

CHAPTER – I

1. OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

Introduction

1.1 As on 31 March 2007, there were 51 Government companies (17 working and 34 non-working¹) and four Statutory corporations (all working) as against 50 Government companies (16 working and 34 non-working¹) and four Statutory corporations (all working) under the control of the State Government on March 2006. During the year 2006-07, one new company² came under the audit purview of Comptroller and Auditor General of India. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per the provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provision of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

| Sl. No. | Name of the Corporation | Authority for audit by the Comptroller and Auditor General of India | Audit arrangement |
|---------|--|--|---|
| 1 | Bihar State Electricity Board (BSEB) | Rule 14 of Electricity (Supply) (Annual Accounts) Rules, 1985 read with section 172 (a) and 185 (2) (d) of the Electricity Act, 2003 | Sole audit by the CAG |
| 2 | Bihar State Road Transport Corporation (BSRTC) | Section 33(2) of the Road Transport Corporations Act, 1950 | Sole audit by the CAG |
| 3 | Bihar State Financial Corporation (BSFC) | Section 37(6) of the State Financial Corporations Act, 1951 | Audit by Chartered Accountants and supplementary audit by the CAG |
| 4 | Bihar State Warehousing Corporation (BSWC) | Section 31(8) of the State Warehousing Corporations Act, 1962 | Audit by Chartered Accountants and supplementary audit by the CAG |

The State Government has formed Bihar Electricity Regulatory Commission and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003.

¹ Non-working companies are those which are under the process of liquidation, closure, merger etc.

² Bihar State Beverages Corporation Ltd.

Working Public Sector Undertakings (PSUs)

Investment in the working PSUs

1.2 The total investment in the 20 working PSUs (16 Government companies and four Statutory corporations) and 21 working PSUs (17 Government companies and four Statutory corporations) at the end of March 2006 and March 2007 respectively, was as follows:

(Amount: Rupees in crore)

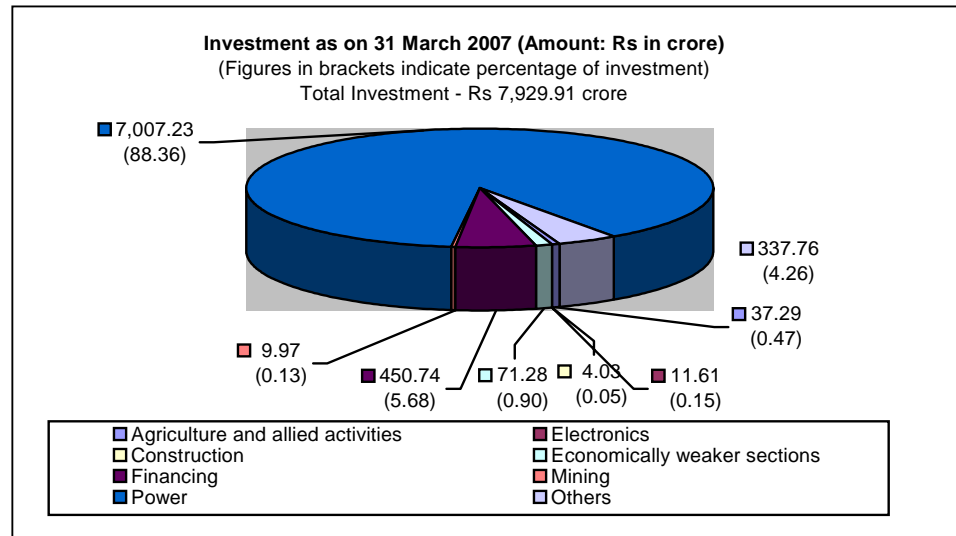
| Year | Number of working PSUs and Corporations | Investment in the working PSUs | | | |
|---------|---|--------------------------------|-------------------------|----------|-----------------------|
| | | Equity | Share application money | Loan | Total |
| 2005-06 | 20 | 456.08 | 3.66 | 7,178.91 | 7,638.65 |
| 2006-07 | 21 | 463.08 | 9.86 | 7,456.97 | 7,929.91 ¹ |

Source: As per information provided by the PSUs.

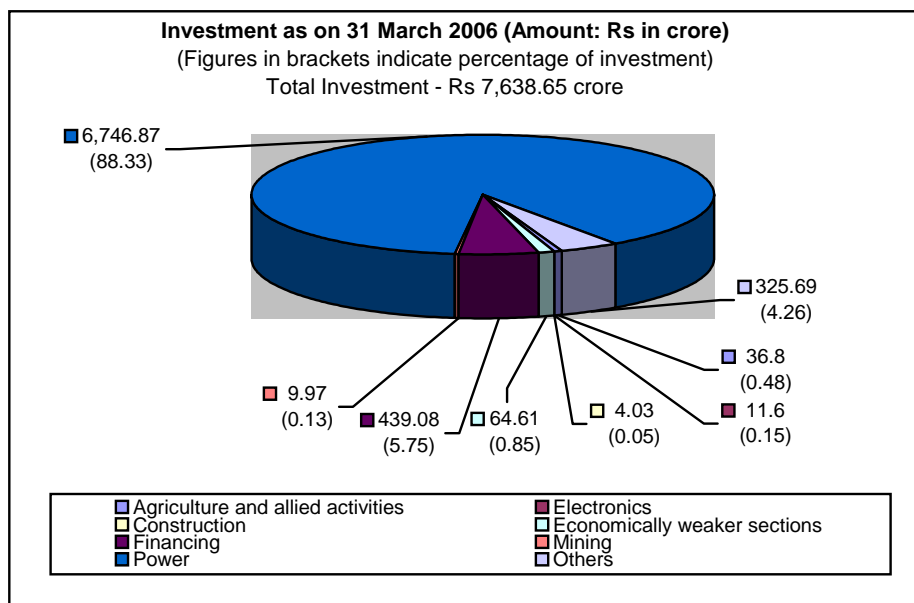
As on 31 March 2007, the total investment in working Government companies and Statutory corporations comprised 5.96 per cent of equity capital and 94.04 per cent of loans, compared to 6.02 and 93.98 per cent respectively as on 31 March 2006. An analysis of investment in the working PSUs is given in the following paragraphs:

Sector-wise investment in the working Government companies and Statutory corporations

The investment (equity and long term loans) in the various sectors and percentages thereof at the end of 31 March 2007 and 31 March 2006 are indicated below in the pie charts.



¹ State Government investment in working PSUs was Rs 7,091.48 crore (others Rs 838.43 crore). The figure as per Finance Accounts is Rs 12,209.14 crore. The difference is under reconciliation



Working Government companies

1.3 The total investment in the 16 working Government companies at the end of March 2006 and 17 working Government companies at the end of March 2007 respectively, was as follows:

(Amount: Rupees in crore)

| Year | Number of working Government companies | Investment in the working Government companies | | | |
|---------|--|--|-------------------------|----------|-----------------------|
| | | Equity | Share application money | Loan | Total |
| 2005-06 | 16 | 275.59 | 3.66 | 1,039.25 | 1,318.50 |
| 2006-07 | 17 | 282.60 | 7.86 | 1,100.80 | 1,391.26 ¹ |

Source: As per information provided by the PSUs.

The increase in the investment during the year was mainly due to receipt of loans by PSUs in power sector.

The summarised statement of Government investment in the working Government companies in the form of equity and loans is detailed in **Annexure - 1**.

As on 31 March 2007, the total investment in the working Government companies comprised 20.88 per cent equity capital and 79.12 per cent loans, as compared to 21.18 and 78.82 per cent respectively, as on 31 March 2006.

Working Statutory corporations

1.4 The total investment in the four working Statutory corporations at the end of March 2006 and March 2007 was as follows:

¹ Includes investment of Rs 100 crore in equity and Rs 608.89 crore loan to Tenughat Vidyut Nigam Limited (TVNL), in respect of which a case regarding transfer of ownership from the State of Bihar to the State of Jharkhand is pending before the High Courts of Patna and Ranchi.

(Amount: Rupees in crore)

| Corporation | 2005-06 | | 2006-07 | |
|--|---------------|-----------------|---------------|-----------------|
| | Capital | Loan | Capital | Loan |
| Bihar State Electricity Board (BSEB) | -- | 5,764.70 | -- | 5,969.48 |
| Bihar State Road Transport Corporation (BSRTC) | 101.27 | 81.02 | 101.27 | 81.02 |
| Bihar State Financial Corporation (BSFC) | 77.84 | 286.68 | 77.84 | 299.19 |
| Bihar State Warehousing Corporation (BSWC) | 1.37 | 7.26 | 3.37 | 6.48 |
| Total | 180.48 | 6,139.66 | 182.48 | 6,356.17 |

Source: As per information provided by the PSUs.

The increase in the investment during the year was mainly due to receipt of loans by PSUs in power sector.

The summarised statement of Government investment in the working Statutory corporations in the form of the equity and loans is detailed in **Annexure - 1**.

As on 31 March 2007, the total investment in the working Statutory corporations comprised 2.79 per cent equity capital and 97.21 per cent loans as against 2.86 per cent and 97.14 per cent respectively as on 31 March 2006.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and Statutory corporations are given in **Annexures - 1 and 3**.

The table below shows the budgetary support received by the working Government companies and Statutory corporations during the three years up to March 2007, in the form of equity capital and loans and grants/subsidies from the State Government:

(Amount: Rupees in crore)

| | 2004-05 | | | | 2005-06 | | | | 2006-07 | | | |
|----------------------------------|-----------|-------------|--------------|---------------|-----------|---------------|--------------|----------------|-----------|--------------|--------------|---------------|
| | Companies | | Corporations | | Companies | | Corporations | | Companies | | Corporations | |
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Equity capital outgo from budget | -- | -- | -- | -- | -- | -- | -- | -- | 2 | 9.20 | 1 | 2.00 |
| Loans given from budget | 1 | 3.02 | 3 | 775.23 | 2 | 122.78 | 1 | 1053.46 | 2 | 51.09 | 2 | 202.55 |
| Subsidy | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total outgo | 1 | 3.02 | 3 | 775.23 | 2 | 122.78 | 1 | 1053.46 | 4 | 60.29 | 3 | 204.55 |

Source: As per information provided by the PSUs.

During the year 2006-07, the Government had guaranteed loan aggregating Rs 6.33 crore obtained by two working Government companies¹. At the end of the year, guarantees on loans aggregating Rs 270.80 crore against three working Government companies (Rs 44.65 crore) and two working Statutory corporations (Rs 226.15 crore) were outstanding. Guarantee commissions are payable by Government companies to the Government. Rupees 37.62 lakh were payable by Bihar State Road Transport Corporation and Bihar State Financial Corporation to the Government. During the year Bihar State Financial Corporation failed to repay the loan and interest due to which state Government paid Rs 127.51 crore.

Finalisation of accounts by the working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

As can be seen from **Annexure - 2**, out of 17 working Government companies and four working Statutory corporations, none had finalised their accounts for the year 2006-07 within the stipulated period. During the period from October 2006 to September 2007, six working Government companies finalised 12 accounts for previous years. Similarly, during this period three working Statutory corporations finalised six accounts for previous years.

The accounts of 17 working Government companies were in arrears for periods ranging from one to 19 years. Besides, accounts of four Statutory corporations were in arrears for periods ranging from one to five years as on 30 September 2007, as detailed below:

| Sl. No. | No. of working companies/ corporations | | Years for which accounts are in arrears | Number of years for which accounts are in arrears | Reference to Serial No. of Annexure-2 | |
|---------|--|------------------------|---|---|---------------------------------------|------------------------|
| | Government companies | Statutory corporations | | | Government companies | Statutory corporations |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1 | 1 | -- | 1988-89 to 2006-07 | 19 | A-10 | -- |
| 2 | 1 | -- | 1990-91 to 2006-07 | 17 | A-6 | -- |
| 3 | 1 | -- | 1992-93 to 2006-07 | 15 | A-16 | -- |

¹ Bihar State Backward Classes Finance Corporation Ltd. and Bihar State Text Book Publishing Corp. Ltd.

| Sl. No. | No. of working companies/ corporations | | Years for which accounts are in arrears | Number of years for which accounts are in arrears | Reference to Serial No. of Annexure-2 | |
|--------------|--|------------------------|---|---|---------------------------------------|------------------------|
| | Government companies | Statutory corporations | | | Government companies | Statutory corporations |
| 4 | 1 | -- | 1993-94 to 2006-07 | 14 | A-2 | -- |
| 5 | 1 | -- | 1994-95 to 2006-07 | 13 | A-13 | -- |
| 6 | 4 | -- | 1996-97 to 2006-07 | 11 | A-1, A-7, A-11, A-12 | -- |
| 7 | 1 | -- | 1997-98 to 2006-07 | 10 | A-15 | -- |
| 8 | 1 | -- | 1998-99 to 2006-07 | 9 | A-9 | -- |
| 9 | 1 | -- | 1999-2000 to 2006-07 | 8 | A-3 | -- |
| 10 | 2 | -- | 2001-02 to 2006-07 | 6 | A-4, A-5 | |
| 11 | 2 | 1 | 2002-03 to 2006-07 | 5 | A-8, A-14 | B-2, |
| 12 | -- | 1 | 2004-05 to 2006-07 | 3 | -- | B-4 |
| 13 | -- | 1 | 2005-06 to 2006-07 | 2 | -- | B-1 |
| 14 | 1 | 1 | 2006-07 | 1 | A-17 | B-3 |
| Total | 17 | 4 | | | | |

Source: As per latest finalized Accounts of the PSUs.

The administrative departments need to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Principal Accountant General regarding arrears in finalisation of the accounts, no effective measures have been taken by the Government and, as a result, the net worth of these PSUs could not be assessed in Audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure - 2**. Besides, the statement showing the financial position and working results of the individual working Statutory corporations for the last three years are given in **Annexures - 4 and 5** respectively¹.

¹ On the basis of information provided by the Corporations.

According to the latest finalised accounts of 15¹ working Government companies and four working Statutory corporations, 10² companies and two³ corporations had incurred aggregate loss of Rs 36.22 crore and Rs 118.37 crore respectively. Five companies⁴ and two⁵ corporations earned aggregate profit of Rs 15.30 crore and Rs 17.63 crore respectively.

Working Government companies

Profit earning companies and dividend

1.8 As per the latest finalised accounts, out of 17 working Government companies (September 2007), five companies⁴ earned an aggregate profit of Rs 15.30 crore. No dividend was, however, declared by these companies. The State Government neither formulated any dividend policy for payment of minimum dividend nor issued any guidelines to the companies.

Loss incurring companies

1.9 As per their latest finalised accounts, 10² loss making companies had incurred an aggregate loss of Rs 36.22 crore. The aggregate accumulated loss of seven⁶ loss making companies was Rs 214.57 crore which had exceeded their aggregate paid up capital of Rs 34.39 crore by more than six times.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of the four Statutory corporations, Bihar State Financial Corporation and Bihar State Warehousing Corporation had earned aggregate profit of Rs 17.34 crore and 28.97 lakh during the financial years 2005-06 and 2003-04 respectively. No dividend was, however, declared by the Corporations during the year.

Loss incurring Statutory corporations

1.11 Bihar State Electricity Board had an accumulated loss of Rs 240.67 crore (as on 31 March 2005) against the total investment (loans) of Rs 5,969.48 crore (as on 31 March 2007).

Bihar State Road Transport Corporation had accumulated losses of Rs 624.43 crore (as on 31 March 2002) which had eroded its paid-up capital of Rs 101.27 crore.

¹ Excluding TVNL(the commercial production had not yet started) and Bihar State Beverages Corporation (First accounts not yet finalised)

² Bihar Rajya Beej Nigam, Bihar Rajya Matsya Vikas Nigam, Bihar State Electronics Development Corporation, Bihar Police Building Construction Corporation, Bihar Rajya Pul Nirman Nigam, Bihar State Minority Finance Corporation, Bihar State Backward Classes Finance and Development Corporation, Bihar State Hydro Electric Power Corporation, Bihar State Credit and Investment Corporation, Bihar State Text Book Publishing Corporation.

³ Bihar State Electricity Board and Bihar State Road Transport Corporation

⁴ Bihar State Forest Development Corporation, Bihar State Mineral Development Corporation, Bihar State Food and Civil Supply Corporation, Bihar State Tourism Development Corporation and Bihar State Film Development Corporation

⁵ Bihar State Financial Corporation and Bihar State Warehousing Corporation

⁶ Bihar Rajya Beej Nigam, Bihar Rajya Matsya Vikas Nigam, Bihar State Electronics Development Corporation, Bihar Police Building Construction Corporation , Bihar Rajya Pul Nirman Nigam, Bihar State Food and Civil Supply Corporation and Bihar State Credit and Investment Corporation.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6**. However, some of the important observations on their operational performance based on the data given in the aforesaid Annexure are given below:

Bihar State Road Transport Corporation

1.12.1 The percentage utilisation of vehicles reduced from 77 (2004-05) to 61 (2006-07).

Bihar State Financial Corporation

1.12.2 The amount overdue for recovery (principal and interest) increased from Rs 2,764.60 crore in 2004-05 to Rs 3,073.98 crore in 2006-07.

Return on Capital Employed

1.13 As per the latest finalised accounts (received up to September 2007) the capital employed¹ worked out to Rs 847.28 crore in 16 working companies and the total return² thereon amounted to Rs 5.22 crore as compared to total negative return of Rs 10.79 crore in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and the total return thereon in case of working Statutory corporations as per their latest finalised accounts (received up to September 2007) worked out to Rs 1,689.11 crore and Rs 472.19 crore respectively, against the total return of Rs 88.51 crore in previous year (accounts finalised up to September 2006). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure - 2**.

State Electricity Regulatory Commission

1.14 Bihar Electricity Regulatory Commission (Commission) was formed in April 2002 under Section 17 (1) of Electricity Regulatory Commission Act, 1998 with the main objective of rationalising generation, transmission, distribution and supply of electricity in the State, regulating the electricity industry in the State, including the purchase, distribution, supply and utilisation of electricity, the quality of service, tariff and other charges, keeping in view the interest of the consumers and utilities and creating an environment which would attract participation of private sector enterpreneurs in the electricity industry in the State. The Commission is a body corporate and comprises three members including the Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2) of the Electricity Act, 2003. The commission has received grants of Rs 140.00 lakh during the period 2006-07 and the total grants received as on March 2007 was 211.39 lakh.

¹ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserve, bonds, deposits and borrowings (including refinance).

² For calculating total return on capital employed, interest on borrowed funds is added to the net profit/subtracted from the loss as disclosed in the profit and loss account.

Non-working Public Sector Undertakings (PSUs)***Investment in non-working PSUs***

1.15 The total investment in the 34 non-working PSUs (all Government companies) at the end of March 2006 and March 2007 respectively was as follows:

(Amount: Rupees in crore)

| Year | Number of non-working PSUs | Investment in non-working PSUs | | | |
|---------|----------------------------|--------------------------------|-------------------------|--------|---------------------|
| | | Equity | Share application money | Loan | Total |
| 2005-06 | 34 | 159.62 | 6.76 | 542.75 | 709.13 |
| 2006-07 | 34 | 159.62 | 6.76 | 551.65 | 718.03 ¹ |

Source: As per information provided by the PSUs.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.16 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues, and conversion of loans into equity by the State Government in respect of non-working PSUs are given in **Annexures - 1 and 3**. At the end of the year, guarantees aggregating Rs 2.07 crore were outstanding against two non-working companies².

Total establishment expenditure of non-working PSUs

1.17 The year-wise details of total liability on account of the establishment expenditure of non-working PSUs and the sources of financing them during the last three years up to 2006-07, as furnished by the respective companies are given below:

(Amount: Rupees in crore)

| Year | No. of PSUs | Total liability on account of establishment expenditure | Financed by holding Company | Outstanding liability |
|---------|-----------------|---|-----------------------------|-----------------------|
| 2004-05 | 11 | 14.74 | 0.07 | 14.67 |
| 2005-06 | 12 ³ | 4.10 | 0.92 | 3.18 |
| 2006-07 | 11 ⁴ | 2.86 | 0.44 | 2.42 |

Source: As per information provided by the PSUs.

Finalisation of accounts by non-working PSUs

1.18 The accounts of the 34 non-working companies were in arrears for periods ranging from 12 to 30 years as on 30 September 2007, as can be seen from **Annexure - 2**.

¹ State Government investment in non-working PSUs was Rs 641.32 crore (others Rs 76.71 crore). The figure as per Finance Accounts is Rs 257.58 crore. The difference is under reconciliation.

² Bihar State Leather Industries Development Corporation and Bihar State Agro Industries Corporation Ltd.

³ Information in respect of 22 companies not furnished to Audit.

⁴ Information in respect of 23 companies not furnished to Audit.

Financial position and working results of non-working PSUs

1.19 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure - 2**. The net worth¹ of 34 non-working Government companies was Rs (-) 68.08 crore against their total paid-up capital of Rs 101.04 crore. These companies suffered a cash loss² of Rs 18.34 crore and their accumulated loss worked out to Rs 173.48 crore.

Recoveries at the instance of Audit

1.20 A test check of the records of Bihar State Electricity Board conducted during 2005-06 disclosed wrong/short levy of tariff/short realisation of revenue aggregating Rs 1.54 crore. The Board accepted the audit observation and raised supplementary bills and recovered the short levy.

Recommendations for closure of PSUs

1.21 The accumulated loss of non-working Government companies was almost 1.7 times of their paid-up capital and as further losses are being incurred every year, Government needs to review and monitor their working closely.

Government of Bihar have decided to wind up 17 companies (five working and 12 non-working companies) having a total Government investment in equity and loans to the extent of Rs 548.49 crore. Out of these 17 companies 13 companies had filed petition for winding up in the Patna High Court and of these, winding up order has been passed in respect of two³ companies. The companies to be wound up and the companies which have filed petition for winding up are listed in **Annexure - 7**.

Status of placement of Separate Audit Reports of Statutory corporations in the Legislature

1.22 The following table indicates the status of placement in the Legislature, of various Separate Audit Reports (SARs) issued by the CAG of India on the accounts of the Statutory corporations, by the Government:

| Sl. No. | Name of Statutory corporation | Year up to which SARs placed in the Legislature | Year for which SARs not placed in Legislature | | |
|---------|--|---|---|---|--|
| | | | Year of SAR | Date of issue to the Government | Reasons for delay in placement in Legislature |
| 1 | Bihar State Electricity Board | 1999-2000 | 2000-01 2001-02 | 30.06.2004 12.03.2007 | Reasons not intimated |
| 2 | Bihar State Road Transport Corporation | 1973-74 | 1974-75 to 2000-01 | 1991-92- 9.6.97 1992-93- 2.9.98 1993-94- 2.9.98 1994-95- 4.12.98 | Copies of reports not made available by the Corporation to the Government for placement. |

¹ Net worth represents investment in share capital, and free reserves less accumulated loss.

² Cash loss represents loss for the year before depreciation.

³ Bihar State Handloom and Handicrafts Corporation Limited and Bihar Paper Mills Limited.

| | | | | | |
|---|-------------------------------------|---------|-------------------------------|---|-----------------------|
| | | | | 1995-96-18.4.2000 1996-97-19.03.04 1997-98-19.10.04 1998-99-12.04.05 1999-00-07.10.05 2000-01-24.09.07 | |
| 3 | Bihar State Financial Corporation | 2003-04 | -- | -- | -- |
| 4 | Bihar State Warehousing Corporation | 2000-01 | 2001-02 2002-03 2003-04 | 21.09.2004 20.03.2007 03.09.2007 | Reasons not intimated |

Source: As per information obtained from Vidhan Sabha, Secreteriat and information available at the PAG office.

It can be seen from the above table that 32 SARs relating to the three Corporations were not laid before the Legislature for two to 27 years, of which two SARs of Bihar State Electricity Board, 27 SARs of Bihar State Road Transport Corporation and three SARs of Bihar State Warehousing Corporation have not been placed so far (September 2007). Due to non-placement of SARs the Legislature was deprived of the opportunity of exercising financial control on these corporations.

Government should take concrete steps for placement of the Separate Audit Reports in the Legislature in time, as required under the respective Acts.

Disinvestment, privatisation, restructuring and reconstruction of the Public Sector Undertakings/Corporations

1.23 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2006-07. 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 Companies/Corporations was taken in September 2005. The implementation, however, has been done only in the case of four¹ Companies/Corporations (September 2007). Details are given in **Annexure - 8**.

Results of audit of accounts of PSUs by the Comptroller & Auditor General of India

1.24 During October 2006 to September 2007, the comments of the Comptroller and Auditor General of India were issued on 16 accounts of 10 Government companies and four accounts of three Statutory corporations (BSEB, BSRTC and BSWC). The net impact of the important audit observations on the accounts of the PSUs is as follows:

¹ Bihar Rajya Beej Nigam Limited, Bihar State Warehousing Corporation, Bihar State Hydro Electric Power Corporation Limited and Bihar State Text Book Publishing Corporation Limited. As per information submitted by the PSUs.

(Amount: Rupees in crore)

| Particulars | Government companies | | Statutory Corporations | |
|---|----------------------|--------|------------------------|--------|
| | Number of accounts | Amount | Number of accounts | Amount |
| Increase in loss | 11 | 7.26 | 4 | 580.18 |
| Decrease in loss | - | - | 1 | 18.33 |
| Misclassification of income /expenditure and assets and liabilities | - | - | 1 | 8.96 |
| Non-disclosure of material facts | 7 | 14.10 | - | - |

Source: As per Comments issued to the PSUs.

Errors and omissions noticed in case of Government companies

1.25 Some of the significant errors and omissions noticed during audit in case of Government companies are tabulated below:

| Sl. No. | Company | Year of accounts | Errors/Omissions | Amount (Rupees in crore) |
|---------|--|------------------|---|--------------------------|
| 1. | Bihar State Food and Civil Supplies Corporation Ltd. | 1984-85 | 1) Non writing off of the stock of deteriorated wheat and rice in various godowns of the company worth Rs 1.34 crore has resulted in overstatement of Current Assets, loans and advances and understatement of loss to the same extent. | 1.34 |
| 2. | Bihar State Text-Book Publishing Corporation Ltd. | 1996-97 | Non-provision for the advances made to suppliers prior to 1994-95 which are being carried forward since long without recovery/adjustment has resulted in overstatement of Loans and Advances and understatement of loss by Rs 0.34 crore | 0.34 |
| 3. | Bihar State Credit and Investment Corporation Ltd. | 2001-02 | 1) Non-provision for the diminution in the value of investment in 21 units which are either closed or under liquidation has resulted in overstatement of investments and understatement of loss by Rs 1.19 crore. 2) Non-provision on account of seed capital assistance given to 12 units which are either closed, sick or under liquidation has resulted in overstatement of loans and advances and understatement of loss by Rs 0.93 crore. | 1.19 0.93 |
| 4. | Bihar State Forest Development Corporation Ltd. | 2000-01 | Non accountal of irrecoverable loss due to defalcation has led to the profit which would otherwise have resulted in loss to the extent of Rs 0.25 crore. | 0.25 |

Source: As per Comments issued to the PSUs.

Errors and omissions noticed in case of Statutory corporations

1.26 Some of the significant errors and omissions noticed during audit in case of Statutory corporations are tabulated below:

| Sl. No. | Name of the corporation | Year of accounts | Errors/ omissions | Amount (Rupees in crore) |
|---------|--|------------------|--|--------------------------|
| 1 | Bihar State Electricity Board | 2001-02 | 1) Non accountal for the liability of purchase of power Rs 6.04 crore (current year Rs 3.27 crore and previous year 2.77 crore) payable to Bihar State Hydroelectric power corporation Ltd. has resulted in understatement of purchase of power as well as loss by Rs. 6.04 crore each | 6.04 |
| | | | 2) Non accountal of coal stock shortages pending investigation at MTPS to the revenue account in violation of the rules resulted in overstatement of fuel stock and understatement of loss by Rs 6.34 crore | 6.34 |
| | | | 3) Non accountal of value of materials stolen in different transmission circles and supplies circles of B.S.E.B. has resulted in overstatement of Other debits and understatement of loss by Rs. 1.29 crore. | 1.29 |
| | | | 4) An excess credit of Rs. 51.83 crore has been taken in the Cash Books during the period April 1983 to March 2002 which has resulted in overstatement of cash and bank balances, and consequential understatement of loss by Rs 51.83 crore each | 51.83 |
| 2 | Bihar State Road Transport Corporation | 2000-01 | 1) Non-provision of dues on account of gratuity, leave encashment etc against employees retired/died/seperated upto 31 March 2001 has resulted in understatement of gratuity and consequent understatement of loss to the extent of 45.30 crore. | 45.30 |
| | | | 2) Non-provision of irrecoverable tax deductible at source by Commercial Tax Department has resulted in understatement of provisions and loss. | 7.22 |
| | | | 3) Non-provision on account of compensation to the 3 rd party on 137 claim cases pending against the corporation has resulted in understatement of provisions and loss. | 3.67 |

Source: As per Comments issued to the PSUs.

Audit assessment of the working results of Bihar State Electricity Board (BSEB)

1.27 Based on the working results of BSEB for three years up to 2003-04, taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts up to the year 2002-03 and excluding the subsidy/subventions receivable from the State Government, the net

surplus/deficit and the percentage of return on capital employed of BSEB are as given below:

(Amount: Rupees in crore)

| Sl. No. | Particulars | 2001-02 | 2002-03 | 2003-04 |
|---------|--|-------------|---------|--|
| 1 | Net deficit as per the books of accounts. | 12.63 | 117.73 | 45.27 |
| 2 | Subsidy/Grants-in-aid from the State Government. | 471.80 | 541.30 | 668.40 |
| 3 | Net deficit before subsidy from the State Government. (1+2) | 484.43 | 659.03 | 713.67 |
| 4 | Net increase in deficit on account of audit comments on the annual accounts of the BSEB. | 521.27 | 524.38 | Audit completed, Comments under finalisation |
| 5 | Net deficit after taking into account the impact of audit comments but before subsidy from the State Government. (3-4) | 1,005.70 | 1183.41 | Audit completed, Comments under finalisation |
| 6 | Total return on capital employed. ¹ | (-) 2629.85 | 93.09 | 354.81 |

Source: As per SARs issued to BSEB.

Internal audit / Internal control

1.28 Under Section 227(4) of the Companies Act, 1956, the Statutory Auditors (Chartered Accountants) are required to report on the adequacy of Internal Control procedures commensurate with the size of the company and the nature of its business. Further, they are also required to furnish a supplementary report upon various aspects including the Internal Control /Internal Audit, in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619 (3) (a) of the Companies Act, 1956, and to identify areas which need improvement. Further, according to Section 292 A of the Act, *ibid*, as amended by the Companies (Amendment) Act 2000, every public company having paid-up capital of not less than rupees five crore is required to constitute an Audit Committee for ensuring compliance with Internal Controls, their adequacy and to review financial statements, before their submission to the Board of Directors.

An analysis of 12 such reports on the accounts of six Government companies relating to accounts finalised during October 2006 to September 2007, revealed that the Internal Control/Internal Audit system was inadequate in five companies. The deficiencies pointed out are given in **Annexure – 9**.

¹ Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (CoPU)

1.29 The position of discussion of Audit Reports (Commercial) by the CoPU, reviews and paragraphs discussed in the CoPU as at the end of September 2007 is shown below:

| Period of Audit Report | No. of reviews and paragraphs appeared in Audit Report | | No. of reviews and paragraphs discussed | |
|------------------------|--|------------|---|------------|
| | Reviews | Paragraphs | Reviews | Paragraphs |
| 1981-82 | 5 | 8 | 1 | 8 |
| 1982-83 | 8 | 18 | 4 | 18 |
| 1983-84 | 4 | 34 | 2 | 30 |
| 1984-85 | 3 | 9 | 2 | 8 |
| 1985-86 | 3 | 21 | - | 18 |
| 1986-87 | 6 | 29 | - | 24 |
| 1987-88 | 5 | 23 | 2 | 17 |
| 1988-89 | 4 | 44 | - | 44 |
| 1989-90 | 6 | 48 | - | 38 |
| 1990-91 | 4 | 39 | - | 36 |
| 1991-92 | 4 | 49 | 1 | 34 |
| 1992-93 | 5 | 31 | - | 23 |
| 1993-94 | 3 | 32 | - | 28 |
| 1994-95 | 3 | 19 | 1 | 13 |
| 1995-96 | 3 | 21 | 1 | 14 |
| 1996-97 | 3 | 21 | 1 | 4 |
| 1997-98 | 2 | 25 | - | 2 |
| 1998-99 | 6 | 15 | - | - |
| 1999-2000 | 3 | 15 | 1 | - |
| 2000-01 | 2 | 13 | - | - |
| 2001-02 | 3 | 9 | - | - |
| 2002-03 | 3 | 7 | - | - |
| 2003-04 | 3 | 10 | - | - |
| 2004-05 | 3 | 9 | 1 | 6 |
| 2005-06 | 3 | 9 | - | - |
| Total | 97 | 558 | 17 | 365 |

Source: As per information available with the PAG office.

619-B companies

1.30 There were eight companies under Section 619-B of the Companies Act, 1956, of which six companies have not finalised any account since inception. Applications for closure had been filed in the High Court, Patna by Sone Command Area Development Agencies (SCADA) in September 2000. The details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies, based on their latest finalised accounts, are given in **Annexure - 10**.