

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Bihar, the State PSUs occupy an insignificant place in the state economy. The State PSUs registered a turnover of Rs. 2056.89 crore for 2008-09 as *per* their latest finalised accounts as of September 2009. This turnover was equal to 1.56 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of State PSUs are concentrated in power sector. The State PSUs incurred a loss of Rs. 653.13 crore in the aggregate for 2008-09 as *per* their latest finalised accounts. They employed 0.21 lakh¹ employees as of 31 March 2009. The State PSUs do not include 11 Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2009, there were 63 PSUs as *per* the details given below and none of them were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ²	Total
Government Companies ³	19	40	59
Statutory Corporations	4	-	4
Total	23	40	63

1.3 During the year 2008-09, a PSU Bihar Health Project Development Corporation Limited with paid-up capital of Rs. 5.64 lakh, was established. During the year, no PSU was closed down.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors,

¹ As per the details provided by 35 PSUs.

² Non-working PSUs are those which have ceased to carry on their operations.

³ includes 619-B companies.

who are appointed by CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of statutory corporations is governed by their respective legislations. Out of four statutory corporations, CAG is the sole auditor for Bihar State Electricity Board and Bihar State Road Transport Corporation. In respect of Bihar State Warehousing Corporation and Bihar State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

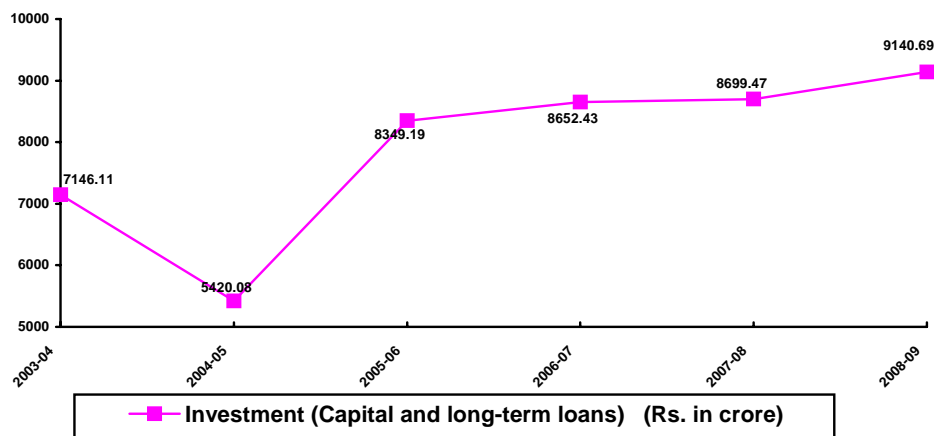
1.7 As on 31 March 2009, the investment (capital and long-term loans) in 63 PSUs (including 619-B companies) was Rs. 9140.69 crore as per details given below.

(Amount: Rs. in crore)

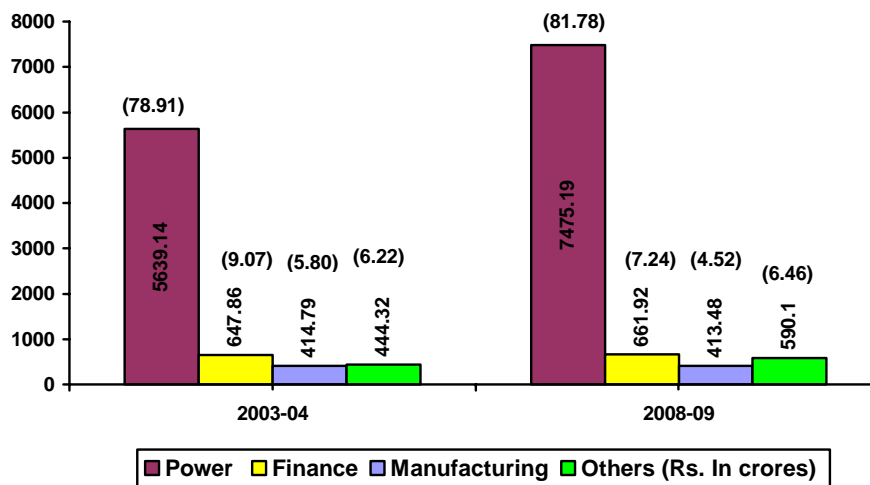
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	188.93	492.74	681.67	185.54	7573.70	7759.24	8440.91
Non-working PSUs	151.69	548.09	699.78	-	-	-	699.78
Total	340.62	1040.83	1381.45	185.54	7573.70	7759.24	9140.69

A summarised position of government investment in State PSUs is detailed in *Annexure I*.

1.8 As on 31 March 2009, of the total investment in State PSUs, 92.34 *per cent* was in working PSUs and the remaining 7.66 *per cent* in non-working PSUs. This total investment consisted of 5.76 *per cent* towards capital and 94.24 *per cent* in long-term loans. The investment has grown by 27.91 *per cent* from Rs. 7146.11 crore in 2003-04 to Rs. 9140.69 crore in 2008-09 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The thrust of PSU investment was mainly on the power sector during the five years which increased from 78.91 per cent in 2003-04 to 81.78 per cent in 2008-09 of the total investment. However, the overall increase in power sector was 32.56 per cent in 2008-09 compared to 2003-04.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

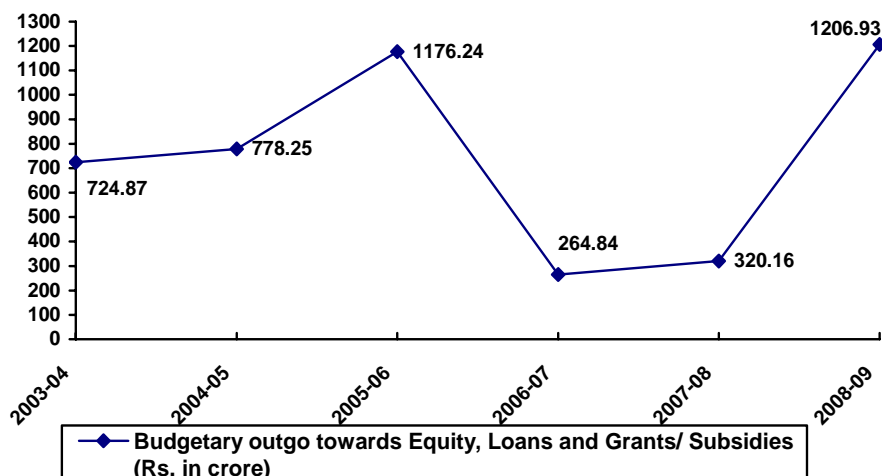
1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Annexure 3*. The summarised details are given below for three years ended 2008-09.

(Amount : Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	11.20	2	4.05	3	1.56
2.	Loans given from budget	4	253.64	2	293.11	4	469.63
3.	Grants/Subsidy received	-	-	1	23.00	3	735.74
4.	Total Outgo ⁴	7	264.84	5	320.16	9	1206.93
5.	Interest/Penal interest written off	1	318.80	1	11.56	1	11.56
6.	Guarantees issued	2	6.33	3	71.79	2	104.47
7.	Guarantee Commitment	-	-	-	-	1	157.51

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in a graph below.

⁴ Actual number of companies.



The above chart indicates that the budgetary support in the form of equity, loans and grants/subsidies by the State Government showed a varying trend. During the years 2003-04 to 2005-06 it rose from Rs. 724.87 crore to Rs. 1176.24 crore and declined in 2006-07 and 2007-08. The budgetary support increased to Rs. 1206.93 crore in 2008-09. During the year 2008-09, the Government had guaranteed loans aggregating Rs. 104.47 crore obtained by Bihar State Financial Corporation (Rs. 79.47 crore) and Bihar State Backward Classes Finance and Development Corporation Limited (Rs. 25.00 crore). In addition to this, out of three working PSUs, which received subsidy of Rs. 735.74 crore, Bihar State Electricity Board received a subsidy of Rs. 720 crore from the State Government. At the end of the year, guarantees on loans aggregating Rs. 134.47 crore were outstanding against three⁵ working PSUs. Guarantee commission of Rs. 37.62 lakh was payable by two⁶ working PSUs since 1982-83.

Reconciliation with Finance Accounts

1.12 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2009 is stated below.

(Rs. in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	401.11	419.79	(-)18.68
Loans	12044.54	7773.44	4271.10
Guarantees	560.32	134.47	425.85

1.13 Audit observed that the differences occurred in respect of 42 PSUs. The issue of reconciliation was taken up with Principal Secretary cum Finance

⁵ Bihar State Backward Classes Finance & Development Corporation Ltd., Bihar State Minorities Finance Corporation Ltd. and Bihar State Financial Corporation

⁶ Bihar State Financial Corporation and Bihar State Road Transport Corporation.

Commissioner in January 2009. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

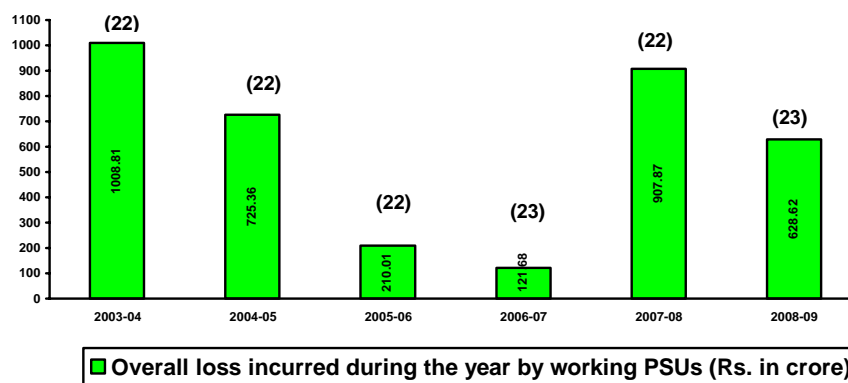
Performance of PSUs

1.14 The financial results of PSUs, financial position and working results of working Statutory Corporations are detailed in *Annexure 2, 5 and 6* respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

(Rs. in crore)						
Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover ⁷	2998.38	1601.99	1202.49	1337.29	1587.96	1996.59
State GDP ⁸	66253	73221	80157	99767	114722	131873
Percentage of Turnover to State GDP	4.53	2.19	1.50	1.34	1.38	1.51

Percentage of turnover to State GDP has been declining steadily.

1.15 Losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

The State working PSUs collectively incurred continuous losses from 2004-05 to 2008-09 which decreased from Rs. 1008.81 crore in 2003-04 to Rs. 628.62 crore in 2008-09. As per latest finalised accounts as on 30 September 2009, out of 23 working PSUs, eight PSUs earned profit of Rs. 40.85 crore and 14 PSUs incurred loss of Rs. 669.47 crore. One company⁹ had not finalised its first accounts so far. The major contributors to profit were Bihar State Financial Corporation (Rs. 28.28 crore), Bihar State Mineral Development Corporation Limited (Rs. 9.29 crore) and Bihar State Beverages Corporation Limited (Rs. 1.51 crore). Heavy losses were incurred by Bihar

⁷ Turnover as per the latest finalised accounts as of 30 September.

⁸ Figures of State GDP at current price, 2007-08(Provisional), 2008-09(Quick estimate)

⁹ Bihar Health Projects Development Corporation Limited.

State Electricity Board (Rs. 584.70 crore) and Bihar State Road Transport Corporation (Rs. 55.74 crore).

1.16 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 203.55 crore and infructuous investment of Rs. 61.26 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net loss	121.68	907.87	628.62	1658.17
Controllable losses as per CAG's Audit Report	72.27	26.68	104.60	203.55
Infructuous Investment	0.5	60.41	0.35	61.26

1.17 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.18 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (Per cent)	Nil ¹⁰	Nil	16.94	17.68	Nil	7.44
Debt	6520.72	4796.29	7724.63	8012.25	8152.92	8614.53
Turnover ¹¹	2998.38	1601.99	1202.49	1337.29	1587.96	1996.59
Debt/ Turnover Ratio ¹²	2.17:1	2.99:1	6.42:1	5.99:1	5.13:1	4.33:1
Interest Payments	-	525.91	301.93	613.25	924.16	918.70
Accumulated losses	9612.24	5165.94	1584.62	1686.94	2956.74	3593.15

(Above figures pertain to all PSUs except turnover which is for working PSUs).

1.19 As per the latest finalised accounts as of 30 September 2009, total return on capital employed of all PSUs worked out to Rs. 265.57 crore as compared to total negative return of Rs. 2632.96 crore in 2003-04. The debt/turnover ratio of all PSUs has increased from 2.17:1 to 4.33:1 which indicates the increased pressure on profit margins.

1.20 The State Government has not formulated any dividend policy under which all PSUs are required to pay a minimum dividend. As per their latest

¹⁰ Nil indicate the negative ROCE.

¹¹ Turnover of working PSUs as per the latest finalised accounts as of 30 September.

¹² Debt/ Turnover Ratio represents Turnover divided by Debt.

finalised accounts, eight PSUs earned an aggregate profit of Rs. 40.85 crore but no PSU declared dividend.

Performance of major PSUs

1.21 The investment in working PSUs and their turnover together aggregated to Rs. 10437.50 crore during 2008-09. Out of 23 working PSUs, Bihar State Electricity Board accounted for 82.61 *per cent* of aggregate investment *plus* turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Bihar State Electricity Board (BSEB)	7158.50	1464.22	8622.72	82.61

Some of the major audit findings of past years for BSEB are stated in the succeeding paragraphs.

Bihar State Electricity Board

1.22 The Board had arrears of accounts for one year as of September 2009. The arrears were for three years as of September 2006.

The loss of the Board has risen in past three years from Rs. 67.52 crore in 2004-05 to Rs. 584.70 crore in 2007-08. However, the turnover too rose from Rs. 1000.49 crore to Rs. 1464.22 crore during this period. However, the return on capital employed declined from 27.37 *per cent* to 7.63 *per cent*.

1.23 Deficiencies in planning.

- The Board suffered loss of Rs. 5.55 crore due to non-adherence to rules and time barred claims. (Paragraph 4.12 of Audit Report 2006-07)

1.24 Deficiencies in monitoring.

- Galvanised Iron wire worth Rs. 2.39 crore was purchased in excess of requirement (Paragraph 2.1.13 of Audit Report 2007-08).

Conclusion

1.25 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.26 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. Similarly, in case of Statutory Corporations, their accounts are finalised,

audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	22	22	23	22	23
2.	Number of accounts finalised during the year	27	14	20	13	15
3.	Number of accounts in arrears	190	198	201	195	205
4.	Average arrears <i>per</i> PSU (3/1)	8.64	9.00	8.74	8.86	8.91
5.	Number of Working PSUs with arrears in accounts	22	22	23	22	23
6.	Extent of arrears (years)	1 to 22	1 to 22	1 to 19	1 to 19	1 to 20

1.27 Out of 23 working PSUs (19 Government companies and four corporations) no company/corporation had finalised its accounts for the year 2008-09 as of 30 September 2009. The accounts of 19 working Government companies were in arrears for periods ranging from 1 to 20 years and the average arrears per PSU was increasing from 8.64 in 2004-05 per PSU to 8.91 in 2008-09. The reasons for arrears in accounts are delay in preparation/certification of accounts by the Management/Statutory Auditors, delay in holding of Annual General Meeting, shortage of manpower and non existence of Board of Directors.

1.28 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 40 non-working PSUs, 15 had gone into liquidation process. Of the remaining 25 non-working PSUs, arrears of accounts ranged from 14 to 32 years.

1.29 The State Government had invested Rs. 2593.47 crore (Equity: Rs. 99.76 crore, loans: Rs. 1516.55 crore, grants: Rs. 735.74 crore and others: Rs. 241.42 crore) in 29 PSUs during the years for which accounts have not been finalised as detailed in *Annexure 4*. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.30 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by Audit of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not

be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary and Secretaries of the administrative departments (October 2009) to expedite the backlog of arrears in accounts in a time bound manner. A meeting was also held between Pr. A.G. (Audit), Bihar, Patna and Principal Secretary/Finance Commissioner (July 2009) regarding liquidation of arrears of accounts.

1.31 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.32 There were 40 non-working PSUs (companies) as on 31 March 2009. Of these, 15 PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	40	40	40	40	40

The non-working PSUs are required to be closed down as their continuance is not going to serve any purpose. During 2008-09, five non-working PSUs¹³ incurred an expenditure of Rs. 2.51 crore towards salary, wages establishment expenditure etc.

1.33 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	40	-	40
2.	Of (1) above, the No. under			
(a)	liquidation by Court (liquidator appointed)	2	-	2
(b)	Closure, i.e. closing orders/instructions issued but liquidation process not yet started.	13 ¹⁴	-	13

1.34 During the year 2008-09, no company/corporation was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period of more than eight years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may make a decision

¹³ BSF&VDCL, BSIDCL, BSP&CDCL, BSSICL and BSECL.

¹⁴ Sl. No. C - 4, 13, 14, 15, 16, 17, 21, 22, 24, 26, 29, 30 and 31 of Annexure 1.

regarding winding up of remaining 25 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.35 Six working companies forwarded their 10 audited accounts to PAG during the year 2008-09. Of these, six accounts of three companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.02	-	-	-	-
2.	Increase in loss	11	7.89	5	3.00	2	4.31
3.	Non-disclosure of material facts	6	13.11	2	8.56	1	10.02
4.	Errors of classification	6	7.13	1	5.80	2	7.87

1.36 During the year 2008-09, all 10 accounts received had been given qualified certificates. The compliance of companies with the Accounting Standards remained poor as there were 12 instances of non-compliance in six accounts¹⁵ during the year.

1.37 Some of the important comments in respect of accounts of companies are stated below.

Bihar State Credit and Investment Corporation Limited (2002-03)

- Non-provision for diminution in the value of investment of 18 units has resulted in overstatement of investment and understatement of loss by Rs. 1.00 crore.
- Non-provision for irrecoverable loans and advances has resulted in overstatement of investment and understatement of loss by Rs. 20.47 lakh.
- Non-provision for irrecoverable loans and advances given as seed capital assistance to 11 units which was either closed or under liquidation has resulted in overstatement of loans and advances and understatement of loss by Rs. 79.73 lakh.

¹⁵ Bihar State Credit & Investment Corporation Ltd.(2002-03) , Bihar State Minorities Finance Corporation Ltd.(2002-03),(2003-04),(2004-05) & (2005-06) and Bihar State Textbook Publishing Corporation Ltd.(1997-98).

- Interest on term loan does not include provision for liability of Rs. 2.00 crore on account of “interest tax” payable which resulted in under statement of loss and current liabilities & provisions by Rs. 2.00 crore.

Bihar State Food & Civil Supply Corporation Limited (1988-89)

- Non-writing off of damaged/defective grains resulted in overstatement of inventories and under statement of loss of Rs. 41.94 lakh.

1.38 Similarly, four working statutory corporations forwarded their four accounts to PAG/AG during the year 2008-09. Of these, two accounts of two statutory corporations¹⁶ pertained to sole audit by CAG were under audit (as on 30 September 2009). The remaining two accounts were selected for supplementary audit. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	3	16.00	2	14.61
2.	Increase in loss	4	580.18	7	655.24	3	562.74
3.	Non-disclosure of material facts	-	-	2	2.34	2	12.08
4.	Errors of classification	1	8.96	2	4.51	3	67.67

1.39 During the year 2008-09, out of eight accounts¹⁷, qualified certificates in respect of six accounts were issued. Two accounts were under process of finalization of audit comments as on September 2009.

1.40 Some of the important comments in respect of accounts of statutory corporations are stated below.

Bihar State Electricity Board (2005-06)

- Stock included value of 4.21 lakh MT of non existent quantity of coal shown lying at BTPS under closing stock resulted in overstatement of stock and understatement of loss by Rs. 48.17 crore.

¹⁶ Bihar State Electricity Board and Bihar State Road Transport Corporation

¹⁷ Comments on four accounts of three corporations received in the year 2007-08 were issued after 1.10.2008

- Non-provision for assets not in use being carried forward in the accounts for long period resulted in understatement of loss by Rs. 3.25 crore.
- Receivable against supply of power includes Rs. 77.92 crore being excess delayed payment surcharge (DPS), charged from Kosi Irrigation Project during January, 1988 to March, 2003 resulted in overstatement of sundry debtors and understatement of loss by Rs. 77.92 crore.
- An excess credit of Rs. 51.83 crore was taken in Cash Books during the period April 1983 to March 2003 resulting in overstatement of cash and bank balances and understatement of loss by Rs. 51.83 crore.

Bihar State Electricity Board (2006-07)

- Loans and advances included Rs.1.45 crore being the amount of unbilled voucher in the form of miscellaneous advance lying in the accounts more than 35 to 40 years without any adjustment/recovery. This was turned into fictitious assets resulting in overstatement of loans and advances and understatement of loss by Rs. 1.45 crore.

Bihar State Financial Corporation (2006-07)

- Non provision of advances on capital expenditure which were pending recovery/adjustment since long resulted in understatement of loss as well as overstatement of assets by Rs. 21.69 lakh.

Bihar State Financial Corporation (2007-08)

- Rent receivable included Rs. 1.31 crore towards over due rent being doubtful of recovery for which no provision was made. This resulted in overstatement of rent receivable and profit for the year by Rs. 1.31 crore.
- Other liabilities and provisions was understated to the extent of Rs. 6.27 crore being the amount of interest payable to Government of Bihar on a loan amount of Rs. 71.99 crore and profit for the year was overstated to that extent.

Bihar State Warehousing Corporation (2007-08)

- Other liabilities did not include Rs. 4.28 lakh in respect of rent payable to various parties. Non-provision of rent payable resulted in understatement of liabilities and overstatement of profit by Rs. 4.28 lakh.

1.41 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An

illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of five companies¹⁸ for the year 2007-08 and nine companies¹⁹ for the year 2008-09 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non-fixation of minimum/maximum limits of store and spares	1	A-19
2.	Absence of internal audit system commensurate with the nature and size of business of the company	3	C-4, C-5 & C-16
3.	Non maintenance of cost record	3	A-8, C-4 & C-16
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	8	A-4, A-6, A-8, A-11, A-13, A-19, C-5, C-16

Recoveries at the instance of audit

1.42 During the course of propriety audit in 2008-09, recoveries of Rs. 37.14 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs. 14.49 crore were admitted by PSUs. An amount of Rs. 2.97 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

1.43 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Bihar State Electricity Board	1999-2000	2000-01 2001-02 2002-03 2003-04 2004-05 2005-06 2006-07	30.06.2004 12.03.2007 24.10.2007 20.02.2008 29.04.2008 15.01.2009 26.05.2009	Yet to be placed in legislature.
2.	Bihar State Warehousing Corporation	2006-07	2007-08	29.04.2009	-do-

¹⁸ Sr. No. A-1, A-9, A-11, A-17 & C-2 in Annexure – 2.

¹⁹ Sr. No. A-4, A-6, A-8, A-11, A-13, A-19, C-4, C-5 & C-16 in Annexure – 2.

3.	Bihar State Financial Corporation	2005-06	2006-07 2007-08	30.09.2008 21.05.2009	-do-
4.	Bihar State Road Transport Corporation	1973-74	1974-75 to 2001-02 (28) Details 1991-92 1992-93 1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-00 2000-01 2001-02	9.6.1997 2.9.1998 2.9.1998 4.12.1998 18.4.2000 19.3.2004 19.10.2004 12.04.2005 07.10.2005 24.09.2007 26.10.2007	Copies of reports have not made available by the corporation to the Government for placement in the legislature.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature(s).

Disinvestment, Privatisation and Restructuring of PSUs

1.44 The State Government did not undertake the exercise of disinvestment, privatization and restructuring of any of its PSUs during 2008-09. 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 companies/corporations²⁰ (September, 2009).

Reforms in Power Sector

1.45 The State has Bihar Electricity Regulatory Commission (BERC) formed in April 2002 under the Section 17 (1) of Electricity Regulatory Commission Act, 1998 with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2008-09, BERC issued one order on annual revenue requirements and on others no orders were issued on others.

1.46 A Memorandum of Understanding (MoU) was signed (September 2001) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement as at March 2009
1.	State Electricity Regulatory Commission (SERC)	The State Electricity Regulatory Commission (SERC) has been constituted vide Govt. of Bihar notification No. 1284 dated 15 th April, 2002. The commission has notified last tariff order for the year 2008-09 on 26.8.2008.
2.	Rural	Out of 39,015 numbers of villages, 20,959 villages have

²⁰ Bihar Rajya Beej Nigam Ltd., Bihar State Hydroelectric Power Corporation Ltd., Bihar State Text Book Publishing Corporation Ltd. and Bihar State Warehousing Corporation.

	Electrification Programme	been electrified (March 2009).
3.	Reorganization of the Board	Govt. of Bihar has appointed Power Finance Corporation as consultant for reorganization of the Board and the work is under process.
4.	Securitization of outstanding dues of Central Power Sector Undertakings	Securitization of outstanding dues of Central Power Sector undertakings to the tune of Rs. 2075.61 crore has been made by the Govt. of Bihar.
5.	100 per cent metering of all 11 KV distribution feeders and 100 per cent metering of all consumers	The installation of meters in 11 KV distribution feeders is still in progress (September 2009).
6.	Energy audit	Energy audit could not be implemented, as metering of 11 KV feeders has not been completed. (September 2009)
7.	Reduction in transmission and distribution (T&D) losses up to 15.5 per cent	The T&D losses of the Board for the year 2006-07 was 42.61 per cent which has been reduced to 39.06 per cent during the year 2007-08. BERC has set the target of T&D losses at 38 per cent for the financial year 2008-09 and 35 per cent for the financial year 2009-10. So far the targets could not be achieved.
8.	Three per cent return on fixed assets	The Board has not achieved three per cent return on fixed assets upto the year 2007-08.
9.	Distribution Information Management System	The Board awarded the work of SCADA ²¹ /DMS ²² for two ²³ circles and IT Implementation and feasibility report for DMS/SCADA for Seven ²⁴ circles along with other work under APDRP to PGCIL ²⁵ in December 2003. The installation of SCADA/DMS in two circles was under progress and IT implementation in other seven circles was also in progress. (September 2009)
10.	Minimum agriculture tariff of 50 Paise per unit	The State Electricity Regulatory Commission (SERC) has approved 125.94 Paise/unit for agriculture services for the year 2008-09.

From the above, it could be seen that the State Electricity Board has not achieved milestones as per MOU signed between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector.

Discussion of Audit Reports by COPU

1.47 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

²¹ Supervisory Control and Data Acquisition System.

²² Data Management System.

²³ Patna Electricity Supply Unit (East) and Patna Electricity Supply Unit (West)

²⁴ Bhagalpur, Chapra, Darbhanga, Gaya, Purnea, Rohtas and Saharsa.

²⁵ Power Grid Corporation of India Limited.

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras 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	-	9
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	4	10	-	-
2006-07	3	13	-	-
2007-08	2	13	-	-
Total	103	585	17	374

1.48 The matter relating to clearance of backlog of reviews/ paragraphs was also discussed by PAG with Chief Secretary/ Finance Secretary and Chairperson of COPU in June and August 2009.