

## CHAPTER-IV

### Transaction Audit Observations

Important audit findings emerging out of test check of transactions of the State Government companies/corporations are included in this Chapter

#### Government companies

#### Bihar State Backward Classes Finance and Development Corporation

#### 4.1 Failure of Company in monitoring the scheme resulted in blocking of funds.

**Failure of the Company to monitor the release of fund resulted in blocking of Rs 1.17 crore for over three years and consequential loss of interest of Rs 63.39 lakh.**

A scheme for setting up 140 Cow Dairy Units and 140 Buffalo Dairy Units for the benefit of backward classes in 14<sup>1</sup>specified districts of Bihar, was sanctioned (July 1996) by the National Backward Classes Finance and Development Corporation (NBCFDC). Each Cow Dairy Unit and Buffalo Dairy Unit was to have four cows and two buffaloes respectively. The total outlay of the scheme was Rs 95.34 lakh, out of which Rs 90.57 lakh (95 per cent) was to be financed as term loans by NBCFDC and the remaining (5 per cent) was to be arranged by promoters. For implementation and running of the scheme, Bihar State Backward Classes Finance and Development Corporation, (Company) being the State Channelising Agency of NBCFDC, entered into an agreement (July 1996) with Bihar State Co-operative Milk Producers Federation (COMPFED).

The terms of agreement, *inter alia*, included the following:

- Need based funds were to be released to COMPFED on proportionate basis to a maximum of sanctioned loan.
- COMPFED was to ensure utilisation of funds released to it within a period of two months. If not, the unutilised portion would attract higher interest rate, subject to a maximum of 16 per cent per annum.
- For monitoring of the implementation and running of the scheme, COMPFED was to form a committee consisting of representatives of NBCFDC, the Company, COMPFED and the beneficiaries.
- COMPFED was to furnish to the Company, an audited statement of accounts at the end of each quarter.

It was observed (March 2007) that:

- A total loan of Rs 1.30 crore was disbursed to COMPFED (September 1998 to August 2000) for setting up of 353 units, as against sanction of Rs 95.34 lakh for 280 units.
- COMPFED utilised Rs 8.65 lakh (seven per cent) (September 1998 to September 2003) by disbursing loans to 72 individuals for purchase of

<sup>1</sup> Begusarai, Bhagalpur, Bhojpur, East Champaran, Khagaria, Muzaffarpur, Nalanda, Patna, Ranchi, Rohtas, Samastipur, Saran, Sitamarhi, and Vaishali.

single unit of cow and buffalo and returned Rs 1.17 crore to the Company (October 2003). The remaining Rs 4.35 lakh were not accounted for.

- As against the specified 14 districts of Bihar, the entire loan was disbursed in two districts only, viz. Gaya and Jehanabad, both of which were not covered under the sanctioned scheme, and were not part of the said 14 districts.
- Neither a monitoring committee was formed, nor the quarterly accounts furnished by COMPFED to the Company.
- The Company had preferred a claim for Rs 63.39 lakh towards penal interest at the rate of 16 *per cent*, only in May 2006, after lapse of three years of refund of the amount, which is indicative of lackadaisical attitude towards the fund management.

As such the failure of the Company to monitor the release of funds and watch the utilisation thereof resulted in (i) failure of the scheme despite availability of money (ii) denial of benefits to the intended beneficiaries, (iii) blocking of Rs 1.17 crore for over three years and consequential loss of interest of Rs 63.39 lakh, and (iv) non-realisation of Rs 4.35 lakh from COMPFED.

The matter was reported to Government/Company (June 2007); their replies are awaited (October 2007).

#### **4.2 Loss due to non-recovery of loan**

<b>The Company sustained a loss of Rs 54.77 lakh due to non-execution and monitoring of scheme</b>
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Bihar State Backward Classes Finance and Development Corporation (Company) functions as a State Channelising Agency (SCA) for granting loans and margin money to members of backward classes, for setting up viable income generating economic projects/ schemes, as approved by National Backward Classes Finance and Development Corporation (NBCFDC). The activities of the Company are spread over 55 districts of Bihar and Jharkhand. The Company constituted District Level Committees headed by the District Magistrates/ Deputy Commissioners as District Welfare Officers (DWOs) for execution and monitoring of the schemes

For selection of beneficiaries and sanctioning of loans the following formalities were to be completed by DWOs:-

- To obtain guarantee letter duly signed by two guarantors (Government/ Semi Government/ Bank employees),
- Residential address of the loanee, and two guarantors duly verified,
- The present posting of guarantors and their being in service till expected date of recovery of loan confirmed by their respective heads of offices in which the guarantors were employed,
- In case a loanee fails to submit the required guarantee, he is required to pledge his property in favour of the Company.
- Mortgage of assets created from the loan,
- The repayment of loans in 60 installments subject to a moratorium of two months.

It was observed (March 2007) that the Company disbursed loans of Rs 33.34 crore (from April 1992 to May 2006) to 6,109 loanees, out of which Rs 3.92 crore (11.76 *per cent*) were recovered (April 1995 to May 2006). In view of poor recovery position, the records of DWO Munger and Sasaram were selected for test check. It was further observed that notices served (February 2005/December 2006) to 21 loanees and their guarantors in Munger and 35 loanees in Sasaram were received back undelivered as the loanees were untraceable. As a result Rs 13.10 lakh disbursed (during 1995-2003) in Munger district and Rs 28.64 lakh in Sasaram district could not be recovered due to non verification of address of beneficiaries before sanctioning of the loan.

This has resulted in non-recovery of loan of Rs 41.74 lakh sanctioned to the loanees of Munger and Sasaram districts, besides loss of interest of Rs 13 lakh on the blocked funds.

Had the Company exercised due diligence in keeping a watch over the functions of DWO regarding selection of beneficiaries and sanctioning of loan the Company could have avoided the loss.

The matter was reported to the Government/ Company (June 2007); their replies are awaited (October 2007).

#### **Bihar State Electronics Development Corporation Limited**

##### **4.3 Loss due to failure in execution of agreement**

**The Company lost Rs 39.81 lakh on rent due to non-execution of agreement**

Bihar State Electronics Development Corporation Limited (Company) let out space measuring 4,953 sqft. in “Beltron Bhawan” to Bihar Educational Project Council (BEP), with effect from 1 March 1993 on a rental value of Rupees three lakh per annum payable quarterly in advance. No formal rent agreement was, however, executed with BEP. In case of delay in finalising the lease agreement, an escalation<sup>1</sup> of 10 *per cent* in rental amount every year was to be given. Subsequently the Company let out on two occasions an additional space measuring 1,569 sqft<sup>2</sup> at the same rate, terms and conditions to the BEP.

It was observed (March 2007) that the Company started (February,1999) demanding escalated rent, but, BEP refused the demand, and instead kept paying rent with 10 *per cent* increase every third year as approved (February 2001) by the Executive Committee of BEP. The repeated requests of Company for higher rate of rent were not entertained by BEP. The Company also did not ask BEP to vacate.

Thus, failure of the Company to execute an enforceable lease rent agreement, duly stipulating the terms and conditions regarding escalation of 10 *per cent* in rental amount every year and injudicious decision to let out additional space despite delinquent attitude of the tenant, had deprived the Company of higher rental revenue and led to recurring loss. The loss sustained for the period from

<sup>1</sup> Letter no. BEP/Beltron/1650 dated 11.02.03

Letter no. Beltron MD cell/12/93/11.02.03

<sup>2</sup> 952 sqft in December 95 and 617sqft in January 96

March 1994 to March 2007 due to non-receipt of the higher annual rent amounted to Rs 39.81 lakh.

The matter was reported to Government/Company (June 2007); their replies are awaited (October 2007).

#### ***4.4 Wasteful expenditure on rent due to non development of STP***

<p><b>The Company incurred wasteful expenditure of Rs 49.91 lakh on rent on space acquired for development of Software Technology Park</b></p>
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The State Industries Department, decided (March 2005) to establish Software Technology Park (STP), Phase II for the purpose of development of software industries, IT services and call centers in the State. Bihar State Electronic Development Corporation Limited (Company) was appointed as the implementing agency, Bihar Rajya Jal Parishad (BRJP), the executing agency, and Bihar State Industrial Area Development Authority (BIADA) as the custodian of the fund earmarked for the development of the project. Based on the Project Report prepared by BRJP a sum of Rs three crore was released (March 2005) by the State Government from Bihar Contingency Fund, and parked with BIADA. The fund was to be released to the executing agency on the requisition of implementing agency. The development work was to be completed by March 2006.

The State Government directed (March 2005) the Company to acquire three floors of BISCOMAUN Towers for the park and execute an agreement with Bihar State Co-operative Marketing Union Limited (BISCOMAUN). Accordingly the Company executed (April 2005) an agreement with BISCOMAUN for taking on rent, three floors in BISCOMAUN Towers measuring 35,000 sqft. with effect from 1 May 2005 on a rental value of Rs 2.17 lakh per month.

It was observed (April 2007) that the STP has not been developed so far (March 2007). Besides, a total sum of Rs 49.91 lakh was paid to BISCOMAUN towards rent for the period May 2005 to March 2007. It was also noticed that the Company did not inform the Industries Department about the non-development of the STP to take the corrective action.

Thus, even after availability of funds, the STP had not been developed and rent is being paid for the space acquired for the purpose. This has resulted in wasteful expenditure of Rs 49.91 lakh on account of payment of rent for the period from May 2005 to March 2007 at the rate of Rs 2.17 lakh per month.

The matter was reported to Government/ Company (June 2007); their replies are awaited (October 2007).

## **Statutory Corporation**

### **Bihar State Electricity Board**

#### **4.5 Avoidable expenditure in transportation of coal**

**The Board incurred avoidable expenditure of Rs 38.95 lakh in transportation of Coal at Barauni Thermal Power Station**

Railways charge freight from BSEB for transportation of coal consigned by Coal India Limited to its power plants at Barauni Thermal Power Station (BTPS) and Muzaffarpur Thermal Power Station (MTPS) through two modes i.e. (i) Standard Distance Basis (SDB) and (ii) Through Distance Basis (TDB). In SDB, Railways charge extra shunting and siding charges for placement of rake loads and withdrawal of empty rakes from Railway Station to the captive siding of the plant. Whereas in 'TDB', no such charges are payable, and only nominal freight at rate of Rs 7.80 per metric tonne per six Km is paid. As such 'TDB' mode of transportation is economical compared to SDB, the same is being availed by MTPS. It was noticed that BTPS was availing SDB mode of transporting and paid extra charges to Railways on account of shunting and siding charges from Simaria Railway Station to captive siding of the plant. This resulted in extra expenditure of Rs 38.95<sup>1</sup> lakh during the period 2003-04 to 2006-07.

The Management stated (July 2007) that, in order to make the plant more economical, the matter has been taken up with the Railways (February 2006) to change the mode of transport in respect of BTPS. The reply is not acceptable as the matter came to the knowledge of BTPS in October 2003, the Board has not taken effective steps to change the mode of transportation and the avoidable expenditure is still continuing.

The matter was reported to the Government (May 2007); the reply is awaited (October 2007).

#### **4.6 Defalcation of funds**

**The Board suffered loss of Rs 12.50 lakh in defalcation of funds due to non maintenance of revenue records.**

The Board, while noticing the adherence to the prescribed procedure under Rule 6-93 of the Financial and Accounts Code (Code), regarding remittance of revenue collection by the Supply Sub-divisions which at time leads to embezzlement, defalcations, manipulations and encourages thefts and dacoities, issued instructions<sup>2</sup> (November 1967) that the Revenue Officer of the Circle should conduct detailed inspection of all the Supply Sub-divisions under his jurisdiction at least once in two months. During inspection, special attention towards the scrutiny of sub-divisional cashbook and remittance register should be paid and it should be seen that the prescribed procedure is followed. Any deviation and negligence should be taken seriously and corrective measures adopted for their non-recurrence in future.

<sup>1</sup> (shunting and siding charges: Rs 95.46 lakh-standard fare: Rs 56.51 lakh)

<sup>2</sup> As per Circular dated 22.11.1967 issued by the Chief Engineer (O&M), Bihar State Electricity Board, Patna

It was noticed (May 2005) in Electric Supply Sub-division, Khagaria, that the above procedure was not followed. Neither the physical verification of cash was conducted at the end of the year 2003-04 nor the Cash Book for the year 2004-05 was written. In the absence of written cash book, money receipts issued by the divisions were compared with the counterfoils of pay-in-slips issued by the bank and it was noticed that an amount of Rs 1.64 lakh was not deposited till the date of audit (May 2005), and hence defalcated. The In-charge of the Sub-division, stated (May 2005) that the matter would be investigated and the defalcated amount of Rs 1.64 lakh would be realised.

On being pointed out by Audit, the cash-book for the period April to December 2004 was written/constructed (January 2007) by the Management according to which cash balance as on 31 December 2004 came to Rs 8.05 lakh. It was however, noticed (March 2007) that the actual cash balance as on 31 December 2004 was Rs 10.38 lakh, and not Rs 8.05 as worked by the Management. Besides short deposit of cash of Rs 2.12 lakh was also noticed during the period March to May 2005.

The total cash defalcated worked out by the Audit during the period from April 2004 to May 2005 was as under:

(Amount: Rupees in lakh)

Sl. No.	Period	Amount to be deposited	Amount deposited	Amount defalcated
1	April to December 2004	75.46	65.08	10.38
2	March to May 2005	3.88	1.76	2.12
	<b>Total</b>	<b>79.34</b>	<b>66.84</b>	<b>12.50</b>

Thus, non-adherence to the procedure laid down in the Code and violation of Board's instructions regarding maintenance and verification of revenue records by the officials resulted in defalcation of Rs 12.50 lakh.

The matter was reported to the Government/Board (July 2007); their replies are awaited (September 2007).

#### 4.7 Loss due to shortage of materials

**The Board lost Rs 84.09 lakh due to not conducting physical verification in time**

Financial and Accounts Code of Bihar State Electricity Board provides for annual verification of stores (Clause 7-141). It was noticed (July 2006) that no physical verification of stores was conducted in the Biharsharif Transmission Circle during the year 2002, leading to non detection of shortages of stores/material in time. It was further noticed that the Assistant Store Keeper of the Circle retired from service in February 2003 without handing over charge though asked for by the Incharge of the stores (January 2003). The Electrical Superintending Engineer (ESE) of the Circle constituted (February 2004) a committee to prepare the list of the inventory of the Store.

A shortage of 114.893 metric tons of different types of inventory was detected by the Committee (June 2005). The ESE (Incharge) of the Circle, however, did not take any action against the concerned official even after reporting about the shortage of materials. The Assistant Engineer, Biharsharif

Transmission Circle informed (July 2006) that the Incharge had directed (orally) the Stores-in-Charge to re-verify the stores, and prepare a revised inventory. The revised inventory was not prepared till June 2007. The Board suffered loss of Rs 84.09 lakh (114.893 MT x Rs 73,192 per MT) due to non conducting of physical verification in time and taking action for realisation of the value of materials found short from the concerned official.

The Board while accepting the facts stated (June 2007) that ESE, Transmission Circle, Bihar Sharif has been asked (May 2007) to enquire into the matter. The pension of the official has been sanctioned but his Death-cum-retirement Gratuity (DCRG) and leave encasement have been held up. The reply is not tenable as ordering of enquiry in May 2007 was inordinately belated from the date of retirement (February 2003) of the concerned official and detection of shortage (June 2005) and the amount of DCRG and leave encashment would not cover the amount of shortages. No action was taken to file a civil suit against the delinquent officials for making good the loss.

The matter was reported to the Government (April 2007); the reply is awaited (October 2007).

#### ***4.8 Loss due to violation of rules in remission of claims***

<p><b>Grant of remission to HT consumers in violation of rules resulted in loss of Rs 17.13 lakh to the Board.</b></p>
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Bihar State Electricity Board (Board) supplies energy to various categories of consumers. As per Clause 13 of the standard agreement with High Tension (HT) consumers "if at any time the consumer is prevented from receiving or using the electrical energy to be supplied under the agreement either in whole, or in part due to strikes, riots, fire, floods, explosions, acts of God, or any other case reasonably beyond control, or if the Board is prevented from supplying or is unable to supply such electrical energy owing to any or all of the causes mentioned above, then the demand charges and guaranteed energy charges set out in the Tariff Schedule shall be reduced in proportion to the ability of the consumer to take or the Board to supply such power, and the decision of the Chief Engineer, Bihar State Electricity Board, in this respect shall be final". The Board notified (July 1994) that such reduction/ remission would be allowable (clause-4b) only when Annual Minimum Guarantee (AMG) has been charged and the consumer has submitted a claim to the Board in prescribed proforma within a period of three months (90 days) after due date. Further the maximum amount of remission would not be more than the AMG charged.

During scrutiny of records (November 2006) of Tirhut Supply Area Board, Muzaffarpur, it was observed that:

- The claims of Infomedia Publishers Private Limited, Muzaffarpur, pertaining to the period 2001-04 and Harinagar Sugar Mills, for the period 2002-03 were filed by the consumers for remission after delays ranging between two to 33 months from the last dates of filing of claims. The General Manager-cum-Chief Engineer, Muzaffarpur, entertained the claims of the consumers and allowed remission of Rs 11.46 lakh, though

the claims should have been rejected outrightly as per the provisions under Clause 4 (b) of the notification, *ibid*.

- The claims of Muzaffarpur Flour Mills for the period 2001-05 and Harinagar Sugar Mills Limited for the period 1996-97 and 2001-02 were decided in April and May 2006 respectively. In both these cases remission of Rs 5.67 lakh under Clause 13 was ordered by the General Manager-cum-Chief Engineer, Muzaffarpur, which was in excess of AMG charged by the Board.

Thus, grant of remission to three HT consumers in violation of rules, by the General Manager-cum-Chief Engineer, Muzaffarpur, resulted in loss of Rs 17.13 lakh to the Board.

The matter was reported to the Government/Board (May 2007); their replies are awaited (October 2007).

#### **4.9 Avoidable loss of revenue**

**The Board incurred avoidable loss of Rs 1.74 crore by not taking effective steps for setting up of electric line**

The 11 KV overhead electric line of the BSEB between Ner Halt and Belaganj Railway Station on Patna-Gaya Rail Section of East Central Railway was removed by the Railways (April 2003) for electrification work of Railway track on the assurance that Railways would restore the electric line within two months. The line was catering to 32 villages having 571 consumers. As per procedure, BSEB should have asked the Railways to deposit the cost of shifting the line and undertaken the work itself. It was observed (July 2006) in Supply Circle Gaya that the electric line was not restored by the Railways and remained disrupted for more than four years. Though the Board took up the matter with the Railways at Divisional levels from time to time, the Railways did not restore the line, and the line remained disrupted. As a result, the electricity supply to 32 villages having 571 consumers was disrupted for more than four years. Due to delay in re-energisation, the line materials of the sub-transmission system were stolen during the period of disruption (April 2003 to June 2007). No FIR was lodged by the office. The dues outstanding with the consumers could also not be recovered as the Board was not supplying power to them. Thus, the Board suffered loss of Rs 1.74 crore on account of non-receipt of potential revenue from sale of energy to the consumers (Rs 93.79 lakh) besides, non-realisation of outstanding dues lying with the consumers (Rs 75.04 lakh) and theft of line materials (Rs 5 lakh).

Thus, by agreeing to allow Railways to remove the line instead of taking up the work departmentally on deposit work basis, between Ner Halt and Belaganj, the Board suffered a loss of Rs 1.74 crore.

The matter was reported to the Government/Board (May 2007); their replies are awaited (October 2007).



#### 4.10 Short assessment of revenue

<b>The Board suffered loss of Rs 7.17 crore due to non-billing according to tariff provisions</b>
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The transformer capacity of High Tension (HT) and Extra High Tension (EHT) consumers shall not be more than 150 *per cent* of their contracted demand. Para 8-A and 8-D of the modified terms and conditions of Supply Notification (October 2002) further stipulate that when a consumer is found to be using a transformer of higher capacity than admissible for his contracted demand, the compensation payable by the consumer should be assessed based on 2/3<sup>rd</sup> of the capacity of the transformer as contracted demand of the consumer for the entire period of malpractice and charged at twice the existing rate under appropriate tariff less already charged for the period. In case such period of malpractice cannot be ascertained, six months period prior to detection of such malpractice shall be taken.

It was noticed (August 2006) that in Gaya Airport, one HT consumer (Director, Airport Authority of India) having a contracted demand of 1,000 KVA was found (August 2005) by the Board to be using three transformers of aggregate capacity of 3,500 KVA<sup>1</sup>. As the period of malpractice was not ascertained, billing was to be done from February 2005. The Electric Supply Circle, Gaya, did not bill the consumer as per the prevailing tariff and orders of the Board. As a result, the Board was deprived of revenue of Rs 7.17 crore during the period February 2005 to July 2006.

The Board stated (May 2007) that it had allowed (April 2006) the consumers to keep additional transformers as standby. It was further stated that Airport Authority, Gaya had intimated that their maximum demand was only 1,000 KVA and they have the facility of using only one transformer at a time. Whereas other two transformers of capacity 2,500 KVA (1,000 KVA+1,500 KVA) had been kept as stand by/ emergency purpose. The reply is not acceptable on the following grounds:

- The Board's order (April 2006) does not apply to this case, as the additional transformers were detected in August 2005, while the Board had allowed the consumers to keep standby transformers in April 2006, without retrospective effect.
- The Board's order allows consumers to install standby transformers of 100 *per cent* allowable capacity only. The consumer, therefore, was not entitled to keep standby transformer of 2,500 KVA, which was 250 *per cent* of the contracted demand.
- The reply is silent about whether the consumer informed in advance to the Board Headquarter (Commercial Wing) of his plan for installation of standby transformers of 2,500 KVA capacity as stipulated in the Board's order of April 2006 and the Board's acceptance for the same.

Thus, the Board suffered a loss of Rs 7.17 crore due to non-recovery of compensation from the consumer as per provisions of tariff.

The matter was reported to the Government (April 2007); the reply is awaited (October 2007).

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<sup>1</sup> (1,000 + 1,000 + 1,500) KVA

#### 4.11 Undue favour to a High Tension consumer

**Due to defective agreement, the Board could not recover Rs 1.30 crore from the consumer**

The Board's tariff (1993) provides that the minimum and maximum contract demand for 11 KV High Tension Service (HTS-I) shall be 75 KVA and 1,500 KVA respectively whereas for 33 KV High Tension Service (HTS-II) it will be 1,000 KVA and 10,000 KVA respectively. It was noticed (August 2005) in Electricity Supply Circle, Muzaffarpur that an agreement was entered (January 2003) with Tirhut Dugdh Utpadak Sahkari Sangh Limited (consumer), for supply of 400 KVA power from 33 KV line instead of 11 KV line despite availability of the same near the premises of the consumer. The tariff of HTS-I was, however, shown as applicable in the agreement. As the connection was given from 33 KV High Tension Service which is categorized as HTS-II tariff, accordingly HTS-II tariff should have been shown as applicable in the agreement. The agreement had retrospective effect from 1 April 2001. The billing for consumption of power by the consumer, was made at HTS-I rate based on 400 KVA as per the agreement entered into between the Board and the consumer. As the connection was given from 33 KV line, agreement should have been made for minimum 1,000 KVA contract demand, as provided in the tariff for HTS-II consumers and billing done accordingly. By not doing so, the Board lost Rs 1.30 crore (being the difference of chargeable minimum energy charges and demand charges for 1,000 KVA: Rs 2.52 crore and amount actually charged for 400 KVA: Rs 1.22 crore) during the period 2001-06 extending undue favour to the consumer.

The Board while accepting the facts (May 2007), stated that either the connection of the consumer would be shifted on 11 KV line after erection of 11 KV supply line in the premises of the consumer or the consumer would be advised to enhance the contract demand to 1,000 KVA as per provisions of tariff of 1993 which is also prevailing in new tariff 2006, approved by Bihar Electricity Regulatory Commission.

The matter was reported to the Government (April 2007); the reply is awaited (October 2007)

#### 4.12 Loss of Revenue

***The Board suffered loss of Rs 5.55 crore due to non-adherence to rules and claims becoming time barred***

During test check of records of various electrical supply circles and divisions of Bihar State Electricity Board (April 2006 to May 2007), Audit noticed cases of under charge of revenue and time barred claims, as discussed below

##### ***Non realisation of security deposit***

Clause 15.3 (C) of Board's tariff (June 1993) provided reviewing of security deposit of consumers twice a year, in October-November for the period April to September and in April-May for the period October to March. If half the aggregate amount of all bills relating to any of the aforesaid half yearly periods exceeded the existing security deposit by 20 *per cent*, the same was to be enhanced by that amount.

During test check of bills of six Electrical Supply Circles<sup>1</sup> and six divisions<sup>2</sup> from April 2005 to March 2006, Audit observed that security deposits of 59 high tension (HT) and 168 LTIS consumers, whose aggregate amount of bills exceeded the security deposit by 20 *per cent*, were not enhanced. As a result, additional security deposits of Rs 3.55 crore could not be recovered.

***Loss due to claims becoming time barred***

The rules regarding revenue receipts of the Board provide for close watch over the accrual of outstanding dues of consumers, so that these do not exceed the security deposit. It further provides for filing the certificate suit in time in appropriate cases, so that electricity bills do not become time barred. Failure to do so would make the concerned officer liable for disciplinary action. In case the officer and staff are held responsible for dues becoming time barred, the amount of time barred dues may be realised from them.

During test check of register of time barred claims of 12 supply divisions<sup>3</sup> from February 2001 to March 2003, Audit observed that dues of Rupees two crore had become time barred due to non filing of money suit cases against 41 Low Tension Industrial Service, 481 Domestic Service, three Irrigation and Agriculture Service, nine Industrial and 170 Commercial Service consumers in time. The Board has not fixed responsibility for the same.

The matter was reported to the Government/Board (October 2007); their replies are awaited.

**GENERAL**

***4.13 Response to inspection reports, draft paragraphs and reviews***

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through inspection reports. The heads of the PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2007 pertaining to 55 PSUs show that 6,538 paragraphs relating to 1,708 inspection reports remained outstanding at the end of September 2007. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2007 are given in **Annexure-20**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed, that replies to three reviews and 12 draft paragraphs forwarded to the various departments during April to November 2007 as detailed in **Annexure-21** were awaited.

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<sup>1</sup> Ara, Biharsharif, Muzafferpur, Patna Electrical Supply Undertaking (East), Samastipur, and Purnea

<sup>2</sup> Biharsharif, Buxer, Gardanibagh, Gulzarbagh, Jehanabad, and Purnea

<sup>3</sup> Kankarbagh, Dehri-On-Sone, Darbhanga, Madhubani, Gaya (Urban), Motihari, Ara, Bhagalpur, Madhepura, Jehanabad, Supaul and Barauni

It is recommended that the Government should ensure that (a) procedure exists for action against officials who fail to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule; and (c) the system of responding to audit observations is strengthened.

**Patna**  
**The**

**(Arun Kumar Singh)**  
**Principal Accountant General (Audit),**  
**Bihar**

Countersigned

**New Delhi**  
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**(Vijayendra N. Kaul)**  
**Comptroller and Auditor General of India**