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**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
ON
PUBLIC SECTOR UNDERTAKINGS
FOR THE YEAR ENDED 31 MARCH 2019
Government of Bihar
Report No. 2 of the year 2021**



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C&AG's Audit Report on Bihar State Public Sector Undertakings 2019

Immediate Release

Press Brief

C&AG's Audit Report on Public Sector Undertakings (PSUs)

This report of the Comptroller and Auditor General of India for the year ended 31 March 2019 is a compilation of significant audit observations made during the course of audit of the Public Sector Undertakings.

The total financial impact of audit findings on State PSUs was ₹ 674.66 crore.

Out of the 79 government companies and statutory corporations in the state, 1,321 accounts of 75 such entities were in arrears. One of them is pending since 1977-78.

Government's total investment in these PSUs as on 31 March 2019 was ₹ 44,922.71 crore in the form of Equity (₹ 36,122.20 crore) and Loans (₹ 8,800.51 crore).

Separate Audit Reports (SARs) of Bihar State Financial Corporation, Bihar State Warehousing Corporation and Bihar State Road Transport Corporation were not placed in Legislature for two years, one year and 32 years respectively.

State Government does not have a dividend policy as only two companies out of eight profit making PSUs, paid the dividend.

CAG had issued disclaimer of opinion in respect of Bihar State Hydroelectric Power Corporation Limited (2006-07 to 2009-10), South Bihar Power Distribution Company Limited (2017-18), North Bihar Power Distribution Company Limited (2017-18), Bihar State Food and Civil Supplies Corporation Limited (1999-2000 to 2002-03) and Bihar State Warehousing Corporation (2012-13), in view of serious shortcomings in respect of their accounts.

During a Performance Audit of **Strengthening of Electrical Infrastructure in Urban areas of Bihar** executed by South Bihar Power Distribution Company Limited (SBPDCL) and North Bihar Power Distribution Company Limited (NBPDC), it was observed that:

- Out of 67 towns covered under Restructured Accelerated Power Development and Reforms Programme (RAPDRP), the desired limit (15 per cent) of AT&C Loss could be achieved in only two towns



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under SBPDCL during 2018-19. The billing efficiency in only one town out of 67 towns was above 90 *per cent*. The performance of DISCOMs deteriorated as 13 towns showed a decreasing trend in billing efficiency in 2018-19 in comparison to 2015-16.

- Delay in finalization of the tenders for Project Management Agency within the ceiling prescribed in IPDS guidelines and complete the project within the scheduled time frame resulted in the additional cost burden of ₹ 52.04 crore.
- Non-capping of the rates on Distribution Transformers, Power Transformers, Conductors and cables resulted in excess expenditure of ₹ 26.03 crore.
- DISCOMs failed to get the work relating to provisioning of solar panels on Government buildings, including Net-metering done through Bihar Renewable Energy Development Agency (BREDA). This resulted in excess expenditure of ₹ 36.57 crore in comparison to payment made to turnkey contractors for the same work.
- The work under Asian Development Bank (ADB) funded Bihar Power System Improvement Project could not be completed due to poor progress. SBPDCL terminated the contract but did not en-cash bank guarantee amounting to ₹ 4.90 crore within the validity period which indicated poor monitoring towards protecting its financial interest.
- DISCOMs failed to generate adequate revenue to cover the cost of power supplied as income earning on every rupee spent ranged from ₹ 0.73 to ₹ 0.90 in SBPDCL and ₹ 0.92 to ₹ 0.94 in NBPDCCL during the period 2014-15 to 2018-19.
- Despite the infusion of share capital of ₹ 17,892.44 crore (₹ 7,371.85 crore in NBPDCCL and ₹ 10,520.59 crore in SBPDCL) in addition to Capital Grant (₹ 8,264.58 crore) and subsidy (₹ 17,259.98 crore) by State Government, the financial health of the company remains miserable and they sustained a loss of ₹ 8,433.14 crore during the last five years ended on 31 March 2019.

During the Compliance Audit of these PSUs some observations were made. In a long para on **Flyovers being constructed in Patna by Bihar Rajya Pul Nirman Nigam Limited** multiple issues have been pointed out:



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- In violation of codal provisions, BRPNL:
 - invited tenders and commenced the works of flyover and also made payment of ₹ 66.25 crore to the contractors prior to Technical Sanction.
 - made payment of ₹ 4.08 crore to M/s Foundation for Innovation and Technology Transfer, IIT Delhi (FITT), without execution of an agreement.
 - appointed M/s Planin Innovations and Consultancy Services (PICS) on nomination basis without recording full justification for single-source selection as required under the rules.
- In the Lohiya Path Chakra project, the Company incorrectly charged (December 2019) the ineligible expenditure of ₹ 16.90 crore to project fund and booked ₹ 1.52 crore as centage on the same thereby burdening the state exchequer by ₹ 18.42 crore.

Gist of other audit observations:

- South Bihar Power Distribution Company Limited deprived itself of income of ₹ 2.10 crore due to delay in load enhancement.
- North Bihar Power Distribution Company Limited suffered loss of revenue of ₹ 1.02 crore for the period from May 2016 to December 2019 due to under-fixation of contract demand.
- Bihar State Road Development Corporation Limited recognised centage on non-admissible items which not only resulted in payment of additional income tax aggregating ₹ 23.97 crore but also led to burden on the State exchequer aggregating ₹ 61.73 crore.
- Bihar State Road Development Corporation Limited failed to avail of auto-sweep facility in its saving bank accounts which resulted in loss of interest amounting to ₹ 14.56 crore to Government on project funds and on its own funds.
- Bihar State Electronics Development Corporation Limited failed to collect service tax on gross value of service provided which resulted in avoidable payment of service tax of ₹ 10.09 crore and penal interest of ₹ 6.41 crore thereon from its own sources.



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- Bihar Urban Infrastructure Development Corporation Limited extended undue favour to contractor by short deduction of Liquidated Damages amounting to ₹ 1.96 crore for delay in execution of a water project.
- Bihar Urban Infrastructure Development Corporation Limited against the canons of financial prudence, prepared bank drafts without any immediate need and treated the same as expenditure for the purpose of utilisation certificate which resulted in loss of interest of ₹ 1.38 crore.

**Office of the Accountant General (Audit),
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