

CHAPTER - I

1. OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

Introduction

1.1 As on 31 March 2005, there were 50 Government companies (16 working and 34 non-working companies*) and four Statutory corporations (all working) under the control of the State Government. The status and number of working and non working companies has remained unchanged since 31 March 2004. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per the provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provision of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl.No.	Name of the Corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1	Bihar State Electricity Board (BSEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by the CAG
2	Bihar State Road Transport Corporation (BSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG
3	Bihar State Financial Corporation (BSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by the CAG
4	Bihar State Warehousing Corporation (BSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by the CAG

Working Public Sector Undertakings (PSUs)

Investment in the working PSUs

1.2 The total investment in the 20 working PSUs (16 Government companies and four Statutory corporations) at the end of March 2004, and March 2005 respectively was as follows:

* Non-working companies are those which are under the process of liquidation, closure, merger etc.

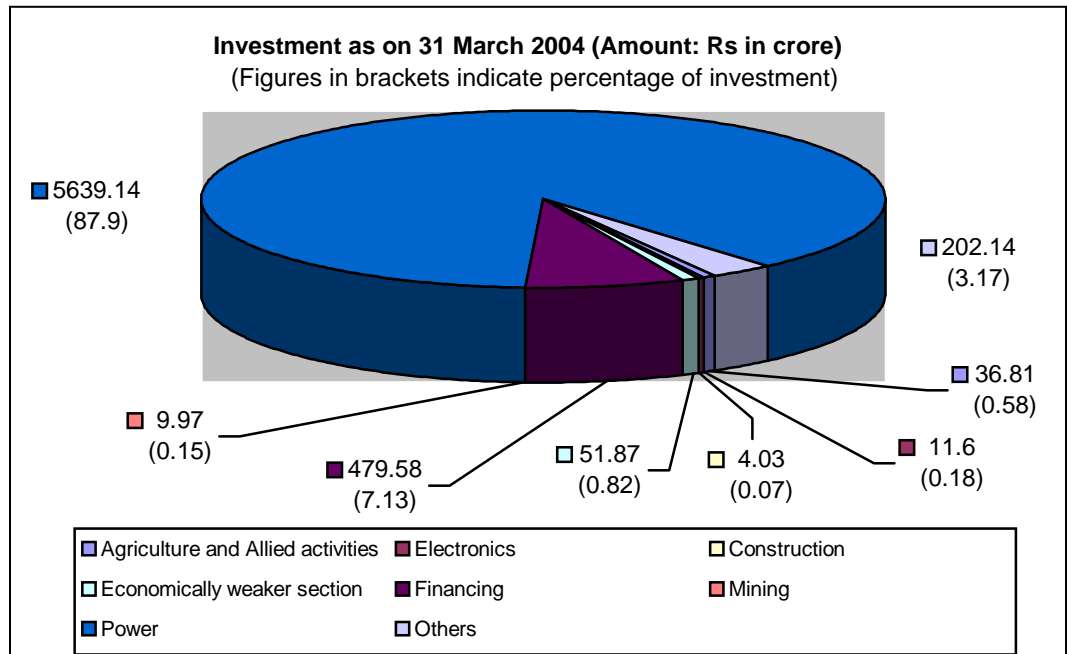
(Amount: Rupees in crore)

Year	Number of working PSUs and Corporations	Investment in the working PSUs			
		Equity	Share application money	Loan	Total
2003-04	20	454.07	3.66	5,977.41	6,435.14
2004-05	20	454.07	3.66	4,250.63	4,708.36*

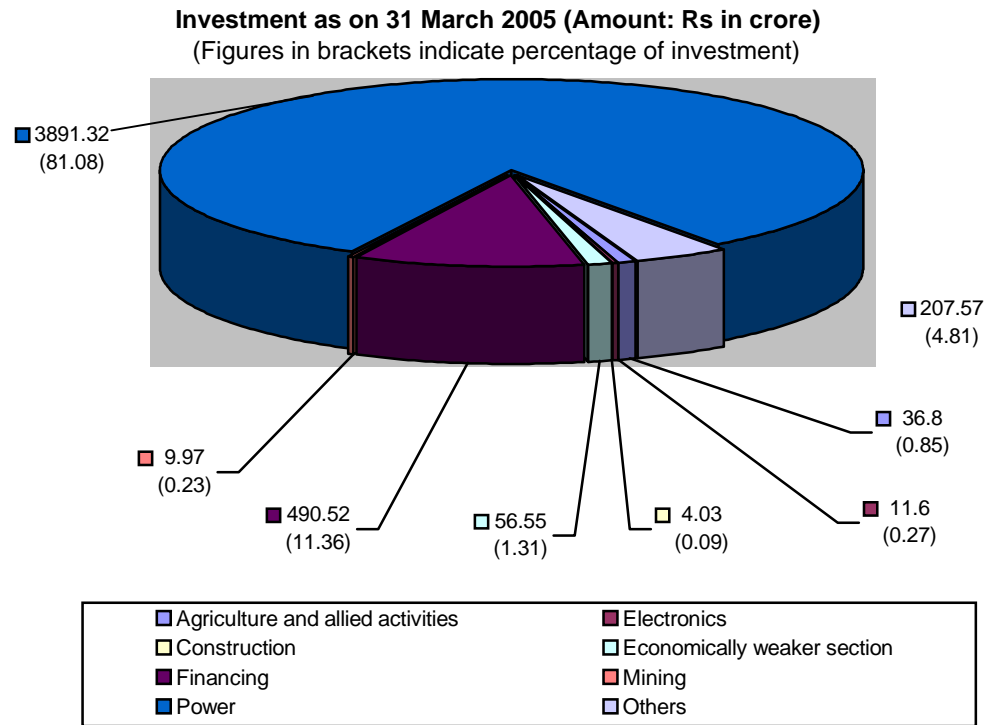
As on 31 March 2005, the total investment in working Government companies and Statutory corporations comprised 9.72 per cent of equity capital and 90.28 per cent of loans, compared to 7.10 and 92.89 per cent respectively as on 31 March 2004. The decrease in the amount of loan from Rs 5,977.41 crore in 2003-04 to Rs 4,250.63 core in 2004-05 was due to division of assets and liabilities between Bihar State Electricity Board and Jharkhand State Electricity Board. An analysis of investment in the working PSUs is given in the following paragraphs:

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

The investment (equity and long term loans) in the various sectors and percentages thereof at the end of 31 March 2004 and 31 March 2005 are indicated below in the pie charts.



* State Government investment in working PSUs was Rs 3925.05 crore (others Rs.783.31 crore). The figure as per Finance Accounts is Rs.10292.40 crore. The difference is under reconciliation



Working Government companies

1.3 The total investment in the 16 working Government companies at the end of March 2004 and March 2005 respectively was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Investment in the working Government Companies			
		Equity	Share application money	Loan	Total
2003-04	16	273.59	3.66	918.89	1,196.14*
2004-05	16	273.59	3.66	925.62	1,202.88*

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

As on 31 March 2005, the total investment in the working Government companies comprised 23.05 per cent of the equity capital and 76.95 per cent of the loans as compared to 23.18 and 76.82 per cent respectively, as on 31 March 2004.

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

Working Statutory corporations

1.4 The total investment in the four working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Corporation	2003-04		2004-05	
	Capital	Loan	Capital	Loan
Bihar State Electricity Board (BSEB)	--	4,668.44	--	2,917.59
Bihar State Road Transport Corporation (BSRTC)	101.27	79.41	101.27	81.02
Bihar State Financial Corporation (BSFC)	77.84	310.67	77.84	322.58
Bihar State Warehousing Corporation (BSWC)	1.37	--	1.37	3.81
Total	180.48	5,058.52	180.48	3,325.00

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

As on 31 March 2005, the total investment in the working Statutory Corporations comprised 5.15 per cent equity capital and 94.85 per cent loans as against 3.44 per cent and 96.56 per cent respectively as on 31 March 2004. The decrease in the amount of loan in respect of BSEB was due to division of assets and liabilities between Bihar State Electricity Board and Jharkhand State Electricity Board.

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

1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and Statutory corporations are given in **Annexures-1** and **3**.

The table below shows the budgetary support received by the working Government companies and Statutory corporations for the three years up to March 2005, in the form of equity capital and loans and grants/subsidies from the State Government:

(Amount: Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	--	--	--	--	--	--	--	--	--	--	--	--

Loans given from budget	1	5.00	3	513.04	2	23.38	3	701.39	1	3.02	3	775.23
Subsidy	--	--	--	--	--	--	1	0.10	--	--	--	--
Total outgo	1	5.00	3	513.04	2	23.38	4	701.49	1	3.02	3	775.23

During the year 2004-05, the Government did not guarantee any loan. At the end of the year, guarantees of loans for Rs 267.56 crore against two working Government companies (Rs 31.27 crore) and two working Statutory corporations (Rs 236.29 crore) were outstanding. There was one case of default in repayment of the guaranteed loans to the extent of Rs 43.78 crore during the year 2004-05 in respect of the Bihar State Electricity Board. The guarantee commission paid/payable to Government by Government companies was nil, however, Rs 28.75 lakh were outstanding as guarantee fee payable to Government by Bihar State Road Transport Corporation.

Finalisation of accounts by the working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

As can be seen from **Annexure-2**, that out of 16 working Government companies and four working Statutory corporations, none finalised their accounts for the year 2004-05 within the stipulated period. During the period from October 2004 to September 2005, thirteen working Government companies finalised 23 accounts for previous years. Similarly during this period two working Statutory corporations finalised four accounts for previous years.

The accounts of 16 working Government companies were in arrears for periods ranging from 3 to 22 years. Besides, accounts of four Statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2005, as detailed below:

Sl. No.	No. of working companies/corporations		Years for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1	--	1983-84 to 2004-05	22	A-10	--

Sl. No.	No. of working companies/ corporations		Years for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
2	1	--	1990-91 to 2004-05	15	A-6	--
3	1	--	1992-93 to 2004-05	13	A-16	--
4	1	--	1993-94 to 2004-05	12	A-2	--
5	2	--	1994-95 to 2004-05	11	A-7, A-13	--
6	4	--	1995-96 to 2004-05	10	A-1, A-3, A-9, A-11	--
7	2	--	1996-97 to 2004-05	9	A-12, A-15	--
8	1		1999-2000 to 2004-05	6	A-4	
9	2	1	2001-02 to 2004-05	4	A-5, A-14	B-4
10	1	2	2002-03 to 2004-05	3	A-8	B-1, B-2
11	--	1	2004-05	1	--	B-3
Total	16	4				

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

Financial position and working results of the working PSUs

1.7 The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, the statement showing the financial position and working results of the individual working Statutory corporations for the last three years are given in **Annexures-4 and 5** respectively[♥].

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

According to the latest finalised accounts of 15[^] working Government companies and four working Statutory corporations, 10 companies and three corporations had incurred an aggregate loss of Rs 57.19 crore and Rs 684.08 crore respectively. Five companies and one corporation earned an aggregate profit of Rs. 14.12 crore and Rs 1.96 crore respectively.

Working Government companies

Profit earning companies and dividend

1.8 As per the latest available accounts, out of 16 working Government companies (September 2005), five companies* earned an aggregate profit of Rs 14.12 crore. No dividend was, however, declared by these companies. The State Government neither formulated any dividend policy for payment of minimum dividend nor issued any guidelines to the Companies.

Loss incurring companies

1.9 As per their latest available accounts, 10[^] loss making companies had incurred an aggregate loss of Rs 57.19 crore. The aggregate accumulated loss of seven* loss making companies was Rs 167.69 crore which had exceeded their aggregate paid up capital of Rs 33.85 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of the four Statutory corporations, only Bihar State Warehousing Corporation had earned profit of Rs 1.96 crore during the financial year 2000-01. Dividend of Rs 13.70 lakh out of the total distributable surplus of Rs 96.44 lakh was declared by the Corporation during the year.

Loss incurring Statutory corporations

1.11 The Bihar State Electricity Board had an accumulated deficit of Rs 3755.50 crore (as on 31 March 2002) against the total investment (loans) of Rs 2917.79 crore (as on 31 March 2005).

The Bihar State Road Transport Corporation and the Bihar State Financial Corporation had accumulated losses of Rs 624.43 crore and Rs 455.41 crore respectively and had eroded their respective paid-up capital of Rs 101.27 crore and Rs 77.84 crore.

[^] Excluding TVNL

* A-4,A-5,A-9,A-11 and A-16 of Annexure-2

[^]SI Nos A-1, A-2,A-3, A-6,A-7,A-8,A-10,A-12,A-14 and A-15 of Annexure-2

* SI Nos A-1, A-2, A-3, A-6, A-7, A-10 and A-14 of Annexure-2

Operational performance of working Statutory corporations

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

Bihar State Warehousing Corporation

1.12.1 The average capacity utilisation has reduced from 22.42 lakh MT (2002-03) to 20.28 lakh MT (2004-05).

Bihar State Financial Corporation

1.12.2 The amount overdue for recovery (principal and interest) increased from Rs 1557.61 crore in 2001-02 to Rs 2386.35 crore in 2003-04.

Return on Capital Employed

1.13 As per the latest finalised accounts (received up to September 2005) the capital employed* worked out to Rs 1017.41 crore in 16 working companies and the total negative return** thereon amounted to Rs 11.19 crore as compared to total negative return of Rs 20.68 crore in the previous year (accounts finalised up to September 2004). Similarly, the capital employed and the total negative return thereon in case of working Statutory corporations as per their latest finalised accounts (received up to September 2005) worked out to Rs 487.05 crore and Rs 201.99 crore respectively, against the total negative return of Rs 2644.12 crore in previous year (accounts finalised up to September 2004). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**.

Reforms in Power Sector

Status of implementation of MoU between the State Government and the Central Government.

1.14 A Memorandum of Understanding (MoU) was signed (September 2001) between the Government of Bihar (GoB) and Government of India (GoI) as a measure of joint commitment to undertake power sector reforms in a time-bound manner. In the conference of Chief Ministers/Power Ministers, held in March 2001, consensus was reached to depoliticise power sector reforms and to speed up their implementation. The status of implementation of the reforms programme vis-à-vis respective commitments made in the MoU is as follows:

* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserve, bonds, deposits and borrowings (including refinance).

** For calculating total return on capital employed, interest on borrowed funds is added to the net profit/subtracted from the loss as disclosed in the profit and loss account.

Sl. No.	Commitments as per MoU	Targeted completion schedule	Status								
1	2	3	4								
Commitments made by State Government											
1	State Electricity Regulatory Commission (SERC)	December 2001	Functional								
2	Rural electrification programme	By 2006	Out of total 45,098 villages of Bihar 20,006 villages have been electrified upto March 2005. 9,253 villages which were electrified earlier were not getting power due to theft / damage of lines etc.								
3	Reorganisation of the Board	December 2001	This is being done at the level of Govt. of Bihar. Power Finance Corporation (PFC) has been appointed as consultant in this regard.								
4	Securitisation of outstanding dues of Central Power Sector Undertakings	Not fixed	As on 30 September 2001 the dues of Bihar State Electricity Board towards the Central Power Sector Undertakings were Rs 1,733.43 crore. Out of this, dues worth Rs 1,593.52 crore have been securitised (September 2005).								
5	100 per cent metering of all 11 KV distribution feeders and 100 per cent metering of all consumers	December 2001	<p>Out of 16 Circles of Bihar, metering in 4 circles is to be done by BSEB, while in 7 circles the work is to be done by Power Grid Corporation of India Limited (PGCIL). In the remaining 5 circles the work is to be completed by 2005-06.</p> <p>The present position of metering by PGCIL is as follows:</p> <table border="1"> <thead> <tr> <th>Nature of scheme</th> <th>Present status</th> </tr> </thead> <tbody> <tr> <td>System meter</td> <td>Against the total scope of 8,900 meters, work in three circles has been started in August 2005 with completion schedule of Dec 2005. In respect of remaining four circles, work is scheduled to start from Nov 2005, with completion date of March 2006.</td> </tr> <tr> <td>Three Phase Consumer meter</td> <td>Against the total scope of 11,265 meters, supply of meters has started, with completion schedule of Dec 2005. The work is, however, held up for want of clearance from BSEB regarding boxes of meters.</td> </tr> <tr> <td>Single Phase Consumer meter</td> <td>As against the total scope of 2,12,006 meters 81,847 meters have been supplied and 6,000 meters have been installed. The work is, however, held up for want of clearance from BSEB regarding meter boxes.</td> </tr> </tbody> </table>	Nature of scheme	Present status	System meter	Against the total scope of 8,900 meters, work in three circles has been started in August 2005 with completion schedule of Dec 2005. In respect of remaining four circles, work is scheduled to start from Nov 2005, with completion date of March 2006.	Three Phase Consumer meter	Against the total scope of 11,265 meters, supply of meters has started, with completion schedule of Dec 2005. The work is, however, held up for want of clearance from BSEB regarding boxes of meters.	Single Phase Consumer meter	As against the total scope of 2,12,006 meters 81,847 meters have been supplied and 6,000 meters have been installed. The work is, however, held up for want of clearance from BSEB regarding meter boxes.
Nature of scheme	Present status										
System meter	Against the total scope of 8,900 meters, work in three circles has been started in August 2005 with completion schedule of Dec 2005. In respect of remaining four circles, work is scheduled to start from Nov 2005, with completion date of March 2006.										
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Single Phase Consumer meter	As against the total scope of 2,12,006 meters 81,847 meters have been supplied and 6,000 meters have been installed. The work is, however, held up for want of clearance from BSEB regarding meter boxes.										

			<p>The present status of metering under the scope of BSEB is as follows:</p> <table border="1"> <thead> <tr> <th>Nature of scheme</th> <th>Present status</th> </tr> </thead> <tbody> <tr> <td>System meter</td> <td>The tender opening date was scheduled as 27 October 2005 for selection of contractors.</td> </tr> <tr> <td>Three Phase Consumer meter</td> <td>Against the total scope of 58,700 meters, 6,000 meters have been supplied, and 10,000 meters have been inspected. Scheduled date of completion was September 2005.</td> </tr> <tr> <td>Single Phase Consumer meter</td> <td>The order was placed in November 2003 for total scope of 2,46,300 meters on four suppliers. However as on 15 October 2005, the contractor was able to install 1,76,805 meters only.</td> </tr> </tbody> </table>	Nature of scheme	Present status	System meter	The tender opening date was scheduled as 27 October 2005 for selection of contractors.	Three Phase Consumer meter	Against the total scope of 58,700 meters, 6,000 meters have been supplied, and 10,000 meters have been inspected. Scheduled date of completion was September 2005.	Single Phase Consumer meter	The order was placed in November 2003 for total scope of 2,46,300 meters on four suppliers. However as on 15 October 2005, the contractor was able to install 1,76,805 meters only.
Nature of scheme	Present status										
System meter	The tender opening date was scheduled as 27 October 2005 for selection of contractors.										
Three Phase Consumer meter	Against the total scope of 58,700 meters, 6,000 meters have been supplied, and 10,000 meters have been inspected. Scheduled date of completion was September 2005.										
Single Phase Consumer meter	The order was placed in November 2003 for total scope of 2,46,300 meters on four suppliers. However as on 15 October 2005, the contractor was able to install 1,76,805 meters only.										
6	Energy audit	June 2002	Energy audit could not be implemented, as metering of 11 KV feeders has not been completed.								
7	Reduction in transmission and distribution losses	Not given	Efforts are being made								
8	Improvement in Power Load Factor of thermal generating units	March 2003	Efforts are being made								
9	Three <i>per cent</i> return on fixed assets	March 2004	Not being ensured as the Board is not getting resource gap from the Government in the form of grant/subsidy								

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.15 The total investment in the 34 non-working PSUs (all Government companies) at the end of March 2004 and March 2005 respectively was as follows:

(Amount: Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loan	Total
2003-04	34	160.00	6.38	540.33	706.71
2004-05	34	159.62 [*]	6.76	542.69	709.07

^{*} State Government investment in non-working PSUs was Rs 632.37 crore (others Rs 76.70 crore). The figures as per Finance Accounts is Rs 258.79 crore. The difference is under reconciliation.

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

1.16 The details regarding budgetary outgo, grants/subsidies, gurantees issued, waiver of dues, and conversion of the loans into equity by the State Government to the non-working PSUs are given in **Annexures-1** and **3**. At the end of the year, guarantees aggregating Rs 2.07 crore were outstanding against two non-working companies*.

Total establishment expenditure of non-working PSUs

1.17 The year-wise details of total liability on the establishment expenditure of the non-working PSUs and the sources of financing them during the last three years up to 2004-05, as furnished by the respective managements are given below:

(Amount: Rupees in crore)

Year	No. of PSUs	Total liability on establishment expenditure	Financed by holding Company	Outstanding liability
2002-03	9	25.11	0.01	25.10
2003-04	12	39.42	0.11	39.31
2004-05	11*	14.74	0.07	14.67

Finalisation of accounts by the non-working PSUs

1.18 The accounts of the 34 non-working companies were in arrears for the periods ranging from 10 to 28 years as on 30 September 2005 as can be seen from **Annexure-2**.

Financial position and working results of the non-working PSUs

1.19 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. The net worth* of 34 non-working Government companies was Rs (-) 70.27 crore against their total paid-up capital of Rs 100.84 crore. These companies suffered a cash loss* of Rs 19.01 crore and their accumulated loss worked out to Rs 171.10 crore.

Recoveries at the instance of Audit

1.20 A test check of the records of Bihar State Electricity Board disclosed short levy of tariff aggregating Rs 40.68 lakh in three cases. The Board accepted the fact and raised supplementary bills to recover the short levy.

* Bihar State Leather Industries Development Corporation, and Bihar State Agro Industries Corporation Ltd.

• Information in respect of 23 companies not furnished to Audit.

* Net worth represents investment in share capital, free reserves less accumulated loss.

♦ Cash loss represents loss for the year before depreciation.

Recommendations for closure of the PSUs

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

Government of Bihar have decided to wind up 17 companies (five working and 12 non-working companies) having a total investment of Government in equity and loans to the extent of Rs 548.43 crore. 15 companies had filed petition for winding up in the Patna High Court and of these, winding up order has been passed in respect of three* companies. The companies to be wound up, and the companies which have filed petition for winding up are listed in **Annexure 7**.

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

1.22 The following table indicates the status of placement of various Separate Audit Reports (SARs) issued by the CAG of India on the accounts of the Statutory corporations in the Legislature by 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	1997-98	1998-99 1999-00 2000-01	4.06.2002 23.05.2003 30.06.2004	Reasons not intimated
2	Bihar State Road Transport Corporation	1973-74	1974-75 to 1998-99	1991-92- 9.6.97 1992-93- 2.9.98 1993-94- 2.9.98 1994-95- 4.12.98 1995-96-18.4.2000 1996-97-19-03-04 1997-98-19.10.04 1998-99-12.04.05	Copies of reports not made available by the Corporation to the Legislature for placement
3	Bihar State Financial Corporation	2000-01	2001-02 to 2002-03	3.09.04	Reasons not intimated
4	Bihar State Warehousing Corporation	1999-2000	2000-01	21.09.04	Reasons not intimated

It can be seen from the above table that 31 SARs relating to the four corporations were not laid before the Legislature for one year to 25 years, of which three SARs of the Bihar State Electricity Board, 25 SARs of the Bihar State Road Transport Corporation, two SARs of the Bihar State Financial Corporation and one SAR of

* Bihar State Handloom and Handicrafts Corporation Limited, Bihar Paper Mills Limited and Bihar State Export Corporation Limited

the Bihar State Warehousing Corporation have not been placed so far (September 2005). Due to non placement of SARs the Legislature was deprived of exercising financial control on these corporations.

Government should take concrete steps for placement of the Separate Audit Reports in the Legislature in time as per requirement of the respective Acts.

Disinvestment, privatisation, restructuring and reconstruction of the Public Sector Undertakings/Corporations

1.23 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its public sector undertakings during 2004-05. On the formation of Jharkhand state, the reconstruction of all the Public Sector Undertakings/Corporations has to be taken up. The decision on the division of assets and liabilities as well as the management of 12 Companies/Corporations has been taken in September 2004. The implementation in respect of only four[^] Companies/Corporations has, however, taken place (September 2005). Details are given in **Annexure - 8**.

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

1.24 During the period from October 2004 to September 2005, the comments of the Comptroller and Auditor General of India were issued on 15 accounts of seven Government companies and two accounts of one Statutory corporation (BSRTC). The net impact of the important audit observations on the accounts of the PSUs was as follows:

(Amount: Rupees in crore)

Particulars	Government companies		Statutory Corporations	
	Number of accounts	Amount	Number of accounts	Amount
Increase in loss	3	5.08	2	49.12
Decrease in loss	-	-	1	2.16
Misclassification of income / expenditure and assets and liabilities	1	1.09	-	-
Non-disclosure of material facts	2	7.60	1	55.00

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

[^] Bihar Rajya Beej Nigam Limited, Bihar State Warehousing Corporation, Bihar State Hydro Electric Power Corporation Limited and Bihar State Text Book Publishing Corporation Limited.

Errors and omissions noticed in case of Government companies

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

Sl. No.	Name of company	Year of accounts	Errors/Omissions	Amount (Rupees in crore)
1	Bihar State Food and Civil Supplies Corporation	1982-83	Understatement of loss due to non writing off of the inventories doubtful of sale	0.34
2	Bihar State Credit and Investment Corporation Ltd.	1998-99	Loss is understated due to non provision of non performing investment in closed investee units.	1.36
3	Bihar State Credit and Investment Corporation Ltd.	1999-2000	Loss is understated due to non provision of non performing investment in closed investee units.	1.39

Errors and omissions noticed in case of Statutory corporations

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

(Amount: Rupees in crore)

Sl. No.	Name of corporation	Year of accounts	Errors/ omissions	Amount
1	Bihar State Road Transport Corporation	1997-98	Non provision of irrecoverable tax deductible at source by Commercial Tax Department led to understatement of loss.	7.22
2	Bihar State Road Transport Corporation	1998-99	1) Non provision of irrecoverable tax deductible at source by Commercial Tax Department led to understatement of loss. 2) Non provision of dues on account of gratuity, leave encashment etc against employees retired/died/seperated upto 31 March 1999 led to understatement of loss. 3) Non charging of depreciation on capital spares resulted in understatement of depreciation and loss 4) Non account of interest accrued on fixed deposits has resulted in over statement of loss	7.22 30.68 2.62 2.16

Audit assessment of the working results of Bihar State Electricity Board

1.27 Based on the audit assessment of the working results of the BSEB for three years up to 2001-02 and taking into consideration the major irregularities and omissions pointed out in the SARs up to the year 2000-01 on the annual accounts of the BSEB and excluding the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the BSEB are given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	1999-2000	2000-01	2001-02*
1	Net deficit as per books of accounts.	992.04	3538.73	626.84
2	Subsidy/Grants-in-aid from the State Government.	629.00	834.30	682.10
3	Net deficit before subsidy from the State Government. (1+2)	1,621.04	4373.03	1308.94
4	Net increase in deficit on account of audit comments on the annual accounts of the BSEB.	79.42	3289.21	Accounts under revision
5	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government. (3-4)	1,700.46	7662.24	Accounts under revision
6	Total return on capital employed.*	(-) 295.84	(-) 2629.85	(-) 181.62

Internal Audit / Internal Control

1.28 The Statutory Auditors (Chartered Accountants) are required to report under Section 227(4) of the Companies Act, 1956 whether there is an adequate Internal Control procedure commensurate with the size of the company and the nature of its business. Further, they are also required to furnish a supplementary report upon various aspects including the Internal Control /Internal Audit in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619 (3) (a) of the Companies Act, 1956 and to

* Figures are of divided BSEB .

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

identify areas which needed improvement. Further, according to Section 292 A of the Act, *ibid*, as amended by the Companies (Amendment) Act 2000, every public company having paid-up capital of not less than rupees five crore is required to constitute an Audit Committee for ensuring compliance of Internal Control, its adequacy and to review financial statements before their submission to the Board of Directors

An analysis of 23 such reports on the accounts of 13 Government companies received from the Statutory auditors relating to accounts finalised in 2004-05, revealed that the Internal Control system was inadequate in eight companies. The deficiencies pointed out by the Statutory Auditors are given in **Annexure - 9**

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

1.29 The position of discussion of Audit Reports (Commercial) by the CoPU, reviews and paragraphs pending for discussion in the CoPU at the end of September 2005 is shown below:

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1981-82	4	8	3	0
1982-83	8	18	5	1
1983-84	4	34	3	5
1984-85	3	9	3	1
1985-86	3	21	3	4
1986-87	6	29	6	8
1987-88	5	23	5	6
1988-89	4	44	4	10
1989-90	6	48	6	12
1990-91	4	39	4	9
1991-92	4	49	4	15
1992-93	5	31	5	9
1993-94	3	32	3	4
1994-95	3	19	3	6
1995-96	3	21	3	7
1996-97	3	21	2	17
1997-98	2	25	2	24
1998-99	6	15	6	15
1999-2000	3	15	3	15
2000-01	2	13	2	13
2001-02	3	9	3	9
2002-03	3	7	3	7
Total	87	530	81	198

619-B companies

1.30 There were eight companies under Section 619-B of the Companies Act, 1956, of which six companies have not finalised any account since inception and applications for closure, had been filed in the Hon'ble High Court, Patna in September 2000 by Sone Command Area Development Agencies (SCADA). The details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies, based on their latest available accounts, are given in **Annexure- 10**.