

Overview

1 Overview of Government companies and Statutory corporations

- As on 31 March 2008, the State had 54 Public Sector Undertakings (PSUs) comprising 50 Government companies and four Statutory corporations, as against 55 Public Sector Undertakings (PSUs) comprising 51 Government companies and four Statutory corporations on 31 March 2007. Out of the 50 Government companies, 16 were working while 34 were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there were eight companies (two working and six non working) under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2008.

(Paragraphs 1.1 and 1.28)

- The total investment in the working Public Sector Undertakings increased from Rs. 7,929.91 crore as on 31 March 2007 to Rs. 7,976.96 crore as on 31 March 2008. The total investment in non-working PSUs was Rs. 718.03 crore as on 31 March 2008.

(Paragraphs 1.2 and 1.16)

- The Budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 264.84 crore in 2006-07 to Rs. 320.16 crore in 2007-08. The total amount of outstanding loans guaranteed by the Government to PSUs as on 31 March 2008 was Rs. 459.11 crore.

(Paragraph 1.5)

- None of the working Government companies and Statutory corporations have finalised their accounts for the year 2007-08 within the stipulated period. The accounts of 16 working Government companies and four working Statutory corporations were in arrears for periods ranging from 1 to 19 years as on 30 September 2008. The accounts of all the non-working Government companies were in arrears for periods ranging from 13 to 31 years as on 30 September 2008.

(Paragraphs 1.6 and 1.19)

- According to the latest finalised accounts, six working PSUs (four Government companies and two Statutory corporations) earned an aggregate profit of Rs. 38.24 crore. Against this, 13 working PSUs (11 Government companies and two Statutory corporations) incurred an aggregate loss of Rs. 946.16 crore as per their latest finalised accounts. Of the loss incurring working Government companies, seven companies whose accounts were finalised during October 2007 to September 2008 had accumulated losses aggregating Rs. 226.55 crore, which exceeded their aggregate paid-up capital of Rs. 34.29 crore. The two loss incurring Statutory corporations had accumulated losses of Rs. 2,149.14 crore.

(Paragraphs 1.7, 1.9 and 1.11)

2. Performance reviews relating to Statutory corporations

Performance reviews relating to Material Management in transmission and distribution wings and Information Technology review on Computerisation of **Bihar State Electricity Board** were conducted. Some of the major findings are as follows:

Material management in transmission and distribution wings of Bihar State Electricity Board

Performance of Bihar State Electricity Board (Board) with regard to material management in transmission and distribution wings was found to be deficient due to improper assessment of the requirements resulting in procurement of materials in excess of requirements, delay in finalisation of tender leading to avoidable expenditure on purchase of materials, non conduct of physical verification of stores and non-disposal of scrap, etc.

Some of the major deficiencies noticed are as under:

- Materials valuing Rs. 2.39 crore were purchased in excess of the requirement.
- The Board incurred unfruitful expenditure of Rs. 16.47 crore on purchase and installation of electronic meters and avoidable expenditure of Rs. 1.99 crore on purchase and transportation of PSC poles.
- Annual Physical verification of stores was not carried out as per norms.
- Stores valued Rs. 18.20 crore had not moved for more than five years and stores worth Rs. 1.5 crore were lying idle in locked stores.
- The Board lost Rs. 3.24 crore due to inadequate action in cases relating to theft of materials.
- Out of total scrap of Rs. 44.53 crore, the Board disposed of scrap valuing Rs. 7.45 crore (*17 per cent*) during the period 2004-08 and scrap worth Rs. 37.08 crore was lying undisposed.
- Priced store ledger and stores abstract book were not being maintained showing the absence of an effective system of stock reconciliation.

(Chapter 2.1)

Information Technology review on Computerisation of Bihar State Electricity Board

Performance of the Board with regard to computerisation was found to be deficient due to non assessment of requirement, incomplete data base, non-appointment of IT skilled man-power and non adherence to the terms of agreement with outsourced agencies. Some of major deficiencies noticed are as under:

- In the absence of adequate IT skilled manpower, the Board continued to depend on NIC even after six years of computerisation.

- The RF networking between divisions and headquarters, done at a cost of Rs. 21.09 lakh did not materialise.
- Lack of input controls and validation checks resulted in incomplete, inaccurate and unreliable database.
- Non mapping of business rules led to short or non levy of shunt capacitor surcharge, additional Security Deposits, Fixed charges for three phase connection from customers.
- Due to manual interventions the surcharge for delayed payments were collected incorrectly.
- Poor monitoring and deficient controls over the outsourced agencies led to deficient data and possible irregularities in accounting for the receipts from the customers.

(Chapter 2.2)

3. Transaction audit observations

Audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving financial irregularities.

The irregularities pointed out are broadly of the following nature:

- *Avoidable payment of Rs. 1.58 crore in two cases.*
(Paragraphs 3.1 and 3.2)
- *Embezzlement of Rs. 0.67 crore in one case.*
(Paragraph 3.3)
- *Idle investment of Rs. 7.29 crore in two cases.*
(Paragraphs 3.4 and 3.10)
- *Loss of Revenue and interest of Rs. 2.28 crore in three cases.*
(Paragraphs 3.6, 3.11 and 3.12)
- *Wasteful / unfruitful expenditure of Rs. 43.94 crore in two cases.*
(Paragraphs 3.7 and 3.9)
- *Undue favour of Rs. 0.24 crore in one case.*
(Paragraph 3.8)
- *Non-achievement of objectives and non-compliance with Accounting standards*
(Paragraphs 3.5 and 3.13)

Gist of some of the important audit observations is given below:

- In **Bihar Rajya Pul Nirman Nigam Limited**, losses for the years 1997-99 could not be set off against the profit for 2005-06 due to non-filing of Income Tax returns for 1997-99 which resulted in avoidable payment of Income Tax of Rs. 1.06 crore. Failure of the Company to

pay advance tax in time resulted in avoidable payment of interest on Income tax of Rs. 22.08 lakh.

(Paragraph 3.1)

- Embezzlement due to non observance of internal control system in **Bihar State Food and Civil Supplies Corporation Limited** resulted in loss of Rs. 66.73 lakh to the Company.

(Paragraph 3.3)

- In **Bihar State Electricity Board**, failure of the cables laid across Mahatma Gandhi Setu and associated Over Head Transmission lines resulted in unfruitful expenditure of Rs. 43.06 crore.

(Paragraph 3.9)

- The **Board** incurred an idle expenditure of Rs. two crore due to non completion of power sub-stations and related 33 KV line.

(Paragraph 3.10)

- The **Board** suffered a loss of Rs. 1.49 crore due to non billing according to tariff provision.

(Paragraph 3.11)