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**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
ON
PUBLIC SECTOR UNDERTAKINGS
FOR THE YEAR ENDED 31 MARCH 2018
Government of Bihar
Report No. 2 of the year 2020**



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C&AG's Audit Report on Bihar State Public Sector Undertakings 2018

Immediate Release

Press Brief

C&AG's Audit Report on Public Sector Undertakings (PSUs)

The Audit Report (PSUs) of the Comptroller and Auditor General of India, Government of Bihar for the year ended 31 March 2018 prepared under Article 151 (2) of the Constitution of India was presented to the Bihar Legislature on 23.03.2021.

This report contains results of the Performance Audit on “Implementation of Rural Electrification Schemes in Bihar” and two compliance audit paragraphs on Power Sector PSUs under Part I and six compliance audit paragraphs on State PSUs (other than Power Sector) under Part II based on Compliance Audit of seven PSUs.

The total financial impact of audit findings on State PSUs was ` 2,926.66 crore.

Functioning of State Public Sector Undertakings

1. Status of arrears of accounts as on 31 December 2018

Type of PSUs	Working	Non-working	Total
Government companies	32	44	76
Statutory corporations	3	-	3
Total	35	44	79
Arrears of accounts (No. of PSUs)	33	44	77
Accounts in arrear since	1998-99	1977-78	-
Total no. of accounts in arrear	150	1164	1314

(compiled from Paragraph 1, 1.7 and 4.8.1)



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2. Sector-wise total investment in the form of equity and long term loan in PSUs as on 31 March 2018

(` in crore)

Sector	Equity (per cent)	Long term loan (per cent)	Total (per cent)
Power	30,353.84 (98.11 %)	7,472.19 (64.36 %)	37,826.03 (88.90)
Non- Power	584.49 (1.89 %)	4,138.16 (35.64 %)	4,722.65 (11.1)
Total	30,938.33	11,610.35	42,548.68

(Paragraph 8)

3. Audit observations:

- SAR of Bihar State Financial Corporation, Bihar State Warehousing Corporation not placed in Legislature for one year and Bihar State Road Transport Corporation for 32 years.

(Paragraph 4.11)

- State Government does not have a dividend policy as only two companies viz. Bihar State Road Development Corporation Limited (` 5 crore i.e., 5.33 per cent of ` 93.86 crore) and Bihar Rajya Pul Nirman Nigam Limited (` 1.05 crore i.e., 1.49 per cent of ` 70.26 crore) out of seven profit making PSUs paid the dividend. These two companies paid dividends only in 2015-16.

(Paragraph 4.20)

- CAG declines to offer an opinion in view of the serious shortcomings in respect of Bihar State Hydro Electric Power



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Corporation Limited for the year 2002-03 to 2005-06, North Bihar Power Distribution Company Limited for the year 2016-17, Bihar State Food and Civil Supplies Corporation Limited for the year 1994-95 to 1998-99 and Bihar State Warehousing Corporation for the year 2011-12.

(Paragraph 4.24 and 4.25)

PA on “Implementation of Rural Electrification Schemes in Bihar”

The major audit findings on the performance of Implementation of Rural Electrification Schemes are as under:

Planning

- The Government/DISCOMs did not plan any scheme so that load requirement for rural industries, food processing, cold chain and agro-based industries could be met.

(Paragraph 2.12.1)

- Preparation of DPRs under Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) without actual survey/need assessment resulted in short approval of project cost by ` 1,632.67 crore which resulted in loss of grant to State by ` 979 .60 crore being the amount of 60 *per cent* of total project cost.

(Paragraph 2.12.3)

Project Management

- DISCOMS did not have a Schedule of Rates (SoR) and they prepared the cost estimates on the basis of item rates of previous finalised contracts of similar projects. Accordingly, GoI sanctioned 27 projects valuing ` 4959.64 crore¹ under RGGVY 12th FYP. However, the work was awarded to TKCs for ` 5,882.36 crore.

¹ Sanctioned cost: ` 5,220.67 crore less 5 *per cent* supervision charge



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Thus, failure of the DISCOMs to have a SoR resulted in additional burden of ` 830.47 crore (90 *per cent* of ` 922.75 crore²) on the State exchequer.

(Paragraph 2.13.4)

- DISCOMs violated DDUGJY scheme guidelines relating to Project Management Agency (PMA) and executed the agreement which did not include payment to PMA based on the achievement of project milestones and included interim payment at 95 *per cent* instead of 90 *per cent* of the contract value as stipulated in the scheme guidelines which resulted in excess payment of ` 24.19 crore to PMA.

(Paragraph 2.13.8)

Financial Management

- DISCOMs failed to generate adequate revenue to cover the cost of power supplied as income earning on every rupee spent declined from ` 0.94 to ` 0.73 in SBPDCL and ` 0.97 to ` 0.87 in NBPDCCL during the period 2013-14 to 2017-18.

(Paragraph 2.14.1)

- DISCOM (SBPDCL) failed to reconcile the fund disbursed by REC and fund received by it which resulted in shortage of fund to the tune of ` 82.04 crore under RGGVY.

(Paragraph 2.14.5)

- The DISCOMs did not claim the amount paid on account of VAT of ` 48.56 crore from the Government of Bihar even after lapse of five years.

(Paragraph 2.14.8)

² Difference of sanctioned cost (excluding supervision charges) and awarded cost.



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Overall achievement of Rural Electrification

- Although the DISCOMs had claimed hundred per cent achievement of electrification of Rural Households till October 2018, the percentage achievement of electrification of Households in both the DISCOMs as compared to the total number of Rural Households as per census 2011 as well as total number of Rural Household as per Detailed Project Reports was 70.61 *per cent* and 68.68 *per cent*, respectively.

(Paragraph 2.16.1)

- In all 38 projects, there was a difference of over 46.93 lakh between the number of connections frozen and the number mentioned in the Detailed Project Reports.

(Paragraph 2.16.2)

Compliance Audit Observations

The Major findings of the Audit:

On Power Sector PSUs:

- South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited failed to award the contract through tendering which resulted in an extension of the contract to the same party at non-competitive rates in violation of the Bihar Finance Rules and prescribed CVC guidelines resulting in avoidable payment of ` 12.69 crore as higher trading margin.

(Paragraph 3.1)

- Due to failure to limit the drawal of electricity as prescribed under Central Electricity Regulatory Commission Regulations 2014, South Bihar Power Distribution Company Limited and North



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Bihar Power Distribution Company Limited incurred additional deviation charges of ` 115.23 crore.

(Paragraph 3.2)

On State PSUs (other than Power Sector):

- Bihar State Road Development Corporation Limited made avoidable payment of interest of ` 37.75 crore due to unnecessary withdrawal of loan of ` 193 crore from HUDCO.

(Paragraph 5.1)

- Bihar State Road Development Corporation Limited made contribution of ` 10 crore to the Chief Minister's Relief Fund Trust in violation of the provisions of the Companies Act, 2013.

(Paragraph 5.2)

- Failure to correctly estimate current income for the financial year and timely remit advance tax resulted in payment of penal interest of ` 1.27 crore on Income Tax by Bihar State Electronics Development Corporation Limited and Bihar State Road Development Corporation Limited.

(Paragraph 5.3)

- Failure of Bihar State Food and Civil Supplies Corporation Limited to get its loans migrated to Marginal Cost of Funds based Lending Rate from Base Rate resulted in excess payment of interest of ` 2.36 crore.

(Paragraph 5.4)



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- Failure on the part of the Bihar State Warehousing Corporation to safeguard its financial interests resulted in non-realisation of revenue of ` 1.79 crore.

(Paragraph 5.5)

- Violation of financial rules in purchase of furniture by Bihar State Beverages Corporation Limited led to undue favour to supplier and infructuous expenditure of ` 4.33 crore.

(Paragraph 5.6)

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For any further information on these subjects, please contact us at the following address:

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