

# **OVERVIEW**

## Overview

This Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Government of Bihar, for the year ended 31 March 2014 includes an overview of Government companies and Statutory corporations, two Performance Audit Reports, one long paragraph and 13 paragraphs dealing with the Accounts as well as results of Performance Audit and Transaction Audit.

### 1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The Accounts of Government companies are audited by Statutory Auditors appointed by CAG of India. These Accounts are also subject to supplementary audit conducted by CAG of India. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2014, the State of Bihar had 33 working PSUs (30 Companies and three Statutory corporations) and 40 non-working PSUs (all companies), which employed 0.17 lakh employees. The State working PSUs had registered a turnover of ₹ 7924.89 crore as per their latest finalised Accounts. The PSUs had earned an aggregate profit of ₹ 11.86 crore as per their latest finalised Accounts as of 30 September 2014.

*(Paragraphs 1.1, 1.2, 1.4, 1.5 and 1.6)*

#### *Investment in State PSUs*

As on 31 March 2014, the investment (Capital and long term loans) in 73 PSUs was ₹ 28220.98 crore. Power Sector accounted for 83.39 per cent of total investment in 2013-14. The Government contributed ₹ 3884.56 crore towards Equity, Loans and Grants / Subsidies during 2013-14.

*(Paragraphs 1.7, 1.9 and 1.10)*

#### *Performance of PSUs*

As per the latest finalised Accounts, out of 33 working PSUs, 14 PSUs had earned Profit of ₹ 240.12 crore and 15 PSUs had incurred Loss of ₹ 203.16 crore. Out of the remaining four PSUs, two PSUs submitted its first Accounts which had nil profit/loss and two PSUs had not finalised its first Accounts. The major contributors to Profit were Bihar Rajya Pul Nirman Nigam Limited (₹ 106.99 crore), Bihar State Road Development Corporation Limited (₹ 37.36 crore), and Bihar State Beverages Corporation Limited (₹ 39.28 crore). As per the latest finalised accounts, heavy Losses were incurred by North Bihar Power Distribution Company Limited (₹ 74.26 crore), South Bihar Power Distribution Company Limited (₹ 22.79 crore) and Bihar State Road Transport Corporation (₹ 57.69 crore).

*(Paragraph 1.15)*

Audit noticed various deficiencies in the functioning of PSUs. This Audit Report shows that the working PSUs in the State incurred controllable losses to the tune of ₹ 268.08 crore and infructuous investment of ₹ 32.50 crore.

*(Paragraph 1.16)*

### ***Quality of accounts***

The quality of Accounts of companies needs improvement. During the year 2013-14, the statutory auditor had given qualified certificates for all the 32 Accounts received during the year. The compliance of accounting standards was poor as there were 15 instances of non-compliance in 12 accounts.

*(Paragraph 1.29)*

### ***Arrears in accounts and winding up***

Out of 33 Working PSUs, 29 PSUs had arrears of 199 accounts as of 30 September 2014. The extent of arrears was one to 23 years. There were 40 non-working PSUs including nine under liquidation.

*(Paragraphs 1.20 and 1.21)*

## **2. Performance Audit on “the activities of Bihar State Tourism Development Corporation Limited”**

Bihar State Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government Company in November 1980 with the main objective of promoting tourism in the State. As on 31 March 2014, Company had 21 hotels (10 self-run) spread over different locations of the State. The Company also had 13 restaurants (four self-run) attached to its hotels.

Audit findings pertaining to various activities of the Company are discussed below:-

- The Company failed to formulate a long term/ perspective plan/road map with clearly defined targets/milestones to be achieved in the ensuing years as a result of which the tourist potential of the State remained largely untapped despite five years of adoption of State Tourism Policy.

*(Paragraph 2.8)*

- The working of Finance and Accounts wing of the Company was not streamlined as there were cases of loss due to non-reconciliation of bank balances, non-maintenance of Project-wise bank accounts, non-filing of annual return with RoC, etc.

*(Paragraphs 2.9.1, 2.9.2 and 2.9.4)*

- The targeted occupancy percentage for self managed hotels was fixed by the Company at 60 *per cent*. Only one self-managed hotel and two self-managed hotels of the Company achieved 60 *per cent* occupancy target in the year 2011-12 and 2012-13 respectively. The Company did not have any policy for fixation of room rent.

*(Paragraphs 2.10.1 and 2.10.2)*

- Lack of basic amenities, non-maintenance of prime assets, lack of manpower and non-professional approach to render quality services resulted in low occupancy in Company’s hotels.

*(Paragraph 2.10.1)*

- The performance of transport services of the Company during the period 2009-14 was not satisfactory. It suffered losses during 2009-10, 2011-12 and 2013-14 and earned meagre profit of ₹ 28 lakh and ₹ three lakh in the year 2010-11 and 2012-13 respectively.

*(Paragraph 2.12.1)*

- The sundry debtors of the transport unit increased from ₹ 3.42 crore to ₹ 4.81 crore during the period 2010-11 to 2012-13.

*(Paragraph 2.12.2)*

- The newly purchased buses were not utilised for intended purposes. Non-release of payment as per agreement and purchase of Carvans without any Cost Benefit Analysis resulted in blocking up of ₹ 1.26 crore.

*(Paragraphs 2.12.3 and 2.12.4)*

- Out of 83 projects for which funds were received during the period 2009-14, only 23 projects were completed of which 12 projects were completed with a delay ranging from one to 32 months.

*(Paragraph 2.14)*

- Delay in execution of infrastructural projects was mainly attributable to unplanned execution, viz., preparation of estimates without actual site-survey, poor monitoring and shortage of engineers in the Engineering wing of the Company.

*(Paragraph 2.14)*

### **3. Performance Audit on “Bihar State Road Transport Corporation”**

Bihar State Road Transport Corporation (Corporation) was incorporated on 1 May 1959 under section 3 of the Road Transport Corporations Act, 1950 (Act) with mandate to provide efficient, adequate and economical road transport to public.

Audit findings pertaining to various sections of the Corporation are discussed below:-

- The Corporation had a fleet strength of 414 buses out of which 95 buses were on road as on 31 March 2014. Apart from own buses, the Corporation, without framing any Public Private Partnership (PPP) policy, had implemented a PPP scheme under which private operators were allowed to operate buses on a commission basis.

*(Paragraph 3.1)*

- The Corporation had finalised its accounts up to the year 2004-05. However, as per provisional accounts, against the paid-up capital of ₹ 101.27 crore, accumulated loss of the Corporation as on 31 March 2014 was ₹ 1395.57 crore.

*(Paragraph 3.1)*

- The Corporation did not have a fare policy. Fare fixation was done only with respect to increase in HSD prices and without regard to the increase in other input costs. Due to deficient fare policy alone, the Corporation was deprived of the potential revenue of ₹ 8.63 crore.

*(Paragraph 3.6.2)*

- The Corporation could not maintain fleet strength of right age buses despite availability of funds. As a result 54 per cent to 77 per cent of buses could not be plied and the Corporation sustained a revenue loss of ₹ 165.30 crore.

*(Paragraph 3.7.1)*

- Against the All India Average of 93.52 per cent, the fleet utilisation of the Corporation varied from 35 per cent in 2009-10 to 23 per cent in 2013-14 as a result of which the Corporation suffered a contribution loss of ₹ 15.50 crore.

*(Paragraph 3.7.2)*

- The Vehicle Productivity of the Corporation ranged between 232 Kilometer (K.M) to 205 K.M per day which was much below the All India Average of 374.18 K.M per day and the Corporation's own target of 280 K.M per day. As a result, the Corporation sustained a revenue loss of ₹ 25.16 crore.

*(Paragraph 3.7.3)*

- The revenue from operation of buses on 17 per cent to 34 per cent routes were not meeting even the variable cost during 2009-14 due to poor route planning. As a result, the Corporation sustained a revenue loss of ₹ 1.09 crore.

*(Paragraph 3.7.5)*

- As a result of deficient PPP agreements, failure on the part of the Corporation to safeguard its financial interests and poor monitoring, the Corporation suffered a revenue loss of ₹ 13.72 crore.

*(Paragraphs 3.8.1 and 3.8.2)*

#### **4. Transaction audit observations**

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. It also includes one Long Paragraph on Billing and Collection of dues in respect of High Tension Specified Services (HTSS) Consumers of South Bihar Power Distribution Company Limited. The irregularities pointed out are broadly of the following nature:

- Loss/non-recovery of ₹ 29.90 crore in eight cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

*(Paragraphs 4.1, 4.2, 4.3, 4.4, 4.5, 4.7, 4.9 and 4.10)*

- Loss of ₹ 7.33 crore in one case due to inadequate/deficient monitoring system.

*(Paragraph 4.8)*

- Wasteful Expenditure/Avoidable Excess Expenditure of ₹ 12.06 crore in four cases due to defective/deficient planning.

*(Paragraphs 4.6, 4.11, 4.12 and 4.13)*

**Gist of the important audit observations in Long Paragraph are given below:**

- The South Bihar Power Distribution Company Limited (Company) failed to enhance the Contract Demand of two High Tension Specified Services (HTSS) consumers on the basis of the total capacity of the induction furnace and equipments of the consumers as per manufacturers' technical specifications and bill them accordingly. This led to short determination of Contract Demand as a result of which the Company suffered revenue losses aggregating to ₹ 3.33 crore.

*(Paragraph 4.1.5)*

- The Company failed to enhance the Contract Demand of two HTSS consumers within the prescribed time limit of 27 days and as a result suffered revenue losses aggregating to ₹ 55.50 lakh.

*(Paragraph 4.1.6)*

- The Company, even after a lapse of more than three years and in contravention of the High Court's directives, failed to get the meter of an HTSS consumer tested in a laboratory of consumer's choice as a result of which amount of ₹ 3.56 crore was lying blocked on account of disputed Electricity Bills.

*(Paragraph 4.1.9)*

**Gist of some of the important audit observations in respect of other transaction audit paragraphs are given below:**

- Deficient Internal Control System as well as failure on the part of **Bihar Urban Infrastructure Development Corporation Limited** to comply with the provisions of Master Service Agreement (MSA) resulted in irregular payment of ₹ 3.56 crore to the Consultant. Besides, it also led to extension of undue benefit to the Consultant.

*(Paragraph 4.7)*

- Deficient Internal Control System and non-protection of financial interests on the part of **Bihar State Building Construction Corporation Limited** resulted in a loss of ₹ 7.33 crore to the Company due to non-claiming of refund of TDS.

*(Paragraph 4.8)*

- Deficient planning as well as execution of the SHP projects and subsequent non-review of the work resulted in expenditure of ₹ 7.28 crore becoming idle for over two years. Besides, there was irregular withdrawal of further instalment of NABARD Loan by submitting incorrect expenditure certificates by **Bihar State Hydroelectric Power Corporation Limited**.

*(Paragraph 4.13)*

- Erroneous treatment of interest earned on the funds pertaining to the Government projects lying unutilised and invested in bank deposits, as its own income by **Bihar State Electronics Development Corporation Limited** resulted in avoidable payment of Corporate Tax amounting to ₹ 8.43 crore.

*(Paragraph 4.10)*

- Deficient procurement planning as well as failure on the part of **Bihar State Electronics Development Corporation Limited** to purchase Desktop Computers and Laptops on the basis of prevailing market prices resulted in avoidable extra expenditure of ₹ 1.51 crore.

*(Paragraph 4.12)*

- Failure on the part of **Bihar State Electronics Development Corporation Limited** to sub-lease the vacant space led to wasteful expenditure of ₹ 2.08 crore and jeopardised achievement of intended objective of establishing Software Technology Park.

*(Paragraph 4.11)*

- Deficient procurement planning as well as failure on the part of **Bihar State Power (Holding) Company Limited** to safeguard its financial interests not only resulted in undue benefit to the supplier but also led to avoidable excess expenditure of ₹ 1.19 crore.

*(Paragraph 4.6)*

- Irregularity in finalisation of tender and extension of undue benefit to the supplier by **Bihar State Power (Holding) Company Limited** resulted in procurement of sub-standard Poly Carbonate Seal bit materials valuing ₹ 1.28 crore.

*(Paragraph 4.5)*