Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Bihar had 23 working PSUs (19 Companies and four Statutory corporations) and 40 non-working PSUs (all companies), which employed 0.21 lakh employees. The State PSUs registered a turnover of Rs. 2056.89 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 1.56 per cent of State GDP indicating an insignificant role played by State PSUs in the economy. The PSUs had accumulated loss of Rs. 3593.15 crore as per their latest finalised accounts as of 30 September 2009.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 63 PSUs was Rs. 9140.69 crore. Power Sector accounted for 81.78 per cent of total investment in 2008-09. The Government contributed Rs. 1206.93 crore towards equity, loans and grants / subsidies during 2008-09.

Performance of PSUs

As per the latest finalised accounts, out of 23 working PSUs, eight PSUs earned profit of Rs. 40.85 crore and 14 PSUs incurred loss of Rs. 669.47 crore. 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 State Electricity Board (Rs. 584.70 crore) and Bihar State Road Transport Corporation (Rs. 55.74 crore). Audit noticed various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State working PSUs' losses of Rs. 203.55 crore and infructuous investments of Rs. 61.26 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and enhance profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year 2008-09, all 10 accounts of the companies received qualified certificates. The compliance of companies with the Accounting Standards remained poor as there were 12 instances of non-compliance in six accounts during the year.

Arrears in accounts and winding up

23 working PSUs had arrears of accounts of 205 accounts as of 30 September 2009. The extent of arrears was one to 20 years. There were 40 non-working PSUs including 15 under liquidation.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) for 1981-82 onwards are yet to be discussed fully by COPU. These audit reports contained 103 reviews and 585 paragraphs of which 17 reviews and 374 paragraphs have been discussed as of 30 September 2009.

2. Performance Reviews relating to Government companies and Statutory corporations

Performance reviews relating to **Bihar State Tourism Development Corporation** and **Bihar State Road Transport Corporation** were conducted. Executive summary of the audit findings is given below:

Bihar State Tourism Development Corporation

The performance audit was conducted to assess the economy, efficiency and effectiveness of infrastructure projects undertaken, leased out assets, profitability of hotel operation and transport services of the Company.

Financial performance

As on 31 March 2009 the paid-up share capital of the Company was Rs. five crore with Reserves and Surplus of Rs. 4.74 crore.

The Company suffered a loss of Rs.0.43 crore on its operations during 2005-06 but posted a profit of Rs. 0.66 crore in the year 2006-07. The profit increased to Rs. 1.45 crore in 2008-09 and was mainly due to an increase in earnings from transport and ropeway unit.

Important projects, schemes, and activities

The company being a nodal agency receives fund from the Ministry of Tourism (MoT), GoI and the State Government for development of infrastructural facilities. The utilisation percentage of available funds ranged between a dismal 1.34 per cent and 23.52 per cent. Thus, despite availability of funds, the Company failed to commence projects.

Performance of hotels and other services

The targeted occupancy level of 60 per cent could not be achieved in almost all the hotels of the company during the period 2004-09. The target of occupancy was never reviewed by the Board. Further, non-achievement of the minimum targeted occupancy levels resulted in a potential loss of revenue of Rs. 5.15 crore during the period 2004-09.

Growth of tourism and share of the Company

Though tourism is recognised as an industry, the Government had not laid down any tourism policy for the State. Despite a 52.76 per cent increase in tourist inflow during 2004-05 to 2008-09, the percentage of tourists availing company's accommodation facilities remained abysmally low and stood in the range of 0.43 and 0.51 per cent for domestic tourists and 0.60 and 3.73 per cent for foreign tourists.

Poor management of lease

The Company had leased out five hotels, three restaurants and other properties like shops, youth hostels etc. The company had neither carried out any Cost-Benefit Analysis (CBA) prior to leasing out its prime properties. As many as 19 properties were leased out without entering into lease agreements.

Performance of the Transport Services

Earnings from the transport wing comprised 27.55 per cent of the total income of the company during the period 2004-09. Apart from providing its own vehicles, the company also hired vehicles from third parties on commission basis.

The transport division had been incurring losses up to 2006-07 but posted a profit of Rs. 0.40 crore during 2008-09 which was mainly attributable to the increase in business of pre-paid taxi services and chartered sale (i.e. outside vehicle).

Conclusion

Despite 30 years of its existence, the company has failed to meet the challenges and standards of the private sector. The tourist potential of the State remained largely untapped due to lack of planning and professional approach in the management of the Company.

(Chapter 2)

Bihar State Road Transport Corporation

The Bihar State Road Transport Corporation (Corporation) provides public transport in the State through its 20 depots. The Corporation had fleet strength of 414 buses as on 31 March 2009 and carried an average of 0.18 lakh passengers per day. The Corporation did not hire buses for its operations. There are about 96 per cent routes where only private operators provide the services exclusively. Pursuant to Hon'ble Supreme Court's order (January & March 98) a scheme was framed by the State Government for revival of the Corporation. The Scheme envisaged the financial package of Rs. 113 crore spread over programmes for eight years and was effective from April 1998. It stipulated, inter-alia. (i) raising on road buses to 800, (ii) retrenchment /removal of surplus staff (iii) exploring non-traffic income, and (iv) maintaining the indices of operational parameters as per norms. The State Government provided Rs. 107.35 crore upto 2004-05 for various defined purposes. However, the Corporation failed to achieve its targets under the scheme. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation did not prepare its annual accounts for the period 2003-04 onwards. As such the accumulated losses, borrowings, assets and liabilities as at 31 March 2009 could not be ascertained. However, provisional data for working results during 2004-05 to 2008-09 depicts that the Corporation suffered a loss of Rs. 80.75 crore, earned Rs. 16.92 per kilometre and spent Rs. 60.69 per Kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs.

Poor and declining service

Percentage of average passengers carried by the Corporation per day to population showed a declining trend from 0.03 (2004-07) to 0.01 (2008-09). The vehicle density of Corporation buses per lakh population declined from 0.54 in 2004-05 to 0.49 in 2008-09. This showed a very poor capacity to meet the transportation needs of the state as well as a decline in service by the Corporation. This was mainly due to its operational inefficiency leading to non-availability of adequate funds to replace/add new buses.

Vehicle profile and utilisation

Corporation buses consisted of only own fleet of 414 buses out of which 111 (26.81 per cent) were overage i.e. more than eight years old. There were no overage buses in 2004-05 due to addition of 111 new buses in the year at a cost of Rs. 12.20 crore. The acquisition was primarily funded through financial assistance received under the Scheme.

In 2008-09 the Corporation's fleet utilisation at 33.81 per cent and vehicle productivity at 237 KM per day per bus were much below the All India Average of 92 per cent and 313 KM respectively, whereas its load factor at 69 per cent was above the AIA of 63 per cent. However, the Corporation could not achieve its own targets of 71 per cent fleet utilisation, 270 KM vehicle productivity and 90 per cent load factor though the same were fixed after taking into consideration the local factors and constraints. Its 54 per cent routes were unprofitable due to high cost of operation. Corporation's performance on preventive maintenance was poor showing average delay of 3979 KMs in engine oil change and 11838 KMs in break inspection over and above the prescribed limit.

Economy in operation

Manpower and fuel constitute 51.81 per cent of total cost. Interest, depreciation and taxes account for 39.33 per cent and are not controllable in the short term. Thus, the Controllable expenditure has to come from manpower

and fuel. Though the Corporation succeeded in reducing the manpower per bus from 6.86 in 2004-05 to 5.57 in 2008-09 but manpower cost per effective KM was much higher than the AIA during 2006-09. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 8.58 crore during 2004-09.

Revenue maximisation

The Corporation did not have any Roadways Magistrate having judicial powers to impose penalties on ticketless passengers.

Corporation's staff at Headquarters conduct enroute checking of buses. During 2004-09, only 6443 checkings were conducted and Rs. 10.90 per checking was recovered from ticketless passengers which evidences inadequate and ineffective system of checking. This is one area for the Corporation to plug leakage of revenue. Further, the Corporation has about 5.95 lakh square meters of land. As it mainly utilises ground floor /land for its operation, the space above can be developed on public private partnership basis to earn steady income which can be used to cross subsidise its operations. The Corporation has framed policy in this regard but did not strive for large scale tapping of such fund.

The Corporation could not auction its over 1,000 condemned buses during 2005-09 for want of necessary directives from the Transport Department, Government of Bihar, which came in October 2009 to facilitate auction of the Corporation buses. Accordingly, the Corporation has taken up auction of buses afresh

Need for a regulator

The Corporation fixes fare under the power delegated to it by the State Government. However, there is no scientific basis for calculation of fare. No uneconomical routes have been identified by the Transport Department for the Corporation and the latter did not form norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares and specify operations on uneconomical routes.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The Corporation has a system of monthly meeting of Administrator with departmental heads, divisional managers and depot superintendents for reporting on their performances. However, the meetings were not held at regular intervals. The MIS system of the Corporation was not adequate and the monitoring by its top management of key operational parameters and service standards was largely ineffective. Despite being pointed out by the CAG, the Corporation could not remove the deficiencies with respect to maintenance of books of accounts.

Conclusion and recommendations

The Corporation is incurring losses mainly due to its high cost of operations. The Corporation can reduce its losses by generating funds through tapping non-conventional sources of revenue. This review contains five recommendations to improve the Corporation's performance viz. increasing its percentage share in passenger transport, maintaining the indices of fuel consumption, load factor, IPEKM, fleet utilisation, vehicle productivity etc. as per norms, disposing off condemned buses, considering devising a policy for tapping non-conventional sources of revenue on a large scale and considering creating a regulator to regulate fares and also services on uneconomical route

(Chapter 3)

3. Transaction audit observations

Transaction 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:

Loss of Rs. 57.18 crore in seven cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

(*Paragraphs 4.4, 4.7, 4.9, 4.10, 4.11, 4.12 and 4.13*)

Loss of Rs. 3.17crore in three cases due to non safeguarding of the financial interests of the organization.

(Paragraphs 4.1, 4.3 and 4.5)

Loss of Rs. 1.47 crore in two cases due to inadequate/ deficient monitoring.

(Paragraphs 4.2 and 4.6)

Unfruitful expenditure of Rs. 0.35 crore due to unplanned execution of works.

(Paragraph 4.8)

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

- Due to not taking timely and informed decision, **Bihar State Text Book Publishing Corporation Limited**, incurred avoidable expenditure of Rs 0.70 crore on minimum guarantee energy charge and power factor surcharge.

  (Paragraphs 4.1)

- 3115.66 quintal of food grains costing Rs 0.25 crore claimed to have been transported in **Bihar State Food and Civil Supplies Corporation Limited,** appeared false and embezzled by use of fake truck numbers.

  (Paragraph 4.2)

- Failure in finalizing the NIT for insurance in **Bihar State Hydroelectric Power Corporation Limited** led to the Company not being able to recover Rs. 2.19 crore being the sum insured and suffered a loss to that extent.

  (Paragraph 4.3)

- Non-billing under HTS supply tariff in **Bihar State Electricity Board (Board)** resulted in loss of revenue of Rs 1.85 crore during the period April 2006 to March 2009 on minimum monthly charge basis to the Board.

  (Paragraph 4.9)

- The **Board** sustained loss of revenue of Rs 9.67 crore due to delay of more than five months in filing the tariff petition.

  (Paragraph 4.11)
- Violation of specific provisions of Electricity Act, 2003 resulted in the **Board** losing revenue of Rs 29.94 crore upto March 2009 and the loss was still continuing.

  (Paragraph 4.12)
- The **Board** suffered loss of Rs. 14.78 crore due to non billing according to tariff provisions.

  (Paragraph 4.13)