

**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 keeping in view the welfare of the people. As on 31 March 2016, in Bihar there were 74<sup>1</sup> PSUs (*Annexure 1.1*). None of these PSUs was listed in stock exchange. One Company Bihar Forestry Development Corporation Limited, Patna was incorporated on 11 October 2013. Audit of the Company was entrusted to this office in 2015-16. However, no PSU was closed down. The details of the State PSUs in Bihar as on 31 March 2016 are given in Table No. 1.1.

**Table No. 1.1: Total number of PSUs as on 31 March 2016**

Type of PSUs	Working PSUs	Not working PSUs <sup>2</sup>	Total
Government companies <sup>3</sup>	31	40	71
Statutory Corporations	3	-	3
<b>Total</b>	<b>34</b>	<b>40</b>	<b>74</b>

*Source: Information as per database of PSUs*

The working PSUs registered a turnover of ₹ 12879.76 crore as per their latest finalised accounts as of September 2016. This turnover was equal to 2.64 *per cent* of State Gross Domestic Product (GDP) for 2015-16. The working PSUs incurred net loss of ₹ 599.66 crore as per their latest finalised accounts as of September, 2016. The State PSUs including not working PSUs, had 17349<sup>4</sup> employees as of 31 March 2016.

As on 31 March 2016, there were 40 not working PSUs which existed for more than 10 years and had an investment of ₹ 729.02 crore. The investments in not working PSUs do not contribute to the economic growth of the State.

#### Accountability framework

**1.2** The audit of the financial statements of Government companies is governed by respective provisions of Section 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 51 *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 of such a Government Company.

<sup>1</sup> As per the details provided in *Annexure-1.1*

<sup>2</sup> Not working PSUs are those which have ceased to carry on their operations.

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

<sup>4</sup> As per the details provided by 44 PSUs.

Further, as per sub-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, if he 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 owned or controlled, directly or indirectly, 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 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 which shall submit a copy of the Audit Report to the CAG, which among other things, include financial Statements of the Company under Section 143 (5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG 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 Bihar State Warehousing Corporation and Bihar State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted 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 2016, the investment (Capital and Long-Term Loans) in 74 State PSUs was ₹ 46693.55 crore as per details given in Table No. 1.2.

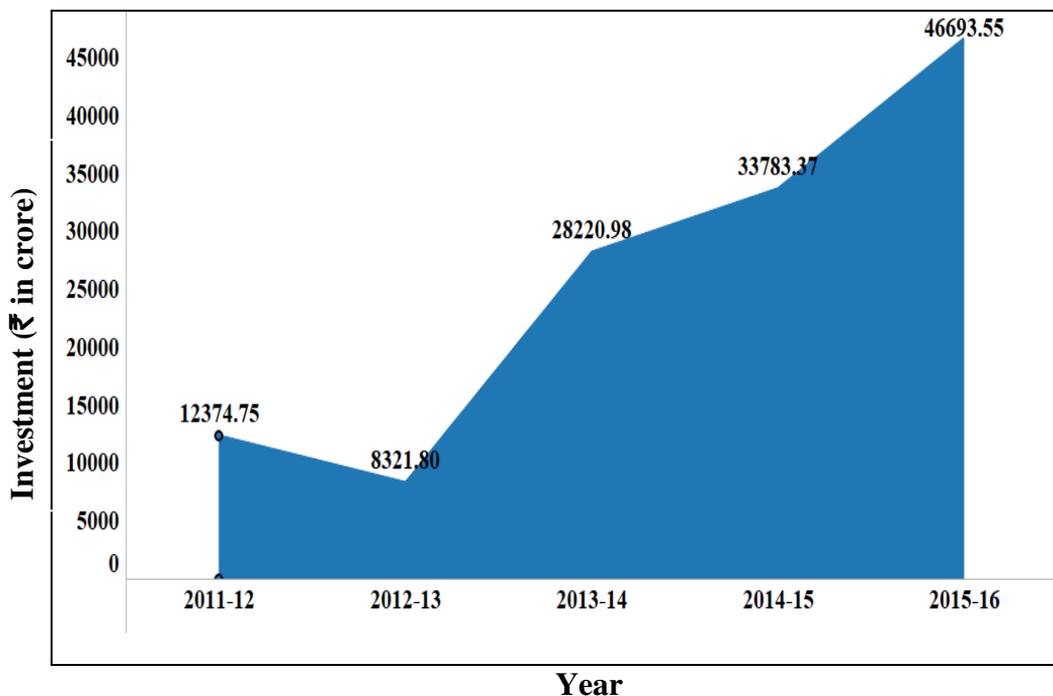
**Table No. 1.2: Total investment in PSUs**

Type of PSUs	Government companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	31027.97	13656.55	44684.52	185.51	1094.50	1280.01	<b>45964.53</b>
Not working PSUs	180.79	548.23	729.02	-	-	-	<b>729.02</b>
<b>Total</b>	<b>31208.76</b>	<b>14204.78</b>	<b>45413.54</b>	<b>185.51</b>	<b>1094.50</b>	<b>1280.01</b>	<b>46693.55</b>

Source: Information furnished by the PSUs

As on 31 March 2016, of the total investment in State PSUs, 98.44 per cent was in working PSUs and the remaining 1.56 per cent was in not working PSUs. This total investment consisted of 67.23 per cent towards capital and 32.77 per cent in long-term loans. This investment has grown by 277.33 per cent from ₹ 12374.75 crore in 2011-12 to ₹ 46693.55 crore in 2015-16 as shown in Chart No. 1.1.

**Chart No. 1.1: Total investments (Capital and Long-term loans) in PSUs**



1.7 The sector wise summary of investments in the State PSUs as on 31 March 2016 is given in Table No. 1.3.

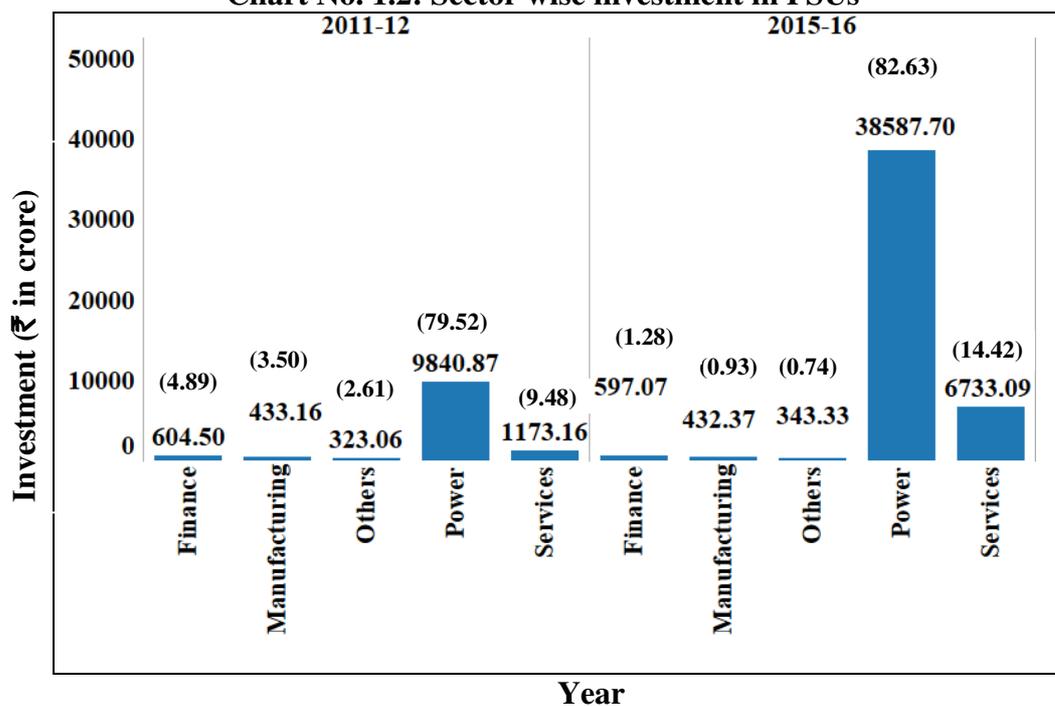
**Table No. 1.3: Sector-wise investment in PSUs**

Name of the Sector	Government/Other Companies		Statutory Corporations	Total	Investment (₹ in crore)
	Working	Not Working	Working		
Power	9	-	-	9	38587.70
Manufacturing	3	12	-	15	432.37
Finance	4	4	1	9	597.06
Miscellaneous	3	10	-	13	86.22
Service	3	1	2	6	6733.09
Infrastructure	6	1	-	7	106.06
Agriculture & Allied	3	12	-	15	151.05
	<b>31</b>	<b>40</b>	<b>3</b>	<b>74</b>	<b>46693.55</b>

Source: Information furnished by the PSUs

The investment in five important sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated in Chart No. 1.2.

**Chart No. 1.2: Sector wise investment in PSUs**



(Figures in brackets show the percentage of total investment)

The Chart No. 1.2 depicts that, the thrust of PSU investment was mainly in the Power Sector during the past five years. During the current year, it increased by 292.12 per cent from ₹ 9840.87 crore in 2011-12 to ₹ 38587.70 crore in 2015-16. Main reason for significant increase in investment in power sector is unbundling of erstwhile Bihar State Electricity Board into five companies<sup>5</sup> and release of budgetary support by the State Government. The investment in other

<sup>5</sup> 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.

sectors also increased by 219.90 per cent in 2015-16 as compared to 2011-12 due to heavy investment of ₹ 5744.43 crore in Bihar State Food and Civil Supplies Corporation Limited.

**Special support and returns during the year**

**1.8** The State Government provides financial support to PSUs in various forms through its annual budget. The summarized details of budgetary outgo towards equity, loans, grant/subsidies, loans written off and interest waived in respect of State PSUs for three years ended 2015-16 are given in Table No. 1.4.

**Table No. 1.4: Details regarding budgetary support to PSUs**

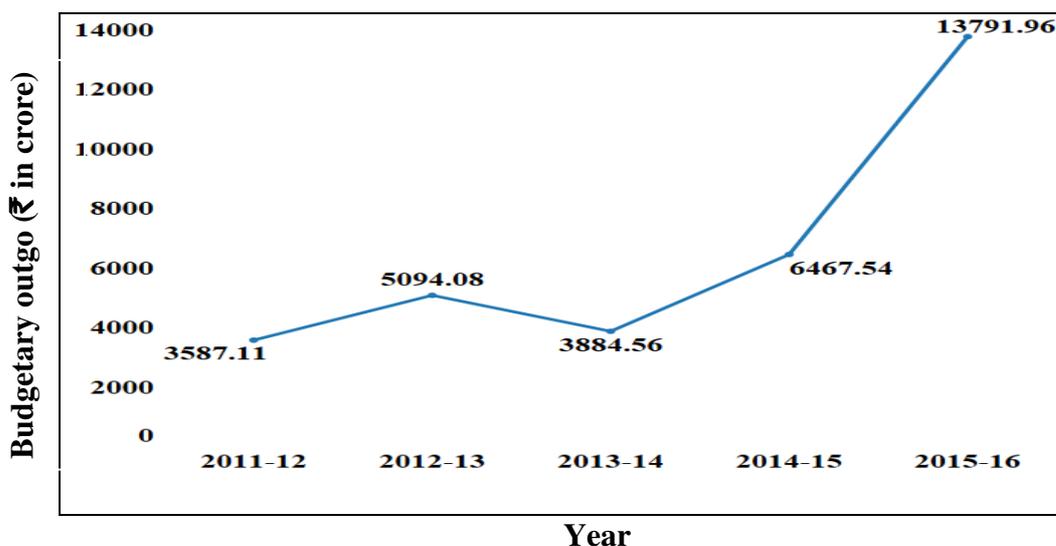
(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	744.73	4	2443.01	3	7455.96
2.	Loans given from budget	4	1079.54	4	203.33	7	426.67
3.	Grants/Subsidy from budget	6	2060.29	7	3821.20	8	5909.33
4.	Total outgo <sup>6</sup> (1+2+3)	11	3884.56	9	6467.54	14	13791.96
5.	Waiver of loans and interest	-	-	-	-	-	-
6.	Guarantees issued	5	2648.83	2	818.40	4	2982.91
7.	Guarantee Commitment	5	2910.89	7	3732.97	7	9048.50

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**



<sup>6</sup> 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 Chart No. 1.3 depicts that the budgetary support in the form of Equity, Loans and Grants /Subsidies to the PSUs showed an increasing trend and registered an increase by 284.49 *per cent* during 2011-12 to 2015-16 except in 2013-14, where it decreased by 23.74 *per cent*, as compared to budgetary outgo of 2012-13.

It may be seen from Table No. 1.4 that the amount of guarantee outstanding stood at ₹ 9048.50 crore in 2015-16, which registered a significant increase by 142.39 *per cent* during the period 2014-15 to 2015-16.

In order to enable PSUs to obtain financial assistance from banks and financial Institutions, State Government gives guarantees subject to the limits prescribed by the Constitution of India, for which a guarantee fee is charged. Guarantee fee of ₹ 8.87 lakh pertaining to the years upto 1982-83 against Bihar State Financial Corporation and ₹ 1.75 crore as on March 2016 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 the reconciliation of differences. The position in this regard as on 31 March 2016 is stated in Table No.1.5.

**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 <sup>7</sup>	Amount as per records of PSUs	Difference
Equity	9386.04	16342.36	6956.32
Loans	4812.88	4787.58	25.30
Guarantees	4468.07	8855.49	4387.42

*Source: Information furnished by the PSUs and Finance Accounts, GoB, 2015-16*

Audit observed that the differences occurred in respect of 47 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 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 each financial year are required to be finalised within six months from the end of the relevant

<sup>7</sup> The information is in respect of 47 PSUs (out of 74 PSUs) as appearing in Finance Accounts.

financial year *i.e.* by September end in accordance with the provisions of Section 96 (1) read with Section 129 (2) of the Companies Act, 2013 (Act). Failure to do so may attract penal provisions under section 99 of the Act which provides that every officer of the Company who is in default shall be punishable with fine which may extend to one lakh rupees and in case of continuing default, with a further fine which may extend to five thousand rupees for every day during which such default continues. As such Management of Government companies, whose Accounts are in arrear, are liable to pay for any default. 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 No. 1.6 provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2016.

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

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of Working PSUs	26	31 <sup>8</sup>	33	33	34 <sup>9</sup>
2.	Number of Accounts finalised during the year	23	26	31	26	40
3.	Number of Accounts in arrears	191	196	199 <sup>10</sup>	206	202
4.	Number of Working PSUs with arrears in Accounts	25	29	29	30	31
5.	Extent of arrears (years)	1 to 22	1 to 22	1 to 23	1 to 24	1 to 25

*Source: Information furnished by the PSUs*

As shown in Table No. 1.6 the number of accounts in arrear has increased from 191 (2011-12) to 202 (2015-16). Out of 34 working PSUs, only three<sup>11</sup> PSUs finalised their accounts for the year 2015-16 and remaining 31 PSUs had arrears of 202 accounts as of 30 September 2016. The Accounts of 31 PSUs were in arrears for periods ranging from one year to 25 years.

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 2016) the position of arrears of Accounts to the notice of the Chief Secretary and the Principal Secretary/Secretary of the concerned Administrative Department. However, no significant remedial measures were taken.

<sup>8</sup> It includes five new Power Sector companies which commenced their business from November 2012.

<sup>9</sup> Includes one new Company viz. Bihar Forestry Development Corporation Limited incorporated on 11 October 2013 having two Accounts in arrear.

<sup>10</sup> 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.

<sup>11</sup> Bihar Grid Company Limited, Bihar State Educational Infrastructure Development Corporation Limited and Bihar State Financial Corporation.

**1.11** The State Government had invested ₹ 16239.49 crore in 17 working PSUs {Equity: ₹ 7478.86 crore (5 PSUs), Loans: ₹ 2255.78 crore (10 PSUs), Grants: ₹ 1435.14 crore (9 PSUs) and others (subsidy): ₹ 5069.71 crore (7 PSUs)} during the year for which Accounts have not been finalised as detailed in *Annexure-1.2*. In the absence of finalisation of accounts and their subsequent audit, it could not be ascertained whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

**1.12** In addition to above, as on 30 September 2016, there were arrears in finalisation of Accounts by PSUs which are not working. Out of 40 PSUs which are not working, five PSUs were in the process of liquidation whose 101 Accounts were in arrears for five to 26 years. Of the remaining 35 PSUs which are not working all PSUs had arrears of Accounts for eight to 39 years as on September 2016. The position relating to arrears in Accounts in respect of not working PSUs is given in Table No. 1.7.

**Table No. 1.7: Position relating to finalisation of Accounts in respect of PSUs not working**

Year	No. of PSUs not working	No. of Accounts in arrears	Period for which Accounts were in arrears	No. of years for which Accounts were in arrears
2013-14	36	944	1977-78 to 2013-14	17 to 37
2014-15	35	935	1977-78 to 2014-15	10 to 38
2015-16	35	952	1977-78 to 2015-16	8 to 39

Table No. 1.7 depicts that the number of Accounts in arrears has increased from 944 in 2013-14 to 952 in 2015-16. The average number of Accounts in arrears in respect of PSUs which are not working ranged between 26 and 27 during 2013-14 to 2015-16, reflecting an increasing trend in arrears of accounts of not working PSUs.

#### **Impact of Accounts not finalised**

**1.13** As pointed out in paragraphs 1.10 to 1.12, the delay in finalization of Accounts increases the risk of fraud and leakage of public money apart from violating the provisions of the relevant statutes. In view of the above mentioned state of arrears of accounts, the actual contribution of PSUs to State GDP for the year 2015-16 could not be ascertained and also their contribution to the State exchequer could also not be reported to the State Legislature.

**It is, therefore, recommended that:**

- **The Government may set up a cell to oversee the clearance of arrears of accounts in a time bound manner and ensure that arrears in accounts are liquidated for the companies; and**
- **The Government may consider outsourcing the work relating to preparation of Accounts, wherever the staff is inadequate or where it lacks expertise.**

**Placement of Separate Audit Reports**

**1.14** On completion of financial audit of the Corporation, Separate Audit Report (SAR) is issued to the Managing Director of the Corporation and State Government. As per the respective legislation of each Corporation, the Managing Director is responsible for forwarding the SAR to the State Government for placement in the legislature. The state Government causes the SAR to be placed in the State Legislature.

The position depicted below show the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2016) on the accounts of Statutory Corporations in the Legislature.

**Table No. 1.8: 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	2014-15	-	-
3.	Bihar State Road Transport Corporation	1973-74	1974-75 to 2005-06 (32) Details as under	9 June 1997 2 September 1998 2 September 1998 4 December 1998 18 April 2000 19 March 2004 19 October 2004 12 April 2005 07 October 2005 24 September 2007 26 October 2007 25 January 2010 20 May 2014 10 February 2015 29 September 2015

It can be observed from Table No. 1.8 that the Corporations did not present SARs of three to 32 years in the State Legislature. The matter 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. 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 August 2016. However, there was no improvement in respect to the placement of SARs of Bihar State Road Transport Corporation.

Not placing SARs in State Legislature weakens the legislative control over Statutory Corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the State Legislature.

**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 contribution to the State economy. Table below provides the details of working PSUs turnover and State GDP for a period of five years ending 2015-16.

**Table No. 1.9: Details of working PSUs turnover vis-a-vis State GDP**

(₹in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover <sup>12</sup>	7811.28	2813.70	7924.89	11619.64	12879.76
State GDP	343269	293616	343663	402283	487316
Percentage of Turnover to State GDP	2.28	0.96	2.31	2.89	2.64

*Source: Information furnished by the PSUs and Finance Accounts*

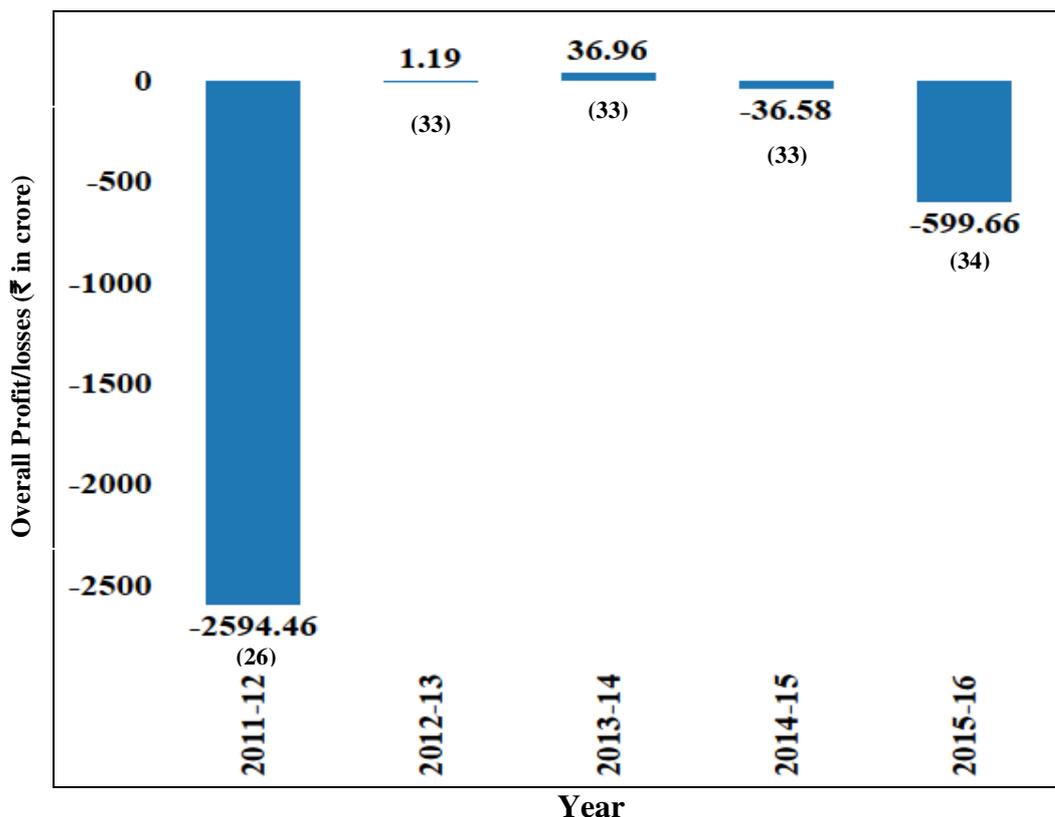
Table No. 1.9 depicts that the turnover of the working PSUs stood at ₹ 7811.28 crore in 2011-12 and ₹ 12879.76 crore in 2015-16 respectively, which registered an increase by 64.89 *per cent* during the above period against which State GDP registered an increase by 41.96 *per cent* during the same period. However, percentage of turnover to State GDP increased from 2.28 *per cent* in 2011-12 to 2.64 *per cent* in 2015-16.

**1.16** Overall net profit/losses earned/incurred by State working PSUs during 2011-12 to 2015-16 are given in Chart No. 1.4.

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<sup>12</sup> Turnover as per the latest finalised accounts as of 30 September.

Chart No. 1.4: Overall profit/losses incurred during the year by working PSUs



(Figures in brackets show the number of working PSUs)

The Chart No. 1.4 depicts that the overall net loss of ₹ 2594.46 crore in 2011-12 turned into 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 which increased to ₹ 599.66 crore in 2015-16. During the year 2015-16, out of 34 working PSUs, 15 PSUs earned profit of ₹ 544.97 crore and 14 PSUs incurred loss of ₹ 1144.63 crore. Out of the remaining five PSUs, three<sup>13</sup> PSUs had nil profit/loss and two PSUs<sup>14</sup> had not finalised their first Accounts (September, 2016). The major contributors of Profit were Bihar State Beverages Corporation Limited (₹ 132.87 crore), Bihar Rajya Pul Nirman Nigam Limited (₹ 110.17 crore), Bihar State Power Transmission Company Limited (₹ 78.07 crore), Bihar State Educational Infrastructure Development Corporation Limited (₹ 70.51 crore) and Bihar State Road Development Corporation Limited (₹ 58.57 crore). The PSUs which incurred heavy losses were South Bihar Power Distribution Company Limited (₹ 747.55 crore), North Bihar Power Distribution Company Limited (₹ 296.79 crore) and Bihar State Road Transport Corporation (₹ 59.23 crore) as per their latest finalised Accounts.

<sup>13</sup> Bihar State Power (Holding) Company Limited, Bihar State Power Generation Company Limited and Bihar Grid Company Limited.

<sup>14</sup> Pirpainti Bijli Company Private Limited and Lakhisarai Bijli Company Private Limited.

**1.17** Some other key parameters of working PSUs are given in Table No. 1.10.

**Table No. 1.10: Key Parameters of State PSUs**

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital employed (Per cent)	-	18.41	1.91	0.44	-
Debt	11193.13	4030.88	9349.36	11693.27	14751.06
Debt/Turnover Ratio	1.43	1.43	1.18	1.01	1.15
Interest Payment	1558.11	78.86	248.56	168.30	333.73
Accumulated Profit (Loss)	(-9648.57)	(-1129.86)	(-1875.61)	(-3137.76)	(-3953.15)

*Source: Information furnished by the PSUs*

It can be observed that the return on capital employed decreased from 18.41 per cent (2012-13) to negative return of 1.02 per cent (2015-16). 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 ₹ 3953.15 crore (2015-16).

**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, 15 PSUs earned an aggregate profit of ₹ 544.97 crore. However, out of 15 PSUs, only five companies viz Bihar State Beverages Corporation Limited, Bihar State Road Development Corporation Limited, Bihar Urban Infrastructure Development Corporation Limited, Bihar State Building Construction Corporation Limited and Bihar Rajya Pul Nirman Nigam Limited proposed a dividend of ₹ 5 crore, ₹ 5 crore, ₹ 3 crore, ₹ 2 crore and ₹ 52.50 lakh respectively.

### **Winding up of PSUs which are not working**

**1.19** There were 40 not working PSUs (all companies) as on 31 March 2016. Of these, five PSUs have commenced liquidation process. Since the not working PSUs are not contributing to the State economy and meeting the intended objectives, therefore, these PSUs may be considered either for closure or revival.

**1.20** The stages of closure in respect of PSUs not working are given in Table No. 1.11.

**Table No. 1.11: Closure of PSUs not working**

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of not working PSUs	40	-	40
2.	Of (1) above, the number under			

(a)	Liquidation by Court (Liquidator appointed)	5 <sup>15</sup>	-	5
(b)	Closure, i.e. closing orders/instructions issued but liquidation process not yet started	5 <sup>16</sup>	-	5

During the year 2015-16, 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.

### Accounts Comments

**1.21** Seventeen<sup>17</sup> working companies forwarded their 39 audited Accounts to the Accountant General during the year 2015-16<sup>18</sup>. Of these, sixteen accounts of eleven 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. 1.12.

**Table No. 1.12: Impact of audit comments on working Companies**

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in Profit	2	51.20	2	692.89	7	35.23
2.	Increase in Loss	7	49.20	4	121.18	3	233.50
3.	Material facts not disclosed	9	4914.22	2	401.37	1	0.70
4.	Error of Classification	4	357.95	7	1088.69	4	11653.82
	<b>Total</b>	<b>22</b>	<b>5372.57</b>	<b>15</b>	<b>2304.13</b>	<b>15</b>	<b>11923.25</b>

The aggregate money value of comments of statutory auditors and CAG increased from ₹ 5372.57 crore in 2013-14 to ₹ 11923.25 crore in 2015-16. Further, the average money value of comments per Account of ₹ 244.21 crore in 2013-14 increased to ₹ 794.88 crore in 2015-16. This indicated the need to improve the quality of Accounts.

<sup>15</sup> 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.

<sup>16</sup> 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.

<sup>17</sup> Sl. No. A 4, A 7, A 8, A 9, A 10, A 12, A 13, A 14, A 18, A 19, A 20, A 21, A 22, A 23, A 26 A 30 and A 31 of *Annexure-1.1*.

<sup>18</sup> During the period from October 2015 to 30 September 2016.

During the year, the Statutory Auditors had given qualified certificates for 57 Accounts<sup>19</sup> finalised by 19 companies<sup>20</sup>. The compliance to the Accounting Standards by the companies remained poor as there were 26 instances where compliance with the Accounting Standards in the eight accounts of eight<sup>21</sup> Companies was not done during the year.

**1.22** Similarly one Statutory Corporation forwarded its Accounts to the Accountant General during the year 2015-16<sup>22</sup>. However, Audit comment on the Accounts of Bihar State Financial Corporation, audited during previous year, was issued during the current year. The details of aggregate monetary implications of comments of Statutory auditors and CAG are given in Table No.1.13.

**Table No: 1.13: Impact of audit comments on Statutory Corporations**  
(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	1	3.75	1	8.47	-	-
2.	Increase in loss	1	0.64	-	-	1	1.01
3.	Material facts not disclosed	1	4.05	-	-	-	-

### 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 2016, two Performance Audits, two Audits viz. Audit of functioning of Distribution Franchisee in Power Distribution Companies of Bihar and Audit on Recovery Performance of Bihar State Financial Corporation and 12 audit paragraphs has been issued to the Principal Secretaries/ Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of two Performance Audits, Audit of functioning of Distribution franchisee in Power Distribution Companies of Bihar and seven compliance audit paragraphs were awaited from the State Government (November 2016).

### 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,

<sup>19</sup> Working government companies (39) and Not working government companies (18).

<sup>20</sup> Working government companies (17) and Not working government companies (2).

<sup>21</sup> Sl. No. in *Annexure-I.1* are A 4, A 12, A 14, A 18, A 19, A 21, A 22 and A 31.

<sup>22</sup> During the period from October 2015 to September 2016.

necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Bihar issued (April 2015) instructions to all Administrative Departments to submit replies/explanatory 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. The position of explanatory notes not received is given in Table No.1.14.

**Table No.1.14: Explanatory notes not received (as on 30 September, 2016)**

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
2010-11	06.08.2012	02	09	01	06
2011-12	01.08.2013	02	12	01	06
2012-13	15.07.2014	03	12	02	06
2013-14	07.04.2015	02	14	01	03
2014-15	18.03.2016	02	14	02	10
<b>Total</b>		<b>11</b>	<b>61</b>	<b>07</b>	<b>31</b>

From the above, it could be seen that out of 61 Paragraphs and 11 Performance Audits, explanatory notes to 31 Paragraphs and two Performance Audits in respect of 13 departments, which were placed in the State Legislature during last five years, were awaited (September 2016).

### Discussion of Audit Reports by CoPU

**1.25** The status, as on September 2016, 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. 1.15: Performance Audits/Paragraphs appeared in Audit Reports *vis a vis* discussed (as on 30 September 2016)**

Period of Audit Report	Number of PAs/paragraphs			
	Appeared in Audit Report		Paras discussed	
	Pas	Paragraphs	Pas	Paragraphs
2010-11	02	09	-	01
2011-12	02	12	-	04
2012-13	03	12	01	06
2013-14	02	14	01	03
2014-15	02	14	0	0
<b>Total</b>	<b>11</b>	<b>61</b>	<b>02</b>	<b>14</b>

### Compliance to Reports of Committee on Public Undertakings (CoPU)

**1.26** Action Taken Notes (ATN) to five paragraphs pertaining to three Reports of the CoPU presented to the State Legislature between December 2011 and December 2013 had not been received (September 2016) as indicated in Table No. 1.16.

**Table No.1.16: 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
2010-11	01	03	03
2011-12	01	01	01
2012-13	-	-	-
2013-14	01	01	01
2014-15	-	-	-
<b>Total</b>	<b>03</b>	<b>05</b>	<b>05</b>

Source: Information furnished by the Committee on Public 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 years 1996-97 to 2005-06.

**It is recommended that the Government may ensure:**

- sending of replies to explanatory notes/ paragraphs/ performance audits and ATNs on the recommendations of CoPU as per the prescribed time schedule;
- recovery of loss/ outstanding advances/overpayments within the prescribed period; and
- revamping of the system of responding to audit observations by providing replies to audit within the prescribed time frame.

#### **Disinvestment, Privatisation and Restructuring of PSUs**

**1.27** The State Government did not undertake the exercise of disinvestment of any of its PSUs during 2015-16. 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 PSUs<sup>23</sup> (September 2016).

<sup>23</sup> 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.