

CHAPTER-1

FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS

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1. Functioning of State Public Sector Undertakings

Introduction

1.1 As on 31 March 2017, there were 74 State Public Sector Undertakings (PSUs) comprising State Government companies and Statutory corporations in Bihar (*Annexure-1.1*) as depicted below:

Table No. 1.1 : Number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs ¹	Total
Government companies ²	27	44	71
Statutory corporations	3	-	3
Total	30	44	74

Out of 30 working PSUs and 44 non-working PSUs, only 16 working PSUs and two non-working PSUs³ had finalised their accounts for the years 2014-15 to 2016-17 as on 31 December 2017 (*Annexure-1.2*). As per the latest finalised accounts of these 18 PSUs, 10 PSUs earned profit of ₹ 278.18 crore⁴, seven PSUs incurred loss of ₹ 1,437.93 crore⁵, and the remaining one⁶ PSU had no profit or loss. These PSUs registered a turnover of ₹ 11,277.70 crore as per their latest finalized accounts as of 31 December 2017.

The 18 PSUs generated an average negative Return on Investment (RoI) of 6.14 *per cent* on the investment made by the State Government. This remained well below the average cost of borrowings of 8.49 *per cent* during 2014-15 to 2016-17. Thus, the approximate loss to the public exchequer as a result of the investment in the 18 PSUs that had finalized their accounts in the past three years amounted to ₹ 1,159.75 crore. The loss, if any, incurred by the remaining 56 PSUs who have not finalised their accounts could not be assessed.

As on 31 March 2017, the State PSUs had 16,533 employees (15,751 in 28 working PSUs and 782 in 20 non-working PSUs). The non-working PSUs have had no activity for more than three years and had an investment of ₹ 751.06 crore.

Recommendation

Since the continued existence of loss making and non-working PSUs constitute a substantial drain on the public exchequer, the State Government may review (i) the functioning of all loss making PSUs and

¹ PSUs which have had no operational activities for more than last three years.

² Companies referred to in Sections 2(45), 139(5) and 139 (7) of the Companies Act, 2013.

³ Bihar Agro Industries Development Corporation Limited and SCADA Agro Business Company Limited, which have furnished accounts upto 2015-16 and 2014-15 respectively.

⁴ Sl. No. A7, A8, A10, A11, A12, A13, A17, A20, A23 and C2 of *Annexure -1.1*.

⁵ Sl. No. A5, A16, A18, A19, A26, B1 and C6 of *Annexure -1.1*.

⁶ Bihar State Power (Holding) Company Limited, the expenditure of which is entirely reimbursed by its subsidiary companies on whose behalf it functions.

(ii) status of non-working PSUs to initiate/ expedite the process of their winding up.

Accountability framework

1.2 Section 139 and 143 of the Companies Act, 2013 (Act) applies to audit of Government companies. The Comptroller and Auditor General of India (CAG) appoints Chartered Accountants (CAs) as Statutory Auditors and conducts supplementary audit of these companies.

Audit of Statutory corporations is governed by their respective legislations as detailed below in table no 1.2:

Table No. 1.2 Legislations governing audit of Statutory corporations			
Sl. No.	Name of Corporation	Authority for audit by the CAG	Audit arrangement
1	Bihar State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2	Bihar State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit by CAs and supplementary audit by the CAG
3	Bihar State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by CAs and supplementary audit by the CAG

The Reports of the CAG are submitted to the Government, who shall, in terms of the CAG's (Duties, Powers and Conditions of Service) Act, 1971, cause them to be laid before the Legislature.

1.3 The concerned administrative departments under the Government of Bihar exercise control over the affairs of these PSUs, whose Chief Executives and Directors to the Board are appointed by the State Government.

Stake of Government of Bihar

1.4 The State Government's stake in PSUs falls under three broad categories, viz., Share Capital and Loans, Special Budgetary Support by way of grants and subsidies to consumers, and Guarantees of loans availed by PSUs from Financial Institutions.

Investment in State PSUs

1.5 As on 31 March 2017, the Investment (Equity and Long-Term Loans) in 74 State PSUs by State Government, Central Government and others was ₹ 53,891.59 crore as per details given in Table No. 1.3 (further details are given in *Annexure-1.1*).

Table No. 1.3 Total Investment in PSUs as on 31 March 2017

Table No. 1.3 Total Investment in PSUs as on 31 March 2017								(₹ in crore)
Type of PSUs	Status of accounts finalised	Equity			Long Term Loans			Grand Total
		State Government	Others ⁷	Total	State Government	Others ⁸	Total	
Working PSUs	2014-15 to 2016-17 ⁹	21,264.44	20,419.88	41,684.32	1,141.50	6,336.38	7,477.88	49,162.20
	Prior to 2014-15	263.59	31.30	294.89	3,324.03	359.41	3,683.44	3,978.33
	Sub-total	21,528.03	20,451.18	41,979.21	4,465.53	6,695.79	11,161.32	53,140.53
Non-working PSUs	2014-15 to 2016-17	5.12	2.50	7.62	12.60	0.00	12.60	20.22
	Prior to 2014-15	150.96	38.15	189.11	503.43	38.30	541.73	730.84
	Sub-total	156.08	40.65	196.73	516.03	38.30	554.33	751.06
Total		21,684.11	20,491.83	42,175.94	4,981.56	6,734.09	11,715.65	53,891.59

Source: As per audited accounts/ information furnished by the PSUs

1.6 The sector wise summary of investments in the State PSUs as on 31 March 2017 is given in Table No. 1.4.

Table No. 1.4 Sector-wise investment in PSUs

Name of the Sector	Working PSUs		Non-working PSUs		Total	Total Investment (₹ in crore)	Investment in last five years (₹ in crore)
	With three years' accounts	Without three years' accounts	With three years' accounts	Without three years' accounts			
Power	6	3	0	0	9	49,333.19	39,492.32
Service	2	3	0	1	6	3,174.41	1,978.12
Finance	2	3	0	4	9	590.82	-14.84 ¹⁰
Manufacturing	2	0	0	13	15	446.94	13.78
Others	4	5	2	24	35	346.23	47.46
Total	16	14	2	42	74	53,891.59	41,516.84

Source: As per audited accounts/ information furnished by the PSUs

The thrust of the State Government investment in PSUs was in the Power Sector consequent to the unbundling of the erstwhile Bihar State Electricity Board (BSEB) into five companies¹¹ in November 2012. Out of the State Government investment of ₹26,665.67 crore (₹21,684.11 crore in equity and

⁷ Includes Share Capital of Central Government and investment of ₹20,418.12 crore by seven holding companies in their 32 subsidiary companies.

⁸ Includes loans from Central Government and Financial Institutions.

⁹ Accounts finalised at least up to 2014-15.

¹⁰ The main reason for decrease in investment was repayment of loans (others) by PSUs in the Finance Sector.

¹¹ 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.

₹ 4,981.56 crore in loans), ₹ 15,180.19 crore (₹ 21,156.91 crore in equity and (-) ₹ 5,976.72 crore in loans) was invested between 2012-17.

1.7 Differences between the figures of Government equity and loans depicted in the Finance Accounts and in the records of PSUs are given in Table No. 1.5 below¹²:

Table No. 1.5 Equity and Loans outstanding as on 31 March 2017			
(₹ in crore)			
Investment	As per Finance Accounts	As per records of PSUs	Difference¹³
Equity	15,254.21	21,684.11	(6,429.90)
Loans	19,040.21	4,981.56	14,058.65

Source: Information furnished by the PSUs and Finance Accounts, GoB, 2016-17

Differences between the figures relating to guarantees given by the State Government in the Finance Accounts and in the records of PSUs are given in Table No. 1.6 below.

Table No. 1.6 Guarantees outstanding as on 31 March 2017			
(₹ in crore)			
Guarantees Outstanding	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
	4,134.95	3,558.19	576.76

Source: Information furnished by the PSUs and Finance Accounts, GoB, 2016-17

Recommendation

The administrative departments and the PSUs may take immediate steps to reconcile the differences in accounts in a time bound manner.

1.8 The position of Government stake in PSUs is stated below;

Table No. 1.7 Position showing Government stake in PSUs		
(₹ in crore)		
Particulars	Number of PSUs	Amount
Notional¹⁴ Government stake in non-working PSUs	23 ¹⁵	0.23
Non-working PSUs where there is no expenditure at all	38	0.00
Equity, loan and grant/ subsidy received during 2015-16 and 2016-17 by non-working PSUs	3 ¹⁶	71.61
Outstanding loans to PSUs which have not paid interest on loans for last five years	32	5,145.60

Source: Information furnished by the PSUs and Finance Accounts, GoB 2016-17

¹² More details are available in State Finances Report (2016-17), Government of Bihar.

¹³ The main reason for difference is non-record in the Finance Accounts of restructuring of BSEB into five separate Power companies, with government equity of ₹ 8,923.96 crore considering omission of State Government equity of ₹ 2,739.62 crore in the records of the Power companies; and government loans of ₹ 14,107.19 crore.

¹⁴ Equity and Loan less than ₹ one crore.

¹⁵ C2, C8, C9, C10, C11, C12, C13, C14, C21, C22, C23, C24, C25, C26, C28, C30, C35, C36, C37, C38, C39, C41 and C42 (Annexure 1.1).

¹⁶ Bihar State Construction Corporation Ltd., Bihar State Sugar Corporation Ltd., and Bihar State Fruits & Vegetables Development Corporation Ltd.

Recommendation

1. Government of Bihar (GoB) should review the status of 27¹⁷ non-working PSUs for liquidation.
2. Similarly, GoB should review for winding up/disinvestment of all PSUs where its stake is notional. Employees of such companies can be sent on reverse deputation to Government departments having vacancies, as has been done by the Government of Rajasthan.
3. Since the chances of repayment of principal by the 32 PSUs who have not even paid interest on loans, are remote, if not non-existent, the State Government should consider converting past loans to equity, and future payments, if any, should be by way of grants in aid, pending review of whether at least some of these PSUs should not be wound up.

Arrears in finalisation of accounts

1.9 The Companies Act 2013 stipulates that the annual financial statements of companies are to be finalized within six months from the end of the relevant financial year i.e., by September end. Failure to do so may attract penal provisions, under which every officer of the concerned defaulting company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

The accounts of Statutory corporations are required to be finalized, audited and presented to the Legislature as per the provisions of their respective Acts.

Details of the directors of the 19 working companies who also simultaneously held various posts in different departments and are liable under the above penal provisions of the Companies Act and the directors of the two Statutory corporations¹⁸ that have violated the provisions of the respective Acts created by the Legislature are given in *Annexures-1.3 (a) and (b)*.

As of 31 December 2017, the accounts of 19 working companies and two Statutory corporations were in arrears for periods of up to 23 years and 11 years respectively, as depicted in *Annexure-1.4*. Delays in finalisation of accounts often results in unavailability or loss of crucial records over a period of time, which is fraught with possibilities of misrepresentation of facts, fraud and misappropriation.

¹⁷ 44 non-working PSUs (minus) five PSUs where liquidation has commenced (minus) 12 PSUs where State government has issued orders for liquidation.

¹⁸ Bihar State Road Transport Corporation and Bihar State Warehousing Corporation.

Out of 30 working PSUs, only nine PSUs¹⁹ finalised their accounts for 2016-17 and the remaining 21 PSUs have arrears of 142 accounts²⁰. Out of 21 PSUs, accounts of three PSUs were in arrears for one year, 11 PSUs for two to five years, and seven PSUs for above five years, as detailed in *Annexure-1.4*.

1.10 In addition to the above, as on 31 December 2017, the accounts of all non-working PSUs were in arrears. Out of 44 non-working PSUs, five PSUs were in the process of liquidation for a period five to 18 years²¹, whose 101 accounts were in arrears for five to 26 years. Details of the arrears in accounts of the remaining 39 non-working PSUs, are given in Table No. 1.8.

Year	No. of non-working PSUs	No. of accounts in arrears	Years for which accounts were in arrears	No. of years for which accounts were in arrears
2014-15	35	935	1977-78 to 2014-15	10 to 38
2015-16	35	952	1977-78 to 2015-16	8 to 39
2016-17	39	1,029	1977-78 to 2016-17	1 to 40

1.11 The State Government had extended budgetary support of ₹ 4,476.54 crore in 10 working PSUs [Equity: ₹ 27.28 crore (3 PSUs), Loans: ₹ 2,074.94 crore (6 PSUs), Capital Grants: ₹ 333.45 crore (4 PSUs), others (subsidy): ₹ 1,495.22 crore (3 PSUs) and Guarantees: ₹ 545.65 crore (4 PSUs)] during the period for which accounts were in arrears as detailed in *Annexure-1.5*. Out of this, budgetary support of ₹ 2,467.06 crore was extended to seven working PSUs during 2014-17 whose accounts were in arrears for more than three years, of which ₹ 1,414.79 crore was extended to five PSUs²² during 2016-17.

Further, the State Government had also extended budgetary support of ₹ 1,007.23 crore in 10 non-working PSUs (Equity: ₹ 45.12 crore, Loans: ₹ 561.28 crore, Capital Grants: ₹ 32.33 crore, others (subsidy): ₹ 125.16 crore and Guarantees: ₹ 243.34 crore) during the period for which their accounts were in arrears as detailed in *Annexure-1.5*. Out of this, budgetary support of ₹ 71.61 crore was extended to three non-working companies²³ during 2014-15 to 2016-17, of which ₹ 70.61 crore was extended as loans and grants to two companies viz., BSSCL (₹ 69.27 crore²⁴) and BSCCL (₹ 1.34 crore) during 2016-17.

¹⁹ A8, A11, A15, A16, A17, A18, A19, A20, and B1 of *Annexure -1.1*.

²⁰ At the rate of one account per year.

²¹ Kumardhubi Metal Casting and Engineering Limited w.e.f. 17-08-1999; Bihar State Leather Industries Development Corporation Limited w.e.f. 25-08-2008; Bihar Finished Leathers Limited w.e.f. 25-08-2008; Bihar State Small Industries Corporation Limited w.e.f. 04-10-2012 and Bihar State Export Corporation Limited w.e.f. 04-10-2012.

²² Bihar State Minorities Finance Corporation Limited, Bihar Rajya Beej Nigam Limited, Bihar State Backward Classes Finance & Development Corporation, Bihar State Food & Civil Supplies Corporation Limited and Bihar State Hydroelectric Power Corporation Limited.

²³ Bihar State Construction Corporation Limited (BSCCL), Bihar State Sugar Corporation Limited (BSSCL) and Bihar State Fruit & Vegetables Development Corporation Limited.

²⁴ Extended for payment of pay arrears to retired employees of closed sugar mills.

The decision of the State Government to extend budgetary support to the above PSUs whose accounts were in arrears, was financially imprudent, since the State Government had no basis to assess the financial soundness of these PSUs. This is evident from the fact that 32 PSUs that received State Government loans did not even repay the interest thereon.

Recommendation

1. The Finance Department and the concerned administrative departments should ensure that the State PSUs take immediate action to make their accounts current, so that the directors of these PSUs do not continue to fall foul of the Companies Act and the relevant Acts governing State Statutory corporations.
2. The Finance Department and the concerned administrative departments should initiate steps to ensure that budgetary support is extended only to such PSUs whose accounts are current.

Placement of Separate Audit Reports

1.12 The respective Acts of the Statutory corporations stipulate that the Government shall cause the audit reports of the CAG to be placed in the Legislature soon after they are approved in the annual general meeting. It was however observed that the State Government failed to comply with this provision of the Act in laying the Separate Audit Report (SAR) of the CAG on the three Statutory corporations (up to 31 December 2017), as depicted in Table No. 1.9 below:

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 ²⁵
1.	Bihar State Warehousing Corporation	2007-08	2008-09	28 February 2011
			2009-10	8 January 2014
			2010-11	20 February 2015
2.	Bihar State Financial Corporation	2014-15	2015-16	16 December 2016
3.	Bihar State Road Transport Corporation	1973-74	1974-75 to 2005-06 (32)	<u>Details as under</u> 26 October 2007 25 January 2010 20 May 2014 10 February 2015 29 September 2015
			2001-02	
			2002-03	
			2003-04	
			2004-05	
			2005-06	

The State Government has provided grants of ₹ 47.17 crore to Bihar State Warehousing Corporation over the past five years despite the fact that there are no accounts to have this decision. The lack of financial accountability in the Bihar State Road Transport Corporation (BSRTC) is so serious that the CAG has refused to provide an opinion on the accounts of the BSRTC

²⁵ The State corporations delayed the finalisation of their accounts resulting in delay in preparation and submission of the SARs for the concerned years.

for 2003-04 to 2005-06 that were finalised during May 2014 to September 2015. The State Government has provided loan of ₹ 775.01 crore to BSRTC between 2006-17 when its accounts were in arrears and there was no possibility of evaluating the financial capability of the Corporation. Further, BSRTC neither paid back loan amount nor paid interest due of ₹ 407.63 crore²⁶.

Recommendation

The Finance Department should ensure that the SARs of the Statutory corporations are placed in the Legislature immediately, and no further budgetary support is extended to these corporations till this is done.

Performance of PSUs as per their latest finalised accounts

1.13 The key financial ratios used to assess the performance of the 18 PSUs²⁷ that finalised their accounts for the period 2014-15 to 2016-17 (*Annexure-1.6*) are given in Table No. 1.10 below:

Table No. 1.10 Key parameters of working PSUs					
Particulars	Key parameters (in percentage)	2014-15	2015-16	2016-17	Average
Profit making	ROCE²⁸	9.62	3.63	1.31	4.85
	ROI²⁹	9.62	3.63	1.31	4.85
	ROE³⁰	7.81	3.02	0.61	3.81
Loss making	ROCE	-18.77	-8.89	-28.91	-18.86
	ROI	-9.18	-4.61	-15.10	-9.63
	ROE	- ³¹	-33.74	-18.06	-25.90
Aggregate	ROCE	-2.79	-1.42	-4.04	-2.75
	ROI	-1.97	-1.11	-3.16	-2.08
	ROE	-18.16	-8.45	-9.51	-12.04
Cost of borrowing		8.73	8.74	8.00	8.49

Source: Information as per finalised accounts of PSUs

1.14 The major contributors to profit were Bihar Rajya Pul Nirman Nigam Limited (₹ 107.71 crore), Bihar State Beverages Corporation Limited (₹ 93.44 crore), Bihar State Building Construction Corporation Limited (₹ 28.51 crore) and Bihar State Educational Infrastructure Development Corporation Limited (₹ 22.96 crore). The ROI of these companies ranged between 18.94 and 106.82 during 2014-17. The PSUs which incurred heavy losses were South Bihar Power Distribution Company Limited (₹ 905.36 crore) and North Bihar Power Distribution Company Limited (₹ 513.44 crore) as per their latest finalised accounts.

1.15 The State Government has not formulated any dividend policy for PSUs. Consequently, though as per their latest finalised accounts, 10

²⁶ During 2010-11 to 2016-17.

²⁷ Financial ratios cannot be calculated for non-working PSUs or those PSUs whose accounts are in arrears.

²⁸ Return on Capital employed = (Net profit/loss before dividend, interest and tax) / Capital Employed.

²⁹ Return on Investment (ROI) = (Net Profit before dividend, tax and interest) / Investment.

³⁰ Return on Equity (ROE) = (Net profit after tax - Preference dividend) / Shareholder' Fund.

³¹ ROE is not worked out since accumulated losses are more than Paid up Capital.

PSUs with Government equity of ₹ 7,810.59 crore³² earned an aggregate profit of ₹ 278.18 crore, only two PSUs, Bihar Urban Infrastructure Development Corporation Limited and Bihar Rajya Pul Nirman Nigam Limited proposed dividend of ₹ 3 crore and ₹ 1.05 crore respectively, or 4.91 per cent of overall profit of these PSUs.

Recommendation

The Finance Department may formulate dividend policy for payment of specified dividend on equity invested in profit making PSUs as per practice of Governments of Uttar Pradesh (five per cent of equity capital) and Madhya Pradesh (20 per cent of profit after tax).

1.16 The Companies Act 2013 stipulates that the Board of Directors of every company should meet a minimum of four times a year. It was observed, however, that out of 27 working companies, 14 companies conducted less than four meetings during 2014-17.

Winding up of non-working PSUs

1.17 There were 44 non-working PSUs (all companies) as on 31 December 2017. Of these, five PSUs³³ have commenced liquidation process in the last five to 18 years, which are pending with the official liquidator, High Courts Patna and Ranchi. Further, the State Government has issued orders to initiate liquidation of 12 PSUs, but final action by the concerned authority is still pending. The status of liquidation of these 12 PSUs is as follows: (i) the liquidation of four PSUs³⁴ has been taken up with the Registrar of Companies during September 2016 to November 2017; (ii) the issue of liquidations of four other PSUs³⁵ is pending in various courts; and (iii) the accounts of another four PSUs³⁶ are delayed, delaying the initiation of the liquidation process. No PSU was wound up in 2016-17.

Recommendation

The concerned administrative departments may ensure quick finalization of the accounts of the four PSUs whose liquidation is delayed for want of accounts.

³² Shareholders' funds as per latest finalised accounts.

³³ Kumardhubi Metal Casting and Engineering Limited w.e.f. 17-08-1999; Bihar State Leather Industries Development Corporation Limited w.e.f. 25-08-2008; Bihar Finished Leathers Limited w.e.f. 25-08-2008; Bihar State Small Industries Corporation Limited w.e.f. 04-10-2012 and Bihar State Export Corporation Limited w.e.f. 04-10-2012.

³⁴ Bihar State Dairy Corporation Limited, SCADA Agro Business Limited, Arrah, SCADA Agro Business Limited, Khagaul and SCADA Agro Forestry Company Limited, Khagaul.

³⁵ Bihar Hill Area Lift Irrigation Corporation Limited, Bihar State Agro Industries Development Corporation, Bihar State Construction Corporation and Bihar State Water Development Corporation Limited.

³⁶ Bihar State Sugar Corporation Limited, Bihar State Pharmaceutical and Chemicals Limited, Bihar State Tannin Extract Limited and Bihar Solvent and Chemicals Limited.

Accounts Comments

1.18 Twenty³⁷ working companies forwarded their 36 audited accounts to the Accountant General during the year 2016-17³⁸. Of these, 27 accounts for the period 1991-92 to 2016-17 of 19 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	2014-15		2015-16		2016-17	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in Profit	2	692.89	7	35.23	5	25.61
2.	Increase in Loss	4	121.18	3	233.50	4	114.74
3.	Material facts not disclosed	2	401.37	1	0.70	7	107.49
4.	Error of Classification ³⁹	7	1,088.69	4	11,653.82	2	25.38

During the year, the Statutory Auditors had given qualified certificates for 52 accounts⁴⁰ finalised by 25 PSUs⁴¹. Compliance to the Accounting Standards by the companies remained poor as there were 85 instances in 19 accounts of 12⁴² companies. Further, CAG **has also declined to give an opinion in view of the serious shortcomings** in respect of three accounts of Bihar State Food and Civil Supplies Corporation Limited for the year 1991-92, 1992-93 and 1993-94, eight accounts of Bihar State Agro Industries Development Corporation Ltd. for the years 2008-09 to 2015-16 and two accounts of Bihar State Construction Corporation Limited for the year 2001-02 and 2002-03.

Recommendation

The Finance Department and the concerned administrative departments should immediately review working of the 25 companies where the Statutory Auditors had given qualified comments, and the three companies where the CAG had declined to give an opinion.

³⁷ Sl. No. A2, A 4, A 5, A 6, A 7, A 8, A 10, A 11, A 13, A 15, A 16, A 17, A 18, A 19, A 20, A 24, A 25, A 26, A 27 and B1 of *Annexure-1.1*.

³⁸ During the period from October 2016 to December 2017.

³⁹ Many cases of error of classification were reported during 2014-16 due to introduction of new format of Balance Sheet and Profit & Loss Account along with changes in criteria for classification of heads.

⁴⁰ Accounts of working Government companies (36) and Non-working Government companies (16).

⁴¹ Working Government companies (20) and Non-working Government companies (5).

⁴² Sl. No. A 2, A 4, A 10, A 15, A 16, A 17, A 18, A 19, A 24, A 27, B 1, and C 6 of *Annexure-1.1*

Response of the Government to Audit

Paragraphs

1.19 Eight audit paragraphs have been issued (May 2017 to July 2017) to the Management of the companies and Principal Secretaries/ Secretaries of the respective departments with request to furnish replies within six weeks. Replies to four audit paragraphs and one audit paragraph were received from managements and Energy department respectively; however, replies to four audit paragraphs and seven audit paragraphs respectively were still awaited (March 2018) from other managements and departments.

Follow up action on Audit Reports

Replies outstanding

1.20 Reports of the Comptroller and Auditor General of India represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The Finance Department, Government of Bihar issued (April 2015) instructions to all Administrative departments to submit replies/explanatory 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 Committee on Public Undertaking (CoPU). The position of explanatory notes not received is given in Table No.1.12.

Table No.1.12: Explanatory notes not received (as on 31 December 2017)

Year of the Audit Report (PSUs)	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
2011-12	01.08.2013	02	12	01	00
2012-13	15.07.2014	03	12	02	05
2013-14	07.04.2015	02	14	01	11
2014-15	18.03.2016	02	14	01	11
2015-16	27.03.2017	04	12	04	11
Total		13	64	09	38

Recommendation

The concerned administrative departments should ensure compliance to the directives (April 2015) of the Finance Department, and furnish timely response to audit observations.

Discussion of Audit Reports by CoPU

1.21 The status, as on 31 December 2017, of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) and discussed by the CoPU is given in Table No.1.13.

Table No. 1.13: Performance Audits/Paragraphs in Audit Reports that were discussed (as on 31 December 2017)				
Period of Audit Report	Number of PAs/paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2011-12	02	12	01	12
2012-13	03	12	01	07
2013-14	02	14	01	03
2014-15	02	14	01	03
2015-16	04	12	0	01
Total	13	64	04	26

Compliance to Reports of CoPU

1.22 Action Taken Notes (ATNs) to three paragraphs appearing in four Reports of the CoPU⁴³ presented to the State Legislature between August 2012 and March 2016 had not been received (December 2017) as indicated in Table No. 1.14.

Table No.1.14: Compliance to CoPU Reports			
Year of CoPU Report	Total number of CoPU Reports	Total no. of recommendations in CoPU Report	No. of recommendations where ATNs not received
2011-12	01	01	01
2012-13	-	-	-
2013-14	01	01	01
2014-15	-	-	-
2015-16	02	01	01
TOTAL	04	03	03

Recommendation

The State Government should ensure prompt compliance in the furnishing of ATNs on the reports of COPU.

Restructuring of PSUs consequent to reorganization of the State

1.23 Consequent to the reorganization of the erstwhile Bihar State into the states of Bihar and Jharkhand w.e.f. 15 November 2000, it was decided (September 2005) to divide the assets and liabilities of the then existing 12 PSUs⁴⁴. This exercise has, however, been completed only in respect of five PSUs⁴⁵ as of December 2017.

⁴³ Pertaining to the Energy Department, GoB, that appeared in the Reports of the CAG for the years 1996-97 to 2008-09.

⁴⁴ Sl. No.A1, A2, A3, A4, A14, A23, A24, A27, B1, B3, C5 and C20 of *Annexure 1.1*.

⁴⁵ 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.

Recommendation

Since almost two decades have passed with the reorganization of the State, the State Government is required to work closely with the Government of Jharkhand for the expeditious division of assets and liabilities of the seven PSUs, where the Government investment as on 15 November 2000 was ₹ 132.36 crore.

Reforms in Power Sector under Ujjwal Discom Assurance Yojna (UDAY)

1.24 With an objective to improve the operational and financial efficiency of the State DISCOMs, Ministry of Power, Government of India (GoI) launched (November 2015) Ujjwal Discom Assurance Yojna (UDAY), a scheme for the financial turnaround of Power Distribution companies.

Memoranda of Understanding (MoU) were signed (February 2016) between Ministry of Power, GoI, Government of Bihar and the two State DISCOMs viz., South Bihar Power Distribution Company Limited (SBPDCL) and North Bihar Power Distribution Company Limited (NBPDC) for implementation of the scheme with identified financial and operational targets.

The progress achieved so far in respect of important financial and operational targets fixed as per MoU and achievements thereof as on 31 December 2017 is given in Table No. 1.15 below:

Table No.1.15: Implementation of UDAY scheme by DISCOMs					
Parameters	Target period as per MoU	Target		Achievement	
		NBPDC	SBPDCL	NBPDC	SBPDCL
Financial					
Issue of Bonds by GoB	31 March 2016	₹ 641.26 crore	₹ 913.26 crore	Issued in 2016-17	
	31 March 2017	₹ 320.63 crore	₹ 456.63 crore	Issued in 2016-17	
Issue of Bonds by DISCOMs	31 March 2017	₹ 320.63 crore	₹ 456.63 crore	Issued in 2016-17	
Reduction of AT & C Loss ⁴⁶ (in per cent)	2016-17	less than 34	less than 38	32.87 (achieved)	42.75 (not-achieved)
	2017-18	less than 28	less than 30	34.34 (not-achieved)	38.35 (not-achieved)
Elimination of ACS - ARR Gap ⁴⁷	2016-17	less than ₹ 1.25/unit	less than ₹ 1.39/unit	₹ 0.53/ unit (achieved)	₹ 0.68/ unit (achieved)
	2017-18 (to be eliminated by 2019-20)	less than ₹ 0.83/unit	less than ₹ 0.85/unit	₹ 0.09/ unit (achieved)	₹ 0.37/ unit (achieved)
Tariff revision in time		Timely filing of tariff petition		No delays	
Billing Efficiency (in per cent)	2016-17	more than 72	more than 66	70.67 (not-achieved)	60.44 (not-achieved)
	2017-18	more than 76	more than 70	75.95 (not-achieved)	71.58 (achieved)

⁴⁶ Aggregate Technical and Commercial (AT&C) loss is the sum total of technical and commercial loss and shortage due to non-realization of billed amount.

⁴⁷ Average Cost of Supply (ACS) - Average Revenue Realisation (ARR) gap.

Table No.1.15: Implementation of UDAY scheme by DISCOMs					
Parameters	Target period as per MoU	Target		Achievement	
		NBPDCL	SBPDCL	NBPDCL	SBPDCL
Collection Efficiency (in per cent)	2016-17	more than 92	more than 94	95.41(achieved)	88.85 (not-achieved)
	2017-18	more than 95	100	86.45 (not-achieved)	86.13 (not-achieved)
Operational					
Distribution Transformer Metering (Rural) (in Nos.)	30 June 2017	54,724	43,789	0 (not achieved)	0 (not achieved)
Feeder Metering (Rural) (in Nos.)	30 June 2016	650	240	310 (not-achieved)	332 (achieved)
Rural Feeder Audit (in Nos.)	31 March 2018	589	601	0 (no progress)	0 (no progress)
Feeder Segregation (in Nos.)	31 March 2018	0	396	0	0 (no progress)
Smart Metering above 200 KWH (in Nos.)	31 December 2019	38,433	2,35,985	0 (no progress)	0 (no progress)
Electricity Access to un-connected households (in Nos.)	2019-20	46.66 lakh	39.14 lakh	23.76 lakh (not-achieved)	28.10 lakh (not-achieved)
Distribution of LEDs under UJALA Scheme (in Nos.)		24.80 lakh	34 lakh	75.41 lakh (achieved)	104.78 lakh (achieved)

Source: Information furnished by DISCOMs/ available at website of UDAY.

Both the DISCOMs have more or less achieved the financial targets fixed under MoUs except reduction of AT&C loss and Collection Efficiency. Insofar as achievement of operational targets is concerned, the performance of both the DISCOMs were far from satisfactory, especially in rural areas. There are still 33.94 lakh households who have no access to electricity. No achievement by both DISCOMs has been made in the area of Smart Metering, DT Metering (Rural), Rural Feeder Audit and Feeder Segregation; and in Feeder Metering (Rural) by NBPDCL.