

Chapter I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2008, there were 50¹ Government companies (16 working and 34 non-working²) and four Statutory corporations (all working) as against 51 Government companies (17 working and 34 non-working²) and four Statutory corporations (all working) under the control of the State Government as on March 2007. 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 provisions 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 has been entrusted to the CAG under Section 104(2) of the Electricity Act, 2003.

¹ Excluding Tenughat Vidyut Nigam Limited. which had been transferred under the audit jurisdiction of A.G.(Audit), Jharkhand.

² Non-working companies are those which are under the process of liquidation, closure, merger etc.

Working Public Sector Undertakings (PSUs)

Investment in the working PSUs

1.2 The total investment in 21 working PSUs (17 Government companies and four Statutory corporations) and 20 working PSUs (16 Government companies and four Statutory corporations) at the end of March 2007 and March 2008 respectively, was as follows:

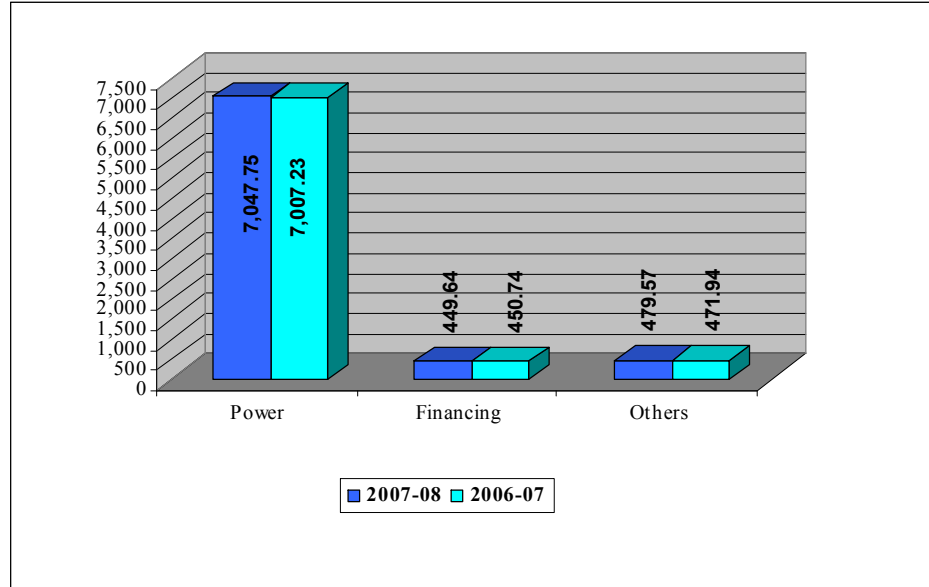
(Amount: Rupees in crore)

Year	Number of working PSUs and Corporations	Investment in the working PSUs			
		Equity	Share application money	Loan	Total
2006-07	21	463.08	9.86	7,456.97	7,929.91
2007-08	20	369.60	9.71	7,597.65	7,976.96 ¹

The 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 investments (equity and long term loans) in various sectors at the end of 31 March 2008 and 31 March 2007 are indicated below in the bar chart:



¹ State Government investment in working PSUs was Rs. 7,093.12 crore (others Rs. 883.84 crore). The figure as per Finance Accounts is Rs. 11,703.49 crore. The difference is under reconciliation.

Working Government companies

1.3 The total investment in 17 working Government companies at the end of March 2007 and 16 working Government companies at the end of March 2008 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
2006-07	17	282.60	7.86	1,100.80	1,391.26
2007-08	16	189.12	7.71	472.35	669.18

The decrease in investment during the year was mainly due to exclusion of investment in Tenughat Vidyut Nigam Limited.

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 2008, the total investment in the working Government companies comprised 29.41 *per cent* equity capital and 70.59 *per cent* loans, as compared to 20.88 *per cent* and 79.12 *per cent* respectively, as on 31 March 2007.

Working Statutory corporations

1.4 The total investment in four working Statutory corporations at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Corporation	2006-07		2007-08	
	Capital	Loan	Capital	Loan
Bihar State Electricity Board (BSEB)	--	5,969.48	--	6,740.41
Bihar State Road Transport Corporation (BSRTC)	101.27	81.02	101.27	81.02
Bihar State Financial Corporation (BSFC)	77.84	299.19	77.84	299.19
Bihar State Warehousing Corporation (BSWC)	3.37	6.48	3.37	4.68
Total	182.48	6,356.17	182.48	7,125.30

The increase in the investment during the year was mainly due to receipt of loans by BSEB.

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

As on 31 March 2008, the total investment in the working Statutory corporations comprised 2.50 per cent equity capital and 97.50 per cent loans as against 2.79 per cent and 97.21 per cent respectively as on 31 March 2007.

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 2008, in the form of equity capital and loans and grants/subsidies from the State Government:

(Amount: Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	--	--	--	--	2	9.20	1	2.00	2	4.05	--	--
Loans given from budget	2	122.78	1	1,053.46	2	51.09	2	202.55	--	--	2	293.11
Subsidy	--	--	--	--	--	--	--	--	1	23.00	--	--
Total outgo	2	122.78	1	1,053.46	4	60.29	3	204.55	3	27.05	2	293.11

During the year 2007-08, the Government had guaranteed loans aggregating Rs. 10.30 crore obtained by two working Government companies¹. In addition to this, subsidy from Government received by B.S. Text Book Corporation Limited was Rs. 23 crore. At the end of the year, guarantees on loans aggregating Rs. 459.11 crore against two working Government companies (Rs. 55 crore) and two working Statutory corporations (Rs. 404.11 crore) were outstanding. Guarantee commission of Rs. 37.62 lakh was payable by Bihar State Road Transport Corporation and Bihar State Financial Corporation to the Government.

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.

¹ Bihar State Backward Classes Finance and Development Corporation and Bihar State Minorities Finance Corporation Limited.

Out of 20 working PSUs (16 Government companies and four corporations) no company/corporation had finalised its accounts for the year 2007-08 up to 30 September 2008 as can be seen from **Annexure 2**. During the period from October 2007 to September 2008, four working Government companies¹ finalised five accounts for the previous years. The accounts of 16 working Government companies were in arrears for periods ranging from 2 to 19 years. Besides, accounts of four Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2008, 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	1	--	1989-90 to 2007-08	19	A-10	--
2	1	--	1990-91 to 2007-08	18	A-6	--
3	1	--	1992-93 to 2007-08	16	A-15	--
4	1	--	1993-94 to 2007-08	15	A-2	--
5	2	--	1996-97 to 2007-08	12	A-11 & A-12	--
6	2	--	1997-98 to 2007-08	11	A-1 & A-14	--
7	2	--	1998-99 to 2007-08	10	A-7 & A-9	--
8	1	--	2000-01 to 2007-08	8	A-3	--
9	2	--	2001-02 to 2007-08	7	A-4 & A-5	--
10	2	1	2002-03 to 2007-08	6	A-8 & A-13	B-2
11	1	--	2006-07 to 2007-08	2	A-16	--
12	--	3	2007-08	1	--	B-1, B-3 & B-4
Total	16	4				

The State Government invested Rs. 5,089.50 crore (equity: Rs. 30.70 crore; loans: Rs. 4,132.80 crore; grants/subsidy: Rs. 926 crore) in 20 working PSUs during the year for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been

¹ Bihar Rajya Beej Nigam Limited, Bihar Rajya Pul Nirman Nigam Limited, Bihar State Electronics Development Corporation Limited and Bihar State Food & Civil Supplies Corporation Limited

properly accounted for and the purpose for which the amount was invested has been achieved or not and thus the Government's investment in such PSUs remain 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.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. The concerned administrative departments were informed every quarter by the Audit regarding arrears in finalisation of accounts.

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 5 and 6** respectively¹.

According to the latest finalised accounts of 15² working Government companies and four working Statutory corporations, 11³ companies and two⁴ corporations had incurred aggregate loss of Rs. 40.69 crore and Rs. 905.47 crore respectively. Four⁵ companies and two⁶ corporations earned aggregate profit of Rs. 10.41 crore and Rs. 27.83 crore respectively.

Working Government companies

Profit earning companies and dividend

1.8 Out of 15² working Government companies, which finalised their accounts for previous years by September 2008, four companies earned an aggregate profit of Rs. 10.41 crore. The State Government had, however, not formulated any dividend policy for payment of minimum dividend.

¹ On the basis of information provided by the Corporations.

² Excluding Bihar State Beverages Corporation Limited (First accounts not yet finalised).

³ Bihar Rajya Beej Nigam Limited, Bihar Rajya Matsya Vikas Nigam Limited, Bihar State Electronics Development Corporation Limited, Bihar Police Building Construction Corporation Limited, Bihar Rajya Pul Nirman Nigam Limited, Bihar State Minority Finance Corporation Limited, Bihar State Backward Classes Finance and Development Corporation, Bihar State Food & Civil Supplies Corporation Limited, Bihar State Hydro Electric Power Corporation Limited, Bihar State Credit and Investment Corporation Limited, Bihar State Text Book Publishing Corporation Limited.

⁴ Bihar State Electricity Board and Bihar State Road Transport Corporation.

⁵ Bihar State Forest Development Corporation Limited, Bihar State Mineral Development Corporation Limited, Bihar State Tourism Development Corporation Limited and Bihar State Film Development Corporation Limited.

⁶ Bihar State Financial Corporation and Bihar State Warehousing Corporation.

Loss incurring companies

1.9 Of the 11 loss incurring working Government companies, seven¹ companies had accumulated losses aggregating Rs. 226.55 crore, which exceeded their aggregate paid up capital of Rs. 34.29 crore. Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, grant, subsidy and loan. According to available information, the total financial support provided by the State Government by way of equity, grant, subsidy and loan during 2007-08 to three companies out of 11 companies amounted to Rs. 27.05 crore.

Government of Bihar had decided (June 2003) to wind up five companies² having a total Government investment in equity and loans to the extent of Rs. 19.07 crore. Out of these five companies, one company³ had filed petition for winding up in the Patna High Court.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Two out of the four Statutory corporations have finalised their accounts for previous years. According to latest finalised accounts, two corporations earned an aggregate profit of Rs. 27.83 crore.

Loss incurring Statutory corporations

1.11 According to latest finalised accounts, two corporations incurred an aggregate loss of Rs. 2,149.14 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure 7**.

Return on Capital Employed

1.13 As per the latest annual accounts finalised up to September 2008, the capital employed⁴ worked out to Rs. 256.21 crore in 15⁵ working companies and the total return⁶ thereon amounted to Rs. (-) 4.63 crore as compared to total return of Rs. 5.22 crore in the previous year. Similarly, the capital

¹ Bihar Rajya Beej Nigam Limited, Bihar Rajya Matasys Vikas Nigam Limited, Bihar State Electronics Development Corporation Limited, Bihar State Police Building Construction Corporation Limited, Bihar Rajya Pul Nirman Nigam Limited, Bihar State Food & Civil Supplies Corporation Limited and Bihar State Credit & Investment Corporation Limited.

² Bihar State Forest Development Corporation Limited, Bihar State Film Development and Finance Corporation Limited, Bihar State Electronics Development Corporation Limited, Bihar State Police Building Construction Corporation Limited and Bihar Rajya Pul Nirman Nigam Limited.

³ Bihar State Film Development and Finance Corporation Limited.

⁴ 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).

⁵ Excluding Bihar State Beverages Corporation Limited (First accounts not yet finalised).

⁶ 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.

employed and the total return thereon in case of working Statutory corporations as per their latest annual accounts finalised up to September 2008 worked out to Rs. 3,099.78 crore and Rs. 6.87 crore respectively, against the total return of Rs. 472.19 crore in previous year. 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 enterprenures 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 no grants during the period 2007-08 and the total grants received up to March 2008 were Rs. 2.11 crore. The commission, however, had not submitted any of its accounts for audit and the same are in arrears since inception.

Reforms in Power Sector

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.15 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 programmes vis-à-vis respective commitments made in the MoU is as follows:

Sl. No.	Commitments as per MoU	Targeted completion schedule	Status (As on 31 March 2008)
1	2	3	4
Commitments made by State Government			
1	State Electricity Regulatory Commission (SERC)	December 2001	The State Electricity Regulatory Commission (SERC) operationalised with effect from 15 August 2005.
2	Rural electrification programme	By 2006	Out of total 45,103 villages of Bihar, 21,135 villages were electrified.
3	Reorganisation of the Board	December 2001	Power Finance Corporation (PFC) has been appointed as consultant and has submitted a Report to the Government. The unbundling of the Board is under process.

4	Securitisation of outstanding dues of Central Power Sector Undertakings	Not fixed	An amount of Rs. 2,075.61 crore has been securitised (September 2008) against the previous dues of Rs. 2,075.61 crore (September 2001).
5	100 <i>per cent</i> metering of all 11 KV distribution feeders and 100 <i>per cent</i> metering of all consumers	December 2001	The installation of meters in 11 KV distribution feeders is in progress. The consumer metering work in 12 Circles out of 16 Circles is being executed under APDRP. In the remaining 4 circles the metering work sanctioned under the State Plan are yet to be taken up (September 2008).
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 upto 15.5 <i>per cent</i>	December 2002	T&D losses were 40.85 <i>per cent</i> in 2002-03, 36.04 <i>per cent</i> in 2003-04, 37.88 <i>per cent</i> in 2004-05, 42.83 <i>per cent</i> in 2005-06, 42.61 <i>per cent</i> in 2006-07 and 39.00 <i>per cent</i> in 2007-08. So the target could not be achieved.
8	Three <i>per cent</i> return on fixed assets	March 2004	Three <i>per cent</i> return on fixed assets could not be achieved.
9	Distribution Information Management System	June 2003	The Board awarded the work of SCADA ¹ /DMS ² for two ³ circles and IT Implementation and feasibility report for DMS/SCADA for Seven ⁴ circles along with other work under APDRP, to PGCIL ⁵ in December 2003. The installation of SCADA/DMS in two circles was under progress and IT implementation in other seven circles was also in progress.
10	Minimum agriculture tariff of 50 paise per unit	Nil	The tariff structure of the agricultural consumers has been revised (November 2006) to enforce the decision taken in the Chief Ministers/Power Ministers' Conference. It was decided to fix agricultural tariff at a minimum of 50 paise per unit. As per revision, tariff rates of 80 paise and 130 paise per unit for rural and urban feeder respectively have been fixed. But meters have not yet been installed.

¹ Supervisory Control and Data Acquisition System.

² Data Management System.

³ Patna Electricity Supply Unit (East) and Patna Electricity Supply Unit (West)

⁴ Bhagalput, Chapra, Darbhanga, Gaya, Purnea, Rahtas and Saharsa.

⁵ Power Grid Corporation of India Limited.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.16 The total investment in the 34 non-working PSUs (all Government companies) at the end of March 2007 and March 2008 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
2006-07	34	159.62	6.76	551.65	718.03
2007-08	34	159.62	6.76	551.65	718.03 ¹

Government of Bihar had decided (June 2003) to wind up 12 non-working companies (Sl. No. 1 to 12 of **Annexure 8**) having a total Government investment in equity and loans to the extent of Rs. 529.42 crore. Out of these 12 companies, eight companies (Sl. No. 1 to 8) had filed petition for winding up in the Patna High Court along with four other companies (Sl. No. 13 to 16). Out of the 12 companies which filed petition for winding up, orders had been passed in respect of two² companies. The details of non-working companies to be wound up and the non-working companies which have filed petitions for winding up are listed in **Annexure 8**.

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

1.17 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 two³ non-working companies.

Total establishment expenditure of non-working PSUs

1.18 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 2007-08, 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
2005-06	12 ⁴	4.10	0.92	3.18
2006-07	11 ⁴	2.86	0.44	2.42
2007-08	11 ⁴	1.29	0.28	1.01

¹ State Government investment in non-working PSUs was Rs. 641.32 crore (others Rs. 76.71 crore). The figure as per Finance Accounts is Rs. 261.55 crore. The difference is under reconciliation.

² Bihar State Handloom and Handicrafts Corporation Limited and Bihar Paper Mills Limited

³ Bihar State Leather Industries Development Corporation Limited and Bihar State Agro Industries Corporation Limited

⁴ Information in respect of remaining companies (22 and 23 for the years 2005-06 and 2006-08 respectively) was not furnished

Finalisation of accounts by non-working PSUs

1.19 The accounts of the 34 non-working companies were in arrears for periods ranging from 13 to 31 years as on 30 September 2008, as can be seen from **Annexure 2**.

The State Government invested Rs. 775.61 crore (equity: Rs. 54.43 crore; loans: Rs. 662.75 crore; grants/subsidy: Rs. 58.43 crore) in PSUs during the year for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus the Government's investment in such PSUs remain 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.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. The concerned administrative departments were informed every quarter by the Audit regarding arrears in finalisation of accounts.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure 2**. The net worth¹ of 34 non-working Government companies was Rs. (-) 69.66 crore against their total paid-up capital of Rs. 101.04 crore. These companies suffered a cash loss² of Rs. 18.37 crore and their accumulated loss worked out to Rs. 175.06 crore.

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

1.21 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	1999-2000	2000-01 2001-02 2002-03 2003-04 2004-05	30.06.2004 12.03.2007 24.10.2007 20.02.2008 29.04.2008	Reasons not intimated in spite of specific reminders issued to place them in the legislature.

¹ Net worth represents investment in share capital and free reserves less accumulated loss.

² Cash loss represents loss for the year before depreciation.

2	Bihar State Road Transport Corporation	1973-74	1974-75 to 2001-02 (28) <u>Details</u>		Copies of reports were not made available by the corporation to the Government for placement.
			1991-92	9.6.1997	
			1992-93	2.9.1998	
			1993-94	2.9.1998	
			1994-95	4.12.1998	
			1995-96	18.4.2000	
			1996-97	19.03.2004	
			1997-98	19.10.2004	
			1998-99	12.04.2005	
			1999-00	07.10.2005	
			2000-01	24.09.2007	
			2001-02	26.10.2007	
3	Bihar State Financial Corporation	2004-05	2005-06	28.12.2007	Under printing.
4	Bihar State Warehousing Corporation	2004-05	2005-06	04.06.2008	Reasons not intimated in spite of reminders issued to place them in the legislature.

It can be seen from the above table that 35 SARs relating to the four Corporations were not laid before the Legislature for one to 28 years. 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

1.22 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2007-08. 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 four¹ Companies/Corporations (September 2008). Details are given in **Annexure 9**.

Results of audit of accounts of PSUs

1.23 During the period from October 2007 to September 2008, the accounts of five Government companies and four Statutory corporations were selected for review.

Some of the major errors and omissions noticed in the course of audit of annual accounts of these companies/corporations are mentioned in the succeeding paragraphs.

¹ 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

1.23.1 Comments by the Statutory Auditors

Bihar State Food & Civil Supplies Corporation Limited (1987-88)

- Interest on Term Loans during the year charged by the Bank totaling Rs. 24.61 lakh has not been capitalised resulting in understatement of loss during the year to the same extent.

Bihar Rajya Pul Nirman Nigam Limited (1997-98)

- Accounting System followed by the Corporation for construction works is not in conformity with the Accounting Standard (AS-7- Accounting for Construction contracts) issued by the Institute of Chartered Accountants of India.
- Non provision for past years deficit of Rs. 28.26 lakh in respect of Provident Fund Trust has resulted in understatement of total accumulated loss by Rs. 28.26 lakh.

1.23.2 Comments by the Comptroller and Auditor General of India

Bihar State Food & Civil Supplies Corporation Limited (1987-88)

- Non-accountal for remittance in transit lying unreconciled has resulted in overstatement of Cash and Bank Balance and Profit by Rs. 0.48 crore.

Bihar Rajya Pul Nirman Nigam Limited (1995-96)

- Non-provision for advances made to suppliers and carried forward since long time without recovery/unadjustment has resulted in overstatement of advances and understatement of loss by Rs. 0.12 crore.

Errors and omissions noticed in case of Statutory corporations

1.23.3 Comments by the Statutory Auditors

Bihar State Warehousing Corporation (2005-06)

- Against the total debts of Rs. 1,261.03 lakh, provision of Rs. 376.19 lakh only has been made. This does not appear to be adequate. In our opinion substantial amounts (Rs. 600.00 lakh approximately) is doubtful of recovery for which provision should have been made. Short provision for approximately Rs. 600.00 lakh has resulted in overstatement of sundry debtors and understatement of loss.
- Treatment of Income tax liability does not ensure compliance of mandatory accounting policy AS-22 issued by the Institute of Chartered Accountants of India.

Bihar State Warehousing Corporation (2006-07)

- The practice related to Capitalisation of expenses followed by corporation does not ensure booking of capital expenditure in time. This has resulted in overstatement of advances, understatement of fixed assets and overstatement of profit due to short provision of depreciation.

1.23.4 Comments by the Comptroller and Auditor General of India

Bihar State Electricity Board (2004-05)

- Non accountal of coal stock shortages pending investigation at MTPS to the revenue account in violation of the rules resulted in overstatement of fuel stock and understatement of loss by Rs. 6.34 crore.
- An excess credit of Rs. 51.83 crore has been taken in the Cash Books during the period April 1983 to March 2003 which has resulted in overstatement of cash and bank balances, and understatement of loss by Rs. 51.83 crore.

Bihar State Road Transport Corporation (2001-02)

- Non-provision of dues on account of gratuity, leave encashment etc against employees retired/died/separated upto 31 March 2001 has resulted in understatement of gratuity as well as loss to the extent of Rs. 51.44 crore.
- Non-provision of irrecoverable tax deductible at source by Commercial Tax Department has resulted in understatement of provisions and loss.

Bihar State Financial Corporation (2004-05)

- Non- provision on account of arrears of salary payable to employees and interest on Government funds for Bonds shown as contingent liabilities has resulted in understatement of loss and other liabilities by Rs. 19.52 crore.

Bihar State Financial Corporation (2005-06)

- Non-provision for rent and maintenance receivable from various tenants are doubtful of recovery and has resulted in overstatement of assets and understatement of loss by Rs. 1.16 crore.
- Non-provision for Minimum Guaranteed Dividend of Rs. 2.45 crore has resulted in understatement of other liabilities and overstatement of profit to the same extent.
- Non-provision for interest on Government Loans has been shown as contingent Liabilities and has resulted in understatement of other liabilities and overstatement of profit by Rs. 23.38 crore.

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

1.24 Based on the working results of BSEB for three years up to 2006-07, taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts up to the year 2004-05 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	2004-05	2005-06 (Provisional)	2006-07 (Provisional)
1	Net deficit as per the books of accounts.	54.31	429.42	854.61
2	Subsidy/Grants-in-aid from the State Government.	803.60	844.00	720.00
3	Net deficit before subsidy from the State Government. (1+2)	857.91	1,273.42	1,574.61
4	Net increase in deficit on account of audit comments on the annual accounts of the BSEB.	289.62	Audit completed, Comments under finalisation.	Not yet finalised.
5	Net deficit after taking into account the impact of audit comments but before subsidy from the State Government. (3+4)	1,147.53	Audit completed, Comments under finalisation.	Not yet finalised.
6	Total return on capital employed. ¹	484.44	197.22	(-)45.31

Recoveries at the instance of Audit

1.25 A test check of the records of Bihar State Electricity Board conducted during 2007-08 disclosed wrong/short levy of tariff/short realisation of revenue aggregating Rs. 65.05 lakh. The Board accepted the audit observation and raised supplementary bills and recovered the short levy.

¹ Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Internal audit / Internal control

1.26 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 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 12 such reports on the accounts of six Government companies relating to accounts finalised during October 2007 to September 2008, revealed that the Internal Control/Internal Audit system was inadequate in five companies. The deficiencies pointed out are given in **Annexure 10**.

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

1.27 The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs discussed in the COPU as at the end of September 2008 is as 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	18
1983-84	4	34	2	30
1984-85	3	9	2	8
1985-86	3	21	-	18
1986-87	6	29	-	24
1987-88	5	23	2	17
1988-89	4	44	-	44
1989-90	6	48	-	38
1990-91	4	39	-	36
1991-92	4	49	1	34
1992-93	5	31	-	23
1993-94	3	32	-	28
1994-95	3	19	1	13
1995-96	3	21	1	14
1996-97	3	21	1	4
1997-98	2	25	-	2
1998-99	6	15	-	5
1999-2000	3	15	1	-

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	2	13	-	-
2001-02	3	9	-	-
2002-03	3	7	-	-
2003-04	3	10	-	-
2004-05	3	9	1	6
2005-06	4	10	-	-
2006-07	3	13		
Total	101	572	17	370

619-B companies

1.28 There were eight companies (two working and six non-working) under Section 619-B of the Companies Act, 1956, of which six companies have not finalised any accounts since inception. Applications for closure of these six companies had been filed in the 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 finalised accounts, are given in **Annexure 11**.