

Chapter-IV

Transaction Audit Observations

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

Government companies

Bihar State Food and Civil Supplies Corporation Limited

4.1 Irregular grant to Chief Minister Relief Fund: ₹ four crore

The decision of the Company to give donation of ₹ four crore without prior approval in its general meeting, not only led to violation of the provisions of the Act but was also against the canons of financial prudence.

Section 293(1) (e) of the Companies Act, 1956 restricts the powers of the Board of Directors of a public/private company to contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees, any amount the aggregate of which within any financial year does not exceed fifty thousand rupees or five *per cent* of its average profit during the last three years, whichever is greater. Where the contribution exceeds the aforesaid limit, the same must be done with the prior consent of the Company in General Meetings.

We observed (March 2010) that Bihar State Food & Civil Supplies Corporation Limited (Company), a public limited company, contributed (August 2007) ₹ one crore (16.23 *per cent* of its average profit during the last three years) and again contributed (July 2008) ₹ three crore (60.61 *per cent* of its average profit during the last three years) to Chief Minister Relief Fund. Since the contributions exceeded the limits specified by the Act, prior consent of the Company in the general meeting was required to be obtained, but the same was not done by the Company.

Thus, the action of the Company to give donation of ₹ four crore (₹ one crore during 2007-08 and ₹ three crore during 2008-09) without prior approval in its general meeting, and in excess of five *per cent* of its average profit during the last three years was not only in violation of the Act but also against the canons of financial prudence.

The Management stated (June 2010) that ex-post facto approval under section 293 (1) (e) of the Companies Act, 1956 for payment of ₹ four crore to Chief Minister Relief Fund would be taken in the next Annual General Meeting (AGM).

The reply is not acceptable as no specific call on the Company to contribute to the Fund was found on record. Further, this issue cannot be regularised ex-post facto as all the powers under the section are exercisable only with the prior consent of the Company in general meeting.

The Company should ensure compliance with the provisions of the Companies' Act prior to making any contribution to charitable and other funds not directly relating to the business of the Company or the welfare of its employees.

The matter was reported to the Government (April 2010); its reply is still awaited (December 2010).

4.2 A Arrears in finalisation of accounts of Bihar State Food & Civil Supplies Corporation Limited

Delay in finalisation of accounts by Bihar State Food & Civil Supplies Corporation Limited may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

Section 210 of the Companies Act, 1956 read with Sections 166 and 216, requires the Board of Directors of a Company to place the Accounts of the Company along with Auditor's Report (including supplementary comments of C&AG) in the Annual General Meeting (AGM) of the shareholders within six months of the close of its financial year. Further, an Annual Report on the Government Companies is required to be placed in the Legislature as required under Section 619 A (3) of the Act. As per Section 210 (5), if any person, being a Director of a Company, fails to take all reasonable steps to comply with the provisions of Section 210, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to ten thousand rupees or with both. Similar provision exists under Section 210(6) in respect of a person who is not a Director but is charged with the duty of ensuring compliance with Section 210.

In spite of above provisions in the Companies Act, Bihar State Food & Civil Supplies Corporation Limited (Company) has not been finalising its accounts in time and there were arrears of 20 years (1989-90 to 2008-09) in finalisation of its accounts as of 31 March 2010. The Company has finalised its accounts up to 1988-89. Audit has been bringing out the arrears in finalisation of accounts to the notice of the State Government (Chief Secretary/ Principal Secretary of the Administrative Department). However, there has been no effective action to liquidate the arrears during past three years. (There were arrears of 19 years in finalisation of its accounts as of 31 March 2007). The Government has already made an investment in the Company of ₹ 125.85 crore (Equity: ₹ 5.27 crore, Loans: ₹ 120.58 crore) during the period for which the accounts have not been finalised.

The reasons for delay were not meeting the queries of Statutory auditors on the accounts by the Company. For example queries on the accounts of 1989-90 with reference to (i) Difference in the opening balance of Profit & Loss accounts as provided in the accounts of the Company (ii) unreconciled balances of Head office and units (iii) showing of Godown shortage/ Excess as assets in the accounts of the units etc. has still not been met by the Company (June 2010).

Management in its reply (August 2010) stated that delay in finalisation of accounts of the Company was mainly attributable to the non-cooperative

attitude of statutory auditors. The reply is not tenable since the Company failed to furnish certain information asked for by the statutory auditors in the absence of which they are unable to finalise their audit report.

Under such circumstances, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the funds were invested has been achieved or not and thus Government's investment in the Company remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

A fall out of Delay in finalisation of Accounts leading to deficient internal control and monitoring system resulted into non-realisation of proceeds of Bank drafts amounting to ₹ 0.24 crore is enumerated below:

B. The State Government makes district-wise allotment of wheat and rice for distribution under various schemes to the Company. The Company after receipt of advance money from the Fair Price Shop (FPS) dealers, procures foodgrains and supplies them to the dealers as per their allotment. The Company receives advance from dealers by way of Demand Drafts (DD) and deposits them in the Bank. Since the Company receives large number of DDs/Cheques, the control and monitoring mechanism in respect of deposit of these DDs/Cheques and corresponding credits in the Bank should be efficient. A proper internal control and monitoring system requires that:

1. DDs/Cheques received as payment should be entered in the prescribed Register to exercise a watch over their encashment. Immediate action should be taken for the clearance of these cheques.
2. The Management should ensure reconciliation at the end of each month. A Bank Reconciliation Statement (BRS) of remittances from and to Bank should be prepared for unadjusted items of receipts and payments. In the absence of BRS, non-accountal of remittance into Bank or forged drawals if any, from the Bank would remain undetected.

A test check of records of Bhagalpur office of the Company revealed (March 2009) that the internal control and monitoring system in respect of deposit of DDs into Banks and their corresponding credits was deficient as certain figures appearing in the Cash Book did not tally with the Bank Draft Register. The district offices of the Company were required to furnish Bank Reconciliation Statements along with bills/details to the Head Office by 20th day of the ensuing month. However, the same was not found done on regular basis. We observed that 197 Demand Drafts valuing ₹ 0.24 crore in Bhagalpur office received from the dealers were shown as deposited into Banks in March/April 2007 but the same had not been credited in the Bank account of the Company till (July 2010). On queries made by the audit (July 2010) with the Bank for above drafts, the Bank stated that after verification of Bank Statement for the next two months after the date of deposits mentioned, the same were not traceable. Efforts were not made by the division to reconcile the Bank accounts with the Cash book of division and pass the necessary adjustment in the books of accounts.

Thus, due to deficient internal control and monitoring system and non-finalisation of accounts, the Company failed to detect missing demand drafts valuing ₹ 0.24 crore. The possibility of misappropriation of these funds also cannot be ruled out.

The Management admitted the audit observation and stated (May 2009) that henceforth the issue will be taken care of. No reply was furnished regarding action taken towards missing demand drafts.

In view of this, it is recommended that the Government and the Company's Management may-

- Consider outsourcing the work of preparation of accounts to clear the arrears and
- Make a time-bound programme to clear the arrears and monitor it on a continuous basis.

For liquidation of the arrears of the accounts, the Company should furnish the relevant information asked for by the Statutory Auditors so as to enable them to finalise their Audit Report.

The matter was reported to the Government (May/June 2010); its reply is still awaited (December 2010).

Bihar State Electronics Development Corporation Limited

4.3 Non-recovery of facility management service charges from sub-lessees: ₹ 0.32 crore

Failure of the Company to enforce the clause of the agreement, led to non-recovery of Facility Management Services fee of ₹ 0.32 crore.

Bihar State Electronics Development Corporation Ltd. (Company) acquired (70,000 Sq. feet) three floors on lease in April, 2002 and another three floors in April 2005 in BISCOMAUN-Tower from Bihar State Co-operative Marketing Union Ltd (BISCOMAUN) on a monthly rental value of ₹ six per sq.ft. per month plus maintenance charge of ₹ 0.20 per sq. ft. per month for common services.

The Company developed a Software Technology Park (STP) in these leased premises and sub leased the same comprising of 45,366 sq. ft. to different companies/ institutions. Further, as the maintenance services provided by BISCOMAUN were poor, the Company stopped the monthly maintenance charge payable to BISCOMAUN (February 2007) and decided to outsource maintenance services. Accordingly, an agreement was executed (December 2008) with IL&FS Property Management & Services Ltd (IPMSL), to provide Facility Management Services in the premises of STP on a monthly charge of ₹ 0.02 crore.

We observed that charges towards maintenance services/facility management services were to be recovered from the sub-lessee as per clause-1 of the agreement signed with them at a mutually agreed rate. However, the Company failed to enforce this clause of payment of maintenance charge.

Due to failure of the Company to enforce this clause and collect mutually agreed maintenance charges from the sub lessee, the Company failed to recover facility Management Services fee of ₹ 0.32 crore paid to IPMSL.

Management stated (July 2010) that Board of Directors approved (23 September 2008) the proposal for engaging the services of M/s IPMSL for facilities Management Services at BISCOAUN-Tower at a cost of ₹ 0.02 crore per month on the pattern of old and new Secretariat. Initially, the entire cost would be borne by BSEDC Ltd. and after successful services of IPMSL the expenditure burden be loaded on the occupants in proportion of their area. The reply is not acceptable as it is not only in contravention of the terms and conditions of the agreement but it was also against the Board decision as cost was to be initially borne by the Company for a short period. However, two years have passed but no burden was loaded on the occupants in proportion of their area.

In order to safeguard of the financial interests of the Company, the Company should adhere to the provision of the agreement for recovery of mutually agreed amount from the sub lessee.

The matter was reported to the Government (May 2010); its reply is still awaited (December 2010).

Bihar State Electricity Board

4.4 Short assessment of revenue

Non billing of the consumers under High Tension Services-I category as per the provision of tariff resulted in loss of revenue of ₹ 0.82 crore.

Bihar State Electricity Board's (BSEB) tariff approved (November 2006) by Bihar Electricity Regulatory Commission (BERC), stipulates that Low Tension Supply (LTS) i.e. Non-Domestic Service (NDS)-II tariff is applicable for supply of electrical energy to non domestic consumer having sanctioned load up to 60 KW. Load of the consumers are verified/checked by the Board by conducting raid and inspection from time to time.

During the scrutiny of records of Electric Supply Division, Gaya (Rural) of the Board, we observed (September 2009) that the facility of NDS tariff was continuously allowed to four consumers¹ having actual load in excess of 60 KW (December 2006) detected during physical inspection. The consumers were directed (February 2009) by the Board after an expiry of more than two years from the date of having information regarding excess load being used by the consumers to complete the required formalities² for conversion from NDS category to HTS I category failing which the energy supply would be disconnected. But neither the consumers entered into an agreement to this effect nor the energy supply of the consumers was disconnected by Board and

¹ 1. Budhist temple (B 1797) load – 105KW, 2. Taiwan Temple (B3025) load 99 KW,
3. Bodhi Thai Bharat Society (B 3425) load 81 KW and 4. Rastrapal Mohathera (B2762) load 72 KW

² Application for conversion from NDS category to HTS category and finalisation of agreement for HTS category

the consumers were continuously billed under NDS tariff at lower rates instead of HTS-I tariff in gross violation of the provision of tariff. Thus, non billing of the above mentioned consumers under HTS-I category, applicable on the basis of connected load, as per the provision of tariff has resulted in loss of revenue of ₹ 0.82 crore.

No concrete efforts for conversion of the category of the consumers from LTS to HTS were taken by the Board.

The Board, in its reply, while accepting the audit observation in two cases³ stated (November 2010) that the amount of short-billing to the tune of ₹ 0.28 crore has been raised on the consumers. It further submitted that in remaining two cases⁴ during re-calculation, the loads of the consumers were found below 60 KW. The reply is not acceptable as the amount of short-billing charged on two consumers were not according to prescribed procedure i.e. entering into agreement etc. and recalculation done in the case of other two consumers was against the provisions of the tariff, as the load of geyser was not taken into account.

The Board needs to comply with its internal control system to monitor such lapses at Division level.

The matter was reported to the Government (April 2010); its reply is still awaited (December 2010).

4.5 Incorrect Categorisation

Due to incorrect categorisation of the consumers, the Board failed to realise ₹ 0.52 crore.

The Bihar State Electricity Board (Board) issued notification⁵ that the consumers in rural areas, who were being fed from Urban/ Town feeders were to be categorised under Domestic Services (DS-II) and Non-Domestic Service (NDS-II) for domestic and commercial use respectively.

It was noticed in audit that in three⁶ Electricity Supply Divisions, rural consumers receiving supply from Urban/Town feeders from April 2006 to May 2010 were wrongly categorised as DS-I and NDS-I attracting lower tariff than the DS-II and NDS-II consumers and were also billed accordingly. These consumers should have been billed under DS-II and NDS-II categories for either energy consumed as per meter reading or minimum 40 units per month (being the monthly minimum charge for a load up to 1 Kilo Watt (KW) in case of defective/ damaged/ burnt meters) as per the provisions of the tariff. We observed that due to non reconciliation of the consumer ledger with the records relating to feeder, though available in the divisions, billing was not done in accordance with the provisions of the tariff.

³ Buddhist temple and Rastrapal Mohathera

⁴ Taiwan Temple and Bodhi Thai Bharat Society

⁵ Tariff issued in 2001, 2006 and 2008

⁶ Sitamarhi, Munger and Buxar

Thus the Board charged ₹ 1.22 crore instead of ₹ 1.74 crore during the above mentioned period and suffered a loss of ₹ 0.52 crore due to incorrect categorisation of the consumers.

The Board in its reply (July & August 2010) admitted the facts and figures and stated that in respect of two⁷ Divisions the amount of short billing has been raised on the consumers and recovery process has been initiated. In respect of Electricity Supply Divisions, Munger, the Board stated that there was a single feeder in Jamalpur and electricity was being fed to the rural as well as urban areas from the same feeder and as such Jamalpur feeder was not an urban feeder. The reply was not acceptable since the records revealed that Jamalpur feeder was an urban feeder.

The fact remains that irregularities regarding non reconciliation of the consumer ledger with the records relating to feeder, though available in the divisions, still persists and billing were accordingly continued till date (October 2010).

The Board needs to comply with its internal control system to monitor such lapses at Division level.

The matter was reported to the Government (April 2010); its reply is still awaited (December 2010).

4.6 Unnecessary Purchase of cable

Unnecessary Purchase of under ground cable resulted in blocking of ₹ 3.35 crore and consequential loss of interest of ₹ 1.41 crore.

According to Finance and Accounts code (chapter-VII) of Bihar State Electricity Board (Board), stores for construction work including extensions, renewals and replacement should be purchased on the basis of construction programmes. After approval of the construction programmes, material budget is prepared on the basis of requirements received from the concerned wing of the Board Head Quarters and field units for capital works and deposit works respectively. Materials are purchased by the Stores & Purchase wing according to the approved material Budget.

At the instance of Member (D & RE), requirement of 33 KV and 11 KV [XLPE]⁸ under-ground cable was called for from the field units (November 2006). On the basis of requirements received from the field units, the Board placed two purchase orders⁹ for purchase of 18 km 11 KV (3x400 mm² size) and 14 Km 33 KV (3x400 mm² size) of [XLPE] under-ground cable during August 2007 at a landed cost of ₹ 5.39 crore. These were to be utilized for laying cables in PESU region and railway crossing in Electricity Supply Area Magadh, Central, Tirhut, Mithila, Koshi and Bhagalpur. The supplier supplied 31.841 km cable during November 2007 to January 2008. The materials supplied were guaranteed against defective materials, bad workmanship and unsatisfactory performance for a period of 24 months from the date of delivery and 18 month from the date of commissioning, whichever was earlier.

⁷ Sitamarhi and Buxar.

⁸ XLPE is Cross Linked Poly Ethylene, a quality of underground cable.

⁹ P.O.No -35 dated 24.8.07 and P.O. No. 36 dated 24.8.07

Out of total cable purchased, the Board utilised only 10.697 km cable for laying up to October 2010. The balance 21.144 km cable valuing ₹ 3.35 crore was lying unutilised (November 2010) for which there was no immediate programme for utilisation. This led to blocking up of Board's fund amounting to ₹ 3.35 crore together with a consequent loss of interest of ₹ 1.41 crore calculated at the rate of 13 *per cent* per annum for 34 months (from January 2008 to October 2010). Besides, the guarantee period of the material also expired in December 2009.

Thus, due to procurement of materials in excess of requirement in violation of provisions of Finance and Accounts code, fund of ₹ 3.35 crore remained blocked and there was a consequential loss of interest of ₹ 1.41 crore. Investment in purchase without requirement led to added pressure on working capital and the Board had to pay interest on cost of purchase of power.

The Board stated (August 2010) that there was bulk requirement of 33 KV and 11 KV underground cable for the work to be taken up under deposit heads as well as capital works like Chanakya Law University, widening of roads etc. The reply was not tenable as purpose shown in the reply did not match with the purpose indicated in the requirement sent by the units prior to the purchase of the cables. This indicated that the materials were purchased without requirement and the purpose shown in the reply is an afterthought. Thus, procurement of underground cables without any proper planning resulted in blocking of fund of ₹ 3.35 crore and loss of interest of ₹ 1.41 crore.

It is recommended that the materials should be procured in terms of the Finance and Accounts code to avoid such idle investment and purchases should be made only after evaluating the requirements submitted by the field offices.

The matter was reported to the Government (April 2010); its reply is still awaited (December 2010).

4.7 Non-realisation of increased power purchase cost

Delay in filing tariff petition with Bihar Electricity regulatory commission resulted in blocking of fund of ₹ 173.97 crore and loss of interest of ₹ 26.10 crore for 10 months and recurring loss of interest of ₹ 2.61 crore per month.

The Electricity Tariff effective from September 2008 onwards was approved by the Bihar Electricity Regulatory Commission (BERC) in August 2008. While approving the tariff, the BERC, in its tariff order, also approved Fuel and Power Purchase Adjustment Formula. According to the formula, the increase in power purchase cost was recoverable from consumers (except agriculture and Kutir Joyti categories). The Board had to review the purchase cost after every six months from the date of approval of the tariff and in case of increase of more than five Paise per unit in purchase of power, the Board had to submit a claim with the BERC for recovery from the consumers. Thus, the Board had to review the purchase cost of power from September 2008 to February 2009 and submit to the BERC the claim for recovery from consumers in March 2009.

We observed (June 2010) that the Board reviewed the purchase cost of power pertaining to the period September 2008 to February 2009 during the period April 2009 to December 2009 and submitted claim of ₹ 0.69 per unit sold to the consumers except Kutir Jyoti and Agriculture categories to BERC in December 2009 after delay of seven¹⁰ months. The BERC approved the proposal of the Board and ordered (March 2010) to recover from the consumers, ₹ 173.97 crore, as the arrear at the rate of 69 paise per unit sold. The Principal Secretary, Energy Department, Government of Bihar, directed the Board verbally during the meeting (May 2010) to submit proposal for grant of subsidy from the State Government instead of implementing the order of Commission to recover the same from the consumers. Accordingly, the Board submitted a claim of ₹ 173.97 crore to the Government and kept the order of the Commission unimplemented. But neither any amount has been provided by the Government nor any instruction has been received from the Government in this respect. According to Section 62 of the Electricity Act'2003, direction of the State Government was operative only after payment of the required amount in advance. As the amount was not made available in advance by the Government, the direction of the Government to defer the recovery from consumers was irregular. Thus, violation of Section 62 of the Act by the Board resulted in blocking of fund of ₹ 173.97 crore and loss of interest of ₹ 26.10 crore for 10¹¹ months.

The Board in its reply (August 2010) while admitting the delay in submission of Fuel and Power Purchase Cost Adjustment(FPCCA) proposal and non-realisation of FPCCA charges from the consumers stated that a claim of ₹ 256.77 crore for the period October 2008 to March 2009 and April 2009 to September 2009 has been submitted to the Government of Bihar for sanction of grant to compensate the losses incurred by the Board due to non-realisation of FPCCA charges from domestic and non-domestic category of consumers. Further, field offices have been instructed to recover FPCCA charges for the said period from industrial and high rated consumers along with the energy bill of July 2010 in six instalments as per the orders of BERC. The reply was not tenable since increase in power purchase cost as per the orders of BERC should have been recovered from domestic and non-domestic category of consumers as well and the fact remains that even after an expiry of one year the amount of claim to the tune of ₹ 173.97 crore is still recoverable and the Board continues suffering loss of interest of ₹ 2.61 crore per month thereon.

The Board should claim the FPCCA according to the orders of the BERC and ensure compliance with the provisions of the Electricity Act'2003 as well.

The matter was reported to the Government (July 2010); its reply is still awaited (December 2010).

¹⁰ As the BERC considered and approved recovery of increased cost up to March 2009, delay has been taken from May to November 2009.

¹¹ On account of delay in initiation of the claim by the Board (May to November 2009) and thereafter (i.e. from April to June 2010).

4.8 Short assessment of revenue

Non-adherence to the tariff provisions led to loss of revenue of ₹ 5.21 crore.

Bihar State Electricity Board's (Board) circular No. 477 dated 29.10. 2002 read with Tariff 2006 and 2008 stipulates that the transformer capacity of High Tension (HT) and Extra High Tension (EHT) consumers shall not be more than 150 *per cent* of their contracted demand. As regards the adequacy of the transformers, para 6.24 of Bihar Electricity Supply Code 2007 as approved by the Bihar Electricity Regulatory Commission, Patna provides that before transformer, switchgear or other electrical equipment in the case of high-tension consumer is connected to the system, it shall be subject to inspection and approval of the licensee (i.e. Board) and no connection shall be made without the licensee's approval. In addition, all high-tension installations will have to be approved by the Electrical Inspector. Para 8-A and 8-D of the Modified Terms and Conditions of Supply Notification (October 2002) further stipulates that, when a consumer is found to be using a transformer of higher capacity than admissible for his contracted demand, the compensation payable by the consumer should be assessed based on 2/3rd of the capacity of the installed transformer as contracted demand of the consumer for the entire such period 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.

We observed (August 2009 to January 2010) that three HT consumers in three Circles i.e. Gaya, Ara and Motihari were found¹² to be using transformers of higher than capacity approved by the Board. But no notice was issued by the Board to these consumers to either replace the transformers with transformers of appropriate capacity or enter into an agreement for enhanced load. Further, these consumers have not been billed as per the prevailing tariff¹³ and orders of the Board. As a result, the Board was deprived of revenue of ₹ 5.21 crore during the period October 2004 to May 2010.

Thus, non-adherence to the tariff provisions, non-observance of control/monitoring mechanism with respect to the adequacy of transformers as well as compliance failure at the level of the Board led to such abnormalities being undetected at the time of installation thereby resulting into a loss of revenue of ₹ 5.21 crore to the Board.

The Board should strengthen its internal control mechanisms to avoid such loss in near future.

The matter was reported to the Board/Government (May 2010), their replies are still awaited (December 2010).

¹² Found by the Board (Electrical Supply Circle, Gaya – August 2006, Electrical Supply Circle, Ara-October 2004 & Electrical Supply Circle, Motihari – March 2008.

¹³ BSEB tariff 1993, BERC tariff order 2006-07, BERC tariff Order 2008-09.

4.9 Unfruitful expenditure

Unfruitful expenditure of ₹ 2.90 crore and interest liability of ₹ 1.50 crore in purchase of truck mounted hydraulic cranes.

Before procurement of equipment proper planning including feasibility study, scope of utilisation etc. was required to be done. On the proposal of Bihar State Electricity Board (Board) for strengthening the distribution system, the Government of Bihar sanctioned (March 2006 and January 2007) loan of ₹ 2.75 crore for purchase of 14 truck mounted hydraulic cranes (crane) for 11 circles. The purpose of the crane was to attend to breakdowns and fuse calls without delay. According to the loan sanction letter, the Board was to repay the principal and interest (at the rate of 13 *per cent*) thereon in 10 equal instalments after one year of release of loan amount. In case of delay in repayment, penal interest at 2.5 *per cent* was also payable.

Based on the Board's (June 2006) tenders proceedings, two purchase orders were placed (June 2007) on M/s EICHER MOTORS, New Delhi (Supplier-I) and M/s Liftmak Udyog Pvt. Ltd (Supplier-II) for supply of 14 numbers EICHER 11.10 H cabin & chassis and Truck mounted cranes respectively. The total cost of 14 truck mounted crane worked out to ₹ 3.76 crore. Against purchase order of 14 number, the Board procured 11 truck mounted cranes for nine circles during October 2007 to September 2008 for which payment of ₹ 2.90 crore (including ₹ 15,71,990 from internal resources) was made by the Board.

Scrutiny of records of these nine Circles revealed that all the eleven truck mounted cranes were lying unutilised (March 2010). The Board had not taken any action for utilising these cranes. The reasons for non-utilization as analyzed in audit were delay in registration, non-availability of trained staff for operating the crane, inadequate wide and poor roads. It was further revealed that before submitting the plan to the Government and procurement of crane no feasibility study for utilisation of the crane in the prevailing physical condition in the area of consumers was done by the Board.

Thus, due to lack of planning in purchase and lack of vision in the project, the investment in procurement of 11 truck mounted cranes amounting to ₹ 2.90 crore became unfruitful on which the Board had incurred avoidable interest liability of ₹ 1.50 crore (April 2010). Besides this, the guarantee period of 18 months from the date of commissioning of the crane has also lapsed.

The Board in its reply stated (November 2010) that delay in registration was due to delay in obtaining no objection certificate from the Commercial Taxes Department but there was no mention in the reply regarding non-utilisation for the purpose for which the cranes were procured.

The matter was reported to the Government (June 2010); its reply is still awaited (December 2010).

4.10 Non-realisation of objectives

Non-realisation of objectives of rehabilitation of Jandaha Power Sub-Station even after spending ₹ 0.55 crore.

The work of rehabilitation of 33 KV Jandaha Power Sub-Station (JPSS) under the Electric Supply Division, Hazipur of Bihar State Electricity Board (Board) was completed by Power Grid Corporation of India Limited (PGCIL) in March 2006 at a cost of ₹ 0.37 crore, excluding the cost of power transformer (₹ 0.18 crore) supplied by the Board under Accelerated Power Development and Reforms Programme (APDRP). However the completion of the 33 KV Mahnar-Jandaha line given to PGCIL under Rural electrification programme of Vaishali District was delayed till September 2009 (15.09.09) due to which this PSS could not be energized. In this connection audit observed that:

- Though the PSS rehabilitation works were completed and tested in March 2006, it remained idle for almost three and a half years for want of a 33 KV working line required for transmitting the power.
- The PSS remained energised only for 21 days between 16 September 2009 to 15 October 2009 (i.e 9 days between 16 September 2009 and 24 September 2009 and 12 days between 4 October 2009 and 15 October 2009) and has remained shut down till date (October 2010) since then due to theft of conductor in 33 KV line even after completion.
- PSS was out of order due to theft of conductor in 33 KV line since long. So, arrangement of rerouting the 33 KV line to a safe location/ along the road was required to be envisaged at the time of construction of line for avoiding/minimising the chances of theft, which was envisaged by the Board only in August 2009. Had the Board envisaged rerouting of 33 KV line at the time of construction of the said line itself, theft could have been avoided/minimised and the PSS could have been functional.

The Board in its reply (September 2010) accepted the fact and stated that due to some mismatch in the completion of two schemes, multiple thefts in Jandaha PSS and 33 KV Mahanar- Jandaha line, the PSS could not continue in service.

Thus, due to improper planning, expenditure of ₹ 0.55 crore incurred on rehabilitation of the PSS remained unfruitful and the Board failed to attain the objectives for which the said expenditure was incurred.

The matter was reported to the Government (June 2010), its reply is still awaited (December 2010).

GENERAL

4.11 Response to inspection reports, draft paragraphs and reviews

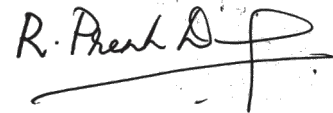
Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through Inspection Reports (IRs). The heads of the PSUs are required to furnish replies to the IRs through respective heads of departments

within a period of six weeks. IRs issued up to March 2010 pertaining to 19 PSUs disclosed that 1291 paragraphs relating to 510 inspection reports remained outstanding at the end of September 2010. These outstanding inspection report paragraphs had not been replied to for one to five years. Department-wise break-up of IRs and audit observations outstanding as on 30 September 2010 is 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 two reviews and 11 draft paragraphs forwarded to the various departments during April to November 2010 as detailed in *Annexure -21* were awaited.

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

Patna
The



(PREMAN DINARAJ)

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