

## CHAPTER – I

### 1. OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

#### *Introduction*

**1.1** As on 31 March 2006, there were 50 Government companies (16 working and 34 non-working<sup>1</sup>) 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 2005. The accounts of the Government companies (as defined in Section 617 of the 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 the 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)	Rule 14 of Electricity (Supply) (Annual Accounts) Rules, 1985 read with section 172 (a) and 185 (2) (d) of the Electricity Act, 2003	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	Audit by Chartered Accountants and supplementary audit by the CAG
4	Bihar State Warehousing Corporation (BSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG

The State Government has formed Bihar Electricity Regulatory Commission and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003.

#### **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 2005 and March 2006 respectively was as follows:

<sup>1</sup> Non-working companies are those which are under the process of liquidation, closure, merger etc.

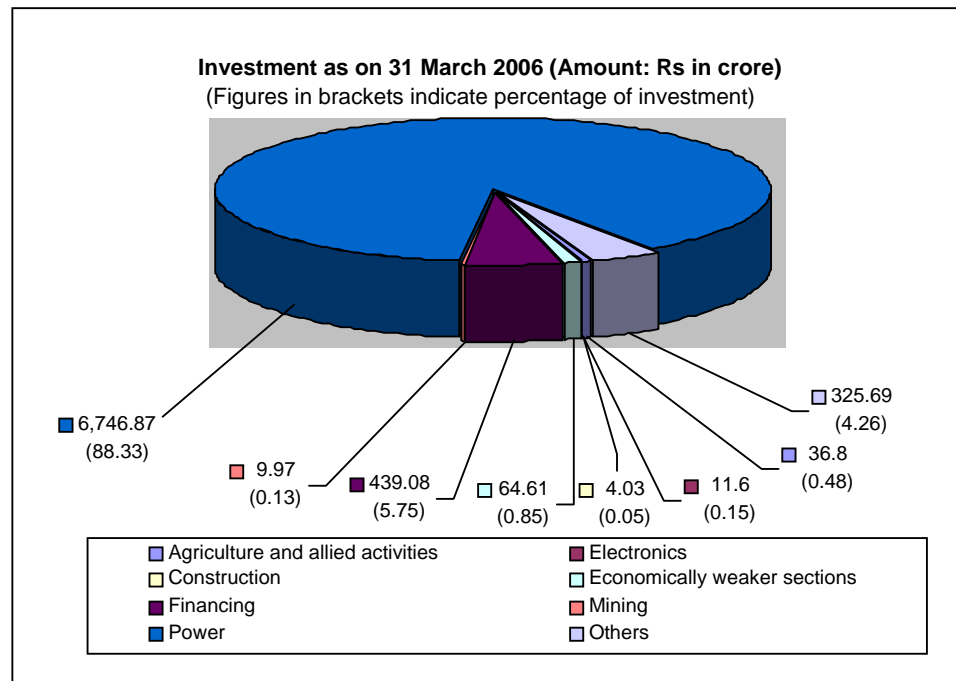
(Amount: Rupees in crore)

Year	Number of working PSUs and Corporations	Investment in the working PSUs			
		Equity	Share application money	Loan	Total
2004-05	20	454.07	3.66	5,990.35	6,448.08
2005-06	20	456.08	3.66	7,178.91	7,638.65 <sup>1</sup>

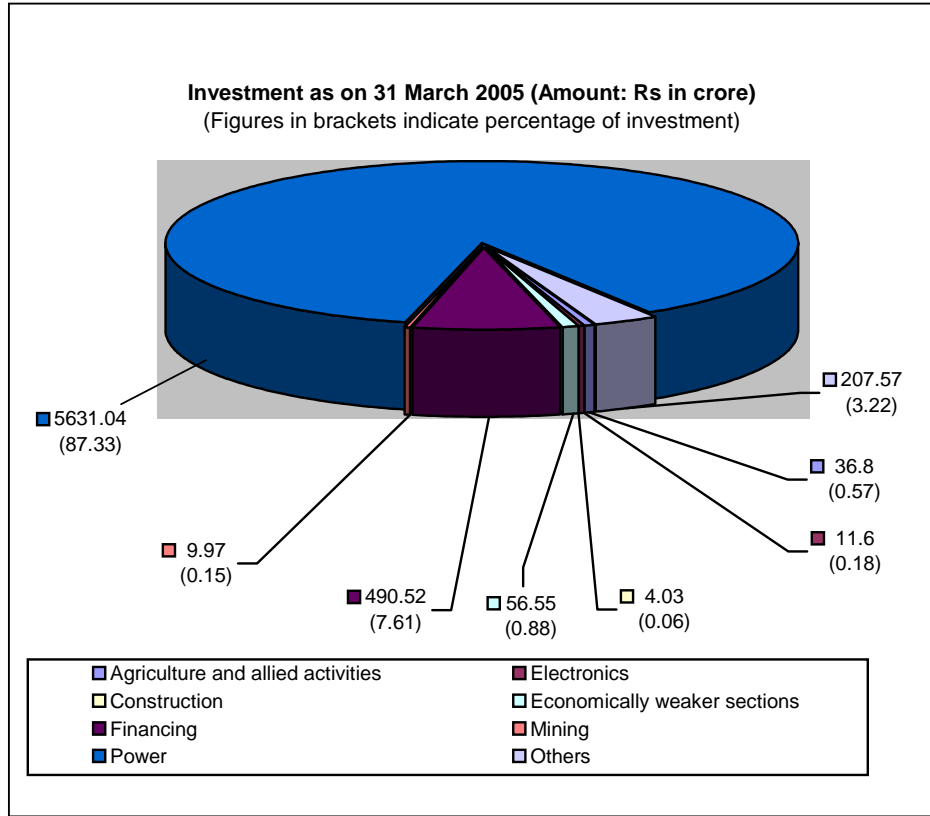
As on 31 March 2006, the total investment in working Government companies and Statutory corporations comprised 6.02 per cent of equity capital and 93.98 per cent of loans, compared to 7.10 and 92.90 per cent respectively as on 31 March 2005. An analysis of investment in the working PSUs is given in the 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 2005 and 31 March 2006 are indicated below in the pie charts.



<sup>1</sup> State Government investment in working PSUs was Rs 6,829.56 crore (others Rs 809.09 crore). The figure as per Finance Accounts is Rs 12,017.47 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 2005 and March 2006 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
2004-05	16	273.59	3.66	925.62	1,202.88
2005-06	16	275.59	3.66	1,039.25	1,318.50 <sup>1</sup>

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 2006, the total investment in the working Government companies comprised 21.18 *per cent* equity capital and 78.82 *per cent* loans, as compared to 23.05 and 76.95 *per cent* respectively, as on 31 March 2005.

<sup>1</sup> 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 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Corporation	2004-05		2005-06	
	Capital	Loan	Capital	Loan
Bihar State Electricity Board (BSEB)	--	4,657.31 <sup>1</sup>	--	5,764.70
Bihar State Road Transport Corporation (BSRTC)	101.27	81.02	101.27	81.02
Bihar State Financial Corporation (BSFC)	77.84	322.58	77.84	286.68
Bihar State Warehousing Corporation (BSWC)	1.37	3.81	1.37	7.26
<b>Total</b>	<b>180.48</b>	<b>5,064.72</b>	<b>180.48</b>	<b>6,139.66</b>

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 2006, the total investment in the working Statutory corporations comprised 2.86 per cent equity capital and 97.14 per cent loans as against 3.44 per cent and 96.56 per cent respectively as on 31 March 2005.

**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 during the three years up to March 2006, in the form of equity capital and loans and grants/subsidies from the State Government:

(Amount: Rupees in crore)

	2003-04				2004-05				2005-06			
	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	2	23.38	3	701.39	1	3.02	3	775.23	2	122.78	1	1053.46
Subsidy	--	--	1	0.10	--	--	--	--	--	--	--	--
<b>Total outgo</b>	<b>2</b>	<b>23.38</b>	<b>4</b>	<b>701.49</b>	<b>1</b>	<b>3.02</b>	<b>3</b>	<b>775.23</b>	<b>2</b>	<b>122.78</b>	<b>1</b>	<b>1053.46</b>

<sup>1</sup> The Board revised the amount of loan of Rs 2,917.59 crore intimated in 2004-05 to 4,657.31 crore. The accounts for 2004-05 and 2005-06 are provisional.

During the year 2005-06, the Government had guaranteed loan aggregating Rs 20 crore obtained by one working Government company<sup>1</sup>. At the end of the year, guarantees on loans aggregating Rs 355.94 crore against two working Government companies (Rs 38.32 crore) and two working Statutory corporations (Rs 317.62 crore) were outstanding. Guarantee commissions are payable by Government companies to the Government. Bihar Rajya Beej Nigam Ltd. paid Rs 3 lakh to the Government, and Rs 38.72 lakh were payable by Bihar State Road Transport Corporation and Bihar State Financial 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**, out of 16 working Government companies and four working Statutory corporations, none had finalised their accounts for the year 2005-06 within the stipulated period. During the period from October 2005 to September 2006, eight working Government companies finalised nine accounts for previous years. Similarly, during this period three working Statutory corporations finalised three accounts for previous years.

The accounts of 16 working Government companies were in arrears for periods ranging from four to 22 years. Besides, accounts of four Statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2006, 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	--	1984-85 to 2005-06	22	A-10	--
2	1	--	1990-91 to 2005-06	16	A-6	--
3	1	--	1992-93 to 2005-06	14	A-16	--
4	1	--	1993-94 to 2005-06	13	A-2	--

<sup>1</sup> Bihar State Minority Finance Corporation Ltd.

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
5	2	--	1994-95 to 2005-06	12	A-7, A-13	--
6	5	--	1996-97 to 2005-06	10	A-1, A-3, A-11, A-12, A-15	--
7	1	--	1997-98 to 2005-06	9	A-9	--
8	3	--	2001-02 to 2005-06	5	A-4, A-5, A-14	
9	1	2	2002-03 to 2005-06	4	A-8	B-2, B-4
10	--	1	2003-04 to 2005-06	3	--	B-1
11	--	1	2005-06	1	--	B-3
<b>Total</b>	<b>16</b>	<b>4</b>				

The administrative departments need to oversee and 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 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<sup>1</sup>.

According to the latest finalised accounts of 15<sup>2</sup> working Government companies and four working Statutory corporations, 10<sup>3</sup> companies and two<sup>4</sup> corporations had incurred aggregate loss of Rs 53.34 crore and Rs 168.58 crore respectively. Five companies<sup>5</sup> and two<sup>6</sup> corporations earned aggregate profit of Rs 10.47 crore and Rs 1.40 crore respectively.

<sup>1</sup> On the basis of information provided by the Corporations.

<sup>2</sup> Excluding TVNL

<sup>3</sup> Sl 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

<sup>4</sup> B-1, B-2 of Annexure-2

<sup>5</sup> A-4, A-5, A-9, A-11 and A-16 of Annexure-2

<sup>6</sup> B-3, B-4 of Annexure-2

### ***Working Government companies***

#### ***Profit earning companies and dividend***

**1.8** As per the latest available accounts, out of 16 working Government companies (September 2006), five companies<sup>1</sup> earned an aggregate profit of Rs 10.47 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<sup>2</sup> loss making companies had incurred an aggregate loss of Rs 53.34 crore. The aggregate accumulated loss of seven<sup>3</sup> loss making companies was Rs 174.70 crore which had exceeded their aggregate paid up capital of Rs 33.85 crore by more than five times.

### ***Working Statutory corporations***

#### ***Profit earning Statutory corporations and dividend***

**1.10** Out of the four Statutory corporations, Bihar State Financial Corporation and Bihar State Warehousing Corporation had earned aggregate profit of Rs 53.47 and 87 lakh during the financial years 2004-05 and 2001-02 respectively. No dividend was however declared by the Corporations during the year.

#### ***Loss incurring Statutory corporations***

**1.11** Bihar State Electricity Board had an accumulated loss of Rs 163.84 crore (as on 31 March 2003) against the total investment (loans) of Rs 5,764.70 crore (as on 31 March 2006).

Bihar State Road Transport Corporation had accumulated losses of Rs 624.43 crore which had eroded its paid-up capital of Rs 101.27 crore.

#### ***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 Road Transport Corporation***

**1.12.1** The percentage utilisation of vehicles reduced from 78 (2003-04) to 71 (2005-06).

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<sup>1</sup> A-4, A-5, A-9, A-11 and A-16 of Annexure-2

<sup>2</sup> Sl 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

<sup>3</sup> Sl Nos A-1, A-2, A-3, A-6, A-7, A-10 and A-14 of Annexure-2

### ***Bihar State Financial Corporation***

**1.12.2** The amount overdue for recovery (principal and interest) increased from Rs 2,095.01 crore in 2002-03 to Rs 2,791.64 crore in 2004-05.

### ***Return on Capital Employed***

**1.13** As per the latest finalised accounts (received up to September 2006) the capital employed<sup>1</sup> worked out to Rs 1016.74 crore in 16 working companies and the total negative return<sup>2</sup> thereon amounted to Rs 10.79 crore as compared to total negative return of Rs 11.19 crore in the previous year (accounts finalised up to September 2005). Similarly, the capital employed and the total return thereon in case of working Statutory corporations as per their latest finalised accounts (received up to September 2006) worked out to Rs 722.51 crore and Rs 88.51 crore respectively, against the total negative return of Rs 201.99 crore in previous year (accounts finalised up to September 2006). 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**.

### ***State Electricity Regulatory Commission***

**1.14** Bihar Electricity Regulatory Commission (Commission) was formed in April 2002 under Section 17 (1) of Electricity Regulatory Commission Act, 1998 with the main objective of rationalising generation, transmission, distribution and supply of electricity in the State, regulating the electricity industry in the State, including the purchase, distribution, supply and utilisation of electricity, the quality of service, tariff and other charges, keeping in view the interest of the consumers and utilities and creating an environment which would attract participation of private sector entrepreneurs in the electricity industry in the State. The Commission is a body corporate and comprises three members including the Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2) of the Electricity Act, 2003. The commission has received grants of Rs 71.39 lakh from July 2005 to March 2006. It has not finalised its first accounts so far (September 2006).

## **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 2005 and March 2006 respectively was as follows:

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<sup>1</sup> 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).

<sup>2</sup> 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.



(Amount: Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loan	Total
2004-05	34	159.62	6.76	542.69	709.07
2005-06	34	159.62	6.76	542.75	709.13 <sup>1</sup>

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

**1.16** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues, and conversion of loans into equity by the State Government in respect of 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<sup>2</sup>.

***Total establishment expenditure of non-working PSUs***

**1.17** The year-wise details of total liability on account of the establishment expenditure of non-working PSUs and the sources of financing them during the last three years up to 2005-06, as furnished by the respective companies are given below:

(Amount: Rupees in crore)

Year	No. of PSUs	Total liability on account of establishment expenditure	Financed by holding Company	Outstanding liability
2003-04	12 <sup>3</sup>	39.42	0.11	39.31
2004-05	11 <sup>4</sup>	14.74	0.07	14.67
2005-06	12 <sup>3</sup>	4.10	0.92	3.18

***Finalisation of accounts by non-working PSUs***

**1.18** The accounts of the 34 non-working companies were in arrears for periods ranging from 11 to 29 years as on 30 September 2006, as can be seen from **Annexure - 2**.

***Financial position and working results of 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<sup>5</sup> of 34 non-working Government companies was Rs (-) 68.08 crore against their total paid-up capital of Rs 101.04 crore. These companies

<sup>1</sup> State Government investment in non-working PSUs was Rs 632.43 crore (others Rs 76.70 crore). The figure as per Finance Accounts is Rs 262.10 crore. The difference is under reconciliation.

<sup>2</sup> Bihar State Leather Industries Development Corporation and Bihar State Agro Industries Corporation Ltd.

<sup>3</sup> Information in respect of 22 companies not furnished to Audit.

<sup>4</sup> Information in respect of 23 companies not furnished to Audit.

<sup>5</sup> Net worth represents investment in share capital, and free reserves less accumulated loss.

suffered a cash loss<sup>1</sup> of Rs 18.34 crore and their accumulated loss worked out to Rs 173.48 crore.

### **Recoveries at the instance of Audit**

**1.20** A test check of the records of Bihar State Electricity Board conducted during 2005-06 disclosed wrong/short levy of tariff/short realisation of revenue aggregating Rs 246.62 lakh in five cases. The Board accepted the audit observation and raised supplementary bills to recover the short levy.

### **Recommendations for closure of PSUs**

**1.21** The accumulated loss of non-working Government companies was almost 1.7 times of their 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 Government investment in equity and loans to the extent of Rs 548.49 crore out of these 17 companies. Fifteen 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<sup>2</sup> 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 in the Legislature, of various Separate Audit Reports (SARs) issued by the CAG of India on the accounts of the Statutory corporations, by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in the 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	1998-99	1999-00 2000-01	23.05.2003 30.06.2004	Reasons not intimated
2	Bihar State Road Transport Corporation	1973-74	1974-75 to 1999-2000	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 1999-00-07.10.05	Copies of reports not made available by the Corporation to the Government for placement.

<sup>1</sup> Cash loss represents loss for the year before depreciation.

<sup>2</sup> Bihar State Handloom and Handicrafts Corporation Limited, Bihar Paper Mills Limited and Bihar State Export Corporation Limited

3	Bihar State Financial Corporation	2002-03	2003-04	3.09.04	Reasons not intimated
4	Bihar State Warehousing Corporation	2000-01	2001-02	21.09.04	Reasons not intimated

It can be seen from the above table that 30 SARs relating to the four Corporations were not laid before the Legislature for one to 26 years, of which two SARs of Bihar State Electricity Board, 26 SARs of Bihar State Road Transport Corporation, one SAR each of Bihar State Financial Corporation and Bihar State Warehousing Corporation have not been placed so far (September 2006). Due to non-placement of SARs the Legislature was deprived of the opportunity 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 required under 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 PSUs during 2005-06. Subsequent to the formation of Jharkhand State, restructuring of all the PSUs was to be taken up. The decision on the division of assets and liabilities as well as of the management of 12 Companies/Corporations was taken in September 2005. The implementation, however, has been done only in the case of four<sup>1</sup> Companies/Corporations (September 2006). Details are given in **Annexure - 8**.

### **Results of audit of accounts of PSUs by the Comptroller & Auditor General of India**

**1.24** During October 2005 to September 2006, the comments of the Comptroller and Auditor General of India were issued on 11 accounts of 10 Government companies and two accounts of two Statutory corporations (BSRTC and BSFC). The net impact of the important audit observations on the accounts of the PSUs is as follows:

Particulars	Government companies		Statutory Corporations	
	Number of accounts	Amount	Number of accounts	Amount
Increase in loss	7	27.75	2	69.41
Decrease in loss	-	-	1	18.33
Misclassification of income / expenditure and assets and liabilities	2	0.47	-	-

<sup>1</sup> Bihar Rajya Beej Nigam Limited, Bihar State Warehousing Corporation, Bihar State Hydro Electric Power Corporation Limited and Bihar State Text Book Publishing Corporation Limited.

Non-disclosure of material facts	2	8.59	1	0.83
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**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.	Company	Year of accounts	Errors/Omissions	Amount (Rupees in crore)
1.	Bihar State Hydroelectric Power Corporation Ltd.	1995-96	1) Loss understated due to non-provision of penal interest on Government Loan. 2) Non-provision of Material issued to the contractor resulted in understatement of loss.	23.52 2.39
2.	Bihar State Electronics Development Corporation Ltd.	1995-96	Not writing off of infructuous expenses on Capital work-in-progress resulted in understatement of loss.	0.39
3.	Bihar State Credit and Investment Corporation Ltd.	2000-01	Loss understated due to non-provision of interest tax and service charge	0.20
4.	Bihar State Text-Book Publishing Corporation Ltd.	1995-96	Non-provision for unadjusted advance to suppliers and interim relief payable to employees resulted in understatement of loss.	0.61
5.	Bihar Police Building Construction Corporation Ltd.	1989-90	Excess credit of agency charges, non-provision of misappropriated stock, and faulty valuation of closing stock resulted in understatement of loss	0.14

**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:

Sl. No.	Name of the corporation	Year of accounts	Errors/ omissions	Amount (Rupees in crore)
1	Bihar State Financial Corporation	2003-04	1) Non-provision of interest liability on bonds, employees liability and liability of interest on Government funds resulted in understatement of loss. 2) Non-provision for rent recoverable from tenants which is doubtful of recovery, resulted in understatement of loss.	15.90 0.68
2	Bihar State Road Transport Corporation	1999-2000	1) Non-provision of dues on account of gratuity, leave encasment etc against employees retired/died/seperated upto 31 March 2000 led to understatement of loss. 2) Non-provision of irrecoverable tax	37.84

		deductible at source by Commercial Tax Department led to understatement of loss.	7.22
		3) Non-charging of depreciation on capital spares resulted in understatement of depreciation and loss.	2.62

### Audit assessment of the working results of Bihar State Electricity Board (BSEB)

**1.27** Based on the working results of BSEB for three years up to 2002-03, taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts up to the year 2000-01 and excluding the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of BSEB are as given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	2000-01 <sup>1</sup>	2001-02 <sup>2</sup>	2002-03
1	Net deficit as per the books of accounts.	3538.73	12.63	117.73
2	Subsidy/Grants-in-aid from the State Government.	834.30	471.80	541.30
3	Net deficit before subsidy from the State Government. (1+2)	4373.03	484.43	659.03
4	Net increase in deficit on account of audit comments on the annual accounts of the BSEB.	3289.21	Comments under finalisation	Accounts under Audit
5	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government. (3-4)	7662.24	Comments under finalisation	Accounts under Audit
6	Total return on capital employed. <sup>3</sup>	(-) 2629.85	109.64	93.09

### Internal audit / Internal control

**1.28** Under Section 227(4) of the Companies Act, 1956, the Statutory Auditors (Chartered Accountants) are required to report on the adequacy of Internal Control procedures 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

<sup>1</sup> Figures are of undivided BSEB.

<sup>2</sup> Board revised the Accounts at the instance of Audit.

<sup>3</sup> Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Companies Act, 1956, and to identify areas which need 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 with Internal Controls, their adequacy and to review financial statements, before their submission to the Board of Directors.

An analysis of nine such reports on the accounts of eight Government companies relating to accounts finalised in 2005-06, revealed that the Internal Control system was inadequate in six companies. The deficiencies pointed out 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 discussed in the CoPU as at the end of September 2006 is shown below:

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1981-82	5	8	1	8
1982-83	8	18	4	17
1983-84	4	34	2	29
1984-85	3	9	2	8
1985-86	3	21	-	18
1986-87	6	29	-	22
1987-88	5	23	2	17
1988-89	4	44	-	35
1989-90	6	48	-	36
1990-91	4	39	-	31
1991-92	4	49	1	34
1992-93	5	31	-	23
1993-94	3	32	-	28
1994-95	3	19	-	13
1995-96	3	21	-	14
1996-97	3	21	1	4
1997-98	2	25	-	1
1998-99	6	15	-	-
1999-2000	3	15	1	-
2000-01	2	13	-	-
2001-02	3	9	-	-
2002-03	3	7	-	-
2003-04	3	10	-	-
2004-05	3	9	1	1
<b>Total</b>	<b>94</b>	<b>549</b>	<b>15</b>	<b>339</b>

### **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. Applications for closure had been filed in the Hon'ble High Court, Patna by Sone Command Area Development Agencies (SCADA) in September 2000. 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**.