

OVERVIEW

Overview

This Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Government of Bihar, for the year ended 31 March 2015 includes an overview of functioning of Public Sector Undertakings, two Performance Audits and 14 paragraphs dealing with the Accounts as well as results of Performance Audit and Transaction Audit.

1. Functioning of State Public Sector Undertakings

The audit of Financial Statements of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013. The Financial Statements of Government companies are audited by Statutory Auditors appointed by CAG of India. These Accounts are also subject to supplementary audit conducted by CAG of India. Audit of Statutory corporations is governed by their respective legislation. As on 31 March 2015, the State of Bihar had 33 working PSUs (30 Companies and three Statutory corporations) and 40 non-working PSUs (all companies), which employed 17281 employees. The State working PSUs had registered a turnover of ₹ 11619.64 crore as per their latest finalised Accounts. The working PSUs had incurred loss of ₹ 36.58 crore as per their latest finalised Accounts as of 30 September 2015.

(Paragraphs 1.1, 1.2 and 1.3)

Investment in PSUs

As on 31 March 2015, the investment (Capital and long term loans) in 73 PSUs was ₹ 33783.37 crore. Power Sector accounted for 81.90 *per cent* of total investment in 2014-15. The Government contributed ₹ 6467.54 crore towards Equity, Loans and Grants/Subsidies during 2014-15.

(Paragraphs 1.6, 1.7 and 1.8)

Performance of PSUs

As per the latest finalised Accounts, out of 33 working PSUs, 16 PSUs had earned Profit of ₹ 427.01 crore and 12 PSUs had incurred Loss of ₹ 463.59 crore. Out of the remaining five PSUs, three PSUs had nil profit/loss and two PSUs had not finalised its first Accounts. 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).

(Paragraph 1.16)

Quality of accounts

The quality of Accounts of companies needs improvement. During the year 2014-15, the Statutory Auditors had given qualified certificates for 45 Accounts received during the year. The compliance of accounting standards was poor as there were 11 instances of non-compliance.

(Paragraph 1.21)

Arrears in accounts and winding up

Out of 33 Working PSUs, 30 PSUs had arrears of 206 accounts as of 30 September 2015. The extent of arrears was one to 24 years. There were 40 non-working PSUs including 10 under liquidation.

(Paragraphs 1.10 and 1.12)

Discussion of Audit Reports by COPU

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

(Paragraph 1.25)

2.1 Performance Audit on the Construction Activities of Bihar Rajya Pul Nirman Nigam Limited

Bihar Rajya Pul Nirman Nigam Limited (Company) was incorporated in June 1975 as a wholly owned Government Company. The main objective of the Company is construction of new bridges and other structures including maintenance and improvement work in respect thereof. The Company, during the period 2010-15, executed deposit works only and did not participate in any competitive bidding process to obtain contract.

Audit findings pertaining to Construction activities of the Company are discussed below:-

Fund Management

- The Company suffered loss of centage charges of ₹ 12.66 crore in respect of 70 projects due to execution of work without agreement and the centage charges of ₹ 16.49 crore on revised estimate of a bridge was also not claimed.

(Paragraph 2.1.7)

Construction of bridges funded by NABARD

Out of 542 bridges executed by the Company, 281 bridges were completed during the period 2010-15 of which 149 bridges (53 per cent) were completed with delays. As on 31 March 2015, 261 bridges were under various stages of completion out of which 94 bridges are delayed by one to 64 months.

(Paragraph 2.1.11)

- In six test checked divisions, 81 bridges were completed, out of which 45 bridges were completed with delays ranging from one to 30 months and 17 bridges were completed with a cost overrun of ₹ 36.19 crore.

(Paragraph 2.1.11)

- Out of 224 bridges executed by six test checked divisions, there were delays in finalization of tender in 49 cases ranging from eight to 356 days after the expiry of the validity period of the bids.

(Paragraph 2.1.12)

- The Company in violation of the CVC Guidelines issued eight work orders aggregating to ₹ 126.92 crore for construction of bridges on a nomination basis without inviting tenders.

(Paragraph 2.1.13)

- After incurring an expenditure of ₹ 42.13 crore, the construction of two bridges were abandoned due to non-availability of land. In case of five bridges, there were abnormal delays in completion of approach roads connecting thereto as a result of which expenditure of ₹ 14.95 crore remained blocked for a period ranging from seven months to 15 months.

(Paragraph 2.1.14)

- In case of six ongoing bridges, though the bridge portions were completed at a cost of ₹ 69.23 crore, the construction of connecting approach roads were still incomplete even after a lapse of period ranging from seven to 34 months.

(Paragraph 2.1.14)

- The additional works in case of bridge at Dhanha-Ratwalghat was not awarded to the contractor on the rate of original work which resulted in excess expenditure of ₹ 9.24 crore.

(Paragraph 2.1.16)

- In case of bridge at Vijayghat at Bhagalpur an additional sum of ₹ 4.29 crore was paid to the contractor for the increase in the depth of the foundation well.

(Paragraph 2.1.17)

Construction of bridges under Mukhya Mantri Setu Nirman Yojana

- Out of 710 bridges executed by the Company, 540 bridges were completed during the period 2010-15 of which 312 bridges (58 per cent) were completed with delays. As on 31 March 2015, 170 bridges were under various stages of completion of which 61 bridges have already suffered time overrun ranging from one to 84 months.

(Paragraph 2.1.20)

- In six test checked divisions, 248 bridges were completed, out of which 141 bridges (56.85 per cent) were completed with delays ranging from 10 days to 51 months and 26 bridges were completed with a cost overrun of ₹ 7.48 crore.

(Paragraph 2.1.20)

- Out of 337 bridges executed by six test checked divisions, there were delays in finalization of tenders in 57 cases ranging from 10 to 369 days after the expiry of the bid validity period.

(Paragraph 2.1.21)

- After incurring an expenditure of ₹ 2.70 crore, the construction of two bridges were abandoned since June 2012 due to non-availability of land. In case of 10 bridges, there were abnormal delays in completion of approach roads connecting thereto as a result of which expenditure of ₹ 16.40 crore remained blocked for a period ranging from six to 30 months.

(Paragraph 2.1.22)

- In case of four bridges, bridge portion was completed at a cost of ₹ 10.57 crore, the approach roads were incomplete even after lapse of period ranging from 13 months to 45 months.

(Paragraph 2.1.22)

Construction of Buildings

- In case of Construction of Vardhaman Institute of Medical Science, excess payment on account of price escalation of ₹ 18.51 crore was made to the contractor. Further, the company in violation of the directives of the Government incurred avoidable excess expenditure of ₹ 3.81 crore.

(Paragraph 2.1.25)

- Out of 38 Chhatrawaas to be constructed by the Company, only seven Chhatrawaas were completed till March 2015 even after a lapse of five years from the date of Administrative Approval.

(Paragraph 2.1.26)

Monitoring and Internal Control

- The Company did not have any policy regarding appointment of Supervision Consultants (SC). The expenditure of ₹ 32.54 crore incurred on payment to SC was charged to the work expenses instead of meeting the same from Centage Charge.

(Paragraph 2.1.28)

- Due to non-reconciliation of accounts of the completed projects with concerned administrative department, an amount of ₹ 11158.91 crore were shown as Deposits from Government of Bihar in the annual accounts for the year 2014-15.

(Paragraph 2.1.31)

2.2 Performance Audit on the Construction Activities of Bihar Urban Infrastructure Development Corporation Limited

Bihar Urban Infrastructure Development Corporation Limited (Company) was incorporated on 16 June 2009 as a wholly owned Government Company with main objectives to execute and accelerate urban infrastructural projects pertaining to water supply, sewerage and sewage network, road and drainage, river front development, etc., under various Government of India (GoI) and State Funded Infrastructural Development Schemes. The Company was also appointed as a nodal agency for execution of projects assigned under GoI Scheme viz. Jawaharlal Nehru National Urban Renewal Mission (JnNURM).

Financial Management

- During the period 2009-10 to 2014-15, the Company received a total sum of ₹ 940.30 crore for execution of various projects. Utilisation of fund during the said period ranged between 1.03 *per cent* and 42.13 *per cent* only. The main reasons for under utilisation of funds were low activity of the Company in initial years, slow execution of projects and termination of contract.

(Paragraph 2.2.6)

- In Danapur Water Supply Project, the Company failed to renew the validity of the Bank Guarantee pledged against mobilisation advance and the contract was terminated. This resulted in non-recovery of mobilisation advance of ₹ 6.70 crore.

(Paragraph 2.2.9)

Execution of Water Supply Projects under JnNURM

- The contracts for Muzaffarpur Water Supply Project, Patna Water Supply Project and Danapur Water Supply Project were terminated due to non-performance of the contractors. Non-award of the remaining portion of the work to another contractor despite lapse of more than one year resulted in blocking of funds amounting to ₹ 77.70 crore. Besides, the State was deprived of the intended benefits envisaged under the scheme.

(Paragraphs 2.2.13, 2.2.14 and 2.2.15)

National Ganga River Basin Authority funded projects

- During the period 2010-11 to 2014-15, the Company had undertaken four projects of Sewerage System and Sewage Treatment Plant at Buxar, Hazipur, Begusarai and Munger with an Administrative Approval (AA) of ₹ 441.86 crore and scheduled date of completion between December 2013 and March 2014. As of July 2015 the financial progress of the projects was only 1.57 *per cent* to 18.14 *per cent* despite lapse of 16 to 19 months from their scheduled date of completion due to delay in award of work to contractor, non-availability of land and slow/non-execution of work by contractors.

(Paragraph 2.2.18)

State Funded Schemes

During the period 2010-11 to 2014-15, 12 construction projects having AA of ₹ 270.36 crore were undertaken by the Company out of which only five projects were completed (July 2015) with time overruns ranging from two to 18 months. The work of seven projects was in progress. As of July 2015 the financial progress of these projects was only 7.45 to 73.08 *per cent* despite lapse of 9 to 26 months from its scheduled date of completion. The delay was mainly due to preparation of faulty DPR by the Company, delay in award of work to contractors, etc.

(Paragraph 2.2.20)

Monitoring and Internal control

- The Company failed to link the payment of Construction Supervision and Quality Control consultants (CSQC) with progress of work which resulted in unfruitful expenditure to the tune of ₹ 9.53 crore.

(Paragraph 2.2.22)

3. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

- Loss/non-recovery of ₹ 27.66 crore in six cases due to non-compliance with rules, directives, procedures, and terms and conditions of contracts.

(Paragraphs 3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8 and 3.11)

- Irregular payment of ₹ 31.46 crore in two cases due to non-compliance with rules and directives.

(Paragraphs 3.3 and 3.11)

- Loss of ₹ 25.82 crore in three cases due to deficient Internal Control System.

(Paragraphs 3.4, 3.10 and 3.14)

- Loss of ₹ 1.27 crore in two cases due to non-safeguarding of the financial interests of the organisation.

(Paragraphs 3.9 and 3.12)

- Loss of ₹ 47.57 crore in one case due to deficient planning.

(Paragraph 3.13)

Gist of some of the important audit observations in respect of other transaction audit paragraphs are given below:

Non-adherence to the CVC Guidelines and non-observance of financial interests on the part of the **South Bihar Power Distribution Company**

Limited resulted in loss of interest of ₹ 1.01 crore due to non-recovery of mobilisation advances after scheduled completion period.

(Paragraph 3.1)

Failure on the part of the **Bihar State Power (Holding) Company Limited** to comply with the CVC Guidelines based on the Judgment of Hon'ble Supreme Court of India resulted in irregular awarding of work orders aggregating to ₹ 3.04 crore.

(Paragraph 3.5)

Bihar State Power (Holding) Company Limited and its subsidiaries failed to make mandatory deduction of Labour Cess of ₹ 12.93 crore from the bills of the contractors.

(Paragraph 3.6)

Incorrect categorisation of the Street Light Consumer by the **North Bihar Power Distribution Company Limited** resulted in a revenue loss of ₹ 3.08 crore due to billing at a lower rate.

(Paragraph 3.8)

Non-observance of financial interests as well as failure on the part of the **Bihar State Power Transmission Company Limited** to purchase Power Transformers (PTRs) on a firm basis resulted in excess avoidable expenditure of ₹ 95.77 lakh to the Company.

(Paragraph 3.9)

Bihar State Food and Civil Supplies Corporation Limited suffered loss of ₹ 20.09 crore on account of shortages and disposal of damaged wheat due to improper storage and delayed transportation of the procured wheat.

(Paragraph 3.10)

Lack of planning as well as failure on the part of the **Bihar State Text Book Publishing Corporation Limited** to adhere to the printing and delivery schedule prescribed by Bihar Shiksha Pariyojna Parishad (BSPP) resulted in loss of ₹ 47.57 crore on account of deduction of penalty by BSPP.

(Paragraph 3.13)

Deficient Internal Control System in **Bihar State Text Book Publishing Corporation Limited** could not ensure supply of books by the set-makers and failed to recover cost of short-supplied text-books from the set-makers resulting in a loss of ₹ 5.20 crore to the Company.

(Paragraph 3.14)