

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 a commercial nature while keeping in view the welfare of the people. In Bihar, the State working PSUs registered a Turnover of ₹ 4031.46 crore for 2010-11 as per their latest finalised accounts as of September 2011. This Turnover was equal to 1.89 *per cent* of the State Gross Domestic Product (GDP) for 2010-11. The major activities of State PSUs are concentrated in Power, Finance and Other Sectors. The State PSUs incurred a Loss of ₹ 1317.93 crore in the aggregate for 2010-11 as per their latest finalised accounts. They had 0.19 lakh¹ employees as of 31 March 2011. The State PSUs do not include seven Departmental Undertakings (DUs), which carry out commercial operations but were a part of the Government departments. Audit findings of these DUs are incorporated in the Audit Report (Civil) for the State.

1.2 As on 31 March 2011, there were 65 PSUs as *per* the details given below and none of them was listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ²	Total
Government companies ³	21	40	61
Statutory corporations	4	-	4
Total	25	40	65

1.3 During the year 2010-11, one PSU viz. Bihar State Educational Infrastructure Development Corporation Limited was established and one PSU viz. Bihar Air Products Limited (619-B Company) had changed its status as non-Government Company.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617 of the Act, 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, 1956.

¹ As per the details provided by 22 PSUs.

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

³ Includes 619-B Companies.

1.5 The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by Comptroller & Auditor General of India (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 the Bihar State Electricity Board (BSEB) and Bihar State Road Transport Corporation (BSRTC). In respect of Bihar State Warehousing Corporation (BSWC) and Bihar State Financial Corporation (BSFC), the audit is conducted by Chartered Accountants and by CAG.

Investment in State PSUs

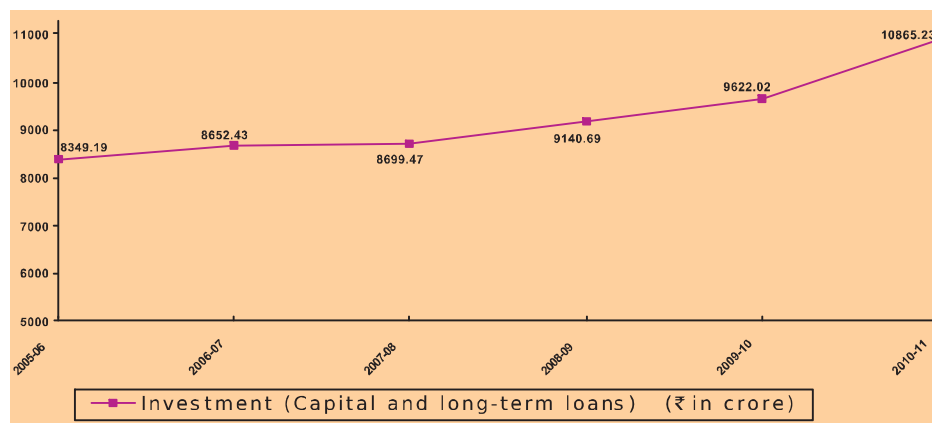
1.7 As on 31 March 2011, the investment (capital and long-term loans) in State PSUs (including deemed Government companies) was ₹ 10865.23 crore as per details given below:

(₹ in crore)

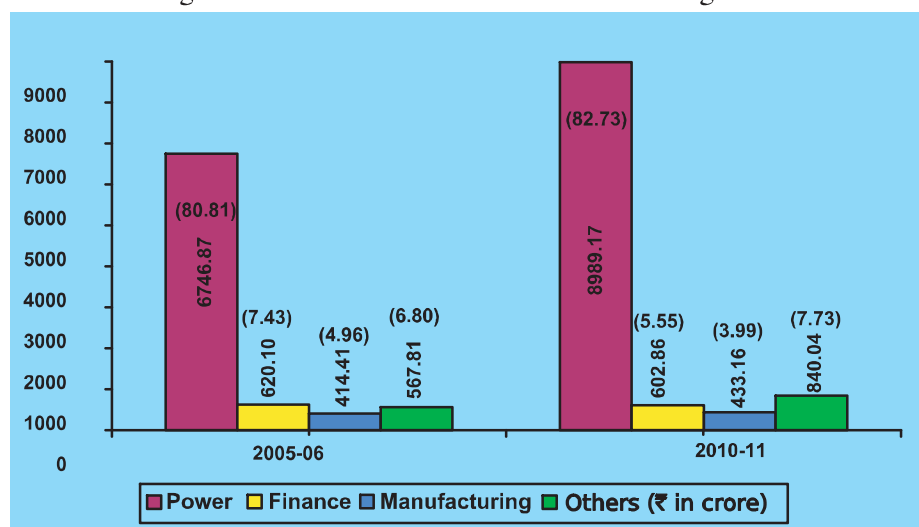
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	255.40	551.42	806.82	185.53	9140.93	9326.46	10133.28
Non-working PSUs	183.97	547.98	731.95	-	-	-	731.95
Total	439.37	1099.40	1538.77	185.53	9140.93	9326.46	10865.23

A summarised position of Government investment in State PSUs is detailed in *Annexure- 1*.

1.8 As on 31 March 2011, of the total investment in State PSUs, 93.26 per cent was in working PSUs and the remaining 6.74 per cent in non-working PSUs. This total investment consisted of 5.75 per cent towards capital and 94.25 per cent in long-term loans. This investment has grown by 30.14 per cent from ₹ 8349.19 crore in 2005-06 to ₹ 10865.23 crore in 2010-11 as shown in the graph below:



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The thrust of PSU investment was mainly on the Power sector during the past six years which increased by 33.23 per cent from ₹ 6746.87 crore in 2005-06 to ₹ 8989.17 crore in 2010-11 due to loan extended to BSEB by State Government/Central Government/Others. However, the investment in other sectors had increased by 47.94 per cent in 2010-11 as compared to 2005-06. There was marginal increase in investment in manufacturing sector also.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

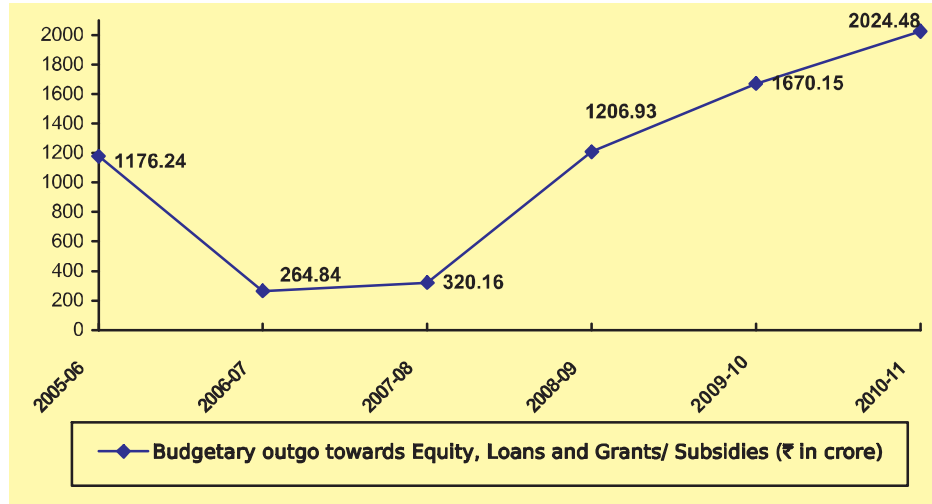
1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Annexure-3*. The summarised details are given below for three years ended 2010-11.

(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	1.56	3	26.00	3	41.29
2.	Loans outgo from budget	4	469.63	3	770.36	3	879.69
3.	Grants/Subsidy outgo	3	735.74	3	873.79	3	1103.50
4.	Total outgo ⁴	9	1206.93	8	1670.15	7	2024.48
5.	Interest/Penal interest written off	1	11.56	1	0.12	-	-
6.	Guarantees issued	2	104.47	-	-	1	194.58
7.	Guarantee Commitment	1	157.51	1	44.15	1	31.85

⁴ Total outgo represents the total budgetary support to actual number of companies in form of equity, loans & grant/subsidy during the year.

1.11 The details regarding budgetary outgo towards Equity, Loans and Grants/ Subsidies for past six years are given in a graph below.



The budgetary support in the form of Equity, Loans and Grants/ Subsidies by the State Government during the years 2005-06 to 2010-11 had been showing a varying trend. The budgetary support increased from ₹ 1206.93 crore in 2008-09 to ₹ 2024.48 crore in 2010-11. During the year 2010-11, three⁵ working PSUs, received a total Subsidy of ₹ 1103.50 crore (54.51 per cent of the total budgetary support), out of which BSEB received a Subsidy of ₹ 1080.00 crore from the State Government. At the end of the year, Guarantees on Loans aggregating ₹ 253.05 crore were outstanding against four⁶ PSUs. Guarantee commission of ₹ 37.58 lakh was payable by two⁷ 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 2011 is stated below.

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts ⁸	Amount as per records of PSUs	Difference
Equity	465.41	518.53	53.12
Loans	14015.46	9406.93	4608.53
Guarantees	754.92	253.05	501.87

⁵ Bihar Rajya Beej Nigam Limited, Bihar State Electricity Board and Bihar State Hydro Electric Power Corporation Ltd.

⁶ Bihar State Backward Classes Finance & Development Corporation, Bihar State Minorities Finance Corporation Ltd., Bihar State Electricity Board and Bihar State Financial Corporation.

⁷ Bihar State Road Transport Corporation and Bihar State Financial Corporation.

⁸ The information is in respect of 39 PSUs as appearing in Finance Accounts.

1.13 We observed that differences occurred in respect of 45 PSUs except in Bihar State Road Development Corporation Limited and Bihar State Educational Infrastructure Development Corporation Limited. The Principal Accountant General had taken up (October 2011) the issue with the Chief Secretary and the Finance Secretary of the Government to reconcile the differences after examination. This was not done. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

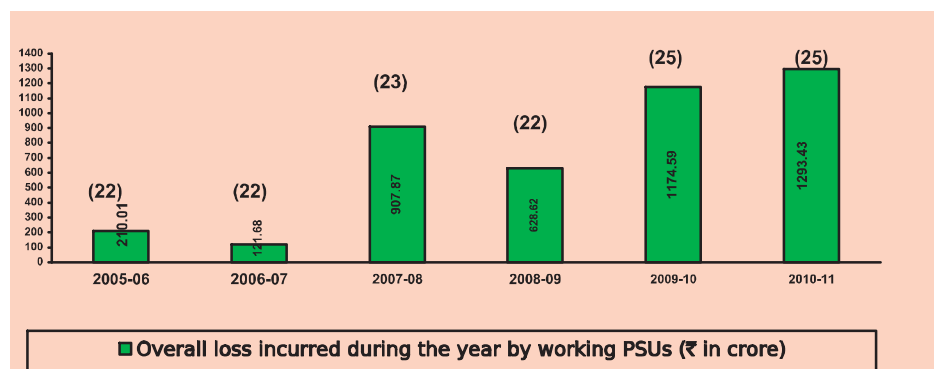
1.14 The financial results of all PSUs, financial position and working results of working Statutory Corporations are detailed in *Annexure- 2, 5 and 6* respectively. A ratio of PSUs turnover to State GDP shows the minor role of PSUs contribution in the State Economy. Table below provides the details of working PSUs' Turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover ⁹	1202.49	1337.29	1587.96	1996.59	2508.83	4031.46
State GDP ¹⁰	83549	103317	118687	150709	175245	213073
Percentage of Turnover to State GDP	1.44	1.29	1.34	1.32	1.43	1.89

The percentage of Turnover of PSUs to the State GDP remained stagnant between 1.29 *per cent* and 1.43 *per cent* during 2006-07 to 2009-10 which had increased to 1.89 *per cent* in 2010-11. This was mainly due to increase in Turnover of seven¹¹ PSUs during 2010-11.

1.15 Losses incurred by working PSUs during 2005-06 to 2010-11 are given below in a bar chart.



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

As per latest finalised accounts, out of 25 working PSUs, 10 PSUs earned Profit of ₹ 89.80 crore and 11 PSUs incurred Loss of ₹ 1383.23 crore. Two

⁹ Turnover as per the latest finalised accounts as of 30 September.

¹⁰ Figures of State GDP at current price, 2009-10 (provisional), 2010-11 (quick estimates).

¹¹ Seven companies viz. Bihar Rajya Pul Nirman Nigam Ltd., Bihar State Road Development Corporation Ltd., Bihar State Electronics Development Corporation Ltd., Bihar State Beverages Corporation Ltd., Bihar State Hydro Electric Corporation Ltd., B.S.E.B. & Bihar State Warehousing Corporation as per latest finalised accounts.

companies had very meager Profit/Loss less than ₹ one lakh which have not been considered. The major contributors to Profit were Bihar Rajya Pul Nirman Nigam Limited(₹ 45.08 crore) and Bihar State Road Development Corporation Limited (₹ 23.99 crore). The above included heavy Losses incurred by BSEB (₹ 1294.98 crore) and BSRTC (₹ 55.74 crore) as per their latest finalised accounts for the years 2010 -11 and 2002-03 respectively. Two¹² companies did not finalise their first accounts so far.

1.16 The Losses of PSUs were mainly attributable to deficiencies in financial management, planning, implementation of their activities, their operations and monitoring. A review of latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ₹ 1539.24 crore and infructuous investment of ₹ 28.94 crore. Year-wise details from Audit Reports are stated below:

Particulars	(₹ in crore)			
	2008-09	2009-10	2010-11	Total
Net Loss	628.62	1174.59	1293.43	3096.64
Controllable losses as per CAG's Audit Report	104.60	33.21	1539.24	1677.05
Infructuous Investment	0.35	3.45	28.94	32.74

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 could be much more. The above table indicates the need for effective management and control and ensuring accountability in the functioning of PSUs.

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

Particulars	(₹ in crore)					
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (<i>Per cent</i>)	16.94	17.68	Nil	7.44	Nil ¹³	Nil
Debt	7724.63	8012.25	8152.92	8614.53	9037.60	10240.33
Turnover ¹⁴	1202.49	1337.29	1587.96	1996.59	2508.83	4031.46
Debt/ Turnover Ratio ¹⁵	6.42:1	5.99:1	5.13:1	4.33:1	3.60:1	2.54:1
Interest Payments	301.93	613.25	924.16	918.70	991.72	1243.70
Accumulated Losses	1584.62	1686.94	2956.74	3593.15	4617.88	7212.86

(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 2011, the Return on Capital Employed of all PSUs decreased from 17.68 *per cent* in 2006-07 to negative return of 1.32 *per cent* in 2010-11. However, there was improvement in Debt/Turnover Ratio from 5.99:1 in 2006-07 to 2.54:1 in

¹² Bihar State Building Construction Corporation Ltd. & Bihar State Educational Infrastructure Development Corporation Ltd.

¹³ Nil indicates the negative return on Capital Employed.

¹⁴ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011.

¹⁵ Debt / Turnover Ratio represents Debt divided by Turnover.

2010-11 due to increase in Turnover.

1.20 The State Government had not formulated any Dividend Policy under which all PSUs are required to pay a minimum Dividend. As per their latest finalised accounts, eleven PSUs earned an aggregate Profit of ₹ 89.80 crore but did not declare any Dividend so far.

Arrears in finalisation of accounts

1.21 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 2011:

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	23	22	23	25	25
2.	Number of accounts finalised during the year	20	13	15	17	34
3.	Number of accounts in arrears	201	197	205	213	186 ¹⁶
4.	Average arrears per PSU (3/1)	8.74	8.95	8.91	8.52	7.44
5.	Number of Working PSUs with arrears in accounts	23	22	23	25	23
6.	Extent of arrears (years)	1 to 19	1 to 19	1 to 20	1 to 21	1 to 21

1.22 Out of 25 working PSUs including four Statutory corporations, except BSEB, no PSU had finalised/submitted its accounts for the year 2010-11 as of 30 September 2011. The audit of Accounts of BSEB for the year 2010-11 was in progress. The Accounts of 23 PSUs were in arrears for periods ranging from one to 21 years. The Average of arrears per PSU had shown marginal decrease from 8.74 per PSU in 2006-07 to 7.44 per PSU in 2010-11. The reasons for arrears in Accounts were delays in preparation/certification of Accounts, delays in holding of Annual General Meeting and shortage of manpower.

1.23 In addition to above, there were also arrears in finalisation of Accounts by non-working PSUs. Out of 40 non-working PSUs, seven were in the process of liquidation as of 31 March 2011. Of the remaining 33 non-working PSUs, the extent of arrears of accounts was from 16 to 34 years.

1.24 The State Government had invested ₹ 3856.58 crore (Equity: ₹ 119.89 crore, Loans: ₹ 2296.48 crore, Grants: ₹ 1171.76 crore and others:

¹⁶ Arrear of accounts in respect of Bihar State Educational Infrastructure Development Corporation Ltd. has not been considered. Further the arrears in respect of Bihar Air Products Limited has been excluded due to change in the status of the Company as non-Government Company.

₹ 268.45 crore) in 29 PSUs during the years for which Accounts had not been finalised as detailed in *Annexure- 4*. In the absence of finalised Accounts and their subsequent audit, it could not be ensured whether the Investments and Expenditure incurred had been properly accounted for and the purpose for which the amount was invested had been achieved. Thus, Government’s Investment in such PSUs remained 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.

1.25 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. The Principal Accountant General brought the position of arrears of Accounts to the notice of the concerned administrative departments and officials of the Government. No significant remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit.

1.26 In view of above state of arrears, it is recommended that the Government should expedite the clearance of arrears in finalisation of Accounts and monitor the timely finalisation of Accounts in conformity with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.27 There were 40 non-working PSUs (all companies) as on 31 March 2011. Of these, seven PSUs were under liquidation process as on 31 March 2011.

The non-working PSUs are required to be closed down as their continuance is not going to serve any purpose. During 2010-11, one¹⁷ non -working PSU incurred an expenditure of ₹ 0.14 crore towards salary, wages, establishment expenditure, etc.

1.28 The stages of closure in respect of non-working PSUs as on 31 March 2011 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)	3 ¹⁸	-	3
(b)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	4 ¹⁹	-	4

¹⁷ Bihar State Fruits & Vegetables Development Corporation Limited

¹⁸ Kumardhubi Metal Casting & Engineering Ltd., Bihar State Leather Industries Development Corporation Ltd. and Bihar State Finished Leathers Corporation Ltd.

¹⁹ Bihar State Handloom & Handicrafts Corporation Ltd., Bihar State Small Industries Corporation Ltd., Bihar State Pharmaceuticals & Chemicals Development Corporation Ltd. & Bihar State Textiles Corporation Ltd.

1.29 During the year 2010-11, no PSUs were 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 11 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. In view of the above, it is recommended that the Government should take a decision regarding winding up of remaining 33 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Accounts Comments and Internal Audit

1.30 11 working companies forwarded their 30 audited accounts to the Principal Accountant General during the year 2010-11. Of these, 12 accounts of seven companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicated that the quality of maintenance of accounts needs to be improved substantially. The details of Aggregate Monetary implications of comments of statutory auditors and CAG are given below.

(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in Profit	-	-	2	1.71	4	5.59
2.	Increase in Loss	2	4.31	10	16.63	9	17.17
3.	Non-disclosure of material facts	1	10.02	1	0.15	Nil	Nil
4.	Errors of classification	2	7.87	Nil	Nil	Nil	Nil

1.31 During the year 2010-11, all 30 accounts received had been given qualified certificates. The compliances by companies with the Accounting Standards remained poor as there were 26 instances of non-compliance in 16 accounts²⁰ during the year.

1.32 Some of the important comments in respect of accounts of companies are stated below:

Bihar State Credit & Investment Corporation Limited (2003-04)

- Non-provision for diminution in the value of investment resulted in overstatement of investment and understatement of loss by ₹ 1.13 crore.

Bihar Rajya Pul Nirman Nigam Limited (2006-07)

- Non-charging/undercharging of depreciation on staging & shuttering resulted in understatement of depreciation and overstatement of profit by ₹ one crore.

²⁰ Bihar State Road Development Corporation Ltd. (2009-10), Bihar Rajya Pul Nirman Nigam Ltd.(2004-05),(2006-07) and (2007-08), Bihar State Electronics Development Corporation Ltd.(2003-04 to 2009 -10), Bihar State Tourism Development Corpn. Ltd. (1998-99), Bihar State Industrial Credit & Investment Corporation Ltd. (2003-04), Bihar State Food & Civil Supplies Corporation Ltd. (1989-90), Bihar State Hydro Electric Power Corporation Ltd. (1996-97) and Bihar State Financial Corporation (2009-10).

Bihar State Electronics Development Corporation Limited (2009-10)

- Non-provision of debts outstanding since long and doubtful of recovery resulted in overstatement of sundry debtors and profit by ₹ 1.08 crore

1.33 Similarly, three working Statutory corporations forwarded four accounts to PAG during the year 2010-11. The accounts of Bihar State Financial Corporation, Bihar State Warehousing Corporation and Bihar State Electricity Board were selected for audit. Out of these the Accounts of BSEB for the year 2010-11 was in the process of audit as on 30 September 2011. The audit reports of Statutory Auditors and the audit of CAG indicate that the quality of maintenance of Accounts needs to be improved substantially. The details of Aggregate Monetary implications of comments of statutory auditors and CAG are given below.

(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	14.61	1	1.74	2	17.34
2.	Increase in loss	3	562.74	2	3475.34	2	9267.22
3.	Non-disclosure of material facts	2	12.08	1	7.08	Nil	Nil
4.	Errors of classification	3	67.67	1	2.47	1	7.85

1.34 Some of the important comments in respect of accounts of statutory corporations finalized during the year 2010-11 are stated below.

Bihar State Electricity Board (2009-10)

- Non provision for the assets lost in theft, being carried forward in the Accounts since long period which resulted in understatement of Loss by ₹ 3.25 crore.
- Receivables against supply of power included a sum of ₹ 7.17 crore receivable from the consumers without issuing proper bill resulted in overstatement of Current Assets and understatement of Loss by ₹ 7.17 crore
- Non-provision for inter unit transactions, being carried forward in the accounts since long period resulted in understatement of loss by ₹ 239.26 crore.
- Non-writing off the railway credit suspense account, being carried forward in the accounts of Barauni Thermal Power Station since long period resulted in understatement of Loss by ₹ 3.67 crore.
- Subsidy receivable from Government includes a sum of ₹ 4315.65 crore being the amount of annual subsidy for the period 2001-2006, neither claimed by the Board nor agreed to by the State Government resulted in overstatement of Subsidy receivable from Government and understatement of Loss by ₹ 4315.65 crore.

- Non-provision for amount of Interest payable as Un-scheduled Interchange charges for purchase of power resulted in understatement of Current Liabilities and Loss by ₹ 10.67 crore.

Bihar State Warehousing Corporation (2008-09)

- Short provision for Doubtful Debts resulted in overstatement of Sundry Debtors and Profit to the extent of ₹ 2.14 crore.

Bihar State Financial Corporation (2009-10)

- Non-provision of Liability for interest on Government funds and showing them as Contingent Liability resulted in understatement of Interest cost and overstatement of Profit by ₹ 14.65 crore.

1.35 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal controls/ internal audit systems in the companies that are audited by them in accordance with the directions issued by the CAG under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of important comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control systems in respect of nine companies²¹ for the year 2009-10 and 10 companies²² for the year 2010-11 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	04	A-3, A-9, A-11, A-13
2.	Absence of internal audit system commensurate with the nature and size of business of the company	09	A-3, A-8, A-9, A-11, A-12, A-13, A-15, A-18, A-19
3.	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	05	A-4, A-8, A-11, A-13, A-19

²¹ Bihar State Credit & Investment Corporation Ltd., Bihar State Minorities Finance Corporation Ltd., Bihar Police Building Construction Corporation Ltd., Bihar State Road Development Corporation Ltd., Bihar State Electronics Development Corporation Ltd., Bihar State Food & Civil Supplies Corporation Ltd., Bihar State Agro Industries Development Corporation Ltd., Bihar State Fruit & Vegetables Development Corporation Ltd. & Bihar State Industrial Development Corporation Ltd.

²² SCADA Agro Business Co. Ltd., Bihar State Credit & Investment Corporation Ltd., Bihar Police Building Construction Corporation Ltd., Bihar Rajya Pul Nirman Nigam Ltd., Bihar State Road Development Corporation Ltd., Bihar Urban Infrastructure Development Corporation Ltd., Bihar State Educational Infrastructure Development Corporation Ltd., Bihar State Electronics Development Corporation Ltd., Bihar State Hydro Electric Corporation Ltd. & Bihar State Tourism Development Corporation Ltd.

Recoveries at the instance of audit

1.36 During the course of propriety audit in 2010-11, recoveries to be made amounting to ₹ 4.22 crore were pointed out to the BSEB, of which, an amount of ₹ 1.41 crore were admitted by the BSEB. An amount of ₹ 52.53 crore pertaining to the period prior to 2010-11 was recovered during the year 2010-11.

Status of placement of Separate Audit Reports

1.37 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	2005-06	2006-07 2007-08 2008-09 2009-10	26.05.2009 15.04.2010 29.04.2011 26.09.2011	No reasons for non-placement of SARs made available by the Government.
2.	Bihar State Warehousing Corporation	2007-08	2008-09	28.02.2011	
3.	Bihar State Financial Corporation	2008-09	2009-10	08.07.2011	
4.	Bihar State Road Transport Corporation	1973-74	1974-75 to 2002-03 (29) Details 1991-92 1992-93 1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-00 2000-01 2001-02 2002-03	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 25.01.2010	

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). The issue of delay in placement of SARs before the State Legislature was also brought to the notice of Hon'ble Chief Minister, Bihar by the CAG in December 2010. There was no improvement in respect of placement of SARs of BSRTC. The Pr. Accountant General brought the issue to the attention of the Principal Secretary, Finance Department, Government of Bihar (May 2011).

Disinvestment, Privatisation and Restructuring of PSUs

1.38 The State Government did not undertake the exercise of disinvestment and restructuring of any of its PSUs during 2010-11. However, a PSU (619-B Company) had become a non-Government company due to change in its shareholding pattern. Further, 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 PSUs was taken in September 2005. The implementation, however, has been done only in the case of five PSUs²³ (September 2011).

Reforms in Power Sector

1.39 The State has Bihar Electricity Regulatory Commission (BERC) formed in April 2002 under 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 2010-11, BERC issued orders directing BSEB to recover Fuel and Power Purchase Cost Adjustment (FPPCA) charges for the period from April to September 2009. It also reviewed the tariff rates for Bagasse based cogeneration plants & Biomass based power projects as determined by it in *suo-motu* proceeding. The orders have also been issued in *suo-motu* proceeding regarding determination of Generic Levelised Generation Tariff under the BERC (Terms & Conditions for Tariff Determination from Solar Energy Sources) Regulations, 2010.

1.40 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	Targeted Completion Schedule	Achievement as at March 2011
1.	State Electricity Regulatory Commission	December 2001	BERC has been constituted vide Government of Bihar notification No. 1284 dated 15 April, 2002. The Commission has notified last tariff order for the year 2011-12 on 01.06.2011.
2.	Rural Electrification Programme	By 2006	The village electrification work was being executed by Central Agencies as well as BSEB and a sum of ₹ 3566.98 crore has been paid in advance for this purpose. Out of 39,015 numbers of villages, 27,954 (71.65 per cent) villages have been electrified (March 2011).
3.	Reorganization of the Board	December 2001	Government of Bihar has issued notification for reorganization of the Board in five companies.
4.	Securitization of outstanding dues of Central Power Sector Undertakings	NA	Securitization of outstanding dues of Central Power Sector undertakings to the tune of ₹ 2075.61 crore has been made by the Government of Bihar.
5.	100 per cent metering of all 11 KV distribution feeders and 100 per cent metering of all consumers	December 2001 for distribution feeder meters and December 2002 for consumer meters.	The installation of meters in 11 KV distribution feeders (70.20 per cent) and cent per cent metering of consumers (59.10 per cent) in all the 16 circles has been made. (September 2011)

²³ Bihar Rajya Beej Nigam Ltd., Bihar State Hydro electric Power Corporation Ltd., Bihar State Text Book Publishing Corporation Ltd., Bihar State Warehousing Corporation and Bihar State Mineral Development Corporation Ltd.

Sl. No.	Milestone	Targeted Completion Schedule	Achievement as at March 2011
6.	Energy audit	June 2002	M/s. Power Finance Corporation, a central PSU has appointed M/S Pranat Engineering Limited under Restructured Accelerated Power Development Reform Programme (RAPDRP) scheme to conduct third party energy audit. Experience gathered from it would be applied for non-APDRP area. BSEB was installing ring fencing meters, system meters and consumer meters in all 64 towns covered under RAPDRP and 7 towns covered under ADB plan. (September 2011)
7.	Reduction in transmission and distribution (T&D) losses up to 15.5 per cent	Not given	T&D losses of the Board for the year 2009-10 were 38.32 per cent which had increased to 43.59 per cent during the year 2010-11.
8.	Three per cent return on fixed assets	March 2004	The Board did not achieve three per cent return on fixed assets upto the year 2010-11.
9.	Distribution Information Management System	Not given	Distribution and information management system has been operational through Supervisory Control and Accelerated Data Acquisition (SCADA) System in Patna. Whereas in rest of Bihar it would be operational through RAPDRP which was in progress. (September 2011)
10.	Minimum agriculture tariff of 50 paise per unit	Not given	The BERC has approved ₹ 130.00 paise/unit for Irrigation and Agricultural services (IAS-I) category and ₹ 205.00 paise/unit for Irrigation and Agricultural Services (IAS-II) category for the year 2010-11.