	52.62	71.66	39.55
2005-06	52.62	56.60	109.22	61.19	0.82	62.01	47.21	56.78	76.13
2006-07	47.20	2.42	49.62	6.92	9.33	16.25	33.37	32.75	205.35

Source: Information furnished by the Company.

It is evident from the above details that although the books are printed according to the assessment of the Company, it could sell books ranging from only 32.75 to 71.66 *percent* of total books available during the period 2002-03 to 2006-07, leaving huge balances of closing stock. The receipt of books, as shown above, does not tally with the figures of actual supply as shown in Paragraph 2.2.8 *supra*. The reasons for discrepancy were repeatedly called for (May and September 2007) from the Management, however, the same were not furnished. The reasons of discrepancy were neither analysed nor reconciled by the Company. The failure of the Company to sell all the available books resulted in avoidable blocking of funds ranging from Rs 3.22 crore to Rs 4.94 crore in the shape of closing stock of books during the period from 2003-06. This shows lack of accountability within the Company as there was no relationship between text books ordered, received, distributed, sold and closing balances.

The Management stated (August 2007) that a large number of free books (under various schemes of the State Government) are available to the students, therefore the general sale of the Company has come down from 150 lakh books per year to 40 lakh books per year. It was also stated by the Management that for finalisation of printing plan, the closing stock is taken into consideration and in future closing stock will come down and blocking of fund will also be reduced. From the reply it can be derived that despite Management being aware of free books being distributed in other schemes, the Management was not regulating quantities of books being published annually or coordinating with these agencies for distribution of their text books by debiting cost to these schemes. Further, the closing stock increased year after year, indicating that printing plan was prepared without taking into account the value of closing stock and the anticipated consumption.

Pricing of books

2.2.12 In fixing the price of textbooks (March 2006) of all sizes (1/8 DC, A-4 and A-5) in single, double and quadruplicate colours the elements of cost of paper, printing charges and 60 percent overhead charges on paper and printing charges are taken into account. It was observed that the Company while furnishing the details of the cost of books printed to Bihar Education Project Council (BEPC) for the year 2006-07, inflated the cost of printing *vis-à-vis* actual cost of printing and overheads of 60 *per cent* were also claimed on the enhanced cost of printing. As against the actual cost of printing of Rs 61 crore (for printing 3.81 crore books under SSA and LS schemes of BEPC for the year 2006-07), the Company claimed Rs 68 crore from BEPC. Thus, by furnishing false details of cost of printing, the Company claimed Rs seven crore from BEPC, to which it was not entitled to.

The Company gained Rs 7.00 crore by inflating the bills

The Management stated (August 2007) that surplus fund is generated for developmental programmes and other activities of the Company. The reply of the Management is an acceptance of the facts that the Company received an amount of Rs seven crore from BEPC, though not rightfully. So far as generating of funds for developmental programmes are concerned, the Company should have resorted to proper means for the same.

Books sold under schemes of Bihar Education Project Council

Non receipt of subsidy

2.2.13 District Primary Education Project (DPEP) was executed (1999 to 2005) for students of Classes I to V in 11 academic districts (20 Revenue Districts). The textbooks for DPEP were supplied to Bihar Education Project Council (BEPC) at full price with the proviso that the Company on receipt of subsidy of 50 *per cent* from the State Government, the amount would be passed on to BEPC. The Company claimed subsidy of Rs 19.55 crore from the State Government during the period 1999-2000 to 2002-03.

Sarva Shiksha Abhiyan (SSA), another Central/State Government sponsored scheme was implemented since the academic year 2002, under this scheme books were supplied at half price to BEPC and subsidy of 50 *per cent* amounting to Rs 21.06 crore was claimed from the State Government for the period 2002-03 to 2004-05.

The State Government ordered (July 2003) that as the books were distributed free to the students under DPEP/ SSA schemes, the subsidy on books is not payable by the State Government since the implementation (1999) of DPEP

Subsidy of Rs 40.61 crore denied by the State Government

Scheme and SSA Scheme from 2002 onwards. Hence the subsidy claim of Rs 19.55 crore on DPEP from 1999 to 2005, and Rs 21.06 crore on SSA from 2002-05 was not receivable. Thus, the possibility of the Company receiving subsidy of Rs 40.61 crore from the State Government appeared remote.

The Management stated (August 2007) that BEPC did not agree to buy books at full price as it is sold in the market at half price, accordingly the books were sold to BEPC at half price (till 2005-06) and now (from the year 2006-07) the books are sold at full price. It was further stated that State Government has not refused to pay the subsidy. The reply is not acceptable as the Government had already ordered (July 2003) that subsidy was not payable on the books distributed under DPEP/ SSA schemes.

Payment of commission

The Company lost Rs 23.07 crore due to payment of irregular commission to BEPC

2.2.14 The books, as per requirement of BEPC are printed by the Company and are supplied to BEPC. It was noticed that, although there was no provision in the scheme, yet the Company paid 17 *per cent* commission on the value of books supplied to BEPC. Further, the payment of commission was neither approved by the BOD nor by the State Government.

Thus, the Company paid an irregular commission of Rs 23.07 crore on the books supplied to BEPC during the period 2002-03 to 2006-07. The payment of such commission resulted in loss of Rs 23.07 crore to the Company.

The Management stated (August 2007) that they have not allowed the commission of 17 *per cent,* rather BEPC is making payment after deducting the commission. The reply is not tenable as the matter should have been taken up by the Company with Government/BEPC *abinitio.*

Under billing of books.

The Company lost Rs 18.75 lakh in sale of books during 2002-05

2.2.15 The Company sold text books of mathematics in Urdu for Class V for academic sessions 2002 to 2005 under SSA to BEPC during the year 2002 to 2005 at a price of Rs 21.20 against the price of Rs 30.50. Similarly under DPEP scheme, the Urdu books of mathematics for Classes III, IV and V were also sold at lesser price at Rs 18.80, Rs 28.20 and Rs 21.20 respectively for academic sessions 2002 and 2004 which were priced at Rs 23.10, Rs 40.70 and Rs 30.50 respectively. The reasons for selling the books at a price less than the selling price were not on record. For sale of 2,11,440 books in Urdu for Classes III, IV and V during the period 2002 to 2005, the Company should have realised an amount of Rs 65.42 lakh against the amount of Rs 46.67 lakh actually realised resulting in loss of Rs 18.75 lakh (**Annexure – 18**) to the Company.

The Management stated (August 2007) that on verification of records it was found that bill for book of Mathematics in Urdu for Class V for the year 2002-03 was correctly prepared and issued. As regards other classes, it was stated that inadvertently, the bills were prepared on old rates for which supplementary bill of Rs 13.07 lakh has been issued. Though the Company has stated that supplementary bill has been issued it neither stated when it was issued nor endorsed copy to audit for verification. Further, reason for this going unnoticed was not stated.

Wasteful expenditure in printing of textbooks for Lok Shikshan 2006

2.2.16 BEPC placed (December 2005) an order on the Company for supply of 34.15 lakh books to Lok Shikshan Kendra (LSK) for Classes I to V, for the academic year 2006. On receipt (December 2005) of requisition for books from BEPC, the Company placed (April-May 2006) order with private printers for printing of 22.25 lakh books, and for the remaining 11.90 lakh books it was decided to stamp the already stocked books meant for general sale.

It was noticed that 11.60 lakh books out of available stock of books were stamped and 22.25 lakh books were printed (June-September 2006) by private printers. Out of 33.85 lakh books ready for supply to LSK only 33.30 lakh books were supplied. The remaining 0.55 lakh books including 0.26 lakh books printed for LSK and 0.29 lakh stamped books remained unutilised.

Books valuing Rs 10.52 lakh became useless

As the stamped/printed books were not suitable for sale anywhere and the scheme was only for one year, the non-supplied books for Lok Shikshan 2006 numbering 0.55 lakh valued at Rs 10.52 lakh became useless causing a loss of Rs 10.52 lakh to the Company.

The Management stated (August 2007) that only 22.25 lakh books were printed and 11.90 lakh books were supplied out of stocked books for general sale. The reply is not tenable as 33.30 lakh books were supplied and 0.55 lakh books remained unutilised.

Delay in supply of textbooks under Sarva Shiksha Abhiyan.

2.2.17 SSA was launched in 2001-02 by the GOI to provide useful and relevant elementary education to the children in the age group of six to fourteen years by 2010. Under the scheme, textbooks are to be provided to focused groups of students of Classes I to VIII. The BEPC, the nodal agency to execute the scheme, places orders on the Company for printing and supply of textbooks.

The table below shows the books for which orders were placed for printing and books supplied to BEPC over the last five years ended 31 March 2007.

(Number in lakh)

	Year	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Academic year	2002	2003	2004	2005	2006
2.	Date of order by BEPC	April 02	March 03	December 03	December 04	August 05
3.	No. of books required	104.92	200.79	194.11	188.50	351.10
4.	No. of books supplied	104.92	201.27	196.79	178.25	347.21
5.	Date by which supply started	May 02	April 03	February 04	January 05	May 06
6.	Date of completion of supply	November 02	November 03	November 04	June 05	August 06
7.	Total time taken (months)	1 to 8	1 to 9	2 to 11	1 to 7	10 to 13

Source:- SSA file and supply stock register.

The Company failed to supply the books in the beginning of the season

It is evident from the above table that textbooks were supplied to the District Programme Coordinator (DPC) towards the middle or end of the academic sessions. The students were thus deprived of getting the books in time. Apart from the delay by the BEPC in placing orders, there were delays in every subsequent stage – placing orders on private printers, printing by private printers, and supply of books to district headquarters. The Company took upto 13 months to supply books to DPC during the academic sessions 2002 to 2006. The number of books supplied to BEPC did not always match the order for printing. In some districts, books were supplied in excess and in some districts there was short supply. The Company, thus, failed to execute the scheme of supplying books in the beginning of academic session each year depriving the students in getting the books in time.

The Management stated (August 2007) that after inviting tender for obtaining printing materials such as paper, cover paper and after following procedures of printing, the printing work is done as a result of which delay is obvious. The reply is not tenable because the Company in engaged in the business of printing of books for the last four decades and by now it should have gained enough experience to plan its printing programmes in such a manner that there are no delays.

District Primary Education Project (DPEP)

2.2.18 The BEPC placed orders on the Company to procure and supply text books to the disadvantaged group of students of primary schools of 20 districts in the State as envisaged in the project agreement of DPEP-III.

The table below indicates the details of books ordered by BEPC and supply there against for the academic sessions 2002 to 2005.

(Number in lakh)

Sl. No.	Year	2002-03	2003-04	2004-05	2005-06
1.	Academic Sessions	2002	2003	2004	2005
2.	Date of order by BEPC	May 01	--	December 03	July 05
3.	No. of books required	89.18	--	118.89	127.71
4.	No. of books supplied	88.94	--	117.25	Scheme closed (March 2006) and merged under SSA due to delay in project implementation
5.	Date by which supply started	October 02	--	January 05	
6.	Date of completion of supply	March 03	--	December 05	
7.	Total time taken (Months)	17-22	--	13-24	

Source: DPEP file and supply/stock register

The orders for supply of books were received (May 2001) from BEPC, and the books were to be made available by the end of December 2001, for academic session 2002.

Schemes under DPEP could not be implemented due to failure of the Company to supply the books in time

The Company took two years (May 2001 to March 2003) for procurement and supply of books, for the academic session 2002. Viewing the delay in supply of books, the BEPC utilised these books for the academic sessions 2003. As the books were supplied for the academic session 2003, the books for the year DPEP-2003 were not requisitioned. Again for academic session 2004 (DPEP-2004), order was placed in December 2003 by BEPC for procurement and supply of books. The books were supplied during the period January 2005 to December 2005 after the end of academic session 2004. The books required for DPEP-III-2005 for the academic session 2005 were requisitioned in July 2005. The Company could not supply the books. In the meanwhile the project was closed (March 2006) and this scheme (DPEP III-2005) was merged with SSA Scheme. Thus implementation of schemes under DPEP adversely affected the supply of books to the students due to failure of the Company in procurement and supply of books in time.

The Management while giving reply (August 2007) discussed the procedure for getting the books printed from the printers and, *interalia*, it was also mentioned that Company took eight months in providing requisite certificate to the printers enabling them to claim excise duty exemption in purchase of paper, besides a printer had also filed a writ in the High Court. The reply of the Management in not tenable as it was the failure of the Company to maintain proper liaison with the printers that led to delay in getting the books printed from them.

Purchase of paper at higher price

2.2.19 The Company floated open tenders (February 2004) for supply of 8000 MT of water marked 'White Cream Wove' paper of 56/60 GSM, and 800 MT of White cover paper of 130 GSM. Two tenders were received, (March 2004) from Hindustan Paper Corporation Ltd. (HPCL), and from Andhra Pradesh Paper Mills Ltd. (APPML), through their authorized distributor, Shree Gopal Bagwan Das.

It was noticed that both HPCL and APPML had quoted rates for water marked as well as non water marked paper. The rate of APPML's water marked paper was lower than that of HPCL. APPML also offered to customize the water mark, as specified by the Company. The Company decided (April 2004) to purchase (paper 1,000 MT of water and, 5,880 MT of non-water marked paper) from HPCL at higher rates, resulting in extra expenditure of Rs 37.82 lakh. Purchase of non water marked paper was irregular as same was not mentioned in tender notice. The Company also took no action to call for fresh tender. In fact purchase was made without calling for competitive rates. Thus contract was vitiated. Further, the Company compromised the security feature against piracy by placing order for non water marked paper.

The Management stated (August 2007) that purchase from HPCL was made at rates lower than the rates of APPML and the rate of APPML which had been considered by the Audit is of CP Unit of APPML. The CP Unit was a small unit and the committee found its sample to be of poor quality. HPCL had been supplying good quality paper for the last 15 years. Moreover, as per GOI direction, CPSEs were to be given purchase price preference, if their quoted rates were within 10 *per cent* of the lowest rate. Since HPCL's rate was only five *per cent* higher than that of APPML, there was 'no loss' to the Company. No negotiations were held with HPCL to reduce prices.

The Company incurred an extra expenditure of Rs 37.82 lakh in purchase of paper

In this regard, it is worth mentioning, that, to say now that CP unit is a small unit and its sample was of poor quality is only an after thought as no such reasons were recorded for not considering the offer of CP unit of APPML. So far as GOI's directions are concerned, these are issued to departments of GOI undertaking and are not applicable to State Government departments or undertakings. Even in the case of GOI organisations, purchase preference was to be given to CPSEs, only after negotiating with them, to supply at the lowest valued price bid. Moreover, the provisions relating to purchase preference were to be specified in the tender notification. Even if the GOI's directions were followed by the Company, these were not followed in their entirety as orders to HPCL were not placed at the lowest quoted rate for water marked paper, which would have ensured economy in purchase and security aspect of the paper. Thus, the reply of the Management is untenable, and the purchase at five *per cent* higher rates (resulting in extra expenditure of Rs 37.82 lakh) ignoring security aspect of the paper cannot be justified.

Excess wastage of printing paper

2.2.20 The textbooks for Classes I to X are printed by private printers and the printing papers is supplied (except for the Books supplied under DPEP-III) by the Company.

Excess wastage of paper worth Rs 58.80 lakh resulted in undue favour to printers

A test check of consumption of paper, in respect of five textbooks (Hindi, Mathematics, English, Social Study and Social Science) for Classes I to X for the four years 2002-03 to 2005-06 revealed that, for printing 714.25 lakh books, the printers were supplied 141.36 lakh kg of paper. It was further observed that the Company supplies paper to printer on the basis of size of the book to be printed. The paper supplied by the paper manufactures is of standard size. For printing of a book of the size of 1/8 DC, the size of paper supplied to the printer is of the size of 74 X 101.6 cm/75 X 102 cm. For printing of books of the size of A-5 and A-4, the size of paper is of the size of 86 X 57.8 cm. As per the size of the finished books, the paper is trimmed. As per calculations of Audit, the wastage on account of trimming ranged between six to eight *per cent,* depending upon the size of the book. The Management, however, quoting percentages allowed by NCERT for trimming, stated (September 2005) that a percentage of 10 *per cent* for trimming and 2.5 to 3.5 *per cent* towards colour printing wastage may be considered as normal wastage. Taking the percentage of wastage as per the norms followed by the Management, the Company should have supplied 139.35 lakh Kg of paper for printing of 714.25 lakh books. As against this the Company supplied 141.36 lakh Kg of paper to the printers. Thus, allowance of excess wastage of 2.01 lakh kg of paper, valuing Rs 58.80 lakh, resulted in undue favour to the printers.

The Management in its reply reiterated (August 2007) the norms of 10 *per cent* and 2.5 to 3.5 *per cent* and remained silent on the allowance of excess wastage valuing Rs 58.80 lakh to the printers.

Obsolete Books

Failure to distribute the books in time resulted in loss of Rs 31 lakh due to books being sold as scrap.

2.2.21 The State Government introduced new books (December 1997 to October 2000) in a phased manner *w.e.f.* 1997-98. Due to introduction of new books, 3.80 lakh books valuing Rs 24.16 lakh for Classes I to V, and X remained unsold and became obsolete. These books would not have remained in the stock of the Company had the Company made timely supply of these books, prior to introduction of new books by the State Government.

It was further observed that 3.31 lakh text books printed from private printer for the academic session 1999 and 2000 for Class I to V in Hindi, Bangla, Urdu and Tribal languages under DPEP Scheme were not supplied to BEPC and remained in stock. These books valuing Rs 33.30 lakh were sold between September and December 2006 as scrap for Rs 2.44 lakh. Thus, failure to print and distribute the books in time resulted in loss of Rs 30.86 lakh. The books valuing Rs 24.16 lakh have also become obsolete and the loss due to obsolescence of books would further increase, when these are sold as obsolete or are written off.

Modernisation Scheme of Press

2.2.22 The installed capacity of the press established in 1972 was to print 100.50 lakh books in a year by working two shifts a day for 300 days. The capacity of press has gone down due to (a) old age of machines (b) lack of proper maintenance (c) non-replacement of worn out parts (d) heavy breakdown and (e) interrupted running due to substandard production. A project report for modernisation of the press was prepared by National Productivity Council (NPC) in 1999. After a lapse of seven years, the NPC was again consulted for submission of revised report and was appointed nodal agency (August 2006) for assessment of revised requirement and finalisation of machine specification, preparation of implementation plan, preparation of tender documents for purchasing machines, recommendation of suitable supplier for purchase and installation of equipments, periodic review of progress, preparation of training module for employees, development and conducting the programmes. The NPC submitted its report and was paid Rs 1.50 lakh (October 2006). In its report the NPC estimated that Rs 7.58 crore would be required for purchase of machines in the first phase. The report submitted by the NPC was accepted and approved (November 2006) by the BOD. The BOD also approved the proposal for purchase of machines out of the Companies own resource.

Due to non-implementation of modernization scheme, the Company is still (October 2007) operating the uneconomical printing press with large number of employees, who have been deployed for other works and are under employed.

The Management stated (August 2007) that tender will be invited for purchase of new printing machine.

Internal Control/Internal Audit

2.2.23 Internal control is a Management tool used to provide reasonable assurance that the objectives are being achieved in an economical, efficient and orderly manner. It was noticed that the Internal Control System of the Company was deficient as detailed below:-

- the Company has not devised any comprehensive Management information system, for collection and consolidation of information/data for effective governance.
- printing paper weighing 115.03 quintals valued for Rs 3.31 lakh was not taken as opening stock for the year 2004-05. The reason for non accountal was not analysed by the Management.
- the stock register (printing paper) was not properly maintained as closing balances were shown in minus figure on several occasions. Stock registers were never checked by the supervisory staff;
- no physical verification report for verification of stores was provided to audit, indicating that physical verification of stores was not conducted;
- stock register for text books was also not maintained properly as receipt of books for general sale and SSA from private printers was not entered in the register. The stock register reflected only the issue of books and did not give the closing balance;
- lack of internal controls was one of the main reasons for books becoming obsolete;
- the Company did not have any Internal Audit Wing. The Company had not prepared any Internal Audit Manual. The firms of Chartered Accountants were appointed for compilation of accounts, Bank Reconciliation, Physical Verification Report, and Valuation of books. Even these firms did not conduct the physical verification of stores comprising of printing paper, text books *etc.*

The Management stated (August 2007) that stock of printing paper was shown as a minus figure due to recording of weight sometimes on the basis of gross weight and sometimes on the basis of net weight. As regards stock register for books, it was stated that for DPEP-III, stock registers were maintained by Central Warehousing Corporation. As regards physical verification of printing paper it was stated that stock of printing paper is physically verified by the Internal Auditors. The reply of the Management clearly establishes that internal control system of the Company are not functioning properly and Company failed to provide the physical verification report of printing paper.

The above matters were reported to the Government (July 2007); the reply is awaited (October 2007).

Conclusion

The Company has failed in getting the textbooks printed in time for general sale in the Market. There was delay in supply of books to BEPC under schemes such as Sarva Shiksha Abhiyan (SSA) and District Primary Education Project (DPEP). The consumption/wastage of paper for printing of books was not within the norms. The pricing of the books supplied to BEPC was inflated resulting in receipt of payments to which it was not entitled to. The non realisation of dues and subsidy on the sale of books adversely affected the financial position of the Company. The Company had not formulated any marketing policy for optimising the

sale of textbooks. Internal Control System was not efficient as physical verification of stores was not conducted, stock registers were not maintained properly *etc.*

Recommendations

The Company needs to:

- **set their house in order in respect of assessing quantities of text books to be published, fix time schedule for printing and distribution before start of academic period;**
- **expedite modernisation of the press, cost of which can be recovered in a short period being equivalent to losses being made by the Company.**
- **do costing of text books on realistic terms;**
- **try public private partnership to reduce their liabilities;**
- **realise dues and subsidy promptly and efficiently;**
- **formulate a marketing policy for optimizing the sale of books;**
- **conduct physical verification of stores and maintain stock register properly.**

Chapter III

Performance review relating to Statutory Corporation

Performance review on procurement, performance, maintenance and repair of transformers in Bihar State Electricity Board

Highlights

Mismatch of power transformation capacity with sub-power transformation capacity resulted in over loading of transformers. During 2002-07, against the growth of 53.45 *per cent* in sub-power transformation capacity, the growth in power transformation capacity was only 31.06 *per cent*.

(Paragraph 3.6.2)

Delay in taking decision to allow entry tax on procurement of transformers, resulted in avoidable expenditure of Rs 1.37 crore.

(Paragraph 3.6.3)

Delay in finalisation of tender for procurement of 5 MVA power transformers resulted in extra expenditure of Rs 3.47 crore.

(Paragraph 3.6.4)

Failure of 8,398 transformers in excess of norms resulted in extra expenditure of Rs 14.42 crore on repair during 2003-04 to 2005-06

(Paragraph 3.7)

Due to poor maintenance, the transformer valued at Rs 2.57 crore burnt completely.

(Paragraph 3.8 & 3. 9.4)

Transformer oil and parts valued at Rs 5.68 crore and Rs 45.26 lakh respectively were found missing from the transformers at TRWs for which no action has been taken.

(Paragraph 3.9.2 & 3.9.3)

Delay in finalisation and placing of orders for accessories for repair resulted in avoidable financial commitment of Rs 1.35 crore and an adverse effect on the augmentation programme.

(Paragraph 3.9.5)

Internal control system was not efficient and effective.

(Paragraph 3.10)

Introduction

3.1. Transformer is static equipment used for stepping up and stepping down voltage in transmission and distribution of electricity. Power is usually generated at low voltage (11 KV[1] to 15.75 KV), and then stepped up (132 KV, 220 KV and 400 KV) through power transformers for transmission to load centres. At the receiving sub-stations, the voltage is brought down (132 KV or 11 KV) for supplying power to various consumers. The transformers used at the generating stations and in the high voltage sub-stations (grid-sub-stations)

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[1] Kilo Volt

are called power transformers, while transformers used in distribution system are called distribution transformers. Power is distributed to the consumers through transmission and distribution lines, having voltage ranging from 132 KV to 440/220 Volts.

Efficiency of transmission and distribution system depends on the transformation capacity by using transformers of adequate capacities and their proper maintenance.

Bihar State Electricity Board (Board) is headed by a Chairman who is assisted by Member (Finance and revenue), Member (Distribution and R. E.) and Member (Generation and Transmission). Four Chief Engineers at headquarters level and Project Manager, (Technical Services) also assist in executing the functions relating to procurement, performance, maintenance and repair of transformers. Detailed organisational chart is given in **Annexure-19.**

Scope of audit

3.2. A review on procurement, performance, maintenance and repair of transformers in B.S.E.B was featured in the Report of the Comptroller and Auditor General of India for the year 1999-2000 (Commercial), Government of Bihar, which is yet to be discussed by the Committee on Public Undertakings.

The present review conducted during March to May 2007 contains irregularities and deficiencies noticed in test check of records in seven out of 23 circles, three TRWs and Board's headquarters for the years 2002-07, selected on the basis of geographical distribution.

Audit Objectives

3.3. Performance review of procurement, performance, maintenance and repair of transformers was conducted with a view to assess whether:

- procurement of transformers was made conforming to Annual Development plan in accordance with the prescribed procedure and in a transparent, economical, efficient and effective manner;
- there existed an effective system for monitoring the performance of procured transformers with reference to functional manual and its standard life;
- the Board had framed a maintenance policy and ensured its adherence;
- damaged transformers were got repaired in time; and
- the internal control mechanism was efficient and effective.

Audit Criteria

3.4. The audit criteria adopted for assessing the achievement of audit objectives was to check the extent of adherence to:

- Board's procedures for procurement, storage and accounting of transformers;
- terms and conditions of tendering and purchase orders;
- norms fixed by the Ministry of Power for the life of transformers, terms and conditions of transformer repair agreements;
- performance parameters fixed under Statutes and by the Board; and

- norms fixed by Central Electricity Authority regarding Transmission & Distribution losses.

Audit Methodology

3.5. The following mix of audit methodologies was adopted for achieving the audit objectives of the performance review:

- analysis of assessment of requirement of transformers with reference to Annual Material Budget/Annual Development Plan;
- scrutiny of tenders and agreements executed with the suppliers for procurement of transformers;
- verification of the maintenance programme, cause-wise reasons for failure, time taken to repair the failed transformers so as to put them to use in system;
- analysis of cost of repair in Board's workshop and outside agencies;
- examination of agenda and minutes of the meetings of the Board; and
- issue of audit enquiries and interaction with the Management.

Audit Findings

3.6. The audit findings were reported to the Government/Management and discussed (24 August 2007) at the meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) which was attended by the Secretary, Energy Department and the Chairman, Bihar State Electricity Board. The views expressed in the meeting have been taken into consideration while finalising the performance review.

The audit findings are discussed in succeeding paragraphs.

Assessment of Requirement/Procurement of Transformers

3.6.1 Assessment of requirement is essential prior to making purchase of any material/equipment to safeguard financial interest of an organisation. On the basis of field's requirements, procurement of transformers (63 KVA to 5 MVA) was made by the CE (Stores & Purchase) on the basis of the requirement of the annual plan for Rural Electrification (RE) Works and for Non-RE Works. In the case of power transformers (20 MVA and above), the requirement is assessed and procured by the CE (Transmission) considering the construction of new sub-stations/augmentation of existing sub-stations by inviting open tenders. On receipt for recommendations for procurement of transformers from the authority competent, as stated above, approval for purchase upto rupees five crore is accorded by the Central Purchase Committee (CPC) and approval for purchase above rupees five crore is accorded by the Board.

3.6.2. The table below indicates the assessed requirements, orders placed, transformers received and expenditure incurred during last five years upto 2006-07.

Year	Requirement of transformers		Order placed for transformers		Transformers received		Expenditure (Rs in crore)	
	Power	Distribution	Power	Distribution	Power	Distribution	Power transformers	Distribution transformers
2002-03	103 (400.7)	7432 (605.26)	Nil	3314 (286.03)	Nil	2,430 (209.61)	Nil	8.74
2003-04	79 (355.8)	9,532 (825.70)	15 (47.25)	625 (49.71)	25 (78.75)	595 (55.98)	1.68	2.28
2004-05	35 (138)	1,489 (76.84)	32 (160)	5,325 (440.41)	12 (60)	3,641 (314.80)	1.20	16.11
2005-06	96 (467.1)	2,711 (269.04)	Nil	2,497 (247.94)	Nil	2,590 (238.12)	Nil	16.67
2006-07	37 (168.4)	1,450 (178.87)	28 (121.5)	827 (73.01)	9 (45)	826 (72.95)	2.66	5.87
Total	**350 (1,530)**	**22,614 (1,955.71)**	**75 (328.75)**	**12,588 (1097.10)**	**46 (183.75)**	**10,082 (891.46)**	**5.54**	**49.67**

Source : Material budget and records of Chief Engineer (Stores & Purchase)

Note: 1. Figures in bracket indicate capacity in M.V.A.

2. Power transformers are of the capacity of 5 MVA and above.

Against requirement of distribution transformers of 1,955.71 MVA capacity, the Board procured 891.46 MVA capacity.

It will be seen from the above that, against the requirement of 1,955.71 MVA capacity of distribution transformers, the Board placed orders for 1097.10 MVA capacity and purchased only 891.46 MVA capacity during 2002-07. As such the purchases made were inadequate to meet the requirement resulting in break down of transformers and interruption of power supply.

Scrutiny of records (May 2007) revealed mismatch in transformation capacity and scrutiny of procurement of transformers further revealed that receipt of transformers was delayed due to delay in issue of dispatch instruction, delay made by suppliers and delay in finalisation of tenders. Besides, there were cases in which higher rates were paid for the same capacity of transformers in different schemes leading to loss to the Board.

Mismatch of transformation capacity

3.6.3 Each segment of transformation system *viz.* power transformation, sub-power transformation, distribution and connected load should match to each other to ensure that neither any system remained idle nor it got overloaded. In this connection the Board had been following norms of operation at 75 *per cent* of installed capacity of transformers installed at GSS[1], PSS[2] and DSS[3] for ensuring safety of transformers and safe passage of electricity. As such the capacity of GSS should be 133 *per cent* of PSS. The table below indicates the year-wise details of sub-power transformation capacity available, power

[1] Grid Sub-station

[2] Power Sub-station

[3] Distribution Sub-station

transformation capacity required and power transformation capacity available for the five years ending 31 March 2007.

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	Increase during 2002-07 (per cent)
Sub-power transformation capacity available (MVA)	1,845.75	2,171.00	2,544.46	2,555.76	2,832.34	53.45
Required sub-power transformation capacity (MVA)	2,454.85	2,887.43	3384.13	3,399.16	3,767.01	53.45
Power transformation capacity available (MVA[1])	1,899.40	1,909.40	1,909.40	2,169.40	2,489.40	31.06

Source : Figures made available by the Board.

Power transformation capacity was inadequate to match sub power transformation capacity.

It will be seen from the above, that against the growth of 53.45 *per cent* in sub-power transformation capacity, the growth in power transformation capacity was 31.06 *per cent* only which indicated that due to mismatch of transformation capacity the transformers were overloaded resulting in increased expenditure on repair of transformers and loss of revenue. The analysis of distribution capacity and connected load could not be made in audit due to non-availability of connected load in the Board.

The Board, while accepting the facts stated (October 2007) that transmission system in the state is being strengthened on massive scale.

Avoidable expenditure in purchase of transformers

3.6.4 The Board floated open tender (May 2003) for procurement of 6089 distribution transformers of 63 KVA at an estimated cost of Rs 21.93 crore at the rate of Rs 36,021 per transformer. The price was to be quoted indicating therein the ex-factory price, freight element upto destination, excise duty, sales tax and entry tax. Eleven firms (five from outside Bihar and six local SSI units) participated in the bidding process. The lowest landed cost of each transformer was Rs 32,801, offered by Manpur Electric Works Private Limited, Gaya and was inclusive of excise duty, sales tax and freight. All the firms agreed to supply at this rate. The firms from outside Bihar, however, did not agree to supply without entry tax at the rate of eight *per cent* (Rs 2,624). The offer was valid for 365 days from the date of opening the tender (May 2003) and all the firms were ready to supply the transformers within four to twelve months.

It was noticed that the CPC further decided (September 2003) that the payment of entry tax separately, over and above the landed cost, could not be allowed to the firms outside the Bihar. The CPC also decided that these firms should agree to supply at the above mentioned landed cost including entry tax failing which a fresh tender may be invited immediately.

[1] Million Volt Ampere

The outside firms refused to supply without entry tax and accordingly a fresh tender was issued at short notice (June 2004) for 3524 transformers against which, all the five firms (outside State) who had quoted in the earlier tenders responded. Anand Tranformers Private Limited, Faizabad (UP) quoted the lowest landed rate of Rs 39,949.20 per transformer inclusive of entry tax at the rate of eight *per cent* The Board placed orders (August to November 2004) on the five firms for 2204 transformers at the above rate and incurred extra expenditure of Rs 99.71 lakh[1].

The Board incurred extra expenditure of Rs.1.37 crore on procurement of transformers.

Similarly, in case of purchase of 625 transformers of 100 KVA capacity, the Board decided (September 2003) that payment of entry tax separately at the rate of eight *per cent* (Rs 3,431) over and above landed cost (Rs 42,883) (May 2003) would not be allowed to the firms. After the refusal of the firms to supply without payment of entry tax, the Board invited fresh tender for purchase of the same and placed orders (September to November 2004) on three firms for supply of transformers at landed cost of Rs 52,284 per transformer including eight *per cent* entry tax and incurred extra expenditure of Rs 37.31 lakh[2].

Had the Board acted on the earlier offer of the firms and allowed entry tax, extra expenditure of Rs1.37 crore on account of increase in price could have been avoided.

The Board stated (October 2007) that two different rates should not be fixed against one particular tender and thus fresh tenders were invited. The reply is not tenable as payment of entry tax to outside firms does not tantamount to fixation of two different rates.

Delay in finalisation of tender

3.6.5 A tender was floated (November 2002) by the Board for procurement of 32 power transformers of 5 MVA capacity with a delivery schedule of six months

Out of 10 firms, offers of four firms were found technically suitable. Lowest landed price of Rs 10.40 lakh (variable) was quoted by Anand Transformers Private Limited, Faizabad. CPC decided (November 2003) that the firm may be asked to give delivery schedule of a maximum of six months from the date of issue of LOI, (November 2003). The firm, however, requested (November 2003) the Board to accept original delivery schedule of 10 months after two months from receipt of technically and commercially clear order along with approval of drawings. The firm, however, refused to supply (March 2004) due to non-execution of contract agreement beyond schedule of supply offered by it.

The Board cancelled (June 2004) the purchase order and placed order (July 2004) on M&B Switchgear Private Limited, Indore at the same rate. The firm, however, could supply only 11 transformers upto November 2005. A fresh tender was floated (September 2006) for purchase of 18 transformers and purchase order was issued (February 2007) to East India Udyog Ltd. at the landed cost of Rs 29.66 lakh each.

1 [Rs 39,949.20 – (32,801 + 2,624)}x 2204= Rs 99.71 lakh

2 [Rs 52,284 – (Rs 42,883 + 3,431)] x 625 =Rs 37.31 lakh

Delay in finalisation of tender resulted in extra expenditure of Rs.3.47 crore.

This resulted in extra expenditure of Rs 3.47 crore[1] which could have been avoided by rescheduling the period of supply as requested by Anand Transformers Private Limited (November 2003). The delay in procurement of power transformers also hampered the objective of enhancing the sub-power transformation capacity.

The Board stated (October 2007) that due to paucity of fund, payment to M&B Switchgear Private Limited, Indore (supplier) was delayed and thus the firm refused to supply further transformers. The reply is not tenable as the Board refused to extend delivery schedule for six months to Anand Transformers whereas it accepted delivery for further two years from M & B Switchgears Private Limited. Besides, the purchase orders should have been placed by the Board keeping in view the availability of fund.

Extra expenditure

3.6.6 The work of electrification of villages and construction/augmentation of distribution sub-stations (DSS) are done by the Power Grid Corporation of India Limited (PGCIL) under Accelerated Power Development and Reforms Programme (APDRP) in 11 circles[2] of the Board.

The Board paid Rs.5.23 crore in excess of market rate of transformers.

It was observed (April 2007) that rates of 200 KVA (Rs 1.50 lakh) and 100 KVA (Rs 1.10 lakh) transformers charged by the PGCIL under APDRP were higher than the market rates of Rs 1.20 lakh and Rs 0.75 lakh respectively at which the same were purchased by the Board. This resulted in excess payment of Rs 5.23 crore[3] to PGCIL by the Board up to March 2007 on account of erection of 1,663 transformers of 200 KVA (1184) and 100 KVA (479) capacity.

The Board stated (October 2007) that Power Grid procurement is based on their own procurement policy. The fact, however, remains that the Board made excess payment of Rs 5.23 crore to PGCIL.

Performance of transformers

3.7. The Board had not fixed any norms for permissible limit of failure of transformers. As per norms laid down by the Uttar Pradesh Electricity Board, damage of transformer should not exceed 2 *per cent* of the transformers installed.

The table below indicates the position of damage of distribution transformers during 2002-07. The data relating to Power transformer was not available with the Board. The Board had also not compiled data relating to new and repaired transformers separately.

[1] (Rs. 29.66 lakh- Rs. 10.40 lakh)x18 = Rs. 3.47 crore
[2] Patna, Muzaffarpur, PESU (E), PESU (W), Darbhanga, Rohtas, Gaya, Bhagalpur, Chapra, Purnea, Saharsa
[3] [(Rs.1.50 lakh – Rs. 1.20 lakh) x 1184] + [Rs. 1.10 lakh – Rs. 0.75 lakh) x 479] = Rs. 5.23 crore

Year[1]	Distribution Transformers					Percentage of excess failure over prescribed norms of installed transformers
	Installed at the beginning of the year (Nos.)	Actual failure		Failure as per norms at the rate of two *per cent* (Nos.)	Failure in excess of norms (Nos.)	
		(Nos.)	(*per cent*)			
2003-04	33,429	3,360	10.05	669	2,691	8.05
2004-05	35,028	3,534	10.09	700	2,834	8.09
2005-06	37,513	3,623	9.66	750	2,873	7.66
Total	**1,05,970**	**10,517**		**2,119**	**8,398**	

Source : Records of O&M wing at the Board headquarters

Transformers failed in excess of norm.

It can be seen from the above table that against the norm of two *per cent*, percentage of failure ranged between 9.66 and 10.09 *per cent*. During 2003-06, 8,398 transformers failed in excess of norm resulting in extra expenditure of Rs 14.42 crore (at the average cost of repair, Rs 17,176 per transformer at TRWs).

The Board had not analysed the reasons for failure of transformers. It was, however, observed that overloading and non-maintenance of transformers as per maintenance schedule, was the main reason of failure of transformers.

The Board stated (October 2007) that the transformers burn not due to overloading only but due to many natural factors like weather and climate conditions. The Board further stated that action is being taken to bring the percentage of failure down.

The reply is not convincing. The fact is that if maintenance norms are followed, damages to transformers can be reduced drastically.

Maintenance of transformers

3.8. As per operation and maintenance manual (Manual) of Transmission and Distribution System, the following maintenance was required to be carried out at Circle level in respect of power and distribution transformers already in service for ensuring their smooth working:

- Dielectric strength of transformer oil was to be tested once in a year and was to be recorded in a register for each transformer.
- Level of the oil was to be checked half yearly.
- The condition of silica gel was to be checked every two to three months
- Oil change, if any, was also to be checked.

It was, however, noticed that:

- schedule of maintenance was not prepared at any level in the Board;

[1] The data for the years 2002-03 and 2006-07 was not available with the Board.

- there was no system of feed back of maintenance performed by divisions to Circle/Headquarters of the Board for monitoring and control;
- records relating to maintenance of transformers were not prepared;
- the Board had not prescribed any schedule for inspection of distribution transformers at division level to ensure effective and regular maintenance;

Non-maintenance of transformers contributed to high failure rate of transformers. Some of the cases are discussed below:

Transformer failed due to overloading.

- One transformer of 1.6 MVA capacity installed (August 1985) at PSS Pupri under Muzaffarpur circle failed (March 2004) due to overloading. The transformer was replaced at a cost of Rs 15.35 lakh.

The Board stated (October 2007) that the transformer failed due to natural factor and not to poor maintenance. The reply is not correct as the testing wing of the Board had reported, (March 2004) after due test, that the transformer had failed due to overloading.

Transformer valued at Rs 1.50 crore burnt due to delay in installation of battery.

- For control and protection of Grid Sub Station, healthy Direct Current (DC) system is required without which the operation of GSS is very risky and dangerous. It was noticed (May 2007) that one power transformer of 20 MVA of NGEF make installed (April 1993) in Rafiganj GSS caught fire (November 2005) and was burnt completely. A Committee was constituted (November 2005) to ascertain the reasons of fire and to fix the responsibility. The Committee in its report (January 2006), mentioned that due to continuous fault in feeding through 33 KV Rafiganj feeder owing to faulty DC system, non installation of new set of battery (procured in April 2005) and inoperative protection and control system, fire took place which damaged the transformer. The Committee further stated that it is a case of total system failure when nobody took required sufficient concerted and coordinated effort/persuation to get such important work done. As a result transformer costing Rs 1.50 crore burnt completely. Thus, the Committee clearly established the failure of the officials concerned, yet no action was taken by the Board in this regard.

  The Board while admitting the fact of delay in installing the new battery, stated (October 2007) that required action was taken. The reply is not tenable as the Board failed to take requisite action against the officials at fault.

- One Power transformer of 1.6 MVA installed (December 1992) at Sanahpurdih PSS failed (November 2002). The transformer, after repair was again charged on 22 May 2003. It was observed that reason for failure of transformer was non maintenance, despite repeated instructions of MRT division. This resulted in loss of revenue of Rs 1.12[1] crore besides expenditure on repair.

[1] calculated at average rate of realisation per unit mentioned in Accounts for 2002-03. (1.6x 0 .75x .90 x 1000 x 24 x 175 x Rs 2.48 = Rs 1.12 crore.

The Board stated (October 2007) that the transformer failed due to natural factors and not due to poor maintenance. The reply is not tenable as the testing wing of Board (MRT) had, after due test report, stated that the transformer failed due to poor maintenance.

Repair of Transformers

3.9. Repair of transformers upto 5 MVA capacity is being carried out by four Transformer Repair Workshops (TRW) situated at Patna, Gaya, Muzaffarpur and Bhagalpur. Transformers of more than 5 MVA capacity are got repaired through private agencies.

The Board had not fixed any norm for fixation of target of repair in TRWs. In absence of installed capacity, same could not be ascertained in audit also. The table below indicates target fixed for repair of transformers and achievement there against during last five years upto 2006-07.

Year	Target	Achievement	Shortfall	Percentage of shortfall
2002-03	3,631	2,463	1,168	32
2003-04	3,641	3,098	543	15
2004-05	3,756	3,294	462	12
2005-06	3,756	3,696	60	2
2006-07	3,950	3,330	620	16
Total	**18,734**	**15,881**	**2,853**	

Source : Returns submitted by TRWs.

It can be seen from the above table that shortfall in achievement against target ranged between 2 to 32 *per cent* during 2002-07 and TRWs could repair 15,881 transformers against target of 18,734 leaving shortfall of 2,853 transformers. Shortfall in repair resulted in shortage of transformers in the system and thus the existing transformer in the system remained overloaded which in turn caused abnormal tripping and failure of transformers.

The shortfall in achieving the target was attributed (May 2007) by the Board to shortage of materials, non receipt of burnt transformers at the TRW and non disposal of scrap at the TRW.

Thus due to failure of the Board to make available the burnt transformers and materials required, targets could not be achieved. Further, non-disposal of scrap materials caused problem of space for repair work and had adverse effect on the efficiency.

Failure of repaired transformers

There was no guarantee clause in agreement for repair of distribution transformers.

3.9.1 Repair of transformers at TRWs is done by private agencies at rates finalised after open tender. Materials required are supplied by the Board and labour charges are paid to the agencies. It was observed (May 2007) that there was no guarantee clause in the agreement executed with the agencies for repair. It was further observed that 204 repaired transformers failed within one year on which Rs 19.05 lakh was incurred on re-repair during five years 2002-07. The expenditure could have been avoided by incorporating guarantee clause to provide guarantee of one year on repaired transformer as decided by Central Labour Committee of the Board (September 1998).

The Board stated (October 2007) that the repairing is being done under guarantee clause of three months. The reply is not tenable as there is no clause of guarantee in the work order issued to the repairing agencies.

Shortage of transformer oil

3.9.2 On receipt of transformers in TRW for repair, transformer oil is drained out from the transformers for re-use after repair. Details of transformers received, transformer oil receivable and actually received during five years ending 31 March 2007 are as under:

TRWs	No. of transformers opened	Quantity of oil expected to be available (in litre)	Quantity of oil actually available (in litre)	Shortage of oil	Percentage of Shortfall
Patna	7,112	13,91,060	2,74,098	11,16,962	80.30
Gaya	3,576	5,91,849	1,17,963	4,73,886	80.07
Muzaffarpur	3,991	9,49,860	2,72,210	6,77,650	71.34
Total	**14,679**	**29,32,769**	**6,64,271**	**22,68,498**	**77.35**

Source : Records of TRWs.

Transformer oil valued at Rs 5.68 crore found short at TRWs

It will be seen from the above table that percentage of shortfall in recovery of transformer oil ranged from 71.34 to 80.30 *per cent* in three TRWs and on opening of 14,679 transformers, 22,68,498 litres of transformer oil was found short. The shortage was made up by purchase of new oil valuing Rs 5.68 crore at the rate of Rs 25,035.26 per kilo litre with consequential loss to that extent to the Board. The Board had not investigated the reasons for shortages to fix the responsibility for the same.

The Board instead of giving specific reasons for the loss of transformer oil in its reply, cited (October 2007) many probable reasons for shortage of transformer oil. The Board, however, did not state whether any action had been taken to reduce loss of transformer oil.

Loss due to missing parts of transformer

3.9.3 As per procedure, defective transformers received at TRWs for repair are required to be inspected physically before sending for repair and an inventory report of the parts available is to be prepared.

During test check of records of three TRWs, it was observed that at the time of receipt of transformers some parts were found missing. Year-wise details of missing major parts during last five years up to 2006-07 were as below:

Year	H.T. bushing	H.T. fittings	L.T. fitting	L.T. bushing
2002-03	2,023	2,946	3,477	3,408
2003-04	2,504	3,408	4,266	4,152
2004-05	2,430	3,499	4,180	4,144
2005-06	2,813	4,052	4609	4,702
2006-07	2,429	3,644	4,296	4,272
Total	12,199	17,549	20,828	20,678
Rate (Rs Per piece)[1]	78	46	67.33	66
Amount (Rs)	**9,51,522**	**8,07,254**	**14,02,349**	**13,64,748**

Source : Records of TRWs.

[1] Rate is based on average of the rates during 2002-07.

Major parts of Transformer valuing Rs 45.26 lakh were missing.

It can be seen from the above table that four major parts valued at Rs 45.26 lakh were missing (2002-03 to 2006-07) but no action was taken by the Board to analyse the reasons.

It was observed that there was no system to transfer defective transformers immediately to stores/workshops and transformers remained at site in defective condition for long period. This made theft of parts and transformer oil easy. Thus, due to inadequate monitoring of defective transformers the Board sustained loss of Rs 45.26 lakh.

The Board instead of giving specific reasons for the loss of missing parts in its reply, cited (October 2007) many probable reasons for damage of parts. The Board, however, did not state whether any action had been taken to prevent these losses.

Failure of 100 MVA, 220/132/33 KV Power transformers due to negligence.

3.9.4 One Power transformer of 100 MVA installed and commissioned at Fatwah Grid Sub-Station (December 1989) tripped (April 2002). With a view to rehabilitate the transformer, a Committee was formed by the Board (June 2005) for going into details of defects developed in the transformer and technical proposal for its rehabilitation. The Committee in its report (June 2005) stated that the main reasons for tripping were (i) deteriorated condition of transformer oil in the transformers concerned and violation of many parameters, such as BDV[1], Specific Resistivity, Tan-delta, ppm and presence of carbon Mono-oxide gas, (ii) worn out gaskets, *etc.*

Negligence in maintenance led to financial burden of Rs1.07 crore.

For repairing the above Power transformer one N.I.T. was issued (July 2005) and on the basis of final negotiated rate, offer of Aditya Vidyut Appliances Limited was approved (May 2006) at a cost of Rs 1.07 crore.

Thus, negligence on the part of the Board in maintenance, led to tripping of the transformer and avoidable financial burden of Rs 1.07 crore. Besides, due to non-repair of the transformer, Patna and its adjoining areas are facing power crisis (October 2007).

The Board stated (October 2007) that the transformer is lying with outside agency for repair. No reply has, however, been given by the Board regarding poor maintenance as pointed out be the Committee.

Avoidable loss of Rs 1.35 crore due to failure to get Power Transformers repaired as per agreement with the repairer firms.

Delay in taking decision caused additional financial commitment of Rs1.35 crore.

3.9.5 On the basis of the open tender (December 1999), the Board placed three work orders (September/October 2000) on three firms[2] for repair of eight Power transformers (50 MVA- five numbers and 20 MVA- three numbers). The Board, in order to avoid mismatching of accessories in the transformers to be repaired, invited (May 2000) quotations from these repairer firms for supply of needed accessories. Item wise lowest rates, were approved, however, the Finance wing of the Board desired (September 2000) that fresh tender should be called for. Tenders were invited on 13 June 2001. Tender opening

[1] Break Down Voltage
[2] Kanohar Electricals Limited, Mumbi, Aditya Vidyut Appliances Limited, Mumbai and Tarapur Transformers Limited, Mumbai

date was extended twice (July and October 2001). Due to poor response, re-tender was also called (January 2002). It was observed that despite tender and re-tender, decision in respect of procurement of the accessories could not be taken and the Board finally decided (December 2003) to place orders with the three repairer firms, from whom quotation were obtained initially (October 2000), for supply of needed accessories for the Power transformers under repair. During the period December 2003 to April 2005, two transformers were repaired and thereafter the two repairers (Konohar Electricals Limited and Aditya Vidyut Appliances Limited), on whom orders were placed refused to repair defective transformers due to price hike during the last five years (April 2005). The Board placed orders (July 2005) on these firms for repair of remaining six power transformers. Comparative rates for repair of transformer finalised in September/October 2000 and July 2005 are tabulated below:

Particulars	Final negotiated rate		Rs in lakh	
	September/ October 2000	July 2005	Additional expenditure	
			Per transformer	For three transformers
Net repairing cost of 1 no. 50 MVA Power transformer	39.07	65.91	26.84	80.52
Net repairing cost of 1 no. 20 MVA Power transformer	25.13	43.15	18.02	54.06
Total	**64.20**	**109.06**	**44.86**	**134.58**

Source : Records of Chief Engineer (Transmission), Board headquarters.

Though the orders for repair of transformers were placed (July 2005), the transformers are yet (October 2007) to be repaired. Due to inordinate delay in taking decision by the Board in finalisation and placing orders for accessories with the repairers, six power transformers (50 MVA- three number and 20 MVA- three number) could not be repaired despite tendering and signing of agreements between the Board and the repairers. This, adversely affected the augmentation programme and caused avoidable financial commitment of Rs 1.35 crore.

The Board stated (October 2007) that the delay appears to be due to abnormal situation. The reply of the Management shows total lack of professional approach as abnormal situation is a creation of the Board itself.

Delay in repair

3.9.6 One 100 MVA Auto transformer[1] of Crompton Greaves Limited (CGL) make costing Rs 25.95 lakh failed (30 January 2000) at GSS Dehri-On-Sone. The transformer was tested (February 2000) by the service engineer of CGL who recommended (February 2000) replacement of OLTC[2] unit and overhauling of transformer.

[1] Serial number T-7866/24081
[2] On Load Tap Changer

100 MVA Transformer was lying unrepaired for more than seven years.

A PO was placed on CGL (May 2000) for replacement of OLTC and site service including filtration of transformer oil at a cost of Rs 25.95 lakh. CGL fitted (September 2001) the OLTC and recommended (September 2001) that the gasket should be replaced to arrest the oil leakage. But gasket was not made available by the Board for replacement. The transformer was charged (30 December 2001) by the CGL but was immediately taken under shut down due to oil leakage. After plugging the leakage by applying M. Seal, the transformer was again charged (4 January 2002) but it again tripped within two minutes. On testing, (January 2002) the barrier board of OLTC was found broken. The transformer is still lying unrepaired (October 2007). The Board neither took any action against the repairer nor the transformer was got repaired from other agencies.

The Board stated (October 2007) that action has been taken to bring back the transformer into order. The reply is not tenable as the transformer is still lying unrepaired since last seven years.

Loss due to non-disposal of scrap materials at various Transformer Repairing Workshops and Central Stores.

Delay in disposal of scrap led to non realization of Rs.1.14 crore.

3.9.7 As on 31 March 2006, huge quantity of scrap materials comprising unserviceable transformers (312), burnt transformer oil (14,327 litres), Aluminium DPC scrap (246.99 MT), empty oil drums (2,444), were lying undisposed in various TRWs and Central Stores. These scrap materials have not been physically verified and the security arrangements for their safety were inadequate due to which several events of theft of scrap took place and the exact assessment of resultant loss could not be made. Due to lack of effective measures by the Board, the scrap materials were lying undisposed for more than four years. For disposal of 159.512 M.T. scrap Aluminium Winding wire (retrieved from damaged transformers lying at TRW stores, Patna, Gaya, Muzaffarpur and Central Store, Gaya), tender (October 2003) was opened on 27 November 2003. Out of the four tenderers who participated in the tender, the rate offered (Rs 71.60 per Kg) by one tenderer, Soni Engineering Company, Kako Road, Jehanabad, Bihar was higher than the reserve price (Rs 65.17 per Kg) fixed by the Board. Due to inordinate delay in concluding the proceedings for declaration of stores as surplus and unserviceable, the tender could not be finalised even in one year time. As a result, the tender was cancelled (15 November 2004). It was observed that earlier also two tenders for disposal of some materials were invited (July and August 2002), but the tenders could not be finalised and had to be cancelled due to indecision on the part of the Board.

Thus, due to not taking the decision by the Board, 159.512 M.T. scrap Aluminium Winding wire could not be disposed of despite the willingness of tenderer to lift the scrap materials above the reserve rate fixed by the Management. Quantity of scrap as on 31 March 2006 accumulated to 646.799 M.T. Had the Board acted judiciously, it could have realised an amount of Rs 1.14 crore[1] as quoted (October 2003) by the highest bidder (Soni Engineering Company, Jehanabad, Bihar).

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[1] (159.512 MT x Rs. 71,600 per MT) = Rs. 1.14 crore.

The Board while accepting the delay stated (October 2007) that 232 M.T. of scrap has been disposed off.

Leakage of transformer oil

Board failed to prevent leakage of transformer oil in time.

3.9.8 Two transformers of 20 MVA capacity each were installed (1989) at Dumraon Grid Sub-station. Both the transformers had problem of leakage of transformer oil. One transformer, after leakage of 120 drum transformer oil, was kept under shut down condition whereas second transformer was in running condition despite leakage of oil. It was observed that up to 2005-06, transformer oil valued at Rs 11.70 lakh was wasted. Besides, the transformers were kept under shut down for 2.06 lakh hours resulting in loss of potential revenue of Rs 5.09 crore. It was further observed that there was leakage of transformer oil valued at Rs 50.42 lakh in four circles[•].

The Board stated (October 2007) that gasket had been replaced and the transformer had been brought back in service. Reply is not tenable as due to delay, Board sustained loss of Rs 5.20 crore. Moreover, no reply for leakage in other circles was given by the Board.

Internal Control

Internal control was not effective in the Board.

3.10. Internal control is a management tool to provide reasonable assurance that the organisation fulfills accountability obligations, carries out orderly and efficient operations, safeguards assets and discloses reliable financial data through timely reporting. Internal control includes budgetary control, accounting control, cost control, periodic operations report, statistical analysis and internal audit.

Effective internal control requires proper management information system. The following deficiencies were noticed in this regard.

- Basic records such as census of transformers, transformers history card were not being maintained either in the field or at the headquarters.
- Data of connected load is not available with the Board. As a result, required capacity of PSS could not be planned.
- The MIS was not effective in the Board.

The Board stated (October 2007) that data is available with the board. It was also stated that connected load is compiled every year.

The reply is not tenable as the Board in its accounts for 2002-03 and onwards has been mentioning that connected load is not available and despite repeated requisition by Audit, figures/data were not made available. Further, the BSERC had observed ineffective MIS in the Board.

The above matters were reported to the Government (July 2007); the reply is awaited (October 2007).

Conclusion

Performance of the Board with regard to procurement, maintenance and repair of transformers was found to be deficient due to lack of adequate

[•]Transmission Circles Muzaffarpur, Gaya, Bhagalpur and Purnea

planning and economy in procurement. No account of transformers procured, issued and commissioned was ever maintained by the Board. The Board did not have any system of maintaining details of transformers and analysing failure rate and monitoring maintenance schedule. Periodical maintenance of power and distribution transformers was not carried out resulting in high failure rate of transformers. The transformer repair workshops failed to achieve target of repair of transformers. Monitoring and internal control was not effective in the Board.

Recommendations

The Board needs to:

- **prepare realistic plan and maintain economy and efficiency in procurement of transformers and ensure quality along with fixing life of transformers;**
- **conduct census of transformers to monitor commissioning, physical existence and performance of transformers;**
- **ensure adherence to the maintenance schedule;**
- **evolve schedule of repair of transformer to get the failed transformers repaired expeditiously;**
- **ensure effective monitoring and internal control systems;**
- **take preventive measure against theft of transformer oil and parts.**

CHAPTER-IV

Transaction Audit Observations

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

Government companies

Bihar State Backward Classes Finance and Development Corporation

4.1 Failure of Company in monitoring the scheme resulted in blocking of funds.

Failure of the Company to monitor the release of fund resulted in blocking of Rs 1.17 crore for over three years and consequential loss of interest of Rs 63.39 lakh.

A scheme for setting up 140 Cow Dairy Units and 140 Buffalo Dairy Units for the benefit of backward classes in 14[1] specified districts of Bihar, was sanctioned (July 1996) by the National Backward Classes Finance and Development Corporation (NBCFDC). Each Cow Dairy Unit and Buffalo Dairy Unit was to have four cows and two buffaloes respectively. The total outlay of the scheme was Rs 95.34 lakh, out of which Rs 90.57 lakh (95 *per cent*) was to be financed as term loans by NBCFDC and the remaining (5 *per cent*) was to be arranged by promoters. For implementation and running of the scheme, Bihar State Backward Classes Finance and Development Corporation, (Company) being the State Channelising Agency of NBCFDC, entered into an agreement (July 1996) with Bihar State Co-operative Milk Producers Federation (COMPFED).

The terms of agreement, *inter alia,* included the following:

- Need based funds were to be released to COMPFED on proportionate basis to a maximum of sanctioned loan.
- COMPFED was to ensure utilisation of funds released to it within a period of two months. If not, the unutilised portion would attract higher interest rate, subject to a maximum of 16 *per cent* per annum.
- For monitoring of the implementation and running of the scheme, COMPFED was to form a committee consisting of representatives of NBCFDC, the Company, COMPFED and the beneficiaries.
- COMPFED was to furnish to the Company, an audited statement of accounts at the end of each quarter.

It was observed (March 2007) that:

- A total loan of Rs 1.30 crore was disbursed to COMPFED (September 1998 to August 2000) for setting up of 353 units, as against sanction of Rs 95.34 lakh for 280 units.
- COMPFED utilised Rs 8.65 lakh (seven *per cent*) (September 1998 to September 2003) by disbursing loans to 72 individuals for purchase of

[1] Begusarai, Bhagalpur, Bhojpur, East Champaran, Khagaria, Muzaffarpur, Nalanda, Patna, Ranchi, Rohtas, Samastipur, Saran, Sitamarhi, and Vaishali.

single unit of cow and buffalo and returned Rs 1.17 crore to the Company (October 2003). The remaining Rs 4.35 lakh were not accounted for.

- As against the specified 14 districts of Bihar, the entire loan was disbursed in two districts only, *viz.* Gaya and Jehanabad, both of which were not covered under the sanctioned scheme, and were not part of the said 14 districts.
- Neither a monitoring committee was formed, nor the quarterly accounts furnished by COMPFED to the Company.
- The Company had preferred a claim for Rs 63.39 lakh towards penal interest at the rate of 16 *per cent*, only in May 2006, after lapse of three years of refund of the amount, which is indicative of lackadaisical attitude towards the fund management.

As such the failure of the Company to monitor the release of funds and watch the utilisation thereof resulted in (i) failure of the scheme despite availability of money (ii) denial of benefits to the intended beneficiaries, (iii) blocking of Rs 1.17 crore for over three years and consequential loss of interest of Rs 63.39 lakh, and (iv) non-realisation of Rs 4.35 lakh from COMPFED.

The matter was reported to Government/Company (June 2007); their replies are awaited (October 2007).

4.2 Loss due to non-recovery of loan

The Company sustained a loss of Rs 54.77 lakh due to non-execution and monitoring of scheme

Bihar State Backward Classes Finance and Development Corporation (Company) functions as a State Channelising Agency (SCA) for granting loans and margin money to members of backward classes, for setting up viable income generating economic projects/ schemes, as approved by National Backward Classes Finance and Development Corporation (NBCFDC). The activities of the Company are spread over 55 districts of Bihar and Jharkhand. The Company constituted District Level Committees headed by the District Magistrates/ Deputy Commissioners as District Welfare Officers (DWOs) for execution and monitoring of the schemes

For selection of beneficiaries and sanctioning of loans the following formalities were to be completed by DWOs:-

- To obtain guarantee letter duly signed by two guarantors (Government/ Semi Government/ Bank employees),
- Residential address of the loanee, and two guarantors duly verified,
- The present posting of guarantors and their being in service till expected date of recovery of loan confirmed by their respective heads of offices in which the guarantors were employed,
- In case a loanee fails to submit the required guarantee, he is required to pledge his property in favour of the Company.
- Mortgage of assets created from the loan,
- The repayment of loans in 60 installments subject to a moratorium of two months.

It was observed (March 2007) that the Company disbursed loans of Rs 33.34 crore (from April 1992 to May 2006) to 6,109 loanees, out of which Rs 3.92 crore (11.76 *per cent*) were recovered (April 1995 to May 2006). In view of poor recovery position, the records of DWO Munger and Sasaram were selected for test check. It was further observed that notices served (February 2005/December 2006) to 21 loanees and their guarantors in Munger and 35 loanees in Sasaram were received back undelivered as the loanees were untraceable. As a result Rs 13.10 lakh disbursed (during 1995-2003) in Munger district and Rs 28.64 lakh in Sasaram district could not be recovered due to non verification of address of beneficiaries before sanctioning of the loan.

This has resulted in non-recovery of loan of Rs 41.74 lakh sanctioned to the loanees of Munger and Sasaram districts, besides loss of interest of Rs 13 lakh on the blocked funds.

- Had the Company exercised due diligence in keeping a watch over the functions of DWO regarding selection of beneficiaries and sanctioning of loan the Company could have avoided the loss.

The matter was reported to the Government/ Company (June 2007); their replies are awaited (October 2007).

Bihar State Electronics Development Corporation Limited

4.3 Loss due to failure in execution of agreement

The Company lost Rs 39.81 lakh on rent due to non-execution of agreement

Bihar State Electronics Development Corporation Limited (Company) let out space measuring 4,953 sqft. in "Beltron Bhawan" to Bihar Educational Project Council (BEP), with effect from 1 March 1993 on a rental value of Rupees three lakh per annum payable quarterly in advance. No formal rent agreement was, however, executed with BEP. In case of delay in finalising the lease agreement, an escalation[1] of 10 *per cent* in rental amount every year was to be given. Subsequently the Company let out on two occasions an additional space measuring 1,569 sqft[2] at the same rate, terms and conditions to the BEP.
It was observed (March 2007) that the Company started (February,1999) demanding escalated rent, but, BEP refused the demand, and instead kept paying rent with 10 *per cent* increase every third year as approved (February 2001) by the Executive Committee of BEP. The repeated requests of Company for higher rate of rent were not entertained by BEP. The Company also did not ask BEP to vacate.

Thus, failure of the Company to execute an enforceable lease rent agreement, duly stipulating the terms and conditions regarding escalation of 10 *per cent* in rental amount every year and injudicious decision to let out additional space despite delinquent attitude of the tenant, had deprived the Company of higher rental revenue and led to recurring loss. The loss sustained for the period from

[1] Letter no. BEP/Beltron/1650 dated 11.02.03
Letter no. Beltron MD cell/12//93/11.02.03
[2] 952 sqft in December 95 and 617sqft in January 96

March 1994 to March 2007 due to non-receipt of the higher annual rent amounted to Rs 39.81 lakh.

The matter was reported to Government/Company (June 2007); their replies are awaited (October 2007).

4.4 Wasteful expenditure on rent due to non development of STP

The Company incurred wasteful expenditure of Rs 49.91 lakh on rent on space acquired for development of Software Technology Park

The State Industries Department, decided (March 2005) to establish Software Technology Park (STP), Phase II for the purpose of development of software industries, IT services and call centers in the State. Bihar State Electronic Development Corporation Limited (Company) was appointed as the implementing agency, Bihar Rajya Jal Parishad (BRJP), the executing agency, and Bihar State Industrial Area Development Authority (BIADA) as the custodian of the fund earmarked for the development of the project. Based on the Project Report prepared by BRJP a sum of Rs three crore was released (March 2005) by the State Government from Bihar Contingency Fund, and parked with BIADA. The fund was to be released to the executing agency on the requisition of implementing agency. The development work was to be completed by March 2006.

The State Government directed (March 2005) the Company to acquire three floors of BISCOMAUN Towers for the park and execute an agreement with Bihar State Co-operative Marketing Union Limited (BISCOMAUN). Accordingly the Company executed (April 2005) an agreement with BISCOMAUN for taking on rent, three floors in BISCOMAUN Towers measuring 35,000 sqft. with effect from 1 May 2005 on a rental value of Rs 2.17 lakh per month.

It was observed (April 2007) that the STP has not been developed so far (March 2007). Besides, a total sum of Rs 49.91 lakh was paid to BISCOMAUN towards rent for the period May 2005 to March 2007. It was also noticed that the Company did not inform the Industries Department about the non-development of the STP to take the corrective action.

Thus, even after availability of funds, the STP had not been developed and rent is being paid for the space acquired for the purpose. This has resulted in wasteful expenditure of Rs 49.91 lakh on account of payment of rent for the period from May 2005 to March 2007 at the rate of Rs 2.17 lakh per month.

The matter was reported to Government/ Company (June 2007); their replies are awaited (October 2007).

Statutory Corporation

Bihar State Electricity Board

4.5 Avoidable expenditure in transportation of coal

The Board incurred avoidable expenditure of Rs 38.95 lakh in transportation of Coal at Barauni Thermal Power Station

Railways charge freight from BSEB for transportation of coal consigned by Coal India Limited to its power plants at Barauni Thermal Power Station (BTPS) and Muzaffarpur Thermal Power Station (MTPS) through two modes i.e. (i) Standard Distance Basis (SDB) and (ii) Through Distance Basis (TDB). In SDB, Railways charge extra shunting and siding charges for placement of rake loads and withdrawal of empty rakes from Railway Station to the captive siding of the plant. Whereas in 'TDB', no such charges are payable, and only nominal freight at rate of Rs 7.80 per metric tonne per six Km is paid. As such 'TDB' mode of transportation is economical compared to SDB, the same is being availed by MTPS. It was noticed that BTPS was availing SDB mode of transporting and paid extra charges to Railways on account of shunting and siding charges from Simaria Railway Station to captive siding of the plant. This resulted in extra expenditure of Rs 38.95[1] lakh during the period 2003-04 to 2006-07.

The Management stated (July 2007) that, in order to make the plant more economical, the matter has been taken up with the Railways (February 2006) to change the mode of transport in respect of BTPS. The reply is not acceptable as the matter came to the knowledge of BTPS in October 2003, the Board has not taken effective steps to change the mode of transportation and the avoidable expenditure is still continuing.

The matter was reported to the Government (May 2007); the reply is awaited (October 2007).

4.6 Defalcation of funds

The Board suffered loss of Rs 12.50 lakh in defalcation of funds due to non maintenance of revenue records.

The Board, while noticing the adherence to the prescribed procedure under Rule 6-93 of the Financial and Accounts Code (Code), regarding remittance of revenue collection by the Supply Sub-divisions which at time leads to embezzlement, defalcations, manipulations and encourages thefts and dacoities, issued instructions[2] (November 1967) that the Revenue Officer of the Circle should conduct detailed inspection of all the Supply Sub-divisions under his jurisdiction at least once in two months. During inspection, special attention towards the scrutiny of sub-divisional cashbook and remittance register should be paid and it should be seen that the prescribed procedure is followed. Any deviation and negligence should be taken seriously and corrective measures adopted for their non-recurrence in future.

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[1] (shunting and siding charges: Rs 95.46 lakh-standard fare: Rs 56.51 lakh)

[2] As per Circular dated 22.11.1967 issued by the Chief Engineer (O&M), Bihar State Electricity Board, Patna

It was noticed (May 2005) in Electric Supply Sub-division, Khagaria, that the above procedure was not followed. Neither the physical verification of cash was conducted at the end of the year 2003-04 nor the Cash Book for the year 2004-05 was written. In the absence of written cash book, money receipts issued by the divisions were compared with the counterfoils of pay-in-slips issued by the bank and it was noticed that an amount of Rs 1.64 lakh was not deposited till the date of audit (May 2005), and hence defalcated. The In-charge of the Sub-division, stated (May 2005) that the matter would be investigated and the defalcated amount of Rs 1.64 lakh would be realised.

On being pointed out by Audit, the cash-book for the period April to December 2004 was written/constructed (January 2007) by the Management according to which cash balance as on 31 December 2004 came to Rs 8.05 lakh. It was however, noticed (March 2007) that the actual cash balance as on 31 December 2004 was Rs 10.38 lakh, and not Rs 8.05 as worked by the Management. Besides short deposit of cash of Rs 2.12 lakh was also noticed during the period March to May 2005.

The total cash defalcated worked out by the Audit during the period from April 2004 to May 2005 was as under:

(Amount: Rupees in lakh)

Sl. No.	**Period**	**Amount to be deposited**	**Amount deposited**	**Amount defalcated**
1	April to December 2004	75.46	65.08	10.38
2	March to May 2005	3.88	1.76	2.12
	Total	**79.34**	**66.84**	**12.50**

Thus, non-adherence to the procedure laid down in the Code and violation of Board's instructions regarding maintenance and verification of revenue records by the officials resulted in defalcation of Rs 12.50 lakh.

The matter was reported to the Government/Board (July 2007); their replies are awaited (September 2007).

4.7 Loss due to shortage of materials

The Board lost Rs 84.09 lakh due to not conducting physical verification in time

Financial and Accounts Code of Bihar State Electricity Board provides for annual verification of stores (Clause 7-141). It was noticed (July 2006) that no physical verification of stores was conducted in the Biharsharif Transmission Circle during the year 2002, leading to non detection of shortages of stores/material in time. It was further noticed that the Assistant Store Keeper of the Circle retired from service in February 2003 without handing over charge though asked for by the Incharge of the stores (January 2003). The Electrical Superintending Engineer (ESE) of the Circle constituted (February 2004) a committee to prepare the list of the inventory of the Store.

A shortage of 114.893 metric tons of different types of inventory was detected by the Committee (June 2005). The ESE (Incharge) of the Circle, however, did not take any action against the concerned official even after reporting about the shortage of materials. The Assistant Engineer, Biharsharif

Transmission Circle informed (July 2006) that the Incharge had directed (orally) the Stores-in-Charge to re-verify the stores, and prepare a revised inventory. The revised inventory was not prepared till June 2007. The Board suffered loss of Rs 84.09 lakh (114.893 MT x Rs 73,192 per MT) due to non conducting of physical verification in time and taking action for realisation of the value of materials found short from the concerned official.

The Board while accepting the facts stated (June 2007) that ESE, Transmission Circle, Biharsharif has been asked (May 2007) to enquire into the matter. The pension of the official has been sanctioned but his Death-cum-retirement Gratuity (DCRG) and leave encasement have been held up. The reply is not tenable as ordering of enquiry in May 2007 was inordinately belated from the date of retirement (February 2003) of the concerned official and detection of shortage (June 2005) and the amount of DCRG and leave encashment would not cover the amount of shortages. No action was taken to file a civil suit against the delinquent officials for making good the loss.

The matter was reported to the Government (April 2007); the reply is awaited (October 2007).

4.8 Loss due to violation of rules in remission of claims

Grant of remission to HT consumers in violation of rules resulted in loss of Rs 17.13 lakh to the Board.

Bihar State Electricity Board (Board) supplies energy to various categories of consumers. As per Clause 13 of the standard agreement with High Tension (HT) consumers "if at any time the consumer is prevented from receiving or using the electrical energy to be supplied under the agreement either in whole, or in part due to strikes, riots, fire, floods, explosions, acts of God, or any other case reasonably beyond control, or if the Board is prevented from supplying or is unable to supply such electrical energy owing to any or all of the causes mentioned above, then the demand charges and guaranteed energy charges set out in the Tariff Schedule shall be reduced in proportion to the ability of the consumer to take or the Board to supply such power, and the decision of the Chief Engineer, Bihar State Electricity Board, in this respect shall be final". The Board notified (July 1994) that such reduction/ remission would be allowable (clause-4b) only when Annual Minimum Guarantee (AMG) has been charged and the consumer has submitted a claim to the Board in prescribed proforma within a period of three months (90 days) after due date. Further the maximum amount of remission would not be more than the AMG charged.

During scrutiny of records (November 2006) of Tirhut Supply Area Board, Muzaffarpur, it was observed that:

- The claims of Infomedia Publishers Private Limited, Muzaffarpur, pertaining to the period 2001-04 and Harinagar Sugar Mills, for the period 2002-03 were filed by the consumers for remission after delays ranging between two to 33 months from the last dates of filing of claims. The General Manager-cum-Chief Engineer, Muzaffarpur, entertained the claims of the consumers and allowed remission of Rs 11.46 lakh, though the claims should have been rejected outrightly as per the provisions under Clause 4 (b) of the notification, *ibid.*

- The claims of Muzaffarpur Flour Mills for the period 2001-05 and Harinagar Sugar Mills Limited for the period 1996-97 and 2001-02 were decided in April and May 2006 respectively. In both these cases remission of Rs 5.67 lakh under Clause 13 was ordered by the General Manager-cum-Chief Engineer, Muzaffarpur, which was in excess of AMG charged by the Board.

Thus, grant of remission to three HT consumers in violation of rules, by the General Manager-cum-Chief Engineer, Muzaffarpur, resulted in loss of Rs 17.13 lakh to the Board.

The matter was reported to the Government/Board (May 2007); their replies are awaited (October 2007).

4.9 Avoidable loss of revenue

The Board incurred avoidable loss of Rs 1.74 crore by not taking effective steps for setting up of electric line

The 11 KV overhead electric line of the BSEB between Ner Halt and Belaganj Railway Station on Patna-Gaya Rail Section of East Central Railway was removed by the Railways (April 2003) for electrification work of Railway track on the assurance that Railways would restore the electric line within two months. The line was catering to 32 villages having 571 consumers. As per procedure, BSEB should have asked the Railways to deposit the cost of shifting the line and undertaken the work itself. It was observed (July 2006) in Supply Circle Gaya that the electric line was not restored by the Railways and remained disrupted for more than four years. Though the Board took up the matter with the Railways at Divisional levels from time to time, the Railways did not restore the line, and the line remained disrupted. As a result, the electricity supply to 32 villages having 571 consumers was disrupted for more than four years. Due to delay in re-energisation, the line materials of the sub-transmission system were stolen during the period of disruption (April 2003 to June 2007). No FIR was lodged by the office. The dues outstanding with the consumers could also not be recovered as the Board was not supplying power to them. Thus, the Board suffered loss of Rs 1.74 crore on account of non-receipt of potential revenue from sale of energy to the consumers (Rs 93.79 lakh) besides, non-realisation of outstanding dues lying with the consumers (Rs 75.04 lakh) and theft of line materials (Rs 5 lakh).

Thus, by agreeing to allow Railways to remove the line instead of taking up the work departmentally on deposit work basis, between Ner Halt and Belaganj, the Board suffered a loss of Rs 1.74 crore.

The matter was reported to the Government/Board (May 2007); their replies are awaited (October 2007).

4.10 Short assessment of revenue

The Board suffered loss of Rs 7.17 crore due to non-billing according to tariff provisions

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 2/3[rd] 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 such period of malpractice cannot be ascertained, six months period prior to detection of such malpractice shall be taken.

It was noticed (August 2006) that in Gaya Airport, one HT consumer (Director, Airport Authority of India) having a contracted demand of 1,000 KVA was found (August 2005) by the Board to be using three transformers of aggregate capacity of 3,500 KVA[1]. As the period of malpractice was not ascertained, billing was to be done from February 2005. The Electric Supply Circle, Gaya, 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 7.17 crore during the period February 2005 to July 2006.

The Board stated (May 2007) that it had allowed (April 2006) the consumers to keep additional transformers as standby. It was further stated that Airport Authority, Gaya had intimated that their maximum demand was only 1,000 KVA and they have the facility of using only one transformer at a time. Whereas other two transformers of capacity 2,500 KVA (1,000 KVA+1,500 KVA) had been kept as stand by/ emergency purpose. The reply is not acceptable on the following grounds:

- The Board's order (April 2006) does not apply to this case, as the additional transformers were detected in August 2005, while the Board had allowed the consumers to keep standby transformers in April 2006, without retrospective effect.
- The Board's order allows consumers to install standby transformers of 100 *per cent* allowable capacity only. The consumer, therefore, was not entitled to keep standby transformer of 2,500 KVA, which was 250 *per cent* of the contracted demand.
- The reply is silent about whether the consumer informed in advance to the Board Headquarter (Commercial Wing) of his plan for installation of standby transformers of 2,500 KVA capacity as stipulated in the Board's order of April 2006 and the Board's acceptance for the same.

Thus, the Board suffered a loss of Rs 7.17 crore due to non-recovery of compensation from the consumer as per provisions of tariff.

The matter was reported to the Government (April 2007); the reply is awaited (October 2007).

[1] (1,000 + 1,000 + 1,500) KVA

4.11 Undue favour to a High Tension consumer

Due to defective agreement, the Board could not recover Rs 1.30 crore from the consumer

The Board's tariff (1993) provides that the minimum and maximum contract demand for 11 KV High Tension Service (HTS-I) shall be 75 KVA and 1,500 KVA respectively whereas for 33 KV High Tension Service (HTS-II) it will be 1,000 KVA and 10,000 KVA respectively. It was noticed (August 2005) in Electricity Supply Circle, Muzaffarpur that an agreement was entered (January 2003) with Tirhut Dugdh Utpadak Sahkari Sangh Limited (consumer), for supply of 400 KVA power from 33 KV line instead of 11 KV line despite availability of the same near the premises of the consumer. The tariff of HTS-I was, however, shown as applicable in the agreement. As the connection was given from 33 KV High Tension Service which is categorized as HTS-II tariff, accordingly HTS-II tariff should have been shown as applicable in the agreement. The agreement had retrospective effect from 1 April 2001. The billing for consumption of power by the consumer, was made at HTS-I rate based on 400 KVA as per the agreement entered into between the Board and the consumer. As the connection was given from 33 KV line, agreement should have been made for minimum 1,000 KVA contract demand, as provided in the tariff for HTS-II consumers and billing done accordingly. By not doing so, the Board lost Rs 1.30 crore (being the difference of chargeable minimum energy charges and demand charges for 1,000 KVA: Rs 2.52 crore and amount actually charged for 400 KVA: Rs 1.22 crore) during the period 2001-06 extending undue favour to the consumer.

The Board while accepting the facts (May 2007), stated that either the connection of the consumer would be shifted on 11 KV line after erection of 11 KV supply line in the premises of the consumer or the consumer would be advised to enhance the contract demand to 1,000 KVA as per provisions of tariff of 1993 which is also prevailing in new tariff 2006, approved by Bihar Electricity Regulatory Commission.

The matter was reported to the Government (April 2007); the reply is awaited (October 2007)

4.12 Loss of Revenue

The Board suffered loss of Rs 5.55 crore due to non-adherence to rules and claims becoming time barred

During test check of records of various electrical supply circles and divisions of Bihar State Electricity Board (April 2006 to May 2007), Audit noticed cases of under charge of revenue and time barred claims, as discussed below

Non realisation of security deposit

Clause 15.3 (C) of Board's tariff (June 1993) provided reviewing of security deposit of consumers twice a year, in October-November for the period April to September and in April-May for the period October to March. If half the aggregate amount of all bills relating to any of the aforesaid half yearly periods exceeded the existing security deposit by 20 *per cent*, the same was to be enhanced by that amount.

During test check of bills of six Electrical Supply Circles[1] and six divisions[2] from April 2005 to March 2006, Audit observed that security deposits of 59 high tension (HT) and 168 LTIS consumers, whose aggregate amount of bills exceeded the security deposit by 20 *per cent*, were not enhanced. As a result, additional security deposits of Rs 3.55 crore could not be recovered.

Loss due to claims becoming time barred

The rules regarding revenue receipts of the Board provide for close watch over the accrual of outstanding dues of consumers, so that these do not exceed the security deposit. It further provides for filing the certificate suit in time in appropriate cases, so that electricity bills do not become time barred. Failure to do so would make the concerned officer liable for disciplinary action. In case the officer and staff are held responsible for dues becoming time barred, the amount of time barred dues may be realised from them.

During test check of register of time barred claims of 12 supply divisions[3] from February 2001 to March 2003, Audit observed that dues of Rupees two crore had become time barred due to non filing of money suit cases against 41 Low Tension Industrial Service, 481 Domestic Service, three Irrigation and Agriculture Service, nine Industrial and 170 Commercial Service consumers in time. The Board has not fixed responsibility for the same.

The matter was reported to the Government/Board (October 2007); their replies are awaited.

GENERAL

4.13 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 2007 pertaining to 55 PSUs show that 6,538 paragraphs relating to 1,708 inspection reports remained outstanding at the end of September 2007. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2007 are given in **Annexure-20.**

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 12 draft paragraphs forwarded to the various departments during April to November 2007 as detailed in **Annexure-21** were awaited.

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[1] Ara, Biharsharif, Muzafferpur, Patna Electrical Supply Undertaking (East), Samastipur, and Purnea

[2] Biharsharif, Buxer, Gardanibagh, Gulzarbagh, Jehanabad, and Purnea

[3] Kankarbagh, Dehri-On-Sone, Darbhanga, Madhubani, Gaya (Urban), Motihari, Ara, Bhagalpur, Madhepura, Jehanabad, Supaul and Barauni

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.

Patna
The 31 DEC 2007

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

Countersigned

New Delhi
The - 3 JAN 2008

(Vijayendra N. Kaul)
Comptroller and Auditor General of India

ANNEXURES

Annexure - 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 2007 in respect of Government companies and Statutory corporations

(Figures in brackets indicate share application money pending allotment)

(Referred to in paragraphs 1.3, 1.4, 1.5 & 1.16)

(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 2006-07.				Debt equity ratio for 2006-07 (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 Ltd.	162.46 (65.20)		---	138.94 (4.24)	301.40 (69.44)	--	--	--	2,792.55	--	--	2,792.55	7.53:1 (7.53:1)
2.	Bihar Rajya Matasya Vikas Nigam Ltd.	174.75 (125.25)	---	---	---	174.75 (125.25)	--	49.28	--	263.12	2.50	--	265.62	0.89:1 (0.72:1)
	Sector-wise total	**337.21 (190.45)**		**---**	**138.94 (4.24)**	**476.15 (194.69)**	--	**49.28**	--	**3,055.67**	**2.50**	--	**3,058.17**	**4.56:1 (4.48:1)**
	Electronics													
3	Bihar State Electronics Development Corporation Ltd.	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 Ltd.	997.35	---	---	---	997.35	--	--	--	--	--	--	--	--
	Sector wise total	**997.35**	**---**	**---**	**---**	**997.35**	--	--	--	--	--	--	--	--
	Construction													
6	Bihar Police Building Construction Corporation Ltd.	10.00	---	---	---	10.00	--	--	--	42.90	--	--	42.90	4.29:1 (4.29:1)
7	Bihar Rajya Pul Nirman Nigam Ltd.	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 Ltd.	475.00 (420.00)	---	---	900.04	1,375.04 (420.00)	420.00	--	--	--	--	2,118.11	2,118.11	1.18:1 (1.80:1)

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 2006-07.				Debt equity ratio for 2006-07 (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
9	Bihar State Backward Classes Finance & Development Corporation Ltd.	1,336.00	---	---	---	1,336.00	--	---	47.50	---	1,879.13		1,879.13	1.41:1 (1.37:1)
	Sector wise total	**1,811.00 (420.00)**	**---**	**---**	**900.04**	**2,711.04 (420.00)**	**420.00**	**---**	**47.50**	**---**	**1,879.13**	**2,118.11**	**3,997.24**	**1.28:1 (1.57:1)**
	Public Distribution													
10	Bihar State Food & Civil Supplies Corporation Ltd.	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 Ltd.	500.00	---	---	---	500.00	---	---	---	---	---	---	---	---
	Sector wise total	**500.00**	**---**	**---**	**---**	**500.00**	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**
	Power													
12	Bihar State Hydro Electric Power corporation Ltd.	9,904.00	---	---	---	9,904.00	---	5,059.60	498.00	15,698.84	---	3,138.00	18,836.84	1.90:1 (1.34:1)
13	Tenughat Vidyut Nigam Ltd.	10,000.00	---	---	---	10,000.00	---		--	60,889.00	---	4,145.00	65,034.00	6.5:1 (6.5:1)
	Sector wise total	**19,904.00**	**---**	**---**	**---**	**19,904.00**	**---**	**5,059.60**	**498.00**	**76,587.84**	**---**	**7,283.00**	**83,870.84**	**4.21:1 (3.93:1)**
	Financing													
14	Bihar State Credit & Investment Corporation Ltd.	1,500.00 (12.35)	---	---	---	1,500.00 (12.35)	---	---	---	2,047.34	---	3,811.58	5,858.92	3.87:1 (3.93:1)
	Sector wise total	**1,500.00 (12.35)**	**---**	**---**	**---**	**1,500.00 (12.35)**	**---**	**---**	**---**	**2,047.34**	**---**	**3,811.58**	**5,858.92**	**3.87:1 (3.93:1)**
	Miscellaneous Sector													
15	Bihar State Text- Book Publishing Corporation Ltd.*	35.75	---	---	11.92	47.67	---	---	585.41	--	---	585.41	585.41	**12.28:1**
16	Bihar State Film Development and Finance Corporation Ltd.	100.00	---	---	---	100.00	---	---	---	14.80	---	---	14.80	0.15:1 (0.15:1)
17	Bihar State Beverages Corporation Ltd.	500.00	---	---	---	500.00	500.00							
	Sector wise total	**635.75**	**---**	**---**	**11.92**	**647.67**	**500.00**	---	**585.41**	**14.80**	---	**585.41**	**600.21**	**0.93:1 (0.1:1)**
	TOTAL (A)	**27,154.74 (781.94)**	**54.00**		**1,050.90 (4.24)**	**28,259.64 (786.18)**	**920.00**	**5,108.88**	**1,130.91**	**94,206.04**	**2,075.69**	**13,798.10**	**1,10,079.83**	**3.79:1 (3.72:1)**
B	**Working Statutory Corporations**													

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 2006-07.				Debt equity ratio for 2006-07 (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
	Power													
1.	Bihar State Electricity Board	---	---	---	-----	---	---	13,155.38	12,908.80	5,47,312.79	---	49,635.49	5,96,948.28	
	Sector wise total	**---**	**---**	**---**	**---**	**---**	**---**	**13,155.38**	**12,908.80**	**5,47,312.79**	**---**	**49,635.49**	**5,96,948.28**	
	Transport													
2.	Bihar State Road Transport Corporation.	7,475.57	2,651.78	---	---	10,127.35	---	---	---	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)	200.00	---	---	--	---	647.98	647.98	1.92:1 (5.29:1)
	Sector wise total	**68.55 (200.00)**	**---**	**---**	**68.55**	**137.10 (200.00)**	**200.00**	**---**	**---**		**---**	**647.98**	**647.98**	**1.92:1 (5.29:1)**
	TOTAL (B)	**11,538.89 (200.00)**	**2,651.78**	**---**	**3,857.49**	**18,048.16 (200.00)**	**200.00**	**20,255.38**	**12,908.80**	**5,75,266.43**	**---**	**60,350.97**	**6,35,617.40**	**34.83:1 (34.01:1)**
	Grand Total (A+B)	**38,693.63 (981.94)**	**2,705.78**	**---**	**4,908.39 (4.24)**	**46,307.80 (986.18)**	**1,120.00**	**25,364.26**	**14,039.71**	**6,69,472.47**	**2,075.69**	**74,149.07**	**7,45,697.23**	**15.77:1 (15.62:1)**
C	**Non-working Companies**													
	Agriculture and Allied													
1.	Bihar State Water Development Corporation Ltd.	1,000.00	---	---	---	1,000.00	---	---	---	4,967.89	---	---	4,967.89	4.97:1 (4.97:1)
2.	Bihar State Dairy Corporation Ltd.	672.36	---	---	---	672.36	---	---	---	175.35	---	---	175.35	0.26:1 (0.26:1)
3.	Bihar Hill Area Lift Irrigation Corporation Ltd.	1,000.00	---	---	---	1,000.00	---	---	---	855.42	---	---	855.42	0.86:1 (0.86:1)
4.	Bihar State Agro Industries Development Corporation Ltd. Ltd.	756.52 (7.00)		---	---	756.52 (7.00)	---	---	---	1,259.99	---	---	1,259.99	1.65:1 (1.65:1)
5.	Bihar Fruit & Vegetables Development Corporation Ltd.	161.37	49.00	---	---	210.37	---	---	---	41.81	70.00	---	111.81	0.77:1 (0.77:1)
6.	Bihar Insecticides Ltd.	---	---	57.03 (238.90)	---	57.03 (238.90)	---	---	---	---	---	154.10	154.10	0.52:1 (0.52:1)
	Sector-wise total	**3,590.25 (7.00)**	**49.00**	**57.03 (238.90)**	**---**	**3,696.28 (245.90)**	---	---	**---**	**7,300.46**	**70.00**	**154.10**	**7,524.56**	**1.9:1 (1.9:1)**
	Industries (miscellaneous)													

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 2006-07.				Debt equity ratio for 2006-07 (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
7.	Bihar State Small Industries Corporation Ltd.	718.48	---	---	---	718.48	---	---	---	1,040.00	---	183.00	1,223.00	1.70:1 (1.70:1)
8.	Bihar State Industrial Development Corporation Ltd.	1,404.00	---	---	---	1,404.00	---	---	---	6,702.00	---	217.95	6,919.95	4.93:1 (4.93:1)
9.	Bihar Scooters Ltd.	---	---	163.00	---	163.00	---	---	---	609.34	---		609.34	3.74:1 (3.74:1)
10.	Bihar Paper Mills Ltd.	---	---	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 Ltd.	---	---	115.00 (25.00)	---	115.00 (25.00)	---	---	---	---	---	366.33	366.33	2.62:1 (2.62:1)
13.	Vishwamitra Paper Industries Ltd.	---	---	114.57 (59.72)	---	114.57 (59.72)	---	---	---	---	---	81.15	81.15	0.47:1 (0.47:1)
14.	Jhanjharpur Paper Industries Ltd.	---	---	107.35 (41.55)	---	107.35 (41.55)	---	---	---	---	---	46.16	46.16	0.31:1 (0.31:1)
15.	Bihar State Tannin Extract Ltd.	---	---	107.35	50.00	157.35	---	---	---	---	---	213.84	213.84	1.36:1 (1.36:1)
16.	Bihar solvent & Chemicals Ltd.	20.00	---	68.15	20.07	108.22	---	---	---	---	---	88.69	88.69	0.82:1 (0.82:1)
17.	Synthetic Resins (Eastern) Ltd.	---	---	21.47	9.52 (78.69)	30.99 (78.69)	---	---	---	---	---	105.08	105.08	0.95:1 (0.95:1)
18.	Magadh Minerals Ltd.	---	---	0.07 (36.15)	---	0.07 (36.15)	---	---	---	---	---	46.58	46.58	1.29:1 (1.29:1)
19.	Bhavani Active Carbon Ltd.	---	---	9.43	---	9.43	---	---	---	---	---		---	---
20	Bihar State Leather Industries Development Corporation Ltd.	1,000.00	---	---	---	1,000.00	---	---	---	1,242.55	---	170.00	1,412.55	1.41:1 (1.41:1)
21	Bihar State Construction corporation Ltd.	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 Ltd.	---	---	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 Ltd.	---	---	504.71	---	504.71	---	---	---	---	---	450.87	450.87	0.89:1

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 2006-07.				Debt equity ratio for 2006-07 (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
														(0.89:1)
24	Beltron Mining System Ltd.	---	---	248.24	---	248.24	---	---	---	---	---		---	---
25	Beltron Informatics Ltd.	---	---	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 Ltd.	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 Ltd.	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 Ltd.	2,000.00	---	---	---	2,000.00	---	888.56	---	32,294.83	---		32,294.83	16.15:1 (15.7:1)
	Sector wise total	**2,000.00**	---	---	---	**2,000.00**	---	**888.56**	---	**32,294.83**	---		**32,294.83**	**16.15:1 (15.7:1)**
	Cement													
29	Bihar State Cement Corporation Ltd.	---	---	0.07	---	0.07	---	---	---	3.17	---		3.17	45.29:1 (45.29:1)
	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 Ltd.	1,500.00 (77.88)	---	---	---	1,500.00 (77.88)	---	---	---	427.91	---		427.91	0.27:1 (0.27:1)
31	Bihar Maize Product Ltd.	---	---	0.07 (73.68)	---	0.07 (73.68)	---	---	---	---	---	2.16	2.16	0.03:1 (0.03:1)
32.	Bihar Drugs & Chemicals Ltd.	---	---	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													

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 2006-07.				Debt equity ratio for 2006-07 (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
33.	Bihar Panchayati Raj Finance Corporation Ltd.	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 Ltd.	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)**	---	**888.56**	---	**51,233.56**	**70.00**	**3,860.96**	**55,164.52**	**3.32:1 (3.26:1)**
	GRAND TOTAL (A +B+C)	**51,469.70 (1,104.51)**	**2,754.78**	**2,891.71 (475.00)**	**5,153.98 (82.93)**	**62270.17 (1,662.44)**	**1,120.00**	**26,252.82**	**14,039.71**	**7,20,706.03**	**2,145.69**	**78,010.03**	**8,00,861.75**	**12.53:1 (12.33:1)**

Source: As per information provided by the PSUs.

Notes:-

1. Loans outstanding at the close of 2006-2007 represent long term loans only.
2. Figures are provisional and as given by the companies and corporations.
3 The Companies at Sl. No. C-10 and C-27 have been ordered to be wound up by the Patna High Court.
4 * The Paid up capital of Company at Sl No. 14 of Rs 47.67 has been bifurcated between Bihar (35.75) and Jharkhand (11.92).
5 The Company at Sl. No. A-17 is a New Company.

Annexure - 2

Summarised Financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised
(Referred to in paragraph 1.6, 1.7, 1.13, 1.18 & 1.19)

(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)	Per centage 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 Ltd.	Agriculture	18.7.1977	1995-96	2005-06	(-)408.02	---	370.84	(-)3,873.29	924.34	(-)129.02	--	11	944.46	129
2.	Bihar Rajya Matsya Vikas Nigam Ltd.	Animal Husbandry & Fisheries	23.3.1980	1992-93	1996-97	(-)22.16	---	174.75	(-)191.54	174.19	(-)4.77	--	14		42
	Sector wise total					**(-)430.18**	---	**545.59**	**(-)4,064.83**	**1,098.53**	**(-)133.79**	--	**25**		**172**
	Electronics														
3.	Bihar State Electronics Development Corporation Ltd.	Industry	21.2.1978	1998-99	2006-07	(-)118.19	Understatement of loss by Rs 13.31 lakh	565.50	(-) 1,027.87	417.70	(-) 25.94	--	8	359.22	60
	Sector wise total					**(-)118.19**	---	**565.50**	**(-) 1,027.87**	**417.70**	**(-) 25.94**	--	**8**	**359.22**	**60**
	Forest														
4	Bihar State Forest Development Corporation Ltd.	Forest & Environnent	10.2.1975	2000-01	2005-06	27.63	Understatement of loss by Rs 39.67 lakh	229.08	31.61	117.29	27.63	23.56	6	2,281.02	698
	Sector wise total					**27.63**	---	**229.08**	**31.61**	**117.29**	**27.63**	**23.56**	**6**	**2,281.02**	**698**

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)	*Per centage* 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
	Mining														
5.	Bihar State Mineral Development Corporation Ltd.	Mines & Geology	12.6.1972	2000-01	2004-05	929.04		997.35	703.82	2,067.55	929.04	44.93	6	3,154.58	1
	Sector wise total					**929.04**		**997.35**	**703.82**	**2,067.55**	**929.04**	**44.93**	6	**3,154.58**	**1**
	Construction														
6.	Bihar Police Building Construction Corporation Ltd.	Home (Police)	26.6.1974	1989-90	2004-05	(-)101.87	Understatement of loss by Rs 14.20 lakh	10.00	(-)153.35	(-)100.95	(-)101.87	--	17	30.27	408
7	Bihar Rajya Pul Nirman Nigam Ltd.	Road Construction	11.6.1975	1995-96	2006-07	(-)127.62	---	350.00	(-)1,017.61	1097.01	(-)127.62	--	11	173.58	512
	Sector wise total					**(-)229.49**	---	**360.00**	**(-)1,170.96**	**996.06**	**(-)229.49**	**--**	**28**	**203.85**	**920**
	Development of Economically Weaker Section														
8	Bihar State Minorities Finance Corporation Ltd.	Minority Welfare	22.3.1984	2001-02	2004-05	(-)25.13	---	1,280.00	(-)189.64	2,039.88	(-)25.13		5	30.84	21
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	9.9	9	63.89	16
	Sector wise total					**(-)54.55**		**1,642.00**	**(-)242.40**	**2,425.94**	**13.09**	**9.9**	**14**	**94.73**	**37**
	Public Distribution														
10	Bihar State Food and Civil Supplies Corporation Ltd.	Food & Civil Supplies	22.4.1973	1987-88	2006-07	488.22		455.99	(-)2,544.53	3,855.27	1,086.66	28.19	19	20,237.52	1,500
	Sector wise total					**488.22**	---	**455.99**	**(-)2,544.53**	**3,855.27**	**1,086.66**	**28.19**	**19**	**20,237.52**	**1,500**
	Tourism														
11	Bihar State Tourism Development Corporation Ltd.	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	11	115.18	215
	Sector wise total					**82.81**		**295.00**	**184.61**	**553.46**	**82.81**	**14.96**	**11**	**115.18**	**215**
	Power														
12	Bihar State Hydro Electric Power Corporation Ltd.	Energy	31.3.1982	1995-96	2004-05	(-)1,430.44	Understatement of loss by Rs 26.06 crore	8,926.00	(-)548.07	12,833.65	(-)878.82	--	11	296.06	144

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)	*Per centage* 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
13	Tenughat Vidyut Nigam Ltd.	Energy	26.11.1987	1993-94	2000-01	--		10,000.00		58,852.10		--	13		NA
	Sector wise total					**(-)1,430.44**		**18,926.00**	**(-)548.07**	**71,685.75**	**(-)878.82**	**--**	**24**	**296.06**	**144**
	Financing														
14	Bihar State Credit and Investment Corporation Ltd.	Industry	30.1.1975	2001-02	2006-07	(-)903.36	Understatement of loss by Rs. 2.19 crore	1512.35	(-)12,648.62	1,566.48	76.26	4.87	5	566.30	67
	Sector wise total					**(-)903.36**		**1,512.35**	**(-)12,648.62**	**1,566.48**	**76.26**	**4.87**	**5**	**566.30**	**67**
	Miscellaneous														
15.	Bihar State Text Book Publishing Corporation Ltd.	Education	2.4.1985	1996-97	2006-07	(-)455.62	Understatement of loss by Rs 81.39 lakh	47.67	161.94	(-)144.22	(-)427.12	--	10	812.71	240
16.	Bihar State Film Development and Finance Corporation Ltd.	Industry	6.3.1983	1991-92	2000-01	1.87	---	94.50	(-)11.56	88.33	1.87	2.12	15		8
17	Bihar State Beverages Corporation Ltd.	Excise	25.5.2006	---	---	---	---	---	---	---	---	---	1		144
	Sector wise total					**(-)453.75**	---	**142.17**	**150.38**	**(-)55.89**	**(-)425.25**	**2.12**	**26**	**--**	**392**
	Total (A)					**(-)2,092.69**		**25,671.03**	**(-)21,071.24**	**84,728.14**	**522.20**		**172**		**4,206**
B	**Statutory Corporations**														
	Power														
1.	Bihar State Electricity Board.	Energy Department.	1.4.1958	2004-05	2006-07	(-)6,751.69	---	---	(-)24,067.07	1,66,652.72	46933.00	27.37	2	1,00,048.64	14,589
	Sector wise total					**(-)6,751.69**			**(-)24,067.07**	**1,66,652.72**	**46,933.00**	**27.37**	**2**	**1,00,048.64**	**14,589**
	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		5	1,292.25	4,730
	Sector wise total					**(-)5,085.59**		**10,127.35**	**(-)62,443.17**	**(-)38,546.00**	**(-)2,346.08**		**5**	**1,292.25**	**4,730**

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)	*Per centage* 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
	Financing														
3.	Bihar State Financial Corporation.	Industry Department	2.11.1954	2005-06	2006-07	1,734.13		7,783.71	(-)43,753.32	39,305.67	2,600.75	6.62	1	1,513.05	367
	Sector-wise total					**1,734.13**		**7,783.71**	**(-)43,753.32**	**39,305.67**	**2,600.75**	**6.62**	**1**	**1,513.05**	**367**
	Miscellaneous														
4.	Bihar State Ware-housing Corporation.	Co-operative	29.3.1957	2003-04	2006-07	28.97	Profit overstated by Rs. 7.19 lakh	137.10	383.32	1,498.56	30.93	2.06	3	1,809.61	305
	Sector-wise total					**28.97**		**137.10**	**383.32**	**1,498.56**	**30.93**	**2.06**	**3**	**1,809.61**	**305**
	Total (B)					**(-)10,074.18**		**18,048.16**	**(-)1,29,880.24**	**1,68,910.95**	**47,218.60**		**11**		**19,991**
	Grand Total (A+B)					**(-)12,166.44**		**43,719.19**	**(-)1,50,951.48**	**2,53,639.09**	**47,740.80**		**183**		**24,197**
C	**Non-working Companies**														
	Agriculture and Allied														
1.	Bihar State Water Development Corporation. Ltd.	Water Resources	12.4.1973	1978-79	1997-98	216.84	---	500.00	(-)1,119.69	2,670.29	242.30	9.07	28		15
2.	Bihar State Dairy Corporation Ltd.	Animal Husbandry & Fisheries	13.3.1972	1991-92	2001-02	4.39	---	672.36	(-)900.07	568.69	4.39	0.77	15		
3.	Bihar Hill Area Lift Irrigation Corporation Ltd.	Minor Irrigation	3.6.1975	1982-83	1993-94	(-)26.39	---	560.00	(-)85.78	953.41	(-)13.27	---	24	0.52	
4.	Bihar State Agro Industries Development Corporation Ltd.	Agriculture	28.4.1966	1986-87	1995-96	(-)192.79	---	741.52	(-)1,416.00	510.80	(-)142.86	---	20		
5.	Bihar Fruit and Vegetables Development Corporation Ltd.	Agriculture	8.10.1980	1991-92	2005-06	(-)95.84	---	201.74	(-)512.54	62.45	(-)37.38	---	15	0.33	48
6.	Bihar Insecticides Ltd.	Industry	27.2.1983	1986-87	1991-92	(-)103.12	---	57.03	(-)103.12	234.98	(-)86.74	---	20		69
	Sector wise total					**(-)196.91**	---	**2,732.65**	**(-)4,137.20**	**5,000.62**	**(-)33.56**	---	**122**		**132**
	Industries (miscellaneous)														
7.	Bihar State Small Industries Corporation Ltd.	Industry	29.10.1961	1990-91	2005-06	(-)141.93	Understatement of loss by Rs 52.60 lakh	718.48	(-)1,655.56	185.69	(-)27.42	---	16	1,521.65	89
8.	Bihar State Industrial Development Corporation Ltd.	Industry	5.11.1960	1986-87	-	(-)588.92		1,404.00	(-)2,290.78	2,724.94	(-)317.13	-	20		

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)	*Per centage* 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
9.	Bihar Scooters Ltd.	Industry	19.1.1978	----	----	---	---	--	---	---	---	----	30		
10.	Bihar Paper Mills Ltd.	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 Ltd.	Industry	20.4.1982	1983-84	1986-87	(-)149.39	---	146.59	(-)213.06	615.00	(-)76.48	---	23		252
12.	Bihar State Glazed Tiles and Ceramics Industries Ltd.	Industry	2.4.1984	1985-86	1997-98	(-)8.48	---	15.52	(-)51.08	350.00	(-)17.60	---	20		38
13.	Vishwamitra Paper Industries Ltd.	Industry	18.6.1983	1984-85	1988-89	(-)0.91	---	40.37	(-)1.45	69.00	---	---	22		16
14.	Jhanjharpur Paper Industries Ltd.	Industry	27.2.1982	1985-86	1991-92	(-)1.33	---	42.41	(-)2.09	59.32	(-)1.33	---	21		14
15.	Bihar State Tannin Extracts Ltd.	Forest & Environment	27.1.1984	1988-89	1993-94	(-)31.56	---	103.30	(-)66.59	249.15	(-)15.86	---	18		
16.	Bihar Solvent and Chemical Ltd.	Forest & Environment	August 1979	1986-87	1995-96	(-)32.31	---	66.22	(-)32.31	167.23	(-)25.86	---	20		
17.	Synthetic Resins (Eastern) Ltd.	Industry	14.12.1982	1983-84	1987-88	(-)0.69	---	9.00	(-)0.73	17.41	(-)0.69	---	23		12
18.	Magadh Minerals Ltd.	Industry	22.11.1984	----	----	----	---	----	----	---	---	----	23		05
19.	Bhawani Active Carbon Ltd.	Industry	26.3.1985	1985-86	1989-90	(-)1.38	---	2.39	(-)1.38	1.05	(-)1.38	---	21		
20.	Bihar State Leather Industries Development Corporation Ltd.	Industry	23.3.1974	1982-83	2004-05	(-)37.09	Understatement of loss by Rs 0.57 lakh	514.00	(-)291.89	256.19	(-)37.09	---	24		419
21	Bihar State Construction Corporation Ltd.	Water Resources	22.8.1974	1986-87	2004-05	125.38	---	700.00	(-)278.67	(-)1,026.64	125.49	---	20	1,870.12	1,479
	Sector wise total					**(-)874.70**	---	**3,918.40**	**(-)4,916.65**	**3,811.95**	**(-)401.44**	---	**301**		**2,324**
	Engineering														
22.	Kumardhubi Metal Casting and Engineering Ltd.	Industry	25.10.1983	1994-95	1995-96	(-)238.84	---	217.00	(-)815.97	91.13	(-)151.00	---	12	1,089.25	
	Sector wise total					**(-)238.84**	---	**217.00**	**(-)815.97**	**91.13**	**(-)151.00**	---	**12**		
	Electronics														
23.	Beltron Video System Ltd.	Industry	19.9.1984	1987-88	1998-99	(-)54.51	---	121.45	(-)21.77	101.98	(-)9.57	---	19	75.46	

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)	Per centage 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
24.	Beltron Mining System Ltd.	Industry	30.1.1986	1989-90	2002-03	(-)9.57	---	125.84	(-)49.33	52.48	(-)9.57	---	17	41.38	
25.	Beltron Informatics Ltd.	Industry	1.3.1988	---	---	---	---	---	---	---	---	---	20		
	Sector wise total					**(-)64.08**	---	**247.29**	**(-)71.10**	**154.46**	**(-)19.14**		**56**		
	Textiles														
26	Bihar State Textile Corporation Ltd.	Industry	21.2.1978	1987-88	1995-96	(-)9.18	---	498.05	(-)32.22	372.35	(-)9.18	---	19		40
	Sector wise total					**(-)9.18**	---	**498.05**	**(-)32.22**	**372.35**	**(-)9.18**	**---**	**19**		**40**
	Handloom and Handicrafts														
27	Bihar State Handloom and Handicrafts Corporation Ltd.	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 Ltd.	Sugar Cane	26.12.1974	1984-85	1996-97	(-)919.85	---	997.00	(-)7231.46	(-)1,023.69	(-)320.24	---	22		
	Sector wise total					**(-)919.85**	---	**997.00**	**(-)7,231.46**	**(-)1,023.69**	**(-)320.24**		**22**		
	Cement														
29.	Bihar State Cement Corporation Ltd.	Industry	17.10.1981		---	---	---	---	---	---	---	----	26		
	Sector wise total					-	---	-	-	-	-	-	**26**		
	Drugs, Chemicals & Pharmaceuticals														
30.	Bihar State Pharmaceuticals and Chemicals Development Corporation Ltd.	Industry	22.2.1978	1985-86	1992-93	(-)16.83	---	361.62	(-)73.84	687.48	(-)16.83	---	21		78
31.	Bihar Maize Products Ltd.	Industry	2.9.1982	1983-84	1987-88	(-)2.70	---	66.59	(-)6.14	80.11	---	---	23		
32.	Bihar Drugs and Chemicals Ltd.	Industry	12.8.1983	1985-86	1991-92	(-)3.02	---	93.67	(-)16.09	115.65	(-)3.02	---	21		48
	Sector wise total					(-)22.55	---	**521.88**	**(-)96.07**	**883.24**	**(-)19.85**		65		126

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)	*Per centage* 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
	Financing														
33.	Bihar Panchayati Raj Financial Corporation Ltd.	Panchayati Raj	20.4.1974	1984-85	1991-92	(-)1.19	---	144.20	(-)2.69	585.60	22.52	3.85	22		129
	Sector wise total					**(-)1.19**	---	**144.20**	**(-)2.69**	**585.60**	**22.52**	**3.85**	**22**		**129**
	Miscellaneous														
34	Bihar State Export Corporation Ltd.	Industry	29.12.1974	1991-92	1999-00	(-)10.50	---	200.00	(-)0.95	375.36	0.93	0.25	15	494.35	54
	Sector wise total.					**(-)10.50**	**---**	**200.00**	**(-)0.95**	**375.36**	**0.93**	**0.25**	**15**	**494.35**	**54**
	Total(C)					**(-)2,347.32**		**10,104.45**	**(-) 17,348.12**	**10,958.53**	**(-) 929.50**		**681**		
	Grand Total(A+B+C)					**(-)14,513.76**		**53,682.76**	**(-) 1,68,405.22**	**2,64,709.40**	**46,811.30**		**864**		

Source: As per accounts submitted by the PSUs

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

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 2007*.
(Referred to in paragraph 1.5 & 1.16)

(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 repay-ment 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 Ltd.						47.50 (1,879.13)			47.50 (1,879.13)						
2	Bihar State Minorities finance corporation Ltd.	-	-	-	-	-	(2,000.00)			(2,000.00)	--	--	--	--	--	--
3	Bihar State Text Book Publishing corporation Ltd.	-	-	-	-	-	585.41 (585.41)			585.41 (585.41)	--	--	--	--	--	--
	Total- A	-		-		-	**632.91 (4,464.54)**			**632.91 (4,464.54)**	--	--	--	--		--
B	**Working Statutory Corporations**															
1	Bihar State Electricity Board	-	-	-	-	-	(13,862.50)	-	-	(13,862.50)	--	--	--	--	--	--
2	Bihar State Financial Corporation Ltd.	-	-	-	-	-	(8752.50)	-	-	(8,752.50)	--	31,879.50	--	--	--	--
	Total B.	-		--	-	-	**(22,615.00)**			**(22,615.00)**	--	**31,879.50**	--	--	--	--
	Grand Total (A+B).		-	-	-	-	**632.91 (27,079.54)**			**632.91 (27,079.54)**		**31,879.50**				
C	**Non-Working Companies**															
1	Bihar State Leather Industries Development Corporation Ltd.					(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)	-	-	-	-	**(207.48)**	**632.91 (27,079.54)**			**632.91 (27,287.02)**	--	**3,1879.50**	--	--		--

Source: As per information provided by the PSUs

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

Annexure - 4
Statement of financial position of Statutory corporations
(Referred to in paragraph 1.7)

(Amount: Rupees in crore)

1. Bihar State Electricity Board			
Particulars	**2003-04**	**2004-05**	**2005-06**♣
A Liabilities			
Equity Capital	---	---	---
Loans from Govt.	3,437.27	4,326.86	6,340.54
Reserves and Surplus(excluding depreciation reserve)	---	---	---
Current Liabilities and provisions	3,649.12	3,543.41	3,854.35
Capital liabilities	1,134.34	1,796.83	745.04
Total – A	**8,220.73**	**9,667.10**	**11,218.65**
B Assets			
Gross fixed assets	2,290.37	2,409.64	2,521.85
Less depreciation	1,592.00	1,708.91	1,822.99
Net fixed assets	698.37	700.73	698.85
Capital work-in- progress	271.06	464.57	620.26
Current assets	3,849.82	4,044.63	9,188.45
Investments	185.96	383.74	352.28
Subsidy receivable from Govt.	3,025.55	3,829.15	
Assets not in use	3.61	3.61	3.61
Miscellaneous expenditure			
Deficits	186.36	240.67	355.20
Total – B	**8,220.73**	**9,667.10**	**11,218.65**
C Capital employed*	1,170.14	1,666.53	7,014.49
2. Bihar State Road Transport Corporation♣			
Particulars	**2001-02**	**2002-03**	**2003-04**
A Liabilities			
Capital (including capital loan & equity capital)	101.27	101.27	101.27
Borrowings (Govt.)	65.66	77.11	72.41
(Others)	2.87	-	-
Funds**	0.30	0.30	0.30
Trade dues and other current liabilities (including provisions)	492.08	684.28	723.39
Total – A	**662.19**	**862.96**	**904.37**
B Assets			
Gross Block	68.58	74.65	111.37
Less depreciation	52.18	54.12	59.70
Net fixed assets	16.40	20.53	51.67

♣ Figures are provisional and as per information provided by the Corporation.

*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.

** Excluding depreciation funds.

Capital works in progress (including cost of chassis)	-	-	-
Investments	-	-	-
Current Assets, loans and advances	90.22	229.59	192.87
Accumulated Losses	555.56	612.84	659.83
Total – B	**662.19**	**862.96**	**904.37**
C. Capital employed#	(-)385.46	(-) 434.16	(-)478.85
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	211.67
Bonds and Debentures	87.52	87.52	87.52
Others paid by State Govt.	0.14	--	--
Current liabilities and provisions	351.35	360.76	305.79
Total – A	**762.04**	**736.33**	**692.87**
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	0.51	0.69
Current assets	6.66	443.69	385.06
Dividend deficit account	1.01	1.01	--
Deficit	454.88	--	--
Total – B	**762.04**	**736.33**	**692.87**
C. Capital employed**	404.60	393.06	381.32
4. Bihar State Warehousing Corporation♠			
Particulars	**2004-05**	**2005-06**	**2006-07**
A. Liabilities			
Paid-up capital	1.37	1.37	1.37
Reserves and surplus	9.39	9.39	10.39
Trade dues and other liabilities (including provisions)	13.62	18.99	15.99
Total -A	**24.38**	**29.05**	**27.75**
B Assets			
Gross block	7.78	14.33	20.87
Less depreciation	3.12	3.58	4.18
Net fixed assets	4.66	10.75	16.69
Capital work-in-progress	7.78	6.54	4.18
Current assets, loans and advances	11.94	11.76	6.87
Profit and loss Account			
Total – B	**24.38**	**29.05**	**27.75**
C. Capital employed#	10.76	10.06	11.76

Source: As per information provided by the PSUs

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 provisional and as per information provided by the Corporation.

Annexure - 5
Statement of working results of Statutory corporations
(Referred to in paragraph 1.7)

(Amount: Rupees in crore)

1.	**Bihar State Electricity Board**			
Sl. No	**Particulars**	**2003-04**	**2004-05**	**2005-06**
1	(a) Revenue Receipts	1,507.37	1,631.45	1,853.36
	(b) Subsidy from the Government	668.40	803.60	910.70
	Total	2,175.77	2,435.05	2,764.06
2	Revenue Expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and Interest	1,711.07	1,861.66	2,041.81
3	Gross Surplus/(-)deficit for the year (1-2)	464.70	573.39	722.25
4	Adjustment relating to previous years	22.74	13.21	23.51
5	Final Gross Surplus/(-)deficit for the year (3+4)	487.44	586.60	745.76
6	Appropriation			
(a)	Depreciation (less capitalised)	120.75	117.27	117.76
(b)	Interest on capital loans	179.24	286.22	581.90
(c)	Interest on other loans, bonds, advances etc.	220.84	252.54	59.46
(d)	Total Interest on loans and finance charges (b+c)	400.08	538.76	641.36
(e)	Less : Interest capitalised	10.86	15.13	19.00
(f)	Net Interest Charged to revenue (d-e)	389.22	523.63	622.36
(g)	**Total appropriation (a+f)**	509.97	640.90	740.12
7	Surplus (+) /deficit (-) before accountal of subsidy from State Government (5-6(g) -1(b))	(-)690.93	(-)857.90	(-)905.06
8	**Net surplus/(-) deficit 5-6(g)**	(-)22.53	(-)54.30	5.64
9	Total return on Capital employed*	366.69	469.33	628.00
10	Percentage of return on Capital employed	31.34	28.16	8.95
2	**Bihar Road Transport Corporation▲**			
	Particulars	**2004-05**	**2005-06**	**2006-07**
	Operating			
(a)	Revenue	51.51	58.48	53.92
(b)	Expenditure	71.33	74.21	78.85
(c)	Surplus (+)/Deficit(-)	(-)19.82	(-)15.73	(-)24.93
	Non-operating			
(a)	Revenue	3.23	2.25	0.98
(b)	Expenditure	37.73	36.53	30.07
(c)	Surplus (+)/Deficit (-)	(-)34.50	(-)34.28	29.09
	Revenue	54.74	60.73	53.92
	Expenditure	109.06	110.74	108.92
	Net Profit (+)/ Loss (-)	(-)54.32	(-)50.01	(-)55.11
	Interest on capital and loans	18.53	18.53	18.53
	Total return on Capital employed	(-) 35.79	(-) 31.48	(-)36.58

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

3.	**Bihar State Financial Corporation▼**			
	Particulars	**2004-05**	**2005-06**	**2006-07**
1	**Income**			
i)	Interest on loans	7.53	15.13	16.59
ii)	Other income	1.05	1.25	2.56
	Total – 1	**8.58**	**16.38**	**19.15**
2.	**Expenses***			
i)	(a) Interest on long term loans and short term loans	17.47	8.67	12.37
	(b) Provision for non-performing assets	0.00	--	--
	(c) Other Expenses	7.56	11.16	10.57
	Total - 2	**25.03**	**19.83**	**22.93**
3.	Profit (+)/Loss (-) before tax (1-2)	16.45	3.45	3.78
4.	Provision for tax	-	0.02	0.01
5.	Other appropriations	16.98	20.81	64.99
6.	Amount available for dividend #	0.53	--	--
7.	Dividend	--	--	--
8.	Total return on capital employed	53.47	26.01	61.19
9.	*Per cent*age of return on capital employed	4.45	6.62	16.05
4.	**Bihar State Warehousing Corporation▼**			
	Particulars	**2004-05**	**2005-06**	**2006-07**
1.	**Income**			
(a)	Ware housing charges	4.93	5.32	7.50
(b)	Other income	16.31	19.06	22.10
	Total - 1	**21.24**	**24.38**	**29.60**
2.	**Expenses**			
(a)	Establishment Charges	3.48	3.60	3.82
(b)	Other Expenses	17.19	19.71	23.72
	Total - 2	**20.67**	**23.31**	**27.54**
3	Profit (+)/Loss (-) before tax	0.57	1.07	2.06
4.	Prior period adjustment	0.06	--	--
5.	Other appropriation	--	--	--
6.	Amount available for dividend	Nil	0.20	0.40
7.	Dividend for the year	--	--	0.08
8.	Total return on Capital employed	0.57	1.07	2.46
9.	***Per centage* of return on Capital employed**	5.30	9.94	32.46

Source: As per information provided by the PSUs

▼ Figures are provisional and as 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 - 6
Statement showing operational performance of Statutory corporations
(Referred to in paragraph 1.12)

1. Bihar State Electricity Board[◊]

Particulars	2004-05	2005-06	2006-07
Installed capacity			
(a) Thermal	540	540	540
(b) Hydro	--	--	--
(c) Gas	--	--	--
(d) Other	--	--	--
Total	540	540	540
Normal maximum demand			
Power generated: (MKWH)			
(a) Thermal	153.49	120.95	167.00
(b) Hydro	--	--	--
(c) Gas	--	--	--
(d) Other	--	--	--
Total	153.49	120.95	167.00
Less: Auxiliary consumption			
(a) Thermal (*percentage*)	30.79 (20.06)	25.13 (20.78)	25.05 (15.00)
(b) Hydro (*percentage*)	-- --	--	--
(c) Gas (*percentage*)	--	--	--
(d) other (*percentage*)	--	--	--
Total (*percentage*)	30.79 (20.06)	25.13 (20.78)	25.05 (15.00)
Net power generated	122.70	95.82	141.95
Power purchased:	6,432.42	7,498.75	7,858.81
Total power available for sale	6,555.12	7,594.57	8,000.76
Power sold: (MU)	4,101.85	4,710.35	4,369.37
Transmission and distribution losses	2,453.27	2,884.22	3,631.39
Plant Load factor (*Percentage*)			
Percentage of transmission and distribution losses to total power available for sale	37.43	37.97	45.38
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			

[◊] Figures are provisional and as provided by the Board.

Connected load (in MVA)			
Number of consumers (in lakh)	22.61	24.27	Under Compilation
Number of employees	16,182	15,722	14,589
Consumer/employees Ratio	1:131	1:143	-
Total expenditure on staff during the year (Rs in crore)	541.87	573.48	528.80
Percentage of expenditure on staff to total revenue expenditure	19.02	18.92	18.92
Units sold			
(a) Agriculture	1,129.32	1,255.89	NA
(*Percentage* share to total units sold)	27.53	28.27	NA
(b) Industrial	724.46	786.06	NA
(*Percentage* share to total units sold)	17.66	16.91	NA
(c) Commercial	285.11	313.33	NA
(*Percentage* share to total units sold)	6.95	7.05	NA
(d) Domestic	1,161.68	1,303.89	NA
(*Percentage* share to total units sold)	28.32	29.35	NA
(e) Others	801.28	1051.18	NA
(*Percentage* share to total units sold)	19.54	18.41	NA
Total	**4,101.85**	**4,710.35**	NA
Particulars			
(a) Revenue (excluding subsidy from Government) (Rs. in crore)	1,631.45	1,853.36	NA
(b) Expenditure* (Rs. in crore)	1,963.80	2,159.57	NA
(c) Profit (+)/Loss (-) (Rs. in crore)	(-)332.35	(-)306.21	NA
(d) Average subsidy claimed from Government (in Rupees)	803.60	910.70	NA
(e) Average interest charges (in Rupees)	538.76	641.36	NA

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

2. Bihar State Road Transport Corporation°

Particulars	2004-05	2005-06	2006-07
Average number of vehicles held	605	637	637
Average number of vehicles on road	463	455	386
Percentage of utilisation of vehicles	77	71	61
Number of employees	4,367	4,367	4,171
Employee vehicle ratio	1:9	1:10	1:11
Number of routes operated at the end of the year	212	212	239
Route kilometers	198	198	198
Kilometers operated (in lakh)			

° Figures are as per information provided by the corporation.

(a) Gross	393.60	391.53	347.05
(b) Effective	380.13	381.97	340.28
(c) Dead	12.76	9.56	6.77
*Percent*age of dead kilometers to gross kilometers	3.24	2.44	1.95
Average kilometers covered per bus per day	226.00	230	242
Average Operating revenue per kilometers (Paise)	13.55	15.30	14.94
Increase(+) / Decrease(-) in operating revenue over previous year's income (percentage)	(-)7.32	(+)12.91	(-)2.35
Average expenditure per kilometer (Paise)	26.70	28.99	23.17
Increase(+) / Decrease(-) in operating expenditure over previous year's expenditure (percentage)	(-)30.01	(+)8.58	(-)20.08
Profit(+)/Loss(-) per kilometer (Paise)			
Number of operating depots	32	29	29
Average number of break-down per lakh kilometers	0.006	0.001	0.004
Average number of accidents per lakh kilometers	0.03	0.14	0.01
Passenger kilometer operated (in crore)	--	1.16	1.03
Occupancy ratio	66	65	65
Kilometers obtained per litre of			
(a) Diesel Oil	3.94	3.88	3.93
(b) Engine Oil	NA	NA	NA

3. Bihar State Warehousing Corporation•

Particulars	2004-05	2005-06	2006-07
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	12.60	15.01	17.35
Hired godowns	13.26	12.02	12.70
Total	25.86	27.03	30.05
Average capacity utilised during the years (in lakh tonnes)	20.33	21.58	24.96
*Per cent*age of utilisation	80	80	83
(a)Average revenue per tonne per year (rupees)	104.47	122.97	118.59
(b)Average expenditure per tonne per year (rupees)	101.67	108.02	110.33

4. Bihar State Financial Corporation▫

(Amount: Rupees in lakh)

Particulars	2004-05		2005-06		2006-07	
	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	--	--	--	--	--	--

• Figures are as provided by the Corporation

▫ Figures are as provided by the Corporation.

Loans outstanding at the close of the year	--	2,66,700.77	--	2,96,941.05		3,08,569.59
Amount over dues for recovery at the close of the year	--	--	--	--	--	--
a) Principal	--	25,725.69	--	24,949.99	--	21,138.29
b) Interest	--	2,50,734.61	--	2,71,243.31	--	2,86,259.44
Total	**--**	**2,76,460.30**	**--**	**2,96,193.30**	**--**	**3,07,397.73**
Amount involved in recoveries certificate cases	--	--	--	--	--	--
*Percent*age of default to total loan outstanding	--	--	--	99.74		99.62

Source: As per information provided by the PSUs

Annexure - 7
Names of the Government Companies of Bihar which are to be wound up.
(Referred to in paragraph 1.21)

(Amount: Rupees in lakh)

Sl. No.	Name of the Company	Paid-up Capital	Loans and advances given by Govt. of Bihar
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 State Forest Development Corporation Limited.	229.08	0.00
10	Bihar Panchayati Raj Finance Corporation Limited.	144.20	0.00
11	Bihar State Film Development and Finance Corporation Limited.	100.00	14.80
12	Bihar State Electronic Development Corporation Limited.	566.91	593.48
13	Bihar State Industrial Development Corporation Limited.	1,404.00	6,702.00
14	Bihar State Construction Corporation Limited.	700.00	105.10
15	Bihar State Police Building Construction Corporation Limited.	10.00	42.90
16	Bihar Rajya Pul Nirman Nigam Limited.	350.00	0.00
17	Bihar State Export Corporation Limited.	200.00	121.77
	Total	**11,511.42**	**43,338.01**

Source: As per Resolution No. 2538 dated 19.06.2003 of the Government of Bihar.

Names of the Government Companies of Bihar which have filed petition for winding up in the Patna Court.

Sl. No.	Name of the Company
1	Bihar State Leather Industries Development Corporation Limited.
2	Bihar State Handloom and Handicrafts Corporation Limited.*
3	Bihar State Pharmaceuticals and Chemical Development Corporation Limited.
4	Bihar State Small Industries Corporation Limited.
5	Bihar State Sugar Corporation Limited
6	Bihar State Agro Industries Development Corporation Limited.
7	Bihar State Textile Corporation Limited.
8	Bihar Finished Leather Limited.
9	Bihar State Film Development and Finance Corporation Limited.
10	Bihar Paper Mills Limited.*
11	Beltron Video Systems Limited.
12	Beltron Mining Systems Limited.
13	Bihar Fruits & Vegetables Development Corporation Ltd.

Source: As per information provided by Deputy Registrar, High Court of Judicature at Patna.

♦Companies ordered to be wound up by the Patna High Court

Annexure - 8

Statement of names of the Companies for which decision for division of Assets, Liabilities and Management has been taken
(Referred to in paragraph 1.23)

Sl. No.	Name of the Company/Corporation	Basis of recontruction for Assets and Liabilities and its Management.	Implementation of the decision
1	Bihar Rajya Beej Nigam Ltd.	78:22 (Bihar: Jharkhand)	Decision implemented
2	Bihar State Mineral Development Corporation Ltd	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 Ltd.	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 Ltd.	(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 Ltd.	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 taken, if any, not available
8	Bihar State Hydro Electric Power Corporation Ltd.	69:31 (Bihar: Jharkhand)	Decision implemented
9	Bihar State Text Book Publishing Corporation Ltd.	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	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	3:1 (Bihar: Jharkhand)	Decision not yet implemented

Source: As per information provided by the PSUs

Annexure – 9

Observations of the Statutory Auditors on the Internal Audit / Internal Control of the Companies (Referred to in paragraph 1.28)

Sl No.	Name of the Company	Year of accounts	Observation
1	Bihar State Food and Civil Supplies Corporation Ltd.	1984-85, 1985-86, 1986-87, 1987-88.	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 commensurate with the size of the company and nature of business. There was no follow up of the reports submitted by internal auditor.
2	Bihar State Text Book Publishing Corporation Ltd.	1996-97.	The internal control procedures are generally adequate but need to be further strengthened to make it commensurate with the nature and size of business of the company for purchase of stores, raw materials, plant & machinery, equipments and other similar assets and for the sale of goods. Internal Audit has been conducted by a firm of Chartered Accountants after expiry of financial year. The accounts authenticated by the internal auditors differ from the accounts under audit and adopted by the Board of Directors.
3	Bihar State Electronic Development Corporation Ltd	1996-97, 1997-98, 1998-99.	Internal Audit System needs to be strengthened keeping in view the size and nature of its business
4	Bihar State Pul Nirman Nigam Ltd.	1994-95&1995-96	Internal control procedure regarding utilization of plant & machinery/ equipment needs to be further strengthened. The system of internal audit needs to be further strengthened.
5	Bihar State Backward Classes Finance and Development Corporation Ltd.	1999-2000 & 2000-01	The scope of nature of work of internal auditor is not laid down. The major shortcomings in the system are not reported / identifies by the internal audit. The preparation of District wise/ borrower wise loan ledger, the position of recovery, exact amount of interest and penalty to be charged on borrowers and maintenance of fixed assets register should also be brought under the scope of internal audit.

Source: Supplementary Report u/s 619 (3)(a) of the Companies Act, 1956 issued by Statutory Auditors on the accounts of the PSUs

Annexure-10

Statement of paid-up capital, investment and summarised working results of 619 (B) companies as per their latest finalised accounts (Referred to in paragraph 1.30)

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

Sl.No.	Name of company	Status (working/non-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(+)/accumulated 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. companies	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 Ltd.	Working	1992-93	79.99	-	79.99	-	-	11.25	48.85	-	-	-	-	91.24	48.85	5.53	(-) 102.68
2	SCADA ♠ Agro Business Co. Ltd.	Working	2002-03	05.00	-	05.00			302.78	-	-	-	-	-			(-)6.87	(-)185.96
3	SCADA Agro Business Co. Khagaul Ltd.	Non-working**	Accounts not finalised since inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	SCADA Agro Business Ltd. Dehri	Non working	Accounts not finalised since inception	-	-	-	-	-	--	-	--	-	-	-	-	-	-	--
5	SCADA Agro Business Ltd. Arrah	Non working	Accounts not finalised since inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	SCADA Agro Business Ltd Aurangabad	Non working	Accounts not finalised since inception	-	-	-	-	--	-	-	-	-	-	-	-	-	-	-
7	SCADA Agro Business Ltd Mohaniyan	Non working	Accounts not finalised since inception	-	-	-	-	-	-	--	-	-	-	-	-	-	-	--
8	SCADA Agro Forestry Co. khagaul	Non working	Accounts not finalised since inception	-	-	-	-	-	-	--	-	-	-	-	-	-	-	--

Source: As per information provided by the PSUs

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

♠ Sone Command Area Development Agency (SCADA)

Annexure – 11

Statement showing Budgeted and Actual revenue and capital receipt and expenditure
(Referred to in paragraph No. 2.1.8)

Rupees in crore

Year	Revenue Receipt					Revenue Expenditure			
	Budgeted	Percentage increase (+) or decrease(-) to previous years	Actual Receipts	percentages of actual receipt to budgeted receipt	outstanding	Budgeted	Percentage increase (+)or decrease(-) to previous years	Actual expenditure	Percentage of actual expenditure to budgeted expenditure
2002-03	42.00	(+) 16.47	23.56	56.09	18.44	10.68	(+)4.40	4.96	46.44
2003-04	41.12	(-) 2.09	17.23	41.90	23.89	8.49	(-)20.51	4.36	51.35
2004-05	41.14	(+) 0.05	5.30	12.88	35.84	7.55	(-)11.07	3.57	47.28
2005-06	16.29	(-) 60.40	14.79	90.79	1.50	14.20	(+)88.08	7.42	52.25
2006-07	21.00	(+) 28.91	7.50	35.71	13.50	18.54	(+)30.56	9.42	50.81

Source : Annual Budget

Rupees in crore

Year	Capital Receipt					Capital Expenditure			
	Budgeted	Percentage increase (+)or decrease(-) to previous years	Actual Receipts	Percentage of actual receipt to budgeted receipt	outstanding	Budgeted	Percentage increase (+)or decrease(-) to previous years	Actual expenditure	Percentage of actual expenditure to budgeted expenditure
2002-03	36.10	(+)32.96	5.86	16.23	30.24	67.41	(+)20.38	9.35	13.87
2003-04	58.18	(+)61.16	29.23	50.24	28.95	90.80	(+)34.70	14.57	16.04
2004-05	55.12	(-)5.26	3.46	6.27	51.66	116.63	(+)28.45	16.28	13.95
2005-06	115.48	(+)109.51	29.09	25.19	86.39	115.48	(-)0.98	12.83	11.11
2006-07	122.37	(+)16.01	75.20	61.45	47.17	122.37	(+)5.96	32.02	26.17

Source : Annual Budget

Annexure –12
Status of the NABARD projects (as of 31.03.2007)
(Referred to in paragraph No. 2.1.9, 2.1.11, 2.1.13 and 2.1.14)

(Rupee in crore)

Sl. No.	Projects	Installed capacity (MW)	Initial Estimated cost as per DPR	Revised Estimated cost	Cumulative Progress up to 31.03.2007				scheduled date of completion	Revised date of completion	Actual date of completion
					Physical (in percentage)		Financial				
					Civil works	E/M works	Percentage in respect of revised cost				
							Expenditure	Percentage			
1	Amethi	0.50	3.24	4.87	43.29	28.77	1.15	23.62	31.03.2005	31.03.2008	N/A
2	Arwal	0.50	3.18	4.60	76.68	53.37	2.04	44.36		31.12.2007	N/A
3	Belsar	1.00	5.70	8.35	57.73	34.97	2.54	30.42		31.03.2008	N/A
4	Dehra	1.00	5.84	6.70	6.06	-	0.15	2.24		31.12.2008	N/A
5	Dhelabagh	1.50	7.20	7.20	100	100	7.20	100		Completed	8/2006
6	Jainagara	1.00	5.77	5.77	90	85	5.05	87.50		31.12.2007	N/A
7	Nasariganj	1.00	6.07	6.07	100	100	6.08	100		31.12.2007	N/A
8	Natwar	0.40	2.14	3.51	26.81	11.98	0.43	12.24		31.03.2008	N/A
9	Paharma	1.00	5.55	6.50	21.96	18.47	1.11	17.08		31.03.2008	N/A
10	Rajapur	0.70	3.46	9.19	55.03	29.18	1.40	15.22		31.03.2008	N/A
11	Rampur	0.25	2.22	3.51	75.16	36.50	1.30	37.01		31.12.2007	N/A
12	Sebari	1.00	5.68	5.68	88.32	62.12	4.17	73.38		31.12.2007	N/A
13	Shirkhinda	0.70	4.95	4.95	90.83	66.96	3.72	75.28		31.12.2007	N/A
14	Sipaha	1.00	5.43	6.40	6.32	-	0.15	2.34		31.12.2008	N/A
15	Tejpura	1.50	7.18	7.18	88.50	58.80	4.21	58.69		31.12.2007	N/A
16	Triveni	3.00	13.46	13.47	95	96	13.46	99.88		31.12.2007	N/A
17	Walidad	0.70	3.72	4.44	38.90	35.11	1.37	30.74		31.03.2008	N/A
	Total	**16.75**	**90.79**	**108.39**							

Source : Progress Report

Annexure-13
Status of the Jharkhand projects (as on 31.03.2007)
(Referred to in paragraph No.2.1.9 and 2.1.31)

(Amount: Rs in crore)

Sl. No.	Name of the Project	Installed capacity (MW)	Initial Estimated cost (year) as per DPR	Revised cost (year)	Cumulative Progress up to 31.03.2007			Scheduled date of completion	Revised date of completion
					Physical (in percentage)	Financial			
					Civil works & E/M works	Percentage in respect of revised cost			
						Expenditure	Percentage		
1	Chandil	8.00	12.95(1987)	40.49(1998)	85	30.67	75.75	March1994	July 2001
2	Tenu Bokaro	1.00	2.25(1984)	3.86(1999)	90	3.20	83.00	January1993	December 2001
3	Sadani	1.00	4.11(1994)	6.00(1999)	55	3.06	81.00	July1999	July 2002
4	Lower Ghaghri	0.40	2.59(1994)	4.00 (1999)	50	2.08	52.00	July1999	September 2002
5	Netarhat	0.05	0.24(1994)	0.60 (1999)	20	0.05	8.30	January2000	July 2001
6	Nindighagh	0.20	1.11(1997)	1.50(1999)	20	0.09	6.20	May2001	March 2002
7	Jalimghagh	0.20	1.31(1997)	2.00 (1999)	30	4.11	20.60	May2001	March 2002
8	Mandal	24.00	21.94(1984)	47.34(1996)	75	35.83	75.70	December 1992	N/A
	Total	34.85	46.50	105.79		79.09			

Source : Progress Report

Annexure-14
Statement showing details of DPR, tenders and agreements of NABARD projects
(Referred to in paragraph No.2.1.14)

Sl .No.	Name of the Project	Date of preparation of DPR	Date of proposal sent to NABARD	Date of sanction by NABARD	Date of NIT	Date of finalization of tender	Date of agreement	Total delay in months	
								In inviting tender (f-e)	In signing agreement (h-f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
1	Amethi	April 1999	March 2001	May 2003	11.11.2003	21.07.2004	18.09.2004(C) 12.07.2006(E/M)	5 5	9 31
2	Arwal	April 2000	March 2001	May 2003	11.11.2003	12.06.2004	28.08.2004(C) 12.07.2006(E/M)	5 5	8 31
3	Belsar	August 1999	March 2001	May 2003	11.03.2004	31.10.2005	03.04.2006(E/M)	9	24
4	Dehra	April 2000	March 2001	May 2003	18.04.2001	16.05.2006	LoI cancelled Fresh tender invited in March 2007.	-	-
5	Dhelabagh	April 2000	March 2001	May 2003	03.01.2001	25.02.2002	19.04.2002	-	14
6	Jainagara	March 1999	March 2001	May 2003	03.01.2001	25.02.2002	13.04.2002	-	14
7	Nasariganj	March 2000	March 2001	May 2003	03.01.2001	25.02.2002	13.04.2002	-	14
8	Natwar	May 1999	March 2001	May 2003	11.11.2003	29.06.2004	11.08.2006(C)	5	32
9	Paharma	March 2000	March 2001	May 2003	18.04.2001	26.10.2006(C) 22.11.2006(E/M)	31.01.2007(C) 29.12.2006(E/M)	-	68 67
10	Rajapur	August 1999	March 2001	May 2003	24.01.2006	16.05.2006	13.10.2006(C)	31	8
11	Rampur	May 1999	March 2001	May 2003	11.11.2003	21.07.2004	07.10.2004(C)	5	10

							29.06.2006(E/M)	5	30
12	Sebari	March 2000	March 2001	May 2003	18.04.2001	16.06.2004	06.09.2004(C) 08.10.2004(E/M)	- -	40 41
13	Shirkhinda	April 1999	March 2001	May 2003	18.04.2001	18.06.2004	27.06.2005(C) 06.06.2005(E/M)	- -	49 49
14	Sipaha	September 1999	March 2001	May 2003	18.04.2001	16.05.2006	LoI cancelled .Fresh tender invited in March 2007.	-	-
15	Tejpura	March 2000	March 2001	May 2003	14.11.2003	18.06.2004	09.10.2004(C) 06.06.2005(E/M)	5 5	10 18
16	Triveni	June 1986	March 2001	May 2003	24.09.1999	28.04.2001	27.06.2001	-	20
17	Walidad	October 1999	March 2001	May 2003	11.11.2003	12.06.2004	24.08.2004	5	8

Source : Files and Report regarding NABARD

Annexure –15

Statement showing estimates, actual cost of constructions, scheduled/actual date of commissioning and projected/actual generation of electricity

(Referred to in paragraph No. 2.1.32)

Project (capacity in KW)	Agnoor (2X500)	Barun (2X1650)	Dehri (4X1650)	Dhelabagh (2X500)	Kataiya• (4 X 4800)	Valmikinagar (3X5000)
Estimated (Initial) Cost (Rs in lakh)	245 (6/86)	626	1,300	687.5	-	1,740
Actual cost (Rs in lakh)	1,080.7+	1,605	3474	788.51+	-	6327
Cost per KW of capacity (Rs in lakh)	1.08	0.49	0.53	0.79	-	0.42
Cost overrun (Rs in lakh)	835.7	979	2,174	101.01	-	4587
Scheduled date of commissioning	5/2000	6/1988	3/1988	6/2004	-	9/1988
Actual date of commissioning	1/2006	3-7/1996	1 to 6/1993	8/2006	-	9/95 to 11/97
Time overrun (in months)	67	97	63	25	-	109
Actual period of generation of electricity	1 year	11 years	14 years	8 month	-	11.5 years
Generation of electricity during the period of operation						
Estimated						(In Million Units)
2002-03	--	19.447	43.106	--	-	98.700
2003-04	--	19.447	43.106	--	-	98.700
2004-05	--	19.447	43.106	--	99.720	98.700
2005-06	--	19.447	43.106	--	99.720	98.700
2006-07	4.485	19.447	43.106	5.297♣	99.720	98.700
Actual						(In Million Units)
2002-03	-	8.552	15.095	-	-	22.485
2003-04	-	10.732	15.887	-	-	18.272
2004-05	-	11.637	15.316	-	3.472	24.962
2005-06	-	10.134	17.973	-	15.467	27.846

• Transferred from Bihar State Electricity Board in June 2003.

+ Final bill is yet to be finalised.

♣ Proportionate estimated generation for 8 months.

2006-07	0.759	8.888	16.707	0.558	16.861	25.330
Range of generation	0.759	8.552 to 11.637	15.095 to 17.973	0.558	3.472 to 16.861	18.272 to 27.846
Percentage of actual generation to estimated generation						
2002-03	-	43.97	35.02	-	-	22.78
2003-04	-	55.18	36.85	-	-	18.51
2004-05	-	59.84	35.53	-	3.48	25.29
2005-06	-	52.11	41.69	-	15.51	28.21
2006-07	16.92	45.70	38.75	10.53	16.91	25.66

Source : DPRs of the SHPPs and concerned Generation Reports

Annexure-16
Statement showing outages of the units in operation
(Referred to in paragraph No.2.1.33)

Year	Project/ installed capacity	Available Hours	Operational Hours	Outages	Percentage of outages to Available Hours	Nature of outages								
						Unavoidable		Avoidable						
						No discharge of water	Break down /shutdown	Low discharge of water	Power tripping/ failure	Canal closure/no irrigation demand	Trash rack cleaning	Major break down	Total of avoidable outages	Percentage of avoidable outages to available Hrs
2002-03	Barun/ 2X1.65 MW	17,520	6,481.33	11,038.27	63.00	2,592.00	-	3520.43	459,04	4,464.00	2.40	-	8,446.27	48.21
	Dehri/ 4X1.65 MW	35,040	12,686.20	22,353.40	63.79	5,088.00	20.45	10784.42	1,019.15	5,280.00	160.58	-	17,244.55	49.21
	Valmikinagar/ 3X5 MW	26,280	5,899.25	20,380.35	77.55	5,346.00	40.40	9155.00	425.20	7,207.45	5.50	-	16,793.55	63.90
2003-04	Barun/ 2X1.65 MW	17,568	7,878.09	9,689.51	55.15	1,440.00	-	2777.14	1,293.17	4,176.00	3.20	-	8,249.51	46.95
	Dehri/ 4X1.65 MW	35,136	13,136.06	21,999.54	62.61	2,400.00	3. 39	11023.06	375.45	7,968.00	229.24	-	19,596.15	55.77
	Valmikinagar/ 3X5 MW	36,352	5,496.40	20,855.20	57.37	1,073.30	6.20	8651.35	748.05	10,371.30	4.20	-	19,775.30	54.40
2004-05	Barun/ 2X1.65 MW	17,520	7,475.06	10,044.54	57.33	2,592.00	-	2565.52	1,093.32	3,792.00	1.30	-	7,452.54	42.54
	Dehri/ 4X1.65 MW	35,040	13,807.14	21,232.46	60.59	960.00	16.04	14949.45	292.31	4,896.00	118.26	-	20,256.42	57.81
	Kataiya/ 4X4.8 MW	17,520	1,478.10	16,041.50	91.56	8,804.10	78.00	6147.30	31.59	960.00	20.11	-	7,159.40	40.87
	Valmikinagar/ 3X5 MW	26,280	6,958.20	19,321.40	73.52	1,563.00	21.45	12723.10	591.10	4,412.15	10.20	-	17,736.55	60.49
2005-06	Barun/ 2X1.65 MW	17,520	7,933.06	9,586.54	54.71	3,504.00	-	3791.44	849.55	1,440.00	1.15	-	6,082.54	34.72
	Dehri/ 4X1.65 MW	35,040	13,611.02	21,428.58	61.15	3,360.00	3.37	12684.50	223.09	4,992.00	165.22	-	18,065.21	51.56
	Kataiya/ 4X4.8 MW	17,520	4,777.09	12,742.51	72.73	5,199.31	54.10	5074.05	188.46	2,208.00	18.19	-	7,489.10	42.75
	Valmikinagar/ 3X5 MW	26,280	7,087.40	19,192.20	73.03	116.30	67.20	14332.25	308.05	4,355.30	12.30	-	19,008.30	72.33
2006-07	Agnoor/ 2X500 KW	14,592	2,511.01	12,080.59	82.79	4,848.00	3.18	882.28	4,852.09	1,488.00	7.04	-	7,229.41	49.55
	Barun/ 2X1.65 MW	17,520	6,479.22	11,040.38	63.01	3,888.00	1.30	2865.20	1,351.50	2,928.00	5.58	-	7,151.08	40.82

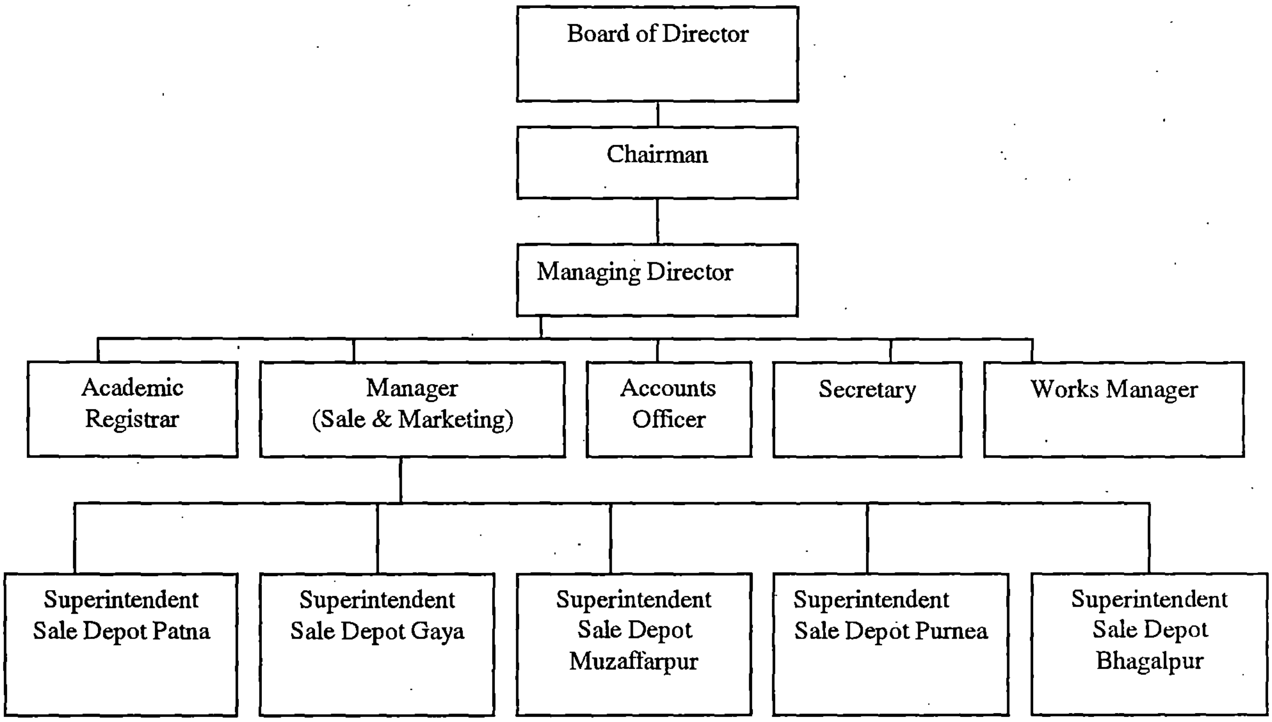
	Dehri/ 4X1.65 MW	35,040	13,972.03	21,067.57	60.12	-	63.45	10,888.34	356.15	9,408.00	351.23	-	21,004.12	59.54
	Dhelabagh/ 2X500 KW	10,272	1,850.20	8,421.40	81.98	768.00	46.53	559.27	5271.20	1,776.00	-	-	7,606.47	74.05
	Kataiya/ 4X4.8 MW	17,520	5,675.27	11,844.33	67.60	1,232.19	199.30	4,438.15	64.11	5,760.00	150.18	-	10,412.44	59.43
	Valmikinagar/ 3X5 MW	26,280	6,761.20	19,518.40	74.27	166.15	9.10	1,4805.10	319.00	4,209.30	9.35	-	19,343.15	73.61

Source : Generation/Outages Report

Annexure-17

ORGANISATION CHART

(Referred to in paragraph 2.2.1)



Annexure – 18

Statement showing amount less realised due to under billing of books.

(Refered to in paragraph 2.2.15)

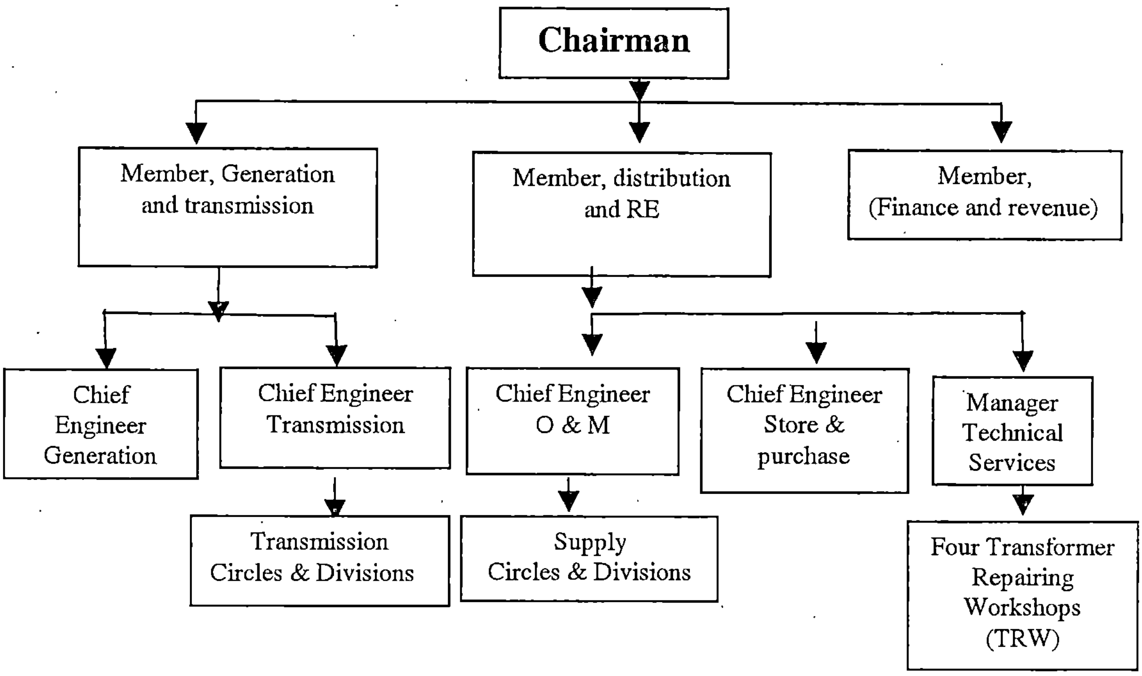
(Amount in rupees)

Name of Books	Class	Year	Total number of books supplied	Chargeable rate	Chargeable amount	Charged rate	Charged amount	Difference of rate	Amounts of loss
Sarva Shiksha Abhiyan									
Aao Hisab Shikhein	5 (Urdu)	2002	14,885	30.50	4,53,992.50	21.20	3,15,562.00	9.30	1,38,430.50
Aao Hisab Shikhein	5 (Urdu)	2003	21,466	30.50	6,54,713.00	21.20	4,55,079.20	9.30	1,99,633.80
Aao Hisab Shikhein	5 (Urdu)	2004	15,854	30.50	4,83,547.00	21.20	3,36,104.80	9.30	1,47,442.20
Aao Hisab Shikhein	5 (Urdu)	2005	12,021	30.50	3,66,640.50	21.20	2,54,845.20	9.30	1,11,795.30
DPEP									
Hisab-III	3(Urdu)	2002	45,180	23.10	10,43,658.00	18.80	8,49,384.00	4.30	1,94,274.00
HIsab-IV	4 (Urdu)	2002	41,900	40.70	17,05,330.00	28.20	11,81,580.00	12.50	5,23,750.00
Aao Hisab Shikhein	5 (Urdu)	2002	46,140	30.50	1,40,7270.00	21.20	9,78,168.00	9.30	4,29,102.00
Aao Hisab Shikhein	5 (Urdu)	2004	13,994	30.50	4,26,817.00	21.20	2,96,672.80	9.30	1,30,144.20
	Total		**2,11,440**		**65,41,968.00**		**46,67,396.00**		**18,74,572.00**

Source : Sales statement and files of the Company.

Annexure-19

Organisational set up of the Bihar State Electricity Board (Board) dealing with procurement, performance, maintenance and repair of transformers (Referred to in paragraph 3.1)



Annexure-20

Statement of department wise outstanding Inspection Reports (IRs)

(Referred to in paragraph 4.13)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1.	Industry	28	127	641	1990-91
2.	Forest & Environment	3	53	332	1990-91
3.	Agriculture	3	43	242	1990-91
4.	Energy	3	1,136	3,459	N.A.
5.	Animal Husbandry	2	14	46	1990-91
6.	Water Resources	2	10	59	1990-91
7.	Sugar Cane	1	28	198	1990-91
8.	Food, Supply & Commerce	2	94	537	1990-91
9.	Tourism	1	17	55	1990-91
10.	Human Resources	1	6	18	1990-91
11.	Road Construction	1	37	197	1990-91
12.	Home	1	13	48	1990-91
13.	Welfare	2	7	58	1990-91
14.	Panchayati Raj	1	4	7	1990-91
15.	Mines and Geology	1	28	135	1990-91
16.	Minor Irrigation	1	6	33	1990-91
17.	Transport	1	61	382	1990-91
18.	Co-operative	1	24	91	1990-91
	Total	**55**	**1,708**	**6,538**	

Source: Information available with the PAG office.

Annexure - 21

Statement of department wise draft paragraphs/reviews, reply to which are awaited (Referred to in paragraph 4.13)

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Periods of issue
1.	Energy	8	2	May 2007-October 2007
2.	Industry	2	-	June 2007
3.	Welfare	2	-	June 2007
4.	Education	-	1	July 2007

Source: Information available with the PAG office.