

OVERVIEW

1. General view of Government companies and Statutory corporations

As on 31 March 2004, the State had 54 Public Sector Undertakings (PSUs) comprising 50 Government companies and four Statutory corporations, as against the same numbers of PSUs as on 31 March 2003. Out of 50 Government companies, 16 were working while 34 were non-working. All the four Statutory corporations were working corporations. In addition, there were eight companies under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2004.

(Paragraphs 1.1 and 1.30)

The total investment in working PSUs decreased from Rs 8,581.73 crore as on 31 March 2003 to Rs 6,435.14 crore as on 31 March 2004. The total investment in non-working PSUs increased from Rs 705.30 crore to Rs 706.71 crore during the same period due to increase in number of such companies.

(Paragraphs 1.2 and 1.15)

The budgetary support received by the working PSUs in the form of capital, loans and grants/subsidies increased from Rs 518.04 crore in 2002-03 to Rs 724.87 crore in 2003-04. The total amount of outstanding loans guaranteed by the Government to working PSUs as on 31 March 2004 was Rs 189.05 crore.

(Paragraph 1.5)

None of the working Government companies and working Statutory corporations have finalised their accounts for the year 2003-04. The accounts of 16 working Government companies and four working Statutory corporations were in arrears for periods ranging from one to 21 years as on 30 September 2004. The accounts of all non-working Government companies were in arrears for periods ranging from nine to 27 years as on 30 September 2004.

(Paragraphs 1.6 and 1.18)

According to the latest finalised accounts, six working PSUs (five Government companies and one Statutory corporation) earned aggregate profit of Rs 12.73 crore. Against this, 13 working PSUs (10 Government companies and three Statutory corporations) incurred aggregate loss of Rs 1,021.10 crore as per their latest finalised accounts. As per their latest finalised accounts, the aggregate accumulated loss of six loss making

working companies was Rs.123.73 crore, which had exceeded their aggregate paid-up capital of Rs.28.19 crore. Of the three loss incurring statutory corporations, two statutory corporations had accumulated losses of Rs 1,136.80 crore, which exceeded their paid-up capital of Rs 179.11 crore.

(Paragraphs 1.7, 1.9 and 1.11)

2. Review relating to Government Company

Bihar State Tourism Development Corporation Limited

The Bihar State Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government company in November 1980 with the main object to promote tourism in the State by running tourist bungalows, hotels, ropeways, transport operation and catering services etc.

[Paragraph 2.1]

Out of Rs 5.40 crore received during 1999-2004 for 30 projects (central: 17 and state: 13), the Company utilised Rs 4.54 crore on 18 projects. The remaining 12 projects were not taken up due to non-availability of land and other reasons.

[Paragraph 2.6]

Despite availability of funds, the Company failed to provide basic amenities like Sulabh Sauchalaya complexes, toilets, drinking water, and wayside amenities to the tourists.

[Paragraphs 2.7.2 and 2. 7.3]

Actual occupancy in the hotels of the Company ranged between 21.56 and 22.61 per cent during 1999-2003 as against minimum occupancy target of 60 per cent. As a result, the Company suffered loss of potential revenue of Rs 5.38 crore.

[Paragraph 2.11]

3. Reviews relating to Statutory corporations

3.1 Implementation of rural electrification programme by Bihar State Electricity Board

Bihar State Electricity Board took up schemes for electrification/rehabilitation of villages and construction/rehabilitation of power sub-stations under rural electrification programme.

[Paragraph 3.1.1]

Out of Rs 221.94 crore released by the Government of India for rural electrification, the State Government disbursed Rs 155.86 crore to the Board during 2001-04 and kept Rs 66.08 crore in personal ledger account.

[Paragraph 3.1.4]

The Board failed to claim subsidy of Rs 2,963.09 crore from the State Government for loss on rural electrification for the period from 1995-96 to 2000-01 and suffered loss of interest of Rs 1,627.91 crore during last five years ending 31 March 2004.

[Paragraph 3.1.5]

Due to delay in preparation of annual works programmes, inadequate/mismatch in procurement of materials and diversion of stores from rural electrification works to other works, the Board could electrify/rehabilitate 7,186 villages against target of 26,512 villages and was deprived of revenue of Rs 71.54 crore during 1999-2004.

[Paragraphs 3.1.11,3.1.12,3.1.13,3.1.14 and 3.1.15,]

Against approved cost of Rs 72.06 crore for electrification of 2600 villages in Muzaffarpur and Vaishali districts, the Board executed an agreement with the Power Grid Corporation of India Limited at enhanced cost of Rs 158.06 crore without arranging additional fund of Rs 86 crore.

[Paragraph 3.1.18]

The Board agreed to inadmissible escalations of Rs 20.77 crore claimed by Power Grid Corporation of India Limited on account of unauthorised expenditure (Rs 8.08 crore), higher cost of materials (Rs 2.27 crore), inadmissible turnkey responsibility cost (Rs 1.58 crore), higher cost of meters (Rs 1.84 crore), additional charge for concreting of poles (Rs 4.93 crore) and construction of power sub stations (Rs 2.07 crore)

[Paragraphs 3.1.19,3.1.20,3.1.22,3.1.23,3.1.24 and 3.1.25]

Due to mismatch in construction of power sub stations against required load in the villages electrified, the transformers were overloaded. As a result 3,124 transformers failed in excess of norms, resulting in avoidable expenditure of Rs 5.37 crore on their repair.

[Paragraph 3.1.28]

3.2 Recovery performance of Bihar State Financial Corporation

Bihar State Financial Corporation (Corporation) was established in November 1954 in pursuance of Section 3 of State Financial Corporations Act, 1951 for development of industries in the State by providing technical, managerial and financial assistance. Presently the Corporation has restricted its activities mainly to recovery of its overdues.

[Paragraph 3.2.1]

The Corporation retained fund ranging from Rs 15.99 crore to Rs 36.81 crore during the last five years up to March 2004, but it did not utilise the same for repayment of its higher interest bearing (6.5 to 17 per cent plus two percent penal interest) borrowings. The Corporation, instead, deposited the amount in short term deposits in banks at interest rates of 3 to 12.5 per cent resulting in loss of Rs 8.12 crore.

[Paragraph 3.2.5]

Up to 2003-04, the Corporation disbursed loans aggregating Rs 438.60 crore, of which Rs 267.35 crore as principal and Rs 2,122.06 crore as interest and other charges, were outstanding from 6,185 assisted units as on 31 March 2004.

[Paragraph 3.2.6]

Out of Rs 2,386.36 crore overdue as on 31 March 2004, Rs 2,383.19 crore was overdue for periods over three to 27 years, which represented 99.87 per cent of the total default.

[Paragraph 3.2.8]

Even after finalisation of sale of assets of 323 units during 1998-2003, the Corporation is yet to recover Rs 73.86 crore from the original promoters. But the Corporation failed to invoke personal guarantees against them.

[Paragraph 3.2.19]

The Corporation had filed 368 cases involving overdue of Rs 417.30 crore for issue of recovery certificates, but was unable to get any recovery certificate from specified authority, resulting in non-realisation of Rs 417.30 crore.

[Paragraph 3.2.20]

4. Transaction audit observations

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

Imprudent investment / blocking of fund and loss of interest amounting to Rs 5.23 crore in two cases due to irregular investment, delay in taking decision and unnecessary purchase of materials.

[Paragraphs 4.1 and 4.7]

Extra avoidable expenses of Rs 27.80 crore in two cases.

[Paragraphs 4.6 and 4.8]

Loss of revenue of Rs 1.50 crore in two cases due to delay in letting the premises and non-adherence to rules.

[Paragraphs 4.2 and 4.9]

Gist of some of the important observations is given below;

Bihar State Backward Classes Finance and Development Corporation

The Company suffered a loss of Rs 87.74 lakh due to irregular investment and delay in purchase of tractors.

[Paragraph 4.1]

Bihar State Electricity Board

Despite being persistently pointed out by Audit, the Board did not reconcile and update its bank accounts. 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.

[Paragraph 4.5.8]

Due to non-observance of grid discipline, the Board suffered loss of Rs 23.36 crore, and expenditure of Rs 1.75 crore on Supervisory Control and Data Acquisition system became infructuous.

[Paragraph 4.6]

The Board failed to avail full rebate on power purchase bills and suffered loss of Rs 2.69 crore.

[Paragraph 4.8]