

OVERVIEW

1 General view of Government companies and Statutory corporations

As on 31 March 2006, the State had 54 Public Sector Undertakings (PSUs) comprising 50 Government companies and four Statutory corporations, the same as on 31 March 2005. Out of the 50 Government companies, 16 were working Government companies while 34 were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there were eight companies under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2006.

[Paragraphs 1.1 and 1.30]

The total investment in the working Public Sector Undertakings increased from Rs 6,448.08 crore as on 31 March 2005 to Rs 7,638.65 crore as on 31 March 2006. The total investment in non-working PSUs was Rs 709.13 as on 31 March 2006 as compared to 709.07 in the previous year.

[Paragraphs 1.2 and 1.15]

The Budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs 778.25 crore in 2004-05 to Rs 1,176.24 crore in 2005-06. The total amount of outstanding loans guaranteed by the Government to PSUs as on 31 March 2006 was Rs 355.49 crore.

[Paragraphs 1.5 and 1.16]

None of the working Government companies and working Statutory corporations have finalised their accounts for the year 2005-06 within the stipulated period. The accounts of 16 working Government companies and four working Statutory corporations were in arrears for periods ranging from one to 22 years as on 30 September 2006. The accounts of all the non-working Government companies were in arrears for periods ranging from 11 to 29 years as on 30 September 2006.

[Paragraphs 1.6 and 1.18]

According to the latest finalised accounts, seven working PSUs (five Government companies and two Statutory corporations) earned an aggregate profit of Rs 11.87 crore. Against this, 12 working PSUs (10 Government companies and two Statutory corporations) incurred an aggregate loss of Rs 221.92 crore as per their latest finalised accounts. Of the loss incurring working Government companies, seven companies whose accounts were finalised during October 2005 to September 2006 had accumulated losses aggregating Rs 174.70 crore, which exceeded their aggregate paid-up capital of Rs 33.85 crore. The two loss incurring Statutory corporations had accumulated losses of Rs 788.27 crore, which exceeded their paid-up capital of Rs 101.27 crore.

[Paragraphs 1.7, 1.9 and 1.11]

The State Government had decided to wind up 17 Government 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.

[Paragraph 1.21]

2. Performance Review relating to Government company

Procurement and Distribution Activities of Bihar State Food & Civil Supplies Corporation Limited

Performance of the Company with regard to procurement and distribution of foodgrains was not found satisfactory as the offtake of foodgrains under various schemes was low especially under APL/BPL scheme where it was as low as 0.16 to 5.71 *per cent* during 2001-06. The company neither surrendered the excess allotment nor did it analyse the reasons for short offtake, so as to take remedial measures.

[Paragraph 2.6.2]

The Company did not effectively pursue with the Government for revision of margin under AAY and BPL schemes resulting in loss of Rs 54.06 crore.

[Paragraphs 2.6.5 and 2.6.8]

The Company generated profit of Rs 12.64 crore by unauthorised diversion of foodgrains from one scheme to another, at the cost of Government subsidy.

[Paragraphs 2.6.10, 2.6.12 and 2.6.13]

Poor enforcement of internal controls with regard to maintenance of records, stores and accounts and physical verification facilitated misappropriation of foodgrains worth Rs 1.22 crore by the company officials and also resulted in 'unmoved food stocks' worth Rs 28.74 crore for over six years, the existence/fitness for human consumption of which is doubtful.

[Paragraphs 2.6.17 and 2.6.16]

The Company paid Rs 1.56 crore to the Godown Managers towards transportation charges without any documentary proof of expenditure. Besides, the company incurred avoidable expenditure/loss of margin aggregating Rs 57.25 lakh due to failure to finalise in time transportation contracts and failure to lift the allotted foodgrains.

[Paragraphs 2.6.18 and 2.6.15]

Advance of Rs 76.62 lakh could not be recovered from FCI due to non-submission of proper claims resulting in interest loss of Rs 91.94 lakh.

[Paragraph 2.6.19]

Performance Reviews relating to Statutory corporations

3.1 *Tariff, billing and collection of revenue in Bihar State Electricity Board.*

The Bihar State Electricity Board (Board) was empowered to fix tariff under Sections 46 and 49 of the Electricity Act, 1948 up to April 2005. From May 2005, the State Electricity Regulatory Commission (SERC) was to fix the tariff under Electricity Act, 2003. The Board did not revise the tariff fixed in June 2001 and also failed to file petition for tariff fixation before SERC (March 2006). Due to non-revision of tariff, the Board was deprived of revenue of Rs 165.21 crore during 2001-06.

[Paragraphs 3.1.8 and 3.1.10]

Against the norm of 15.5 *per cent* of transmission and distribution losses prescribed by the Central Electricity Authority, the transmission and distribution losses of the Board ranged between 38.20 and 62.05 *per cent*. Excess T&D losses of the Board over the CEA norms resulted in loss of potential revenue of Rs 3,200.99 crore during 2001-06.

[Paragraph 3.1.12]

Due to non-installation/replacement of energy meters, the Board suffered loss of Rs 5.24 crore. Similarly, due to non-implementation of decision regarding release of new connection, the Board lost potential revenue of Rs 1.15 crore.

[Paragraphs 3.1.14 and 3.1.16]

The Board's inaction in raising of bills for use of transformers of higher capacity resulted in loss of revenue of Rs 18.97 crore. The Board also lost revenue of Rs 8.29 crore due to adoption of incorrect measurement of induction furnace.

[Paragraphs 3.1.18 and 3.1.22]

The Board failed to take action under the provisions of Electricity Act for the recovery of its dues from consumers resulting in blocking up of revenue of Rs 5,086.22 crore as on 31 March 2005 and consequential loss of interest amounting to Rs 1,858.42 crore.

[Paragraph 3.1.25]

The Board's failure to initiate timely action for recovery of dues resulted in revenue recovery amounting to Rs 26.79 crore becoming time barred.

[Paragraph 3.1.30]

3.2 *Power Sector Reforms including Accelerated Power Development & Reforms Programme*

Even after five years of signing of the MoU, Bihar State Electricity Board had not achieved any of the targets committed thereunder.

[Paragraph 3.2.1]

The Board sustained a loss of Rs 57.37 crore by fixing agricultural tariff below the norm.

[Paragraph 3.2.7]

The Board not only incurred avoidable expenditure of Rs 27.86 crore due to assigning the work to PGCIL without calling competitive bids, but also lost the opportunity to avail the benefit of competitive rates.

[Paragraph 3.2.8]

Under the Accelerated Power Development and Reforms Programme (APDRP), the Board received grants/loans of Rs 334.63 crore from GoI and Rs 121.48 crore from Power Finance Corporation as loan. The State Government treated the grant of Rs 147.57 crore as loan thereby overburdening the Board with interest of Rs 22.71 crore.

[Paragraph 3.2.10]

The Board paid advance of Rs 12 crore before signing the agreement with PGCIL, resulting in blocking up of funds and consequential loss of interest of Rs 1.17 crore.

[Paragraph 3.2.12]

Despite spending Rs 306.42 crore and despite the scheduled date of completion having elapsed, none of the works have been completed by PGCIL.

[Paragraph 3.2.13]

3.3 Operational Performance of Bihar State Road Transport Corporation

Due to failure to utilise the available fund of Rs 18.41 crore for purchase of new buses, the Corporation lost potential revenue of Rs 76.08 crore during 2001-06.

[Paragraph 3.3.7]

Instead of utilising Depreciation Reserve Fund for the purchase of new buses, as directed, the Corporation kept the fund in a bank which resulted in loss of Rs 1.63 crore on account of differential interest payable to the Government of Bihar.

[Paragraph 3.3.8]

The Corporation failed to auction the requisite number of buses and spare materials, and thereby lost the opportunity to purchase 113 new buses which resulted in loss of contribution of Rs 27.15 crore during 2004-06.

[Paragraph 3.3.9]

The Corporation lost Rs 82.07 crore during 2001-06 due to low fuel efficiency, premature failure of tyres and low occupancy.

[Paragraphs 3.3.14, 3.3.16 and 3.3.17]

The fleet utilisation of the Corporation was low and ranged between 11.5 and 78.6 *per cent* during 2001-06 as compared to 82.15 and 99.49 *per cent* in other States.

[Paragraph 3.3.12]

Due to decline in effective kilometers as compared to yearly targets fixed, the Corporation could not cover 1,672.41 lakh scheduled kilometers during 2001-02 to 2005-06, leading to loss of contribution of Rs 220.29 crore.

[Paragraph 3.3.15]

4. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of PSUs, with serious financial implications. The irregularities pointed out are broadly of the following nature:

Unfruitful expenditure/blocking of funds and loss of interest amounting to Rs 92.19 crore in three cases.

[Paragraph 4.5, 4.6 and 4.8]

Theft/avoidable expenditure amounting to Rs 18.74 crore in two cases.

[Paragraphs 4.7 and 4.9]

Loss of revenue of Rs 1.02 crore in two cases.

[Paragraph 4.1 and 4.3]

Undue benefit to ineligible units amounting to Rs 3.69 crore in one case.

[Paragraph 4.4]

Non-utilisation of available fund amounting to Rs 14.12 lakh due to poor planning in one case.

[Paragraph 4.2]

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

Bihar State Credit and Investment Corporation Limited

The company lost Rs 56.11 lakh due to acceptance of forged documents.

[Paragraph 4.3]

The company allowed undue benefit to ineligible units due to faulty implementation of the OTS scheme and lost Rs 3.69 crore.

[Paragraph 4.4]

Bihar State Electricity Board

The Board incurred unfruitful expenditure of Rs 1.91 crore on incomplete power sub-station and related 33 KV line.

[Paragraph 4.5]

Purchase of spare parts without requirement resulted in blocking up of fund of Rs 1.59 crore and consequential loss of interest of Rs 63.73 lakh.

[Paragraph 4.6]

The Board incurred avoidable idle expenditure of Rs 88.05 crore at thermal power stations.

[Paragraph 4.8]

Bihar State Financial Corporation

Failure of the Corporation to devise a system for safeguarding its assets resulted in loss of Rs 18.32 crore.

[Paragraph 4.9]