

## CHAPTER IV

### 4. Transaction audit observations relating to Government companies and Statutory Corporations

Important audit findings noticed as a result of test check of transactions made by the State Government companies/corporations are included in this Chapter.

#### Government companies

#### Bihar State Backward Classes Finance and Development Corporation

##### 4.1 *Imprudent investment*

**Injudicious investment and delay in purchase of tractors resulted in loss of Rs 87.74 lakh.**

Bihar State Backward Classes Finance and Development Corporation (Company) executed (March 1993) an agreement with National Backward Classes Finance and Development Corporation (NBCFDC). The Company was to function as state channelising agent (SCA) for granting loan and margin money to members of backward classes, for setting up income generating viable economic projects/schemes, as approved by NBCFDC.

The agreement stipulated that if the SCA drew or received any loan as financial assistance from the NBCFDC and did not disburse it further to the ultimate beneficiary or utilise it for the purpose for which it was drawn within a period of two months, the SCA would pay interest at the normal bank rate, not below 18 per cent per annum, to the NBCFDC on the undisbursed or unutilised amount for the period it was not disbursed or utilised after the expiry of two months.

Audit observed that the Company, without taking approval of the Government/Board, invested (January and May 1994) rupees four crore from the funds received from NBCFDC in HMT Limited (HMT) at 14 per cent compound interest per annum. HMT returned rupees two crore towards principal and interest on entire investment up to December 1996. However, due to financial sickness, it became defaulter in payment and refunded rupees one crore only towards principal in January 1998 with an offer of 65 tractors of HMT-3522 model at the rate of Rs 2.39 lakh per tractor against the balance loan amount. The Company could not take any decision due to lack of response from the beneficiaries (March 1999).

HMT further offered (February 2002) one time settlement scheme (OTS) in the shape of 59 tractors of HMT –3522 model at the rate of Rs 2.73 lakh per tractor to clear the outstanding dues at 10 per cent simple interest with retrospective effect from 1 April 1997 on the ground of financial sickness. The Company accepted the offer and got supply of tractors in April 2002. This resulted in loss of interest of Rs 75 lakh\*.

**The Company suffered loss of interest of Rs 12.74 lakh due to non disbursement of fund of NBCFDC.**

Besides, due to non-disbursement of fund to ultimate beneficiaries, the Company paid interest of Rs 76.42 lakh (at 12 per cent) to NBCFDC on the balance amount of loan from April 1997 to April 2002, whereas it received interest of Rs 63.68 lakh (at 10 per cent) from HMT and thus lost Rs 12.74 lakh.

Thus, due to injudicious investment and delay in purchase of tractors, the Company lost Rs 87.74 lakh.

Management stated (March 2004) that due to lack of awareness in the target group regarding implementation of the scheme, the funds received towards share capital and loan from HUDCO were invested in HMT with the approval of Government of Bihar. Further non-existence of Board of Directors during 10 October 1999 to 14 March 2001 delayed the decision in the Company.

Reply is not tenable as the Company diverted the fund received from NBCFDC to HMT and not from share capital and loan from HUDCO. As the Board had already decided on 25 January 1999 to adjust the loan amount against the purchase of HMT tractors, non-existence of Board from 10 October 1999 to 14 March 2001 should not have affected the implementation of the decision.

The matter was reported to the Government (May 2004); their reply had not been received (September 2004).

#### **Bihar State Electronics Development Corporation Limited**

##### *4.2. Loss of revenue*

**Delay in letting of software Technology Park resulted in loss of Rs 39.01 lakh towards rent.**

Bihar State Electronics Development Corporation Limited (Company) executed an agreement (April 2002) with the Bihar State Co-operative Marketing Union Limited for taking three floors measuring 35,000 square feet on lease for a period of 10 years in the Biscomaun Tower at a lease rent of rupees six per square feet (sq.ft.) per month and maintenance charge at the rate of rupee 0.20 per sq. ft. per month. The Company was to develop a software technology park on this rented premises for which State

\* Principal and interest upto April 2002 Rs 2.36 crore less cost of 59 tractors Rs 1.61 crore

Government had provided rupees four crore during 2000-03. The development work was completed in January 2003 at a cost of Rs 3.80 crore.

The Company decided (January 2003) to let out two floors having area of 23,333 sq.ft. to Reliance Infocom Ltd. (R I L) at the rate of Rs 20.90 per sq. ft. per month and to keep one floor vacant for a period of six months for local entrepreneurs. RIL took possession of the floors in October 2003.

**The Company suffered loss of rent of Rs 39.01 lakh due to delay in letting out premises.**

Audit observed that the offer of RIL was available in November 2002 but the Company decided in January 2003 to allot two floors to RIL and also took another eight months in completing the formalities for handing over the premises. Had the decision been taken and necessary formalities completed before completion of premises (January 2003) and handed over immediately, delay of eight months could have been avoided. Delay in letting of software technology park resulted in loss of Rs 39.01 lakh towards rent for eight months.

The matter was reported to the Government/Company (August 2004), their replies had not been received (September 2004).

#### **Bihar State Food and Civil Supplies Corporation Limited**

#### **4.3. Loss due to lack of internal check / control and physical verification of food grains**

**Non observance of standing orders of the Company regarding physical verification of food grains resulted in loss of Rs 22.98 lakh.**

Bihar State Food and Civil Supplies Corporation limited (Company) is the channelising agency for supplying food grains for public distribution system (PDS), mid-day meal (MDM) and below poverty line (BPL) schemes, being implemented in the State. On the basis of the allotment received from the State Government, the Company lifts the food grains from the godowns of Food Corporation of India and stores them in its own godowns.

The Company, to safeguard the stock in its godowns, issued direction (December 1987) to District Managers and Assistant Godown Managers (AGMs) who deal with the receipt, issue and balance stock in the godowns. Accordingly all AGMs were to be transferred in April every year to another godown so that the physical verification of stock would be done automatically. Physical verification of other godowns was to be conducted every year by the District Manager of the nearest district.

**Loss of Rs 22.98 lakh due to shortage of food grains.**

Audit observed that the AGM of Basantpur and Maharajganj in Siwan district, neither maintained the stock ledger of receipt and issue of food grains during October 1997 to December 2001, nor was he transferred to another district until his demise in December 2001. After his demise, the Company

prepared (August 2002) stock book/ledger on the basis of papers related to receipt and issue of food grains and found shortage of food grains valuing Rs 22.98 lakh.

Thus, due to lack of internal control and physical verification of stock, the Company suffered a loss of Rs 22.98 lakh.

The matter was reported to the Government/Company (August 2004); their replies had not been received (September 2004).

#### **4.4 Delay in finalisation of accounts of state PSUs**

##### ***Statutory provisions for finalisation of accounts***

**4.4.1** According to provisions of Section 210 (3) read with Section 166 of the Companies Act, 1956, audited accounts of a company for a year should be approved and adopted in the Annual General Meeting (AGM) of the shareholders within six months of the close of that financial year. Further, as per provision of Section 619A (3) of the Act, *ibid*, the State Government should place an Annual Report on the working and affairs of each State Government company together with a copy of the Auditors' Report and comments thereon made by the Comptroller and Auditor General of India (CAG), before the Legislature within three months of its AGM. In case of Statutory corporations, their accounts are to be finalised, audited and presented to the State Legislature as per the provisions of their respective Acts. None of the Government companies of Bihar have finalised their accounts within this stipulated period and the accounts are in arrears for long periods. The total number of accounts in arrear upto the financial year 2003-04 in respect of 50 Government companies of Bihar stood at 769 as on 30 September 2004.

##### ***Procedure of finalisation of accounts***

**4.4.2** The annual accounts are approved by the Board of Directors of company under section 215(3) of the Companies Act, 1956. The statutory auditors are appointed by CAG who audits the accounts of the company on selective basis and such accounts along with the comments of the CAG are placed before the AGM of the company for adoption. Thereafter, in terms of section 619(A) (3) of the Act, *ibid*, annual accounts are presented to the State legislature.

In eleven companies<sup>Σ</sup> the basic accounting records were maintained in field units/centers. Based on the initial accounting information furnished by these

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<sup>Σ</sup> Bihar State Mineral Development Corporation Limited (BSMDC), Bihar State Food and Civil Supplies Corporation Limited (BSF & CSC), Bihar State Tourism Development Corporation Limited (BSTDC), Bihar State Hydroelectric Power Corporation Limited (BSHPC), Bihar Hill Area Lift Irrigation Corporation Limited (BHALCO), Bihar State Agro Industries Development Corporation Limited (BSAIDC), Bihar State Small Industries Corporation Limited (BSSIC), Bihar State Industrial Development Corporation Limited (BSIDC), Bihar State Leather Industries Development Corporation Limited (BSLIDC), Bihar State Construction Corporation Limited (BSCC), Bihar State Pharmaceutical & Chemical Development Corporation Limited (BSP & CDC).

units, the Corporate Office (Head Office) compiles the financial accounts after carrying out various adjustments. In the case of BICICO\*, the basic accounting records as well as compilation of final accounts were done at the head office.

***Risk involved due to delay in finalisation of accounts***

**4.4.3** The finalised accounts of the PSUs reflect their overall financial health and efficiency to conduct their business. If PSUs fail to finalise the accounts in time, the CAG cannot conduct the supplementary audit of the accounts and thus, Government investments remain outside the scrutiny of the State Legislature. Besides, delay also opens the system to risk of fraud and leakage of public money.

***Extent of arrears***

**4.4.4** Out of 50 Government companies in the State, none of the companies had finalised their accounts for the year 2003-04 as on 30 September 2004. Accounts of all the companies were in arrears for the periods ranging from four to 27 years, as detailed in **Annexure-21**. The summarised details in connection with finalisation of accounts for the period of five years (upto the latest accounts) as on 31 March 2004 in respect of the 12 test checked companies are given in **Annexure-22**. A review of the annexure would reveal that delay in finalisation of accounts for adoption in AGM each year in respect of these companies ranged from eight to 263 months.

**In the absence of finalised accounts, the result of Government investment of Rs. 473.98 crore in 12 companies remained outside public scrutiny.**

In the absence of finalised accounts, Government's investment of Rs 473.98 crore by way of share capital (Rs. 206.04 crores) and loans (Rs. 267.94 crore) in the 12 test checked companies as on 31 March 2004 has remained outside public scrutiny.

Reasons for delay in finalisation of accounts, as analysed in Audit, were delay in preparation of accounts and completion of statutory audit, delay in holding AGM, financial crunch, shortage of manpower and non-existence of the Board of Directors in respect of above companies, as discussed in the succeeding paragraphs.

***Delay in preparation of accounts***

**4.4.5** Audit observed that due to shortage of competent and trained manpower in the Accounts Departments, there has been delay in preparation of accounts and audit thereof. As the accounts departments are mainly being looked after by a few clerical staff, the arrear of accounts has been piling up every year. Lack of coordination between the management and Statutory Auditors (SAs) also causes delay in finalising the accounts. Besides above, the defaulting companies have no time-bound programme and specific policies to liquidate the arrear of accounts.

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\* Bihar State Credit and Investment Corporation Limited (BICICO).

***Delay in completion of statutory audit***

**4.4.6** Statutory auditors are expected to complete their audit within two months of the closure of the accounts by the companies, so that supplementary audit under Section 619 (4) of the Companies Act, 1956 could be completed by the CAG and audited accounts together with SAs' report be placed in the AGM within the prescribed time limit of six months. Time taken by the SAs in certification of accounts between two successive years are given in the **Annexure-23**.

**Delay in completion of statutory audit for certification between two successive years ranged from 12.20 to 41.50 months on average.**

It would be seen from the annexure that the average time taken in certification of accounts between two successive years ranged from 12.20 to 41.50 months for completion of audit of one year. The reasons for such delay were non-furnishing of requisite information to the auditors by auditee units (BSIDC, BSSIC), delay in adoption of previous year's accounts in the AGM (BSIDC), which in turn delayed certification of accounts by the SAs, lack of coordination with the SAs, and non-existence of Board of Directors from February 1994 to January 2001 (BSF&CSC).

Had the companies coordinated properly with SAs and made efforts for formation of the Board of Directors and holding of AGM, such delays could have been avoided.

In case of Bihar State Hydroelectric Power Corporation Limited, Audit observed that the accounts for 1994-95 were approved by the Company in December 1996, but due to lack of co-ordination between the Company and, SAs, the auditors' report was submitted in July 2003 i.e. after seven years. Further the management revised the accounts for 1994-95 in the light of the audit observations of the CAG. The SAs certified the revised accounts on 15 July 2004. In respect of Bihar State Credit and Investment Corporation Limited, the SAs took four and two years in certification of accounts for 1996-97 and 1997-98 respectively. This has resulted in delay in finalisation of subsequent years' accounts.

***Delay in holding the Annual General Meeting***

**4.4.7** Section 171 of the Companies Act, provides that an AGM of a company may be called by giving not less than 21 days notice in writing, or a shorter notice if so consented by all the members entitled to vote. Thus, it would be reasonable for a Government company to hold its AGM within 30 days of receipt of comments from the CAG, considering the fact that all directors are nominees of the Government.

**The delay in holding the AGM after receipt of comments/non review certificates from the CAG went upto 84 months.**

The date of issue of comments /non review certificate and date of holding AGM for the accounts finalized during the last five years are given in **Annexure-24**.

It would be seen from the annexure that the companies failed to hold their AGM within 30 days, except in case of BSTDC (1988-89 to 1992-93), BSMDC (1996-97), BSCC (1982-83) and BICICO (1996-97). The delay in

holding AGMs went upto 84 months. This adversely affected the clearance of arrears of accounts.

Audit analysed six individual cases as below:

<b>Name of the company</b>	<b>Reasons</b>
Bihar State Mineral Development Corporation Limited	Comments of the CAG on the annual accounts for 1997-98 and 1998-99 were issued in February 2000 and July 2002 respectively, but these were adopted by the AGM in August 2003. This affected finalisation of subsequent years' accounts.
Bihar State Food & Civil Supplies Corporation Limited	Comments of the CAG on annual accounts for 1980-81 were issued in December 1994 but they were adopted by the AGM in July 2001 after a lapse of six and half years due to non-existence of Board of Directors during February 1994 to January 2001. The comments of the CAG on the annual accounts for 1981-82 were issued in February 2004. But these have been adopted by the AGM on 23 August 2004. This affected finalisation of subsequent years' accounts.
Bihar State Agro Industries Development Corporation. Limited	The accounts for the year 1986-87 were certified by the statutory auditors in December 1995 and the comments of the CAG were issued in May 1996. The AGM of the company has not been held since May 1996 to adopt the accounts for 1986-87.
Bihar State Industrial Development Corporation Limited	Comments of the CAG on the accounts for 1986-87 were issued in December 2002 but the same are yet to be adopted in the AGM. No AGM for adoption of accounts has been held in the company after January 1997.
Bihar State Leather Industries Development Corporation Limited	Comments of the CAG on the annual accounts for 1981-82 were issued in May 1997 but the accounts were adopted by the AGM in May 2004. This adversely affected the finalisation of subsequent accounts.
Bihar State Construction Corporation Limited	Comments of the CAG on the annual accounts for 1985-86 were issued in June 2003 but the company has not held the AGM for adoption of accounts so far (September 2004). This adversely affected the finalisation of subsequent accounts.

#### ***Delay in tabling of annual report in the Legislature***

**There was delay in tabling of annual reports in Legislature ranging from 31 to 303 months.**

**4.4.8** Government companies and deemed Government companies are to ensure tabling of their annual reports including their audited accounts in the State Legislature before lapse of nine months from the end of the financial year. Since all the companies selected under review adopted their accounts in the AGM after a lapse of more than eight to 263 months from the due date,

the companies also failed to maintain time schedule with regard to tabling of their annual reports in the Legislature. Details of delay in tabling of annual reports in the Legislature are shown in **Annexure-25**. Audit observed that delay in tabling of annual report in the Legislature ranged from 31 to 303 months.

***Comparative position of clearance of arrears***

**4.4.9** The comparative position of clearance of arrears in finalisation of accounts for the five years ended 30 September 2004 is given in **Annexure-26**. It would be seen from the Annexure that all the five working companies, whose accounts were in arrears for two to 19 years at the end of September 2000, failed to clear the arrears and the arrears increased from four to 21 years as on September 2004. Similarly seven non-working companies also failed to clear the arrears and the arrears increased from 12 to 18 years to 14 to 22 years during the same period.

**4.4.10** The State Government exercises its control over the companies through the concerned Administrative Departments and the Finance Department. The Bureau of Public Enterprises (BPE) is the nodal agency which reviews the working of the companies on behalf of the Finance Department.

**The State Government has not framed action plan to liquidate the arrears of accounts in a time bound manner.**

In terms of Memorandum and Articles of Association of these companies, the State Government may issue directives in the interest of the company. To fulfil these obligations, the State Government was expected to take concrete steps to ensure that the accounts of the companies were finalised in time. Similarly the Administrative Departments have to ensure that the accounts are finalised and adopted by the companies in the Annual General Meeting within the time schedule prescribed in the Companies Act, 1956, but no time bound programme/action plan was framed by the State Government to liquidate the arrears of accounts.

The State Government sanctioned (November 2002) loans aggregating Rs. 26.92 lakh to eleven companies under the administrative control of Industries Department for preparation of accounts, but none of the companies have cleared the arrear of accounts.

**4.4.11** The position of arrears of accounts has been highlighted continuously in Chapter – I of the Audit Report (Commercial) of Government of Bihar.

On the basis of the lists of defaulting companies furnished quarterly by the Principal Accountant General (Audit), Bihar to the Chief Secretary, directions were issued by the BPE for expediting the finalisation of accounts, but the position of arrears of accounts did not improve due to follow up action not being taken by the management of companies.

In order to help the companies in liquidating the arrears of accounts, SAs were appointed, as a special case for two or more years on the advice of CAG. This advance action had not made any impact on the position of arrears

and none of the companies had been able to liquidate the arrears. Besides in order to expedite the clearance of pending accounts, the Audit suggested (January 2004) the State Government to take the help of professional institutes and also offered to conduct the audit of provisional accounts besides other required assistance. No such assistance was sought by the companies till date (September 2004).

The matter was reported to the Government/Company (June 2004); their replies had not been received (September 2004) except BSTDC, BICICO, BSSIC, BSIDC, BSLIDC and BSP & CDC.

## **Statutory corporation**

### **Bihar State Electricity Board**

#### ***4.5 Deficiencies in internal control and internal audit system***

Internal control is a management tool to provide reasonable assurance that the organisation fulfils accountability obligation, provides orderly and efficient operations, safeguards assets and management policies, and discloses reliable financial data through timely reporting. Internal audit is an independent appraisal activity within an organisation to examine and evaluate the activities of the organisation. Besides assisting in financial control, it is expected to help in achievement of organisational objectives by improving the effectiveness of control and governance process within the organisation.

The Bihar State Electricity Board (Board) has been entrusted with the responsibility of promoting a coordinated development of generation, transmission and distribution of electricity in the State of Bihar in an efficient manner. The huge expenditure and income involved in the Board's operations calls for effective and efficient internal control and internal audit, so as to pinpoint system deficiencies and weaknesses in control and suggest suitable corrective action.

The organisational set up of the Board is given in **Annexure-27** and internal audit set up of the Board is given in **Annexure-28**.

##### ***4.5.1 Internal control***

Effective internal control system is a pre-requisite for an efficient functioning of any organisation. To this end, an organisation has to establish a well designed internal control system which comprises among others:

- evolving long term and short term plans for achievement of objectives,
- periodical review of plans,
- framing of budgetary control mechanism,
- defining control for each responsibility area and its evaluation,

- design and review of systems and operating and accounting procedures to ensure accuracy and reliability of accounting data, and
- efficiency in operating and safeguarding assets.

The effectiveness of internal control system in the Board has been examined and deficiencies in the following areas noticed:

#### ***4.5.2 Planning and monitoring***

The main functions of Planning Department of the Board were as follows:

- Formulation, implementation and monitoring of five years plan and annual programme,
- Preparation of annual development programme and material budget,
- Compilation of statistical data from field offices, and
- Preparation of administrative report monthly and annual progress reports.

Audit observed that electricity statistics report and material budgets were prepared only upto 1999-2000. Other reports like annual administrative reports, monthly and annual progress reports were not prepared for the last five years up to 2003-04. Though the Board prepared annual budgets for generation, purchase, sale, etc. of energy, the same were not communicated to the concerned units. As a result the Board could not monitor their performance.

The Chief Engineer (Planning) admitted (March 2004) that monitoring of plans was not possible due to shortage of officers and staff. The Planning Wing in the Board is defunct for all practical purposes.

#### ***4.5.3 Budgetary control***

In accordance with the provisions of Section 61 of Electricity (Supply) Act, 1948, the Board is required to submit an annual financial statement containing estimated capital and revenue receipts and expenditures for the ensuing year, and the supplementary statement for the current year in February each year to the State Government, for being laid on the table of House. The details of budget estimates, revised estimates and the actuals during the last five years up to 2003-04 are given in **Annexure-29**.

It would be seen from the annexure that

- The actual revenue receipts were always short of budget and revised estimates during the above period.
- There were wide variances in revenue deficits between budget and revised estimates and between revised estimates and actuals during the last four years up to 2002-03.
- There were wide variances in interest and finance charges between budget and revised estimates and between revised estimates and actuals during 1999-2002 due to incorrect estimation of interest liability on loans.

- As required in the Electricity (Supply) Act, 1948, the Board had to submit Annual Financial Statement before the State Electricity Consultative Council for comments, if any, prior to submission to the State Government. The statements for the years 2002-03 and 2003-04 were submitted to the State Government directly since the State Electricity Consultative Council was non-existent at that time.
- The revised estimate for the year 2003-04 and the budget estimate for the year 2004-05 have not been prepared and approved by the Board so far (September 2004).

#### **4.5.4 Preparation of annual accounts**

As per Section 69 of the Electricity (Supply) Act 1948, the annual accounts of the Board have to be finalised each year within six months of the close of the financial year. However, the accounts of the Board have been finalised up to the year 2000-01 only. Audit further observed that as against three months allowed for preparation of accounts, the Board prepared the last three accounts with delay ranging from seven to 20 months, as detailed in **Annexure-30**.

#### **Revenue management**

##### **4.5.5 Outstanding dues for sale of power**

As per the provision of tariff, consumers are required to pay bills within 15 to 30 days. Lines of defaulting consumers would be disconnected after serving seven days clear notice in writing. The tariff also provided for deposition of security money by consumers, to cover three months' estimated consumption.

Audit observed that there was huge accumulation of revenue arrears of Rs 3796.22 crore as on March 2003. The Board's failure to adhere to rules resulted in accumulation of heavy arrears against consumers, which made realisation difficult and caused loss to the Board. This has also resulted in the Board's revenue becoming time barred and irrecoverable every year.

Audit further observed as under:

- Out of dues of Rs 3796.22 crore as on 31 March 2003, Rs 1736 crore i.e. 46 per cent pertained to the State Government departments, which deteriorated Board's financial position.
- An amount of Rs. 17.17 crore was due from a defunct Fatuha-Phulwarisharif Gramin Vidyut Sahkari Samiti up to April 1995, which has been shown as receivable from the State Government. But the Board's claim was not acknowledged by the State Government as of September 2004 and the amount remained unrealised.
- The Board did not furnish details of time barred dues from consumers. However, time barred claims noticed in audit during the last four years up to 2002-03 amounted to Rs. 15.44 crore (**Annexure – 31**), in addition to

**Failure of the Board to adhere to rules resulted in accumulation of arrears of revenue of Rs 3796.22 crore.**

Rs 111.94 crore reported by the internal audit of the Board vide para 4.5.16

- The Board also did not keep details of dues from permanently disconnected consumers, as required under item 5 of Schedule 26 (b) of the annual accounts of the Board. Thus, the possibility of their realisation could not be verified in Audit.
- The Board has to file a large number of certificate cases for the realisation of arrears of revenue which were pending in the field offices of the Board. There were 21,588 certificate cases as on 31 March 2003 involving Rs. 68.75 crore. The Board could not furnish the year wise details of certificate cases pending during 1999-2002. Thus, the monitoring mechanism of revenue collection was not effective.
- The Board made provision for doubtful dues of Rs. 1862.89 crore, Rs. 2595.60 crore and Rs. 1700 crore from private parties during last three years up to 2001-02. The Board did not analyse individual consumers' dues and adjust the same with the provisions so made in the accounts.

#### ***4.5.6 Anti power theft measures***

According to the norms of Central Electricity Authority, transmission and distribution losses should not exceed 15.5 per cent. But the transmission and distribution losses of the Board were 27.90 per cent (2964.63 MU) and 28.08 per cent (2975.77 MU) in 1999-2000 and 2000-01, valuing Rs. 699.34 crore and Rs. 827.10 crore respectively. The losses were on account of inherent defects in the transmission and distribution system, as well as power thefts by consumers and other public.

To detect such thefts of power, an anti-power theft (APT) cell existed at the Board's headquarters under the Chief Engineer (Energy Accounting) as well as in all the area board offices under the Chief Engineer cum General Manager. These cells conducted periodical raids to detect thefts of power by consumers and other public. There was no system to fix target for conducting raids in a particular period.

The cases of theft of power detected during the last three years up to 2003-04 have been detailed in **Annexure-32**. It would be observed from the annexure that the police parties made available to the Board by the State Government during 2002-03 and 2003-04 were 1812 each whereas the Board utilised only 810 and 524 police parties respectively. There was a decline of 16 and 48 per cent in detection of theft cases in 2002-03 and 2003-04, taking 2001-02 as base. Accordingly, the Board instructed (July 2004) its field units to increase raids in view of increase in theft of power and consequent loss of revenue. The Board had also emphasised (July 2002) on the need to stress on conducting raids on big factories/high tension industrial service (HTIS) consumers. But the same could not be verified in Audit due to non-maintenance of such records by the Board. However, the FIRs lodged for

theft of power against HTIS consumers were nil, as against 2495 and 1534 against other consumers during 2002-04.

The Board stated (September 2004) that the Board was considering the creation of an enforcement cell headed by an IPS officer to make the APT activities more effective.

#### **4.5.7 Remittance of revenue by units**

The Board sells energy and collects revenue through its circles, divisions and sub-divisions. For this purpose, the Board has opened current accounts with various banks at Patna. The unit offices of the Board across the state deposit revenue collected in the branch offices of these banks, which in turn remit the same to their Patna branch offices, for crediting the Board's current accounts. The Board directed (June 1999) its units to get the funds transferred to Patna at least once a week, and make the balance at branches, nil. But the banks transferred only a part of the balance, that too, after much delay ranging from one to four weeks on an average.

Audit noticed (May 2004) that huge amounts were lying in the branches of these collecting banks as 'Cash in transit'. During the last three years up to 2001-02, the amount of cash in transit was Rs. 52.57 crore, Rs 44.95 crore and Rs. 31.78\* crore respectively.

The details of non/delayed receipt of revenue from the sub-divisions are given in **Annexure-33**. It would be seen from the annexure that Rs 6.15 crore was not received by the Board on time, and consequently interest of Rs 52.51 lakh thereon was lost due to failure of the management to realise the amount from the banks. Also Rs. 16.07 lakh was remitted (June 2001) by Aurangabad branch of State Bank of India to its Patna branch, which was not received as of September 2004. Later it was found that the branch had deducted an amount of Rs. 11.81 lakh for alleged double remittance, and Rs. 4.26 lakh for interest thereon. But the Board did not confirm the double receipt of the amount. Also, the bank charged interest on alleged double remittance as mentioned above but never paid any interest on the missing credits.

On scrutiny of the bank reconciliation statements (BRS) of the sub-divisions, Audit observed that the sub-divisions did not send the BRS regularly to Board's headquarters. Out of 225 sub-divisions, 137 sub-divisions were found defaulting in submitting BRS to Board's headquarters, ranging from one to 32 months during the last five years upto 2003-04.

#### **4.5.8 Reconciliation of bank accounts at Board's headquarters**

The Board altogether had 28 current accounts with different banks at its headquarters at Patna. In 11 accounts, the revenue collected at the unit offices

**Delay in remittance of revenue of Rs 6.15 crore by the banks resulted in loss of interest of Rs 52.51 lakh.**

\* It is a provisional figure and decreased due to bifurcation of the Board.

are received at Patna. But bank reconciliation statements (BRS) of only nine accounts have been prepared and BRS of two banks have not been prepared since inception. Three other accounts with operative banks, where funds received from the Government and other financial institutions are deposited, have also not been reconciled since inception. Thus, the possibility of embezzlement, fraud or misappropriation could not be ruled out.

Audit further observed that:

**The banks did not credit Rs 424.38 crore to the Board's accounts for four to 28 years resulting in loss of interest of Rs 286.61 crore.**

- Rs. 424.38 crore was not credited by the banks to the Board's accounts for a period ranging from four to 28 years. This has resulted in loss of interest of Rs. 286.61 crore to the Board.
- Rs. 51.97 crore was debited by Union Bank to the Board's account on account of interest on overdraft during March 1999 to February 2004, which was not accounted for by the Board. The same was neither reconciled with the bank nor adjusted in the accounts.
- The Board did not account for Rs.436.20 crore though the same was appearing in the bank passbooks. The reasons were not on record. As a result, the Board's working fund was understated by that amount. Rs. 92.75 lakh in UCO Bank, pertaining to the period July to September 2003, was not accounted for, and on being pointed out by Audit, the Board accounted for the same in the month of November 2003. But other cases involving Rs.436.20 crore were left unaccounted.
- The Board had taken excess credits of Rs. 51.83 crore for revenue in the cash book between April 1983 and March 2002.
- In respect of four accounts, there were negative balances aggregating Rs. 10.07 crore as on 31 March 2001. These accounts were not being operated. Interest liability for overdraft was neither calculated nor provided.
- Despite delay in reconciliation of bank accounts being persistently pointed out by Audit through separate audit reports on the accounts of the Board, the Board has not reconciled and updated all its bank accounts.

### **Inventory management**

#### **4.5.9 Increase in inventory holding**

The inventory holding of the Board is given in **Annexure-34**. It would be seen from the annexure that: -

- Inventory holding of the Board increased by 8.84 per cent in 2000-01. As a result, the Board had to incur extra expenditure by way of inventory carrying cost.
- There was negative balance for material in transit of rupees four crore in 1999-2000 and Rs. 4.20 crore in 2000-01. This indicated that the material consumed was not accounted for by the Board during the above period.
- The Board has not been following inventory control measures like minimum/maximum level or ABC analysis of stock held.

The Board stated (September 2004) that it was doubtful that the Board held such huge stock, and stock shown in the annexure may be scrap which would be confirmed after thorough physical verification. The Board further stated that due to shortage of store verifiers, a large number of stores could not be verified. As the figures of stock have been taken from the approved annual accounts of the Board for 2000-01, the matter needs to be investigated.

#### **4.5.10 Non-maintenance of priced stores ledger**

The Finance and Accounts (F&A) Code of the Board provides for maintenance of 'Priced Stores Ledger' in each store. The items of stores received, issued or devolved were to be posted in this ledger. Audit observed that this ledger was not being maintained in any store of the Board.

#### **4.5.11 Lack of physical verification of stores**

Clause 7-141 of the F&A Code provided for physical verification of stores annually. This is also essential in order to depict the true and fair view of stock held by the Board at the close of the year as exhibited in the Balance Sheet of the Board. Audit observed that not all stores of the Board were physically verified annually during the last five years up to 2003-04.

Audit observed that out of 116 stores, 42 stores were physically verified once, eight stores twice and 66 stores remained unverified. Coverage of stores physically verified during the last five years ranged from six to 21 per cent.

#### **4.5.12 Inordinate delay in regularisation of shortages**

The F&A Code provides that stock found surplus on physical verification should be credited as revenue receipts, whereas shortages should be debited to the personal account of the store keeper, pending recovery from the person responsible, or write off as the case may be. The Board accounted for surplus stores promptly whenever such cases occurred. But in case of shortages found during physical verification, it took inordinate time to regularise the same, as detailed in **Annexure-35**.

It would be seen from the annexure that out of 1086 items found short during the last five years upto 2003-04 (February 2004), the Board valued only 747 items for Rs 82.30 lakh. Out of valued items, only nine items were regularised for Rs. 0.11 lakh. Remaining 738 items valued for Rs 82.19 lakh are yet to be regularised.

#### **4.5.13 Disposal of scrap**

The F&A code provides that all scrap including copper, brass, lead, iron, aluminum, etc. should be returned to the stores with devolution<sup>^</sup> note for giving credit to the works. Besides above, there are other types of scrap such

**There was inordinate delay in regularisation of shortages of stock for Rs. 82.19 lakh**

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<sup>^</sup> Devoloution note means inventory of returned material from works to stores with its revaluation.

Scrap valued at Rs 44.53 crore were lying undisposed.

as vehicles, dozers, dumpers, plant and machinery, equipment, etc. scrapped and lying at different places. These scrap were to be disposed of periodically by auction. The scrap was to be valued at a price prescribed by the Chief Engineer (Stores and Purchase) based at the prevailing rates and kept in a separate folio of the stores ledger. This practice was not followed by the Board. Thus, the total value of scrap on a particular date could not be ascertained. The disposal of scrap was being done by the Chief Engineer (Stores and Purchase) at Board Headquarters, on the basis of returns of quantitative details of various scrap lying in stores, submitted by the units through open auction. Audit noticed that scrap worth Rs. 50 crore was lying during 1999-2000. The Board decided (December 1999) to dispose of the scrap by March 2000. The disposal wing of the Board under Chief Engineer (Stores & Purchase) disposed scrap worth Rs. 5.47 crore up to March 2004. Due to passage of time, the reduction in the value of the scrap cannot be ruled out.

#### 4.5.14 Human resource management

The sanctioned strength and men in position of the Board during the last five years were as follows:

Sl. No.	Category	Sanctioned strength			Men in position as on			
		Before 1.4.2001	After 1.4.2001	1.4.2000	1.4.2001	1.4.2002	1.4.2003	1.4.2004
1	Officers	5002	2699	3358	2012	1828	1614	1358
2	Employees	39129	21128	28620	19404	18606	17675	15471
	<b>Total</b>	<b>44131</b>	<b>23827<sup>Ψ</sup></b>	<b>31978</b>	<b>21416</b>	<b>20434</b>	<b>19289</b>	<b>16829</b>

The above sanctioned strength was based on the report (April 2001) of the Srivastava Committee appointed by the Government of India, regarding division of staff and vacant posts between Bihar and Jharkhand State Electricity Boards. The original sanctioned strength of the Board as approved by the Board/State Government was not made available to Audit.

Idle expenditure of Rs 29.51 crore was incurred on surplus manpower in 74 categories of employees.

Audit observed that there was surplus manpower in 74 categories of the employees in the Board in pre and post bifurcation period, based on the report of Srivastava Committee as detailed in the **Annexure - 36**. It would be seen from the annexure that there were 394 surplus employees in the pre-bifurcation period, and 797 surplus employees in post bifurcation period. On the basis of data furnished by the Board, idle expenditure on their salaries and allowances worked out to Rs. 29.51 crore. The Board decided (May 2002) to abolish on bifurcation residual surfeit posts found in various categories, and to fill vacant posts in technical and financial cadres promptly and methodically to sustain Board's critical infrastructure support. But no follow up action was taken by the Board.

The Board stated (September 2004) that the surplus employees shown in the review are working on practically analogous posts of identical scale and

<sup>Ψ</sup> The sanctioned strength of the Board reduced due to bifurcation of the Board.

qualification according to their suitability. The Board further stated that for better allocation of available manpower resources they were taking measures such as interchangeability, promotion and training. This showed contradiction in Board's reply. The management should have taken proper sanction for this interchangeability. Moreover, the Board admitted that training is required for posting on other jobs.

#### **4.5.15 Internal audit**

Internal audit wing conducts internal audit of revenue receipts as well as expenditure of the Board. The details of the sanctioned strength and men in position in internal audit wing for the last five years up to 2003-04 are given in **Annexure - 37**. It would be seen from the annexure that there were shortages of officers and mismatch in the cadre of Accountants / Senior Auditors and Accounts Assistants / Auditors.

The Board had 163 auditee units in pre-bifurcation period and 98 units in post bifurcation period. The details of internal audit programmed and actual coverage there against are shown in **Annexure - 38**. Audit observed that the percentage coverage of audit programmed against total units varied between 46 and 76 during the last five years up to 2003-04. Percentage of actual audit coverage against approved annual programmes varied between 36 and 84, and declined sharply during the last three years. The Board also conducted special audit on the orders of the Chairman/Member (Finance) on the basis of some specific complaints or irregularities reported. During the last five years internal audit wing of the Board conducted 42 special audits. Outcome of these internal audits were not intimated to Audit.

#### **4.5.16 Monitoring of internal audit reports**

The details about internal audit reports (IARs) are given in **Annexure - 39**. It would be seen from the annexure that 70 internal audit reports were not available with the internal audit wing. So, their monitoring could not be done by the Wing.

Audit noticed that the internal audit wing suggested recovery of Rs. 76.50 crore from the consumers/employees of the Board during the last five years up to 2003-04, against which only Rs. 1.46 crore could be recovered and Rs. 75.04 crore remained unrecovered, as detailed in **Annexure-40**. The recoveries suggested in the internal audit reports pertained to the period 1979-80 to 2000-01. Hence, all these cases became time barred and irrecoverable. This was in addition to the time barred cases involving Rs. 36.90 crore reported by internal audit in their reports **Annexure-41** during the last five years upto 2003-04.

Audit further noticed that important irregularities are not reported to the Board for consideration. Even the Chairman or the Member (Finance) is not apprised about important findings in the regular internal audit reports, except specially ordered audits.

The matter was reported to the Government (July 2004), their reply had not been received (September 2004).

#### **4.6 Extra avoidable expenses due to non observance of grid discipline**

**Due to non-observance of grid discipline, Bihar State Electricity Board suffered loss of Rs 23.36 crore and expenditure of Rs 1.75 crore on SCADA system became infructuous.**

Bihar State Electricity Board (Board) placed (December 1992) an order on CMC Limited (CMC) for supply and installation of data acquisition and uninterrupted power supply system at 14 grid substations (GSS), and Board's headquarters at a total cost of Rs 1.44 crore to strengthen the central load despatch (CLD) system. The equipments were installed at Board's headquarters and 11 GSS at a cost of Rs 1.22 crore. Equipment for three sub stations could not be installed, as construction of these GSS was incomplete. The system was partly completed and commissioned (October 1997) after a delay of four years and became inoperative since 1999.

Meanwhile, Central Electricity Regulatory Commission (CERC) introduced (January 2000) Availability Based Tariff (ABT) system with the objective to reform tariff structure of central sector generating units and to induce better system operation and grid discipline.

In the ABT system, fixed charges were prorated among the beneficiaries in the ratio of their entitlement of power and energy charges were charged only to the extent of scheduled drawal. Besides the above two charges, unscheduled interchange of power (UI charges) was also introduced as an incentive/dis-incentive scheme. In the scheme benefit would accrue to the party who was adversely affected on account of indiscipline by any of the generating units (generators) or state electricity boards (beneficiaries). UI charges would be payable / recoverable if a generator generates more or less than the schedule thereby increasing or decreasing the frequency, or a beneficiary overdraws or underdraws power thereby decreasing or increasing the frequency. UI charges were to be paid up to Rs 4.20 per kwh at 49.2 hertz during deficit conditions and up to nil at 50.5 hertz<sup>♦</sup> and above during surplus generation.

The ABT system was, implemented in eastern region with effect from April 2003<sup>°</sup>. For implementation of ABT, Supervisory Control and Data Acquisition system (SCADA) was required for better and proper load management in close coordination with Eastern Regional Load Despatch Centre (ERLDC).

<sup>♦</sup> Hertz - Frequency unit

<sup>°</sup> National Thermal Power Corporation filed a suit against implementation of ABT, which was stayed by Delhi High court (March 2001) and vacated by Supreme Court in October 2001.

**Infructuous expenditure of Rs 1.75 crore was incurred on defective SCADA system.**

On implementation of ABT by CERC, revival, enhancement and up gradation of SCADA system was felt (August 2001) essential by the Board. Accordingly, a purchase order for Rs 48 lakh (taxes and duties extra) was placed on CMC (September 2001) for revival and modification of existing SCADA application software\*. The Board took over the system in April 2003 after a delay of one year and issued completion certificate, though the ABT system software was not functioning since inception. The Board released Rs 41 lakh (September 2002) to CMC. Further payment of Rs 12 lakh was under process (August 2004). The system was not connected with ERLDC. The CLD of the Board exercised supervisory control manually and remained dependant on central sector generating units for determination of power purchased.

Meanwhile, the Board had taken up the work of Unified Load Despatch Centre for exercising adequate and instant supervisory control through latest technology in place of existing SCADA system. Thus, the Board's investment of Rs 1.75 crore on installation, revival and upgradation of SCADA system could not provide required service and proved infructuous.

**Loss of Rs 23.36 crore due to non observance of grid discipline.**

Audit observed that the Board paid UI charges amounting to Rs 52.04 crore for drawal of 340.52 MU of excess power than the schedule and received UI charges amounting to Rs 17.68 crore for less drawal of 84.78 MU of power during April 2003 to May 2004. Thus, the Board had drawn 255.74 MU of power more than the schedule and violated drawal schedule and grid discipline. After adjustment of cost of excess power drawn, net payment of UI charges<sup>↔</sup> worked out to Rs 23.36 crore.

Thus, due to absence of required control mechanism, the Board could not exercise effective control over drawal of power and maintenance of grid discipline, which resulted in payment of UI charges of Rs 23.36 crore.

The Board confirmed (December 2003 and May 2004) that the ABT system was not functional and connected with ERLDC. Data coming through SCADA was not matching with actuals. The Board also admitted (June 2004) the fact that present infrastructure i.e communication system and control of load was inadequate.

The matter was reported to Government (August 2004); their reply had not been received (September 2004).

#### **4.7 Blocking of fund and loss of interest**

**Unnecessary purchase of under ground cable resulted in blockade of Rs 3.20 crore and loss of interest of Rs 1.15 crore.**

\* To provide numerical values for each of the ABT parameters viz acceptance of schedule, calculation of generation, drawal and UI charges in 15 minutes time block based on telemetered frequency.

↔ UI charges paid - UI charges received – (cost of 255.74 MU of power drawn beyond schedule x average variable energy charges i.e Rs 4.30 lakh per MU)

According to Finance and Accounts Code (Chapter-VII) of Bihar State Electricity Board (Board), stores for construction works including extensions, renewals and replacements, should be purchased on the basis of construction programmes.

Audit observed (November 2003) that the Board did not follow the above procedure while placing four purchase orders for purchase of 25 and 10 Km of XLPE<sup>ψ</sup> underground cable of 33 KV 400 mm<sup>2</sup> and 33 KV 300 mm<sup>2</sup> size respectively and associated kits during February to June 2000 at a landed cost of Rs. 6.83 crore for laying the cables in the urban area of Patna, Ranchi and Dhanbad. The tenderers supplied 35.201 km cable during March to August 2000. The materials supplied were guaranteed against bad workmanship and unsatisfactory performance for a period of 18 months from the date of receipt.

Out of total cable and associated kits purchased, the Board transferred 12.621 km cable to Jharkhand State Electricity Board and utilised 6.079 km cable upto November 2003. The balance 16.501 km cable and kits valuing Rs. 3.20 crore were lying unutilised (March 2004), for which there was no immediate programme for utilisation. This led to blocking of Board's fund of Rs 3.20 crore with consequent loss of interest of Rs 1.15 crore at the rate of 12 per cent per annum for three years. Besides, the guarantee period of the materials also expired.

**Blocking of fund of Rs 3.20 crore resulted in loss of interest of Rs 1.15 crore.**

The Board stated (August 2004) that the cables were essential items and required urgently for maintenance in case of failure of cable laid in the urban areas of Patna. The reply was not tenable as the materials were far in excess of requirement taking into account yearly consumption of two km during the last three years and the lead time of supply of these materials, which ranged between 45 and 75 days only.

The matter was reported to the Government (March 2004), their reply had not been received (September 2004).

#### **4.8 Extra avoidable expenses**

**Bihar State Electricity Board failed to avail full rebate on NTPC bills and suffered loss of Rs 2.69 crore.**

Bihar State Electricity Board (Board) entered (May 1993) into an agreement with National Thermal Power Corporation Limited (NTPC) for purchase of power. As per agreement, the supplier was to allow a rebate of 2.5 per cent

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<sup>ψ</sup> XLPE is Cross Linked Poly Ethylene, a quality of underground cable.

on the amount paid through letter of credit, upon presentation of the bills by them to the bank. When payments were made through letter of credit or otherwise within a period of one month from the date of issue of bills by NTPC, a rebate of one per cent was to be allowed.

NTPC raised bills of Rs 1581.92 crore during 2000-03. The Board paid only Rs 958 crore in time and delayed the payment of balance Rs. 623.92 crore. Due to delayed payment, the Board could avail rebate of only Rs 26.61 crore against the total admissible rebate of Rs 39.55 crore.

**Rebate of Rs 2.69 crore was not availed.**

Audit observed (November 2003) that Rs. 214 crore was paid on 28 occasions (ranging from rupees five crore to Rs 15 crore) within one month of the due date, whereas the balance amount of Rs 409.92 crore was paid on different dates beyond the stipulated period of one month during the above period. NTPC allowed part rebate of Rs 2.66 crore at rates varying from one to 1.50 per cent, instead of full rebate of Rs 5.35 crore at the rate of 2.5 per cent on payment of Rs 214 crore, resulting in loss of rebate of Rs 2.69 crore.

On scrutiny of the bank balance available with the Board during the relevant period, Audit further observed that fund ranging from Rs 27.12 crore to Rs 69.02 crore was available when payments, ranging from rupees five crore to Rs 15 crore aggregating Rs 214 crore were made to NTPC. Had the Board made the payments in time by utilising the funds available, the loss of rebate of Rs 2.69 crore could have been avoided.

The matter was reported to the Government/Board (March 2004); their replies had not been received (September 2004)

#### **4.9 Loss of revenue**

**Non-adherence to rules resulted in short collection of revenue of Rs 1.11 crore.**

During test check of records of various electrical supply circles and divisions of Bihar State Electricity Board, Audit noticed cases of under charge of revenue and time barred claims, as discussed below:

##### **4.9.1 Short assessment of revenue**

Tariff notification (effective from 01 June 2001) provided for charging of 144 units per kilowatt (Kw) for the first three months and 288 units per Kw beyond three months in case of damaged/stopped meters from non domestic service (NDS) consumers. Similarly 80 units per HP for the first three months and thereafter 240 units per HP was to be charged from low tension industrial service (LTIS) consumers. Audit observed that the meters of 88 NDS and 10 LTIS consumers were damaged/stopped during June 2001 to January 2004 in electric supply divisions, Chapra (East), Bankipur (PESU), Chapra (West), and Motihari, but billing was not done as stipulated in the tariff. This resulted in under charge of revenue of Rs 43.91 lakh.

**Under charge of Rs 43.91 lakh due to damaged /stopped meters.**

#### **4.9.2 Non realisation of security deposit**

Clause 15.3(C) of Board's tariff (June 1993) provided reviewing of security deposit of consumers twice a year, in October-November for the period April to September and in April-May for the period October to March. If half the aggregate amount of all bills relating to any of the aforesaid half yearly periods exceeded the existing security deposit by 20 per cent, the same was to be enhanced by that amount.

**The Board failed to recover additional security deposit of Rs 20.68 lakh.**

During test check of bills of three electrical supply circles (Chapra, Bhagalpur and Motihari) and four divisions (Saharsa, Chapra (E), Bankipur and Motihari) from April 2002 to September 2003, Audit observed that security deposits of nine high tension (HT) and 36 LTIS consumers, whose aggregate amount of bills exceeded the security deposit by 20 per cent, were not enhanced. As a result additional security deposits of Rs 20.68 lakh could not be recovered.

#### **4.9.3 Loss due to claims becoming time barred**

The rules regarding revenue receipts of the Board provide for close watch over the accrual of outstanding dues of consumers, so that these do not exceed the security deposit. It further provides for filing the certificate suit in time in appropriate cases, so that electricity bills do not become time barred. Failure to do so would make the concerned officer liable for disciplinary action. In case the officer and staff are held responsible for dues becoming time barred, the amount of time barred dues may be realised from them.

**There was loss of Rs. 46.25 lakh due to claim becoming time barred.**

During test check of register of time barred claims of five supply divisions (Lakhisarai, Barauni, Aurangabad, Saharsa and Bhabua) from November 2001 to December 2003, Audit observed that dues of Rs 46.25 lakh had become time barred due to non filing of money suit cases against 19 LTIS, 82 NDS, 33 domestic service and eight irrigation and agriculture service consumers in time. The Board has not fixed responsibility for the same.

The matter was reported to the Government/Board (July 2004), their replies had not been received (September 2004).

## **GENERAL**

### **4.10 Response to inspection reports, draft paragraphs and reviews**

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2004 pertaining to 54 PSUs disclosed that 8,512 paragraphs relating to

1,676 inspection reports remained outstanding at the end of September 2004. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2004 is given in **Annexure-42**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that nine draft paragraphs and three reviews forwarded to the various departments during June to September 2004, as detailed in **Annexure-43**, have not been replied (September 2004).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials, who failed to send replies to inspection reports / draft paragraphs / reviews, as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule; and (c) the system of responding to the audit observations is revamped.

**Patna**  
**The**

**(Vikram Chandra)**  
**Principal Accountant General (Audit)**  
**Bihar**

Countersigned

**New Delhi**  
**The**

**(Vijayendra N. Kaul)**  
**Comptroller and Auditor General of India**