

Chapter-IV

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

Bihar State Text Book Publishing Corporation Limited

4.1 Avoidable expenditure

The Company incurred avoidable expenditure of Rs. 0.70 crore on minimum guarantee energy charge and power factor surcharge due to not taking timely and informed decision

The Company has a press which was established in 1972 to print books. To cater to the requirements of its printing press, the company had taken power connection under HTS-1 Category with contractual demand of 225 KVA from Bihar State Electricity Board (Board).

- **Avoidable expenditure of Rs. 0.49 crore towards minimum guarantee energy charges.**

As per the Tariff provisions of the Bihar State Electricity Board, a consumer shall have to pay minimum Energy charges which will be billed on the basis of consumption at Power Factor of 90 *per cent* and Load Factor of 30 *per cent* on the contract demand for the year irrespective of whether the energy to that extent has been consumed or not. Audit observed (September 2008) that the Printing press had not consumed even minimum energy units in any month between March 2005 to November 2009 because of under utilisation of capacity due to various reasons viz. aged machines and lack of maintenance leading to frequent break downs. The Management, despite being in knowledge of the low energy consumption due to non continuous running of the press, did not analyse the actual requirements and did not initiate timely steps to reduce the contract demand suitably. As a result, the Company incurred extra expenditure of Rs. 0.49 crore on 11.03 lakh unconsumed energy units.

- **Avoidable expenditure towards power factor surcharge: Rs. 0.21 crore**

As per Bihar Electricity Regulatory Commission's tariff order (2006-07), every High Tension consumer has to maintain the average power factor of not less than 0.90. If the average power factor falls below 0.90 then the consumer shall have to pay surcharge in addition to normal energy charges. For maintenance of power factor installation of capacitor bank¹ of adequate capacity is statutory obligation of the consumer.

¹ Capacitor Bank – Device to maintain and ensure minimum power factor.

It was observed in Audit (September 2008) that the Company had not installed properly matching capacitor bank with the actual rating of the motor which would have ensured power factor of 0.90. It was also observed that during the period from January 2005 to November 2009 the Company did not maintain power factor of 0.90 and it ranged between 0.28 to 0.89, leading to payment of avoidable surcharge of Rs. 0.21 crore.

Had the management taken action to reduce the contract demand according to its requirement and to improve the power factor by installing capacitor bank, the amount paid towards minimum guarantee energy charges and on account of surcharge payment for fall in power factor of Rs. 0.70 crore could have been avoided.

The Company accepted the Audit observations and stated (June 2009) that steps were being taken to get the sanctioned load reduced and to install suitable capacitor bank to improve the power factor.

Audit suggests for a proactive management to take decisions so as to save avoidable costs to the Company.

The matter was reported to Government (May 2009), its reply was awaited (November 2009).

Bihar State Food and Civil Supplies Corporation Limited

4.2 Suspected embezzlement of food grains

3115.66 quintals of food grains costing Rs. 0.25 crore claimed to have been transported appeared false and embezzled by use of fake truck numbers

The Company procures food grains for different government schemes from the Food Corporation of India (FCI). The Company obtains a Release Order (RO) from FCI after making advance payment for proposed procurement of food grains. This release order entitles the Company to lift the food grains from FCI godowns. In cases of distress mitigation like flood relief distribution, the Company can also lift the food grains directly from Railway heads instead of FCI godowns. The Lifting In-charge (Supervisors) appointed by the Company stationed at the FCI's godown/Railway head confirm the lifting by issuing truck challan/Road Transport Note to the transporters for onward transportation of the food grains to the Company's godown who in turn submit the challan Transport Note to the Company's godown for entering the quantity lifted in the Stock and in the Inward registers of the godown.

Test check of records of the Company's District Managers office, Khagaria for the period from August 2007 to October 2007 revealed (February 2009) that food grains were lifted from Mansi Railway Station and transported to the Company's godown at Khagaria by trucks. The grains were entered in the Inward Stock Register and subsequently issued for flood relief operation. Audit attempted to verify vehicle registration numbers of trucks involved in

transportation of food grains bearing registration numbers of Khagaria district with the District Transport Office (DTO), Khagaria. It was found that in 32 instances the vehicle registration numbers indicated were either non-existent or registered as motorcycles, jeeps, scooters, etc. as detailed below:

No of trucks indicated	Relates to type of vehicle	Quantity claimed to be transported		
		Wheat (in quintal)	Rice (in quintal)	Total (in quintal)
8	Does not exist	181.20	710.38	891.58
3	Motor Cycle	90.60	183.55	274.15
1	Jeep	97.33	-	97.33
1	Scooter	-	92.49	92.49
15	Tractor	568.70	833.85	1402.55
4	Mini Truck	264.76	92.80	357.56
Total- 32		1202.59	1913.07	3115.66

Audit apprehends that the transactions of transportation of food grains claimed to have been made under false truck numbers had actually never taken place and 3115.66 quintal of food grains valuing Rs. 0.25² crore claimed to have been transported appeared false and embezzled.

The Company replied (July 2009) that total 2.26 lakh quintals of food grains have been received by the authorised representatives of the District Administration, Khagaria during the flood relief operation, and as regards vehicles, these might have been carrying fake registration numbers, but these were made available by District Administration of Khagaria during the flood by requisition and seizure and the Company is not responsible. The reply is not convincing as it shows systemic failure in handling and transportation of food grains. Audit concludes that 3115.66 quintals of food grains valuing Rs. 0.25 crore meant for distribution amongst flood victims were embezzled. The Company should take immediate steps to fix responsibility and place an effective control system in operations whenever emergency requirement arise to ensure that no leakage of foodgrains take place.

The matter was reported to Government (June 2009), its reply was awaited (November 2009).

² Wheat: 8.10 lakh (1202.59 quintals X Rs. 673.70 - Issue price of wheat per quintal) + Rice: Rs. 16.78 lakh (1913.07 quintals X Rs. 877.20 - Issue price of rice per quintal) + handling charge: Rs. 0.41 lakh

Bihar State Hydroelectric Power Corporation Limited

4.3 Loss due to non-insurance of asset

Due to failure in finalizing the NIT for insurance, the Company could not recover Rs. 2.19 crore being the sum insured and thus, suffered a loss to that extent

The Company has Kosi Hydel Power Station (KHPS), Birpur, Kataiya having installed capacity of 4 x 4.8 mega watt (MW) as one of its generating units.

KHPS power generation project with its plant and machinery, stores etc. were transferred (June 2003) by Bihar State Electricity Board (BSEB) to the Company. It was insured (October 2004) against standard fire and special perils including storm, tempest, flood and inundation (STFI) and riot, strike and malicious damage (RSMD) for a value of Rs. 2.30 crore for one year. The policy expired on 23 October 2005. For further insurance of the assets, the Company invited timely tenders (15 July 2005) and the lowest bidder was shortlisted. But it failed to finalise the bids and issue order. As a result, the assets of Kosi Hydel Power Station remained uninsured from October 2005 onwards.

Meanwhile, floods inundated the Kosi Hydel Power Station on 27 August 2008 and damaged the generating units. The Company estimated it needed Rs. 17.00 crore³ for repairs and replacements of the main generating equipment and auxiliaries and up to December 2008 lost 60 lakh units (LUs) of saleable energy valued at Rs. 1.20 crore taking the total loss to Rs. 18.20 crore. Thus, had the Company got its assets insured at least at the value done in 2004 it would have realised/recovered the value of the damaged equipment Rs. 2.19⁴ crore from the insurance Company. The failure in finalizing the NIT for more than three years led the Company to keep its assets uninsured and suffered a minimum loss of Rs. 2.19 crore.

Company replied (September 2009) that it was looking at the possibility of going in for an insurance company in the private sector instead of relying on public insurance companies, as they failed to settle several old claims. The reply is not convincing as the real issue of non insurance of assets for unduly long period has not been addressed. The Company further stated that this power station was commissioned in the year 1973 and was transferred to company with the specific objective of getting it renovated and hence, till the plant was fully renovated, insurance cover was not necessary. This reply is also not borne out as the Company had got the project insured from October 2004 to October 2005 and had also invited tenders for renewing insurance cover but failed to renew the same in time resulting in the project remaining un-insured and the Company failing to recover any amount, the assets being un-insured.

³ Rs. four crore per generating unit plus Rs. one crore for removal of waters.

⁴ Rs. 2.30 crore – five *per cent* policy excess = Rs. 2.185 crore rounded to Rs. 2.19 crore.

The matter was reported to Government (September 2009), its reply was awaited (November 2009).

Statutory corporations

Bihar State Warehousing Corporation

4.4 Loss of revenue due to incorrect application of storage tariff

Concessional rates were allowed to the FCI even though the space reserved was for a period less than a year (3 months to 8 months) between February 2006 to March 2008 in contravention of the direction of GOI resulting in undercharge of storage charges of Rs. 0.17 crore

The Corporation has not formulated a storage tariff of its own and has been following the storage charges fixed by the Central Warehousing Corporation (CWC) from time to time. As per the revised procedure, CWC was required to charge the concessional storage rate fixed by the GOI (July 2004) (Rs. 35.80 per MT) if FCI agreed to keep the stock for a minimum period of one year. In other cases, where the utilization was not guaranteed by the FCI, the CWC was allowed to charge the storage charges and other related charges etc. from the FCI at the same rates as is being charged from the private parties depositing foodgrains with CWC. The rate applicable for the private party to depositing foodgrains was Rs. 45/MT. This arrangement is also made applicable to the Corporation⁵ by the Government of India (August 2005).

Audit observed (October 2008) that in eight⁶ godowns of the Corporation as the average period was below the minimum period of one year, the concessional rates of Rs. 35.80/MT instead of Rs. 45/MT applicable for a period less than a year (3 months to 8 months) were allowed to the FCI between February 2006 to March 2008 resulted in undercharge of storage charges. This incorrect application of the storage tariff caused loss to the Corporation to the extent of Rs. 0.17 crore.

The Management in its reply (April 2009) accepted the audit observation and appraised that supplementary bill of Rs. 0.17 crore has been raised on FCI to realise the amount. However, the amount has not been realised so far (November 2009).

The matter was reported to the Government (April 2009); its reply was awaited (November 2009).

⁵ (i) CWC DO letter No CWC-CD/II- FCI/03-04/675 E dated 29-03-04

(ii) FCI letter No E4 (20)/02/stg.VII/Vol.III dated 09-08-2004 (Enclosure)

⁶ Ara, Buxar, Rajgir, Nawadah, Dehri-on-sone, Daltonganj, Muraliganj and Sasaram.

Bihar State Electricity Board

4.5 Excess payment due to ineffective system of monitoring

The Board did not have an effective system of monitoring of increase/decrease in the price of raw-materials notified by CACMAI, which led the Board to pay excess amount of Rs. 0.28 crore to the suppliers

The Board relies on tendering system for purchase of different electrical items. The Board allow/recover escalation/discount of price in case of increase/decrease in the price of raw materials of the components supplied by the manufacturers on announcement by the Confederation of Cables Manufacturers Association of India (CACMAI) for its purchase of conductors, cables etc.

The Board placed four purchase orders⁷ on four firms⁸ (March 2007) for supply of 4800 kms of squirrel conductor at the rate of Rs. 13,663.32 per km inclusive of taxes at variable prices, to be delivered within four months from the date of issue of purchase orders.

The general conditions of purchase contract specified the base price of material taken was the one prevailing in June 2006 and for this purpose the lowest price of aluminium alloy rods as notified by Bharat Aluminium Company, National Aluminium Company and Hindustan Aluminium Company either directly or through CACMAI was to be adopted for computation of price variation. Further, the loss on price variation was restricted to the contractual delivery period.

Audit observed (December 2008) that the basic price of raw material for squirrel conductor *i.e.* aluminium alloy rods, was reduced and notified by CACMAI in February, April and May 2007. But the Board instead of paying the four suppliers at reduced cumulative price of Rs. 5.92 crore paid Rs. 6.49 crore at original rate during the period August 2007 to December 2007. The Board on noticing the irregularity claimed the negative price variation in July 2008 *i.e.* more than one year after the dates of CACMAI notifications. Since, the Board did not have any effective system of monitoring increase/decrease in the price of raw-materials notified by CACMAI, it paid an excess amount of Rs. 0.57 crore to the suppliers.

The Management admitted the facts and stated (March 2009) that CACMAI notification came to notice with delay and as a result the claims could not be made in time. It added that the matter was being pursued with the suppliers and the excess payment would be recovered from the Bank Guarantees (BGs) submitted by the suppliers of value Rs. 0.29 crore and by other means available with the Board. But the fact remains that even if the BGs of Rs. 0.29

⁷ P.O. No. 7, 8, 9 and 13 dated 22.03.2007, 26.03.2007 and 29.03.2007.

⁸ M/s Dynamic Cables (P) Ltd, Jaipur, M/s Hitek Power Co., Bhubhneswar, M/s Purbanchal Cables and Conductors Pvt. Ltd, and M/s Aggarwal Cables, Faizabad.

crore were encashed, the net excess payment would still work out to Rs. 0.28 crore. The Board does not have any other means of recovery of this amount except legal suits and may eventually have to settle with this excess payment.

Audit recommends that the Board must strengthen its internal control and monitoring system of receipt of trade circulars to avoid reoccurrence of such lapses in future.

The matter was reported to the Government (April 2009); its reply was awaited (November 2009).

4.6 Loss of interest due to delay in charging of Annual Minimum Guarantee charges

Lack of internal control and monitoring in the billing system led the Board to non preferring the AMG bills on the consumer for two to four years. The AMG bills were eventually raised at the instance of Audit but resulted in a loss of interest of Rs. 1.22 crore

The East Central Railway through Senior Divisional (Electrical) Engineer, Dhanbad, is a consumer of the Transmission Circle, Gaya of the Bihar State Electricity Board (Board) for Railway Traction Services (RTS)-II under High Tension Supply (HTS) category, with a contract demand of 13000 KVA.

As per Clause 4 (d) of standard HTS agreement, a consumer shall have to pay minimum charges, which will be billed on the basis of energy consumption at a load factor of 25 per cent and power factor of 90 per cent on the contract demand for the year, irrespective of whether energy to that extent has been consumed or not. Bill on account of the Annual Minimum Guarantee (AMG) consumption for the year or part thereof shall be preferred by the end of June in each year.

Audit observed (January 2009) that the Board had not preferred bills on account of AMG charges of 150.34 lakh units of energy amounting to Rs. 2.92 crore for the period from April 2004 to October 2006 till March 2009. The Board admitted (July 2009) the audit contention and stated that after the matter being brought to notice, a supplementary bill of Rs. 2.92 crore was issued (April 2009) and the consumer paid (June 2009) the amount but the fact remains that the bill was issued after a delay of periods ranging from two to four years and the board lost interest due to delayed receipt of revenue.

Audit estimates that delayed receipts resulted in a loss of interest of Rs. 1.22 crore calculated at the rate of 13 per cent⁹ per annum.

Audit recommends that the internal controls in the billing system should be strengthened so as to ensure timely billing in future.

⁹ Rate of interest charged by Government of Bihar on loans to the Board.

The matter was reported to the Government/Board (November 2009); their replies were awaited (December 2009).

4.7 Loss due to non adherence to General Terms and Conditions of supply of energy

Due to non-adherence to general terms and conditions of supply of energy, the Board suffered loss of Rs. 0.44 crore of billable energy charges

The Board notified (October 2002) partial modification of its General Terms and Conditions of supply of energy for all categories of consumers served, or to be served, with effect from November 2002. The modified terms and conditions stipulated that enhancement of contract demand¹⁰/sanctioned load shall be allowed after completion of necessary formalities namely submission of application in prescribed form with requisite fee, deposit of additional amount of security so assessed on enhanced contract demand and execution of a fresh agreement. The notification further stipulated that if agreement is not executed within 30 days, then billing shall commence after expiry of 30 days from the date of sanctioning of the enhanced load.

Audit observed (November 2008) that Patna Electrical Supply Undertaking (W), sanctioned additional load of 100 Kilo Volt Ampere (KVA) (375 KVA to 475 KVA) in favour of Bharat Sanchar Nigam Ltd. (BSNL)¹¹ and 275 KVA (240 KVA to 515 KVA) in favour of Life Insurance Corporation of India (LIC)¹² in August 2006 and June 2007 respectively. Both the High Tension consumers BSNL and LIC deposited additional security deposit as assessed on enhanced load in October 2006 and July 2007 respectively. Whereas LIC entered into an agreement in July 2007 itself, BSNL had not executed any agreement with the Board till October 2009.

Audit observed (November 2008) that despite specific provision regarding commencement of billing after expiry of 30 days period from the date of sanctioning of enhanced load (in case of non-execution of agreement), the Board had not raised bills to BSNL for the enhanced load (October 2009) whereas in respect of LIC, the circle started raising bill on enhanced load with effect from December 2007 instead of August 2007 (Date of execution of agreement).

Thus, due to non-adherence to its general terms and conditions of supply of energy, the Board suffered a loss of Rs. 0.44 crore of billable energy charges during the period November 2006 to October 2009.

Audit observed lack of internal control procedures in the billing of revenue by the Board and suggests that the Board needs to institute proper responsive mechanisms to ensure that all possible revenues are billed and collected.

¹⁰ Contract Demand denotes maximum energy required by the consumers.

¹¹ Assistant Director, ADT(Building), BSNL, Bhiar Circle (Consumer No.-344109).

¹² Divisional Manager, LIC of India, Patna (Consumer No.-103265).

The matter was reported to Government/Board (May 2009), their replies were awaited (November 2009).

4.8 Idle / unfruitful expenditure

Unplanned construction of two PSS and related lines remained unfruitful and the desired benefit of expenditure of Rs. 0.35 crore could not be achieved

The Board constructs Power Sub-Station (PSS) and related 33 KV line through their supply circle, for smooth passage of electricity. The civil and electrical works are got executed from private contractor for which material is supplied by Board. The work is required to be planned in such a way that both PSS and the related line are completed simultaneously because without completion of the line, the PSS cannot be energized.

The Board undertook construction of two new PSSs and their related lines at Parchhaiya in Sitamarhi District under Electric Supply Circle, Muzaffarpur and Sugauli in East Champaran District under Electric Supply Circle, Motihari for improvement in power supply in nearby/surrounding villages as per details below :-

(Amount : Rupees in lakh)

Name of PSS	Scheme	Year of estimate	Estimated cost of PSS/line	Scheduled date of completion of PSS/line	Expenditure on PSS /line upto July 2009	Total
Parchhaiya (Sitamarhi District) and related 33 KV line	RE State plan	2006-07	77.89/76.08	December 2006	14.01/3.38	17.39
Sugauli (East Champaran District) and related 33 KV line	RE State Plan	2003-04	68.52/18.44	March 2007 / Nil	17.63/Nil	17.63
Total			146.41/92.52 (Rs. 240.93 lakh)			35.02

Audit observed (August 2008 and February 2009) that total estimated cost of two PSSs was Rs. 1.46 crore on which expenditure of Rs. 31.64 lakh (21.67 per cent of estimated cost) had been incurred including cost of materials. Although, Parchhaiya PSS and Sugauli PSS were to be completed by December 2006 and March 2007 respectively, the same were not completed till November 2009. The progress of construction of related lines was even more dismal. As against estimated cost of Rs. 76.08 lakh, an expenditure of only Rs. 3.38 lakh (four per cent) was incurred on the related line of Parchhaiya PSS. Regarding the related line of Sugauli PSS, even the agreement had not been signed with the contractor and the work had not started. Management stated (August 2009) that the reason for non-completion of the line of sugauli project was objection by the residents of the villages

falling in route of 33 KV line. Apart from this, other reasons were non-purchase of fabricated materials by the Board and diversion of purchased materials at the local level to the other projects showing that the probable obstructions were overlooked at the time of planning. The scheduled date of completion of the work had already expired and Management had not set revised dates to complete the work.

Thus, due to unplanned execution of works and not undertaking proper route survey for electrical lines, the expenditure of Rs. 0.35 crore incurred on construction of two PSS and related lines remained unfruitful and the desired benefit of the same could not be achieved. Audit suggests that the Board, while planning the construction of PSS and connected line, should survey carefully the route of the line to avoid dispute and ensure timely procurement of materials required in the projects.

The matter was reported to Government (June 2009); its reply was awaited (November 2009).

4.9 Loss due to non billing under HTS tariff

Non-billing under High Tension Services (HTS) supply tariff resulted in loss of revenue of Rs. 1.85 crore to the Board during the period April 2006 to March 2009 on minimum monthly charge basis

The Board's tariff (November 2006) approved by Bihar Electricity Regulatory Commission provides that Low Tension supply (LTS) tariffs for domestic and non-domestic category are applicable for supply of electricity to LT consumers with a maximum connected load of up to 60 Kilo Watt (KW) or 66 Kilo Volt Ampere (KVA) only, whereas High Tension Supply (HTS) is applicable for supply of electricity with a minimum contract demand of 75 KVA.

Audit observed (October-December 2008), that in five supply divisions¹³ of Board, 13 Non-Domestic Service-II (NDS-II) whose connected load exceeded 75 KVA were not categorised into HTS category and were instead categorized as LTS category. They were charged at lower rates of LTS tariff. Audit estimated that this non-billing under HTS supply tariff resulted in loss of revenue of Rs. 1.85 crore during the period April 2006 to March 2009 on minimum monthly charge basis to the Board.

The concerned supply divisions in their preliminary reply (December 2008) stated that matter has been taken up with the consumers for conversion of supply category from LTS to HTS. The reply is not convincing because as per general terms and conditions of supply of energy for all categories of consumers, billing under HTS categories was to be started after expiry of 30 days from enhancement of load and this was a case of deliberate under billing

¹³ Electric Supply Divisions, Gaya (R), Dakbungalow, Nawada, Rajendra Nagar and Patliputra.

by application of inappropriate tariff structure and the Board sustained loss of Rs. 1.85 crore. The Board meanwhile took action and reduced the sanctioned load in case of two consumers (April 2008) and disconnected supply to one consumer (July 2007). Audit suggests that the Board should charge appropriate tariff from the consumers and fix the responsibility for the lapse. It should also take remedial measures to avoid such loss in future by strengthening the control measures.

The matter was reported to Government/Board (June 2009), their replies were awaited (November 2009).

4.10 Loss due to wrong assessment of energy bill for unauthorised use of electricity

The Board suffered loss of Rs. 0.33 crore due to wrong assessment of the energy charges for Unauthorised use of electricity (UUE) in disregard to the prescribed formulae

Section 11 of the Bihar Electricity Supply Code-2007 (Code) read with Section 126 (i) of Electricity Act, 2003, provides that if on inspection of a premise unauthorised use of electricity (UUE) was found, an energy bill for the UUE based on assessment of units as per the formulae¹⁴ given in Annexure-7 of the Code was required to be issued to the consumer. Such assessment shall be made for the entire period during which such UUE has taken place and if the period during which such UUE has taken place cannot be ascertained such period shall be limited to a period of 12 months (365 days) immediately preceding the date of inspection. The units so assessed shall be charged at twice the rate of the tariff applicable to the consumer after adjusting the amount paid by the consumer for the energy consumption assessed for the assessment period, if any. Further, if the connected load of consumer was found in excess of load contracted, then the fixed or the demand charge as the case may be shall also be charged at two time of fixed charge/demand charge for the connected load minus charge for fixed charge/demand charge for the contracted¹⁵ load at the applicable tariff rate.

Audit noticed (December 2008) that the Special Task Force of the Board had detected (June 2008) a consumer¹⁶ indulging in UUE. The connected load of the consumer was found to be 111 HP against sanctioned load of 59 HP. Since the period of UUE could not be ascertained, an energy bill of Rs. 0.44 crore for the period from June 2007 to May 2008, was required to be preferred on the consumer as per Annexure-7 of the Code. But the Board wrongly assessed the units and preferred a bill of Rs. 0.11 crore only (including actual energy charge of Rs. 4.30 lakh) which was based on the monthly minimum charges in violation of the formula given in the Code.

¹⁴ $L \times F \times D \times H$, where L is the connected load, 'F' is load factor, 'D' is number of days of UUE and 'H' is the hours of supply per day.

¹⁵ Agreemented load

¹⁶ M/s KEMS Pharma, (LTIS).

Thus, due to wrong assessment of the energy charges for UUE in complete disregard to the prescribed formulae, the Board was made to suffer a loss of Rs. 0.33 crore.

The matter was reported to Government/Board (August 2009), replies were awaited (December 2009).

4.11 Loss of Rs. 9.67 crore to the Board due to delay in filing tariff petition

The Board sustained loss of revenue of Rs. 9.67 crore due to delay of more than five months in filing the tariff petition

According to the Electricity Act, 2003 (Act), tariff of the Board was to be fixed by the Bihar Electricity Regulatory Commission (BERC). Procedure for fixation of tariff was prescribed in the BERC (Terms and Conditions for determination of Tariff Notifications) Regulation 2007 (Regulation). As per section 6(8) of the Regulation, the Board was to file Annual Revenue Requirement (ARR) along with data in prescribed format for each financial year by 15 November of preceding year so that the tariff petition was processed and finalised within 120 days as specified in section 64 (6) of the Act. Accordingly, tariff petition for the year 2008-09 was to be filed by 15 November 2007 so that it could be finalised by March 2008 and the tariff approved was made effective from April 2008.

During test check of records of the Board, Audit observed (November 2008) that the tariff petition for the year 2008-09 with complete information was submitted to BERC in June 2008 instead of November 2007. The tariff was processed and approved by the BERC in August 2008 made effective from September 2008 after a delay of five months (April to August 2008).

This delay of more than six months in filing tariff petition by the Board caused the revised tariff to be effective after a delay of five months and the Board sustained revenue Loss of Rs. 9.67 crore (Domestic Services-II: Rs. 3.69 crore and High Tension Services-I: Rs. 5.98 crore) in three circles¹⁷ test checked in Audit out of 16 circles.

The Management accepted the fact and stated (November 2009) that delay in filing tariff petitions would be avoided in future. Audit concludes that lack of effective internal control system led the Board to sustain loss of Rs. 9.67 crore.

The matter was reported to Government (August 2009), its reply was awaited (November 2009).

¹⁷ PESU (East), PESU (West) and Patna.

4.12 Loss due to violation of the provision of tariff/Act.

Due to violation of specific provisions of Electricity Act, 2003 the Bihar State Electricity Board lost revenue of Rs. 29.94 crore upto March 2009 and the loss was still continuing

The provision of the tariff of the Board stipulates that electric connection for 132 KVA voltage of supply under High tension service – III (HTS-III) category was applicable for use in electrical installations with a minimum contract demand of 7500 KVA.

Section 62 of Electricity Act, 2003, stipulates that the power of determination of tariff is vested in Bihar Electricity Regulatory Commission (State Commission). Section 108 of the Act, *ibid*, states that the State Government has the power to issue directions in matter of policy involving public interest as the State Government may give in writing. However, Section 65 of the Act provides that if the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, with an advance in the manner as may be specified by the State Commission, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence to implement the subsidy provided for by the State Government. It was also provided that no such direction of the State Government shall be operative if the payment was not made in advance in accordance with the provisions contained in this section and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the commission.

Audit observed (June 2009) in Electric Transmission Circle, Biharsharif that based on direction received from the State Government, the Board granted permission (August 2006) to Ordinance Factory, Nalanda (consumer) for electric connection for 132 KV voltage of supply with a contract demand of 1000 KVA under HTS-III category for an unlimited period. Accordingly, the circle entered into an agreement (September 2006) and the connection was energized (September 2006). The billing of the consumer was also made on the basis of Minimum Monthly Charge on contract demand of 1000 KVA instead of 7500 KVA resulting in loss of Rs. 29.94 crore of revenue during the period September 2006 to March 2009.

Audit noticed following irregularities:

- The direction of the State Government (June 2006) resulted in granting subsidy of Rs. 29.94 crore to the consumer at the cost of the Board, the Board should have been compensated in advance.
- The direction of the Government was not routed through the State Commission.
- As the amount of compensation was not received by the Board in advance, the direction of the State Government was not operational.

Thus violation of specific provisions of Electricity Act, 2003 led the Board to loss revenue of Rs. 29.94 crore upto March 2009 and is still continuing. The Board has also not taken up the issue with the Government (November 2009).

The matter was reported to Government/Board (August 2009), replies were awaited (November 2009).

4.13 Loss due to non billing according to tariff

The Board suffered a Loss of Rs. 14.78 crore due to non billing according to tariff provision

Bihar Electricity Regulatory Commission's Tariff order for financial year 2006-07 stipulates that the transformer capacity of HT consumers shall not be more than 150 *per cent* of their contract demand and when a consumer is found to be utilizing a transformer of higher capacity than admissible for his contract demand, the compensation payable by the consumer should be assessed based on 2/3rd of the capacity of transformer as contract demand of the consumer for the entire period of malpractice.

East Central Railway, Mokama, an HT Consumer had sanctioned contract demand of 5 MVA was found to have installed (April & July 2007), at the time of testing of equipments by the Board, transformer of 21.6 MVA capacity against the admissible capacity of 7.5 MVA. Audit observed (June 2009) that though the fact of installation of transformer of higher capacity than admissible was known to the Board (April 2007), it never took up the issue with NE Railway to enhance the contract demand up to 14.4 MVA (being 2/3rd of 21.6 MVA) or to reduce the transformer capacity to 7.5 MVA (150 *per cent* of contract demand). As a result, the Board was deprived of revenue of Rs. 14.78 crore during the period from September 2007 to March 2009. The Board is yet to revise the bill accordingly and thus, it continues to be deprived of revenue amounting to Rs. 80.32 lakh (approx) per month.

This delay in taking decision and consequent non-revision of contract demand as per provisions of tariff led the Board to suffer a loss of Rs. 14.78 crore up to March 2009 and is still continuing.

The matter was reported to Government/Board (September 2009), their replies were awaited (November 2009).

4.14 Opportunity to recover money ignored

Seven PSUs did not either seize the opportunity to recover their money or pursue the matters to their logical end. As a result, recovery of money amounting to Rs. 371.09 crore remains doubtful

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 428 paras in respect of seven PSUs involving a recovery of Rs. 371.09 crore. As per the extant instructions, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the

matters to their logical end, i.e., to recover money from concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances.

PSU wise details of paras and recovery amount are given below. The list of individual paras is given in **Annexure – 14**.

(Rupees in crore)

Sl. No.	PSU Name	No. of Paras	Amount for recovery
1.	Bihar State Electricity Board	321	29.08
2.	Bihar State Forest Development Corporation Ltd.	27	12.08
3.	Bihar State Road Transport Corporation	16	4.99
4.	Bihar State Financial Corporation	30	267.32
5.	Bihar State Mineral Development Corporation Ltd.	07	3.65
6.	Bihar State Food & Civil Supplies Corporation Ltd.	17	50.08
7.	Bihar Rajya Pul Nirman Nigam Ltd.	10	3.89
	Total	428	371.09

The paras mainly pertain to recovery on account of short billing, recovery from consumers/employees/suppliers/other debtors, incorrect application of tariff, etc.

Above cases point out the failure of respective PSUs authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically; have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to PSUs Management/Government (August 2009), their replies were awaited (November 2009).

4.15 Lack of remedial action on audit observations

Eighteen PSUs did not either take remedial action or pursue the matters to their logical end in respect of 405 IR paras, resulting in foregoing the opportunity to improve their functioning

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 405 paras in respect of 18 PSUs, which pointed out deficiencies in the functioning of these PSUs. As per the extant instructions, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU wise details of paras are given below. The list of individual paras is given in **Annexure - 15**.

Sl. no.	PSU Name	No. of paras
1.	Bihar State Electricity Board	211
2.	Bihar State Police Building Construction Corporation Ltd.	04
3.	Bihar State Forest Development Corporation Ltd.	51
4.	Bihar State Tourism Development Ltd.	04
5.	Bihar Rajya Beej Nigam Ltd.	07
6.	Bihar State Backward Classes Finance & Development Corporation Ltd.	03
7.	Bihar State Electronic Development Corporation Ltd.	06
8.	Bihar State Road Transport Corporation	15
9.	Bihar State Credit and Investment Corporation Ltd.	01
10.	Bihar State Textile Corporation Ltd.	03
11.	Bihar State Textbook Publishing Corporation Ltd.	02
12.	Bihar State Hydroelectric Power Corporation Ltd.	07
13.	Bihar State Food & Civil Supplies Corporation Ltd.	39
14.	Bihar Rajya Pul Nirman Nigam Ltd.	08
15.	Bihar State Financial Corporation	18
16.	Bihar State Mineral Development Corporation Ltd.	12
17.	Bihar State Sugar Corporation Ltd.	06
18.	Bihar State Warehousing Corporation	08
	Total	405

The paras mainly pertain to losses due to damage of stores, non-selling of material, non finalization of tender, selling at low price, non lifting of material, infructuous expenditure, undue favour to consumers, idle investment, non repair of transformers, unauthorized expenditure, etc.

Above cases point out the failure of respective PSUs authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically; have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to remedial action on these paras and complete exercise in a time bound manner.

The matter was reported to PSUs Management/Government (August 2009), their replies were awaited (November 2009).

GENERAL

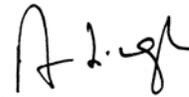
4.16 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through Inspection Reports (IRs). The heads of the PSUs are required to furnish replies to the IRs through respective heads of departments within a period of six weeks. IRs issued up to March 2009 pertaining to 47 PSUs disclosed that 2040 paragraphs relating to 735 inspection reports remained outstanding at the end of September 2009. Of these 735 IRs containing 2040 paragraphs had not been replied to for one to four years.

Department-wise break-up of IRs and audit observations outstanding as on 30 September 2009 is given in *Annexure - 16*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed, that replies to two reviews and 15 draft paragraphs forwarded to the various departments during April to September 2009 as detailed in *Annexure -17* were awaited.

It is recommended that the Government should ensure that (a) procedure exists for action against officials who fail to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule; and (c) the system of responding to audit observations is strengthened.



Patna
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