

OVERVIEW

1 Overview of Government companies and Statutory corporations

- As on 31 March 2007, the State had 55 Public Sector Undertakings (PSUs) comprising 51 Government companies and four Statutory corporations, as against 54 Public Sector Undertakings (PSUs) comprising 50 Government companies and four Statutory corporations on 31 March 2006. Out of the 51 Government companies, 17 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 2007.

(Paragraphs 1.1 and 1.30)

- The total investment in the working Public Sector Undertakings increased from Rs 7,638.65 crore as on 31 March 2006 to Rs 7,929.91 crore as on 31 March 2007. The total investment in non-working PSUs was Rs 718.03 crore as on 31 March 2007 as compared to Rs 709.13 crore 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 decreased from Rs 1,176.24 crore in 2005-06 to Rs 264.84 crore in 2006-07. The total amount of outstanding loans guaranteed by the Government to PSUs as on 31 March 2007 was Rs 270.80 crore.

(Paragraph 1.5)

- None of the working Government companies and working Statutory corporations has finalised its accounts for the year 2006-07 within the stipulated period. The accounts of 17 working Government companies and four working Statutory corporations were in arrears for periods ranging from one to 19 years as on 30 September 2007. The accounts of all the non-working Government companies were in arrears for periods ranging from 12 to 30 years as on 30 September 2007.

(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 32.93 crore. Against this, 12 working PSUs (10 Government companies and two Statutory corporations) incurred an aggregate loss of Rs 154.59 crore as per their latest finalised accounts. Of the loss incurring working Government companies, seven companies whose accounts were finalised during October 2006 to September 2007 had accumulated losses aggregating Rs 214.57 crore, which exceeded their aggregate paid-up capital of Rs 34.39 crore. The two loss incurring Statutory corporations had accumulated losses of

Rs 865.10 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 Reviews relating to Government companies and Statutory corporations

Performance reviews relating to Project implementation and generation performance of **Bihar State Hydroelectric Power Corporation Limited**, Publishing and selling activities of **Bihar State Text Book Publishing Corporation Limited** and Procurement, performance, maintenance and repair of transformers in **Bihar State Electricity Board** were conducted. Some of the major findings are as follows:

Project implementation and generation performance of Bihar State Hydroelectric Power Corporation Limited

The Company was incorporated in March 1982 to plan, promote and develop hydroelectric power in the State. Some of major deficiencies noticed are as under:

- The Company increased capacity of small hydroelectric power by 2 MW (0.85 per cent) against 23.5 MW proposed to be increased during tenth five year plan.
- Due to failure of the State Government to release its contribution in time for execution of 17 Small Hydroelectric Power Projects, the Company was unable to complete even a single project within the time schedule. The Company was, thus, deprived of envisaged potential revenue of Rs 23.64 crore per annum due to loss of generation.
- Due to non-construction of escape channels, water could not be utilised during non-irrigation season and generation units remained closed resulting in loss of potential generation of 175.17 MU valued at Rs 35.03 crore during 2002-07.

(Chapter-2.1)

Publishing and selling activities of Bihar State Text Book Publishing Corporation Limited

The Bihar State Text book Publishing Corporation Limited (Company) was incorporated (April 1965) as a wholly owned State Government Company. Some of major deficiencies noticed are as under:

- The Company delayed placing orders for printing of books as a result books remained unsold and the students did not get the books at the start of academic session.
- The failure of the Company to sell the available books resulted in blockage of funds ranging from Rs 3.22 crore to Rs 4.94 crore during the period 2003-06.
- Books supplied to BEPC at an inflated price resulted in Company claiming Rs 68 crore against the actual cost of Rs 61 crore.
- The Company is not likely to receive subsidy of Rs 40.61 crore from the State Government on the books supplied to BEPC.

(Chapter-2.2)

Procurement, performance, maintenance and repair of transformers in Bihar State Electricity Board

Performance of the Board with regard to procurement, maintenance and repair of transformers was found to be deficient due to lack of adequate planning and economy in procurement. Some of major deficiencies noticed are as under:

- Mismatch of power transformation capacity with sub-power transformation capacity resulted in over loading of transformers. During 2002-07, against the growth of 53.45 *per cent* in sub-power transformation capacity, the growth in power transformation capacity was only 31.06 *per cent*.
- Delay in taking decision to allow entry tax on procurement of transformers, resulted in avoidable expenditure of Rs 1.37 crore.
- Delay in finalisation of tender for procurement of 5 MVA power transformers resulted in extra expenditure of Rs 3.47 crore.
- Failure of 8,398 transformers in excess of norms resulted in extra expenditure of Rs 14.42 crore on repair during 2003-04 to 2005-06

(Chapter-3)

3. Transaction audit observations

Audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial irregularities. The irregularities pointed out are broadly of the following nature:

There were three cases of blocking of funds, wasteful/avoidable expenditure amounting to Rs 2.69 crore due to :

- failure to monitor release of funds,
- failure to utilise space acquired on rent,
- transportation of coal at uneconomical mode of freight.

(Paragraphs 4.1, 4.4 and 4.5)

There were seven cases of loss of revenue amounting to Rs 16 crore due to:

- non execution of rent agreement,

- defalcation,
- non observance of rules,
- non adherence to tariff provisions

(Paragraphs 4.3, 4.6, 4.7,4.8, 4.9, 4.10 and 4.12)

There were two cases of undue favour to loanees/consumers amounting to Rs1.85 crore due to:

- non execution and monitoring of schemes,
- defective agreement

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

Failure of **Bihar State Backward Classes Finance and Development Corporation** to monitor the release of fund resulted in blocking of Rs 1.17 crore for over three years and consequential loss of interest of Rs 63.39 lakh.

(Paragraph 4.1)

Bihar State Electronics Development Corporation incurred wasteful expenditure of Rs 49.91 lakh on rent on space acquired for development of Software Technology Park.

(Paragraph 4.4)

Bihar State Electricity Board incurred avoidable loss of Rs 1.74 crore by not taking effective steps for setting up of electric line.

(Paragraph 4.9)

The Bihar State Electricity Board suffered loss of Rs 7.17 crore due to non-billing according to tariff provisions.

(Paragraph 4.10)