

**CHAPTER I**  
**FUNCTIONING OF STATE PUBLIC SECTOR**  
**UNDERTAKINGS**



## Chapter I

### 1. Functioning of State Public Sector Undertakings

#### Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of the people. As on 31 March 2015, in Bihar there were 73<sup>1</sup> PSUs. None of these PSUs was listed in stock exchange. During the year 2014-15, neither any new PSU was incorporated, nor any PSU was closed down. The details of the State PSUs in Bihar as on 31 March 2015 are given below.

**Table No: 1.1: Total number of PSUs as on 31 March 2015**

Type of PSUs	Working PSUs	Non-working PSUs <sup>2</sup>	Total
Government companies <sup>3</sup>	30	40	70
Statutory corporations	3	-	3
<b>Total</b>	<b>33</b>	<b>40</b>	<b>73</b>

Source: Information as per database of PSUs

The State working PSUs registered a turnover of ₹ 11619.64 crore as per their latest finalized accounts as of September 2015. This turnover was equal to 2.89 *per cent* of State Gross Domestic Product (GDP) for 2014-15. The working PSUs incurred net loss of ₹ 36.58 crore as per their latest finalized accounts as of September 2015. They had 17281<sup>4</sup> employees as of 31 March 2015.

As on 31 March 2015, there were 40 non-working PSUs existing for more than 10 years and having investment of ₹ 729.02 crore. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

#### Accountability framework

1.2 The audit of Financial Statements of Government companies is governed by respective provisions of Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, "Government company" means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company. Further, as per sub-

<sup>1</sup> As per the details provided in *Annexure-1.1*

<sup>2</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>3</sup> Government PSUs include other Companies referred to in Sections 139(5) and 139(7) of the Companies Act, 2013

<sup>4</sup> As per the details provided by 43 PSUs.

section 7 of Section 143 of the Act, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company (other Company) owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

### **Statutory Audit**

**1.3** The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory corporations is governed by their respective legislations. Out of three statutory corporations, CAG is the sole auditor for Bihar State Road Transport Corporation. In respect of State Warehousing Corporation and State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

### **Role of Government and Legislature**

**1.4** The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

### **Stake of Government of Bihar**

**1.5** The State Government has huge financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.

- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

### Investment in State PSUs

1.6 As on 31 March 2015, the investment (Capital and Long-Term Loans) in 73 State PSUs was ₹ 33783.37 crore as per details given below:

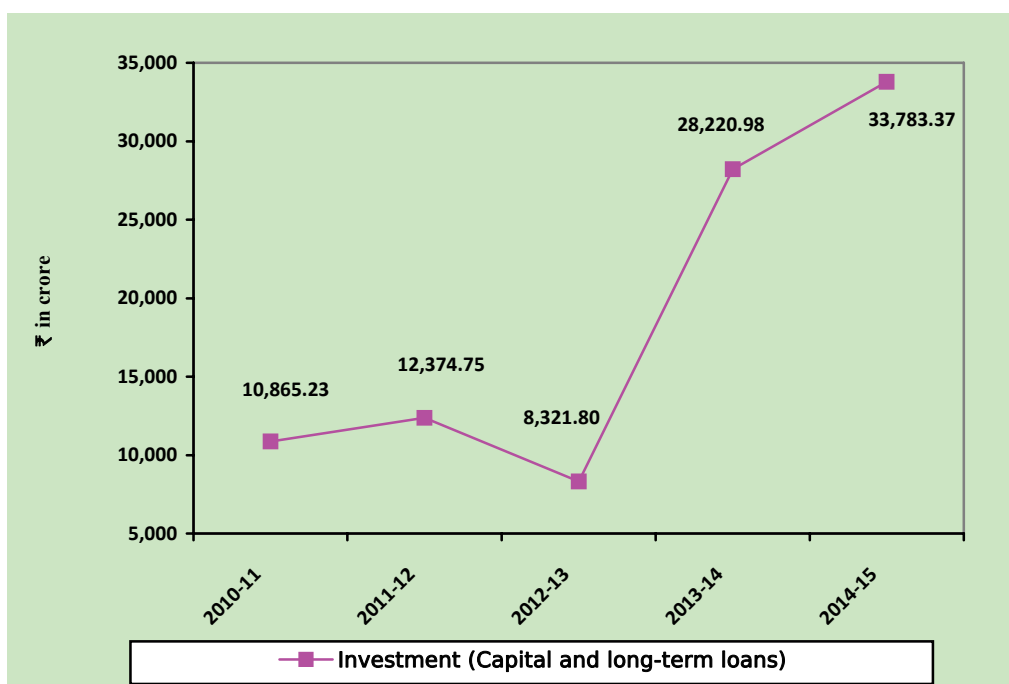
**Table No: 1.2: Total investment in PSUs**

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	21175.57	10917.01	32092.58	185.51	776.26	961.77	33054.35
Non-working PSUs	180.79	548.23	729.02	-	-	-	729.02
<b>Total</b>	<b>21356.36</b>	<b>11465.24</b>	<b>32821.60</b>	<b>185.51</b>	<b>776.26</b>	<b>961.77</b>	<b>33783.37</b>

Source: Information furnished by the PSUs

As on 31 March 2015, of the total investment in State PSUs, 97.84 per cent was in working PSUs and the remaining 2.16 per cent in non-working PSUs. This total investment consisted of 63.76 per cent towards capital and 36.24 per cent in long-term loans. This investment has grown by 210.93 per cent from ₹ 10,865.23 crore in 2010-11 to ₹ 33783.37 crore in 2014-15 as shown in the Chart no. 1.1:

**Chart No: 1.1: Total investment in PSUs**



1.7 The sector wise summary of investments in the State PSUs as on 31 March 2015 is given below:

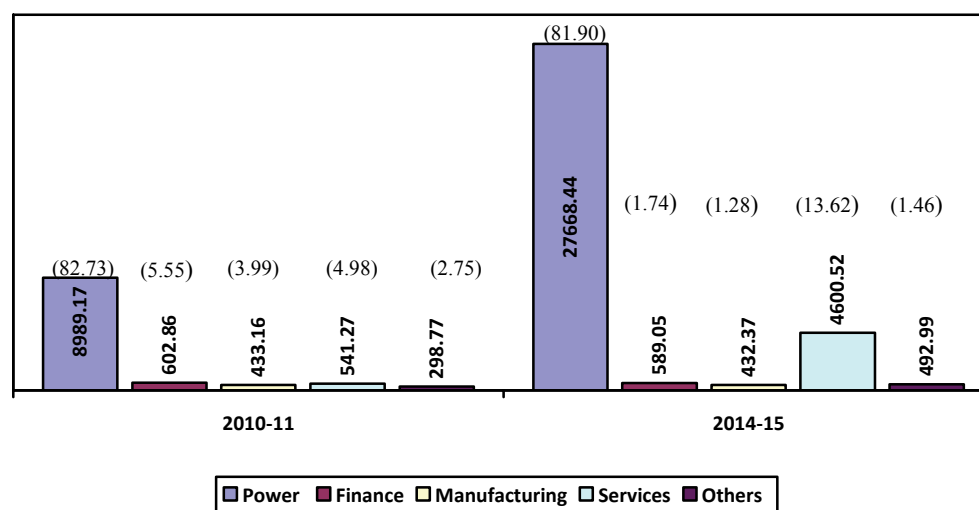
**Table 1.3: Sector-wise investment in PSUs**

Name of the Sector	Government/ Other Companies		Statutory corporations	Total	Investment (₹ in crore)
	Working	Non-Working	Working		
Power	9	-	-	9	27668.44
Manufacturing	3	12	-	15	432.37
Finance	4	4	1	9	589.05
Miscellaneous	2	10	-	12	85.88
Service	3	1	2	6	4600.52
Infrastructure	6	1	-	7	256.06
Agriculture & Allied	3	12	-	15	151.05
	<b>30</b>	<b>40</b>	<b>3</b>	<b>73</b>	<b>33783.37</b>

Source: Information furnished by the PSUs

The investment in four important sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated below in the bar chart. The thrust of PSU investment was mainly in the Power Sector during the past five years. During the current year, it increased by 207.80 per cent from ₹ 8989.17 crore in 2010-11 to ₹ 27668.44 crore in 2014-15. Main reason for significant increase in investment in power sector is unbundling of erstwhile Bihar State Electricity Board into five companies<sup>5</sup> and release of budgetary support by the State Government. The investment in other sectors had also increased by 225.95 per cent in 2014-15 as compared to 2010-11 due to heavy investment of ₹ 3930.10 crore in Bihar State Food and Civil Supplies Corporation Limited.

**Chart No. 1.2: Sector wise investment in PSUs (₹ in crore)**



(Figures in brackets show the percentage of total investment)

<sup>5</sup> Bihar State Power (Holding) Company Limited, Bihar State Power Generation Company Limited, Bihar State Power Transmission Company Limited, North Bihar Power Distribution Company Limited and South Bihar Power Distribution Company Limited.

### Financial Support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grant/ subsidies, loans written off and interest waived in respect of State PSUs are given below for three years ended 2014-15:

**Table No: 1.4: Details regarding budgetary support to PSUs**

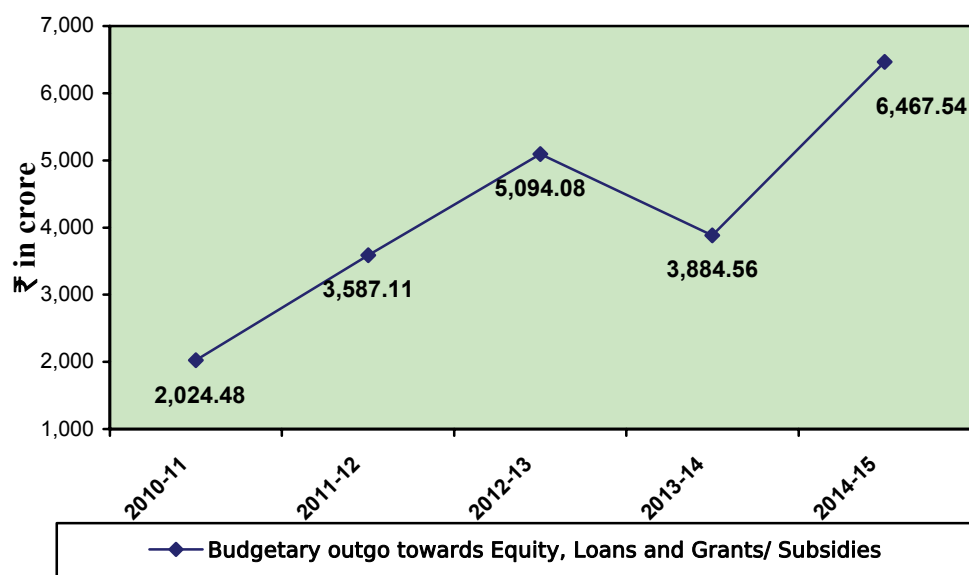
Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	1481.94	4	744.73	4	2443.01
2.	Loans given from budget	4 <sup>6</sup>	677.17 <sup>7</sup>	4	1079.54	4	203.33
3.	Grants/Subsidy from budget	6 <sup>8</sup>	2934.97 <sup>9</sup>	6	2060.29	7	3821.20
4.	Total outgo <sup>10</sup> (1+2+3)	11	5094.08	11	3884.56	9	6467.54
5.	Waiver of loans and interest		-	-	-	-	-
6.	Guarantees issued	-	-	5	2648.83	2	818.40
7.	Guarantee Commitment	2	73.06	5	2910.89	7	3732.97

(₹ in crore)

Source: Information furnished by the PSUs

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in Chart no. 1.3:

**Chart No: 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies**



<sup>6</sup> It includes erstwhile Bihar State Electricity Board.

<sup>7</sup> It includes loan received by erstwhile Bihar State Electricity Board.

<sup>8</sup> It includes erstwhile Bihar State Electricity Board.

<sup>9</sup> It includes subsidy received by erstwhile Bihar State Electricity Board.

<sup>10</sup> Total outgo represents the total budgetary support to actual number of companies in the form of equity, loans and grant/subsidy during the year.

The budgetary support in the form of Equity, Loans and Grants/ Subsidies by the State Government during the years 2010-11 to 2014-15 was showing an increasing trend. The budgetary support increased from ₹ 2024.48 crore in 2010-11 to ₹ 6467.54 crore in 2014-15. Out of ₹ 6467.54 crore, the Power Sector received ₹ 6392.67 crore (98.84 per cent of total budgetary support received from State Government) during the year 2014-15. At the end of the year, Guarantees on Loans aggregating ₹ 3732.97 crore were outstanding against seven<sup>11</sup> PSUs.

In order to enable PSUs to obtain financial assistance from Banks and financial Institutions, State Government gives guarantee subject to the limits prescribed by the Constitution of India, for which the guarantee fee is charged. The guarantee commitment increased to ₹ 3732.97 crore during 2014-15 from ₹ 73.06 crore in 2012-13. Guarantee fee of ₹ 8.87 lakh pertaining to the year upto 1982-83 against Bihar State Financial Corporation and ₹ 1.63 crore for the year 2013-14 against Bihar State Food and Civil Supplies Corporation Limited were outstanding.

### Reconciliation with Finance Accounts

**1.9** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2015 is stated below:

**Table No.1.5: Equity, loans, guarantees outstanding as per finance accounts vis-a-vis records of PSUs**

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts <sup>12</sup>	Amount as per records of PSUs	Difference
Equity	5903.74	11967.16	6063.42
Loans	4036.22	4623.76	587.54
Guarantees	1741.79	3539.97	1798.18

Source: Information furnished by the PSUs and Finance Accounts, GoB, 2015

Audit observed that the differences occurred in respect of 45 PSUs and differences were pending for reconciliation for more than five years.

The Accountant General (Audit) had taken up (October 2011) the issue with the Chief Secretary and the Finance Secretary with the latest reminder in September 2015 to the Principal Secretary, Finance Department, Government of Bihar, to reconcile the differences after examination. However, this has not

<sup>11</sup> Bihar State Backward Classes Finance and Development Corporation, Bihar State Minorities Financial Corporation Limited, Bihar State Road Development Corporation Limited, Bihar State Power Generation Company Limited, Bihar State Food and Civil Supplies Corporation Limited, North Bihar Power Distribution Company Limited and South Bihar Power Distribution Company Limited.

<sup>12</sup> The information is in respect of 45 PSUs (out of 73 PSUs) as appearing in Finance Accounts.



yet been done. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

**Arrears in finalisation of Accounts**

**1.10** The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by September end in accordance with the provisions of Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under section 99 of the Companies Act, 2013. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

**Table No: 1.6: Position relating to finalisation of accounts of working PSUs**

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs	25	26	31 <sup>13</sup>	33	33
2.	Number of Accounts finalised during the year	34	23	26	31	26
3.	Number of Accounts in arrears	186	191	196	199 <sup>14</sup>	206
4.	Number of Working PSUs with arrears in Accounts	23	25	29	29	30
5.	Extent of arrears (years)	1 to 21	1 to 22	1 to 22	1 to 23	1 to 24

*Source: Information furnished by the PSUs*

It can be observed that the number of accounts in arrear has increased from 186 (2010-11) to 206 (2014-15) and situation is pathetic. Out of 33 working PSUs, only three<sup>15</sup> PSUs finalised their accounts for the year 2014-15 and remaining 30 PSUs had arrears of 206 accounts as of 30 September 2015. The Accounts of 30 PSUs were in arrears for periods ranging from one year to 24 years. The reasons for arrears in accounts were delays in preparation/certification of Accounts, delays in holding of Annual General Meeting and shortage of manpower.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the Accounts are finalised and adopted by these PSUs within the prescribed period. The Accountant General brought (October 2015) the position of arrears of Accounts to the notice of the

<sup>13</sup> It includes five new Power Sector companies which commenced their business from November 2012.

<sup>14</sup> The arrear in accounts at the end of 2012-13 (30 September) was taken as 196 instead of 197, due to exclusion of one accounts of erstwhile Bihar State Electricity Board which was not included in the number of working PSUs in 2012-13 consequent upon unbundling into five Companies.

<sup>15</sup> Bihar Grid Company Limited, Bihar State Educational Infrastructure Development Corporation Limited and Bihar State Financial Corporation.

Chief Secretary and the Principal Secretary/Secretary of the concerned administrative department. No significant remedial measures were, however, taken. As a result of this, the net worth of these PSUs could not be assessed in audit.

In view of above state of arrears, it is recommended that the Government should expedite the clearance of arrears in finalisation of Accounts and monitor the timely finalisation of Accounts in conformity with the provisions of the Companies Act, 1956/ 2013.

**1.11** The State Government had invested ₹ 8770.21 crore in 18 PSUs {Equity: ₹ 2464.91 crore (8 PSUs), Loans: ₹ 1926.25 crore (10 PSUs), Grants: ₹ 1430.41 crore (9 PSUs) and others (subsidy): ₹ 2948.64 crore (6 PSUs)} during the year for which accounts have not been finalized as detailed in **Annexure-1.2**. In the absence of finalization of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

**1.12** In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 40 non-working PSUs, 10 PSUs were in the process of liquidation whose accounts were in arrears for 20 to 36 years. Of the remaining 30 non-working PSUs all PSUs had arrears of accounts for 10 to 31 years.

### Placement of Separate Audit Reports

**1.13** The position depicted below show the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory corporations in the Legislature.

**Table No: 1.7: Status of placement of SARs in Legislature**

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Bihar State Warehousing Corporation	2007-08	2008-09 2009-10 2010-11	28 February 2011 8 January 2014 20 February 2015
2.	Bihar State Financial Corporation	2013-14	-	-
3.	Bihar State Road Transport Corporation	1973-74	1974-75 to 2005-06 (32) Details as under 1991-92 1992-93 1993-94 1994-95 1995-96	9 June 1997 2 September 1998 2 September 1998 4 December 1998 18 April 2000

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
			1996-97	19 March 2004
			1997-98	19 October 2004
			1998-99	12 April 2005
			1999-2000	07 October 2005
			2000-01	24 September 2007
			2001-02	26 October 2007
			2002-03	25 January 2010
			2003-04	20 May 2014
			2004-05	10 February 2015
			2005-06	29 September 2015

*Source: Information furnished by the Committee on Public Undertakings (CoPU)*

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The issue of delay in placement of SARs before the State Legislature was brought to the notice of Chief Minister, Bihar by the CAG in December 2010. There was no improvement in respect of placement of SARs of Bihar State Road Transport Corporation. The Accountant General also brought the issue to the attention of the Principal Secretary, Finance Department, Government of Bihar (May 2011) with the latest reminder in June 2015. The Government should ensure prompt placement of SARs in the State Legislature.

#### **Impact of non-finalisation of accounts**

**1.14** As pointed out above (para 1.10), the delay in finalization of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

#### **Performance of PSUs as per their latest finalised accounts**

**1.15** The financial position and working results of working Government Companies and Statutory Corporation are detailed in *Annexure-1.1*. A ratio of PSU turnover to State GDP shows the extent of PSUs activity in the State economy. Table below provides the details of working PSUs turnover and State GDP for a period of five years ending 2014-15.

**Table 1.8: Details of working PSUs turnover vis-a-vis State GDP**

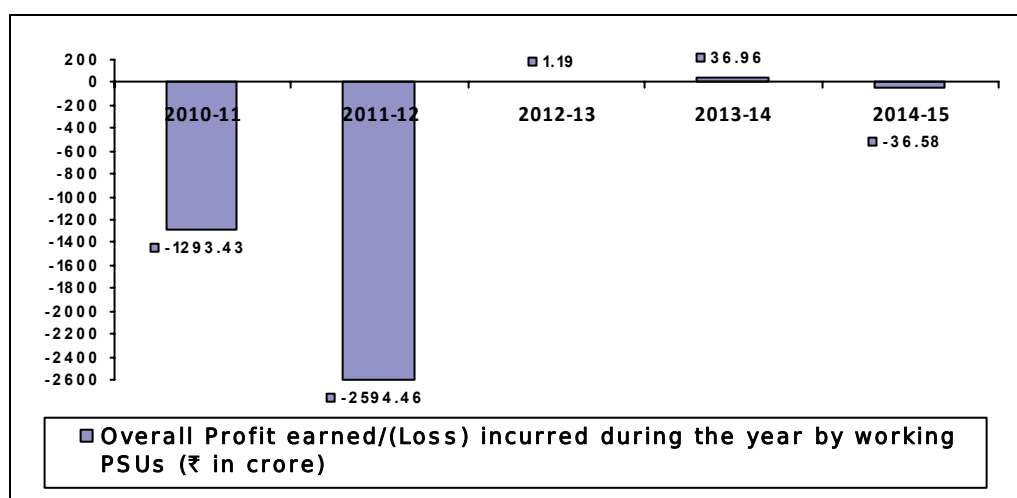
(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover <sup>16</sup>	4031.46	7811.28	2813.70	7924.89	11619.64
State GDP	203554	343269	293616	343663	402283
Percentage of Turnover to State GDP	1.98	2.28	0.96	2.31	2.89

Source: Information furnished by the PSUs

**1.16** Overall net profit/losses earned/incurred by State working PSUs during 2010-11 to 2014-15 are given below in bar chart

**Chart 1.4: Profit/Loss of working PSUs**



The overall net loss of ₹ 1293.43 crore in 2010-11 increased to ₹ 2594.46 crore in 2011-12. Thereafter, there were moderate profits of ₹ 1.19 crore and ₹ 36.96 crore during the years 2012-13 and 2013-14 respectively due to the impact of unbundling of erstwhile Bihar State Electricity Board into five Companies. However, again there was a loss of ₹ 36.58 crore in the year 2014-15. During the year 2014-15, out of 33 working PSUs, 16 PSUs earned profit of ₹ 427.01 crore and 12 PSUs incurred loss of ₹ 463.59 crore. Out of the remaining five PSUs, three<sup>17</sup> PSUs had nil profit/loss and two PSUs<sup>18</sup> had not finalised its first Accounts (September, 2015). The major contributors of Profit were Bihar State Beverages Corporation Limited (₹ 132.87 crore), Bihar Rajya Pul Nirman Nigam Limited (₹ 106.99 crore), Bihar State Educational Infrastructure Development Corporation Limited (₹ 72.63 crore) and Bihar State Road Development Corporation Limited (₹ 58.57 crore). The PSUs which incurred heavy losses were South Bihar Power Distribution Company Limited (₹ 268.69 crore), North Bihar Power Distribution Company Limited (₹ 74.26 crore) and Bihar State Road Transport Corporation (₹ 59.23 crore) as per their latest finalised accounts.

<sup>16</sup> Turnover as per the latest finalised accounts as of 30 September

<sup>17</sup> Bihar State Power (Holding) Company Limited, Bihar State Power Generation Company Limited and Bihar Grid Company Limited.

<sup>18</sup> Pirpainti Bijli Company Private Limited and Lakhisarai Bijli Company Private Limited.

1.17 Some other key parameters of working PSUs are given below:

**Table 1.9: Key Parameters of State PSUs**

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital employed ( <i>Per cent</i> )	-	-	18.41	1.91	0.44
Debt	9692.35	11193.13	4030.88	9349.36	11693.27
Debt/Turnover Ratio	2.40	1.43	1.43	1.18	1.01
Interest Payment	1227.93	1558.11	78.86	248.56	168.30
Accumulated Profit (Loss)	(-)7039.19	(-)9648.57	(-)1129.86	(-)1875.61	(-)3137.76

Source: Information furnished by the PSUs

Return on capital employed decreased from 18.41 *per cent* (2012-13) to 0.44 *per cent* (2014-15). Accumulated loss drastically decreased in 2012-13 due to unbundling of erstwhile Bihar State Electricity Board into five companies. The same was again increased from ₹ 1129.86 crore (2012-13) to ₹ 3137.76 crore (2014-15).

1.18 The State Government had not formulated any Dividend Policy for PSUs to pay a minimum Dividend so as to ensure return on its investments. As per their latest finalised accounts 16 PSUs earned an aggregate profit of ₹ 427.01 crore. However, out of 16 PSUs, only three companies viz Bihar State Beverage Corporation Limited, Bihar State Road Development Corporation Limited and Bihar State Educational Infrastructure Development Corporation Limited proposed a dividend of ₹ 5 crore, ₹ 5 crore and ₹ 3 crore respectively.

### Winding up of non-working PSUs

1.19 There were 40 non-working PSUs (all companies) as on 31 March 2015. Of these, 10 PSUs have commenced liquidation process.

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, therefore, these PSUs may be considered either to be closed down or revived.

1.20 The stages of closure in respect of non-working PSUs are given below:

**Table No: 1.10: Closure of Non-working PSUs**

Sl. No.	Particulars	Companies	Statutory corporations	Total
1.	Total No. of non-working PSUs	40	-	40
2.	Of (1) above, the number under			
(a)	Liquidation by Court (Liquidator appointed)	5 <sup>19</sup>	-	5

<sup>19</sup> Kumardhubi Metal Casting and Engineering Limited, Bihar State Leather Industries Development Corporation Limited, Bihar State Finished Leathers Corporation Limited, Bihar State Small Industries Corporation Limited and Bihar State Export Corporation Limited.

Sl. No.	Particulars	Companies	Statutory corporations	Total
(b)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started	5 <sup>20</sup>	-	5

Source: Information furnished by the Official Liquidator, High Court, Patna

During the year 2014-15, no PSU was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation since long. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make a decision regarding winding up of 30 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

### Accounts Comments

1.21 Seventeen working companies<sup>21</sup> forwarded their audited 23 Accounts to the Accountant General during the year 2014-15<sup>22</sup>. Of these, eight Accounts of eight companies were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicated that the quality of maintenance of Accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given in Table no. 1.11:

**Table No: 1.11: Impact of audit comments on working Companies**

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in Profit	5	8.76	2	51.20	2	692.89
2.	Increase in Loss	7	7.28	7	49.20	4	121.18
3.	Non-disclosure of material facts	1	2.70	9	4914.22	2	401.37
4.	Error of Classification	-	-	4	357.95	7	1088.69

Source: Information furnished by the Companies

During the year, the Statutory Auditors had given qualified certificates for 45 Accounts<sup>23</sup> finalised by 20 companies<sup>24</sup>. The compliance to the Accounting Standards by the companies remained poor as there were 11 instances of non-

<sup>20</sup> Bihar State Pharmaceuticals and Chemicals Development Corporation Limited, Bihar State Textiles Corporation Limited, Bihar State Water Development Corporation Limited, Bihar State Dairy Corporation Limited and Bihar Hill Area Lift Irrigation Corporation Limited.

<sup>21</sup> Sl. No. A 3, A 4, A 6, A 7, A 8, A 11, A 12, A 13, A 14, A 16, A 18, A 19, A 20, A 22, A 23, A 26 and A 30 of *Annexure-1.1*.

<sup>22</sup> During the period from October 2014 to September 2015.

<sup>23</sup> Working government companies (23) and Non-working government companies (22).

<sup>24</sup> Working government companies (17) and Non-working government companies (3).

compliance with the Accounting Standard in the 11 accounts of eight<sup>25</sup> Companies during the year.

1.22 Similarly, three working statutory corporations forwarded three Accounts<sup>26</sup> to the Accountant General during the year 2014-15<sup>27</sup> which were selected for audit. The Audit Reports of Statutory Auditors and the audit of CAG indicate that the quality of maintenance of Accounts needs to be improved substantially. In respect of Bihar State Road Transport Corporation due to non-maintenance of proper records disclaimer on the account was issued for the year 2005-06 during the year 2014-15. The details of aggregate monetary implications of comments of Statutory auditors and CAG are given below:

**Table No: 1.12: Impact of audit comments on Statutory Corporations**

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	1	0.19	1	3.75	1	8.47
2.	Increase in loss	-	Nil	1	0.64	-	-
3.	Non-disclosure of material facts	1	2.70	1	4.05	-	-

Source: Information furnished by the statutory corporations

### Response of the Government to Audit

#### Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, two performance audits and 14 audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of 14 transaction audit paragraphs were awaited from the State Government (December 2015).

### Follow up action on Audit Reports

#### Replies outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriation and timely response from the executive. The Finance Department, Government of Bihar issued (April 2015) instructions to all Administrative Departments to submit replies/explanatory

<sup>25</sup> Sl. No. in *Annexure-1.1* are A 4, A 6, A 12, A 13, A 18, A 19, A 26 and A 30.

<sup>26</sup> Bihar State Warehousing Corporation (2010-11), Bihar State Road Transport Corporation (2005-06) and Bihar State Financial Corporation (2014-15).

<sup>27</sup> During the period from October 2014 to September 2015.

notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the CoPU.

**Table No.1.13: Explanatory notes not received (as on 30 September, 2015)**

Year of the Audit Report (Commercial/PSU)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which Replies/explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2009-10	20.07.2011	02	10	0	03
2010-11	06.08.2012	02	09	02	07
2011-12	01.08.2013	02	12	01	09
2012-13	15.07.2014	03	12	02	07
2013-14	07.04.2015	02	14	01	03
<b>Total</b>		11	57	06	29

Source: Information available at our office

From the above, it could be seen that out of 68 Paragraphs/Performance Audits, explanatory notes to 35 Paragraphs/ Performance Audits in respect of 13 departments, which were placed in the State Legislature during last five years, were awaited (September 2015).

#### **Discussion of Audit Reports by CoPU**

**1.25** The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (CoPU) was as under.

**Table No. 1.14: Performance Audits/Paras appeared in Audit Reports vis a vis discussed as on 30 September 2015.**

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2009-10	02	10	02	07
2010-11	02	09	-	01
2011-12	02	12	-	-
2012-13	03	12	-	-
2013-14	02	14	01	-
<b>Total</b>	11	57	03	08

Source: Information available at our office

Out of 11 Performance Audit Reports and 57 Paragraphs pertaining to the CAG Reports for the period 2009-14, eight Performance Audits and 49 Paragraphs are yet to be discussed (September 2015).

#### **Compliance to Reports of Committee on Public Undertakings (CoPU)**

**1.26** Action Taken Notes (ATN) to six paragraphs pertaining to four Reports of the CoPU presented to the State Legislature between March 2010 and December 2013 had not been received (September 2015) as indicated below:



Table no.1.15: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total no. of recommendations in CoPU Report	No. of recommendations where ATNs not received
2009-10	01	01	01
2010-11	01	03	03
2011-12	01	01	01
2012-13	-	-	-
2013-14	01	01	01
<b>TOTAL</b>	<b>04</b>	<b>06</b>	<b>06</b>

Source: Information furnished by Committee on Public Sector Undertakings

These Reports of CoPU contained recommendations in respect of paragraphs pertaining to one department, which appeared in the Reports of the CAG of India for the 1996-97 to 2005-06.

It is recommended that the Government may ensure: (a) sending of replies to explanatory notes/ paragraphs/ performance audits and ATNs on the recommendations of CoPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

#### Coverage of this Report

**1.27** This Report contains 14 Paragraphs and two Performance Audits i.e. on "Construction activities of Bihar Rajya Pul Nirman Nigam Limited" and on "Bihar Urban Infrastructure Development Corporation Limited" involving financial effect of ₹ 309.37 crore.

#### Disinvestment, Privatisation and Restructuring of PSUs

**1.28** The State Government did not undertake the exercise of disinvestment of any of its PSUs during 2014-15. Further, 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 PSUs was taken up in September 2005. The implementation, however, has been done only in the case of five PSUs<sup>28</sup> (September 2015).

<sup>28</sup> Bihar Rajya Beej Nigam Limited, Bihar State Hydroelectric Power Corporation Limited, Bihar State Tourism Development Corporation Limited, Bihar State Warehousing Corporation and Bihar State Mineral Development Corporation Limited.