

## 1. Overview of State Public Sector Undertakings

*Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The Accounts of Government companies are audited by Statutory Auditors appointed by CAG of India. These Accounts are also subject to supplementary audit conducted by CAG of India. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2012, the State of Bihar had 26 working PSUs (22 Companies and four Statutory corporations) and 40 non-working PSUs (all companies), which employed 0.18 lakh employees. The State working PSUs had registered a Turnover of ₹7,811.28 crore for 2011-12 as per their latest finalised Accounts. This Turnover was equal to 2.98 per cent of State GDP. The PSUs had aggregate losses of ₹ 2,619.35 crore as per their latest finalised Accounts as of 30 September 2012.*

### **Investments in PSUs**

*As on 31 March 2012, the investment (Capital and long term loans) in 66 PSUs was ₹12,374.75 crore. Power Sector had accounted for 79.52 per cent of total investment in 2011-12. The Government contributed ₹ 3,587.11 crore towards Equity, Loans and Grants / Subsidies during 2011-12.*

### **Performance of PSUs**

*As per the latest finalised Accounts, out of 26 working PSUs, 14 PSUs had earned Profit of ₹149.70 crore and 10 PSUs had incurred Loss of ₹ 2,744.16 crore. The major contributors to Profit were Bihar State Road Development Corporation*

*Limited (₹75.45 crore) and Bihar Rajya Pul Nirman Nigam Limited (₹ 37.89 crore). Heavy Losses were incurred by Bihar State Electricity Board (₹2,662.38 crore).*

*Audit noticed various deficiencies in the functioning of PSUs. A review of latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ₹2,424.87 crore and infructuous investment of ₹ 53.87 crore were attributable to deficiencies in financial management, planning and implementation of their activities.*

### **Quality of Accounts**

*The quality of Accounts of PSUs needs improvement. During the year 2011-12, all 21 Accounts of the companies received were given qualified certificates. The compliance of companies with the Accounting Standards was poor as there were 25 instances of non-compliance in nine Accounts during the year.*

### **Arrears in Accounts and winding up**

*Out of 26 Working PSUs, 25 PSUs had arrears of 191 Accounts as of 30 September 2012. The extent of arrears was one to 22 years. There were 40 non-working PSUs including seven under liquidation.*

*(Chapter-I)*

## 2. Performance Audit relating to Government Company

A Performance Audit on ‘Bihar State Text Book Publishing Corporation Limited’ was conducted. Executive summary of the audit findings is given below:

### *Introduction*

*The Bihar State Text Book Publishing Corporation Limited (Company) was incorporated in April 1965 as a wholly owned State Government Company under the Companies Act, 1956. The main objectives of the Company are to publish, print, sell and supply textbooks in all languages for primary and secondary education in the State of Bihar.*

### *Modernisation of Printing Press*

*The Company had a Printing Press with installed capacity to print 100.50 lakh books in a year. The capacity of the Press decreased over the years due to (a) old age of machines (b) lack of proper maintenance (c) non-replacement of worn-out parts (d) heavy breakdown, and (e) interrupted running due to sub-standard production. The Printing Press had become almost non-operational and needed complete revival through modernisation or up-gradation process. However, the Management due to its dilly-dallying attitude had failed to take any concrete measures to modernise/up-grade/replace the obsolete Printing Press despite availability of surplus fund. This deprived the benefits of new technology to the Company and it had to get the books printed from Private Printers.*

### *Purchase of Paper*

*The required text papers were being purchased by the Company and supplied to the Private Printers. The papers were procured during 2010-12 from Hindustan Paper Corporation Limited (HPCL), a Government of India Enterprise without inviting any tender. The Company had neither entered into any rate contract nor executed agreement with HPCL for purchase and supply of papers. In the absence of agreement, the Company failed to get 842 reels found damaged, repaired or replaced by HPCL.*

### *Delay in Printing & Supply of Books*

*The Company could not complete the printing and supply of the books under Sarva Shiksha Abhiyan, a Centrally Sponsored Scheme pursued by Bihar Shiksha Pariyojana Parishad as per supply orders which deprived the students of the facility of getting the books in time. The Company had taken excessive time from three months to 12 months during the period 2007-08 to 2011-12 for finalisation of placement of orders to the Private Printers for printing of books under the scheme. Printers were required to supply the textbooks within the time schedule mentioned in the work order. However, there were delays ranging between 36 and 170 days during the period 2009-10 to 2011-12 on part of the Printers in printing and supply of the textbooks to the Set-makers. The Bihar Shiksha Pariyojana Parishad deducted an amount of ₹ 3.13 crore on account of delay in supply of textbooks during 2009-10 and 2010-11 and ₹ 15.72 crore due to supply of poor quality of textbooks during 2007-08 to 2010-11. The Company, however, failed to invoke provisions of the agreement with the Printers for imposition of penalty.*

### *Marketing & Sales Performance*

*The Company had not formulated any concrete marketing policy for optimising the sale of books under General Sales. The accumulation of obsolete books under Sarva Shiksha Abhiyan and General Sales amounted to ₹ 9.07 crore.*

### *Financial Management*

*The Financial Management of the Company was deficient. The system of preparation of Cash/Funds Flow statements was not in vogue in the Company. Accounts of the Company were in arrears since 1998-99. Bank Reconciliation Statement was not prepared. The periodicity/age-wise and party-wise details of creditors and loans & advances were not available. The*

*Company had made payments of Service Tax of ₹ 2.39 crore to a Set-maker against the provisions.*

***Conclusion & Recommendations***

*Though the basic activity of the Company was to print and publish textbooks, its own Printing Press was non-functional since long and despite availability of funds no effective measures were taken to modernise/up-grade the Press. As a result, the Company had to resort to the services of Private Printers. The Company failed to realise the cost of damaged papers from HPCL in the absence of any formal agreement. There were delays in supply of textbooks to BSPP leading to payment of penalty by the Company. Due to deficient marketing policy and planning there were huge accumulations of obsolete books. The Internal Control System as prevalent in the Company was deficient.*

*We have made six recommendations which included, effective pursuance by the Company to modernise/up-grade its Printing Press to avoid dependency on Private Printers for printing and supply of textbooks; improving planning of assessing quantities of books to be published and supplied and adherence to time schedule for printing and distribution before start of academic period; formulating an effective marketing policy for optimising the sale of books; making efforts to realise the penalty from the defaulting printers/Set-makers on account of poor quality/late supply of textbooks; to recover the Service Tax as per the provisions of the contract and to strengthen the financial and Internal Control System.*

*(Chapter-II)*

### 3. Performance Audit relating to Statutory Corporation

‘Performance Audit on Power Transmission Activity of Bihar State Electricity Board’ was conducted. Executive summary of the audit findings is given below:

#### **Introduction**

Transmission of electricity and Grid operations in Bihar are managed and controlled by Bihar State Electricity Board (Board). As on 31 March 2007, the Board had a transmission network of 5559.05 Circuit Kilometer (Ckm) and 67 Extra High Tension (EHT) Sub-stations (SSs) which rose to 6400 Ckm and 86 SSs with installed capacity of 7078 Mega volt ampere (Mva), by 31 March 2012. The quantity of energy transmitted increased from 7371.44 Million Units (MUs) in 2007-08 to 10799.30 MUs in 2011-12. The performance audit of the Board was conducted to assess the economy, efficiency and effectiveness of its transmission activities.

#### **Planning and Development**

The Board did not prepare any State Electricity Plan (SEP) during the period covered under Performance Audit. Further, year-wise Short Term plan for addition/augmentation in the transmission system of Bihar was also not prepared by the Board. However, Detailed Project Reports for strengthening of transmission system in Bihar was prepared by the Power Grid Corporation of India Limited (PGCIL) on behalf of the Board. Further, the Board also took decision for construction of five SSs and five transmission lines during the above period.

#### **Capacity Additions**

The capacity creation of SSs and lines did not meet the targets, as only 19 SSs and 841.16 Ckm of EHT lines were constructed during the five year period against the target of 30 SSs and 2202.30 Ckm of EHT lines. The shortfall was due to delay in completion of the projects.

#### **Project Management**

The Board could not complete its projects as per schedule. We noticed instances of

time overrun ranging from four to 78 months and cost overrun of ₹ 2.71 crore during the period 2007-2012. Shortfall in achievement of targeted additions were attributable to delay in finalisation of tenders, delay in getting approvals from railways, delays in approval of drawings and designs, delay in land acquisition, etc.

#### **Operation and Maintenance**

The overall transmission capacity was in excess of the requirement for every year. The Board failed to ensure the maximum and minimum voltages as per the norms. Out of 38 feeders in Patna Zone, eight feeders were loaded above 366 amps. Out of eight 220 KV SSs (three single bus bar SSs and five double bus bar SSs), Bus Bar Protection Panel (BBPP) was provided at four SSs only.

#### **Maintenance**

##### **Performance of Power Transformers**

Out of 16 transformers failed during the period covered in the Performance Audit, two caught fire and burnt due to failure of the installed protection system, four transformers failed due to failure of buchholz and differential relay, two failed due to failure of winding, and the remaining eight failed due to internal defects which could have been avoided by conducting periodical test and proper maintenance.

#### **Transmission losses**

The transmission losses ranged between 5.13 per cent and 9.75 per cent and exceeded the norms of four per cent of CEA and BERC in all the five years up to 2011-12. The quantum of transmission loss suffered by the Board in excess of the norms for the period 2007-08 to 2011-12 was 1830.29 MUs valued at ₹ 710.40 crore. The reasons for excess transmission loss included non-accounting of energy consumed by sub-station transformers and excessive

transformation losses by the old power transformers.

#### **Grid Management**

Out of 86 SSSs and one generator, only eight (9.3 per cent) Remote Terminal Units were found utilised as on June 2012. Further, the Board received 135 (A type), 71 (B type) and 79 (C type) messages from Eastern Region Load Dispatch Centre for violation of Grid norm during 2007-12.

#### **Financial Management**

We noticed that the Board failed to increase the contract demand of consumer as per provisions of the tariff order which resulted in short billing and loss of revenue of ₹11.67 crore

Further, the Board delayed the process of entering into agreement with the consumer which deprived the Board to earn revenue of ₹8.08 crore.

#### **Material Management**

The Board had huge quantity of the closing stock which indicated that the procurement policy of the Board was defective. During the period from 2007-08 to 2011-12, the closing stock in terms of months consumption ranged between 19 to 59 months.

#### **Non-conducting of Physical verification of stocks in stores**

The Physical Verification (PV) of the stores was not being conducted annually and was conducted only in 2007-08 and 2011-12. Further, the Board had not taken action to conduct survey reports and dispose of the scrap/obsolete material, which could have earned revenue.

#### **Monitoring and control**

Management Information System (MIS) implemented for monitoring the operations of SSSs was incomplete. The

Board failed to finalise the tender in time for dismantling the cable and sustained the loss of ₹ 1.50 crore on account of theft/damage of cable and security of cable.

#### **Conclusion and Recommendations**

The Board did not prepare year-wise plan for addition/augmentation in the Transmission System of Bihar. Operation of the transmission system was not efficient and effective, as a result, the transmission losses of the Board was in excess of the norms, the voltage level of SSSs were not maintained within the limits, feeders were found loaded beyond their Thermal Loading Limit. Disaster management facilities of the Board were not adequate. Energy accounting system of Board was not effective as existence of high percentage of losses and negative losses were found. Energy audit was not done by the Board. Huge quantity of closing stock indicated that the procurement policy of the Board was defective. Physical Verification of the stocks were not done annually and no action were taken to conduct survey and dispose of the scrap/obsolete material by the Board. The monitoring system of the Board was not effective as a result of which, transmission lines tripped several times.

The audit made seven recommendations which included preparation of short-term as well as perspective plan, compliance of the recommendation of the Task Force to avoid delays in construction, operation of the transmission system carried as per norms, implementing effective measures to reduce transmission losses, ensuring availability of adequate disaster management facility, reforming the purchase wing and monitoring activities.

(Chapter-III)

#### **4. 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 ₹ 29.04 crore in seven cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.*

*(Paragraphs 4.1, 4.2, 4.5, 4.6, 4.8, 4.9, and 4.11)*

*Loss of ₹ 0.47 crore in one case due to non-safeguarding of the financial interests of the organisation.*

*(Paragraph 4.10)*

*Loss of ₹ 16.47 crore in three cases due to inadequate/ deficient monitoring system.*

*(Paragraph 4.3, 4.4 and 4.7)*

**Gist of some of the important audit observations are given below:**

The **Bihar State Hydroelectric Power Corporation Limited** incurred unfruitful expenditure of ₹ 29.62 lakh and loss of revenue of ₹ 4.72 crore due to non-compliance with the directives of BERC.

*(Paragraph 4.1)*

Absence of system for ensuring proper assessment of tax liability in **Bihar State Road Development Corporation Limited and Bihar Rajya Pul Nirman Nigam Limited** led to short payment of advance income tax resulting in avoidable payment of interest of ₹ 1.39 crore.

*(Paragraph 4.3)*

**Bihar State Electricity Board's** failure in obtaining TDS certificates from the payee Banks and non-claiming of refund of TDS resulted in a loss of ₹ 12.87 crore to the Board.

*(Paragraph 4.4)*

**Bihar State Electricity Board's** failure to install working meters at the consumers' premises as well as to inspect consumer's premises to detect unauthorised use of electricity led to loss of revenue of ₹ 17.40 crore.

*(Paragraph 4.5)*

Inordinate delay on the part of **Bihar State Electricity Board** in enhancement of the load resulted in a revenue loss of ₹ 2.21 crore.

*(Paragraph 4.7)*

*(Chapter IV)*