



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended 31 March 2015**



Government of Bihar
Report No.4 of the Year 2015

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Preface

This report deals with the results of audit of Government companies and Statutory corporations for the year ended 31 March 2015.

The accounts of Government Companies (including companies under Section 139(5) and 139(7) of the Companies Act, 2013) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143(6) of the Companies Act 2013. The Accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the Comptroller and Auditor General under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by CAG for laying before State Legislature of Bihar under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 2014-15 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

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 2015 includes an overview of functioning of Public Sector Undertakings, two Performance Audits and 14 paragraphs dealing with the Accounts as well as results of Performance Audit and Transaction Audit.

1. Functioning of State Public Sector Undertakings

The audit of Financial Statements of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013. The Financial Statements 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 legislation. As on 31 March 2015, the State of Bihar had 33 working PSUs (30 Companies and three Statutory corporations) and 40 non-working PSUs (all companies), which employed 17281 employees. The State working PSUs had registered a turnover of ₹ 11619.64 crore as per their latest finalised Accounts. The working PSUs had incurred loss of ₹ 36.58 crore as per their latest finalised Accounts as of 30 September 2015.

(Paragraphs 1.1, 1.2 and 1.3)

Investment in PSUs

As on 31 March 2015, the investment (Capital and long term loans) in 73 PSUs was ₹ 33783.37 crore. Power Sector accounted for 81.90 *per cent* of total investment in 2014-15. The Government contributed ₹ 6467.54 crore towards Equity, Loans and Grants/Subsidies during 2014-15.

(Paragraphs 1.6, 1.7 and 1.8)

Performance of PSUs

As per the latest finalised Accounts, out of 33 working PSUs, 16 PSUs had earned Profit of ₹ 427.01 crore and 12 PSUs had incurred Loss of ₹ 463.59 crore. Out of the remaining five PSUs, three PSUs had nil profit/loss and two PSUs had not finalised its first Accounts. The major contributors of Profit were Bihar State Beverages Corporation Limited (₹ 132.87 crore), Bihar Rajya Pul Nirman Nigam Limited (₹ 106.99 crore), Bihar State Educational Infrastructure Development Corporation Limited (₹ 72.63 crore) and Bihar State Road Development Corporation Limited (₹ 58.57 crore). The PSUs which incurred heavy losses were South Bihar Power Distribution Company Limited (₹ 268.69 crore), North Bihar Power Distribution Company Limited (₹ 74.26 crore) and Bihar State Road Transport Corporation (₹ 59.23 crore).

(Paragraph 1.16)

Quality of accounts

The quality of Accounts of companies needs improvement. During the year 2014-15, the Statutory Auditors had given qualified certificates for 45 Accounts received during the year. The compliance of accounting standards was poor as there were 11 instances of non-compliance.

(Paragraph 1.21)

Arrears in accounts and winding up

Out of 33 Working PSUs, 30 PSUs had arrears of 206 accounts as of 30 September 2015. The extent of arrears was one to 24 years. There were 40 non-working PSUs including 10 under liquidation.

(Paragraphs 1.10 and 1.12)

Discussion of Audit Reports by COPU

Out of 11 Performance Audits and 57 Paragraphs pertaining to the Audit Report 2009-14, eight Performance Audits and 49 Paragraphs are yet to be discussed (September 2015).

(Paragraph 1.25)

2.1 Performance Audit on the Construction Activities of Bihar Rajya Pul Nirman Nigam Limited

Bihar Rajya Pul Nirman Nigam Limited (Company) was incorporated in June 1975 as a wholly owned Government Company. The main objective of the Company is construction of new bridges and other structures including maintenance and improvement work in respect thereof. The Company, during the period 2010-15, executed deposit works only and did not participate in any competitive bidding process to obtain contract.

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

Fund Management

- The Company suffered loss of centage charges of ₹ 12.66 crore in respect of 70 projects due to execution of work without agreement and the centage charges of ₹ 16.49 crore on revised estimate of a bridge was also not claimed.

(Paragraph 2.1.7)

Construction of bridges funded by NABARD

Out of 542 bridges executed by the Company, 281 bridges were completed during the period 2010-15 of which 149 bridges (53 per cent) were completed with delays. As on 31 March 2015, 261 bridges were under various stages of completion out of which 94 bridges are delayed by one to 64 months.

(Paragraph 2.1.11)

- In six test checked divisions, 81 bridges were completed, out of which 45 bridges were completed with delays ranging from one to 30 months and 17 bridges were completed with a cost overrun of ₹ 36.19 crore.

(Paragraph 2.1.11)

- Out of 224 bridges executed by six test checked divisions, there were delays in finalization of tender in 49 cases ranging from eight to 356 days after the expiry of the validity period of the bids.

(Paragraph 2.1.12)

- The Company in violation of the CVC Guidelines issued eight work orders aggregating to ₹ 126.92 crore for construction of bridges on a nomination basis without inviting tenders.

(Paragraph 2.1.13)

- After incurring an expenditure of ₹ 42.13 crore, the construction of two bridges were abandoned due to non-availability of land. In case of five bridges, there were abnormal delays in completion of approach roads connecting thereto as a result of which expenditure of ₹ 14.95 crore remained blocked for a period ranging from seven months to 15 months.

(Paragraph 2.1.14)

- In case of six ongoing bridges, though the bridge portions were completed at a cost of ₹ 69.23 crore, the construction of connecting approach roads were still incomplete even after a lapse of period ranging from seven to 34 months.

(Paragraph 2.1.14)

- The additional works in case of bridge at Dhanha-Ratwalghat was not awarded to the contractor on the rate of original work which resulted in excess expenditure of ₹ 9.24 crore.

(Paragraph 2.1.16)

- In case of bridge at Vijayghat at Bhagalpur an additional sum of ₹ 4.29 crore was paid to the contractor for the increase in the depth of the foundation well.

(Paragraph 2.1.17)

Construction of bridges under Mukhya Mantri Setu Nirman Yojana

- Out of 710 bridges executed by the Company, 540 bridges were completed during the period 2010-15 of which 312 bridges (58 per cent) were completed with delays. As on 31 March 2015, 170 bridges were under various stages of completion of which 61 bridges have already suffered time overrun ranging from one to 84 months.

(Paragraph 2.1.20)

- In six test checked divisions, 248 bridges were completed, out of which 141 bridges (56.85 per cent) were completed with delays ranging from 10 days to 51 months and 26 bridges were completed with a cost overrun of ₹ 7.48 crore.

(Paragraph 2.1.20)

- Out of 337 bridges executed by six test checked divisions, there were delays in finalization of tenders in 57 cases ranging from 10 to 369 days after the expiry of the bid validity period.

(Paragraph 2.1.21)

- After incurring an expenditure of ₹ 2.70 crore, the construction of two bridges were abandoned since June 2012 due to non-availability of land. In case of 10 bridges, there were abnormal delays in completion of approach roads connecting thereto as a result of which expenditure of ₹ 16.40 crore remained blocked for a period ranging from six to 30 months.

(Paragraph 2.1.22)

- In case of four bridges, bridge portion was completed at a cost of ₹ 10.57 crore, the approach roads were incomplete even after lapse of period ranging from 13 months to 45 months.

(Paragraph 2.1.22)

Construction of Buildings

- In case of Construction of Vardhaman Institute of Medical Science, excess payment on account of price escalation of ₹ 18.51 crore was made to the contractor. Further, the company in violation of the directives of the Government incurred avoidable excess expenditure of ₹ 3.81 crore.

(Paragraph 2.1.25)

- Out of 38 Chhatrawaas to be constructed by the Company, only seven Chhatrawaas were completed till March 2015 even after a lapse of five years from the date of Administrative Approval.

(Paragraph 2.1.26)

Monitoring and Internal Control

- The Company did not have any policy regarding appointment of Supervision Consultants (SC). The expenditure of ₹ 32.54 crore incurred on payment to SC was charged to the work expenses instead of meeting the same from Centage Charge.

(Paragraph 2.1.28)

- Due to non-reconciliation of accounts of the completed projects with concerned administrative department, an amount of ₹ 11158.91 crore were shown as Deposits from Government of Bihar in the annual accounts for the year 2014-15.

(Paragraph 2.1.31)

2.2 Performance Audit on the Construction Activities of Bihar Urban Infrastructure Development Corporation Limited

Bihar Urban Infrastructure Development Corporation Limited (Company) was incorporated on 16 June 2009 as a wholly owned Government Company with main objectives to execute and accelerate urban infrastructural projects pertaining to water supply, sewerage and sewage network, road and drainage, river front development, etc., under various Government of India (GoI) and State Funded Infrastructural Development Schemes. The Company was also appointed as a nodal agency for execution of projects assigned under GoI Scheme viz. Jawaharlal Nehru National Urban Renewal Mission (JnNURM).

Financial Management

- During the period 2009-10 to 2014-15, the Company received a total sum of ₹ 940.30 crore for execution of various projects. Utilisation of fund during the said period ranged between 1.03 *per cent* and 42.13 *per cent* only. The main reasons for under utilisation of funds were low activity of the Company in initial years, slow execution of projects and termination of contract.

(Paragraph 2.2.6)

- In Danapur Water Supply Project, the Company failed to renew the validity of the Bank Guarantee pledged against mobilisation advance and the contract was terminated. This resulted in non-recovery of mobilisation advance of ₹ 6.70 crore.

(Paragraph 2.2.9)

Execution of Water Supply Projects under JnNURM

- The contracts for Muzaffarpur Water Supply Project, Patna Water Supply Project and Danapur Water Supply Project were terminated due to non-performance of the contractors. Non-award of the remaining portion of the work to another contractor despite lapse of more than one year resulted in blocking of funds amounting to ₹ 77.70 crore. Besides, the State was deprived of the intended benefits envisaged under the scheme.

(Paragraphs 2.2.13, 2.2.14 and 2.2.15)

National Ganga River Basin Authority funded projects

- During the period 2010-11 to 2014-15, the Company had undertaken four projects of Sewerage System and Sewage Treatment Plant at Buxar, Hazipur, Begusarai and Munger with an Administrative Approval (AA) of ₹ 441.86 crore and scheduled date of completion between December 2013 and March 2014. As of July 2015 the financial progress of the projects was only 1.57 *per cent* to 18.14 *per cent* despite lapse of 16 to 19 months from their scheduled date of completion due to delay in award of work to contractor, non-availability of land and slow/non-execution of work by contractors.

(Paragraph 2.2.18)

State Funded Schemes

During the period 2010-11 to 2014-15, 12 construction projects having AA of ₹ 270.36 crore were undertaken by the Company out of which only five projects were completed (July 2015) with time overruns ranging from two to 18 months. The work of seven projects was in progress. As of July 2015 the financial progress of these projects was only 7.45 to 73.08 *per cent* despite lapse of 9 to 26 months from its scheduled date of completion. The delay was mainly due to preparation of faulty DPR by the Company, delay in award of work to contractors, etc.

(Paragraph 2.2.20)

Monitoring and Internal control

- The Company failed to link the payment of Construction Supervision and Quality Control consultants (CSQC) with progress of work which resulted in unfruitful expenditure to the tune of ₹ 9.53 crore.

(Paragraph 2.2.22)

3. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

- Loss/non-recovery of ₹ 27.66 crore in six cases due to non-compliance with rules, directives, procedures, and terms and conditions of contracts.

(Paragraphs 3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8 and 3.11)

- Irregular payment of ₹ 31.46 crore in two cases due to non-compliance with rules and directives.

(Paragraphs 3.3 and 3.11)

- Loss of ₹ 25.82 crore in three cases due to deficient Internal Control System.

(Paragraphs 3.4, 3.10 and 3.14)

- Loss of ₹ 1.27 crore in two cases due to non-safeguarding of the financial interests of the organisation.

(Paragraphs 3.9 and 3.12)

- Loss of ₹ 47.57 crore in one case due to deficient planning.

(Paragraph 3.13)

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

Non-adherence to the CVC Guidelines and non-observance of financial interests on the part of the **South Bihar Power Distribution Company**

Limited resulted in loss of interest of ₹ 1.01 crore due to non-recovery of mobilisation advances after scheduled completion period.

(Paragraph 3.1)

Failure on the part of the **Bihar State Power (Holding) Company Limited** to comply with the CVC Guidelines based on the Judgment of Hon'ble Supreme Court of India resulted in irregular awarding of work orders aggregating to ₹ 3.04 crore.

(Paragraph 3.5)

Bihar State Power (Holding) Company Limited and its subsidiaries failed to make mandatory deduction of Labour Cess of ₹ 12.93 crore from the bills of the contractors.

(Paragraph 3.6)

Incorrect categorisation of the Street Light Consumer by the **North Bihar Power Distribution Company Limited** resulted in a revenue loss of ₹ 3.08 crore due to billing at a lower rate.

(Paragraph 3.8)

Non-observance of financial interests as well as failure on the part of the **Bihar State Power Transmission Company Limited** to purchase Power Transformers (PTRs) on a firm basis resulted in excess avoidable expenditure of ₹ 95.77 lakh to the Company.

(Paragraph 3.9)

Bihar State Food and Civil Supplies Corporation Limited suffered loss of ₹ 20.09 crore on account of shortages and disposal of damaged wheat due to improper storage and delayed transportation of the procured wheat.

(Paragraph 3.10)

Lack of planning as well as failure on the part of the **Bihar State Text Book Publishing Corporation Limited** to adhere to the printing and delivery schedule prescribed by Bihar Shiksha Pariyojna Parishad (BSPP) resulted in loss of ₹ 47.57 crore on account of deduction of penalty by BSPP.

(Paragraph 3.13)

Deficient Internal Control System in **Bihar State Text Book Publishing Corporation Limited** could not ensure supply of books by the set-makers and failed to recover cost of short-supplied text-books from the set-makers resulting in a loss of ₹ 5.20 crore to the Company.

(Paragraph 3.14)

CHAPTER I
FUNCTIONING OF STATE PUBLIC SECTOR
UNDERTAKINGS

Chapter I

1. Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of the people. As on 31 March 2015, in Bihar there were 73¹ PSUs. None of these PSUs was listed in stock exchange. During the year 2014-15, neither any new PSU was incorporated, nor any PSU was closed down. The details of the State PSUs in Bihar as on 31 March 2015 are given below.

Table No: 1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs ²	Total
Government companies ³	30	40	70
Statutory corporations	3	-	3
Total	33	40	73

Source: Information as per database of PSUs

The State working PSUs registered a turnover of ₹ 11619.64 crore as per their latest finalized accounts as of September 2015. This turnover was equal to 2.89 *per cent* of State Gross Domestic Product (GDP) for 2014-15. The working PSUs incurred net loss of ₹ 36.58 crore as per their latest finalized accounts as of September 2015. They had 17281⁴ employees as of 31 March 2015.

As on 31 March 2015, there were 40 non-working PSUs existing for more than 10 years and having investment of ₹ 729.02 crore. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

Accountability framework

1.2 The audit of Financial Statements of Government companies is governed by respective provisions of Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, "Government company" means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company. Further, as per sub-

¹ As per the details provided in *Annexure-1.1*

² Non-working PSUs are those which have ceased to carry on their operations.

³ Government PSUs include other Companies referred to in Sections 139(5) and 139(7) of the Companies Act, 2013

⁴ As per the details provided by 43 PSUs.

section 7 of Section 143 of the Act, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company (other Company) owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory corporations is governed by their respective legislations. Out of three statutory corporations, CAG is the sole auditor for Bihar State Road Transport Corporation. In respect of State Warehousing Corporation and State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Bihar

1.5 The State Government has huge financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.

- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2015, the investment (Capital and Long-Term Loans) in 73 State PSUs was ₹ 33783.37 crore as per details given below:

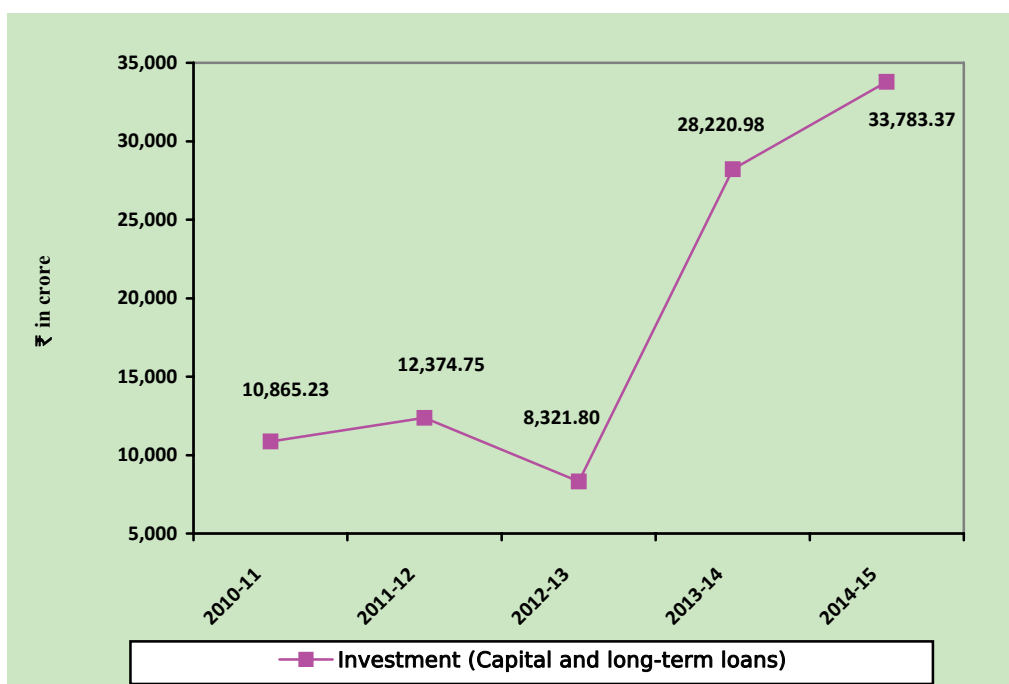
Table No: 1.2: Total investment in PSUs

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	21175.57	10917.01	32092.58	185.51	776.26	961.77	33054.35
Non-working PSUs	180.79	548.23	729.02	-	-	-	729.02
Total	21356.36	11465.24	32821.60	185.51	776.26	961.77	33783.37

Source: Information furnished by the PSUs

As on 31 March 2015, of the total investment in State PSUs, 97.84 per cent was in working PSUs and the remaining 2.16 per cent in non-working PSUs. This total investment consisted of 63.76 per cent towards capital and 36.24 per cent in long-term loans. This investment has grown by 210.93 per cent from ₹ 10,865.23 crore in 2010-11 to ₹ 33783.37 crore in 2014-15 as shown in the Chart no. 1.1:

Chart No: 1.1: Total investment in PSUs



1.7 The sector wise summary of investments in the State PSUs as on 31 March 2015 is given below:

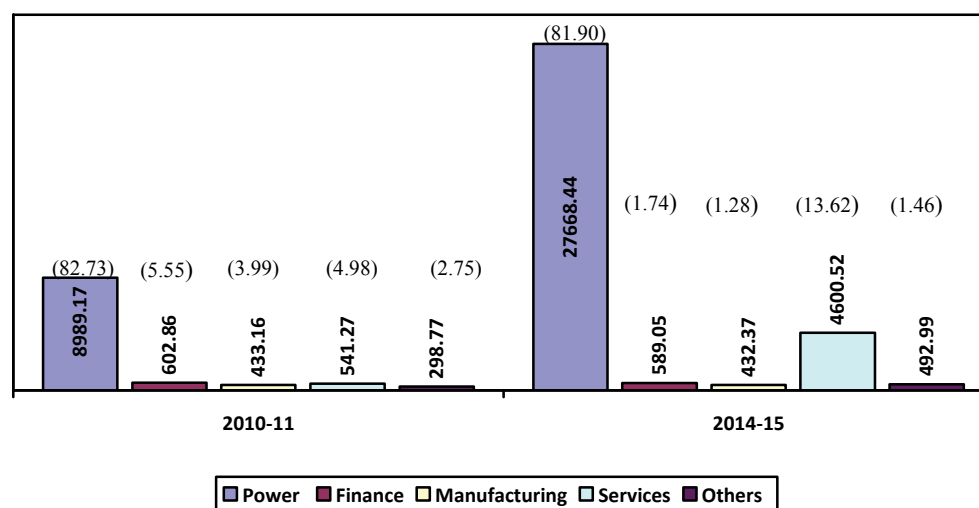
Table 1.3: Sector-wise investment in PSUs

Name of the Sector	Government/ Other Companies		Statutory corporations	Total	Investment (₹ in crore)
	Working	Non-Working	Working		
Power	9	-	-	9	27668.44
Manufacturing	3	12	-	15	432.37
Finance	4	4	1	9	589.05
Miscellaneous	2	10	-	12	85.88
Service	3	1	2	6	4600.52
Infrastructure	6	1	-	7	256.06
Agriculture & Allied	3	12	-	15	151.05
	30	40	3	73	33783.37

Source: Information furnished by the PSUs

The investment in four important sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated below in the bar chart. The thrust of PSU investment was mainly in the Power Sector during the past five years. During the current year, it increased by 207.80 per cent from ₹ 8989.17 crore in 2010-11 to ₹ 27668.44 crore in 2014-15. Main reason for significant increase in investment in power sector is unbundling of erstwhile Bihar State Electricity Board into five companies⁵ and release of budgetary support by the State Government. The investment in other sectors had also increased by 225.95 per cent in 2014-15 as compared to 2010-11 due to heavy investment of ₹ 3930.10 crore in Bihar State Food and Civil Supplies Corporation Limited.

Chart No. 1.2: Sector wise investment in PSUs (₹ in crore)



(Figures in brackets show the percentage of total investment)

⁵ Bihar State Power (Holding) Company Limited, Bihar State Power Generation Company Limited, Bihar State Power Transmission Company Limited, North Bihar Power Distribution Company Limited and South Bihar Power Distribution Company Limited.

Financial Support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grant/ subsidies, loans written off and interest waived in respect of State PSUs are given below for three years ended 2014-15:

Table No: 1.4: Details regarding budgetary support to PSUs

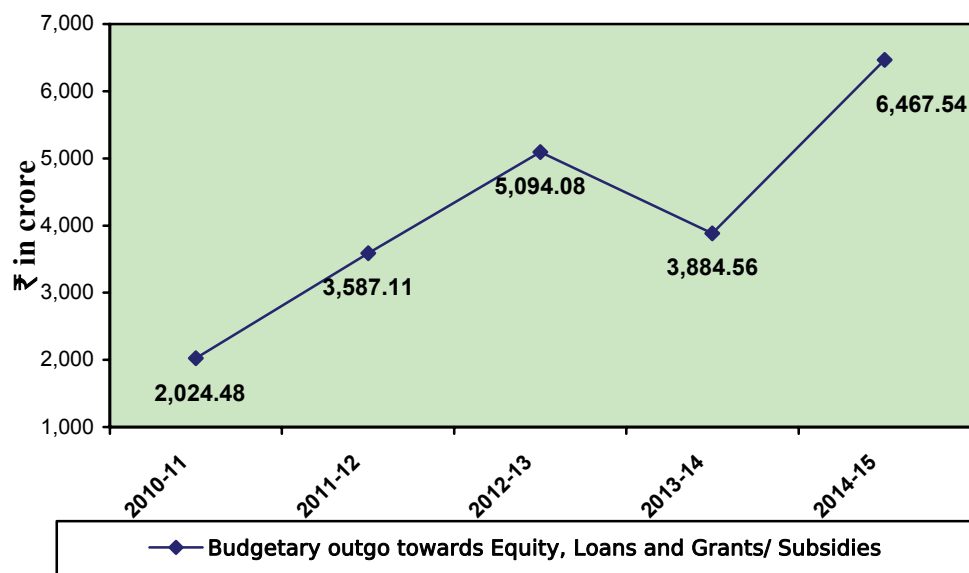
Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	1481.94	4	744.73	4	2443.01
2.	Loans given from budget	4 ⁶	677.17 ⁷	4	1079.54	4	203.33
3.	Grants/Subsidy from budget	6 ⁸	2934.97 ⁹	6	2060.29	7	3821.20
4.	Total outgo ¹⁰ (1+2+3)	11	5094.08	11	3884.56	9	6467.54
5.	Waiver of loans and interest		-	-	-	-	-
6.	Guarantees issued	-	-	5	2648.83	2	818.40
7.	Guarantee Commitment	2	73.06	5	2910.89	7	3732.97

(₹ in crore)

Source: Information furnished by the PSUs

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in Chart no. 1.3:

Chart No: 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



⁶ It includes erstwhile Bihar State Electricity Board.

⁷ It includes loan received by erstwhile Bihar State Electricity Board.

⁸ It includes erstwhile Bihar State Electricity Board.

⁹ It includes subsidy received by erstwhile Bihar State Electricity Board.

¹⁰ Total outgo represents the total budgetary support to actual number of companies in the form of equity, loans and grant/subsidy during the year.

The budgetary support in the form of Equity, Loans and Grants/ Subsidies by the State Government during the years 2010-11 to 2014-15 was showing an increasing trend. The budgetary support increased from ₹ 2024.48 crore in 2010-11 to ₹ 6467.54 crore in 2014-15. Out of ₹ 6467.54 crore, the Power Sector received ₹ 6392.67 crore (98.84 per cent of total budgetary support received from State Government) during the year 2014-15. At the end of the year, Guarantees on Loans aggregating ₹ 3732.97 crore were outstanding against seven¹¹ PSUs.

In order to enable PSUs to obtain financial assistance from Banks and financial Institutions, State Government gives guarantee subject to the limits prescribed by the Constitution of India, for which the guarantee fee is charged. The guarantee commitment increased to ₹ 3732.97 crore during 2014-15 from ₹ 73.06 crore in 2012-13. Guarantee fee of ₹ 8.87 lakh pertaining to the year upto 1982-83 against Bihar State Financial Corporation and ₹ 1.63 crore for the year 2013-14 against Bihar State Food and Civil Supplies Corporation Limited were outstanding.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2015 is stated below:

Table No.1.5: Equity, loans, guarantees outstanding as per finance accounts vis-a-vis records of PSUs

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts ¹²	Amount as per records of PSUs	Difference
Equity	5903.74	11967.16	6063.42
Loans	4036.22	4623.76	587.54
Guarantees	1741.79	3539.97	1798.18

Source: Information furnished by the PSUs and Finance Accounts, GoB, 2015

Audit observed that the differences occurred in respect of 45 PSUs and differences were pending for reconciliation for more than five years.

The Accountant General (Audit) had taken up (October 2011) the issue with the Chief Secretary and the Finance Secretary with the latest reminder in September 2015 to the Principal Secretary, Finance Department, Government of Bihar, to reconcile the differences after examination. However, this has not

¹¹ Bihar State Backward Classes Finance and Development Corporation, Bihar State Minorities Financial Corporation Limited, Bihar State Road Development Corporation Limited, Bihar State Power Generation Company Limited, Bihar State Food and Civil Supplies Corporation Limited, North Bihar Power Distribution Company Limited and South Bihar Power Distribution Company Limited.

¹² The information is in respect of 45 PSUs (out of 73 PSUs) as appearing in Finance Accounts.

yet been done. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

Arrears in finalisation of Accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by September end in accordance with the provisions of Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under section 99 of the Companies Act, 2013. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

Table No: 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs	25	26	31 ¹³	33	33
2.	Number of Accounts finalised during the year	34	23	26	31	26
3.	Number of Accounts in arrears	186	191	196	199 ¹⁴	206
4.	Number of Working PSUs with arrears in Accounts	23	25	29	29	30
5.	Extent of arrears (years)	1 to 21	1 to 22	1 to 22	1 to 23	1 to 24

Source: Information furnished by the PSUs

It can be observed that the number of accounts in arrear has increased from 186 (2010-11) to 206 (2014-15) and situation is pathetic. Out of 33 working PSUs, only three¹⁵ PSUs finalised their accounts for the year 2014-15 and remaining 30 PSUs had arrears of 206 accounts as of 30 September 2015. The Accounts of 30 PSUs were in arrears for periods ranging from one year to 24 years. The reasons for arrears in accounts were delays in preparation/certification of Accounts, delays in holding of Annual General Meeting and shortage of manpower.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the Accounts are finalised and adopted by these PSUs within the prescribed period. The Accountant General brought (October 2015) the position of arrears of Accounts to the notice of the

¹³ It includes five new Power Sector companies which commenced their business from November 2012.

¹⁴ The arrear in accounts at the end of 2012-13 (30 September) was taken as 196 instead of 197, due to exclusion of one accounts of erstwhile Bihar State Electricity Board which was not included in the number of working PSUs in 2012-13 consequent upon unbundling into five Companies.

¹⁵ Bihar Grid Company Limited, Bihar State Educational Infrastructure Development Corporation Limited and Bihar State Financial Corporation.

Chief Secretary and the Principal Secretary/Secretary of the concerned administrative department. No significant remedial measures were, however, taken. As a result of this, the net worth of these PSUs could not be assessed in audit.

In view of above state of arrears, it is recommended that the Government should expedite the clearance of arrears in finalisation of Accounts and monitor the timely finalisation of Accounts in conformity with the provisions of the Companies Act, 1956/ 2013.

1.11 The State Government had invested ₹ 8770.21 crore in 18 PSUs {Equity: ₹ 2464.91 crore (8 PSUs), Loans: ₹ 1926.25 crore (10 PSUs), Grants: ₹ 1430.41 crore (9 PSUs) and others (subsidy): ₹ 2948.64 crore (6 PSUs)} during the year for which accounts have not been finalized as detailed in **Annexure-1.2**. In the absence of finalization of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 40 non-working PSUs, 10 PSUs were in the process of liquidation whose accounts were in arrears for 20 to 36 years. Of the remaining 30 non-working PSUs all PSUs had arrears of accounts for 10 to 31 years.

Placement of Separate Audit Reports

1.13 The position depicted below show the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory corporations in the Legislature.

Table No: 1.7: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Bihar State Warehousing Corporation	2007-08	2008-09 2009-10 2010-11	28 February 2011 8 January 2014 20 February 2015
2.	Bihar State Financial Corporation	2013-14	-	-
3.	Bihar State Road Transport Corporation	1973-74	1974-75 to 2005-06 (32) Details as under 1991-92 1992-93 1993-94 1994-95 1995-96	9 June 1997 2 September 1998 2 September 1998 4 December 1998 18 April 2000

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
			1996-97	19 March 2004
			1997-98	19 October 2004
			1998-99	12 April 2005
			1999-2000	07 October 2005
			2000-01	24 September 2007
			2001-02	26 October 2007
			2002-03	25 January 2010
			2003-04	20 May 2014
			2004-05	10 February 2015
			2005-06	29 September 2015

Source: Information furnished by the Committee on Public Undertakings (CoPU)

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The issue of delay in placement of SARs before the State Legislature was brought to the notice of Chief Minister, Bihar by the CAG in December 2010. There was no improvement in respect of placement of SARs of Bihar State Road Transport Corporation. The Accountant General also brought the issue to the attention of the Principal Secretary, Finance Department, Government of Bihar (May 2011) with the latest reminder in June 2015. The Government should ensure prompt placement of SARs in the State Legislature.

Impact of non-finalisation of accounts

1.14 As pointed out above (para 1.10), the delay in finalization of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporation are detailed in *Annexure-1.1*. A ratio of PSU turnover to State GDP shows the extent of PSUs activity in the State economy. Table below provides the details of working PSUs turnover and State GDP for a period of five years ending 2014-15.

Table 1.8: Details of working PSUs turnover vis-a-vis State GDP

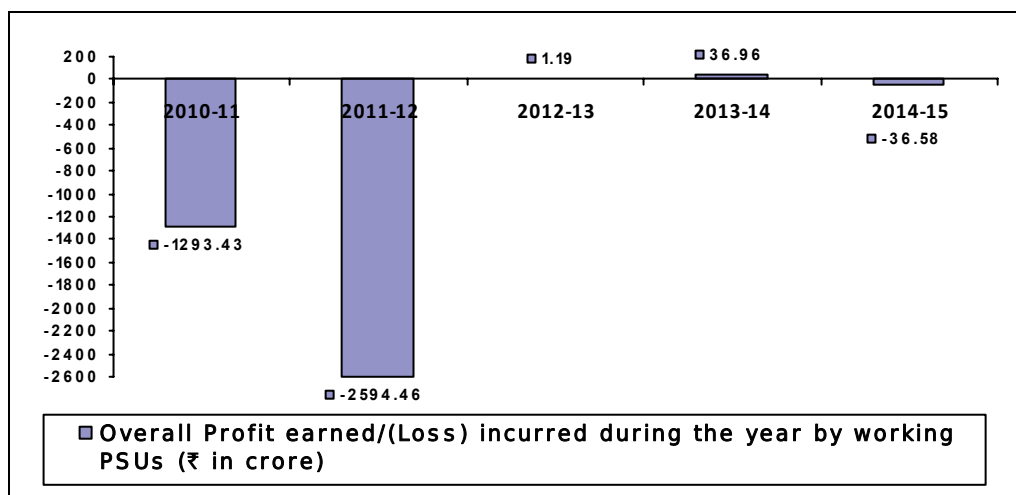
(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover ¹⁶	4031.46	7811.28	2813.70	7924.89	11619.64
State GDP	203554	343269	293616	343663	402283
Percentage of Turnover to State GDP	1.98	2.28	0.96	2.31	2.89

Source: Information furnished by the PSUs

1.16 Overall net profit/losses earned/incurred by State working PSUs during 2010-11 to 2014-15 are given below in bar chart

Chart 1.4: Profit/Loss of working PSUs



The overall net loss of ₹ 1293.43 crore in 2010-11 increased to ₹ 2594.46 crore in 2011-12. Thereafter, there were moderate profits of ₹ 1.19 crore and ₹ 36.96 crore during the years 2012-13 and 2013-14 respectively due to the impact of unbundling of erstwhile Bihar State Electricity Board into five Companies. However, again there was a loss of ₹ 36.58 crore in the year 2014-15. During the year 2014-15, out of 33 working PSUs, 16 PSUs earned profit of ₹ 427.01 crore and 12 PSUs incurred loss of ₹ 463.59 crore. Out of the remaining five PSUs, three¹⁷ PSUs had nil profit/loss and two PSUs¹⁸ had not finalised its first Accounts (September, 2015). The major contributors of Profit were Bihar State Beverages Corporation Limited (₹ 132.87 crore), Bihar Rajya Pul Nirman Nigam Limited (₹ 106.99 crore), Bihar State Educational Infrastructure Development Corporation Limited (₹ 72.63 crore) and Bihar State Road Development Corporation Limited (₹ 58.57 crore). The PSUs which incurred heavy losses were South Bihar Power Distribution Company Limited (₹ 268.69 crore), North Bihar Power Distribution Company Limited (₹ 74.26 crore) and Bihar State Road Transport Corporation (₹ 59.23 crore) as per their latest finalised accounts.

¹⁶ Turnover as per the latest finalised accounts as of 30 September

¹⁷ Bihar State Power (Holding) Company Limited, Bihar State Power Generation Company Limited and Bihar Grid Company Limited.

¹⁸ Pirpainti Bijli Company Private Limited and Lakhisarai Bijli Company Private Limited.

1.17 Some other key parameters of working PSUs are given below:

Table 1.9: Key Parameters of State PSUs

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital employed (<i>Per cent</i>)	-	-	18.41	1.91	0.44
Debt	9692.35	11193.13	4030.88	9349.36	11693.27
Debt/Turnover Ratio	2.40	1.43	1.43	1.18	1.01
Interest Payment	1227.93	1558.11	78.86	248.56	168.30
Accumulated Profit (Loss)	(-)7039.19	(-)9648.57	(-)1129.86	(-)1875.61	(-)3137.76

Source: Information furnished by the PSUs

Return on capital employed decreased from 18.41 *per cent* (2012-13) to 0.44 *per cent* (2014-15). Accumulated loss drastically decreased in 2012-13 due to unbundling of erstwhile Bihar State Electricity Board into five companies. The same was again increased from ₹ 1129.86 crore (2012-13) to ₹ 3137.76 crore (2014-15).

1.18 The State Government had not formulated any Dividend Policy for PSUs to pay a minimum Dividend so as to ensure return on its investments. As per their latest finalised accounts 16 PSUs earned an aggregate profit of ₹ 427.01 crore. However, out of 16 PSUs, only three companies viz Bihar State Beverage Corporation Limited, Bihar State Road Development Corporation Limited and Bihar State Educational Infrastructure Development Corporation Limited proposed a dividend of ₹ 5 crore, ₹ 5 crore and ₹ 3 crore respectively.

Winding up of non-working PSUs

1.19 There were 40 non-working PSUs (all companies) as on 31 March 2015. Of these, 10 PSUs have commenced liquidation process.

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, therefore, these PSUs may be considered either to be closed down or revived.

1.20 The stages of closure in respect of non-working PSUs are given below:

Table No: 1.10: Closure of Non-working PSUs

Sl. No.	Particulars	Companies	Statutory corporations	Total
1.	Total No. of non-working PSUs	40	-	40
2.	Of (1) above, the number under			
(a)	Liquidation by Court (Liquidator appointed)	5 ¹⁹	-	5

¹⁹ Kumardhubi Metal Casting and Engineering Limited, Bihar State Leather Industries Development Corporation Limited, Bihar State Finished Leathers Corporation Limited, Bihar State Small Industries Corporation Limited and Bihar State Export Corporation Limited.

Sl. No.	Particulars	Companies	Statutory corporations	Total
(b)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started	5 ²⁰	-	5

Source: Information furnished by the Official Liquidator, High Court, Patna

During the year 2014-15, no PSU was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation since long. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make a decision regarding winding up of 30 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Accounts Comments

1.21 Seventeen working companies²¹ forwarded their audited 23 Accounts to the Accountant General during the year 2014-15²². Of these, eight Accounts of eight companies were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicated that the quality of maintenance of Accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given in Table no. 1.11:

Table No: 1.11: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in Profit	5	8.76	2	51.20	2	692.89
2.	Increase in Loss	7	7.28	7	49.20	4	121.18
3.	Non-disclosure of material facts	1	2.70	9	4914.22	2	401.37
4.	Error of Classification	-	-	4	357.95	7	1088.69

Source: Information furnished by the Companies

During the year, the Statutory Auditors had given qualified certificates for 45 Accounts²³ finalised by 20 companies²⁴. The compliance to the Accounting Standards by the companies remained poor as there were 11 instances of non-

²⁰ Bihar State Pharmaceuticals and Chemicals Development Corporation Limited, Bihar State Textiles Corporation Limited, Bihar State Water Development Corporation Limited, Bihar State Dairy Corporation Limited and Bihar Hill Area Lift Irrigation Corporation Limited.

²¹ Sl. No. A 3, A 4, A 6, A 7, A 8, A 11, A 12, A 13, A 14, A 16, A 18, A 19, A 20, A 22, A 23, A 26 and A 30 of *Annexure-1.1*.

²² During the period from October 2014 to September 2015.

²³ Working government companies (23) and Non-working government companies (22).

²⁴ Working government companies (17) and Non-working government companies (3).

compliance with the Accounting Standard in the 11 accounts of eight²⁵ Companies during the year.

1.22 Similarly, three working statutory corporations forwarded three Accounts²⁶ to the Accountant General during the year 2014-15²⁷ which were selected for audit. The Audit Reports of Statutory Auditors and the audit of CAG indicate that the quality of maintenance of Accounts needs to be improved substantially. In respect of Bihar State Road Transport Corporation due to non-maintenance of proper records disclaimer on the account was issued for the year 2005-06 during the year 2014-15. The details of aggregate monetary implications of comments of Statutory auditors and CAG are given below:

Table No: 1.12: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	1	0.19	1	3.75	1	8.47
2.	Increase in loss	-	Nil	1	0.64	-	-
3.	Non-disclosure of material facts	1	2.70	1	4.05	-	-

Source: Information furnished by the statutory corporations

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, two performance audits and 14 audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of 14 transaction audit paragraphs were awaited from the State Government (December 2015).

Follow up action on Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriation and timely response from the executive. The Finance Department, Government of Bihar issued (April 2015) instructions to all Administrative Departments to submit replies/explanatory

²⁵ Sl. No. in *Annexure-1.1* are A 4, A 6, A 12, A 13, A 18, A 19, A 26 and A 30.

²⁶ Bihar State Warehousing Corporation (2010-11), Bihar State Road Transport Corporation (2005-06) and Bihar State Financial Corporation (2014-15).

²⁷ During the period from October 2014 to September 2015.

notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the CoPU.

Table No.1.13: Explanatory notes not received (as on 30 September, 2015)

Year of the Audit Report (Commercial/PSU)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which Replies/explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2009-10	20.07.2011	02	10	0	03
2010-11	06.08.2012	02	09	02	07
2011-12	01.08.2013	02	12	01	09
2012-13	15.07.2014	03	12	02	07
2013-14	07.04.2015	02	14	01	03
Total		11	57	06	29

Source: Information available at our office

From the above, it could be seen that out of 68 Paragraphs/Performance Audits, explanatory notes to 35 Paragraphs/ Performance Audits in respect of 13 departments, which were placed in the State Legislature during last five years, were awaited (September 2015).

Discussion of Audit Reports by CoPU

1.25 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (CoPU) was as under.

Table No. 1.14: Performance Audits/Paras appeared in Audit Reports vis a vis discussed as on 30 September 2015.

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2009-10	02	10	02	07
2010-11	02	09	-	01
2011-12	02	12	-	-
2012-13	03	12	-	-
2013-14	02	14	01	-
Total	11	57	03	08

Source: Information available at our office

Out of 11 Performance Audit Reports and 57 Paragraphs pertaining to the CAG Reports for the period 2009-14, eight Performance Audits and 49 Paragraphs are yet to be discussed (September 2015).

Compliance to Reports of Committee on Public Undertakings (CoPU)

1.26 Action Taken Notes (ATN) to six paragraphs pertaining to four Reports of the CoPU presented to the State Legislature between March 2010 and December 2013 had not been received (September 2015) as indicated below:

Table no.1.15: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total no. of recommendations in CoPU Report	No. of recommendations where ATNs not received
2009-10	01	01	01
2010-11	01	03	03
2011-12	01	01	01
2012-13	-	-	-
2013-14	01	01	01
TOTAL	04	06	06

Source: Information furnished by Committee on Public Sector Undertakings

These Reports of CoPU contained recommendations in respect of paragraphs pertaining to one department, which appeared in the Reports of the CAG of India for the 1996-97 to 2005-06.

It is recommended that the Government may ensure: (a) sending of replies to explanatory notes/ paragraphs/ performance audits and ATNs on the recommendations of CoPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this Report

1.27 This Report contains 14 Paragraphs and two Performance Audits i.e. on "Construction activities of Bihar Rajya Pul Nirman Nigam Limited" and on "Bihar Urban Infrastructure Development Corporation Limited" involving financial effect of ₹ 309.37 crore.

Disinvestment, Privatisation and Restructuring of PSUs

1.28 The State Government did not undertake the exercise of disinvestment of any of its PSUs during 2014-15. Further, 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 PSUs was taken up in September 2005. The implementation, however, has been done only in the case of five PSUs²⁸ (September 2015).

²⁸ Bihar Rajya Beej Nigam Limited, Bihar State Hydroelectric Power Corporation Limited, Bihar State Tourism Development Corporation Limited, Bihar State Warehousing Corporation and Bihar State Mineral Development Corporation Limited.

CHAPTER II

2.1. PERFORMANCE AUDIT ON THE CONSTRUCTION ACTIVITIES OF BIHAR RAJYA PUL NIRMAN NIGAMLIMITED

Chapter II

Performance Audits relating to Government companies

2.1 Performance Audit on the Construction Activities of Bihar Rajya Pul Nirman Nigam Limited

Executive Summary

Introduction

Bihar Rajya Pul Nirman Nigam Limited (Company) was incorporated in June 1975 as a wholly owned Government Company. The main objective of the Company is construction of new bridges and other structures including maintenance and improvement work in respect thereof. The Company, during the period 2010-15, executed deposit works only and did not participate in any competitive bidding process to obtain contract.

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

Fund Management

- The Company suffered loss of centage charges of ₹ 12.66 crore in respect of 70 projects due to execution of work without agreement and the centage charges of ₹ 16.49 crore on revised estimate of a bridge was also not claimed.

(Paragraph 2.1.7)

Construction of bridges funded by NABARD

Out of 542 bridges executed by the Company, 281 bridges were completed during the period 2010-15 of which 149 bridges (53 *per cent*) were completed with delays. As on 31 March 2015, 261 bridges were under various stages of completion out of which 94 bridges are delayed by one to 64 months.

(Paragraph 2.1.11)

- In six test checked divisions, 81 bridges were completed, out of which 45 bridges were completed with delays ranging from one to 30 months and 17 bridges were completed with a cost overrun of ₹ 36.19 crore.

(Paragraph 2.1.11)

- Out of 224 bridges executed by six test checked divisions, there were delays in finalization of tender in 49 cases ranging from eight to 356 days after the expiry of the validity period of the bids.

(Paragraph 2.1.12)

- The Company in violation of the CVC Guidelines issued eight work orders aggregating to ₹ 126.92 crore for construction of bridges on a nomination basis without inviting tenders.

(Paragraph 2.1.13)

- After incurring an expenditure of ₹ 42.13 crore, the construction of two bridges were abandoned due to non-availability of land. In case of five bridges, there were abnormal delays in completion of approach roads connecting thereto as a result of which expenditure of ₹ 14.95 crore remained blocked for a period ranging from seven months to 15 months.

(Paragraph 2.1.14)

- In case of six ongoing bridges, though the bridge portions were completed at a cost of ₹ 69.23 crore, the construction of connecting approach roads were still incomplete even after a lapse of period ranging from seven to 34 months.

(Paragraph 2.1.14)

- The additional works in case of bridge at Dhanha-Ratwalghat was not awarded to the contractor on the rate of original work which resulted in excess expenditure of ₹ 9.24 crore.

(Paragraph 2.1.16)

- In case of bridge at Vijayghat at Bhagalpur an additional sum of ₹ 4.29 crore was paid to the contractor for the increase in the depth of the foundation well.

(Paragraph 2.1.17)

Construction of bridges under Mukhya Mantri Setu Nirman Yojana

- Out of 710 bridges executed by the Company, 540 bridges were completed during the period 2010-15 of which 312 bridges (58 *per cent*) were completed with delays. As on 31 March 2015, 170 bridges were under various stages of completion of which 61 bridges are delayed by one to 84 months.

(Paragraph 2.1.20)

- In six test checked divisions, 248 bridges were completed, out of which 141 bridges (56.85 *per cent*) were completed with delays ranging from 10 days to 51 months and 26 bridges were completed with a cost overrun of ₹ 7.48 crore.

(Paragraph 2.1.20)

- Out of 337 bridges executed by six test checked divisions, there were delays in finalization of tenders in 57 cases ranging from 10 to 369 days after the expiry of the bid validity period.

(Paragraph 2.1.21)

- After incurring an expenditure of ₹ 2.70 crore, the construction of two bridges were abandoned since June 2012 due to non-availability of land. In case of 10 bridges, there were abnormal delays in completion of approach roads connecting thereto as a result of which expenditure of ₹ 16.40 crore remained blocked for a period ranging from six to 30 months.

(Paragraph 2.1.22)

- In case of four bridges, bridge portion was completed at a cost of ₹ 10.57 crore, the approach roads were still incomplete even after lapse of period ranging from 13 months to 45 months.

(Paragraph 2.1.22)

Construction of Buildings

- In case of Construction of Vardhaman Institute of Medical Science, excess payment on account of price escalation of ₹ 18.51 crore was made to the contractor. Further, the company in violation of the directives of the Government incurred avoidable excess expenditure of ₹ 3.81 crore.

(Paragraph 2.1.25)

- Out of 38 Chhatrawaas to be constructed by the Company, only seven Chhatrawaas were completed till March 2015 even after a lapse of five years from the date of Administrative Approval.

(Paragraph 2.1.26)

Monitoring and Internal Control

- The Company did not have any policy regarding appointment of Supervision Consultants (SC). The expenditure of ₹ 32.54 crore incurred on payment to SC was charged to the work expenses instead of meeting the same from Centage Charges.

(Paragraph 2.1.28)

- Due to non-reconciliation of accounts of the completed projects with concerned administrative department, an amount of ₹ 11158.91 crore were shown as Deposits from Government of Bihar in the annual accounts for the year 2014-15.

(Paragraph 2.1.31)

Introduction

2.1.1 Bihar Rajya Pul Nirman Nigam Limited (Company) was incorporated in June 1975 as a wholly owned Government Company. The main objectives of the Company are construction of new bridges/other structures and the Company also undertakes maintenance and improvement work in respect thereof. Though Company mainly executes the works relating to construction of bridges, in addition to this, other infrastructural works viz. construction of hostels, hospitals, flood shelters, convention center, parks, etc., are also undertaken.

The Company executes two types of works (i) deposit works and (ii) contract works through participating in tenders. The deposit works are being entrusted

by the Government of Bihar (GoB) to the Company on a cost plus basis, i.e. scheduled cost plus centage charges¹ to meet overhead expenses of the Company. The Company, during the period 2010-15, executed deposit works only and did not participate in any competitive bidding process to obtain contracts.

The Company executed the deposit works during the said period through funds received under National Bank of Agriculture and Rural Development (NABARD), Plan, Non-plan, etc., and Mukhya Mantri Setu Nirman Yojna (MMSNY). The details of bridges/projects allotted to the Company under different heads during April 2010 to March 2015 are given in the table below:

Table No: 2.1.1
Statement showing details of projects awarded to the Company
(₹ in crore)

Heads	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Various heads	1010.29 (149)	1131.77 (173)	1975.83 (129)	4461.52 (267)	330.77 (17)	8910.18 (735)
MMSNY	415.79 (196)	108.93 (49)	402.06 (138)	75.49 (27)	350.45 (114)	1352.72 (524)
Total	1426.08 (345)	1240.70 (222)	2377.89 (267)	4537.01 (294)	681.22 (131)	10262.90 (1259)

Source: Information furnished by the Company

Figures in brackets indicate numbers of bridges/projects

During the period from April 2010 to March 2015, the Company completed 914 projects involving AAs of ₹ 4344.29 crore and as on 1 April 2015, 626 projects involving AAs of ₹ 10136.01 crore were under various stages of completion (as detailed in *Annexure-2.1.1*). Out of 329 projects completed in six test checked works divisions, 186 projects (56.53 per cent) were completed with delays.

The Company, during the period 2010-11 to 2014-15, registered steady profits which increased from ₹ 70.63 crore in 2010-11 to ₹ 139.09 crore in 2014-15. The Reserves and Surplus of the Company increased from ₹ 166.50 crore in 2010-11 to ₹ 464.86 crore in 2014-15. The accounts of the Company for the year 2013-14 and 2014-15 were in arrears.

The Management of the Company is vested with the Board of Directors comprising of seven directors. The Managing Director, subject to the overall control and supervision of the Board, is responsible for day to day conduct of the business of the Company. The Managing Director is assisted by three Deputy Chief Engineers, Financial Adviser cum Chief Accounts Officer and

¹ 13.5 per cent for the turnover up to ₹ 100 crore, 12.5 per cent for the turnover between ₹ 100 crore to ₹ 250 crore and nine per cent plus one per cent contingency charges for the turnover exceeding ₹ 250 crore.

Secretary of the Company. The organisational chart of the Company is given in *Annexure-2.1.2*.

Audit Scope and Methodology

2.1.2 A Performance Audit (PA) on the Company for the period 2005-10 featured in the Report of Comptroller and Auditor General of India (Commercial), Government of Bihar (GoB) for the year ended 31 March 2010. The said PA has since been taken up for discussion by the Committee of Public Sector Undertakings (CoPU) which has not yet been completed.

The Scope of Audit and Methodology covered examination of records during March 2015 to June 2015 pertaining to the period April 2010 to March 2015, maintained at the Company's Head office, Planning Circle, Quality Control Wing and six (Works division Muzaffarpur, Sitamarhi, Bettiah, Nalanda, Bhagalpur and Patna-2) out of the 14 Works Divisions of the Company covering 47.35 per cent of the total expenditure incurred during the period 2010-2014. The Works Divisions, for the purpose of detailed scrutiny, were selected on the basis of quantum of the work executed during the previous four years ending 31 March 2014 on the basis of the Random sampling method.

Audit Objectives was explained to the Top Management in the Entry Conference held on 13 March 2015 and discussion of audit findings with the Management and Government was done in the Exit Conference held on 08 October 2015. Further, the draft Performance Audit Report was issued to the Management and the State Government for their comments. The reply of the Management and the State Government received in September 2015 and October 2015 respectively, has been suitably incorporated in PA.

Audit Objectives

2.1.3 The Performance Audit of the Company was carried out to evaluate and assess whether:

- the funds were managed efficiently and economically;
- the various Projects/Schemes undertaken by the Company were executed economically, efficiently and effectively and that the Company was sensitive to the risk of time and cost overruns; and
- the Company had an adequate and effective Monitoring/Internal Control system in place.

Audit criteria

2.1.4 The Audit criteria considered for assessing the achievement of Audit objective was drawn from:

- Memorandum and Articles of Association of the Company; Company's Regulations and Business Bye-laws, Standard Contract Document;

- Bihar Financial Rules and Bihar Public Works Department Code;
- Central Government/State Government Guidelines /Project Guidelines; and
- Guidelines of Mukhya Mantri Setu Nirman Yojna (MMSNY).

Audit Findings

Fund Management

Financial Position and Working Results

2.1.5 The financial position and working results of the Company for the five years ending 31 March 2015 is given in *Annexure-2.1.3*.

It can be seen from the annexure that the centage, i.e., main source of income of the Company has shown increasing trend during the period covered under scrutiny. The percentage of centage income to total income ranged between 67.31 and 82.69 whereas the percentage of interest earned on Fixed Deposits to total income ranged between 11.24 and 19.23.

Fund availability and their utilisation

2.1.6 The details of fund received by the Company during the period 2010-15 *vis-a-vis* their utilisation are given in the table below:

Table No: 2.1.2

Table showing fund utilisation during the period 2010-15

(Amount: ₹ in crore)

Year	Opening Balance	Received during the year	Total funds available	Funds utilized	Closing Balance	Percentage of Utilisation
2010-11	729.65	1625.41	2355.06	1244.58	1110.48	52.85
2011-12	1110.48	1635.84	2746.32	1410.88	1335.44	51.37
2012-13	1335.44	1356.87	2692.31	1389.26	1303.05	51.60
2013-14	1303.05	1778.77	3081.82	1606.78	1475.04	52.14
2014-15	1475.04	2167.14	3642.18	1881.46	1760.72	51.66

Source: Information furnished by the Company

It can be seen from the table that the fund utilisation of the Company during the period 2010-15 decreased from 52.85 *per cent* in 2010-11 to 51.66 *per cent* in 2014-15. Thus, significant funds pertaining to Infrastructural Projects/schemes ranging between ₹ 1110.48 crore and ₹ 1760.72 crore were lying in the Company's Accounts.

Loss of centage charges

2.1.7 We observed that:

The Company suffered loss of centage charges of ₹ 12.66 crore in respect of 70 projects due to execution of work without agreement

- The Company undertook the work of construction of various bridges in Kosi area of Bihar allotted by Bihar Apda Punarwaas Evam Punarnirman Society (BAPEPS) without any agreement with BAPEPS, as a result the centage charges to be paid to the Company could not be finalised. After executing the projects, the Company claimed its centage charges which were denied by the BAPEPS. Thus, the Company suffered loss of centage charges aggregating to ₹ 12.66 crore in respect of 70 projects executed during 2011-15.

The Management stated (September 2015) that the Company has insisted for the payment of centage charges from BAPEPS as well as requested for its waiver from the State Government. The fact remains that the Company failed to ensure the provision of centage charges in the agreement and as a result suffered loss.

The Company failed to safeguard its financial interest by not claiming increased centage

- The estimate of a Fly-over at Bailey Road in Patna, was increased from ₹ 161.98 crore to ₹ 321.40 crore. However, the required increase in centage charges of ₹ 16.49 crore was not claimed by the Company while preferring the revised cost for approval of the State Government. Thus, the Company failed to safeguard its financial interest by not claiming increased centage charges.

The Management stated (September 2015) that in the revised estimate, admissible centage charges were proposed, however, the State Government restricted the same to original approved amount. The reply is not based on facts as in revised technical sanction sent by the Company, the centage charges were not claimed on revised cost.

Loss due to non-retention of collection charges and non-deduction of labour cess

2.1.8 We observed that:

The Company failed to retain collection charges in respect of cess collected from the contractors

- The Building and Other Construction Workers Welfare (Regulation of Employment and Conditions of Service) Act, 1996 which read with the Building and Other Construction Workers Welfare Cess Act, 1996 and Building and Other Construction Workers Welfare Cess Rules 1998, provides, *inter alia*, that a cess at the rate of one *per cent* of the cost of construction incurred by the employer shall be levied and collected from the bills of contractors and an amount at a rate of one *per cent* so collected shall be retained as collection charges. We noticed that the Company, in six test checked Works Divisions, during the period 2010-15, failed to retain a sum of ₹ 31.38 lakh on account of collection charges in respect of cess aggregating to ₹ 31.38 crore duly collected from the contractors.

The Management agreed to the audit observation and stated (September 2015) that the same has been noted for future compliance.

- The Company, in contravention of aforementioned provisions also failed to deduct labour Cess amounting to ₹ 28.10 lakh from the bills of the contractor in respect of International Convention Centre at Rajgir, Nalanda and instead deposited the same out of its own fund. As a result, the company not only incurred an avoidable excess expenditure of ₹ 28.10 lakh but also provided undue benefit to the contractor to that extent.

The Management stated (September 2015) that provision for Labour cess was not made in the approved estimates and the contractor claimed additional one *per cent* for labour cess in his bills prior to effecting deduction and the Company did accordingly. The reply was not acceptable as labour cess was Applicable from 2008 in the State of Bihar and since as per the bid documents (issued in December 2009), the rates quoted by the bidders shall be deemed to be inclusive of all the taxes and cess. Thus, the amount of Labour Cess should have been deducted from the bills of the contractor instead of depositing the same from Company's own fund.

Recommendation

The Company should be vigilant to ensure that in all agreement entered into by it, its due centage charges are claimed.

Execution of Projects

2.1.9 The Company executes two categories of work, i.e., construction of bridges and construction of other structures like Buildings, Hostels, Flood shelters, Parks, etc.

Construction of Bridges

2.1.10 For construction of bridges, funds are made available to the Company by the GoB through various heads such as National Bank for Agriculture and Rural Development (NABARD), Plan, Non-plan, etc., and Mukhya Mantri Setu Nirman Yojana (MMSNY). Under Heads NABARD, Plan, Non-plan, etc., the Company undertook the construction of 542 bridges involving AA of ₹ 11578.55 crore during 2010-15. Further, under MMSNY, the Company executed 710 bridges involving AA of ₹ 1916.50 crore.

The construction of bridges commences on allotment of works to the Company by the Government of Bihar (GoB). The Company, after conducting survey of site selected by the Government, gets the DPR/Design/Estimates prepared for determining the cost of the projects and getting Administrative Approval (AA) from the Government. After getting the AA, Technical Sanction (TS) is accorded by the Company for determining the actual quantity of work to be executed. The works are executed either through inviting tenders or on nomination basis. After finalisation of the tenders, the work orders are issued and an agreement in Standard Contract Document is entered into with the contractors for commencement of work.

Construction of bridges funded by NABARD

2.1.11 During the period 2010-15, under the head NABARD, Plan, Non-plan, etc., the Company, undertook the construction of 542 bridges involving AA of ₹ 11578.55 crore including 54 bridges involving AA of ₹ 2939.11 crore of previous years. Out of this, the Company completed 281 bridges at a cost of ₹ 2825.30 crore of which 149 bridges (53 per cent) were completed with delays. As on 31 March 2015, 261 bridges involving AA of ₹ 8753.25 crore were under various stages of completion out of which 94 bridges are delayed by one to 64 months.

The details of bridges constructed under Plan, Non-plan, NABARD and other heads in six test-checked Works Divisions are given in the table below:

Table No: 2.1.3

Table showing time and cost overruns in case of bridges completed under other Heads

Sl. No.	Name of Works Division	No. of bridges Completed	No. of bridges completed with Delays	Range of delays (in months)	No. of bridges completed with Cost over-run	Cost overrun (₹ in crore)
1	Muzaffarpur	12	3	6 to 18 months	3	3.68
2	Sitamarhi	19	16	1 to 30 months	8	2.92
3	Bettiah	3	2	7 to 12 months	1	24.03
4	Nalanda	18	8	1 to 8 months	1	2.26
5	Bhagalpur	16	9	1 to 20 months	4	3.30
6	Patna-2	13	7	3 to 16 months	0	0
	Total	81	45		17	36.19

Source: Information furnished by the Company

It can be seen from the table that out of 81 completed bridges:

- 45 bridges, i.e., 55.56 per cent were completed with delays ranging between one to 30 months, the delays being attributable to delays in finalization of tenders, delays in acquisition of land, delays in timely execution by the contractor and splitting of work of construction of bridge portion and approach road.
- Besides, 17 bridges were completed with a cost overrun of ₹ 36.19 crore which were attributable to the reasons viz., changes in design on account of

increase in length of bridge, additional work after finalization of tender and delays in issuing work orders.

Some of the significant discrepancies in construction of bridges under NABARD, Plan, Non-plan, etc, are discussed below briefly:

Delays in finalization of tenders

2.1.12 The Company floats the Notice Inviting Tenders (NITs) for execution of the various Infrastructural Projects. The bid remains valid for a period of 120 days from the date of opening of technical bid.

In case of 49 NITs, the tenders were finalised with delays ranging from eight to 356 days

We observed that out of 224 bridges executed by six test checked divisions under NABARD, Plan, Non-plan heads, etc., in case of 49 NITs, the tenders were finalised with delays ranging from eight to 356 days after the expiry of the validity period of the bids. Of the aforementioned 49 NITs, 17 NITs were finalised after delays ranging from eight to 100 days, 12 NITs were finalised after delays ranging from 101 to 200 days. Further, 20 NITs were finalised after delays ranging from 201 to 356 days.

Further, in case of four bridges namely bridge at Maliya and Tetarhat in Lakhisarai District, Ranghaighat and Pikhghat in Muzaffarpur District and Jatwaghat at East Champaran District, the Company issued four work orders after an abnormal delays of one year from the expiry of the validity period of the bids. As a result of this, the construction of bridges were delayed by one year and the Company had to incur excess expenditure of ₹ 1.84 crore on account of price escalation which was avoidable. This resulted in loss to the Government exchequer by ₹ 2.02 crore (including centage charges of the Company).

The Management stated (September 2015) that NITs were floated in anticipation of AA and due to non-receipt of AA in time and verification of documents of the Contractors, the NITs could not be finalized in Bid validity period. However, the fact remains that due to delay in according/obtaining AA, the project suffered time and cost overrun.

Irregularities in tendering process

2.1.13 In course of scrutiny of records pertaining to the tendering process of bridges constructed under NABARD Head, we observed the following discrepancies:

- We observed that due diligence in the finalization of technical bids was not being carried out at the Works Division (WD) and Deputy Chief Engineer (DCE) level. In case of construction of a bridge along with approach road across Tirumuhan River in Dhankutwa to Shivpur road in WD, Bettiah, we observed that four bidders were declared technically qualified by the Senior Project Engineer (SPE), WD, Bettiah and Deputy Chief Engineer (DCE), North Bihar Circle. However, on scrutiny at Headquarters, it was found that only one bidder was technically qualified. Similarly, in case of construction of bridge between Maliya and Tetarhat in WD, Nalanda, out of eight bidders, two

Bid evaluation at WD and DCE level was not proper

bidders were declared technically qualified by SPE, yet, the same were declared disqualified at Headquarter and another bidder who was declared disqualified at Works Division was awarded the Work Order. The comparative statements for evaluation of Technical bids were not found on records. This indicated that the bid evaluation at WD and DCE level was not proper.

The Management stated (September 2015) that SPE did not recommend any technically qualified bidder therefore decision was taken at Headquarter's office. The reply is not based on facts as the SPE in his noting had made recommendation regarding technically qualified bidders.

The qualifying criteria was diluted at the request of bidder

- in case of construction of bridge across the River Harohar near Surjichack in WD Nalanda, the work order was awarded to a bidder who was earlier held technically not fit in the first bid and further at his requests, the criterion of bridge length experience was reduced from 100 meters to 90 meters and subsequently to 70 meters by the Company. This was not only irregular but also amounted to extension of undue benefit to the said bidder.

The Management stated (September 2015) that in the first tender both the bidders could not meet the qualifying length criterion of 100 meters. Thus, the required qualifying criteria of length was reduced to 90 meters in re-tender, and at the request of bidders in pre-bid meeting of re-tender, the same was further reduced to 70 meters.

The reply of the Management is not based on facts as in case of first tender one bidder fulfilled the qualifying length criterion and had experience of construction of 154 meter long bridge of the Company itself. Further, only one bidder requested for reduction in qualifying length and to benefit that bidder his request was accepted and he was finally awarded the work order.

- The Central Vigilance Commission's Order dated July 2007 based on the Judgement of Hon'ble Supreme Court of India arising out of (Special Leave Petition) SLP (Civil) No. 10174 of 2006, *inter alia*, provides for awarding of Government Contract only through public auction/public tender, the prime objective being to ensure transparency in the Government Contracts as well as to weed out corrupt/irregular practices. The said order also stipulated a departure from the aforementioned rule only in exceptional cases where a Government Contract may be awarded on a nomination basis.

The Company in violation of the CVC Guidelines issued work orders aggregating to ₹ 126.92 crore on nomination basis

The Company in violation of the aforementioned CVC Guidelines issued eight work orders under NABARD Head aggregating to ₹ 126.92 crore for construction of bridges and approach roads on a nomination basis which were not exceptional cases as per the CVC Guidelines and without assigning any justifications/reasons on record. This was not only irregular and against the Judgement of the Apex Court but also amounted to extension of undue benefit to the Contractors.

The Management stated (September 2015) that as per Company's business bye-laws, works were awarded on nomination basis, however, after being pointed out by audit, the process was stopped from June 2015.

Delays in land acquisition

2.1.14 To ensure timely availability of a bridge for public use, its construction should be planned in such a way that the bridge as well as the approach road connecting thereto is completed simultaneously in time. Further, timely acquisition of required land is a key issue for timely execution of bridge Project. Thus, assessment of availability of land should be done before commencement of work and constraints in land acquisition should be identified before incurring any expenditure on the bridges. However, we observed that:

Construction of two bridges were abandoned after incurring an expenditure of ₹ 42.13 crore

- construction of two bridges i.e. bridge across river Barnar at Debghat Nijuara in Jamui District (since March 2014) and a Railway Over bridge at Bariyarpur in Munger District (since March 2010) were abandoned after incurring expenditure of ₹ 42.13 crore due to non-acquisition of Land. A picture of abandoned ROB at Bariyarpur is given below:



Picture of an abandoned Railway Over bridge (ROB) Bariyarpur at Bhagalpur

There were abnormal delays in completion of approach roads

- in case of five bridges, though the bridge portion was completed at a cost of ₹ 14.95 crore, there were abnormal delays in completion of approach roads connecting thereto which ranged for a period of seven months to 15 months (as detailed in *Annexure-2.1.4*).

In case of six ongoing bridges, connecting approach road was incomplete even after a lapse of seven to 34 months

- in case of six ongoing bridges, though the bridge portions were completed at a cost of ₹ 69.23 crore, the construction of connecting approach roads were still incomplete (June 2015) notwithstanding a lapse of period ranging from seven months to 34 months (as detailed in *Annexure-2.1.5*). A recent picture of one of the bridges lying unutilised is depicted below:



Incomplete bridge at Mandarghat in Sheohar District

As a result of above, the public fund on account of expenditure of ₹ 126.31 crore incurred on the aforesaid 13 bridges till date (June 2015) not only lay blocked up but also resulted in denial of intended benefit to the public.

The Management stated (September 2015) that due to various reasons such as delays in land acquisition, clearance from other departments, laxity on the part of the contractors, etc., the approach roads could not be completed. Reply is not acceptable as the Company should have assessed the availability of land *ab-initio* to identify the constraints in acquiring the land.

Delays by contractor

2.1.15 As per Clause -5 of the agreement, request for extension of time, was to be made by the Contractor within 14 days of the happening of the event causing delay. Besides, as per clause -2 of the agreement, compensation for delay at the rate of one *per cent* per month (maximum up to five *per cent*) of the tendered value of work was to be deducted.

We noticed that in respect of bridge between Maliya and Tetarhat in Lakhisarai district:

- the contractor applied for extension of time in March 2015, i.e., after 13 months from the schedule date of completion and the same was granted in violation of clause – 5 to the contractor despite knowing the fact that there was lapse on the part of the contractor causing delay.
- for compensation of delay an amount of only ₹ 8.48 lakh at the rate of two *per cent* of the bill value was deducted from the bills of the contractor, as against required amount of ₹ 94.55 lakh which resulted in short deduction of compensation for delay by ₹ 86.07 lakh.

The Management stated (September 2015) that there were naxal attacks on the site in July 2012 and the contractor while seeking assistance from the Company, had mentioned need for time extension. The Management further stated that the liquidated damage was not deducted in anticipation of grant of extension of time to contractor. The reply is not acceptable as the disturbance on site occurred in July 2012 and extension of time was sought by the

contractor in March 2015, i.e., after 32 months from happening of the event and 13 months from schedule date of completion. Further, the conditions of agreement regarding liquidated damages should have been imposed.

Recommendation

The terms and conditions of contract regarding granting extension of time in case of delay in completion of work should be implemented and no undue favour should be granted to the contractors.

Excess Payment on execution of additional items

2.1.16 As per clause 182 A of the Bihar Public Works Department (BPWD) Code, for execution of extra item a supplementary agreement should be entered with the contractor and the rate of extra items should not be more than the rate quoted for the primary agreement. The Company awarded (September 2009) the work of construction of bridge with approach road and guide bund at Dhanha-Ratwalghat in West Champaran District on Gandak River on turnkey basis at a cost of ₹ 219 crore (26 *per cent* below the estimated cost).

We observed that Indian Institute of Technology (IIT), Roorkee, recommended (March 2011) for additional protection work on the bridge and the Company decided the construction of a new bridge of 100 meters and work of boulder pitching on the approach road of the above bridge. For above works estimate amounting to ₹ 35.55 crore was prepared based on Schedule of Rates (SoR) of January 2009 and the work was awarded (June 2012) to the same contractor on nomination basis on the basis of SoR. This resulted in excess expenditure of ₹ 9.24 crore (26 *per cent* of ₹ 35.55 crore).

The Management stated (September 2015) that the rates of the related items increased considerably from 2009 to 2012, so by awarding the additional work on SoR of 2009, the Company was able to save cost. The reply is not acceptable as the payment for price escalation was made to the Contractor as per primary agreement for increase in the prices of related items.

Recommendation

The provisions of BPWD code should be followed while entering into supplementary agreement with the contractors.

Injudicious payment to the Contractor

2.1.17 For construction of a bridge at Vijayghat, Bhagalpur, the work order was issued (July 2010) to the Contractor at a cost of ₹ 219.47 crore being 14.60 *per cent* below the estimated cost of ₹ 257 crore. The depth of foundation well of the bridge in the said estimate was considered to be 40 meters. We noticed that:

- the contractor submitted a new design wherein the depth of the foundation well was reduced to 31.2 meters (for 15 piers) and 32.2 meters (for 19 piers) and the same was approved on 13 December 2010 by the Company for

Additional work was awarded to the contractor on same rate i.e. below 26 per cent of the estimated cost. This resulted in excess expenditure of ₹ 9.24 crore

construction. Further, although a model test of the bridge was undergoing from May 2010 to December 2010, the design submitted by the contractor was approved by the Company without waiting for test report of Indian Institute of Technology (IIT), Roorkee.

- IIT, Roorkee recommended on 22 December 2010 that under no circumstance, the depth of the foundation well be reduced from 40 meters. Subsequently, the contractor was directed (April 2011) by the Company to increase the depth of the foundation well and the same was constructed by the contractor.

The Company, failed to examine the cost implication of the reduction in depth of the foundation well which resulted in avoidable excess expenditure of ₹ 4.29 crore

- apart from contract amount, an additional sum of ₹ 4.29 crore was paid to the contractor for the increase in the depth of the foundation well from 31.2/32.2 meters to 40.0 meters as against the contractor's design. This shows that the Company, *ab initio*, failed to examine the cost implication of the reduction in the depth of the foundation well which resulted in avoidable excess expenditure of ₹ 4.29 crore but also amounted to extension of undue benefit to the Contractors.

The Management stated (September 2015) that when the work is executed on turnkey basis, the cost comparison is not done between the provisional structure on which tender is done and the structure designed by the contractor. The reply is not acceptable as the Company failed to safeguard the financial interests of the Government as it approved the design of the contractor having less quantity notwithstanding the pendency of the recommendation of IIT.

Recommendation

The approval of design of contractor should be done only after completion of ongoing test by IITs, etc.

Excess Payment on account of Price Variation

2.1.18 For construction of two bridges at Piprahighat in Sheohar District and Mandarghat in Sitamarhi District, the Company issued two Work Orders. As per terms and conditions of the agreement, the prices of the cost components prevailing on 28th day prior to the date of opening of the bid (i.e. January 2009) was to be considered as base price for working out cost escalation.

The Company, paid price escalation bills of the contractors amounting to ₹ 11.27 crore as against the admissible amount of ₹ 10.60 crore

We observed that the Company in contravention of the provisions of the agreement paid price escalation bills of the contractors amounting to ₹ 11.27 crore considering February 2009 as base month as against the admissible amount of ₹ 10.60 crore. This resulted in avoidable excess payment/expenditure of ₹ 67.23 lakh.

The Management accepted (September 2015) the audit observation and stated that necessary action has been taken to recover the amount from the Contractor.

Collapse of Runnisaipur-Katra-Kewatsa Road bridge

2.1.19 A DPR including design for construction of a bridge on 26.15 KM of Runnisaipur-Katra-Kewatsa Road in Muzaffarpur district was submitted by the Consultant to the Company in November 2011. As per the DPR, the length of the bridge was to be 111.84 meters and depth of each foundation was proposed to be 30 meters with four piles in one foundation. The total cost of the bridge together with the approach road was ₹ 5.94 crore.

The DPR of the bridge was significantly revised and the depth of the foundation was reduced. Further, one of the piers sunk into the bed. As a result, the superstructure of the bridge collapsed thereby making it unusable

We observed that:

- the DPR of the aforementioned bridge was significantly revised (January 2014) whereby the length of the bridge was reduced from 111.84 meters to 99.6 meters and four spans of 24 meters and the depth of the foundation was reduced to 20 meters with six piles in one foundation.
- on 27 August 2014, one of the piers, on which, the work of superstructure was also almost complete, sunk further into the bed of the river and the pier cap also tilted towards earth end. As a result of this, the superstructure of the bridge collapsed and bent on the sunken pier thereby making the bridge unusable as can be seen from the photograph given below. The construction work was stopped (August 2014) midway and the matter is under enquiry at the Company level.



Damaged bridge on Runnisaipur-Katra-Kewatsa Road in Muzaffarpur

Notwithstanding a lapse of almost one year, the Company failed to fix any responsibility for collapse of the said bridge and/or lay on records any justification for a paradigm change in the DPR. As a result of this, a sum of ₹ 5.42 crore incurred on the construction of bridge not only remained blocked up but also led to denial of intended benefit to the public. Further, the Company also failed to take any action till date (September 2015) to restore/repair the damaged bridge.

The Management stated (September 2015) that the previous DPR was not approved by the Company and AA was obtained on the revised DPR. Accordingly, the work was executed. The reply is not acceptable as the

Company failed to justify the changes made in the DPR and reduction in the depth of the pier which might be one of the reasons for collapse of the bridge.

Construction of bridges under Mukhya Mantri Setu Nirman Yojana

2.1.20 The GoB launched (2006-07) a Scheme named Mukhya Mantri Setu Nirman Yojana (MMSNY) for providing rural connectivity through construction of new bridges on all un-bridged gaps in roads and rivers of different villages in the State. The work of construction of bridges under MMSNY of more than ₹ 25 lakh individual value was awarded to the Company.

During April 2010 to March 2015, the Company executed 710 bridges involving AA of ₹ 1916.50 crore of which AA in respect of 524 bridges aggregating to ₹ 1352.72 crore was received during 2010-15 while AA in respect of 186 bridges aggregating to ₹ 563.78 crore were received prior to April 2010. Of the aforementioned 710 bridges, a total of 540 bridges were completed by the Company at a total cost of ₹ 1365.09 crore during the period 2010-15 out of which 312 bridges (58 *per cent*) were completed with delays. Further, as on 31 March 2015, 170 bridges involving an estimated cost of ₹ 551.41 crore were under various stages of completion of which 61 bridges are delayed by one to 84 months.

The details of bridges constructed under MMSNY in test-checked Works Divisions are given below in table:

Table No: 2.1.4

Table showing time and cost overruns in case of bridges completed under MMSNY

Sl. No.	Name of Works Division	No. of completed bridges	No. of bridges completed with delays	Range of delays (in days/months)	No of bridges completed with cost over-run	cost overrun (₹ in crore)
1	Muzaffarpur	65	18	26 days to 51 months	8	2.14
2	Sitamarhi	26	17	10 days to 18 months	0	0
3	Bettiah	15	11	3 to 44 months	4	0.64
4	Nalanda	31	18	1 to 12 months	5	1.32
5	Bhagalpur	52	32	1 to 38 months	7	2.04
6	Patna-2	59	45	20 days to 38 months	2	1.34
	Total	248	141		26	7.48

Source: Information furnished by the Company

Of the 248 completed bridges, 141 bridges (56.85 per cent) were completed with delays ranging from 10 days to 51 months

It can be seen from the above table that in six test checked Divisions, of the 248 completed bridges, 141 bridges (56.85 per cent) were completed with delays ranging from 10 days to 51 months. The reasons for such delays were mainly attributable to delays in finalization of tender, delays in acquisition of land, delays on the part of the contractor, inadequate monitoring on the part of the Management, etc. Besides time overrun, 26 bridges were completed with a cost overrun of ₹ 7.48 crore.

The Management stated (September 2015) that due to some unavoidable reasons mainly delays in land acquisition and local hindrances, the approach roads could not be completed in time.

Some of the significant discrepancies in construction of bridges under MMSNY head are discussed below briefly:

Delays in finalization of tenders

2.1.21 Reference in invited to paragraph number 2.1.12 of this report.

In case of 57 NITs floated under MMSNY, the tenders were finalised with delays ranging from 10 days to 369 days

We observed that out of 337 bridges executed by six test checked divisions under MMSNY heads, in case of 57 NITs, the tenders were finalised with delays ranging from 10 days to 369 days after the expiry of the validity period of the bids. Of the aforementioned 57 NITs, 21 NITs were finalised after delays of period ranging from 10 to 95 days, 33 NITs were finalised after a delay of period ranging from 101 to 200 days. Further, three NITs were finalised after a delay of period above 201 days.

The Management stated (September 2015) that NITs were floated in anticipation of AA and due to non-receipt of AA in time and verification of documents of the Contractors, the NITs could not be finalized in Bid validity period. However, the fact remains that due to delay in according/obtaining AA, the project suffered time and cost overrun.

Delays in land acquisition

2.1.22 Reference in invited to paragraph number 2.1.14 of this report.

In this regard we observed that:

Construction of two bridges after incurring expenditure of ₹ 2.70 crore was abandoned

- construction of two bridges, i.e., bridge across Nadha river connecting Sonapur Purani and Bhawanipur Block (since March 2010) and bridge at Marganjidhar on Pirpanti Nandi Govind path in Bhagalpur District (since June 2012) were abandoned after incurring an expenditure of ₹ 2.70 crore due to non-acquisition of land.

- in case of 10 bridges completed under MMSNY, though the bridge portions were completed at a cost of ₹ 16.40 crore, there were delays in completion of approach roads connecting thereto ranging from six months to 30 months (as detailed in *Annexure-2.1.6*).

- in case of four ongoing bridges, though the bridge portion was completed at a cost of ₹ 10.57 crore, the construction of connecting approach road was still

incomplete (June 2015) notwithstanding a lapse of period ranging from 13 months to 45 months (as detailed in *Annexure-2.1.7*). A recent picture of one of the incomplete bridge is depicted below:



Incomplete bridge at Laluchak in Bhagalpur District

The public fund on account of expenditure of ₹ 29.67 crore incurred on the 16 bridges was blocked up and resulted in denial of intended benefit to the public

As a result of above, the public fund on account of expenditure of ₹ 29.67 crore incurred on the aforesaid 16 bridges till date (June 2015) not only remained blocked up but also resulted in denial of intended benefit to the public.

The Management stated (September 2015) that due to various reasons such as delays in land acquisition, clearance from other departments, laxity on the part of the contractors, etc., the approach roads could not be completed. Reply is not acceptable as the Company should have assessed the availability of land *ab-initio* to identify the constraints in acquiring the land.

Execution of work without tender

2.1.23 The Central Vigilance Commission's Order dated July 2007 mentioned in third bullet of paragraph number 2.1.13 of this report may be referred to.

Company in violation of CVC Guidelines issued two work orders aggregating to ₹ 5.36 crore for construction of bridges and approach roads on a nomination basis

In this regard we observed that the Company in violation of the aforementioned CVC Guidelines issued two work orders aggregating to ₹ 5.36 crore for construction of bridges and approach roads on a nomination basis which were not exceptional as per the CVC Guidelines and without assigning any justifications/reasons on record.

The Management stated (September 2015) that as per Company's business bye-laws, work was awarded on nomination basis, however, after being pointed out by audit, the process has been stopped from June 2015.

Construction of Buildings and other structures

2.1.24 Apart from construction of bridges, the Company also executes the work of construction of other structures such as buildings, hospitals, flood

shelters, parks etc. as and when allotted by the GoB. The details of construction of building and other structures are given in **Annexure-2.1.1**.

Construction of Vardhaman Institute of Medical Science (VIMS):

2.1.25 The work relating to Construction of Vardhaman Institute of Medical Science (VIMS), Pawapuri, Nalanda (Bihar) with AA of ₹ 613.09 crore was awarded (January 2011) by the Company to the contractor at an agreement value of ₹ 454.09 crore, scheduled for completion in July 2013. The scope of work included construction of various buildings such as building for medical college, hospital, auditorium, hostels, staff quarters, guest house, etc. Examination of the records in respect of the said project revealed the following discrepancies:

Avoidable excess payment of ₹ 18.51 crore was made to the Contractor in contravention of the agreement clause relating to price escalation

- clause 11 of the contract pertaining to Escalation/Price Variation, *inter alia*, provided that, no escalation in prices shall be provided to the contractor for the period of extension of time allowed by the Company. However, the Company in contravention of the aforementioned clause provided price escalation to the contractor for the extended time period which resulted in avoidable excess payment and undue benefit to the contractor by ₹ 18.51 crore (December 2014).

The Management accepted (September 2015) the audit observation and stated that action is being taken to recover the amount of excess payment.

Avoidable excess payment of ₹ 3.81 crore for use of Fe-500 steel was made to the contractor in violation of orders of Government

- the agreement with contractor stipulated for use of TMT Fe-415 grade steel in the construction work. However, owing to non-availability of TMT Fe-415 grade steel in the market, the contractor was permitted to use TMT Fe-500 grade steel subject to an undertaking of non-charging additional amount in respect thereof by the contractor. Later on at the instance of the contractor to revise the price of TMT Fe-500 grade steel, it was decided in a meeting held (November 2013) under the Chairmanship of Secretary, RCD that payment to the contractor for the revised rate of TMT Fe-500 shall be made for the work executed since 01 August 2013 onwards. However, contrary to this, the payment to the contractor was made at the rate of revised price of TMT Fe-500 grade for pre August period as well. This resulted in avoidable excess expenditure of ₹ 3.81 crore as well as extension of undue benefit to the contractor.

The Management stated (September 2015) that in the beginning some parts of the buildings were designed both with Fe-415 and with Fe-500 grade of steel. So, the payment of reinforcement for Fe-500 in respect of the work already designed with Fe-500 has been done prior to 01 August 2013 also. The reply is not acceptable as Fe-500 was not available in the Schedule of Rates prevailing at that time. Further, the committee decided for payment of Fe-500 from August 2013 onwards. Hence, payment of Fe-500 for the work executed prior to August 2013 was in violation of orders of the committee.

Recommendation

The extant orders of the Government should be adhered to strictly while making payment to the Contractor.

Construction of Chhatrawaas

2.1.26 For Construction of 38 Chhatrawaas (Hostels) under Jannayak Karpoori Thakur Chhatrawaas Nirman Yojna in all the Districts of Bihar, Backward Class and Extreme Backward Class Welfare Department (B&EBCWD), GoB, accorded Administrative Approval of ₹ 71.06 crore (March 2009) and the construction work for all 38 Chhatrawaas was entrusted to the Company.

We observed that:

Out of 38 Chhatrawaas, only seven Chhatrawaas were completed and 25 Chhatrawaas were incomplete even after lapse of five years

- out of 38 Chhatrawaas, only seven² Chhatrawaas were completed till March 2015 at a cost aggregating to ₹ 15.45 crore and 25 Chhatrawaas were still to be completed even after lapse of five years from the date of AA. The works for six³ Chhatrawaas were not taken up due to non-availability of land.
- in six test checked divisions, construction of 17 Chhatrawaas were entrusted to the concerned division. Out of 17 Chhatrawaas only four were completed and remaining Chhatrawaas work was incomplete despite incurring expenditure of ₹ 14.60 crore (detailed in *Annexure-2.1.8*).
- the Company submitted the proposal for revised administrative approval for 29 Chhatrawaas involving ₹ 83.23 crore, of which administrative approval in respect of 14 Chhatrawaas only was received (June 2015).

The Management stated (September 2015) that non-completion of the work in time was mainly attributable to non-availability of land and work would be executed as and when the land would be made available. The reply of the Management itself shows that the neither the Company nor the concerned Department was active in identification and acquisition of land as a result of which the projects suffered time and cost overrun.

Recommendation

The availability of land and funds should be ensured before executing the work so as to avoid delays in completion of the projects.

Monitoring and Internal Control

2.1.27 Monitoring at every stage of implementation of Infrastructural Projects is vital for the Company to ensure the quality of work as per the agreement and the prescribed standards, codes, etc.

We observed the instances of deficient monitoring in the following cases:

² Banka, Jamui, Kaimur, Katihar, Madhubani, Nalanda and Shekhpura.

³ Darbhanga, Lakhisarai, Nawada, Sheohar, Siwan and Vaishali.

Appointment of Supervision Consultants

2.1.28 As per CVC Guidelines, the appointment of consultants should be need based and the fee payable to the consultants should be linked with the progress of the works. In this regard we observed that:

- the Company did not have any policy regarding appointment of Supervision Consultants (SC). The appointment of SC is being made in ad-hoc manner without considering the actual requirement which is evident from the fact that the Company appointed SC for six works (agreement amount ₹ 32.54 crore) but in none of the cases the SC were appointed from the start of construction work and there were delays of eight to 30 months and after completion of 2.83 per cent to 68 per cent of the works.
- the consultant fee was linked neither with the project cost nor with the progress of the work and varied from 0.70 per cent to 5.20 per cent of the project cost.
- since SCs were appointed for performing the function which was to be performed by the Company and for which the centage charges were being paid by the State Government, hence payment to SC should have been met from the centage charges itself, however, the same were being charged to the work expenses.

Thus, appointment of SC belatedly after completion of most of the work, defeated the very purpose of appointment of SC. Besides, charging the payment to SCs to work expenses would result in loss to the State exchequer by ₹ 32.54 crore.

The Management stated (September 2015) that the Company is guided by the orders of Vigilance Department, Government of Bihar. However, the Company agreed to frame a policy in this regard.

Payment to contractors in violation of Government Order

2.1.29 GoB informed (May 2009) the Company that every contractor shall deposit affidavit for Form M and N with his bill and the consumption of minor minerals shall be verified from the District Mining Office prior to making payment to contractors by the Company.

We observed that the Company in contravention of the aforementioned Government orders, made payment to the contractor without obtaining/verifying Form M and N from the District Mining Officer before making payments.

The Management stated (September 2015) that in case where the contractor did not submit the M and N form, the Company deducted royalty at double rate and also stated that deduction of price of minor minerals from the bills of the contractor will cause hindrance in execution. The reply is not acceptable as deduction of royalty at double rate did not absolve the Company from the responsibility of getting the materials verified from the specified quarries.

The Company did not have any policy regarding appointment of Supervision Consultants

The Company, in violation of Government order made payment to the contractor without verifying minor minerals

Thus, the government orders in this regard should be adhered to by the Company.

Quality Control Mechanism

Works Divisions did not have independent quality control wing

2.1.30 The Company has an internal quality control laboratory to carry out various tests during the construction activities. Cube samples, aggregates and mortar samples are being tested to determine the concrete strength and grading respectively. In this regard we noticed that:

- though the responsibility to ensure the quality of work rests with the respective Works Divisions, the divisions did not have any independent quality control wing and as such no quality control tests were being done at Works Divisions level.
- the quality control laboratory, as against collecting the samples independently for quality control tests, was testing the samples provided by the field office only.
- no facilities as regards testing of steel, mortar and chemical analysis of cement, etc., existed in the quality control laboratory.
- the Company outsourced the work of quality control testing of bridges under MMSNY to third party consultancy agencies in three packages viz. Patna, Muzaffarpur and Bhagalpur Packages. We observed that in case of Bhagalpur packages the agreement had ended in December 2012 and new agreement was entered into only in October 2013, as a result of which quality control testing of 85 bridges was not done during the period of nine months.

The Management stated (September 2015) that considering large number of projects being constructed, it is difficult to collect independent samples. Further, it was also stated that the purchase of required equipment are under process. In case of Bhagalpur package, the Management stated that in absence of third party quality testing, the quality testing was done at Company's laboratory to the extent possible.

Recommendation

Adequate quality testing facilities at the Works Divisions should also be created and quality control wing of Headquarters should collect samples independently for testing the quality of the materials being used.

Closure of Works Accounts and reconciliation with concerned Department

2.1.31 As per Bihar PWD Code, accounts of all the completed works should be closed and the work-wise funds should be reconciled with the RCD and Rural works departments for proper accountal in the books of accounts. Any amount remaining in excess or short with respect to the administrative approval should be returned/claimed.

In six test checked divisions, we noticed that 329 projects were completed during 2010-15, out of which 284 projects were completed with a cost saving

Due to non-closure of accounts of the completed projects, an amount of ₹ 11158.91 crore was shown as Deposits from GoB in the annual accounts of the Company

of ₹ 153.63 crore while in case of 43 bridges, there were excess expenditure aggregating to ₹ 43.67 crore over Administrative Approval. However, closure of accounts and its reconciliation with the concerned Department was not done by the Company. As a result, an amount of ₹ 11158.91 crore was shown as Deposits from GoB in the annual accounts of the Company for the year 2014-15 (provisional) which also included funds pertaining to completed projects.

The Management stated (September 2015) that in case of bridges constructed under MMSNY, savings and excess are adjusted in next year. In case of bridges under other heads, the Management stated that action is being taken as suggested by audit. The reply of the Management failed to address the reconciliation of the accounts in respect of completed projects with funds received from the concerned Department.

Internal Audit

2.1.32 Existence of an independent internal audit wing is a necessary tool for effective internal control system to provide reasonable assurance that objectives of the Company are being achieved in an economical, effective and orderly manner.

We observed that the Company did not have its own Internal Audit Wing. Firm of Chartered Accountants (CAs) appointed for internal audit was merely certifying the compilation of accounts, carrying out reconciliation of bank accounts, etc., and as such did not cover technical/propriety audit to strengthen process of Internal Control System prevalent in the Company.

Management in their reply agreed to constitute an Internal Audit Wing.

Conclusion & Recommendations

- **The Company suffered loss of centage charges of ₹ 12.66 crore in respect of 70 projects due to execution of work without agreement and the centage charges of ₹ 16.49 crore on revised estimate of a bridge was also not claimed.**

The Company should be vigilant to ensure that in all agreement entered into by it, its due centage charges are claimed.

- **Execution of the projects under various heads and MMSNY were deficient which resulted in delays in completion of bridges due to delays in tendering process, in land acquisition and execution of the projects by the contractors. Tenders were finalized with delays and 10 work orders amounting to ₹ 132.28 crore were issued without inviting tenders. Four incomplete bridges were abandoned after incurring expenditure of ₹ 44.83 crore.**

- **Construction of bridges and buildings was marred by excess payment of ₹ 9.91 crore to contractor, avoidable payment of ₹ 3.81 crore to**

contractors, injudicious payments of ₹ 4.29 crore on account of increase in depth of foundation and undue benefit to the contractors by ₹ 18.51 crore.

The extant orders of the Government and agreement clauses should be adhered to while making payment to the contractors.

- The monitoring and internal control in the Company was deficient with respect to appointment of supervision consultant, quality control mechanism, closure of accounts of completed projects and internal audit functions.**

Adequate quality testing facilities at the Works Divisions should also be created and quality control wing of Headquarters should collect samples independently for testing the quality of the materials being used.

CHAPTER II

2.2. PERFORMANCE AUDIT ON THE ACTIVITIES OF BIHAR URBAN INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

2.2 Performance Audit on the Construction Activities of Bihar Urban Infrastructure Development Corporation Limited

Executive summary

Introduction

Bihar Urban Infrastructure Development Corporation Limited (Company) was incorporated on 16 June 2009 as a wholly owned Government Company with main objectives to execute and accelerate urban infrastructural projects pertaining to water supply, sewerage and sewage network, road and drainage, river front development, etc. under various Government of India (GoI) and State Funded Infrastructural Development Schemes. The Company was also appointed as a nodal agency for execution of projects assigned under GoI Scheme viz. Jawaharlal Nehru National Urban Renewal Mission (JnNURM).

Financial Management

- During the period 2009-10 to 2014-15, the Company received a total sum of ₹ 940.30 crore for execution of various projects. Utilisation of fund during the said period ranged between 1.03 *per cent* and 42.13 *per cent* only. The main reasons for under utilisation of funds were low activity of the Company in initial years, slow execution of projects and termination of contract.

(Paragraph 2.2.6)

- In Danapur Water Supply Project, the Company failed to renew the validity of the Bank Guarantee pledged against mobilisation advance and the contract was terminated. This resulted in non-recovery of mobilisation advance of ₹ 6.70 crore.

(Paragraph 2.2.9)

Execution of Water Supply Projects under JnNURM

- The contracts for Muzaffarpur Water Supply Project, Patna Water Supply Project and Danapur Water Supply Project were terminated due to non-performance of the contractors. Non-award of the remaining portion of the work to another contractor despite lapse of more than one year resulted in blocking of funds amounting to ₹ 77.70 crore. Besides, the State was deprived of the intended benefits envisaged under the scheme.

(Paragraphs 2.2.13, 2.2.14 and 2.2.15)

National Ganga River Basin Authority funded projects

- During the period 2010-11 to 2014-15, the Company had undertaken four projects of Sewerage System and Sewage Treatment Plant at Buxar, Hazipur, Begusarai and Munger with an Administrative Approval (AA) of ₹ 441.86 crore and scheduled date of completion between December 2013 and March 2014. As of July 2015 the financial progress of the projects was only 1.57 *per cent* to 18.14 *per cent* despite lapse of 16 to 19 months from their

scheduled date of completion due to delay in award of work to contractor, non-availability of land and slow/non-execution of work by contractors.

(Paragraph 2.2.18)

State Funded Schemes

During the period 2010-11 to 2014-15, 12 construction projects having AA of ₹ 270.36 crore were undertaken by the Company out of which, only five projects were completed (July 2015) with time overruns ranging from two to 18 months. The work of seven projects was in progress. As of July 2015 the financial progress of these projects was only 7.45 to 73.08 *per cent* despite lapse of 9 to 26 months from its scheduled date of completion. The delay was mainly due to preparation of faulty DPR by the Company and delay in award of work to contractors.

(Paragraph 2.2.20)

Monitoring and Internal control

- The Company failed to link the payment of Construction for Supervision and Quality Control consultants (CSQC) with progress of work which resulted in unfruitful expenditure to the tune of ₹ 9.53 crore.

(Paragraph 2.2.22)

Introduction

2.2.1 Bihar Urban Infrastructure Development Corporation Limited (Company) was incorporated on 16 June 2009 as a wholly owned Government Company. The main objectives of the Company are to execute and accelerate urban infrastructural projects assigned by its Administrative Department, i.e., Urban Development and Housing Department (UD&HD), Government of Bihar (GoB). During the period 2010-11 to 2014-15, it had undertaken various infrastructural projects *viz.* Water Supply Projects, Sewerage and Sewage Network Projects, Road and Drainage Projects, Solid Waste Management Projects, Urban Transport Projects, Urban Park Projects, River Front Development Projects, etc. covered under various Government of India (GoI) sponsored Schemes *viz.* Jawaharlal Nehru Urban Renewal Mission (JnNURM), National Ganga River Basin Authority (NGRBA) and Asian Development Bank (ADB) funded projects as well as GoB Schemes.

The projects are entrusted by the UD&HD to the Company as deposit work on a cost plus basis, i.e., scheduled cost plus centage (Eight *per cent* for Project cost up to ₹ 250 crore and Seven *per cent* for project cost above ₹ 250 crore) and contingency charges at the rate of one *per cent* of project cost for execution of projects. The deposit works are executed through award of contracts either through item rate basis or Bill of Quantity (BoQ) rate or turnkey basis. Since incorporation, the Company has executed deposit works only and as such has not obtained any contract through participation in open tender.

The execution of project commences upon allotment of work by the UD&HD. Urban Local Bodies (ULBs) being a party to the tripartite agreement for execution of work alongwith the Company and the Contractor, assists and facilitates the Company in the execution of the work. The asset so created is handed over to ULBs for operation and maintenance. The Detailed Project Report (DPR) is prepared either by UD&HD or by the Company. After reviewing the DPR, the Company accords technical Sanction (TS) which forms the basis for Notice Inviting Tender (NIT).

The year-wise details of projects allotted to the Company under different schemes and corresponding Administrative Approval are given in the table below:

Table No. 2.2.1

(₹ in crore)

Schemes	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
JnNURM	427.92 (10)	427.00 (1)	-	-	-	-	854.92 (11)
NGRBA	-	441.97 (4)	-	-	-	-	441.97 (4)
State Funded	229.08 (4)	-	0.80 (1)	13.79 (3)	-	26.69 (4)	270.36 (12)
Total	657.00 (14)	868.97 (5)	0.80 (1)	13.79 (3)	-	26.69 (4)	1567.25 (27)

Source: Information furnished by the Company.
Figures in brackets indicate numbers of projects.

The Company during the period April 2009 to March 2015, received a total of 27 major construction projects with an Administrative approval (AA) of ₹ 1567.25 crore out of which 10 projects (AA of ₹ 335.92 crore) were completed and the remaining 17 projects (AA of ₹ 1231.33 crore) were incomplete (July 2015). The details of these projects are depicted in *Annexure-2.2.1*. During the said period, the Company received ₹ 940.30 crore from UD&HD out of which only a sum of ₹ 564.79 crore (60.06 per cent) was utilised.

The Company had finalised its accounts for the year upto 2013-14 only and figures for the year 2014-15 were provisional. During the period 2010-11 to 2014-2015 it registered steady profits which increased from ₹ 31 lakh in 2010-11 to ₹ 8.78 crore in 2013-14. However, the profit decreased to ₹ 5.57 crore in the year 2014-15.

The Management of the Company is vested with the Board of Directors (Board) comprising of eleven Directors including Chairman. The Development Commissioner, Government of Bihar is the ex-officio Chairman of the Board. The Managing Director is the Chief Executive Officer of the Company and is responsible for the day-to-day functioning of the Company subject to the overall control and supervision of the Board. The organisational set-up of the Company is shown in *Annexure-2.2.2*.

Scope and Audit Methodology

2.2.2 The Performance Audit on the construction activities of the Company was carried out during the period March 2015 to June 2015 for the period 2010-15. The records maintained at the Company's head office and all its eight Scheme Implementation Units (SIUs) were selected and examined.

An Entry Conference was held on 13 March 2015 to apprise the Government and the Management about the objectives of the Performance Audit. The audit findings were reported (July 2015) to the Government and the Management and discussed in an exit conference held on 30 September 2015 which was attended by the Principal Secretary, UD&HD, GoB and the Managing Director of the Company. The view expressed by the Government and the Management have been considered while finalising the Performance Audit.

Audit Objectives

2.2.3 The Performance Audit of the Company was carried out to assess whether:

- the Company adequately safeguarded its financial interests and utilised its financial resources judiciously;
- proper planning was done before commencement of execution work of various infrastructural projects and the projects were executed economically, efficiently and effectively and that there was no unwarranted delay or cost overrun in the execution of the projects; and
- monitoring and internal control system prevalent in the Company was adequate and effective.

Audit Criteria

2.2.4 The audit criteria considered for assessing the achievement of audit objectives were drawn from:-

- Directives of the GoB/GoI, Central Vigilance Commission (CVC) and Management with respect to scheme implementation as well as execution of projects;
- Scheme Guidelines issued by the GoI/GoB;
- Board's resolutions and other relevant rules and regulations;
- Company's plan for execution, supervision and monitoring of the project works; and
- Provisions of the Bihar Financial Rules, Bihar Public Works Department Code and Bihar Public Works Accounts Code.

Audit Findings**Financial Management****Financial position and working results**

2.2.5 The financial position and working results of the Company during the period 2010-11 to 2014-15 is depicted in *Annexure-2.2.3*.

The perusal of the financial position and working results of the Company revealed that:

- the net worth of the Company increased from ₹ 5.27 crore in 2010-11 to ₹ 27.62 crore in 2014-15 which was indicative of good financial health of the Company.
- the total turnover of the Company increased from ₹ 2.03 crore in 2010-11 to ₹ 209.05 crore in 2014-15 due to increase in activities of the Company.

Fund position

2.2.6 The Company receives fund from the UD&HD for execution of the assigned infrastructural projects. During the period 2009-10 to 2014-15, it received fund of ₹ 940.30 crore under various schemes from UD&HD (*Annexure-2.2.4*). The year-wise detail of the available fund vis-à-vis utilisation thereof is depicted in the Table 2.2.2.

Table no. 2.2.2**(₹ in crore)**

Year	Opening Balance	Fund received	Available fund	Fund Utilised	Closing Balance	Utilisation in Per cent
1	2	3	4=2+3	5	6=4-5	7= 5/ 4*100
2009-10	0	101.00	101.00	0.05	100.95	0.05
2010-11	100.95	55.76	156.71	1.61	155.10	1.03
2011-12	155.10	166.12	321.22	6.29	314.93	1.96
2012-13	314.93	113.37	428.30	136.30	292.00	31.82
2013-14	292.00	255.60	547.60	230.71	316.89	42.13
2014-15	316.89	248.45	565.34	189.83	375.51	33.58

It can be seen from above that utilisation of available fund during the period 2010-11 to 2014-15 ranged between 1.03 *per cent* and 42.13 *per cent*. Further, the closing balance ranged between ₹ 155.10 crore to ₹ 375.51 crore during the aforementioned period. The main reasons for under utilisation of funds were low activity of the Company in initial years, slow execution and termination of contract.

Recommendation

The Company should improve utilization of fund by timely execution of projects and by removing the bottlenecks.

Other important observations relating to fund management are discussed below:

Execution of works beyond projects' funds

2.2.7 We observed that the Company received ₹ 143.97 crore for execution of 12 projects, against which it incurred expenditure of ₹ 157.45 crore. The excess expenditure of ₹ 13.48 crore was met from other projects fund (₹ 9.00 crore), interest earned on project funds (₹ 3.67 crore) and its own sources (₹ 81 lakh).

The Management while accepting the audit observation stated (October 2015) that funds were so utilized to complete those projects which were in advance stage of completion. Reply is not convincing since the diversion of fund meant for execution of other projects may hamper completion of those projects.

Recommendation

The Company needs to plan the timely availability of funds so as to avoid the instances of execution of infrastructure project through other sources of fund.

Irregularities in grant of mobilisation advance

The Company extended undue benefit of ₹ 3.21 crore to the contractor due to lack of uniform rate for grant of interest bearing mobilisation advance

2.2.8 The Company did not fix uniform rate for grant of interest bearing mobilisation advance. Rates of interest varied on different work awarded at same time. We observed that as per agreement with the contractor of Bodhgaya Sewerage and Sewerage treatment plant (STP) Project (December 2011), mobilisation advance was given to him at an interest rate of 14.25 *per cent* per annum as per SBI norms whereas, in other nine projects, the advance was given to contractor at the interest rate of 10 *per cent*. Thus, due to lack of fixing uniform rate of interest to be charged from the contractor, the Company extended undue benefit of ₹ 3.21 crore to the contractors.

The Management, while accepting the audit observation, stated (October 2015) that the Company has already started charging the interest on mobilisation advance at SBI rate.

2.2.9 Central Vigilance Commission (CVC) issued (April 2007 and February 2011) Guidelines pertaining to Mobilisation Advance (MA) which, *inter alia*, stipulated that MA should essentially be need-based and preferably be given in instalments and subsequent instalments should be released only after obtaining satisfactory utilization certificate from the contractor for the earlier instalment. In this regard the following irregularities were noticed:

- In case of Sewerage System and Sewerage treatment plant, Buxar, the Company in violation of the CVC Guidelines provided (October 2012) MA of ₹ 5.20 crore (10 *per cent* of contract value) in one instalment only.

The Management, while accepting the facts and figures, stated (October 2015) that the suggestion of audit is under implementation.

- In case of Sewerage System and Sewerage treatment plant at Buxar, Rajgir and Bodhgaya projects, the Company provided mobilisation advance of ₹ 99.60 lakh to the contractor for the operation and maintenance (O&M) component of the project though the work was still under execution and the O&M activity was to be carried out only after completion of the project.

The Management stated (October 2015) that the MA was provided to contractor as per the provisions of agreement. The reply is not convincing as the advance against O&M component was extended without need and contrary to CVC Guidelines.

- In case of two projects, MA amounting to ₹ 7.61 crore [Water Supply System, Muzaffarpur: ₹ 5.90 crore, Sewerage System, Begusarai: ₹ 1.71 crore (For STP and IPS)] was released without ensuring the availability of land.

The Management stated (October 2015) that non-availability of land came to notice only after grant of mobilisation advance to the contractor. The reply is self explanatory that mobilisation advance was granted to the contractor without exercising due diligence.

Failure of the Company to renew the validity of Bank Guarantee resulted in non-recovery of ₹ 6.70 crore

- In Danapur water supply project an interest bearing mobilisation advance of ₹ 7.02 crore was released to contractor against the Bank Guarantee which was valid upto 20 October 2013. We noticed that due to non-performance of the contractor the contract was terminated (July 2014). Further, the Company failed to renew the validity of the Bank Guarantee pledged against mobilisation advance. This resulted in non-recovery of mobilisation advance of ₹ 6.70 crore (₹ 5.84 crore outstanding mobilisation advance + ₹ 0.86 crore interest at the rate of 10 per cent for 538 days from 9th running bill).

The Management stated (July and October 2015) that monthly physical verification system is now being implemented and the said contractor has been blacklisted and FIR has been lodged against him. Further, the Government stated (October 2015) that directives for fixation of responsibility has been issued to the Company.

Recommendation

The Company needs to exercise due diligence in grant of mobilization advance keeping in view the CVC Guidelines.

Planning and Execution of Infrastructural Projects

2.2.10 The Company executes infrastructure development works allotted to it by the UD&HD. Proper and effective planning is essential for execution of any infrastructural project. An execution plan specifying time schedule for completion of different stages of the project should be laid down for its timely completion. Planning includes in its purview preparation of accurate and realistic DPRs, designs and estimates based on site-survey, preparation of realistic Bill of Quantities, estimates and ensuring the availability of required

land and adequate fund for execution of the project. This follows according of technical sanction as per site conditions, invitation of tender and award of work either through item rate basis or bill of quantity or turnkey basis.

Deficiencies noticed in planning and execution of projects under different schemes are discussed in succeeding paragraphs:

Jawahar Lal Nehru National Urban Renewal Mission (JnNURM)

2.2.11 The Government of India launched (2005-06) Jawaharlal Nehru National Urban Renewal Mission (JnNURM) to encourage Urban Infrastructural Development in a financially sustainable manner. The JnNURM consisted of two sub-schemes, the Urban Infrastructure and Governance (UIG) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). Under UIG scheme, 50 *per cent* of project cost was to be borne by the GoI, 20 *per cent* by GoB and remaining 30 *per cent* by Urban Local Bodies (ULBs). Similarly, under UIDSSMT 80 *per cent* of project cost was to be borne by GoI, 10 *per cent* by GoB and the remaining 10 *per cent* by Nodal/Implementing agency.

The Company completed five projects out of 11 with time overruns ranging from 14 to 24 months

During the performance audit period, 11¹ construction projects with AA of ₹ 854.92 crore were undertaken by the Company out of which only five projects were completed at a cost of ₹ 60.48 crore with time overruns ranging from 14 to 24 months. Further, the work in respect of the remaining six projects with AA of ₹ 748.88 crore was in progress in respect of which an expenditure of ₹ 168.76 crore had already been incurred (July 2015). These projects had already suffered time overruns by 13 to 28 months with the progress being in the range of 10.91 to 63.80 *per cent* (*Annexure -2.2.1*).

The slow execution of various projects was primarily attributable to outsourcing of DPR preparation and other pre-tendering activities without fixing any timeline for completion of the work and the consequent delay in award of work to the contractor, award of work without availability of land/sites, change in location of sites, change in designs, etc.

The project-wise audit findings are discussed in succeeding paragraphs:

Road with Drainage Projects at Narkatiyaganj and Rosera

2.2.12 Road with Drainage Projects at Narkatiyaganj and Rosera was approved by Government of India under JnNURM with an estimated cost of ₹ 47.13 crore and ₹ 29.21 crore respectively. The same was assigned to the Company by UD&HD, GoB in December 2009. For execution of said projects NITs were published in November 2011. The works were awarded to contractors in March 2012 at a cost of ₹ 33.85 crore and ₹ 23.74 crore respectively with the scheduled date of completion in December 2012. The said projects were completed in February 2014 and May 2014 with a delay of 14 and 17 months at a cost of ₹ 24.71 crore and ₹ 22.16 crore respectively.

¹ Five projects of UIG scheme and six projects of UIDSSMT.

The reasons for delay were change in design and non-handing over of hindrance free complete site, etc.

We further observed that:

Due to unrealistic estimate, items not associated with the work were also included in the estimates

- The estimates were not realistic and prepared without scrutiny of DPR and conducting actual site survey as a result of which items unrelated to the work viz. construction of roofs, balconies, chajjas, lintels, etc., valued at ₹ 4.78 crore were included in the estimates for construction of roads and drainages;
- As estimates were not prepared with due diligence, wide variations in actual work vis-à-vis estimates were observed. It was seen that in case of 24 items, quantity of work actually executed was 4.39 to 99.56 *per cent* less than specified in BOQ (Narkatiyaganj - ₹ 16.31 crore, Rosera- ₹ 8.61 crore) and in respect of eight items, the quantum of work exceeded from 148 to 1151 *per cent* (Narkatiyaganj - ₹ 4.64 crore and Rosera- ₹ 13.90 crore). The work related to 17 items worth ₹ 6.64 crore (Narkatiyaganj - ₹ 3.45 crore and Rosera - ₹ 3.19 crore) was not taken up altogether. Further, the projects were completed at a cost of ₹ 46.87 crore (75.52 *per cent*) as against the total awarded cost of ₹ 66.35 crore.

The Management stated (October 2015) that tender was invited on the basis of DPR made available by UD&HD. The reply of the Management is self-explanatory that estimates were prepared without due diligence, site-survey and scrutiny of DPR. Moreover, the Government directed (October 2015) the Company that the DPR should be finalised after selection of projects and sites.

Recommendation

The Company needs to conduct actual site-survey for preparation of accurate and realistic estimates.

Muzaffarpur Water Supply project

2.2.13 With an objective to establish 24 x 7 water supply system in Muzaffarpur District, the work of Augmentation and Improvement of water supply system of Muzaffarpur under JnNURM (UIDSSMT) was approved by the GoI in February 2009. The UD&HD assigned the said work to the Company in December 2009.

The Company issued a Notice Inviting Tender (July 2011) for execution of the project on an estimated price of ₹ 69.88 crore. The work was awarded (December 2011) to the L1 bidder at a cost of ₹ 59.31 crore with scheduled date of completion by June 2014. Since the progress of work was very slow and work valuing ₹ 8.56 crore (i.e. 14.43 *per cent* of awarded cost) only was executed by the contractor till June 2014 i.e. scheduled date of completion, the Company finally terminated (June 2014) the contract and the incomplete portion of the project was not awarded to any other contractor so far despite lapse of 15 months (September 2015) since termination of the contract. This

not only resulted in blocking of fund of ₹ 8.56 crore but also time overrun of more than one year.

We further observed that:

- The Company had finalised the tender without taking possession of land and seven out of ten sites were handed over to contractor with a delay ranging from five to 12 months which affected the execution of the project adversely.

The Management, while accepting the audit observation stated (September 2015) that in future efforts will be taken to ensure the availability of the land prior to approval of DPRs.

- As per para 43 of the conditions of contract, if the contractor fails to comply with time schedule, liquidated damages (LD) at the rate of 0.10 *per cent* per day of the contract price for the period of delay shall be deducted from contractor's payment. However, LD of ₹ 3.68 crore recovered from the contractor was subsequently returned (September 2013) to him on request of the contractor in disregard of the financial interests of the Company. This resulted in extension of undue favour to the contractor.

The Management stated (October 2015) that the liquidated damage of ₹ 3.68 crore was recovered by encashment of Performance security, security deposit and from RA bills. On termination of contract the performance security was again confiscated. The reply is not acceptable since the LD was deducted to penalise the contractor for non-achievement of targets as per approved work plan and confiscation of performance security was to be invoked for non-performance by the contractor and consequent termination of contract. Further, return of LD was also in contravention of provisions of agreement.

- The effective period of UIDSSMT was extended upto March 2014. Against the above work, ₹ 49.36 crore was released by the GoI (August 2008). Since the Company failed to complete the project within effective period of the scheme, further grant of ₹ 29.62 crore² was not released by the GoI.

Thus, due to deficient planning, slow execution of work and the consequent abandonment of the project, the State was deprived of the intended benefits envisaged under the project.

The Management, while accepting the audit observations stated (October 2015) that adequate infrastructure and necessary expertise was not available with them which resulted in delay in execution of the projects.

² 80 *per cent* of ₹ 98.72 crore = ₹ 78.98 crore - ₹ 49.36 crore = ₹ 29.62 crore.

Patna Water Supply Project

Non-award of residual work to new contractor resulted in blocking of ₹ 59.90 crore

2.2.14 Reference is invited to paragraph no. 2.2.13. Similar to it, the work of Patna Water Supply Project was assigned by UD&HD (August 2010) to the Company at an estimated cost of ₹ 426.98 crore. The estimated project cost was reassessed and technically sanctioned (July 2011) for ₹ 535 crore by the Company. The Company awarded the work to the contractor in March 2012 at a cost of ₹ 548.83 crore. After lapse of 27 months from award of work and after incurring an expenditure of ₹ 59.90 crore, the Company terminated (July 2014) the contract on ground of slow progress of work by the Contractor. This work is yet to be awarded by the Company despite lapse of 14 months (September 2015) from date of termination of contract. This resulted in blocking of fund to the tune of ₹ 59.90 crore. Besides, the State was deprived of the intended benefits envisaged under the JnNURM scheme.

In this regard we also observed that:

- The Company finalised the tender without taking possession of land and out of 72 sites only 26 were handed over to contractor with a delay ranging from three to nine months. This affected the execution of project adversely.
- The Company without obtaining 'No Objection Certificates' (NoC) for land use from Patna Municipal Corporation had commenced execution of works on three sites viz. Rajendra Nagar, Arfabad and Kadam Kuan and incurred expenditure of ₹ 55 lakh. The work was abandoned as the construction sites at which work was started (sites as per DPR) was already allotted for construction of park. Thus, the expenditure of ₹ 55 lakh had become infructuous.
- The State was deprived of a further grant of ₹ 159.92 crore from GoB due to non-execution of the project by the Company within the effective period of scheme upto March 2014.

The Management stated (October 2015) that the observation of audit has been noted for future compliance.

Recommendation

The Company should avoid delays in pre-tendering activities and ensure availability of land prior to award of work to contractor so that delay in completion of projects may be avoided.

Danapur Water Supply Project

2.2.15 Reference is invited to paragraph no. 2.2.13. Similar to it, the work of Danapur Water Supply Project was assigned (December 2009) by UD&HD to the Company at an estimated cost of ₹ 68.96 crore. A technical sanction of ₹ 84.41 crore was accorded by the Company (July 2011).

Failure in re-awarding of the work after termination of contract led to blocking of ₹ 9.24 crore

The work was awarded (October 2011) to the contractor at a cost of ₹ 70.19 crore. The contract was terminated in July 2014 after incurring expenditure of ₹ 9.24 crore (13.17 per cent) due to slow/non-execution of work by the contractor. The work of incomplete portion was not awarded to any other contractor despite lapse of 14 months (September 2015) from date of termination of contract. This resulted in blocking of project fund to the tune of ₹ 9.24 crore, besides the State was deprived of the intended benefits envisaged under the scheme.

We also observed that:

- In the utilisation certificate submitted by the Company to UD&HD (March 2015), the mobilisation advance of ₹ 5.84 crore recoverable from the contractor had been shown as expenditure though the contract had been terminated (July 2014).

The Management stated (October 2015) that the unadjusted mobilisation advance of ₹ 5.84 crore was an outflow for the Company and was included in the utilisation certificate. The reply of the Management is not acceptable as fact about termination of the contract and unrecovered mobilisation advance from the contractor were not specifically stated in the UC. Further, the Government stated (October 2015) that direction has been given to the Company to take action against persons responsible for it.

- The State was deprived of a further grant of ₹ 20.69 crore³ due to non-execution of the project by the Company within the effective period of the scheme upto March 2014.

The Management and the Government had given same reply on the above observations as stated in para no. 2.2.13.

Recommendation

The Company should keep proper watch on validity period of Bank Guarantee to safeguard its financial interests.

Sewerage System and Sewage Treatment Plant, Bodhgaya

2.2.16 The work relating to “Designing, Providing, Laying, Testing and Commissioning of Sewerage system” for Bodhgaya Town was approved by the GoI in February 2009 under UIG scheme with an estimated cost of ₹ 95.94 crore. The project was assigned (December 2009) to the Company by the UD&HD. The Company awarded the work (October 2011) to L1 bidder on turnkey basis at a cost of ₹ 92.75 crore. The agreement stipulated completion of the project in 24 months by December 2013 and its maintenance thereafter for five years by the contractor. However, despite lapse of more than 18 months since stipulated date of completion, the said project was incomplete (July 2015) after incurring expenditure of ₹ 59.16 crore (63.80 per cent).

³ 50 per cent of ₹ 68.96 crore = ₹ 34.48 crore - ₹ 13.79 crore = ₹ 20.69 crore

In this regard we observed that:

- As per scope of work, Sewer Network of 65.33 Km, Intermediate Pumping Stations (five in numbers), Sewage Treatment Plant (STP) of 10 million liter discharge (MLD), 2570 House connection chambers, 3607 manholes were to be constructed. Against this till March 2015 only, sewer network of 58.06 Km (88.87 *per cent*), 1122 house connection chambers (43.66 *per cent*) and manholes (82.20 *per cent*) only were completed.
- The Company floated an NIT (June 2011) based on provisions in DPR for construction of Sewer network of 58.05 Km with 10 MLD STP and eight Intermediate Pumping Stations (IPSs) having capacity of 132 HP at Bodhgaya town. The rate for IPSs was invited on a job basis. As per the contract, after assignment of work, the contractor was required to submit a new design on the basis of actual site-survey. We observed that, the scope of work pertaining to IPSs was reduced considerably by the contractor. As per the new design only five IPSs of 90 HP, as against the eight IPSs of 132 HP envisaged in DPR, were executed. This not only resulted in excess expenditure of ₹ 1.31 crore⁴ on account of three IPSs but also led to extension of undue benefit to the contractor.

The Management stated (October 2015) that despite reduction in number of IPSs the overall capacity of the IPSs (i.e capacity of well) was not reduced. The reply of the Management did not address the issue raised in audit and was silent on the reduced capacities (i.e. HP) of pumps and its impact on cost. The Government stated (October 2015) that directives for responsibility fixation in this regard has been issued to the Company.

Recommendation

The Company needs to carry out cost benefit analysis of the new design submitted by the contractor in case of turnkey contract.

Khagaul Water Supply Project

2.2.17 With a view to provide tariff based safe potable drinking water to the households of Khagaul area the work of Khagaul Water Supply Project (KWSP) was awarded (October 2011) to the contractor at a cost of ₹ 16.65 crore. A tripartite agreement (December 2011) was signed between the Company, the Contractor and the Nagar Parishad, Khagaul being the facilitator for the Company. The scheduled date of completion of project was December 2012 which was extended upto December 2014. After completion of the project at a cost of ₹ 14.57 crore, it was handed over to Khagaul Nagar Parishad (December 2014).

Following irregularity was noticed in execution of this project:

⁴ Quoted rate by contractor for eight IPSs was ₹ 3.50 crore (i.e. on the basis of DPR). Therefore, cost of three IPSs = ₹ 3.50/8*3= ₹ 1.31 crore.

The expenditure of ₹ 1.22 crore incurred on installation of water meters was irregular/doubtful

• The commissioning of the Water Supply Project, Khagaul was to be done in terms of Section V, para 12.3 of Technical Specification of the agreement which provided, *inter-alia*, methodology for water connection to households. As per the Measurement Book (MB), the work relating to house connection and installation of water meters to 6300 households was done by the contractor in the year 2013-14 at a cost of ₹ 1.60 crore. The contractor was paid a sum of ₹ 1.22 crore upto July 2014. However, no supporting details of work done by the contractor viz. copy of application filed by households, fee deposited thereagainst and sanction accorded by Khagaul Nagar Parishad for release of connections in respect of work executed by the contractor were furnished by the company. Besides, Khagaul Nagar Parishad also confirmed (June and September 2015) that details of house connection and installation of water meters were not provided to them by the Contractor. The Parishad also stated (September 2015) that meter reading with respect to supply of water to households was also not being done. Thus, in absence of details of water connection to households and meter reading taken thereagainst, the expenditure of ₹ 1.22 crore was irregular/doubtful.

The Management stated (October 2015) that due procedure as per agreement was adopted while providing metered connections to the households. The reply of the Management was not acceptable as it failed to produce details of connections installed as stated above. Further, no water metering is being done in the project area.

The Government stated (October 2015) that directives have been issued to the Company for fixation of responsibility in this regard.

National Ganga River Basin Authority (NGRBA)

2.2.18 The Government of India (GoI) established (2009) National Ganga River Basin Authority (NGRBA) with a view to clean-up and conserve the river Ganga. The NGRBA was mandated to develop a multi-sector program (“the NGRBA Program”) for ensuring pollution abatement in the Ganga. The cost of the NGRBA Program was to be shared in 70:30 ratio between the Central and State Governments.

During the period 2010-11 to 2014-15, the Company had undertaken four projects namely Sewerage System and Sewage Treatment Plants at Buxar, Hazipur, Begusarai and Munger with an AA of ₹ 441.86 crore. The scheduled date of completion of Buxar, Hazipur, Begusarai projects was December 2013 while for the Munger project it was March 2014. An expenditure of ₹ 29.88 crore was incurred on these four projects as of July 2015 and works were still in progress. These projects have already suffered time overrun of 16 to 19 months with the financial progress being in the range of 1.57 *per cent* to 18.14 *per cent* of agreement value. The delay was mainly due to delay in award of work and delayed handing over of the construction sites to contractor. The details of NGRBA aided projects are depicted in **Annexure-2.2.1**.

Deficiencies noticed in planning and execution of infrastructural projects under this scheme are discussed in succeeding paragraphs:

Sewerage System and Sewage Treatment Plant at Buxar, Hazipur and Begusarai

2.2.19 The work related to “providing, laying, testing and commissioning of Sewerage System and designing & construction of STP at Hajipur, Begusarai and Buxar town” was approved by GoI in February 2010. The estimated cost of the projects was ₹ 113.62 crore, ₹ 65.40 crore and ₹ 74.95 crore respectively. The implementation period of the projects was 24 months and period for operation and maintenance was for 60 months after completion. The work of above three projects was awarded (December 2011) to the contractors at a cost of ₹ 94.88 crore, ₹ 58.88 crore and ₹ 52.05 crore respectively, with the scheduled date of completion being December 2013. The progress of these works were very slow and work costing ₹ 17.21 crore (18.14 *per cent*), ₹ 4.13 crore (7.01 *per cent*) and ₹ 6.61 crore (12.70 *per cent*) respectively were only executed by the contractors after lapse of 43 months (July 2015).

We noticed that:

- In case of Sewerage System and Sewage Treatment Plant at Buxar, Hazipur and Begusarai, the Company obtained possession of land with delay of 29 months to 36 months, which delayed the execution of projects. We observed that notwithstanding a payment of ₹ 2.86 crore in May 2011 and ₹ 8.49 crore in June 2011 for acquisition of land for STP, Begusarai and STP, Hajipur respectively, persuasion by top level Management for early acquisition of land was not found on records.
- Clause 64 of the agreement stated that the settlement of disputes, if any, shall be subject to the law of People’s Republic of China’s jurisdiction which limited / compromised the legal standing of the Company seriously in case of disputes.

The Management accepted the observations and stated (October 2015) that the same has been noted for future compliance.

- Delay in providing required land for construction of the aforementioned STP and IPS to the contractor resulted in to avoidable payment of price escalation to the tune of ₹ 2.71 crore (Begusarai: ₹ 35 lakh, Buxar: ₹ 69 lakh and Hazipur: ₹ 1.67 crore).

The Management accepted (October 2015) the audit observation and noted it for future compliance. The Government stated (October 2015) that directives has been given to the Company in this respect.

State Funded Infrastructural Development Projects

2.2.20 For infrastructure development and to provide public amenities in the State of Bihar, GoB through UD&HD assigned various construction works to the Company under the above scheme.

During the period 2010-11 to 2014-15, 12 construction projects having AA of ₹ 270.36 crore were undertaken by the Company out of which, only five projects were completed (July 2015) at a cost of ₹ 115.31 crore with time overruns ranging from two to 18 months. Further, the work in respect of seven projects having AA of ₹ 40.48 crore was in progress on which an expenditure of ₹ 17.41 crore had already been incurred. The completion of these projects had already suffered time overrun by nine to 26 months with the progress being in the range of 7.45 to 73.08 *per cent* (*Annexure-2.2.1*). The delay was mainly due to preparation of faulty DPR by consultant and its review by the Company, non-obtaining of NoC for land and non-framing of any timeline for each activity of pre-tendering stage.

Deficiencies noticed in planning and execution of projects under the scheme are discussed in succeeding paragraphs:

Storm Water Drainage System, Sewerage System and Sewage Treatment Plant at Rajgir

2.2.21 With a view to provide integrated system of collection, conveyance and disposal of storm water through drainage and providing proper sewerage system with proper conveyance, treatment and disposal of waste water, a cumulative Administrative Approval (AA) of ₹ 77.67 crore for the construction of Storm Water Drainage System (SWDS) and Sewerage System and Sewage Treatment Plant (STP) at Rajgir was accorded (January 2010) to the Company by the GoB. The Company bifurcated the said accumulated AA into ₹ 55.80 crore for the STP and ₹ 21.70 crore for the SWDS.

The work of SWDS was awarded to contractor in December 2011 at a cost of ₹ 29.12 crore with the completion schedule by March 2014. The work was completed in February 2014 at a cost of ₹ 19.66 crore. Similarly, the work of STP was awarded to contractor on March 2012 at a cost of ₹ 47.37 crore with the schedule completion by March 2015. The construction of STP was completed at a cost of ₹ 51.01 crore in March 2015. However, the work of connection of houses to sewerage network has not yet commenced (July 2015) and the said project has not been handed over to Nagar Parishad till date (October 2015).

The following irregularities were also observed in execution of project:

- In the work of STP there were significant increase in the length and capacity of sewerage network by 45 *per cent* and 25 *per cent* respectively over the estimates for which a supplementary agreement valuing ₹ 12.87 crore was entered into with the contractor. Besides, there were huge deviation of up to 81.8 *per cent* on individual items of BoQ which indicated that the estimates were not realistic and prepared without conducting actual site survey.

The inaccurate and unrealistic estimate resulted in huge deviation at the time of execution

The Management stated (October 2015) that DPR submitted by the consultant was deficient hence, the cost increased. The reply of the Management itself is an acceptance that estimates were deficient and prepared without conducting site-survey.

Failure of the Company to restrict the payment of lead as per actual Km resulted in excess expenditure of ₹ 2.28 crore

- One of the components of SWDS work viz. Trapezoidal Drains of length of 7.89 Kms involved carriage of stone boulders. The carriage rates were allowed to the contractor by taking lead of 165 Kms. However, scrutiny of the certificate of carriage issued by Mining Office revealed that the stone boulder was obtained from quarry which was only 70 Km away from work site. The payment of carriage for lead was, however, made for a distance of 165 KMs as against 70 KMs. This not only resulted in avoidable excess expenditure of ₹ 2.28 crore but also amounted to extension of undue benefits to the contractor to that extent.

The Management stated (October 2015) that the matter is being examined and excess payment if any, will be recovered from the security deposit of the contractor.

The Company could not evolve the system of utilising and disposal of surplus earth which resulted in avoidable expenditure on disposal and procurement

- Since the commencement of the execution work of both projects, the Company was well aware of the fact that the earth filling was required for the said work (13600 M³ earth filling work was required in SWDS). However, the Company disposed off 66,272.01 M³ and 18556.30 M³ excavated earth in SWDS and STP work respectively after incurring an expenditure of ₹ 99.78 lakh⁵ on disposal which included loading, unloading and carriage cost. Further, the Company purchased fresh earth of 13503.22 M³ and 5015.78 M³ in Rajgir Drainage and Rajgir Sewerage respectively at the rate of ₹ 410 per M³. The surplus earth, being a saleable commodity should have been sold on the spot after deposit of due royalty. The utilisation of available excavated earth and sale of surplus excavated earth on spot would have served a threefold purpose i.e. elimination of disposal cost of excavated earth, procurement cost of fresh earth and further it would have fetched revenue on surplus excavated earth.

Thus, due to lack of propriety, the Company incurred an avoidable expenditure of ₹ 99.78 lakh on disposal of surplus earth, an avoidable expenditure of ₹ 42.52 lakh on procurement of fresh earth and suffered a revenue loss of ₹ 40.38 lakh⁶ on the non-sale of surplus earth.

The Management stated (October 2015) that the excavated earth was mixed with organic matter and as such was not suitable for filling. Hence, the question of selling the excavated material does not arise. Reply is not acceptable as no quantification of component of silt/slush and organic matter in the excavated earth was carried out in DPR/BOQ. Further, no soil test report in support of reply was provided by the Management. Further, the reply did not address the issue of non-disposal of surplus earth excavated in STP

⁵ [66272.01 M³* ₹ 108 per M³ = 71,57,377 (SWDS)] + [18556.30 M³* ₹ 152 per M³ = 2820557.60 (STP)] Total = ₹ 99,77,934.60

⁶ (66272.01 M³+ 18556.30 cum) – (13503.22 M³+ 5015.78 M³) = 66309.31 M³
66309.31 M³* ₹ 60.90 = ₹ 40,38,237

work. Moreover, the Government (October 2015) also directed the MD to take action against persons responsible for it.

- In the work of Sewerage System and Sewerage Treatment Plant (STP) at Rajgir, the Company entered into supplementary agreement with the same contractor to fill 74,024 M³ earth in different segments at filling charges of ₹ 83.80 per M³ (rate worked out on the basis of CPWD SoR rate). It was observed that a separate lot of 5015.78 M³ earth was filled at lower rate of ₹ 51.79 per M³ which was as per the rates of Building Construction Department (BCD) SoR, of GoB. Thus, non-consideration of the BCD SoR by the Company in respect of earth filling work executed by the contractor for 74,024 M³ resulted in avoidable excess expenditure of ₹ 23.70 lakh⁷.

The Management stated (October 2015) that in case of normal back filling, rate of BCD had been considered whereas in the area where compaction of earth was required for road construction for vehicular movement envisaged, the rate of CPWD had been considered. The reply of the Management is not acceptable as there was no description regarding filling and compaction by mechanical means in approved BoQ. Further, no document in support of use of mechanical compactor was furnished to audit. Moreover, the Government also directed (October 2015) the Company to take action against responsible person.

Monitoring and Internal control

Monitoring

2.2.22 Monitoring at every stage of implementation of Projects is vital for Company to ensure that the quality of execution work is maintained as per the contract agreement and as per the prescribed Standards and codes, etc. This process commences from the approval stage and continues during implementation to the post-completion stage. Monitoring of actual execution work in the Company is responsibility of concerned Engineers and a hired consultant viz Construction Supervision and Quality Control Consultants (CSQC). Further, Top Level Management is responsible for monitoring of progress of execution work/project.

Deficiencies noticed in monitoring of projects are discussed below:

- As per Bihar PWD Code, accounts of all the completed works should be closed and the work-wise funds should be reconciled with the concerned departments for proper accountal in the books of accounts. Any amount remaining in excess or short with respect to the administrative approval should be returned/claimed. We noticed that in violation of the Bihar PWD Code, in respect of nine projects completed by the Company, closure of accounts was not done in spite of a lapse four to 29 months from the date of completion of projects.

⁷ Rate difference in filling cost per M³ = Rates in CPWD SOR ₹ 83.80 per M³ - Rates in BCD SOR ₹ 51.79 per M³, Difference of rate ₹ 32.01 per M³. Total extra payment = ₹ 32.01 * 74024.92 = ₹ 23,69,537.68.

The Management stated (October 2015) that the Company has started the process of closure of accounts of the completed projects and reconciliation of accounts with the concerned departments is in progress. The Government stated (October 2015) that direction has been given to the Company to complete the process.

Role of Construction Supervision and Quality Control (CSQC) consultants in the Company

- The Company appoints CSQC just after release of work order to works contractor for supervision of construction work. We observed that the appointment of CSQC is being made in ad-hoc manner without considering the actual requirement thereof. In case of two projects viz. Road and Drainage, Rosera and Water Supply project, Bodhgaya, the Management appointed the CSQC belatedly by nine to 12 months from the date of signing of the agreement with works contractor. By that time nine *per cent* to 37 *per cent* work had already been executed by the contractor. Thus, belated appointment of CSQC defeated the very purpose of appointment of CSQC.

The Management accepted (October 2015) the audit observation and stated that in few cases the deployment of CSQC has been delayed. However, alternative mechanism for supervision in place of CSQC is being explored.

- In case of Road and Drainage projects at Bakhtiyarpur and Murliganj, the Payment to CSQC was linked with progress of the project. However, in other projects the payment to CSQC was not linked with the progress of work but was made on the monthly basis, and therefore even in case of non-performance/stoppage of work by work contractors, CSQC were continued to be paid on monthly basis which resulted in unfruitful expenditure to the tune of ₹ 9.53 crore (*Annexure-2.2.5*).

Payment to CSQC was not linked with the progress of work which resulted into unfruitful expenditure of ₹ 9.53 crore

The Management while accepting the observation stated (October 2015) that the modalities to minimize the cost on account of CSQC are being explored.

Recommendation

The Company needs to strengthen its monitoring mechanism and to link the payment of CSQC with the progress of work.

Internal control

2.2.23 Internal control is a management tool used to provide reasonable assurance that objectives of the Company are being achieved in an economical, effective and orderly manner. Following deficiencies in the internal control system prevalent in the Company were observed:

- The Company had not prepared any Functional Manual.

The Management stated (October 2015) that draft manuals for Human Resource/Accounting function etc. has been prepared by Consultants and it is under review.

- No system regarding maintenance of stock register and periodical physical verification of stock existed in the Company. Instances of non-maintenance of stock register in case of material valuing ₹ 26.58 crore taken from contractor post termination of two⁸ projects were observed. Besides, physical verifications too in respect thereof was not done (March 2015).

The Government stated (October 2015) that direction has been given to M.D. of the Company to comply with the audit observation in future.

Recommendation

The Company needs to strengthen its internal control system by formulation of functional manuals. Stock account must be maintained properly and physically verified periodically.

Conclusion & Recommendations

- During the period 2009-10 to 2014-15 utilisation of fund by the Company ranged between 1.03 *per cent* and 42.13 *per cent* of available funds due to delay in award of works, slow execution of projects, termination of contracts and non-award of balance works.

The Company should improve utilization of fund by timely execution of projects, by removing the bottlenecks.

- In Danapur Water Supply Project, there was non-recovery of mobilisation advance of ₹ 6.70 crore as the Company failed to renew the Bank Guarantee and the contract was terminated.

The Company needs to exercise due diligence in grant of mobilization advance in view of CVC Guidelines. Further, the Company should also keep proper watch on validity period of Bank Guarantee to safeguard its financial interests.

- Under JnNURM Scheme the contracts for Muzaffarpur Water Supply Project, Patna Water Supply Project and Danapur Water Supply Project were terminated due to non-performance of the contractors. Non-award of the remaining portion of the work despite lapse of more than one year resulted in blocking of funds amounting to ₹ 77.70 crore.

- In Muzaffarpur Water Supply Project the Liquidated Damages of ₹ 3.68 crore recovered from the contractor for delay in execution were subsequently returned to him in disregard of the financial interest of the Company and provisions of agreement.

The Company should safeguard its financial interest by adhering to the provisions of agreement.

⁸ Water supply project, Muzaffarpur and Patna

- In case of four projects of Sewerage System and Sewage Treatment Plant at Buxar, Hazipur, Begusarai and Munger undertaken under NGRBA funding, the financial progress was only 1.57 *per cent* to 18.14 *per cent* as of July 2015 despite lapse of 16 to 19 months from their scheduled date of completion due to delay in award of work to contractors, non-availability of land and slow/non-execution of work by contractors.
- Under the State funded schemes out of 12 projects undertaken during 2010-15, only five projects were completed with time overruns ranging from two to 18 months. In case of remaining seven projects the financial progress was only 7.45 to 73.08 *per cent* as of July 2015 despite lapse of nine to 26 months from its scheduled date of completion. The delay was mainly due to preparation of faulty DPR by the Company and delay in award of work to contractors.

The Company needs to ensure completion of projects within schedule time by ensuring timely availability of land and timely award of works to contractors.

- Monitoring mechanism of the Company was inadequate and it was dependent on Construction Supervision and Quality Control (CSQC) consultants for supervision and quality control. The Company failed to link the payment of Construction for CSQC with progress of work which resulted in unfruitful expenditure to the tune of ₹ 9.53 crore.

The Company needs to strengthen its monitoring mechanism and to link the payment of CSQC with the progress of work.

CHAPTER II

2.2. PERFORMANCE AUDIT ON THE ACTIVITIES OF BIHAR URBAN INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

Chapter-III

3. Transaction Audit Observations

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

Government companies

South Bihar Power Distribution Company Limited

3.1 *Undue benefit to Contractors*

Non-adherence to the CVC Guidelines and non-observance of financial interests on the part of the Company resulted in loss of interest of ₹1.01 crore on non-recovery of mobilisation advance.

Central Vigilance Commission (CVC) Guidelines (April 2007) stipulated that payment of Mobilisation Advance¹ (MA) to the contractor should be need based and its recovery should be time bound and not linked with the progress of works so that even if the contractor is not executing the work or is executing the same at a slow pace, the recovery of advance could commence and scope for misuse of such advance could be reduced. The aforementioned Guidelines also stipulated that there should be a clear stipulation of interest to be charged on delayed recoveries either due to the late submission of bills by the contractor or for any other reason.

Scrutiny (February 2015) of records of South Bihar Power Distribution Company Limited (Company) revealed that the Company invited (July 2013) seven bids [i.e. Notice Inviting Tenders (NITs)] for the work of strengthening, improvement and augmentation of distribution system under the scheme of Backward Region Grant Fund which, *inter-alia*, provided for release of interest free mobilisation advance to the extent of 10 *per cent* of the total price of supply and erection components of work. 14 numbers of Letters of Award (LOAs) were issued between November 2013 to February 2014 to six contractors for execution of supply and erection works with the schedule for completion being October 2014 to January 2015. Accordingly, the Company granted interest free mobilisation advance of ₹ 48.15 crore to the five contractors against 12 LOAs which were being adjusted at a rate of 10 *per cent* from the bills of the contractors. In LoA, no provision for interest on mobilisation advance was made for amount outstanding after scheduled completion period. All the works under the purview of aforementioned seven NITs were not completed by the contractors till date (March 2015) despite the lapse of schedule time period of completion.

We observed that the Company in violation of the CVC Guidelines failed to incorporate a clause in its NITs/LOAs regarding interest to be charged on unadjusted MA remaining outstanding after scheduled completion period. Non-observance of the financial interest resulted in a loss of interest of ₹ 1.01

¹ Mobilisation Advance is released to the Contractors/agencies for mobilising materials and labour at the site.

crore² to the Company on mobilisation advances of ₹ 34.09 crore lying unadjusted with the contractors up to March 2015.

The Company, while accepting the facts and figures, stated (October 2015) that of a sum of ₹ 48.15 crore given as interest free mobilisation advance, ₹ 32.65 crore has been deducted from the bills of the contractors and the balance ₹ 15.50 crore shall be deducted from the bills to be submitted by the contractor. Further, a provision for interest bearing mobilisation advance has been incorporated in the work orders issued in the recent by the Company.

Thus, non-adherence to the CVC Guidelines and non-observance of financial interests on the part of the Company resulted in loss of interest of ₹ 1.01 crore and mobilisation advances of ₹ 15.50 crore was still recoverable (October 2015).

The matter was reported to the Government (May 2015); reply was still awaited (December 2015).

3.2 Loss of revenue

Inordinate delay in enhancement of Contract Demand of Railway Traction Service Consumer and billing at a lower rate resulted in loss of interest of ₹ 6.85 crore.

Bihar Electricity Regulatory Commission (BERC) approved Tariff Order 2006-07³, provided, that the transformer capacity of all High Tension (HT) consumers shall not to be more than 150 *per cent* of the contract demand. BERC Tariff Order 2010-11⁴, considering the special need of Railway, permitted the Railway Traction Service (RTS) consumers to have transformers of capacity up to 200 *per cent* of the contract demand. Where a consumer is held to be utilising transformer of capacity higher than admissible for his contracted demand, then the same is required to be proportionately enhanced.

Scrutiny of the records (December 2013) of the erstwhile Bihar State Electricity Board [now South Bihar Power Distribution Company Limited⁵ (Company)], revealed that:

- Sr. Divisional Electrical Engineer, an RTS consumer at Eastern Central (EC) Railway, Mugalsarai at Grid Sub-Station (GSS), Karmnasa having a contract demand of 7.5 Mega Volt Ampere (MVA) was having two transformers, one of 18.5 MVA capacity (installed since September 1993) and other of 21.6 MVA capacity (installed since March 2012) in violation of provisions of the aforementioned Tariff Order with the permission of the Company, but the Company failed to enhance the load of the aforementioned Consumer as per the provisions of the Tariff Orders.

- the contract demand of the said consumer, as per the provisions of the aforementioned Tariff Orders, worked out to be 12.33 MVA⁶ for the period

² Calculated for the period post scheduled time period of completion.

³ Applicable with effect from November 2006.

⁴ Applicable with effect from December 2010.

⁵ After restructuring of the BSEB, the RTS consumers at GSS, Karmnasa is being billed by the South Bihar Power Distribution Company Limited.

⁶ 18.5 MVA/150 *per cent* = 12.33 MVA.

November 2006 to November 2010 and 9.25 MVA⁷ for the period December 2010 to March 2012 and 10.80 MVA⁸ for the period April 2012 to May 2013 so as to conform to the provisions of the Tariff Orders and the said RTS consumer should have been billed accordingly.

The Company enhanced the contract demand of the said consumer to 10.80 MVA in June 2013.

Thus, non-compliance with the provisions of the Tariff Orders and inordinate delay in enhancement of the contract demand of the said consumer by the Company resulted in non-realisation of revenue amounting to ₹ 8.23 crore on account of Demand Charge and Energy Charge for the period November 2006 to May 2013. Besides, the Company also suffered a consequential loss of interest of ₹ 6.85 crore.

The Company stated (October 2015) that the consumer had paid (June 2015) ₹ 8.23 crore on account of Demand Charge and Energy Charge for the period November 2006 to May 2013. However, still due to inordinate delay in enhancement of the contract demand the Company suffered a loss of interest of ₹ 6.85 crore.

The matter was reported to the Government; reply is still awaited (December 2015).

3.3 Delay in enhancement of Contract Demand

Abnormal delay in sanctioning the enhancement of Contract Demand of an existing consumer resulted in loss of opportunity to earn revenue of ₹ 45.70 lakh.

Paragraph 17 read with paragraph 15 (4) (b) of the Bihar Electricity Regulatory Commission (BERC) (Standards of Performance of Distribution Licensee) Regulations, 2006, stipulate that on receipt of an application in the prescribed form for the enhancement of the Contract Demand of an existing consumer, the Licensee⁹ shall in case of High Tension Services (HTS) or High Tension Specified Services (HTSS) category, enhance the load of the said consumer within 145 days where erection of 33 KV line is involved. Further, Paragraph 4(b)(10) of Amendments to BERC (Standards of Performance of Distribution Licensee) Regulations, 2006 prescribes 90 days' time limit from the receipt of the prescribed charges for release of supply in case of enhancement of load in HTS category.

Scrutiny (December 2014) of the records of Electric Supply Circle (ESC), Patna, a unit of the erstwhile Bihar State Electricity Board [now, South Bihar Power Distribution Company Limited¹⁰] revealed that:

- An existing Low Tension Industrial Services (LTIS)-I consumer applied (28 August 2012) for enhancement of its Contract Demand to 1250 Kilo Volt Ampere (KVA) in to HTS-II category on 33 KV system with electricity supply to be commenced from February 2013.

⁷ 18.5 MVA/200 per cent = 9.25 MVA.

⁸ 21.6 MVA/200 per cent = 10.8 MVA.

⁹ Licensee means any person including a Company or a Local Authority licensed under the Indian Electricity Act, 1910 to supply energy and includes the Bihar State Electricity Board.

¹⁰ Being one of the five Companies from unbundling of BSEB in November 2012.

- The ESC, Patna as against the prescribed period of 10 days, forwarded the load enhancement proposal together with the feasibility report to the Central Electricity Supply Area Board, Patna (Area Board), after a delay of 146 days on 22 January 2013. However, the Area Board did not sanction the applied enhanced load till January 2014.
- On the basis of Delegation (August 2013) of powers to the Electrical Superintending Engineer (ESE) of ESC, the load enhancement application of the said consumer was recalled by the ESC, Patna on 30 January 2014. The ESE, Patna sanctioned the enhanced load on 8 February 2014. Subsequently, the consumer deposited the security money on 14 February 2014 and HT agreement with the said consumer was executed on 21 May 2014. The electricity supply to the said consumer commenced after an abnormal delay of 481 days on 24 June 2014.

We observed that delay in sanctioning of the enhancement of the Contract Demand was mainly attributable to the deficient Internal Control System prevalent in the company since there were delays at every stage right from the preparation and submission of the Load enhancement proposal before the higher authorities, execution of HT agreement and release of electricity supply for which no reasons were placed on the records. This resulted in loss of opportunity to earn revenue of ₹ 45.70 lakh.

The Company, while accepting the facts and figures, stated that a decision has been taken to initiate the administrative proceedings against the identified responsible employees/officers.

The matter was reported to the Government (June 2015); reply is still awaited (December 2015).

3.4 Loss of revenue due to billing at lower rate

Non-replacement of the defective meters and non-conversion of consumer's category into HTS-I category resulted in a revenue loss of ₹53.28 lakh.

The Tariff Orders¹¹ approved by Bihar Electricity Regulatory Commission provides that Low Tension Supply (LTS) tariff for Non-Domestic Services (NDS) category shall be applicable for supply of electricity to LT consumers having a maximum connected load of 60 Kilo Watt (KW) (up to March 2012) and load of 70 KW (from April 2012). The load of 75 Kilo Volt Ampere (KVA) and above come under High Tension Service (HTS)-I category.

Scrutiny (April 2014) of the records of Electric Supply Division, Kankarbagh, a unit of the erstwhile Bihar State Electricity Board [now South Bihar Power Distribution Company Limited (Company)] revealed that:

- a consumer was being billed at a connected load of 72 KW since March 2009 under NDS-II category on the basis of Minimum Monthly Consumption (MMC) units. As NDS-II tariff is applicable for the load up to 60 KW/70 KW only, the supply of electricity to the said consumer at a load in excess of 60 KW/70 KW under this category was in violation of the provisions of the Tariff Orders.

¹¹ Tariff order 2011-12 (effective from May 2011); Tariff order 2012-13 (effective from April 2012); Tariff order 2013-14 (effective from April 2013).

- since the Company was aware of the supply of electricity in excess of permissible limit to the consumer, it was incumbent on its part to take necessary steps to convert the consumer's category from NDS-II to HTS-I and bill accordingly. However, the Company failed to do so.

We further observed that the Consumer's Energy Meter was defective since September 2007. As per Standards of Performance of Distribution Licensee, the Company was required to replace the defective meter within seven days in urban areas. However, the same was replaced by the Company after a lapse of seven years in September 2015. This was indicative of deficient Internal Control System prevalent in the Company as well as failure on the part of the Company to safeguard its financial interests.

The Company stated (October 2015) that the load of consumer was converted into HTS-I in September 2015 and a sum of ₹ 53.28 lakh for the period March 2009 to September 2015 has already been billed (September 2015). The reply is not tenable as the chances of recovery is remote in view of Rule 10.18 of the Bihar Electricity Supply Code, 2007 which states that no recovery shall be made from the consumer after a period of two years unless such sum has been shown continuously as recoverable as arrear of charges for electricity supplied by the licensee.

Thus, non-replacement of defective meter within prescribed time frame as well as failure on the part of the Company to timely convert the Consumer's category from NDS-II to HTS-I category and billing thereof at a lower rate led to a revenue loss of ₹ 53.28 lakh for the period March 2009 to September 2015.

The matter was reported to the Government (April 2015); reply is still awaited (December 2015).

Bihar State Power (Holding) Company Limited

3.5 Irregular award of work orders

Failure to comply with the CVC Guidelines based on the Judgment of Hon'ble Supreme Court of India resulted in irregular award of work orders aggregating to ₹3.04 crore on a nomination basis.

The Central Vigilance Commission (CVC) issued (July 2007) an order advising all Chief Vigilance Officers (CVOs) to apprise their respective Boards/ Managements about the observations made in the Judgment¹² of the Hon'ble Supreme Court of India regarding Transparency in Works/Purchase/Consultancy contracts awarded on nomination basis. The CVC re-emphasised that tendering process or public auction was a basic requirement for the award of contract by any Government agency as any other method especially award of contract on a nomination basis, would amount to a breach of Article 14 of the Constitution of India guaranteeing the Right to Equality, which implies Right to Equality to all interested parties.

Further, as per the aforementioned Judgment of the Hon'ble Supreme Court of India, Government Contracts by the State, its corporations, instrumentalities and agencies shall be normally granted through public auction/public tender so

¹² Arising out of SLP (Civil) No. 10174 of 2006.

as to ensure transparency in the public procurement, to provide for fair and equitable treatment of all tenderers and to eliminate irregularities, corrupt practices, etc.

Scrutiny of records (December 2014) of Bihar State Power (Holding) Company Limited, Patna (Company) revealed that the Company instead of invitation of public tenders, awarded (April 2013 to December 2014) 46 work orders pertaining to maintenance of staff quarters and other works aggregating to ₹ 3.04 crore to contractors/suppliers on a nomination basis. We further observed that the award of aforementioned Government Contracts on a nomination basis by the Company was not under exceptional circumstances and reasons for the same were also not placed on the record.

The Company stated (October 2015) that initially some works were awarded on a nomination basis in view of the Company's interests as well as urgency of the work. However, presently, the award of a work on a nomination basis, except in case of emergencies, has been put on a hold completely.

Thus, the Company in contravention of the CVC Guidelines based on the Judgment of Hon'ble Supreme Court of India awarded work orders aggregating to ₹ 3.04 crore which was not only irregular but also led to non-attainment of the desired goals pronounced by the apex court.

The matter was reported to the Government (May 2015), reply was still awaited (December 2015).

Bihar State Power (Holding) Company Limited and its subsidiaries

3.6 Non-deduction of Labour Cess

Failure in effecting mandatory deduction of Labour Cess from the bills of the contractors resulted in liability of ₹12.93 crore towards Labour Cess.

The Government of Bihar (GoB) vide an Extraordinary Gazette notification issued in February 2008, enforced Labour Cess as envisaged by the Ministry of Labour, Government of India notification of 'the Building and Other Construction Workers Welfare Cess Act, 1996'¹³(Act). The Act specified deduction of Labour Cess at the rate of one *per cent* out of the cost of construction incurred by an employer.

As per Section 3 (2) of the Act, all Government Departments and Public Sector Undertakings, engaged in construction works are required to deduct Labour Cess at the prescribed rate from the bills of the agencies and remit the same to the "Building and Other Construction Workers Welfare Board" (Welfare Board) through a crossed demand draft within 30 days of such deduction. Further, Section 8 of the Act stipulates that if any employer failed to pay any amount of Labour Cess payable within the time specified, such employer would be liable to pay interest on the amount at the rate of two *per cent* for every month or part of a month till such amount was actually paid.

¹³ Section 2(d) of the Act provides that "Building or other Construction work" means the Construction, alteration, repairs, maintenance or demolition of or, in relation to buildings, streets, roads, railways, generation, transmission and distribution of power, etc., but does not include any building or other construction work to which the provisions of the Factories Act would apply.

We observed (December 2014 to February 2015) that Bihar State Power Holding Company Limited and its subsidiaries viz. South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited were not effecting the mandatory deduction of Labour Cess as per provisions of the Act. Consequently, a sum of ₹ 12.93 crore was not deducted from the bills of contractors to be deposited with the concerned authorities. This resulted in creation of undue liability to the extent of ₹ 12.93 crore for the period April 2011 to January 2015 on account of Labour Cess payable to Welfare Board, GoB.

Bihar State Power Holding Company Limited and South Bihar Power Distribution Company Limited, while accepting the facts and figures, stated (October 2015) that the amount payable on account of cess has been worked out and will be paid to the Welfare Board on the availability of fund. Further, North Bihar Power Distribution Company Limited, while accepting the facts and figures, stated that Labour cess is being deducted with effect from the year 2015-16.

Thus, failure on the part of the Company in effecting mandatory deduction of Labour Cess from the bills of the contractors resulted in undue liability of ₹ 12.93 crore towards Labour Cess.

The matter was reported to the Government (May 2015); reply is still awaited (December 2015).

North Bihar Power Distribution Company Limited

3.7 Undue benefit to the consumer

Failure to adhere to the provisions of the Tariff Orders and Bihar Electricity Supply Code, 2007 led to short assessment of punitive charges and short billing by ₹ 76.50 lakh.

Bihar Electricity Supply Code, 2007 (BESC) provides that the assessment of energy in the case of unauthorised use of electricity shall be calculated on the basis of formula prescribed under the BESC. Besides, the tariff orders¹⁴ approved by Bihar Electricity Regulatory Commission, provide that Low Tension Supply (LTS) tariff for non-domestic services (NDS) category are applicable only for supply of electricity to LT consumers having maximum connected load of 67 KVA/60 KW (up to March 2012) and 78 KVA/70 KW (since April 2012). The load of 75KVA/67.5 KW and above comes under High Tension Service (HTS)-I¹⁵ category.

Scrutiny of the records of North Bihar Power Distribution Company Limited (Company) revealed that in the course of inspection (September 2010) of the premises of an NDS consumer (Consumer No. GP-15752) under Gopalganj Division, the connected load was found 137 KW as against the sanctioned load of 21 KW. Likewise, in the course of inspection (October 2013) of the premises of another NDS consumer (Consumer No BNP-1546) under Hazipur Division, the connected load was found 172 KW as against the sanctioned

¹⁴ Tariff order 2011-12 (effective from May 2011), Tariff order 2012-13 (effective from April 2012), and Tariff order 2013-14 (effective from April 2013).

¹⁵ HTS-I Tariff is applicable for supply of electricity for use in installations with a minimum contract demand of 75KVA and maximum contract demand of 1500 KVA.

load of 30 KW. However, as against the leviable punitive charges of ₹ 41.61 lakh and ₹ 38.78 lakh on Consumer No. GP-15752 and Consumer No. BNP-1546 respectively as per the formula prescribed under BESC, the Company imposed punitive charges of ₹ 11.89 lakh and ₹ 17.11 lakh only. This resulted in short-assessment of punitive charges to the tune of ₹ 51.39 lakh.

Further, as the connected loads of the aforementioned consumers were found to be in excess of the load prescribed for NDS category, consumers should have been billed under HTS-I category. However, the Company failed to convert these consumers' category into HTS-I category and bill them accordingly. Non-conversion of the aforementioned consumer's category into HTS-I category and billing at a lower rate by the Company resulted in short billing to the tune of ₹ 25.11 lakh for the period October 2010 to March 2014.

Thus, failure on the part of the Company to adhere to the provisions of the BESC and Tariff Orders led to short assessment of punitive charges and short billing aggregating to ₹ 76.50 lakh and extension of undue benefit to the consumers to this extent.

The Company stated (October 2015) that in respect of Consumer No. BNP- 1546, a Certificate case for recovery of punitive charges of ₹ 71.65 lakh had been lodged in June 2015. As regards the Consumer No. GP-15752, it was stated that on re-inspection in May 2015, the load was found to be 50 KW only and accordingly a punitive charge of ₹ 41.59 lakh had been billed (February 2015). The reply is not acceptable since the Company in case of Consumer No. GP-15752 failed to clarify the load found to be on higher side in the earlier inspection. Besides, the revised punitive charges are yet to be recovered (October 2015).

The matter was reported to the Government, reply is still awaited (December 2015).

3.8 Incorrect categorisation of consumer

Incorrect categorisation of the Street Light Consumer on the part of the Company and billing thereof at a lower rate resulted in a revenue loss of ₹3.08 crore to the Company.

Para 6 of Tariff Orders issued by Bihar Electricity Regulatory Commission (BERC) from 2008-09 to 2014-15, provided that Street Light Services (SS) shall be applicable for supply of electricity for street light system including signal system in corporation, municipality, notified area, committees, panchayats, etc. and also in areas not covered by municipality and notified committee provided the number of lamps from a point of supply is not less than five. Further, the said tariff order also provided that metered consumer and unmetered consumer of Street Light shall be categorised as SS-I and SS-II respectively and be billed accordingly.

Scrutiny of records (September 2014) of Electricity Supply Division, Gopalganj, a unit of North Bihar Power Distribution Company Limited (Company), revealed that an unmetered consumer, Notified Area Committee, Mirganj having load of 380 KW was being billed under SS-I category since April 2010. Since the said consumer was an unmetered consumer, it was required to be billed under SS-II category as per the provisions of prevalent

Tariff Orders. Due to wrong categorisation of the said consumer under SS-I and billing thereof at a lower rate, the said consumer was billed for ₹ 2.96 crore instead of ₹ 6.04 crore for the period April 2010 to March 2015. This resulted in loss of revenue of ₹ 3.08 crore to the Company.

The Management stated (July 2015) that a sum of ₹ 2.33 crore has been billed (May 2015) and that the consumer category has been converted to SS-II. However, the fact remains that an amount of ₹ 3.08 crore is still recoverable (October 2015).

The matter was reported to the Government (June 2015); reply is still awaited (December 2015).

Bihar State Power Transmission Company Limited

3.9 Avoidable Expenditure on purchase of Power Transformers

Non-observance of financial interests as well as failure on the part of the Company to purchase Power Transformers (PTRs) on a firm basis resulted in excess avoidable expenditure of ₹95.77 lakh.

The erstwhile Bihar State Electricity Board, now Bihar State Power Transmission Company Limited (Company), as one of its five unbundled companies, adopted (July 2008) the procurement process for future tender as per Bihar Financial Rules, 2005 (BFR). Rule 30 (viii) (a) of BFR relating to general principle for contracts provides that price variation clause can be provided only in long-term contracts where the delivery period extends beyond 18 months whereas in short-term contracts firm and fixed prices should be provided for.

Scrutiny of records (December 2013) of the Company revealed that the Company invited (September 2010 and October 2011) two¹⁶ tenders for purchase of two 50 MVA and two 100 MVA Power Transformers¹⁷ (PTRs) on a price variation basis which were to be delivered within nine months from the date of issue of purchase order in violation of BFR. While the two 50 MVA PTRs were for the purpose of installation of the same at Sitamarhi Grid Sub-station (GSS) and Sabour GSS, the two 100 MVA PTRs were intended to be installed at Begusarai GSS and Fatuah GSS. The Company placed two¹⁸ purchase orders on suppliers in April 2011 and July 2012 for supply of two 50 MVA PTRs and two 100 MVA PTRs respectively. During the delivery period, the prices of the various components of transformers increased as a result of which the Company had to make an excess payment of ₹ 95.77 lakh on account of price escalation clause.

We observed that since the delivery period for the transformers were less than the period of 18 months, the Company should have resorted to purchase of the said transformers on a firm price as per Rule 30 (viii) (a) of BFR.

The Management stated (May 2015) that procurement of PTRs on a variable price basis was justifiable since the components of transformer constantly

¹⁶ NIT No.: 178/PR/BSEB/11 dated October 2010 and NIT No.: 181/PR/BSEB/2010 dated September 2010.

¹⁷ At a landed cost of ₹ 3.97 crore for two 50 MVA PTR and at a landed cost of ₹ 6.54 crore for two 100 MVA PTR.

¹⁸ P.O. No.: 11/EB dated 03.04.2012 and P.O. No.: 16/EB dated 19.07.2012.

undergo price variations even in short term. Further, in the event of adoption of a fixed price system, there was a likelihood that the tenderer in order to maintain the “Firm Price” might have quoted price on a higher side which might have even exceeded the amount of price escalations paid. However, the fact remains that the Company failed to purchase the PTRs on a fixed price basis in accordance with the provisions of BFR.

Thus, non-observance of financial interests as well as failure on the part of the Company to purchase Power Transformers on a firm basis resulted in excess avoidable expenditure of ₹ 95.77 lakh to the Company.

The matter was reported to the Government (June 2015); reply is still awaited (December 2015).

Bihar State Food and Civil Supplies Corporation Limited

3.10 Loss due to improper storage of procured wheat

Improper storage as well as failure in timely transportation of the procured wheat resulted in loss of ₹ 20.09 crore due to deterioration in the quality of procured wheat and shortages.

The Government of Bihar designated (April 2012) Bihar State Food and Civil Supplies Corporation Limited (Company) as the nodal agency for procurement of wheat for Rabi Marketing Season (RMS) 2012-13 in the State. The Company and Primary Agriculture Credit Societies¹⁹ (PACS) were authorised as procuring agencies. The Company had to deliver the wheat procured from PACS and farmers to the Food Corporation of India (FCI) at the rate of ₹ 1426.04 per quintal. The wheat to be procured was to conform to the norms²⁰ fixed by the Government. The procurement of wheat was to be done during the period 15 April 2012 to 31 July 2012 and the wheat so procured was to be delivered to the FCI by 31 December 2012.

Scrutiny (March 2015) of the records of the Company revealed that four District Offices of the Company namely Bhabua, Bhojpur, Buxar and Patna offices procured 87230.12 Metric Tonne (MT) of wheat and transported 50123.36 MT to FCI during the period June 2012 to February 2013. The balance quantity aggregating to 37106.76 MT of procured wheat was either not transported to FCI within time or was rejected by the FCI on the ground of sub-standard quality of wheat. Subsequent to rejection of wheat by FCI, the samples of the procured wheat of different sale centers were sent by the Company to FCI for quality test. The said quality test too revealed (May 2013) that the samples were infested. Besides, the records too revealed that non-transportation of wheat in time and unscientific storage of the procured wheat resulted in quality deterioration of 37106.76 MT²¹ of stored wheat.

The Company, in order to avoid further deterioration in the quality of wheat, disposed of (March and July 2013) the balance quantity of wheat in the aforementioned districts through auction. Of the balance quantity of 37106.76

¹⁹ Primary Agriculture Credit Societies are societies designated by the Government of Bihar as procurement agencies for wheat and other crops.

²⁰ Wheat should be in good marketing conditions. The moisture content should not exceed 12%. Foreign material, other food grains, damaged grains and partly damaged grains should not exceed 0.75%, 2%, 2% and 6% respectively.

²¹ Bhabua-6009.38 MT, Bhojpur-8554.77 MT, Buxar-16380.95 MT and Patna 6161.66 MT .

MT of procured wheat, 28076.96 MT only was available which was auctioned for ₹ 31.54 crore which otherwise could have fetched a sum of ₹ 40.05 crore on supply of the same to FCI in good condition. As a result, the company suffered a loss of ₹ 8.49 crore on account of auction and ₹ 11.60 crore²² on account of shortages of 9029.80 MT of wheat.

Thus, failure on the part of the Company in timely transportation of the procured wheat to FCI as well as prolonged improper storage of procured wheat resulted in loss of ₹ 20.09 crore due to deterioration in the quality of procured wheat and shortages.

The matter was reported (June 2015) to the Company/Government; reply is still awaited (December 2015).

Bihar Rajya Pul Nirman Nigam Limited, Bihar State Building Construction Corporation Limited and Bihar State Beverages Corporation Limited

3.11 Irregular contribution to the Chief Minister's Relief Fund

Three Companies in violation of the provisions of the Companies Act, 2013 made an irregular contribution of ₹ 31 crore to the Chief Minister's Relief Fund.

Section 181²³ of the Companies Act, 2013 (Act) provides that the Board of Directors of a company may contribute to *bona fide* charitable and other funds, provided that prior permission of the company in general meeting shall be required for such contribution in case any amount the aggregate of which, in any financial year, exceed five *per cent* of its average net profits for the three immediately preceding financial years.

We observed that three companies viz. Bihar Rajya Pul Nirman Nigam Limited (BRPNNL), Bihar State Building Construction Corporation Limited (BSBCCCL) and Bihar State Beverages Corporation Limited (BSBCL) contributed sums aggregating to ₹ 31 crore during the year 2013-14 to the Chief Minister's Relief Fund which was more than 5 *per cent* of their average profit for three immediately preceding financial years. Since the contributions exceeded the limits specified by the Act, prior consent of the Shareholders in the general meeting was required to be obtained. However, the same was not done by these companies.

Thus, the Companies in violation of the provisions of the Act made an irregular contribution of ₹ 31 crore to the Chief Minister's Relief Fund (February 2014 to March 2014).

BRPNNL stated (February 2015) that the decision to make the contribution to Chief Minister's Relief Fund was *post-facto* approved by the shareholders of the Company in the Extra-ordinary General Meetings in accordance with the provisions of the Companies Act, 1956. Further, BSBCCCL stated (January 2015) that approval from directors to recommend the same for ratification and approval by shareholders was done at the very next meeting of the Board held after the date of such grant. BSBCL in its initial reply stated (May 2015) that

²² Calculated at Minimum Support Price, i.e., ₹ 1285 per quintal.

²³ Came into force from 12th day of September, 2013.

the contribution to Chief Minister's Relief Fund was a part of CSR expenditure, which does not require prior permission of General Meeting. Administrative Departments of BRPNNL and BSBCCL concurred with the reply of Companies' Management.

The replies of the Companies/ Departments are not acceptable since contribution to a bonafide charitable or any other fund can be made only with the prior consent of the Company in General meeting and as such the said contribution can not be regularised by way of ex-post facto approval.

The matter was reported (April and July 2015) to the Companies/Governments; the reply of the administrative department as well as that of management of BSBCCL is still awaited (December 2015).

Bihar State Text Book Publishing Corporation Limited & Bihar State Electronics Development Corporation Limited

3.12 Imprudent investment of Surplus funds

Non-observance of basic tenets of Financial Management on the part of two Companies led to loss of interest of ₹ 31.06 lakh in investment of surplus funds.

One of the basic tenets of sound financial management requires that the surplus funds of a business entity should be invested in such a manner that it leads to the maximisation of the resources of the business entity. Further, every business entity should also watch its financial interests to attain the resource maximisation goals.

Scrutiny of records (September 2014 and February 2015) of Bihar State Text Book Publishing Corporation Limited (BSTBPCL) and Bihar State Electronics Development Corporation Limited (BSEDCL) revealed that:

- BSTBPCL invested (May 2011 to April 2014) its surplus fund to the tune of ₹ 55.09 crore into 19 term deposits fetching lesser rate of interests with different banks. It was observed that BSTBPCL without comparing the maximum rate of interest offered by some banks for the same period of maturity made on the same date invested the surplus funds on lower rates. Imprudent financial decisions on the part of BSTBPCL to invest its surplus fund into fixed deposits attracting interests at a lesser rate resulted in a loss of interest to the tune of ₹ 24.52 lakh.
- BSEDCL invested (June 2013 to July 2013) its surplus fund amounting to ₹ 10.76 crore and ₹ 7.74 crore respectively into three and seven numbers of fixed deposits fetching lower rate of interest in Union Bank of India and Bank of Baroda respectively as compared to the higher rate of interest offered by the same bank on same date for deposit up to ₹ one crore. Imprudent financial decisions on the part of BSEDCL to invest its surplus fund into fixed deposits attracting interests at a lesser rate resulted in a loss of interest to the tune of ₹ 6.54 lakh.

The Management, while accepting the facts and figures, stated (October 2015) that the audit observation has been noted for future compliance.

Thus, non-observance of basic tenets of Financial Management on the part of the Companies led to loss of interest of ₹ 31.06 lakh in investment of surplus funds.

The matter was reported (May 2015) to the Government; reply is still awaited (December 2015).

Bihar State Text Book Publishing Corporation Limited

3.13 Lack of Planning

Lack of planning as well as failure on the part of the Company to adhere to the Printing and Delivery time schedule fixed by Bihar Shiksha Pariyojna Parishad resulted in deduction of penalty: ₹ 47.57 crore.

Bihar State Text Book Publishing Corporation Limited (Company) entered into Memorandum of Understanding (MoU) annually with Bihar Shiksha Pariyojna Parishad (BSPP) for supply of books under Sarv Shiksha Abhiyan (SSA). The provisions of the said MoU, *inter alia*, stipulated that the Company will complete the delivery of text books/ printing material to Blocks latest by March at the end of every year, failing which penalty may be imposed by BSPP which will be acceptable to the Company.

Scrutiny of records of the Company revealed that:

- though a time frame and/or target had been stipulated for the delivery of text books, the Company failed to adhere to the time-schedule fixed by BSPP.
- the supply of text books by the Company was delayed by six to seven months during the academic year 2012-13 and 2013-14 for which BSPP deducted a total sum of ₹ 47.57²⁴ crore from the bills of the Companies on account of penalties.

We further observed that the Company failed to evolve a sound plan for timely printing/delivery of text books since there were delays of four to seven months in every stage of printing and supply of text books viz. finalisation of tender, procurement of paper, set-making as well as dispatch of text books. Further, the instance of these unwarranted delays persisted even in the academic year 2013-14 notwithstanding payment of penalties to the tune of ₹ 22.88 crore by the Company in the academic year 2012-13. This was indicative of not only non-adherence to the printing time schedule but also of lack of planning on the part of the Company to ensure timely completion of printing assignments.

Thus, lack of planning as well as failure on the part of the Company to adhere to the printing and delivery time schedule fixed by Bihar Shiksha Pariyojna Parishad resulted in deduction of penalty of ₹ 47.57 crore.

The Management stated (August 2015) that delays in supply of papers by the supplier, receipt of manuscripts from State Council for Educational Research and Training, changes in requisitions of books made by BSPP in the mid of programme execution, etc. resulted in delay in supply of text books. Further, the sum of ₹ 47.57 crore imposed as penalty by the BSPP against the Company is being pursued for refund.

²⁴ Academic year 2012-13: ₹ 22.88 crore and Academic year 2013-14: ₹ 24.69 crore.

The reply is not tenable as delays at various stages were of routine nature and their impact on delivery of text books and resultant imposition of penalty were avoidable by resolving a sound plan for timely printing and delivery of books.

The matter was reported to the Government (April 2015); reply is still awaited (December 2015).

3.14 Loss to the Company

Deficient Internal Control System prevalent in the Company to ensure supply of text books by the set-makers as well as failure on the part of the Company to recover the cost of short supplied text books from the set-makers resulted in a loss of ₹ 5.20 crore.

Bihar State Text Book Publishing Corporation Limited (Company), *inter alia*, supplies books to Bihar Shiksha Pariyojna Parishad (BSPP) for distribution among the students studying in class I to VIII under Sarv Shiksha Abhiyan (SSA) scheme. For this purpose, the Company places orders with the private printers who print books and supplies the same, on behalf of the Company, to the set-makers in their godowns. The set-maker, on behalf of the Company, supplies the books to the concerned blocks of districts. Clause 18 of Bid Document for set-making of text books class-wise/student-wise/district-wise and block-wise transportation, for SSA, *inter alia*, provided that the bidder shall ensure the delivery of all the class-wise/student-wise/district-wise set of text books in Plastic Chat bags upto block level as per the order given by the Company. Further, the losses, damages and shortages in transit or otherwise, shall be borne by the bidder.

Scrutiny (September 2014) of the records of the Company revealed that:-

- for the SSA academic year 2012-13 and 2013-14, a total number of 19,53,99,521 books were printed and supplied to set-makers by the printers.
- the set-makers, however, had supplied only 19,33,32,330 books to various districts for the aforementioned academic years. Thus, there was short supply of 18,53,498²⁵ books valuing ₹ 5.20 crore by the set-makers in comparison to the number of books printed by the printers.

We further observed that:

- Internal Control System prevalent in the Company was deficient as no mechanism existed to ensure supply of the text books by the set-maker. Further, the Company also did not have any system of reconciliation of the number of text books supplied by the set-maker to the various Districts vis-a-vis the number of text books printed by the printers. As a result of this, the Company failed in monitoring the supply of printed text books to the concerned blocks of districts. The Company failed to ensure that all the printed text books were utilised in set making and delivered to the intended Blocks.
- the value of short supplied text books amounting to ₹ 5.20 crore should have been recovered from the bills of the set-maker. However, the same was

²⁵ After allowing for adjustment of closing balance of 213693 number of books.

not done by the Company as a result of which the Company suffered a loss of ₹ 5.20 crore.

Thus, due to deficient Internal Control System to ensure supply of books by the set-makers as well as failure on the part of the Company to recover the cost of short supplied text books from the set-makers resulted in a loss of ₹ 5.20 crore to the Company.

The matter was reported (April 2015) to the Government/Management; their replies are awaited (December 2015).



(P. K. SINGH)

Accountant General (Audit), Bihar

Patna

The 04 March 2016

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

New Delhi

The 11 March 2016

ANNEXURES

Annexure – 1.1

(Referred to in Paragraphs 1.1 and 1.15)

Summarised financial position and working results of Government companies and Statutory corporations as per their latest finalized statements/accounts

(Figures in columns 5 to 12 are ₹ in crore)

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year (as on 31.3.2015)	Accumulated Profit(+)/ Loss(-)	Turnover	Net profit(+)/Loss(-)	Net Impact of Audit Comments [#]	Capital employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (as on 31.03.2015)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	A.WORKING GOVERNMENT COMPANIES												
	AGRICULTURE & ALLIED												
1.	Bihar Rajya Beej Nigam Limited	1999-00	2013-14	3.71	27.93	(-)58.45	1.89	(-)4.99	-	0.82	(-)2.25	-	71
2.	Bihar Rajya Matasya Vikas Nigam Limited	1992-93	1996-97	1.75	2.63	(-)1.92	-	(-)0.22	-	1.74	(-)0.05	-	21
3.	SCADA Agro Business Company Limited	2011-12	2015-16	0.05	-	(-)1.78	-	0.03	-	1.14	0.03	2.63	NA
	Sector wise total			5.51	30.56	(-)62.15	1.89	(-)5.18	-	3.70	(-)2.27	-	92
	FINANCE												
4.	Bihar State Credit & Investment Corporation Limited	2006-07 2007-08 2008-09	2015-16	15.12	53.48	(-)155.24	3.06	(-)1.45	-	31.29	1.72	5.50	39
5.	Bihar State Backward Classes Finance & Development Corporation	1997-98	2006-07	3.62	16.00	0.53	0.64	(-)0.29	-	3.86	0.39	10.10	18
6.	Bihar State Minorities Finance Corporation Limited	2010-11	2015-16	28.29	27.55	(-)8.49	3.24	(-)0.01	-	43.69	0.86	1.97	30
7.	Bihar State Film Development & Finance Corporation Limited	1995-96	2014-15	1.00	0.15	(-)0.13	-	0.01	-	1.01	0.03	2.97	07
	Sector wise total			48.03	97.18	(-)163.33	6.94	(-)1.74	-	79.85	3.00	3.76	94
	INFRASTRUCTURE												
8.	Bihar Police Building Construction Corporation Limited	2008-09	2014-15	0.10	0.43	(-)10.84	1.05	3.06	-	(-)10.31	3.06	-	350

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Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year (as on 31.3.2015)	Accumulated Profit(+)/ Loss(-)	Turnover	Net profit(+)/Loss(-)	Net Impact of Audit Comments [#]	Capital employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (as on 31.03.2015)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
9.	Bihar Rajya Pul Nirman Nigam Limited	2011-12 2012-13	2014-15	3.50	-	182.17	117.37	106.99	0.05	316.84	106.99	33.77	272
10.	Bihar State Building Construction Corporation Limited	2012-13 2013-14	2014-15	5.00	-	8.69	28.76	14.59	0.25	13.90	26.96	193.96	140
11.	Bihar State Road Development Corporation Limited	2013-14	2015-16	20.00	193.00	225.63	749.07	58.57	(-)690.97	370.63	58.57	15.80	109
12.	Bihar Urban Infrastructure Development Corporation Limited	2013-14	2014-15	5.00	-	14.28	220.93	10.94	-	24.86	10.94	44.01	81
13.	Bihar State Educational Infrastructure Development Corporation Limited	2013-14 2014-15	2014-15 2015-16	20.00	-	111.26	83.34	72.63	**	131.26	72.63	55.33	230
Sector wise total				53.60	193.43	531.19	1200.52	266.78	(-)690.67	847.18	279.15	32.95	1182
MANUFACTURING													
14.	Bihar State Electronics Development Corporation Limited	2011-12 2012-13 2013-14	2014-15 2014-15	5.66	6.00	35.04	57.57	8.14	-	70.41	9.06	12.87	69
15.	Bihar State Mineral Development Corporation Limited	2000-01	2004-05	9.97	-	7.04	31.55	9.29	-	20.68	9.29	44.92	01
16.	Bihar State Beverages Corporation Limited	2013-14	2015-16	5.00	-	39.57	3155.31	132.87	3.58	50.17	132.87	264.84	240
Sector wise total				20.63	6.00	81.65	3244.43	150.30	3.58	141.26	151.22	107.05	310
POWER													
17.	Bihar State Hydroelectric Power Corporation Limited	2000-01	2013-14	99.04	466.43	(-)28.18	9.12	(-)1.42	(-) 11.01	279.75	4.49	1.61	171
18.	Bihar State Power (Holding) Company Limited	2013-14	2015-16	8923.96	91.32	-	-	-	-	9504.03	-	-	335
19.	Bihar State Power Generation Company Limited	2013-14	2014-15	2005.42	2133.87	-	-	-	-	4414.22	-	-	441
20.	Bihar State Power Transmission Company Limited	2013-14	2014-15	2307.08	289.30	(-)24.19	223.21	(-)24.19	(-) 23.15	4115.92	(-)9.99	-	1641
21.	North Bihar Power	2012-13											

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year (as on 31.3.2015)	Accumulated Profit(+)/ Loss(-)	Turnover	Net profit(+)/Loss(-)	Net Impact of Audit Comments [#]	Capital employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (as on 31.03.2015)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Distribution Company Limited	2013-14	2014-15	2170.84	1548.48	(-)714.34	2581.26	(-)74.26	635.96	5854.03	(-)29.62	0.51	3706
22.	South Bihar Power Distribution Company Limited	2013-14	2014-15	2268.85	2097.11	(-)1410.37	4038.28	(-)268.69	1656.42	5194.74	(-)248.63	-	5665
23.	Bihar Grid Company Limited	2014-15	2015-16	20.05	38.50	-	-	-	(-)0.74	58.55	-	-	21
24.	Pirpainti Bijli Company Private Limited	A/c not finalised	-	-	-	-	-	-	-	-	-	-	NA
25.	Lakhisarai Bijli Company Private Limited	A/c not finalised	-	-	-	-	-	-	-	-	-	-	NA
Sector wise total		-	-	17795.24	6665.01	(-)2177.08	6851.87	(-)368.56	2257.48	29421.24	(-)283.75	-	11980
SERVICES													
26.	Bihar State Tourism Development Corporation Limited	2011-12	2015-16	5.00	-	9.38	9.79	2.16	-	75.64	2.16	2.86	261
27.	Bihar State Food & Civil Supplies Corporation Limited	1990-91	2012-13	4.46	3924.83	(-)46.04	140.14	(-)11.18	(-) 3.37	39.12	(-) 3.02	-	661
28.	Bihar Medical Services & Infrastructure Corporation Limited	2012-13	2013-14	6.74	-	2.31	0.36	2.49	-	9.05	2.49	27.51	37
Sector Wise Total				16.20	3924.83	(-)34.35	150.29	(-)6.53	(-)3.37	123.81	1.63	1.32	959
Miscellaneous													
29.	Bihar State Forest Development Corporation Limited	2000-01	2005-06	2.29	-	0.32	22.81	0.28	(-)0.40	1.17	0.28	23.93	108
30.	Bihar State Text Book Publishing Corporation Limited	1999-00 2000-01	2014-15 2014-15	0.48	-	1.64	12.59	4.15	-	2.12	4.15	195.75	77
Sector wise total		-	-	2.77	-	1.96	35.40	4.43	(-)0.40	3.29	4.43	-	185
Total A (All sector wise working Government companies)		-	-	17941.98	10917.01	(-)1818.55	11491.34	39.50	1566.62	30620.33	153.41	0.50	14802
B. WORKING STATUTORY CORPORATION													
FINANCE													
1.	Bihar State Financial Corporation	2014-15	2015-16	77.84	228.47	(-)421.65	5.03	(-)17.66	***	54.76	(-)0.59	-	180

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Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year (as on 31.3.2015)	Accumulated Profit(+)/ Loss(-)	Turnover	Net profit(+)/Loss(-)	Net Impact of Audit Comments [#]	Capital employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (as on 31.03.2015)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Sector wise total			77.84	228.47	(-)421.65	5.03	(-)17.66		54.76	(-)0.59	-	180
	SERVICES												
2.	Bihar State Road Transport Corporation	2005-06	2015-16	101.28	547.79	(-)902.98	56.33	(-)59.23	-	(-)713.22	(-)22.09	-	750
3.	Bihar State Warehousing Corporation	2010-11	2014-15	6.42	-	5.42	66.94	0.81	(-)8.47	19.26	0.99	5.14	158
	Sector wise total			107.70	547.79	(-)897.56	123.27	(-)58.42	(-)8.47	(-)693.96	(-)21.10	-	908
	Total B (All sector wise working Statutory corporations)			185.54	776.26	(-)1319.21	128.30	(-)76.08	(-)8.47	(-)639.20	(-)21.69	-	1088
	Grand Total (A + B)			18127.52	11693.27	(-)3137.76	11619.64	(-)36.58	1558.15	30017.13	131.72	0.44	15890
	C. NON-WORKING GOVERNMENT COMPANIES												
	AGRICULTURE & ALLIED												
1.	Bihar State Water Development Corporation Limited	1978-79	1997-98	5.00	49.68	11.20	-	2.17	-	26.70	2.42	9.06	NA
2.	Bihar State Dairy Corporation Limited	1997-98	2014-15	6.72	-	(-)10.57	-	(-)0.00 ¹	-	4.86	0.00 ²	-	-
3.	Bihar Hill Area Lift Irrigation Corporation Limited	1982-83	1983-84	5.60	8.55	(-)0.86	0.01	(-)0.26	-	9.53	(-) 0.13	-	NA
4.	Bihar State Agro Industries Development Corporation Limited	1990-91 1991-92	2013-14	7.57	12.60	(-)34.73	3.70	(-)2.22	-	(-)6.64	(-)1.65	-	136
5.	Bihar State Fruit & Vegetables Development Corporation Limited	1994-95	2010-11	2.10	1.12	(-)7.82	-	(-)0.92	(-)0.14	(-) 0.07	(-)0.19	-	09
6.	Bihar Insecticide Limited	1986-87	1991-92	0.57	1.54	(-)1.03	-	(-)1.03	-	2.35	(-)0.87	-	53
7.	SCADA Agro Business Limited, Khagaul	-	-	-	NA	-	-	-	-	-	-	-	NA
8.	SCADA Agro Business Limited, Dehri.	-	-	-	NA	-	-	-	-	-	-	-	NA
9.	SCADA Agro Business	-	-	-	NA	-	-	-	-	-	-	-	NA

¹ ₹ 45,560

² ₹ 45,560

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year (as on 31.3.2015)	Accumulated Profit(+)/ Loss(-)	Turnover	Net profit(+)/Loss(-)	Net Impact of Audit Comments [#]	Capital employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (as on 31.03.2015)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Limited, Arrah												
10.	SCADA Agro Business Limited, Aurangabad	-	-	-	NA	-	-	-	-	-	-	-	NA
11.	SCADA Agro Business Limited, Mohania	-	-	-	NA	-	-	-	-	-	-	-	NA
12.	SCADA Agro Forestry Company Limited, Khagaul	-	-	-	NA	-	-	-	-	-	-	-	NA
	Sector wise total	-	-	27.56	73.49	(-)43.81	3.71	(-)2.26	(-) 0.14	36.73	(-)0.42	-	198
	FINANCE												
13.	Bihar Panchayati Raj Finance Corporation Limited	1984-85	1991-92	1.44	-	(-)0.03	-	(-)0.01	-	5.86	0.23	3.92	54
14.	Bihar State Handloom and Handicrafts Corporation Limited	1983-84	1996-97	6.28	1.16	(-)0.44	-	(-)0.10	(-)0.01	7.08	0.01	0.14	NA
15.	Bihar State Small Industries Corporation Limited	1990-91	2005-06	7.18	21.23	(-)16.56	15.22	(-)1.42	(-)0.53	1.86	(-)0.27	-	49
16.	Bihar State Industrial Development Corporation Limited	1988-89 to 2003-04 2004-05	2015-16	14.04	66.56	(-)133.78	-	(-)13.56	-	127.62	(-)4.22	-	768
	Sector wise total			28.94	88.95	(-)150.81	15.22	(-)15.09	(-) 0.54	142.42	(-)4.25		871
	INFRASTRUCTURE												
17.	Bihar State Construction Corporation Limited	1995-96 1996-97 1997-98 1998-99	2015-16	7.00	2.03	(-)23.60	10.35	(-)2.41	-	(-)15.09	(-)2.41	-	146
	Sector wise total			7.00	2.03	(-)23.60	10.35	(-)2.41	-	(-)15.09	(-)2.41	-	146
	MANUFACTURING												
18.	Bihar Solvent & Chemicals Limited	1986-87	1995-96	0.66	0.89	(-)0.32	-	(-)0.32	(-) 0.24	1.67	(-)0.21	-	NA
19.	Magadh Mineral Limited	-	-	-	0.47	-	-	-	-	-	-	-	05
20.	Kumardhubi Metal Casting & Engineering Limited	1994-95	1995-96	2.17	6.63	(-)8.16	10.89	(-)2.39	-	0.91	(-)2.01	-	NA
21.	Beltron Video System Limited	1987-88	1998-99	1.21	4.51	(-)0.22	0.75	(-)0.15	-	1.02	(-)0.10	-	NA
22.	Beltron Mining System	1989-90	2002-03	1.26	-	(-)0.49	0.41	(-)0.10	-	0.52	(-)0.10	-	NA

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Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year (as on 31.3.2015)	Accumulated Profit(+)/ Loss(-)	Turnover	Net profit(+)/Loss(-)	Net Impact of Audit Comments [#]	Capital employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (as on 31.03.2015)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Limited												
23.	Beltron Informatics Limited	-	-	-	-	-	-	-	-	-	-	-	NA
24.	Bihar State Sugar Corporation Limited	1984-85	1996-97	9.97	322.95	(-72.31)	-	(-9.20)	(-4.67)	(-10.24)	(-3.20)	-	NA
25.	Bihar State Cement Corporation Limited	-	-	-	0.03	-	-	-	-	-	-	-	NA
26.	Bihar State Pharmaceuticals & Chemicals Development Corporation Limited	1985-86	1992-93	3.62	4.25	(-0.74)	-	(-0.17)	-	6.87	(-0.17)	-	52
27.	Bihar Maize Product Limited	1983-84	1987-88	0.67	0.02	(-0.06)	-	(-0.03)	-	0.80	(-0.03)	-	NA
28.	Bihar Drugs and Chemicals Limited	1985-86	1991-92	0.94	1.28	(-0.16)	-	(-0.03)	-	1.16	(-0.03)	-	NA
29.	Bihar State Textiles Corporation Limited	1987-88	1995-96	4.98	2.27	(-0.32)	-	(-0.09)	(-0.02)	3.72	(-0.09)	-	51
	Sector wise total			25.48	343.30	(-82.78)	12.05	(-12.48)	(-4.93)	6.43	(-5.94)		108
	SERVICES												
30.	Bihar State Export Corporation Limited	1991-92	1999-00	2.00	1.22	(-0.01)	4.94	(-0.10)	(-0.03)	3.75	0.10	2.69	23
	Sector wise total			2.00	1.22	(-0.01)	4.94	(-0.10)	(-0.03)	3.75	0.10		23
	MISCELLANEOUS												
31.	Bihar Paper Mills Limited	1985-86	1997-98	1.56	10.72	(-0.31)	-	(-0.06)	0.00 ³	1.44	(-0.06)	-	NA
32.	Bihar State Glazed Tiles & Ceramics Limited	1985-86	1997-98	0.16	3.66	(-0.51)	-	(-0.08)	-	3.50	0.06	-	32
33.	Vishwamitra Paper Industries Limited	1984-85	1988-89	0.40	0.81	(-0.01)	-	(-0.01)	-	0.69	(-0.01)	-	NA
34.	Jhanjharpur Paper Industries Limited	1985-86	1991-92	0.42	0.46	(-0.02)	-	(-0.01)	(-0.03)	0.59	(-0.01)	-	13
35.	Bihar State Tannin Extract Limited	1988-89	1993-94	1.03	2.14	(-0.67)	-	(-0.32)	-	2.49	(-0.16)	-	NA
36.	Bihar State Finished Leathers Corporation Limited	1983-84	1986-87	1.47	9.18	(-2.13)	-	(-1.49)	-	6.15	(-1.49)	-	NA
37.	Synthetic Resins (Eastern) Limited	1983-84	1987-88	0.09	1.05	(-0.01)	-	(-0.02)	-	0.17	(-0.02)	-	-

³ ₹ 36,000

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up Capital	Loans outstanding at the end of year (as on 31.3.2015)	Accumulated Profit(+)/ Loss(-)	Turnover	Net profit(+)/Loss(-)	Net Impact of Audit Comments [#]	Capital employed [@]	Return on capital employed ^{\$}	Percentage of return on capital employed	Manpower (as on 31.03.2015)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
38.	Bhavani Active Carbon Limited	1985-86	1989-90	0.02	-	(-)0.01	-	(-)0.01	-	0.01	(-)0.01	-	NA
39.	Bihar State Leather Industries Development Corporation Limited	1982-83	2004-05	5.14	14.13	(-)2.92	-	(-)0.37	(-)0.01	2.56	(-)0.29	-	NA
40.	Bihar Scooters Limited	-	-	-	6.09	-	-	-	-	-	-	-	NA
	Sector wise total			10.29	48.24	(-)6.59	-	(-)2.37	(-)0.04	17.60	(-)1.99		45
	Total C (All sector wise non working Government companies)			101.27	548.23	(-)307.60	46.27	(-)34.71	(-)5.68	191.84	(-)14.91		1391
	Grand Total (A + B + C)			18228.79	12241.50	(-)3445.36	11665.91	(-)71.29	1552.47	30208.97	116.81	0.39	17281

Above includes other companies referred to in Section 139 (5) and 139(7) of the companies Act 2013 at Sl. No. 3 of working companies and Sl. No. 7 to 12 of non-working companies.

[#] Impact of accounts comments include the net impact of comments of CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

[@] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).Consequent upon amendment in Schedule IV of the Companies Act, 1956, Capital Employed has been computed as Shareholders fund (i.e. Share capital, Share application money pending allotment and Free reserve after adjusting accumulated loss if any) plus Long term Borrowings.

^{\$} Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

** Audit of Accounts of these PSUs is under progress.

*** Audit of Accounts by CAG who is the sole auditor for these corporations is under progress.

Annexure – 1.2

(Referred to in Paragraph 1.11)

Statement showing investments made by the State Government in PSUs whose accounts were in arrears.

(Amount: ₹ in crore)

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up capital	Investment made by the State Government during the years for which Accounts are in arrears				
				Equity	Loans	Grants	Others to be specified (subsidy)	Total
A. Working Government Companies								
1.	Bihar Rajya Beej Nigam Limited	1999-00	3.71	-	2.28	59.69	-	61.97
2.	Bihar Rajya Matasya Vikash Nigam Limited	1992-93	1.75	1.25	5.63	0.26	-	7.14
3.	Bihar State Credit & Investment Corporation Limited	2008-09	15.12	-	53.48	-	-	53.48
4.	Bihar State Backward Classes Finance & Development Corporation	1997-98	3.62	17.74	7.49	-	-	25.23
5.	Bihar State Minorities Finance Corporation Limited	2010-11	28.29	2.10	-	90.00	-	92.10
6.	Bihar State Film Development & Finance Corporation Limited	1995-96	1.00	-	0.01	-	0.50	0.51
7.	Bihar State Mineral Development Corporation Limited	2000-01	9.97	-	-	11.00	-	11.00
8.	Bihar State Hydroelectric Power Corporation Limited	2000-2001	99.04	-	157.70	-	-	157.70
9.	Bihar State Power Generation Company Limited	2013-14	2005.42	211.24	-	3.47	-	214.71
10.	Bihar State Power Transmission Company Limited	2013-14	2307.08	721.94	-	70.00	-	791.94
11.	North Bihar Power Distribution Company Limited	2013-14	2170.84	848.83	14.08	816.09	1087.74	2766.74
12.	South Bihar Power Distribution Company Limited	2013-14	2268.85	661.00	27.58	-	1794.03 [#]	2482.61
13.	Bihar State Tourism Development Corporation Limited	2011-12	5.00	-	-	-	12.00	12.00

14.	Bihar State Food & Civil Supplies Corporation Limited	1990-91	4.46	0.81	1201.23	-	-	1202.04
15.	Bihar Medical Services & Infrastructure Corporation Limited	2012-13	6.74	-	-	363.90	-	363.90
16.	Bihar State Text Book Publishing Corporation Limited	2000-01	0.48	-	-	-	23.00	23.00
	Total (A)		8931.37	2464.91	1469.48	1414.41	2917.27	8266.07
B Working Statutory Corporation								
1.	Bihar State Road Transport Corporation	2005-06	101.28	-	456.77	-	-	456.77
2.	Bihar State Warehousing Corporation	2010-11	6.42	-	-	16.00	31.37	47.37
	Total (B)		107.70	-	456.77	16.00	31.37	504.14
	Total (A+B)		9039.07	2464.91	1926.25	1430.41	2948.64	8770.21

* Figures are based on the information furnished by the PSUs.

The figure includes the amount of subsidy as well as grant.

Annexure-2.1.1

(Referred to in Paragraphs 2.1.1 and 2.1.23)

Statement showing the details of projects allotted to the Company and projects completed by the Company

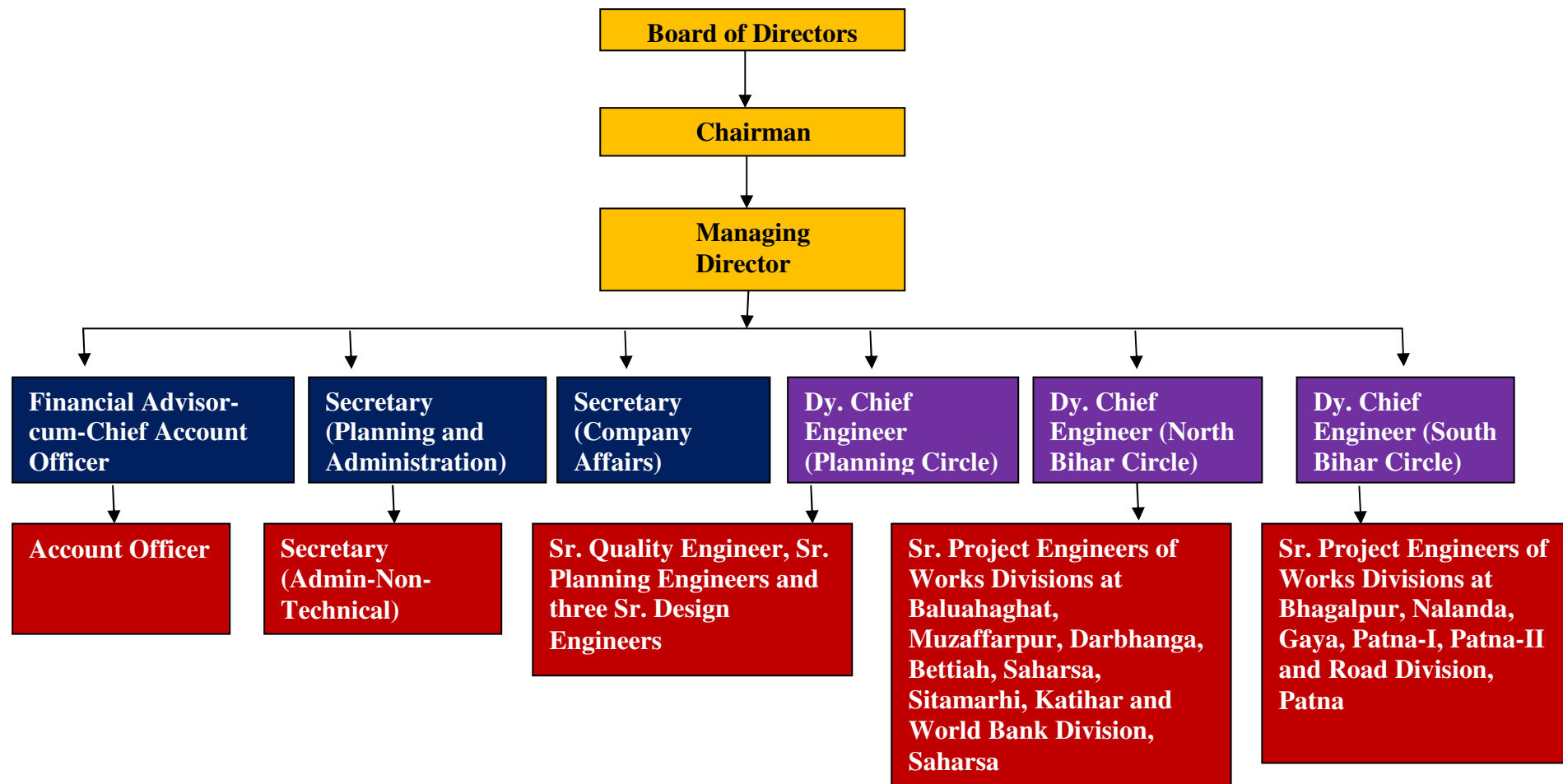
Year		Opening Balance		Addition during the year		Total		Completed		Incomplete	
		No. of Projects	Estimated Cost (₹ in crore)	No. of Projects	Estimated Cost (₹ in crore)	No. of Projects	Estimated Cost (₹ in crore)	No. of Projects	Estimated Cost (₹ in crore)	No. of Projects	Estimated Cost (₹ in crore)
2010-11	Bridges	240	3502.89	303	1378.86	543	4881.76	195	797.70	348	4084.06
	Other Structures	41	714.51	42	47.21	83	761.726	5	9.94	78	751.78
2011-12	Bridges	348	4084.06	171	1174.59	519	5258.64	255	875.54	264	4383.10
	Other Structures	78	751.78	51	66.12	129	817.9	32	30.68	97	787.22
2012-13	Bridges	264	4383.10	263	2366.42	527	6749.52	134	744.10	393	6005.42
	Other Structures	97	787.22	4	11.46	101	798.68	15	61.28	86	737.40
2013-14	Bridges	393	6005.42	148	4401.56	541	10407	98	1193.55	443	9213.43
	Other Structures	86	737.40	146	135.45	232	872.85	24	24.91	208	847.94
2014-15	Bridges	443	9213.43	127	670.73	570	9884.16	139	579.50	431	9304.66
	Other Structures	208	847.94	4	10.50	212	858.44	17	27.09	195	831.35
Total				1259	10262.90			914	4344.29	626	10136.01

Source: Information furnished by the Company

Annexure – 2.1.2

(Referred to in Paragraph 2.1.1)

Organisational Chart



Annexure - 2.1.3

(Referred to in Paragraph 2.1.5)

(A) Financial Position of Bihar Rajya Pul Nirman Nigam Limited for the period from 2010-11 to 2014-15

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14 (Provisional)	2014-15 (Provisional)
Paid up Capital	3.50	3.50	3.50	3.50	3.50
Reserves & Surplus	166.50	250.14	313.34	385.19	464.86
Non-current liabilities	4945.30	6622.74	8063.44	9809.14	11725.38
Current Liabilities & Provisions	20.27	42.68	32.26	38.27	44.89
Total	5135.57	6919.06	8412.54	10236.10	12238.63
Gross Block	62.48	63.75	64.89	64.80	70.37
Less: Depreciation	17.32	24.02	29.56	34.11	42.41
Net Fixed Assets	45.16	39.73	35.33	30.68	27.96
Capital work in progress	0.03	0.29	0.51	0.52	0.55
Current Assets, Loans & Advances	5090.38	6879.04	8376.70	10204.90	12210.12
Total	5135.57	6919.06	8412.54	10236.10	12238.63

(B) Working results of Bihar Rajya Pul Nirman Nigam Limited for the period from 2010-11 to 2014-15

Working result	2010-11	2011-12	2012-13	2013-14 (Provisional)	2014-15 (Provisional)
Total Income	114.69	175.61	141.94	159.22	183.22
Total expenditure	44.05	49.62	34.95	39.04	44.12
Profit/(loss) before tax and adjustment	70.63	125.99	106.99	120.18	139.09
Centage charge earned	86.91	118.20	117.37	127.86	145.08
Centage as <i>per cent</i> of total income	75.78	67.31	82.69	80.30	79.18
Interest on fixed Deposit	16.88	33.77	15.96	26.39	34.50
Interest on fixed Deposit as <i>per cent</i> of total income	14.71	19.23	11.24	16.57	18.83

Source: Annual Accounts of the Company

Annexure – 2.1.4

(Referred to in paragraph 2.1.14)

Statement showing delays in completion of Approach road in case of completed bridges under various heads.

Sl. No.	Name of Bridge Completed during 2010-15	Name of Division	Date of Completion Bridge Portion	Date of Completion Approach Portion	Delay in Months	Cost of Bridge portion (₹ in Lakh)
1.	Bridge at Jatwaghat	Muzaffarpur	31 January 2012	30 April 2014	15	1154.10
2.	Bridge at Nijay-Gonawan Path on 2.29 KM on Panchane river	Nalanda	16 July 2012	19 February 2013	7	72.00
3.	Bridge at Bhore -Pagara path on 3rd KM	Patna 2	23 March 2013	30 December 2013	9	137.07
4.	Bridge at Bhore -Pagara path on 12th KM	Patna 2	26 June 2013	09 June 2014	11	93.87
5.	Bridge at Khaira Sattarghat path on 32nd KM	Patna 2	26 May 2012	10 June 2013	12	37.63
	Total					1494.67

Source: Information furnished by the Company

Annexure – 2.1.5

(Referred to in paragraph 2.1.14)

Statement showing delays in completion of approach roads in case of ongoing bridges under various heads.

Sl.No.	Name of Bridge Completed 2010-15	Name of Division	Date of Completion Bridge Portion	Date of Completion Approach Portion	Lapse of time till June 2015 (in months)	Cost of Bridge portion (₹ in Lakh)
1.	Bridge at 19th KM of Chakia-Kesharia-sattarghat path	Muzaffarpur	14 August 2013	Not completed	22	121.95
2.	Bridge on Budhi Gandak at Anjankot-Bharkurwaghat	Muzaffarpur	30 September 2014	Not completed	9	1933.19
3.	Bridge at fardo nala on NH-77 on Maripur powerhouse to sakri chauk road	Muzaffarpur	30 May 2014	Not completed	13	197.47
4.	Bridge at Madhopur on the way of Turki chauk to Pakki sarai chauk (NH-77)	Muzaffarpur	12 November 2014	Not completed	7	176.65
5.	Bridge at Mandarghat	Sitamarhi	29 June 2012	Not completed	32	4030.00
6.	Bridge at 8th KM of Garhi Rupawel on Missing link of Jamui Kauakol Road	Bhagalpur	20 August 2012	Not completed	34	464.14
	Total					6923.4

Source: Information furnished by the Company

Annexure – 2.1.6

(Referred to in paragraph 2.1.22)

Statement showing delays in completion of approach roads in case of completed bridges under MMSNY Head

Sl. No.	Name of Bridge Completed during 2010-15	Name of Division	Date of Completion Bridge Portion	Date of Completion Approach Portion	Delay in Months	Cost of Bridge portion (₹ in Lakh)
1.	Bridge on Dakara river	Bhagalpur	01 July 2011	07 March 2012	8	538.77
2.	Bridge at Bhatbaliya-Chathghat	Patna 2	04 June 2011	05 January 12	7	164.21
3.	Bridge at Siwan-guthni Path across Daha river	Patna 2	26 January 2012	28 July 2014	30	153.78
4.	Bridge across Gandki river at Mohamdpur Path	Patna 2	23 July 2011	26 January 2013	6	125.37
5.	Bridge at canal in Manjholiya village	Patna 2	15 December 2013	31 July 2014	7	39.07
6.	Bridge across river Gandki at Hariharpur	Patna 2	24 May 2013	26 February 2014	8	157.35
7.	Bridge Near Khed chapra	Patna 2	26 December 2013	31 July 2014	7	64.39
8.	Bridge across river Daha at Harpur	Patna 2	24 July 2013	25 May 2014	10	186.08
9.	Bridge at Bhore -Pagara path on 5th KM	Patna 2	24 July 2013	15 February 2014	6	99.93
10.	Bridge across river Dhamai at Pachrukhiya	Patna 2	26 July 2013	02 June 2014	10	110.68
	Total					1639.63

Source: Information furnished by the Company

Annexure – 2.1.7

(Referred to in paragraph 2.1.22)

Statement showing delays in completion of approach roads in case of ongoing bridges under MMSNY Head

Sl.No.	Name of Bridge Completed during 2010-15	Name of Division	Date of Completion Bridge Portion	Lapse of time till June 2015 (in months)	Cost of Bridge portion (₹ in Lakh)
1.	Bridge between Saraiya Basantpur on Dhamai river	Patna 2	24 July 2013	23	273.75
2.	Bridge on Daha river connecting Madhwapur Bhakhari village	Patna 2	25 July 2013	23	241.84
3.	Bridge on Gandaki river at Mujhona village to Bhairopur	Patna 2	07 May 2014	13	173.83
4.	Bridge on Jamuniya river at Laluchack	Bhagalpur	30 September 2011	45	368.03
	Total				1057.45

Source: Information furnished by the Company

Annexure – 2.1.8

(Referred to in paragraph 2.1.26)

Statement showing construction of Chhatrawaas completed or to be completed

Amount ₹ in lakh

Sl.No.	Name of the Division/District	Amount of AA	Revised AA	Date of start of work	Actual date of completion	Expenditure incurred	Reason for non-completion
Works Division, Muzaffarpur							
1.	East Champaran	187.00	285.12	31-12-12	Yet to be completed	188.62	Revised AA has not yet been received
2.	Muzaffarpur	187.00	270.63	31-12-12	Yet to be completed	185.30	Revised AA has not yet been received
Works Division, Sitamarhi							
3.	Seowhar	187.00	-	-	-	0	Project returned due to non-availability of land
4.	Sitamarhi	187.00	286.29	01-01-13	Yet to be completed	185.30	
Works Division, Bettiah							
5.	West Champaran	187.00	308.02	26-06-12	Yet to be completed	185.17	Revised AA has not yet been received
Works Division, Nalanda							
6.	Lakhisarai	187.00	-	-	-	0	Project returned due to non-availability of land
7.	Nawada	187.00	-	-	-	5.45	Project returned due to non-availability of land
8.	Nalanda	187.00	261.35	20-12-11	15-12-13	239.80	
9.	Shekhpura	187.00	254.92	21-03-12	30-11-13	239.60	
Works Division, Bhagalpur							
10.	Jamui	187.00	257.33	22-12-11	31-10-13	208.40	
11.	Banka	187.00	263.88	31-03-13	30-03-14	261.60	
12.	Munger	187.00	279.07	26-07-13	Yet to be completed	159.69	Revised AA has not yet been received

13.	Bhagalpur	187.00	295.41	31-03-13	Yet to be completed	185.30	Revised AA has not yet been received
Works Division, Patna-2							
14.	Gopalganj	187.00	333.73	31-03-13	Yet to be completed	185.30	Revised AA has not yet been received
15.	Saran	187.00	324.00	28-02-13	Yet to be completed	185.30	Revised AA has not yet been received
16.	Siwan	187.00	-	-		0.97	Project returned due to non-availability of land
17.	Vaishali	187.00	-	-		0.65	Project returned due to non-availability of land

Source: Information furnished by the Company

Annexure-2.2.1

(Referred to in Paragraphs 2.2.1, 2.2.11, 2.2.18 and 2.2.20)

Statement showing details of projects under different schemes

Completed projects:

Sl. No.	Name of the project	Year of sanction	Administrative Approval (₹ in crore)	Fund received (₹ in crore)	Agreement Cost (₹ in crore)	Payment against work done (₹ in crore)	Scheduled date of completion as per the agreement	Actual date of completion	Time over run in months
	JnNURM (UIDSSMT⁴)								
1	Road Drainage project, Murliganj	2009-10	11.44	10.97	10.94	6.83	March 2012	September 2013	18
2	Road Drainage project, Narkatiaganj	2009-10	47.13	25.71	33.85	21.35	December 2012	February 2014	14
3	Road Drainage project, Bakhtiyarpur	2009-10	5.11	4.03	3.58	2.78	January 2012	July 2013	18
4	Road Drainage project, Rosera	2009-10	29.21	22.08	23.74	19.83	December 2012	May 2014	17
	JnNURM (UG⁵)								
5	Water Supply Scheme, Khagaul	2009-10	13.15	9.21	16.64	9.69	December 2012	December 2014	24
	05		106.04	72.00	88.75	60.48			

State funded projects									
6	Storm Water Drainage Scheme, Rajgir	2009-10	21.90	21.50	29.11	19.66	March 2014	February 2014	Nil
7	Sewerage System and Sewage Treatment Plant, Rajgir	2009-10	55.80	50.55	51.31	51.01	March 2015	March 2015	Nil
	Development of Park								

⁴ Urban Infrastructure Development Scheme for Small and Medium Towns.⁵ Urban Infrastructure and Governance.

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8	Kankerbagh	2009-10	0.65	0.65	0.98	0.94	August 2012	February 2014	18
	Shastripark		0.85	0.85	1.27	1.10	March 2013	March 2013	Nil
	Anishabad		0.70	0.70	0.62	0.75	September 2013	June 2014	9
9	Budha Smriti Park (BSP) and Museum	2009-10	149.18 ⁶	40.85 ⁷	125.53	41.21 ⁸	September 2013	Complete	Nil
10	Nooranibagh Park	2011-12	0.80	0.80	0.61	0.64	September 2013	November 2012	02
Total	05		229.88	115.90	209.43	115.31			

Incomplete projects

Sl. No.	Name of the project	Year of sanction	Administrative Approval (₹ in crore)	Fund received (₹ in crore)	Agreement Cost (₹ in crore)	Payment against work done up to July-2015 (₹ in crore)	Progress in per cent (col.7/col.6*100)	Scheduled date of completion as per agreement	Time over run in months up to July-15
1	2	3	4	5	6	7	8	9	10
	JnNURM (UIDSSMT)								
11	Water Supply Scheme, Muzaffarpur	2009-10	98.72	49.36	59.31	8.56	14.43	June 2014	13
	JnNURM (UIG)								
12	Water Supply Scheme, Phulwari	2009-10	24.70	17.29	27.68	15.56	56.21	March 2013	28
13	Water Supply Scheme, Bodh Gaya	2009-10	33.56	17.29	28.99	16.34	56.36	September 2013	22
14	Water Supply Scheme, Danapur	2009-10	68.96	31.03	70.18	9.24	13.17	September 2013	22
15	Water Supply Scheme, Patna	2010-11	427.00	157.48	548.83	59.90	10.91	March	16

⁶ ₹ 135.57 crore (BSP) + ₹ 13.61 crore (BSP Museum).

⁷ ₹ 27.24 crore (BSP) + ₹ 13.61 crore (BSP Museum).

⁸ ₹ 28.37 crore (BSP) + ₹ 12.84 crore (BSP Museum).

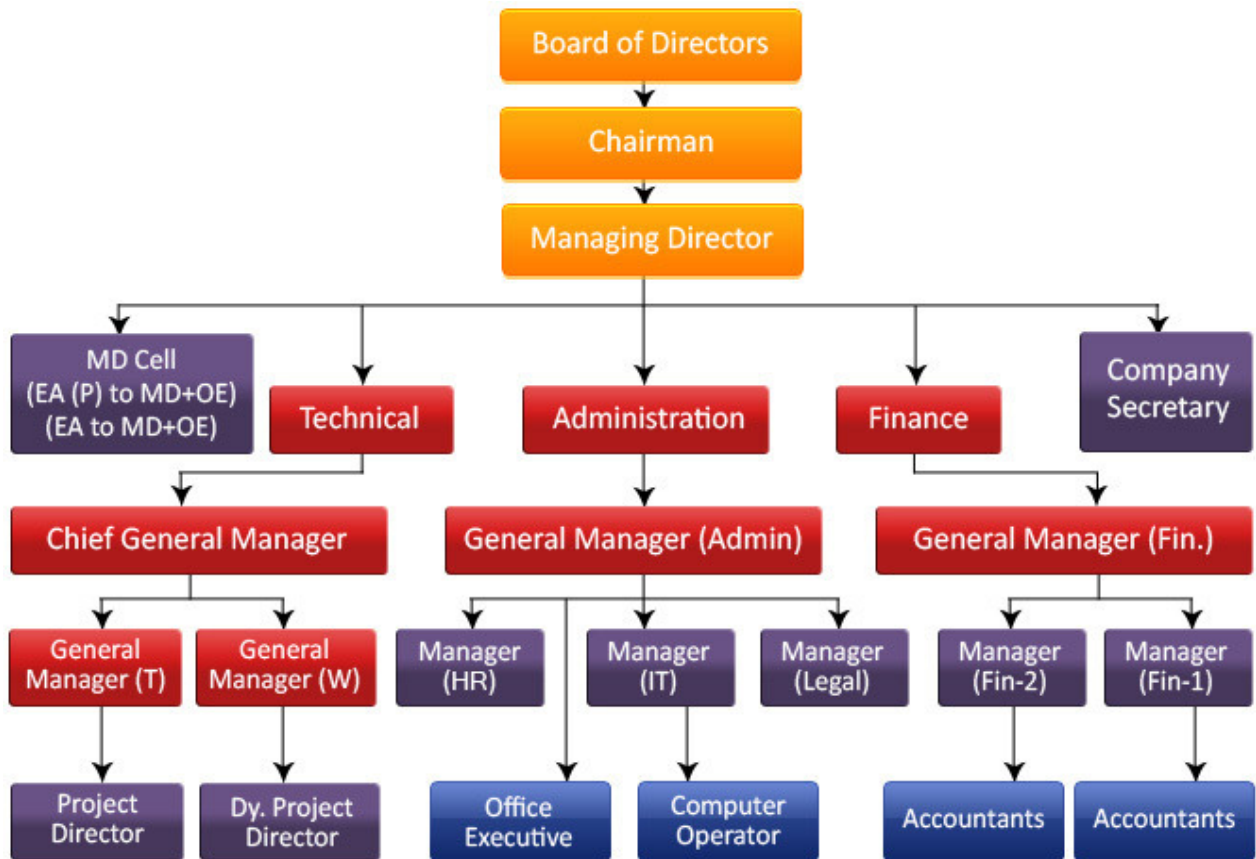
Sl. No.	Name of the project	Year of sanction	Administrative Approval (₹ in crore)	Fund received (₹ in crore)	Agreement Cost (₹ in crore)	Payment against work done up to July-2015 (₹ in crore)	Progress in per cent (col.7/col .6*100)	Scheduled date of completion as per agreement	Time over run in months up to July-15
1	2	3	4	5	6	7	8	9	10
								2014	
16	Sewerage System and Sewage Treatment Plant, Bodh Gaya	2009-10	95.94	49.89	92.72	59.16	63.80	December 2013	19
Total	06		748.88	322.50	827.71	168.76			
NGRBA Projects									
17	Sewerage System and Sewage Treatment Plant, Hazipur	2010-11	113.62	40.73	94.88	17.21	18.14	December 2013	19
18	Sewerage System and Sewage Treatment Plant, Begusarai	2010-11	65.40	20.09	58.88	4.13	7.01	December 2013	19
19	Sewerage System and Sewage Treatment Plant, Buxar	2010-11	74.95	19.69	52.05	6.61	12.70	December 2013	19
20	Sewerage System and Sewage Treatment Plant, Munger	2010-11	188.00	35.41	122.85	1.93	1.57	March 14	16
Total	04		441.97	115.92	328.66	29.88			
State Funded Infrastructural Development Projects									
21	Water Supply Scheme, Jhanjharpur	2012-13	4.43	1.60	4.16	0.31	7.45	September 2014	10
22	Water Supply Scheme, Naubatpur	2012-13	0.99	0.99	1.02	0.41	40.20	September 2014	10
23	Shahid Veer Kunwar Singh Ajadi Park	2012-13	8.37	7.58	7.56	4.84	64.02	May 2013	26
24	Renovation of Mauryalok Complex, Patna	2014-15	3.97	3.97	3.38	1.79	52.96	October 2014	09
25	Construction of Deluxe toilet:								
	Rajgir	2014-15	0.55	0.36	0.55	0.34	61.82	April 2014	15
	Bodhgaya		1.52	0.62	0.78	0.57	73.08	October 2013	22
	Gaya		0.13	0.55	0.12	21.82	April 2014	16	

Sl. No.	Name of the project	Year of sanction	Administrative Approval (₹ in crore)	Fund received (₹ in crore)	Agreement Cost (₹ in crore)	Payment against work done up to July-2015 (₹ in crore)	Progress in per cent (col.7/col.6*100)	Scheduled date of completion as per agreement	Time over run in months up to July-15
1	2	3	4	5	6	7	8	9	10
26	Construction of Bus terminal, Jehanabad	2014-15	5.29	4.00	2.68	1.36	32.46	April 2015	
27	Construction of Bus Que shelter at Patna	2014-15	15.36	7.50	13.72	7.67	55.90	-	-
Total	07		40.48	26.75	34.40	17.41			

Annexure-2.2.2

(Referred in Paragraph 2.2.1)

Organisational Chart



Annexure-2.2.3

(Referred to in Paragraph 2.2.5)

Financial Position and working results of Bihar Urban Infrastructure Development Corporation Limited

Financial Position

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15*
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) Share Capital	5.00	5.00	5.00	5.00	5.00
(b) Reserves & Surplus	0.27	2.98	5.50	14.28	22.62
2. Non-Current liabilities					
Other long term liabilities	162.68	346.99	497.35	5.58 ⁹	31.35
3. Current Liabilities					
(a) Other current liabilities	0.36	12.16	11.92	845.11	1103.40
(b) Short term provisions	0.33	0.97	3.79	12.14	10.93
Total Equity and Liabilities	168.64	368.10	523.56	882.11	1173.30
II. ASSETS					
1. Non Current Asset					
(a) Fixed Assets					
(i) Gross Block	1.28	1.46	2.16	2.48	2.80
Less Depreciation	0.12	0.23	0.44	0.82	1.53
Net Block	1.16	1.23	1.72	1.66	1.27
Capital work in progress	0	0	0	368.74	555.39
(b) Other Non-Current Assets	0.23	62.94	108.38	89.04	53.87
2. Current Assets					
(a) Civil WIP	0	4.72	139.55	0 ¹⁰	0
(b) Cash and Cash Equivalents	163.06	295.29	263.34	400.01	545.79
(c) Short term loans and Advances	3.59	0.08	0.33	10.82	11.51
(d) other current assets	0.60	3.84	10.24	11.84	5.47
Total	168.64	368.10	523.56	882.11	1173.30
Capital Employed¹¹	167.95	354.97	507.85	24.86	58.97
Net Worth¹²	5.27	7.98	10.50	19.28	27.62
Return on Capital Employed¹³ (in percent)	0.18	0.61	0.60	35.32	9.45

* Figures for the financial year 2014-15 are provisional.

⁹ The capital employed decreased in 2013-14 due to regrouping of fund received for execution of various projects as current liabilities, prior to 2013-14 it was shown under non-current liabilities.

¹⁰ Due to regrouping of figures in compliance of scheduled III of the Company's Act 2013.

¹¹ Capital employed represents net fixed Assets (including capital work in progress) plus working capital. Consequent upon amendment in Schedule IV of the Companies Act, 1956, Capital Employed has been computed as Shareholders fund (i.e. Share Capital, Share application money pending allotment and Free reserve after adjusting accumulated loss if any) plus Long term Borrowings.

¹² Net worth represents paid up capital + Reserves and surplus – intangible assets.

¹³ Return on Capital Employed represents profit after tax / capital employed × 100.

Working Results

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15*
Income					
Revenue from operations	1.57	11.10	107.72	220.93	205.43
Other Income	0.46	1.52	2.04	1.58	3.62
Total Revenue	2.03	12.62	109.76	222.51	209.05
Expenses					
Employee Benefit Expenses	0.79	1.50	2.11	2.64	3.39
Depreciation & Amortization Exp	0.17	0.30	0.21	0.45	0.70
Auditor's Remuneration	0.01	0.11	0.12	0.02	0.04
Administrative Expenses	0.60	1.64	2.67	2.98	3.68
Project Expenditure	0	4.37	98.82	205.48	193.20
Donation to CM Relief Fund	-	2.00	2.00	-	1.00
Total Expenses	1.57	9.92	105.93	211.57	202.08
Prior period income	00	00	00	0.17	00
Profit before Tax	0.46	2.70	3.83	11.11	7.04
Less : Provision for Income Tax	0.15	0.54	0.77	2.33	1.47
Profit after tax. C/F to Balance Sheet	0.31	2.16	3.06	8.78	5.57
Percentage of profit from operation to revenue from operations.	29.30	24.32	3.56	5.03	3.43
Centage & contingency earned	1.57	6.73	8.90	15.45	12.23

* Figures for the financial year 2014-15 are provisional.

Annexure-2.2.4

(Referred to in Paragraph 2.2.6)

Statement showing Scheme-wise receipt of funds during the five years ending on 31 March 2015.

(₹ in crore)

Scheme	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
UIG	44.52	7.08	121.70	21.17	70.00	54.64	319.11
UIDSSMT	54.28	0.00	3.00	46.61	8.00	3.00	114.89
NGBRA	00	35.37	8.32	21.00	66.04	23.55	154.28
State Plan	2.20	13.31	33.10	24.59	56.14	92.94	222.28
ADB	0.00	0.00	0.00	0.00	14.35	45.65	60.00
BUIDF	0.00	0.00	0.00	0.00	41.07	28.67	69.74
Total	101	55.76	166.12	113.37	255.60	248.45	940.30

Annexure-2.2.5

(Referred to in paragraph 2.2.22)

Statement showing details of excess payment/unfruitful expenditure to CSQC

(₹ in crore)

Sl. No.	Name of Project	Agreement cost of the project	Expenditure incurred till March 2015	Maximum limit of expenditure to CSQC (As per policy)	Actual Amount paid to CSQC (till March 2015)	Progress of work in Percentage	Payment to CSQC, if linked to progress of work	Excess payment/unfruitful expenditure
1	2	3	4	5	6	7	8=5*7/100	9=6-8
1	Water Supply Scheme, Danapur	70.18	9.24	0.84	0.95	13.17	0.11	0.84
2	Water Supply Scheme, Phulwari	27.69	14.36	0.33	0.49	51.88	0.17	0.32
3	Water Supply Scheme, Muzaffarpur	59.31	8.56	0.71	0.68	14.43	0.10	0.58
4	Water Supply Scheme, Jhanjharpur	4.16	0.31	0.05	0.008	7.45	0.004	0.004
5	Water Supply Scheme, Bodhgaya	28.99	15.92	0.35	0.49	54.52	0.19	0.30
6	Water Supply Scheme, Patna	548.83	59.90	4.77	3.38	10.91	0.52	2.86
7	Sewerage System and Sewage Treatment Plant, Buxar	52.05	6.25	0.62	0.56	12.00	0.07	0.49
8	Sewerage System and Sewage Treatment Plant, Hazipur	94.88	15.21	1.14	0.71	16.03	0.18	0.53
9	Sewerage System and Sewage Treatment Plant, Munger	122.85	1.93	1.23	0.43	1.57	0.02	0.41
10	Sewerage System and Sewage Treatment Plant, Begusarai	58.88	3.75	0.71	0.73	6.37	0.05	0.68
11	Sewerage System and Sewage Treatment Plant, Bodhgaya	92.75	57.21	1.11	1.13	61.70	0.68	0.45
12	Storm Water Drainage Scheme and Sewerage System and Sewage Treatment Plant, Rajgir	85.10	62.54	1.02	2.54	82.48	0.84	1.70
13	Jehanabad Bus Stand	2.68	0.87	0.03	0.04	32.46	0.01	0.03
14	River Front Development, Patna	254.52	30.52	5.38	0.99	11.99	0.65	0.34
	Total		286.57		13.13		3.60	9.53

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