

## CHAPTER - IV

### 4. MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

#### GOVERNMENT COMPANIES

##### **Bihar State Export Corporation Limited**

#### *4.1 Export promotion industrial park*

With a view to involve State Government in the export efforts, Government of India (GOI) sponsored (March 1993) a scheme for development of export promotion industrial park (EPIP), by providing financial assistance for building of infrastructural facilities of high standards like power, water, roads, sewerage, drainage, common effluents, telecommunication and other requisite facilities and establishing export oriented units in those parks. Industrial area at Hazipur, district Vaishali was selected for the park as the site was nearer to State headquarters, Patna and having infrastructural facilities as well as a high underground water level. In order to implement the scheme the Government of Bihar appointed (November 1994) Bihar State Export Corporation Limited (Company) as the implementing agency for the development of EPIP with a view to establish industrial units exporting 25 per cent (subsequently increased to 33 per cent) of their production in value terms.

The management of EPIP is vested in State Level Committee comprising 13 members (excluding Chairman), headed by the Secretary, Department of Industries-cum-Industrial Development Commissioner, Government of Bihar as Chairman (ex-officio). Policy decisions taken by the committee are implemented by Bihar State Export Corporation Limited (Company).

#### *4.1.1 Financing of the scheme*

The financial assistance from Central Government was available to the extent of 75 per cent of the total cost of infrastructural facilities excluding cost of land upto Rs 10 crore and the remaining 25 per cent was to be borne by the State Government.

GOI approved (April 1995) the Project Report at an estimated cost of Rs 11.11 crore which was subsequently revised (February 1999) to Rs 14.92 crore by the Company, which was not approved by the GOI. As per

Project Report the scheme was to be completed within three years (i.e. April 1998).

Out of the revised project cost of Rs 14.92 crore (Central Government: Rs 10 crore; State Government: Rs 4.92 crore), GOI released rupees eight crore (till April 2003) and State Government contributed Rs 4.91 crore.

The Central assistance (rupees eight crore) was released to the State Government in three instalments during 1996-2002. State Government disbursed (April 2003) third instalment of Rs 3 crore received (July 2001) from GOI to the Company after a delay of more than 20 months. The reason for delay in disbursement by the State Government was not on record. GOI did not release balance amount of rupees two crore for want of utilization certificate for the third instalment.

Delay in disbursement of third instalment by State Government and non-release of remaining fund of rupees two crore by GOI resulted in delay in completion of the scheme.

#### ***4.1.2 Civil works***

The Company got (February 1996) possession of land measuring 94.20 acre from North Bihar Industrial Area Development Authority out of which 79.96 acres of land was earmarked for distribution/allotment among prospective industrial units in the shape of developed land, industrial sheds and flatted factory and remaining 14.24 acres of land was earmarked for development of common facilities.

Technical sanction and detailed engineering estimates were examined by a retired Chief Engineer of Government of Bihar but the detailed engineering estimates were not vetted by any Central Technical Agency despite instruction of the GOI. The reason for not following instructions of GOI was not on record.

Deficiencies noticed during audit of records regarding execution of civil work are discussed in the succeeding paragraphs.

#### ***4.1.3 Development of plots***

The project report envisaged development of 55 plots of different sizes varying from 0.5 to 7 acre in the lay out plan of EPIP for small, medium and large scale industrial units.

**None of the infrastructural facilities could be completed.**

After incurring expenditure of Rs 9.42 crore till February 2002, none of infrastructure facilities could be completed. As a result the sheds/ plots could not be allotted to the prospective entrepreneurs and the fund remained blocked. Item wise estimates, actual expenditure, status of completion and balance work are

detailed in Annexure-20. During scrutiny of records, following points were noticed:

- Against sanctioned cost of Rs 2.15 crore for power distribution work, expenditure of Rs 2.17 crore was incurred but work of erection of poles and overhead wiring of 33 KV line (estimated cost: Rs 1.25 crore) was not even taken up (August 2003).
- The structure of factory sheds and common facilities building though shown complete in the progress report were not complete as work of internal plumbing, sanitary filling and electrification was yet to be done.
- The work of telecommunication facilities has not even started.
- There was provision of two tubewells with two overhead water tank and distribution pipeline network. One tubewell has been installed. Construction of overhead tank was in progress and the work of distribution pipeline network had not been taken up.

Thus, due to non-completion of infrastructural facilities, only three plots could be allotted to three entrepreneurs in incomplete stage.

#### ***4.1.4 Fixation of sale rate of plots***

**Price of land was fixed against directives of Central Government.**

As per direction of GOI, central grant was to be excluded while working out the sale price/rent for allotment of plot/sheds in the EPIP in order to make the EPIP attractive to the entrepreneur. Audit observed that while fixing the sale price of the plot central grant was not excluded. As a result the sale price was fixed at Rs 16 lakh per acre against Rs 7.16 lakh per acre. Due to higher sale price, the Company got only 15 applications against 55 plots. Thus, the basic objective to attract the export oriented units had been defeated.

#### ***4.1.5 Execution of export commitments***

**Plots were allotted to non-entitled entrepreneurs.**

The EPIP scheme required that only those units shall be allowed to be established in the park which give legal undertaking to the implementing agency (Company) to export not less than 33 per cent of their total production value. Test check of records revealed that the Company had not yet developed any mechanism to monitor the type/ quantity/ value of their actual production as required in the guidelines issued by GOI. Even the dates of commencement of production in these units were not available. It was further observed that out of three plots allotted to three entrepreneurs, two were not entitled to get the plot under the scheme as the units were not export oriented. Records regarding export commitments of third party was not available and thus entitlement of the plot in EPIP could not be checked in audit. Party wise details are as under:-

**Cost of land remained unrecovered resulting in locking of fund of Rs 1.64 crore and consequent loss of interest Rs 73.85 lakh.**

- The Company after acquiring 94.3 acres of land from North Bihar Industrial Area Development authority, Muzaffarpur leased out 9.30 acres valued at Rs 1.49 crore to Lumbini Beverage Private Limited in June 1997 with the condition that the cost of land would be recovered in three instalments. First instalment of Rs 48 lakh was to be deposited immediately and remaining two instalments (Rs 1.01 crore) of Rs. 51.20 lakh and Rs 49.60 lakh were to be paid by November 1997 and November 1998 respectively. The lessee, after depositing first instalment of Rs 48 lakh (November 1996) had not deposited balance two instalments (Rs 1.01 crore) alongwith interest of Rs 57.65 lakh (March 2003) at the rate of 12 per cent per annum.
- Central Institute of Plastic Engineering Technology – a joint venture of GOI and State Government was allotted (December 1996) 5.25 acre of land for Rs 84 lakh. The Company could recover Rs 30 lakh only till March 1999. The plot was handed over to the allottee in March 1999. Non-recovery of balance amount of Rs 54 lakh resulted in loss of interest of Rs 16.20 lakh during 1999-2003 at the rate of 12 per cent per annum.
- Parmer Agro Venture (P) Limited was allotted one acre of land for Rs 16 lakh (April 2001) for setting up cold storage. It was noticed that out of Rs 16 lakh, only Rs 6.85 lakh has been recovered from the unit till June 2003 and balance amount of Rs 9.15 lakh was yet to be recovered.

Thus, the object of the scheme to develop infrastructural facilities for export-oriented units could not be achieved.

The matter was reported to the Government (June 2003); their reply had not been received (August 2003).

#### **Bihar State Hydroelectric Power Corporation Limited**

#### **4.2 Excess transformation loss**

**The Company suffered loss of Rs 1.66 crore as it failed to install meter and to follow the norms fixed by the Central Government.**

Power generated in Bihar State Hydroelectric Power Corporation (Company) at 6.6 KV was transmitted to Bihar State Electricity Board (Board) for sale after stepping up at 33 KV. In the process of stepping up the voltage of the power generated, some power was lost as transformation loss. The Government of India (GOI) vide gazette notification dated 30 March, 1992 had fixed norms

of 0.5 per cent of energy generated for transformation loss in hydroelectric power projects.

Audit noticed (April 2002) that billing for the power sold was done by the Company on the basis of meter reading at generating point without deducting transformation loss. When pointed out by the Board, a meeting was held between the Company and the Board (April 2001) in which it was decided that 3 per cent will be deducted from the bill on account of transformation loss with effect from the date of resumption of supply (1992-93) till the meter is installed by the Company at the receiving end of the Board. Accordingly, Rs. 1.18 crore was deducted, in excess of norms, by the Board from the claim of the Company pertaining to the period 1992-93 to 2000-01. From 2001-02 billing was done by the Company after deducting 3 per cent from the energy generated resulting in short billing of Rs 48 lakh during 2001-02 and 2002-03.

Thus, due to non-installation of meter costing Rs 0.39 lakh at receiving end of the Board and not following the norms fixed by GOI, the Company sustained a loss of Rs 1.66 crore.

The management stated (August 2003) that no norm had been fixed by the CEA<sup>\*</sup>, the amount deducted by the Board was reimbursable and all possible steps had been taken for stoppage of deduction by the Board. The reply of the management was not tenable as norms of 0.5 per cent had been fixed by the Government of India, the amount already deducted was not reimbursable and no action had been taken to install the meter costing only Rs 0.39 lakh to avoid further deduction.

The matter was reported to the Government (September 2003); their reply had not been received so far (November 2003).

### **Bihar State Mineral Development Corporation Limited**

#### **4.3 Non-realisation of penalty**

**The Company suffered loss of Rs 32.07 lakh as it failed to enforce the penalty clause of the agreement.**

Bihar State Mineral Development Corporation Limited (Company) placed (March 2001) orders on two agencies viz. Saheb Mineral Industries and Dubey Construction to raise and purchase the raised limestone at Semra/Salatua limestone mines during March 2001 to February 2003. The terms and conditions of the agreement *inter alia* provided that agencies would raise the minerals for a minimum monthly quantity of 3000 MT reduced to 2500 MT and 1500 MT

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\* Central Electricity Authority

reduced to 1000 MT with effect from November 2001 respectively. In case of failure to raise/purchase the minimum quantity, they were required to pay penalty to the Company at the rate of Rs 75 per MT on the quantity of shortfall in minimum production/purchase.

It was noticed in audit (January 2003), that both the agencies raised/purchased only 25,739.15 MT limestone against the minimum quantity of 68,500 MT till August 2002. However, the Company did not realise the penalty of Rs. 32.07 lakh on account of shortfall (42,760.85 MT) in raising/purchasing of limestone.

Due to non-enforcement of the penalty clauses of the agreement/work orders by the management, the Company was deprived of guaranteed revenue of Rs 32.07 lakh.

The management, stated (October 2003) that due to problems created by anti social elements, the contractor could not achieve target of production and penalty was not realised. The reply was not tenable as no action was taken by the management against the anti social elements and the Company was deprived of revenue of Rs 32.07 lakh.

The matter was reported to the Government (June 2003); their reply had not been received (November 2003).

## **STATUTORY CORPORATION**

### **Bihar State Electricity Board**

#### ***4.4 Loss of interest of Rs 13.19 lakh due to delay in raising bills***

**The Board suffered loss of interest of Rs 13.19 lakh due to delay in raising bills of minimum guaranteed consumption.**

According to clause 4(d) of agreement executed between high tension consumers and Bihar State Electricity Board, any bill on account of the minimum guaranteed consumption for the year or part thereof was required to be preferred by the end of June for each year.

It was noticed in audit (April/September 2002) that in contravention of the provision of the agreement entered into with two HT consumers in August 1999

and November 2000 respectively, the bill on account of minimum guaranteed consumption for the year 1999-2000 and 2000-01 aggregating Rs 100.20 lakh (transmission circle, Biharsharif: Rs 72.22 lakh and transmission circle, Patna: Rs 27.98 lakh) were raised in August 2001 and May 2002 after delay of 14 and 11 months respectively. The bill in Patna circle was raised only on being pointed out in audit (April 2002). The reasons for delay in raising the bills were not on record.

Thus, due to delay in raising the bills of minimum guaranteed consumption, the Board suffered loss of interest of Rs 13.19 lakh at the rate of 12 per cent per annum. No responsibility has been fixed for delay in issue of bills by the Board.

The matter was reported to the Government/Board (June 2003); their replies had not been received (August 2003).

#### 4.5 Fake expenditure

<b>Due to fake entry in the measurement book, the Board suffered loss of Rs 9.53 lakh.</b>
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The Electrical Superintending Engineer, Darbhanga accorded (November 1994) sanction of the rural electrification work (erection of high tension and low tension lines) in three villages namely Suriyahi, Sugapatti and Hasanpur at an estimated cost of Rs 14.56 lakh. An agreement for execution of the said work was executed (January 1995) with a contractor at a labour cost of Rs 0.95 lakh. The work was to be completed by March 1995.

Materials (poles, bracket, conductor etc.) valuing Rs 9.02 lakh were issued to the contractor in November 1994. The measurement book showed the work as completed to the extent of sanctioned estimate of bill of quantities in March 1997. The measurement book also showed consumption of material valuing Rs 8.76 lakh and payment of Rs. 1.65 lakh (labour: Rs 0.93 lakh and transportation: Rs 0.72 lakh) to the contractor during May 1999 and June 2001.

During audit (May 1999) it was seen that despite completion of electrification work as shown in measurement book, all the three villages were not energised as of May 1999. On being pointed out in audit, the Electrical Executive Engineer inquired the matter and reported (February 2001) to the Electrical Superintending Engineer that electrification works in all the three villages were incomplete. On the basis of the above report, consumption of material was calculated in audit and it was found that the material valuing Rs 1.08 lakh only was utilised in the work against issue of material valuing Rs 9.02 lakh. Besides, labour cost of Rs 0.06 lakh only was admissible against payment of Rs 1.65 lakh as per work actually done.

Thus fake entry in the measurement book resulted in loss of Rs 9.53 lakh to the Board for which no responsibility was fixed.

The matter was reported to the Government/Board (June 2003); their replies had not been received (August 2003).

#### **4.6 Short collection of revenue**

**Besides short assessment of revenue of Rs 1.26 crore, the Board suffered loss of Rs 1.19 crore as the dues became time barred.**

Test check of records of one area board, two supply circles and four divisions of the Bihar State Electricity Board (June 2001 to March 2003) revealed short collection of revenue of Rs 1.26 crore and loss of revenue of Rs 1.19 crore, as the dues became time barred due to failure of the Board to file certificate cases within the stipulated period under Law of Limitation Act, as per details given in Annexure 21.

The short billing was pointed out to the concerned area board/supply circles and divisions at the time of audit but information regarding recovery and collection of revenue was not received so far (June 2003).

The matter was reported to the Government/Board (September 2003); their replies had not been received (November 2003).

#### **4.7 Leakage of transformer oil**

**The Board suffered loss of Rs 32.32 lakh as it failed to seal the leakage of oil from transformer.**

A transformer of 150 MVA installed at grid sub-station, Bodh Gaya used to leak at several points since 1995 due to poor insulation. The Electrical Executive Engineer, Gaya asked for the replacement of gasket in September 1998 against which the offer was received (October 1998) from the supplier firm which remained pending for finalisation with the Board (August 2003). In the meantime the proposal of GM-cum-Chief Engineer (November 1998) for applying adhesive to arrest the oil leakage was approved by the Chairman of the Board. Accordingly, the adhesive valuing Rs 2.03 lakh was procured (May, 1999/August, 1999/August, 2000) and applied during 27 to 30 June 1999, 13 to 23 August 2001 and 10 October 2002. The leakage of oil could not be stopped as the application of adhesive was not a proper solution to stop the oil leakage from the transformer. As a result, there was leakage of 1.08 lakh litres transformer oil valued at Rs 32.32 lakh during March 1995 to August 2003.

On being pointed out in audit (November 2002), the Chief Engineer (Transmission) replied (December 2002) that the replacement of gasket was a time taking job requiring long shutdown of the transformer causing problem in meeting load demand.

The reply was not tenable as there were three power transformers of 150 MVA each installed at Bodh Gaya grid sub-station and maximum load of the sub-station was 138 MW. Thus, remaining two transformers having transformation capacity of 240 MW were sufficient for the maximum demand of the sub-station and the leaking transformer could be taken out from the system without any interruption in power supply.

Thus, due to failure to seal the leakage of oil, the Board suffered loss of Rs.32.32 lakh.

The matter was reported to the Government/Board (May 2003); their reply had not been received (October 2003).

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