

**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings**

The Report has been laid on the table of the State Legislature Assembly on 15-07-2014

for the year ended 31 March 2013

Government of Bihar
Report No. 1 of the year 2014

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Preface

1. This report deals with the results of audit of Government companies and Statutory corporations which has been conducted under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are presented separately.

2. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. Audit of Statutory Corporations of the State is governed by their respective legislation.

3. The cases mentioned in this Report are those, which came to notice in the course of test audit during the year 2012-13 as well as those, which came to notice in earlier years, but could not be dealt with in the previous Reports; matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

4. Audit has been conducted in conformity with the Auditing Standards issued by the CAG.

OVERVIEW

1. Overview of Government companies and Statutory corporations

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 2013, the State of Bihar had 31 working PSUs (28 Companies and three Statutory corporations) and 40 non-working PSUs (all companies), which employed 0.16 lakh employees. The State working PSUs had registered a turnover of ₹4857.63 crore as per their latest finalised Accounts. The PSUs had aggregate losses of ₹1109.82 crore as per their latest finalised Accounts as of 30 September 2013.

Investment in PSUs

As on 31 March 2013, the investment (Capital and long term loans) in 71 PSUs was ₹8321.80 crore. Power Sector had accounted for 66.88 per cent of total investment in 2012-13. The Government contributed ₹5094.08 crore towards Equity, Loans and Grants / Subsidies during 2012-13.

Performance of PSUs

As per the latest finalised Accounts, out of 31 working PSUs, 15 PSUs had earned Profit of ₹135.74 crore and 10 PSUs had incurred Loss of ₹1222.18 crore. The major contributors to Profit were Bihar State Road Development Corporation Limited (₹37.36 crore), Bihar State Educational Infrastructure Development Corporation Limited

(₹24.15 crore) and Bihar State Beverages Corporation Limited (₹12.42 crore). As per the latest finalised accounts, heavy Losses were incurred by the erstwhile Bihar State Electricity Board (₹1087.63 crore) for the period from April 2012 to October 2012.

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 ₹2495.44 crore and infructuous investment of ₹52.23 crore were attributable to deficiencies in financial management, planning and implementation of their activities.

Quality of accounts

The quality of Accounts of companies needs improvement. During the year 2012-13, the statutory auditor had given qualified certificates for all the 21 Accounts received during the year. The compliance of accounting standards were poor as there were 15 instances of non-compliance in seven accounts.

Arrears in accounts and winding up

Out of 31 Working PSUs, 29 PSUs had arrears of 196 accounts as of 30 September 2013. The extent of arrears was one to 23 years. There were 40 non-working PSUs including seven under liquidation.

(Chapter-I)

2. Performance Audits relating to Government companies

2.1 A Performance Audit on “Financing and recovery activities of Bihar State Backward Classes Finance and Development Corporation” was conducted. Executive summary of the audit findings is given below:

Executive Summary

Introduction

With a view to promote economic and developmental activities for the benefit of members of Backward Classes in the State of Bihar, the Government of Bihar (GoB) set up Bihar State Backward Classes Finance and Development Corporation (Company) under the Companies Act, 1956. The Company is under the administrative control of Backward Classes and Extremely Backward Classes Welfare Department, GoB. The Company is responsible for identification of potential beneficiaries and implementation of the schemes as per guidelines and instructions issued by the Government/National Backward Classes Finance and Development Corporation (NBCFDC).

Financial Management of the Company

The financial management of the Company was deficient as the recoveries were insufficient to discharge the liabilities of NBCFDC. The Company had made repayment of outstanding dues of ₹ five crore to NBCFDC from its own fund (Share Capital) during 2010-11. Due to poor recovery and non-repayment of NBCFDC loan, NBCFDC did not release the sanctioned loan of ₹ 114.39 crore to the Company which adversely affected the implementation of schemes. The accounts of the Company were in arrears since 1998-99.

Lending and Recovery activities of the Company

NBCFDC Education Loan Scheme

No fresh loan under the Scheme was disbursed due to non-release of funds by NBCFDC. 49 beneficiaries to whom educational loan amounting to ₹ 97.58 lakh was disbursed had not commenced repayment of the loan despite completion of their courses.

NBCFDC Term Loan

No fresh Term Loan was sanctioned during the period 2008-13. Recoveries made by the Company during five years ending March 2013, against the loan disbursed was very dismal and ranged between 0.21 per cent and 1.26 per cent of the total outstanding amount.

Mukhya Mantri Nishaktjan Shiksha Rin Yojna

Out of ₹ 3.46 crore received under the Scheme, only ₹ 1.50 crore could be disbursed during 2008-13. The poor disbursement was mainly caused by delay in preparation of guidelines by the Government. The Company recovered ₹ 1.16 lakh only against total disbursement.

Mukhya Mantri Nishaktjan Swarojgar Rin Yojana

Against receipt of a sum of ₹ 5.19 crore under the Scheme, the Company could disburse only ₹ 1.89 crore and the balance ₹ 3.30 crore remained undisbursed and was lying with the Company upto March 2013. Further, lack of control system resulted in poor recovery of only ₹ 1.21 lakh against disbursement of ₹ 1.89 crore.

Financial Assistance under Scholarship Scheme

Mukhya Mantri Atyant Pichhada Varg Medhavriti Yojna (MMAPVVMY)

The benefit under this Scheme was extended to 299 students without verifying their Extremely Backward Class status.

The Company was not in receipt of utilisation certificates of beneficiaries from DWOs/ DEOs. Further DWOs/ DEOs were not prompt in returning the unutilised amount and kept the undisbursed amounts/ Bank Drafts with them.

Manpower

Shortage of manpower adversely affected the functioning of the Company and was not effectively dealt with by BoD.

Internal Control mechanism

There was no MIS prevalent in the Company. No system was evolved to obtain the utilisation certificate in respect of disbursement of funds.

Ledger showing loanee-wise details of amount due and recoverable on account of principal and interest was not properly maintained and there was no effective watch on recovery of loans.

Conclusion and Recommendations

The performance of the Company in regard to financing and recovery under various schemes was found to be far from satisfactory. Non-preparation of detailed plan resulted in poor implementation of the schemes and deprivation of intended benefits to the targeted beneficiaries. The role of the Government in the functioning of the Company was deficient as there were delays in formulation of the guidelines, issuance of instructions and constitution of Board of Directors.

Financial management of the Company was deficient as instances were noticed of poor recovery, funds pertaining to various loans/scholarship schemes lying unutilised, blocking of funds and there were delays in finalisation of accounts.

There was no system of securing utilisation certificate in respect of funds disbursed.

The system for follow-up of the recoveries from the beneficiaries was far from satisfactory. The shortage of manpower adversely affected the functioning of the Company. The internal control and monitoring mechanism prevalent in the Company was deficient.

The Company needs to evolve a detailed plan for disbursement of loan fund to the intended beneficiaries; evolve a system of securing utilisation certificates and strengthen recovery mechanism.

The BoD should effectively deal with the shortage of manpower, and Internal control and monitoring mechanism prevalent in the Company need to be streamlined and strengthened.

(Chapter-2.1)

2.2 A Performance Audit on “Financing and recovery activities of Bihar State Minorities Financial Corporation Limited” was conducted. Executive summary of the audit findings is given below:

Executive Summary**Introduction**

Bihar State Minorities Financial Corporation Limited (Company) was incorporated in March 1984 by the Government of Bihar (GoB) under the Companies Act, 1956. The Company is under the administrative control of Minority Welfare Department, GoB. The Company is responsible to shortlist the eligible beneficiaries for various schemes of Government/National Minorities Development and Finance Corporation (NMDFC) based on laid out criteria and after physical verification, selection of beneficiaries is done by a committee having representation of district authorities, lead bank and Directorate of Industries and Commerce.

Annual Action Plan

Due to failure of the Company to comply the terms and conditions of letter of intent against allocated fund, a sum of ₹45.20 crore was not released by NMDFC to the Company for disbursement during the period 2008-13.

Financial Management of the Company

The financial management of the Company was deficient as the recoveries were insufficient to discharge the liabilities of NMDFC. The Company had made repayments of outstanding dues of ₹12.99 crore to NMDFC from their own fund (Share Capital) during 2010-11.

Lending and recovery activities of the Company

Term Loan Scheme

The Company received ₹ 21.27 crore out of which ₹ 16.66 crore was utilised during 2008-13.

In Saran division, out of 361 applications received, 22 selected applications did not have income certificate which was a prerequisite for selection. In Patna division, the names of original 84 applicants were not considered for selection. Out of 49 test checked income certificates of beneficiaries, 16 were found deficient as per records of issuing authority (Circle Office).

Recovery effected by the Company during the five years ending March 2013 was dismal and ranged between 3.24 and 4.65 per cent of the total amount recoverable.

Education loan Scheme

The Company received ₹ 2.13 crore out of which ₹ 1.46 crore had been disbursed during the period 2008-13. No fresh loan under the Scheme could be disbursed in the year 2009-10 due to non-receipt of fund. Disbursement was also not made by the Company during the year 2011-12 despite availability of fund.

Repayment of loan under Educational Loan Scheme was not pursued as the beneficiaries neither informed the Company of their completion of course and/or self employment nor did the Company make endeavour to ascertain this aspect from the loanees.

Micro Credit Scheme

Under the Micro Financing Scheme, the Company released a sum of ₹ 48.21 lakh to three NGOs on their request for 305 beneficiaries without verifying the financial credibility/track record of NGOs out of which, a sum of ₹ 43.50 lakh could not be recovered for over four years. The Micro Financing Scheme was discontinued by the Company from 2009-10.

Financial Assistance under Scholarship, Coaching and Skill Development schemes

Post Matric Scholarship Scheme (Central)

The percentage of unutilised fund under Post Matric Scholarship Scheme (Central) during the period 2008-09 to 2011-12 ranged from 11.31 to 54 per cent. An amount of ₹ 14.01 crore was lying unutilised with the Company since 2011-12.

The Company disbursed a sum of ₹ 25.02 lakh in the year 2010-11 to four non-existent private colleges without ascertaining their authenticity.

Post Matric Scholarship Scheme (State)

An amount of ₹ 18.24 lakh was released to 456 students by the Company under Post Matric Scholarship Scheme (State) against whom funds had already been released under Post Matric Scholarship Scheme (Central). As a result of this other eligible students were deprived of the benefits under this Scheme.

Non-achievement of objective under Coaching Scheme

Due to failure of monitoring by the committee constituted by the Department, an amount of ₹ 3.69 crore out of ₹ 4.67 crore received during 2007-11 could not be utilised which was ultimately refunded by the Company to the Department.

Mukhya Mantri Shram Sakti Yojna

Out of ₹ three crore received under the Scheme, the Company utilised only ₹ 14 lakh and balance ₹ 2.86 crore remained unutilised for more than four years. Thus the intended beneficiaries were deprived of the benefits under this Scheme.

Manpower

There was shortage of manpower which affected the Company's working with respect to implementation of schemes.

Internal Control mechanism

No system was evolved to obtain the utilisation certificate in respect of disbursement of funds.

There was no system of verification of the list of the eligible students prepared by outsourced agency/contractual staff which resulted in excess/double release of fund under scholarship scheme.

Conclusion and Recommendations

The Performance of the Company in financing and recovery under various schemes was far from satisfactory. Detailed plan was not prepared by the Company. The role of the Government in the functioning of the Company was deficient as it did not effectively monitor the functioning of Committee for Coaching Scheme. The financial management of the Company was deficient. There were procedural lapses

in identification of intended beneficiaries and disbursement of financial assistance. Besides, there was no system of securing utilisation certificate. The system for follow-up of the recoveries from the beneficiaries was far from satisfactory. The internal control in the Company was deficient.

The Company needs to evolve a detailed plan for disbursement of loan/scholarship fund and recoveries thereof; develop a system for time bound utilisation of funds; develop a data base to identify the eligible beneficiaries; strengthen recovery mechanism and improve Internal Controls.

(Chapter-2.2)

3. Performance Audit relating to Statutory Corporation

Performance Audit on Warehousing activities of Bihar State Warehousing Corporation was conducted. Executive summary of the audit findings is given below :

Executive Summary

Introduction

Bihar State Warehousing Corporation (Corporation) was established in March 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956. As on March 2013, the Corporation had 37 warehousing centres with a total available storage capacity of 31.99 lakh Metric Tonnes (MT).

Deficiencies in warehousing activities

Non-accrual of benefits to primary producers (Farmers)

The Corporation failed to achieve its main objective of providing storage facility to primary producers because of lack of initiative on the part of Corporation to educate farmers regarding benefit of scientific storage of stock.

Loss due to shortage of stock

The Corporation incurred a loss of ₹12.63 crore due to shortage of foodgrains, caused by deficient monitoring of the periodical physical verification of State Warehousing Centres (SWCs).

Non-compliance of First In First Out (FIFO) method

Stock of 448 MT and 269 MT of rice at SWC, Bettiah and SWC, Raxaul respectively were lying unissued since 2010-11 due to non-observance of FIFO method. The rice worth ₹1.42 crore had become discoloured, infested, heavily broken and non-issuable.

Engagement of Excess Capacity

At SWC, Muzaffarpur, due to engagement of more godowns than required, the Corporation could not utilise the aggregate storage capacity of 98,000 MT resulting in potential loss of ₹0.54 crore towards storage charge.

Non-recovery of Storage loss

At SWC, Sasaram, no monthly report of storage loss was submitted to FCI for waiver. Resultantly an amount of ₹1.05 crore could not be recovered (August 2013). A further storage loss of 145 MT of wheat and 171 MT of rice valuing ₹23.13 lakh was reported at the same centre during October 2009 to February 2011. Despite continued storage loss at

the centre, the Corporation neither investigated the reasons nor took any initiative to plug the loopholes.

Deficient protective measures

Utilisation of dunnage and other fumigation material was much below norms which may damage the godowns, foodgrains and other stocks kept. Besides, the intended objective of scientific storage was defeated.

Tariff and billing

Non-raising of revised bills of FCI

Arrear bills valuing ₹ 3.16 crore of storage charges at revised enhanced rates (effective from April 2009) were not preferred by seven centres (August 2013).

Non-realisation of revised tariff from IFFCO

Although the arrear bills at the revised rate were issued by the Corporation, the enhanced rate was made applicable by IFFCO from the next month of the receipt of tariff order instead of retrospective effect. This led to non-realisation of ₹ 44.04 lakh (July 2013) to the Corporation.

Construction of godowns

Central/ State Scheme

Rashtriya Krishi Vikash Yojana (RKVY)

The Government sanctioned ₹26.30 crore for construction of 10 godowns with total capacity of 50,000 MT at seven locations in 2007-08 and 2008-09, under RKVY. However, only eight godowns were completed (September 2013) with a delay ranging between 18 to 40 months as against the scheduled completion period of seven months.

Under Own scheme

The Executive Committee of the Corporation sanctioned (March 2010) ₹6.43 crore for construction of two godowns at two centres (Kasba-6000 MT and Muzaffarpur-4310 MT) from its own funds. However, the godowns were completed with a delay of 19 and 21 months as against the scheduled completion period of seven months.

Financial Management

Non-finalisation of Accounts

The Corporation has finalised its Annual Accounts upto the year 2009-10, while the Accounts for 2010-11 to 2012-13 were yet to be finalised (September 2013). Delay in finalisation of Accounts may result in risk of financial irregularities including fraud.

Deficient Manpower Planning

As against the sanctioned strength of 493 employees, the Corporation had working strength of 206 employees as on 31 March 2013 out of which 153 employees were Peon-cum-Dusting officials (PCDOs), drivers, etc. Superintendents were required to be posted as godowns in-charge, however, due to huge shortage of manpower, Lower Cadre Personnel such as Assistants in 23 SWCs and PCDOs/ Daftery/Record keepers in 14 SWCs were given the charge of risk prone warehouses. However, no action was taken by the Management for appointment of employees.

Internal control

The Corporation does not have any operation or functional manual nor has its own accounts manual. Internal Audit Reports were not placed before the Board of Directors. Only 18 meetings of the BoD and 10 meetings of Executive Committee were held at irregular intervals against the required number of 30 and 60 meetings respectively during 2008-13. The Corporation had not devised any comprehensive Management Information System for collection, consolidation and analysis of various information / data for effective monitoring. Books of records were also not properly maintained.

Conclusion

The Corporation did not have a proper plan for construction of godowns. The Corporation failed to achieve its main objective of providing storage facility to primary producers. The warehousing activities of the Corporation were deficient as it suffered losses on account of pilferage of stock, non-observance of FIFO, etc. Also, there were instances of wrong application of tariff, billing and non realisation. The financial management, Internal Control and MIS were deficient.

Recommendations

The Corporation needs to prepare perspective plan for construction of godowns and ensure timely completion of construction of godowns; ensure scientific storage and issuance of stock; raise bills timely and pursue realisation,

keep the control registers complete and updated, strengthen its Internal Control System and improve MIS.

(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 ₹ 5.09 crore in five cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 4.1, 4.2, 4.5, 4.6, and 4.7)

Loss of ₹ 60.86 crore in three cases due to non-safeguarding of the financial interests of the organisation.

(Paragraphs 4.3, 4.4 and 4.11)

Loss of ₹ 10.74 crore in three cases due to defective/deficient planning.

(Paragraphs 4.8, 4.9 and 4.10)

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

Non-adherence to the provisions of the Tariff Order regarding reduction of contract demand by the **South Bihar Power Distribution Company Limited** resulted in undue benefit to the consumer and a loss of revenue of ₹ 1.19 crore to the Company.

(Paragraph 4.1)

Bihar Urban Infrastructure Development Corporation Limited made contribution of ₹ two crore to the Chief Minister's Relief Fund without following due procedures and also in violation of relevant provision of the Companies Act, 1956.

(Paragraph 4.6)

The **Bihar State Hydroelectric Power Corporation Limited** incurred an avoidable expenditure of ₹ 1.50 crore due to failure to verify the international issues associated with the Dagmara power project and awarding of work order for preparation of DPR in contravention of the Central Water Commission Guidelines.

(Paragraph 4.8)

Deficient planning on the part of the **Bihar State Hydroelectric Power Corporation Limited** in respect of Dhoba SHP resulted in wasteful expenditure of ₹ 0.31 crore. Besides, there was irregular drawal of further instalments of NABARD loan by submitting incorrect expenditure certificates by the Company.

(Paragraph 4.9)

Failure on the part of the **Bihar State Electronics Development Corporation Limited, Bihar Police Buildings Construction Corporation (Private) Limited and Bihar State Beverages Corporation Limited** to devise a suitable system for ensuring proper assessment of tax liability led to non-payment of advance tax resulting in avoidable payment of interest of ₹ 1.64 crore.

(Paragraph 4.11)

(Chapter IV)

CHAPTER I

1. OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

Chapter I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of the people. In Bihar, the State working PSUs registered a turnover of ₹ 4857.63¹ crore for 2012-13 as per their latest finalised accounts as of September 2013. The major activities of State PSUs are concentrated in Power Sector. The State PSUs incurred a loss of ₹ 1109.82² crore in the aggregate as per their latest finalised Accounts. They had 0.16 lakh³ employees as of 31 March 2013.

1.2 As on 31 March 2013, there were 71 PSUs as per the details given below and none of them was listed on the stock exchange(s).

Table No: 1.1

Type of PSUs	Working PSUs	Non-working PSUs ⁴	Total
Government companies ⁵	28	40	68
Statutory corporations	3	-	3
Total	31	40	71

1.3 The above 28 working Government companies include six companies, namely, Bihar State Power (Holding) Company Limited (incorporated on 16 April 2012), Bihar State Power Transmission Company Limited (incorporated on 29 June 2012), Bihar State Power Generation Company Limited (incorporated on 29 June 2012), South Bihar Power Distribution Company Limited (incorporated on 29 June 2012), North Bihar Power Distribution Company Limited (incorporated on 06 July 2012) and Bihar Grid Company Limited (incorporated on 04 January 2013) under the Companies Act, 1956.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617 of the Act, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which not less than 51 *per cent*

¹ Including ₹ 2043.93 crore of erstwhile Bihar State Electricity Board.

² Including ₹ 1087.63 crore of erstwhile Bihar State Electricity Board.

³ As per the details provided by 42 PSUs (including the unallocated manpower of erstwhile BSEB amongst the five companies created on its unbundling).

⁴ Non-working PSUs are those which have ceased to carry on their operations.

⁵ Includes 619-B companies.

of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government Company as per Section 619-B of the Companies Act, 1956.

1.5 The Accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These Accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for the Bihar State Road Transport Corporation (BSRTC). In respect of Bihar State Warehousing Corporation (BSWC) and Bihar State Financial Corporation (BSFC), the audit is conducted by Chartered Accountants and supplemented by CAG.

Investment in State PSUs

1.7 As on 31 March 2013, the investment (Capital and Long-Term Loans) in State PSUs was ₹ 8321.80 crore as per details given below:

Table No:1.2

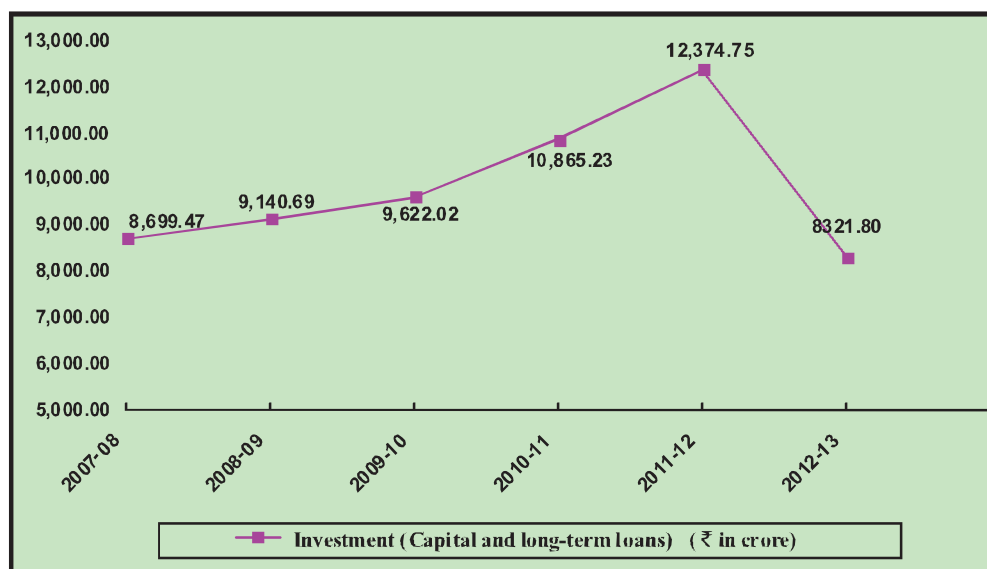
(₹ in crore)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	3376.34	3254.62	6630.96	185.53	776.26	961.79	7592.75
Non-working PSUs	180.79	548.26	729.05	-	-	-	729.05
Total	3557.13	3802.88	7360.01	185.53	776.26	961.79	8321.80

A summarised position of Government investment in State PSUs is detailed in *Annexure- 1*.

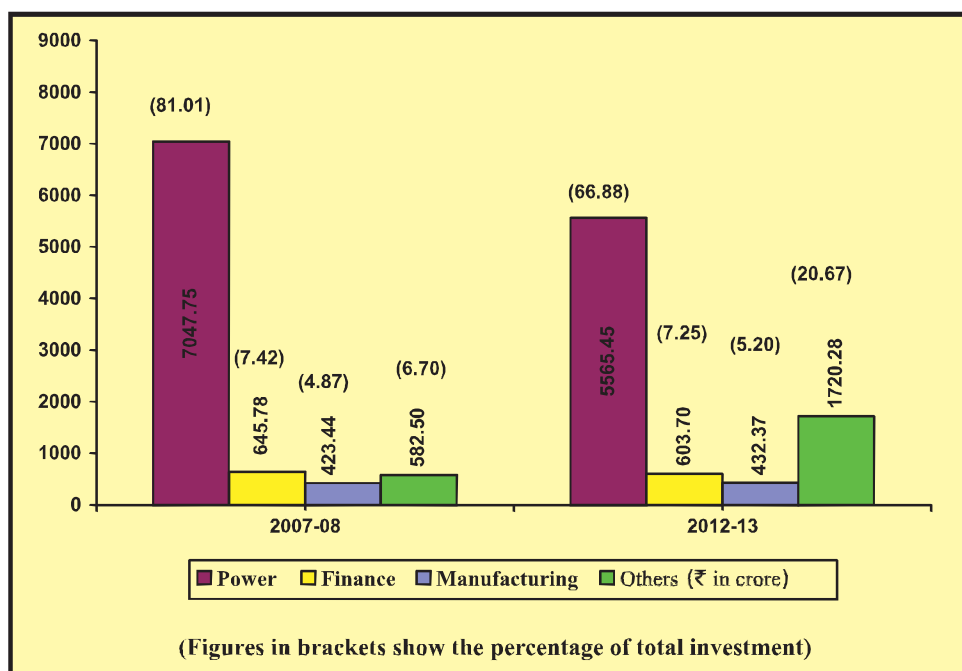
1.8 As on 31 March 2013, of the total investment in State PSUs, 91.24 *per cent* was in working PSUs and the remaining 8.76 *per cent* in non-working PSUs. This total investment consisted of 44.97 *per cent* towards equity capital and 55.03 *per cent* in long-term loans. This investment has decreased by 4.34 *per cent* from ₹ 8699.47 crore in 2007-08 to ₹ 8321.80 crore in 2012-13 as shown in the graph below:

Chart No:1.1



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in the bar chart. The thrust of PSU investment was mainly on the Power Sector during the past six years. However, in the current year, it decreased by 21.03 *per cent* from ₹ 7047.75 crore in 2007-08 to ₹ 5565.45 crore in 2012-13 due to major adjustment of long term loan consequent upon unbundling of Bihar State Electricity Board in five companies. The investment in other sectors had increased by 66.88 *per cent* in 2012-13 as compared to 2007-08.

Chart No:1.2



Budgetary outgo, Grants/subsidies, Guarantees and Loans

1.10 The details regarding Budgetary outgo towards Equity, Loans, Grant/ Subsidies, in respect of State PSUs are given in *Annexure- 2*. The summarised details are given below for three years ended 2012-13.

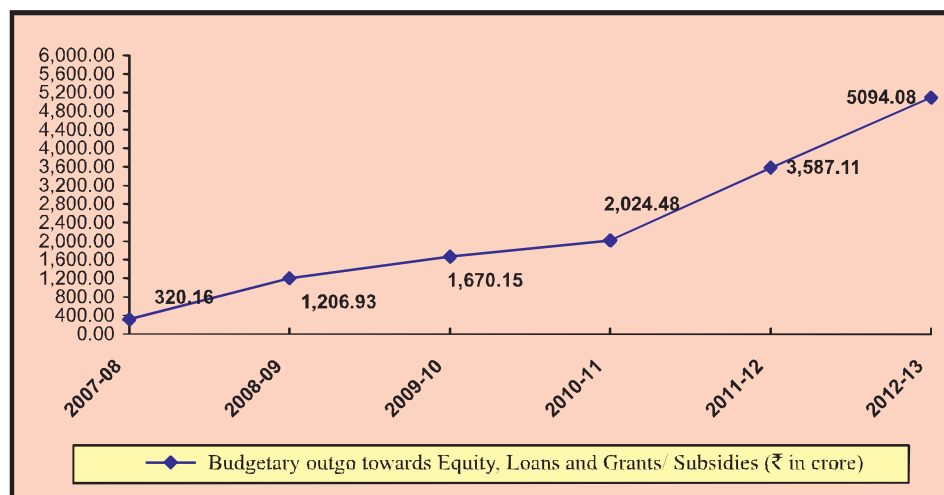
Table No: 1.3

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	41.29	2	2.00	4	1481.94
2.	Loans outgo from budget	3	879.69	4	1,464.87	4 ⁶	677.17 ⁷
3.	Grants/Subsidy outgo	3	1,103.50	1	2,120.24	6 ⁸	2934.97 ⁹
4.	Total outgo ¹⁰	7	2,024.48	6	3,587.11	11	5094.08
5.	Interest/Penal interest written off	-	-	-	-	-	-
6.	Guarantees issued	1	194.58	-	-	-	-
7.	Guarantee Commitment	1	31.85	1	3.47	2	73.06

1.11 The details regarding budgetary outgo towards Equity, Loans and Grants/ Subsidies for past six years are given in a graph below:

Chart No: 1.3



The budgetary support in the form of Equity, Loans and Grants/ Subsidies by the State Government during the years 2007-08 to 2012-13 had been showing an increasing trend. The budgetary support increased from ₹ 320.16 crore in 2007-08 to ₹ 5094.08 crore in 2012-13. Out of ₹ 5094.08 crore, the Power

⁶ It includes erstwhile Bihar State Electricity Board.

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

⁸ It includes erstwhile Bihar State Electricity Board.

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

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

Sector (including erstwhile Bihar State Electricity Board) received ₹ 5058.68 crore (99.31 *per cent* of total budgetary support received from State Government) during the year 2012-13. At the end of the year, Guarantees on Loans aggregating ₹ 73.06 crore were outstanding against two¹¹ PSUs. Guarantee commission of ₹ 8.87 lakh was payable to the State Government by Bihar State Financial Corporation since 1982-83.

Reconciliation with Finance Accounts

1.12 The figures in respect of Equity, Loans and Guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2013 is stated below.

Table No:1.4

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts ¹²	Amount as per records of PSUs	Difference
Equity	526.34	2006.30	1479.96
Loans	17031.95	2813.72	14218.23
Guarantees	987.88	73.06	914.82

1.13 The Principal Accountant General (Audit) had taken up (October 2011) the issue with the Chief Secretary and the Finance Secretary with the latest reminder in June 2013 to the Principal Secretary, Finance Department, Government of Bihar, to reconcile the differences after examination. However, this has not yet been done (September 2013). The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

1.14 The financial results of all the PSUs are given in *Annexure-3*. The financial position and working results of Statutory corporations are detailed in *Annexure 4 and 5* respectively.

1.15 As per latest finalised Accounts, out of 31 working PSUs, 15 PSUs earned Profit of ₹ 135.74 crore and 10 PSUs incurred Loss of ₹ 1222.18¹³ crore. Out of the remaining six PSUs, one PSU submitted its first Accounts which consisted of only pre-operating expenses and five PSUs¹⁴ had not finalised its first Accounts (September, 2013). The major contributors of Profit

¹¹ Bihar State Backward Classes Finance and Development Corporation and Bihar State Minorities Financial Corporation Limited.

¹² The information is in respect of 39 PSUs (out of 71 PSUs) as appearing in Finance Accounts.

¹³ This figure includes losses incurred by erstwhile BSEB for the period April 2012 to October 2012 amounting to ₹ 1087.63 crore.

¹⁴ Bihar State Power (Holding) Company Limited, Bihar State Power Transmission Company Limited, Bihar State Power Generation Company Limited, South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited.

were Bihar State Road Development Corporation Limited (₹ 37.36 crore), Bihar State Educational Infrastructure Development Corporation Limited (₹ 24.15 crore) and Bihar State Beverages Corporation Limited (₹ 12.42 crore). The major losses were incurred by erstwhile Bihar State Electricity Board (₹ 1087.63 crore) as per the finalised accounts for the period from April 2012 to October 2012 and Bihar State Road Transport Corporation (₹ 105.89 crore) as per their latest finalised accounts.

1.16 A review of latest three years Audit Reports of CAG shows that the State working PSUs incurred controllable losses to the tune of ₹ 2495.44 crore and infructuous investment of ₹ 52.23 crore. Year-wise details from Audit Reports are stated below.

Table No: 1.5

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	Total
Controllable losses as per CAG's Audit Report	1,539.24	852.42	103.78	2495.44
Infructuous Investment	28.94	21.48	1.81	52.23

1.17 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses could be much more. The above table indicates the need for effective management and control and ensuring accountability in the functioning of PSUs.

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 ₹ 135.74 crore. However, out of 15 companies, only two companies viz. Bihar State Beverages Corporation Limited and Bihar State Warehousing Corporation proposed a dividend of ₹ one crore and ₹ 0.30 crore respectively.

Arrears in finalisation of Accounts

1.19 The Accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their Accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2013.

Table No: 1.6

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working PSUs	23	25	25	26	31 ¹⁵
2.	Number of Accounts finalised during the year	15	17	34	23	26
3.	Number of Accounts in arrears	205	213	186	191	196
4.	Average arrears per PSU (3/1)	8.91	8.52	7.44	7.35	6.32
5.	Number of Working PSUs with arrears in Accounts	23	25	23	25	29
6.	Extent of arrears (years)	1 to 20	1 to 21	1 to 21	1 to 22	1 to 23

1.20 Out of 31 working PSUs, only two¹⁶ companies had finalised their accounts for the year 2012-13 and remaining 29 PSUs had arrears of 196 Accounts as of 30 September 2013. The Accounts of 29 PSUs were in arrears for periods ranging from one year to 23 years. The average of arrears per PSU had declined from 8.91 per PSU in 2008-09 to 6.32 per PSU in 2012-13. The reasons for arrears in Accounts were delays in preparation/certification of Accounts, delays in holding of Annual General Meeting and shortage of manpower.

1.21 In addition to above, there were also arrears in finalisation of Accounts by non-working PSUs. Out of 40 non-working PSUs, seven were in the process of liquidation as of 31 March 2013. Of the remaining 33 non-working PSUs, the extent of arrears of accounts was from 16 to 34 years.

1.22 The State Government had invested ₹ 5217.72 crore (Equity: ₹ 1579.10 crore, Loans: ₹ 2237.65 crore, Grants: ₹ 199.04 crore and others: ₹ 1201.93 crore) in 33 PSUs during the years for which Accounts had not been finalised as detailed in *Annexure- 6*. In the absence of finalised Accounts and their subsequent audit, it could not be ensured whether the Investments and Expenditure incurred had been properly accounted for and the purpose for which the amount was invested had been achieved. Thus, Government's Investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of Accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.23 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 Principal Accountant General/Accountant General brought (October 2013) the position of arrears of Accounts to the notice of the concerned administrative departments and officials of the Government. No significant remedial measures were, however, taken. As a result of this, the net worth of these PSUs could not be assessed in audit.

¹⁵ It includes five new Power Sector companies which commenced their business from November 2012.

¹⁶ Bihar State Road Development Corporation Limited and Bihar Grid Company Limited.

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

Winding up of non-working PSUs

1.25 There were 40 non-working PSUs (all companies) as on 31 March 2013. Of these, seven PSUs were under liquidation process as on 31 March 2013. During 2012-13, one¹⁷ non-working PSU incurred an expenditure of ₹ 0.14 crore towards salary, wages, establishment expenditure, etc.

1.26 The stages of closure in respect of non-working PSUs as on 31 March 2013 are given below:

Table No: 1.7

Sl. No.	Particulars	Companies	Statutory corporations	Total
1.	Total No. of non-working PSUs	40	-	40
2.	Of (1) above, the number under			
(a)	Liquidation by Court (Liquidator appointed)	4 ¹⁸	-	4
(b)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	3 ¹⁹	-	3

1.27 During the year 2012-13, no PSU was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period of more than 13 years. The process of voluntary winding up under the Companies Act, 1956 is much faster and needs to be adopted/ pursued vigorously. It is recommended that the Government should take a decision regarding winding up of remaining 33 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Accounts Comments and Internal Audit

1.28 Thirteen working companies²⁰ forwarded their 21 Accounts to the Accountant General during the year 2012-13²¹. Of these, 17 Accounts of the 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

¹⁷ Bihar State Fruits & Vegetables Development Corporation Limited.

¹⁸ Kumardhubi Metal Casting and Engineering Limited, Bihar State Leather Industries Development Corporation Limited, Bihar State Finished Leathers Corporation Limited and Bihar State Small Scale Industries Corporation Limited.

¹⁹ Bihar State Handloom and Handicrafts Corporation Limited, Bihar State Pharmaceuticals and Chemicals Development Corporation Limited and Bihar State Textiles Corporation Limited.

²⁰ Sl. No. A1, A6, A8, A10, A11, A12, A13, A16, A23, A24, A25, A26 and A28 of Annexure-3.

²¹ From October 2012 to September 2013.

substantially. The details of aggregate monetary implications of comments of Statutory Auditors and CAG are given below.

Table No: 1.8

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in Profit	4	5.59	6	64.86	5	8.76
2.	Increase in Loss	9	17.17	4	17.19	7	7.28
3.	Non-disclosure of material facts	Nil	Nil	1	3.71	1	2.70

1.29 During the year, the Statutory Auditors had given qualified certificates for 21 Accounts finalised by 13 companies. The compliance to the Accounting Standards by the companies remained poor as there were 15 instances of non-compliance with the Accounting Standard in seven²² Accounts during the year.

1.30 Some of the important comments in respect of Accounts of companies finalised during the year 2012-13 are stated below:-

Bihar State Building Construction Corporation Limited (2011-12)

For construction of buildings, the Company received funds from Building Construction Department, Government of Bihar. The Company was required to hand over the building after its completion and reduce the non-current liabilities by the cost of buildings handed over. The works which were in progress and not handed over should have been shown as work-in-progress under non-current assets. The Company, however, reduced the non-current liabilities by the value of works which were in progress amounting to ₹ 10.22 crore. This resulted in under statement of non-current assets and non-current liabilities to the extent of ₹ 10.22 crore.

Bihar State Road Development Corporation Limited (2011-12)

Short term provision included ₹ 45.83 crore as provision for Income Tax for the year 2009-10 to 2011-12. However, actual Income Tax payable for the above period was ₹ 39.28 crore only and therefore excess provisions of ₹ 6.55 crore should have been written back in the accounts.

Non write-back has resulted into understatement of profit by ₹ 6.55 crore, overstatement of "Short Term provision" by ₹ 45.83 crore and "Short Term Loans and Advances" by ₹ 39.28 crore.

Bihar Urban Infrastructure Development Corporation Limited (2011-12)

The Company executed the work valuing ₹ 17.15 crore during the year 2011-12. As per Government of Bihar order and AS-9, the Company was entitled to revenue amounting to ₹ 1.54 crore as centage plus contingency.

²² Sl. No. in Annexure-3 are A1,A6, A8,A11,A13,A16 and A28.

However, the Company had taken revenue of ₹ 6.59 crore in its accounts as centage plus contingency.

This has resulted in overstatement of Revenue from operation, Profit for the period and understatement of Other Long Term Liability by ₹ 5.05 crore.

Bihar Medical Services & Infrastructure Corporation Limited (2011-12)

The other income of Company included ₹ 1.64 crore earned on the fund (₹ 65.67 crore) of State Health Society (SHS) received by the Company in April 2011 by mistake and it was returned by the Company excluding interest to SHS in September 2012. Since the Company had earned interest on the fund of SHS, the credit thereof should have been given to that fund. The Company, however, had treated it as its own income which resulted in overstatement of other income, Profit for the year and understatement of current liabilities to the extent of ₹ 1.64 crore.

1.31 Similarly, three working Statutory corporations forwarded three Accounts to PAG/AG during the year 2012-13. The Accounts of Bihar State Financial Corporation and Bihar State Warehousing Corporation²³ were selected for audit. The Audit Reports of Statutory Auditors and the audit of CAG indicate that the quality of maintenance of Accounts needs to be improved substantially. The details of aggregate monetary implications of comments of Statutory auditors and CAG are given below.

Table No: 1.9

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	2	17.34	1	0.33	1	0.19
2.	Increase in loss	2	9,267.22	1	1,888.94	-	Nil
3.	Non-disclosure of material facts	Nil	Nil	Nil	Nil	1	2.70
4.	Errors of classification	1	7.85	Nil	Nil	Nil	Nil

1.32 Significant comment in respect of Accounts of one Statutory corporation viz. Bihar State Financial Corporation finalised during the year 2012-13 is stated below:

Bihar State Financial Corporation (2011-12)

Contingent Liabilities of ₹ 66.53 crore did not include ₹ 4.05 crore being the amount demanded by Income Tax department against which one third, i.e. ₹ 1.35 crore was deposited by the Corporation and the case was pending

²³ Audit completed but Comments not finalised.

before Income Tax Appellate Authority. Thus, contingent liability with proper disclosure was required to be made in the accounts.

1.33 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including Internal controls/ Internal audit systems in the companies that are audited by them in accordance with the directions issued by the CAG under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of important comments made by the Statutory Auditors on possible improvement in the Internal controls/Internal audit system in respect of 12 companies²⁴ for the year 2011-12 and 13 companies²⁵ for the year 2012-13 are given below:

Table No: 1.10

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure-2
1.	Non-fixation of minimum/maximum limits of store and spares	05	A-1, A-8, A-28, C-4, C-17
2.	Absence of Internal audit system commensurate with the nature and size of business of the Company	05	A-12, A-23, A-25, A-26, C-4
3.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	10	A-1, A-8, A-10, A-11, A-13, A-16, A-25, A-28, C-4, C-17

Recoveries at the instance of Audit

1.34 During the course of propriety audit in 2012-13, recoveries of ₹ 12.18 crore were pointed out to erstwhile Bihar State Electricity Board, of which, an amount of ₹ 5.56 crore were admitted by erstwhile Bihar State Electricity Board. An amount of ₹ 2.25 crore pertaining to the period prior to 2011-12 was recovered during the year 2012-13.

²⁴ Serial Number A-3, A-4, A-6, A-8, A-9, A-11, A-12, A-16, A-17, A-18, A-20 and C-17 as per Annexure 3.

²⁵ Serial Number A-1, A-8, A-10, A-11, A-12, A-13, A-16, A-23, A-25, A-26, A-28, C-4 and C-17 as per Annexure 3.

Status of placement of Separate Audit Reports

1.35 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Table No: 1.11

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	Reasons for delay in placement in Legislature
1.	Bihar State Electricity Board	2010-11	2011-12	19 December 2012	Reasons for non-placement of SARs were not made available by the Government.
2.	Bihar State Warehousing Corporation	2007-08	2008-09	28 February 2011	
3.	Bihar State Financial Corporation	2010-11	2011-12	23 March 2013	
4.	Bihar State Road Transport Corporation	1973-74	1974-75 to 2002-03(29) Details 1991-92 1992-93 1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000 2000-01 2001-02 2002-03	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	

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The issue of delay in placement of SARs before the State Legislature was brought to the notice of Chief Minister, Bihar by the CAG in December 2010. There was no improvement in respect of placement of SARs of Bihar State Road Transport Corporation. The Principal Accountant General/ 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 December 2012. The Government should ensure prompt placement of SARs in the State Legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.36 The State Government did not undertake the exercise of disinvestment of any of its PSUs during 2012-13. However, the State Government restructured Bihar State Electricity Board by unbundling into five new companies vide notification no. 17 dated 30 October 2012 under "The Bihar State Electricity Reforms Transfer Scheme, 2012". 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 in September 2005. The implementation, however, has been done only in the case of five PSUs²⁶ (September 2013).

²⁶ Bihar Rajya Beej Nigam Limited, Bihar State Hydroelectric Power Corporation Limited, Bihar State Tourism Development Corporation Limited, Bihar State Warehousing Corporation and Bihar State Mineral Development Corporation Limited.

CHAPTER II

2. PERFORMANCE AUDITS RELATING TO GOVERNMENT COMPANIES

2.1 PERFORMANCE AUDIT ON FINANCING AND RECOVERY ACTIVITIES OF BIHAR STATE BACKWARD CLASSES FINANCE AND DEVELOPMENT CORPORATION

2.2 PERFORMANCE AUDIT ON FINANCING AND RECOVERY ACTIVITIES OF BIHAR STATE MINORITIES FINANCIAL CORPORATION LIMITED

Chapter II

Performance Audits relating to Government companies

2.1 Financing and recovery activities of Bihar State Backward Classes Finance and Development Corporation

Executive Summary

Introduction

With a view to promote economic and developmental activities for the benefit of members of Backward Classes in the State of Bihar, the Government of Bihar (GoB) set up Bihar State Backward Classes Finance and Development Corporation (Company) under the Companies Act, 1956. The Company is under the administrative control of Backward Classes and Extremely Backward Classes Welfare Department, GoB. The Company is responsible for identification of potential beneficiaries and implementation of the schemes as per guidelines and instructions issued by the Government/National Backward Classes Finance and Development Corporation (NBCFDC).

Financial Management of the Company

The financial management of the Company was deficient as the recoveries were insufficient to discharge the liabilities of NBCFDC. The Company had made repayment of outstanding dues of ₹5.00 crore to NBCFDC from its own fund (Share Capital) during 2010-11. Due to poor recovery and non-repayment of NBCFDC loan, NBCFDC did not release the sanctioned loan of ₹114.39 crore to the Company which adversely affected the implementation of schemes. The accounts of the Company were in arrears since 1998-99.

Lending and Recovery activities of the Company

NBCFDC Education Loan Scheme

No fresh loan under the Scheme was disbursed due to non-release of funds by NBCFDC. 49 beneficiaries to whom educational loan amounting to ₹97.58 lakh was disbursed had not commenced repayment of the loan despite completion of their courses.

NBCFDC Term Loan

No fresh Term Loan was sanctioned during the period 2008-13. Recoveries made by the Company during five years ending March 2013, against the loan disbursed was very dismal and ranged between 0.21 per cent and 1.26 per cent of the total outstanding amount.

Mukhya Mantri Nishaktjan Shiksha Rin Yojna

Out of ₹3.46 crore received under the Scheme, only ₹1.50 crore could be disbursed during 2008-13. The poor disbursement was mainly caused by delay in preparation of guidelines by the Government. The Company recovered ₹1.16 lakh only against total disbursement.

Mukhya Mantri Nishaktjan Swarojgar Rin Yojana

Against receipt of a sum of ₹5.19 crore under the Scheme, the Company could disburse only ₹1.89 crore and the balance ₹3.30 crore remained undisbursed and was lying with the Company upto March 2013. Further, lack of control system resulted in poor recovery of only ₹1.21 lakh against disbursement of ₹1.89 crore.

Financial Assistance under Scholarship Scheme

Mukhya Mantri Atyant Pichhada Varg Medhavriti Yojna (MMAPVYM)

The benefit under this Scheme was extended to 299 students without verifying their Extremely Backward Class status.

The Company was not in receipt of utilisation certificates of beneficiaries from DWOs/ DEOs. Further DWOs/ DEOs were not prompt in returning the unutilised amount and kept the undisbursed amounts/ Bank Drafts with them.

Manpower

Shortage of manpower adversely affected the functioning of the Company and was not effectively dealt with by BoD.

Internal Control mechanism

There was no MIS prevalent in the Company. No system was evolved to obtain the utilisation certificate in respect of disbursement of funds.

Ledger showing loanee wise details of amount due and recoverable on account of principal and interest was not properly maintained and there was no effective watch on recovery of loans.

Conclusion and Recommendations

The performance of the Company in regard to financing and recovery under various schemes was found to be far from satisfactory. Non-preparation of detailed plan resulted in poor implementation of the schemes and deprivation of intended benefits to the targeted beneficiaries. The role of the Government in the functioning of the Company was deficient as there were delays in formulation of the guidelines, issuance of instructions and constitution of Board of Directors.

Financial management of the Company was deficient as instances were noticed of poor recovery, funds pertaining to various loans/scholarship schemes lying unutilised, blocking of funds and there were delays in finalisation of accounts.

There was no system of securing utilisation certificate in respect of funds disbursed.

The system for follow-up of the recoveries from the beneficiaries was far from satisfactory. The shortage of manpower adversely affected the functioning of the Company. The internal control and monitoring mechanism prevalent in the Company was deficient.

The Company needs to evolve a detailed plan for disbursement of loan fund to the intended beneficiaries; evolve a system of securing utilisation certificates and strengthen recovery mechanism.

The BoD should effectively deal with the shortage of manpower, and

Internal control and monitoring mechanism prevalent in the Company need to be streamlined and strengthened.

Introduction

2.1.1 With a view to promote economic and development activities by way of providing loans and advances under economically and financially viable schemes for the benefit of members of Backward Classes¹(BC) in the State, the Government of Bihar (GoB) set up (June 1993) Bihar State Backward Classes Finance and Development Corporation (Company), a non-profit making Government Company under Section 25 of the Companies Act, 1956. As on 31 March 2013, the paid up capital of the Company was ₹ 20.36 crore. The Company is under the administrative control of Backward Classes and Extremely Backward Classes Welfare Department, Government of Bihar. Besides pursuing Government Schemes, the Company also works as State Channelising Agency (SCA) for the lending, training and other schemes of National Backward Classes Finance and Development Corporation (NBCFDC²).

¹ Backward classes consist of 'extremely backward classes and backward classes as per Gazette notification (3/1992 and amended time to time) of Government of Bihar.

² It is an apex Corporation under Ministry of Social Justice and Empowerment, Government of India, responsible to provide financial assistance to members of Backward Classes through State Channelising Agencies.

The major schemes pursued by the Company during the period 2008-13 included Mukhya Mantri Atyant Pichhada Varg Medhavriti Yojna, Mukhya Mantri Nishaktjan Shiksha Rin Yojna and Mukhya Mantri Nishaktjan Swarojgar Rin Yojna of the State Government and Term loan and Education Loan schemes of NBCFDC of the Government of India.

The Administrative Department of the Company is responsible for framing of guidelines for various schemes of State Government for the benefit of intended beneficiaries and laying down procedures for implementation of schemes, notifying members of backward classes from time to time, extending guarantee for loans taken by the Company from NBCFDC, extending budgetary support to the Company, seeking utilisation certificate for the funds made available to the Company for various schemes, etc. The guidelines in respect of the schemes of NBCFDC are framed by NBCFDC. The Company is responsible for identification of potential beneficiaries and implementation of the schemes as per guidelines and instruction issued by the Government/NBCFDC.

The Management of the Company is vested in a Board of Directors (BoD) consisting of 10 Directors. As on March 2013, the BoD had seven Government Directors and three posts of non-Government Directors were lying vacant. The Company did not have its BoD during the period April 2006 to June 2010. The Managing Director (MD) is the Chief Executive of the Company and is assisted in day-to-day operation by other officials. As the Company does not have district level set up, the schemes and programmes are implemented by the Company through District Welfare Offices (DWOs)/ Assistant Director Social Securities (ADSS)/ District Education Offices (DEOs)³ of the State Government.

A para on “Non achievement of objective” relating to the Company was included in the Audit Report of the Comptroller and Auditor General of India (Commercial) – GoB for the year ended 31 March 2008.

Audit scope and methodology

2.1.2 The present Performance Audit covers the “Financing and recovery activities” of the Company during the period 2008-13. For this purpose, records of the Administrative Department and Headquarters Office of the Company as well as the DWOs/ ADSS/ DEOs were scrutinised by audit during the period June 2013 to August 2013. Out of 38 districts of the State where schemes were being implemented, ten⁴ districts were selected on random sample basis.

An entry conference was held on 31 May 2013 to apprise the Government and the Management about the audit objectives of Performance audit. A mix of methodologies was adopted in the course of Performance audit which included

³ Under SC & ST Welfare Department/ Social Welfare Department/ Education Department respectively.

⁴ Araria, Bhagalpur, Bhojpur, Buxar, Darbhanga, Gaya, Patna, Samastipur, Saran and Siwan.

examination of records; documenting and analysing evidence collected from the Headquarters Office of the Company and its field offices; examination of agenda and minutes of BoD meetings; guidelines, instructions issued by Government and NBCFDC and issuance of audit enquiries for information and interaction with the Management. The Audit findings were reported to the Government (Administrative Department) / Company (September 2013). The exit conference was held on 28 November 2013 which was attended by the Secretary, Backward Classes & Extremely Backward Classes Welfare Department, GoB who also holds the charge of Managing Director of the Company.

Audit Objectives

2.1.3 The Performance audit was undertaken with a view to assess whether:

- Strategic plan/Annual Action Plan was prepared by the Company in view of allotment of fund by NBCFDC and State Government for proper and timely implementation of schemes;
- Financial management of the Company was effective and funds received under various schemes were put to effective use in a time bound manner;
- An efficient system for identifying the eligible beneficiaries was in place and the Company had data-base of beneficiaries;
- The schemes were implemented efficiently and effectively and recoveries were made as per prescribed norms;
- The Government/Company has put in place a system to monitor the implementation of various schemes;
- Adequate monitoring mechanism existed to ensure timely recovery of dues and resorting to action in case of default; and
- The Company had adequate manpower and efficient internal control mechanism.

Audit criteria

2.1.4 The audit criteria adopted for assessing the achievement of audit objectives were:

- Guidelines issued by Government and NBCFDC for disbursement of loans/financial assistance;
- Policy/framework/criteria/guidelines laid down by the State/ Central Government and NBCFDC for upliftment of targeted beneficiaries;
- Laid down procedures for sanction and disbursement of financial assistance and loans; and
- Procedures prescribed for post-disbursement monitoring and recovery mechanism.

Audit findings

2.1.5 The Audit findings are discussed in succeeding paragraphs:

Planning

Non-preparation of strategic plan

2.1.6 With a view to pursue its objectives as stated in its Memorandum of Association, the Company is required to plan or fix targets as per the concentration of beneficiaries in urban as well as rural areas, prepare a well-considered action plan based on periodical data collected from grass-root levels for effective implementation of schemes. Further, as per the guidelines issued by NBCFDC for identification of beneficiaries, the SCA was required to consider holding of Beneficiaries Identification Camps in the area where the Backward Class population is high and the NBCFDC schemes had not been implemented previously.

The Company had not prepared any strategic plan

We observed that the Company had not prepared any strategic plan nor had maintained any data base of intended beneficiaries at block and district level. This resulted in poor implementation of the schemes, and deprivation of intended benefits to the targeted beneficiaries which are discussed in paragraphs 2.1.10 to 2.1.16.

In the exit conference, the Management stated (October 2013) that the Company did not have their own set up at district level and were facing dearth of manpower and paucity of funds which caused non-preparation of strategic plan.

Annual Action Plan

2.1.7 To obtain loan from NBCFDC for various schemes, the Company is required to submit Annual Action Plan (AAP) to NBCFDC for approval. The sanctioned loan is disbursed by NBCFDC to the Company on approval of the AAP for which certain conditions are required to be fulfilled which include, *inter alia*, execution of General Loan Agreement (GLA) by the Company, availability of adequate State Government Guarantee, satisfactory level of utilisation of funds released and repayment of NBCFDC dues, completion of process of identification of beneficiaries for intended drawal of funds, etc.

We observed that the proposal under AAP submitted to NBCFDC was based on ad hoc data in respect of numbers and fund requirement for the intended beneficiaries as the Company had not conducted any survey and collected data at block as well as district levels or for concentration of beneficiaries in urban as well as rural areas.

Financial Management of the Company

2.1.8 The Company is financed through budgetary support from the State Government, fund allocated to the Company for implementation of the State schemes and loan assistance from National Agency. The Company generated

their income by earning margin of interest to the extent of 2.5 to three *per cent* on their lending activities. The year-wise position of receipts and payments/ disbursements is shown as under:

Table No: 2.1.1

Year-wise receipts and disbursements of Bihar State Backward Classes Finance and Development Corporation

(₹ in lakh)

Particulars			2008-09	2009-10	2010-11	2011-12	2012-13	Total
Receipts	Opening Balance		28.35	431.96	558.39	1016.58	2179.51	
	NBCFDC		45.95	28.78	18.00	3.49	-	124.57 ⁵
	Backward Classes and Extremely Backward Classes Welfare Department	Share Capital	100.00	100.00	100.00	100.00	100.00	500.00
		Mukhya Mantri Atyant Pichhada Varg Medhavriti Yojna	-	900.00	2800.00	7194.34	- ⁶	10894.34
	Social Welfare Department	Mukhya Mantri Nihshaktjan Shiksha Rin Yojna	130	-	16.00	8.00	192.00	346.00
		Mukhya Mantri Nihshaktjan Swarojgar Rin Yojna	195.00	-	24.00	12.00	288.00	519.00
	Recoveries		19.13	37.42	17.26	28.51	17.16	119.48
Total Receipts			518.43	1498.16	3533.65	8362.92	2776.67	12503.39
Disbursement	Education Loan		53.84	25.29	8.83	0.45	-	88.41
	Training		3.78	-	7.56	-	-	11.34
	Mukhya Mantri Atyant Pichhada Varg Medha Vriti Yojna		-	858.20	1902.10	6004.70	2126.50	10891.50
	Mukhya Mantri NihshaktJan Shiksha Rin Yojna		-	22.22	49.56	47.30	30.63	149.71
	Mukhya Mantri NihshaktJan Swarojgar Rin Yojna		-	-	46.10	118.30	24.25	188.65
	Repayment/ Refund to NBCFDC		28.85	34.06	502.92 ⁷	12.66	35.43 ⁸	613.92
Total Disbursement			86.47	939.77	2517.07	6183.41	2216.81	11943.53
Closing Balances			431.96	558.39	1016.58	2179.51	559.86	

(Source: Information furnished by the Company)

We observed that:

- The disbursement activity was concentrated mainly in distribution of funds under Mukhya Mantri Atyant Pichhada Varg Medhavriti Yojna whereas

⁵ Including Opening Balance of ₹ 28.35 lakh. This also includes amount received (₹ 40.00 lakh in 2008-09, ₹ 25.00 lakh in 2009-10) under education loan sanctioned prior to 2008-09. The balance amount of ₹ 13.22 lakh was received for training programme (₹ 5.95 lakh in 2008-09, ₹ 3.78.00 lakh in 2009-10 and ₹ 3.49 lakh in 2011-12).

⁶ From 2012-13, Mukhya Mantri Atyant Pichhada Varg Medhavriti Yojna was being implemented by the Administrative Department directly through DWOs. Hence no receipt.

⁷ This includes ₹ 5.00 crore repayment to NBCFDC from the Share Capital of Company.

⁸ This includes ₹ 18 lakh refunded to NBCFDC which was received under general loan in the year 2010-11.

lending activity for loan schemes⁹ was moderate.

- The opening balance of funds received under various schemes was on increasing trend as the funds received were not utilised on time and the Company earned interest thereon by keeping the funds under term deposits. Further, the scheme-wise accounts had not been maintained by the Company.
- During the period 2008-13, ₹ 8.65 crore was received by the Company under schemes for handicapped persons¹⁰, out of which, ₹ 5.27 crore could not be utilised. The main reason for non-utilisation of fund was delayed preparation of guidelines by the concerned Department, i.e., Social Welfare Department as commented in the paragraphs 2.1.13 and 2.1.14.
- Recovery performance of the Company during the period 2008-13 was dismal and amount recovered was insufficient to discharge the liabilities of NBCFDC. Resultantly, the repayments of outstanding dues of ₹ five crore to NBCFDC was made by the Company from their own fund (Share Capital) during 2010-11. Due to poor recovery and poor repayment of NBCFDC loan, NBCFDC did not release the sanctioned loan of ₹ 114.39 crore to the Company which impacted the scheme adversely as discussed in paragraphs 2.1.11 and 2.1.12.
- The activity of the Company was extended to the territory of Jharkhand also prior to reorganisation of the erstwhile State of Bihar in the year 2000. However, even after reorganisation, the assets and liabilities of the Company were not apportioned between these two states (September 2013).
- The Company had received an amount of ₹ 14.07 crore from Social Welfare Department, Government of Bihar for construction of schools/ hostels for students of Backward Classes during 1997-99. The Company incurred an expenditure of ₹ 0.27 crore for which the details were not furnished to the audit. It was observed that on the instructions from Social Welfare Department (January 2003), a sum of ₹ eight crore was returned by the Company. The balance funds of ₹ 5.80 crore were lying unutilised with the Company (October 2013). Thus, the funds were not utilised for the intended purpose.

The Management stated (October 2013) that ₹ 5.80 crore remained unutilised and would be dealt with as per instruction received from the State Government. We, however, observed that neither the Company sought for Department's views nor the Department pursued the matter for its utilisation.

- As the Company was registered under section 25 of the Companies Act,

⁹ Mukhya Mantri Nishaktjan Shiksha Rin Yojna, Mukhya Mantri Nishaktjan Swarojgar Rin Yojna of the State Government and NBCFDC Education Loan of the Government of India.

¹⁰ Mukhya Mantri Nihshaktjan Shiksha Rin Yojna (₹ 3.46 crore), Mukhya Mantri Nihshaktjan Swarojgar Rin Yojna (₹ 5.19 crore).

Recovery performance of the Company was dismal and insufficient to discharge the liabilities of NBCFDC

1956 (Not for Profit making Company), it is exempted from tax under section 10 (26) (b) of the Income Tax Act, 1961 and as such the interest accrued on the fixed deposit are exempted from Tax Deducted at Source (TDS). We observed that an amount of ₹ 34.49 lakh being tax at source was deducted by State Bank of Bikaner & Jaipur against the accrued interest on fixed deposit for the period 2010-12, as the Company failed to communicate to the Bank its status under section 25 of the Companies Act, 1956 regarding exemption from TDS. Thus, non-furnishing of specific instruction to the concerned Bank by the Company had resulted in blocking of fund of ₹ 34.49 lakh.

The Management stated (November 2013) that a complaint had been lodged with the bank to submit Form 16A against deduction.

Delay in finalisation of accounts

2.1.9 Section 210 of the Companies Act, 1956 read with sections 166 and 216, requires the Board of Directors of a Company to place the Accounts of the Company along with Auditors Report (including supplementary comments of CAG) in the Annual General Meeting (AGM) of the shareholders within six months of the close of its financial year.

The accounts of the Company were in arrears since 1998-99

We observed that the accounts of the Company were in arrears for the last 14 years since 1998-99. The delay was mainly due to non-constitution of Board of the Company during the period from April 2006 to June 2010. Further, the Company initiated the preparation of accounts in 2001-02 after eight years of incorporation (1993-94).

Due to non-finalisation of accounts, it could not be ensured whether the investment and expenditure incurred was properly accounted for and the purpose for which the funds were invested, was achieved. Further, delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

Lending and Recovery activities of the Company

2.1.10 Under the lending activities, the Company had implemented the Education Loan and Term Loan Schemes of NBCFDC (Government of India) and Mukhya Mantri Nishakatjan Shiksha Rin Yojna and Mukhya Mantri Nishakatjan Swarojgar Rin Yojna of the State Government during the period 2008-13.

NBCFDC Education Loan Scheme

2.1.11 The Educational Loan Scheme was formulated by NBCFDC for the benefit of Backward Classes (BC) students, having annual income below double the poverty line (₹ 42,412) by providing loan at concessional rate of interest (four *per cent* per annum) for betterment of education opportunities and making education (General, Professional and Technical courses) within the reach of eligible students. Maximum admissible loan limit was 90 *per cent* of cost of education subject to a limit of ₹ 75000 per annum upto a maximum

of ₹ three lakh. The entire loan was repayable in equated monthly instalments (EMI) basis within a period of five years. The repayment was to commence after three months on employment of the beneficiary or six months in case of self-employment.

Audit observed that due to poor recovery and non-repayment of NBCFDC loan by the Company, NBCFDC did not release the sanctioned loan of ₹ 114.39 crore intended for 27254¹¹ targeted beneficiaries. Resultantly, no fresh education loan could be sanctioned by the Company during the period 2008-13. However, during the period 2008-13, out of a sum of ₹ 0.90 crore¹² available with the Company for disbursement of Education Loan, a sum of ₹ 0.89 crore was utilised for disbursement of loan instalments to only those students with whom agreements had been entered into prior to 2008-09.

As against the total loan of ₹ 1.89 crore¹³ disbursed under the Scheme upto 2011-12, recovery was only ₹ 30.89 lakh as on March 2013. We further observed that:

Due to absence of any monitoring mechanism recovery of loan amounting to ₹ 0.98 crore had not been commenced

- As per clause 16 of the agreement for education loan entered into with the borrowers/students, the borrower was required to report to the Company time to time as soon as he/she secured employment after completion of course. However, we observed that the beneficiaries did not intimate completion of their course with consequent employment to the Company and the Company also did not evolve any mechanism to ascertain whether the borrowers got employment/were self employed, which indicated absence of loan recovery management. As a result, no action against the beneficiaries/ parents/ guarantors could be initiated for recovery of educational loan amounting to ₹ 97.58 lakh disbursed to 49 beneficiaries during 2006-10.

The Management stated (October 2013) that no legal steps had been taken against the defaulting beneficiaries, but reminders were being issued to the beneficiaries and their guarantors for early repayment. However, no such records were shown to audit.

NBCFDC Term Loan Scheme

2.1.12 Assistance under Term loan scheme was available for any commercially viable and technically feasible ventures for the beneficiaries belonging to backward class living below the poverty line as specified by the Government. Under the Scheme, loan can be granted upto 85 *per cent* of the project cost at six *per cent* interest subject to a maximum of ₹ five lakh per beneficiary. The entire loan was to be repaid within a maximum period of ten years including the moratorium period.

¹¹ Number of beneficiaries sanctioned by NBCFDC.

¹² ₹ 24.71 lakh: Opening balance of unutilised fund as on April 2008, ₹ 40 lakh: 2008-09, ₹ 25 lakh: 2009-10).

¹³ This includes ₹ one crore disbursed prior to 2008-09 and subsequent instalment of ₹ 0.89 crore disbursed during 2008-12.

We observed that due to non-release of fund by NBCFDC to the Company, no fresh loan under the Scheme was sanctioned during the period 2008-13. However, recoveries made against the loan disbursed prior to 2008-09 was as under:

Table No: 2.1.2

(₹ in lakh)

Financial Year	Outstanding Amount (Principal)	Recovery during the year	Percentage of Recovery with outstanding amount
2008-09	2788.16	16.85	0.60
2009-10	2771.31	35.02	1.26
2010-11	2736.29	11.19	0.41
2011-12	2725.10	17.43	0.64
2012-13	2707.67	5.73	0.21

(Source: Information furnished by the Company)

**Non-maintenance/
non-updation of
beneficiaries accounts
resulted in poor
recovery of
outstanding loan**

As would be seen from the above table, recovery made by the Company against the loan disbursed prior to 2008-09 was very dismal during five years ending March 2013. It was observed that beneficiaries' records/ files/ registers were not maintained and there was no updating of beneficiaries accounts in test checked¹⁴ districts. Resultantly, there was no effective pursuance for recovery of outstanding loan.

The Management stated (October 2013) that repayment of loan was being done by the beneficiaries at districts offices and efforts are being made for recovery through correspondence with the DMs/DWOs of the districts.

We further observed that:

- In District Welfare Office (DWO), Darbhanga, out of a sum of ₹ 1.25 crore disbursed to 233 beneficiaries, 74 loanees did not pay any instalment even after lapse of over eight years. In other test checked districts¹⁵ due to non-maintenance of requisite records/ files/ registers in respect of loan, recovery position could not be evaluated.

The Management, while accepting the fact, stated (October 2013) that the observations as pointed out were being looked into for necessary compliance from the concerned DWOs.

- The recovery notices/ reminders were not issued to defaulters during the period 2008-13 and no action was taken against sureties (who were Government servants) in case of non-payment of loan by the beneficiaries in all the 10 test-checked DWOs.

The Management stated (October 2013) that recovery notices/ reminders to the defaulter and also to the sureties of the beneficiaries had been issued. However, no such records were shown to audit in all 10 test checked DWOs.

¹⁴ Samastipur, Buxar, Bhojpur, Saran and Siwan.

¹⁵ Samastipur, Buxar, Bhojpur, Saran, Gaya and Siwan.

- The percentage of loan recovered in all districts was very poor and ranged between “nil” to 38.5 *per cent* except in Lakhisarai where recovery was 72.7 *per cent*. Further in five¹⁶ districts, the recovery ranged between “nil” to 7.77 *per cent*.

The Management stated (October 2013) that the Company was making efforts for recovery.

- A sum of ₹ 18.59 lakh recovered against loan by five DWOs¹⁷ were not remitted to the Company and was lying with them over two to five years which indicated lack of internal control over the recovery system of the Company.

The Management stated (October 2013) that the matter was being pursued with the respective DWOs for immediate remittance.

- An amount of ₹ 4.85 crore disbursed by the Company in Jharkhand prior to bifurcation of State of Bihar was yet to be recovered (September 2013).

Mukhya Mantri Nishaktjan Shiksha Rin Yojna

2.1.13 Mukhya Mantri Nishaktjan Siksha Rin Yojana was introduced by the State Government during 2007-08 with an objective to make the handicapped persons capable of leading common life. The Company was the implementing agency. Under the Scheme, loan upto ₹ five lakh was to be sanctioned to the disabled students of State for pursuing technical/ vocational courses at four *per cent* interest per annum. The repayment of loan was to commence after one year from completion of course or six months from employment, whichever was earlier. This Scheme was to be implemented as per the guidelines of the Directorate of Social Welfare, Social Welfare Department, Government of Bihar. A sum of ₹ 3.46 crore was allocated by Social Welfare Department as a revolving fund during the five years period ending March 2013 out of which a sum of ₹ 1.50 crore was disbursed to 102 beneficiaries. The details of funds received under the Scheme and utilisation thereof during five years from April 2008 to March 2013 are detailed below:

Table No: 2.1.3

(₹ in lakh)

Year	Funds Received	Loans Disbursed	Recovery
2008-09	130.00	-	-
2009-10	-	22.22	-
2010-11	16.00	49.56	-
2011-12	8.00	47.30	0.20
2012-13	192.00	30.63	0.96
Total	346.00	149.71	1.16

(Source: Information provided by the Company)

¹⁶ Araria, Jamui, Banka, Arwal and Sheohar.

¹⁷ Buxar, Darbhanga, Gaya, Saran and Siwan.

We observed the following deficiencies in execution of the Scheme:

- The Government released (April 2008) fund of ₹ 1.30 crore without intimating the guidelines for implementation of the Scheme. The guidelines were finalised by the Social Welfare Department only in July 2009. In the absence of guidelines, no disbursement could be made during 2008-09.
- Further, during 2012-13, due to absence of Managing Director (during the period 01 May 2012 to 26 February 2013) only ₹ 30.63 lakh was disbursed out of ₹ 1.92 crore though the amount was received in April 2012.
- Test check of assistance sanctioned to 26 beneficiaries out of 102 beneficiaries revealed that in case of seven beneficiaries, loan was sanctioned between September 2009 and April 2011 at the last stage of academic session between 2010 and 2011.

The Management stated (October 2013) that the delay in implementation of the Scheme was mainly due to delay in finalisation of the Scheme guidelines. The reply of the Company itself shows that there was absence of planning for implementation of the Scheme.

Against disbursement of ₹ 1.50 crore, the recovery was mere ₹ 1.16 lakh

- Total recovery against disbursement of ₹ 1.50 crore during the period 2008-13, amounted to ₹ 1.16 lakh only. It was observed that no mechanism was evolved to monitor the timely recovery of loan, as a result, no recovery had been commenced from 18 beneficiaries to whom educational loan amounting to ₹ 24.56 lakh was disbursed and whose courses were completed during 2009-12.

The Management/Government stated in exit conference (November 2013) that necessary monitoring and recovery mechanism was being created.

Mukhya Mantri Nishaktjan Swarojgar Rin Yojna

2.1.14 Mukhya Mantri Nishaktjan Swarojgar Rin Yojna was introduced by the State Government in 2007-08 for the welfare of disabled persons through promotion of their self-employment with the loan upto ₹ 1.50 lakh. The repayment of loan was to be commenced by beneficiary after expiry of one year from the date of receipt of loan or after six months from commencement of business, whichever was earlier. This Scheme was also to be implemented as per the guidelines of the Directorate of Social Welfare, Social Welfare Department, Government of Bihar. Against receipt of a sum of ₹ 5.19 crore under the Scheme, the Company could disburse only ₹ 1.89 crore and the balance ₹ 3.30 crore remained undisbursed and was lying with the Company upto March 2013. The receipt of funds and their disbursement during five years from April 2008 to March 2013 is shown in the table below:

Table: 2.1.4

(₹ in lakh)			
Year	Funds Received	Loans Disbursed	Recovery
2008-09	195.00	-	-
2009-10	-	-	-
2010-11	24.00	46.10	-
2011-12	12.00	118.30	0.05
2012-13	288.00	24.25	1.16
Total	519.00	188.65	1.21

(Source: Information provided by the Company)

Scrutiny of records revealed the following deficiencies in disbursement:

- The Company did not formulate any action plan to implement the Scheme to cater to the financial needs of the targeted beneficiaries. It was observed that loan was not disbursed in 11 out of 38 districts.
- We observed that a list of 26 beneficiaries was sent to Company headquarters from Siwan district for approval and sanction of loan but the same was not acknowledged and processed by the Company despite lapse of three years.
- The fund was made available by the Social Welfare Department in March 2008 without any guidelines for implementing the Scheme. However, even on receipt of guidelines in July 2009, the fund was disbursed after a delay of nine months in April 2010 only to the beneficiaries. This resulted in inordinate delay in initiation of disbursement of funds.
- It was also observed that the time taken in processing the loan applications ranged from six months to 26 months.

The Management, while accepting the fact, stated (October 2013) that delay in documentation as pointed out by audit would be looked into on a priority basis.

Lack of control system resulted in poor recovery of only ₹ 1.21 lakh against disbursement of ₹ 1.89 crore

- Though there was provision in the guidelines, no separate Saving Bank Account was opened/operated for this Scheme by three¹⁸ Assistant Director Social Security (ADSS). “No objection certificate” was also not found obtained in any district except, in Araria and Bettiah, in respect of loan from other financial institutions. Further, verification of units to confirm proper utilisation of loan was not conducted in three districts¹⁹ test checked, nor post dated cheques were obtained in four districts²⁰ and beneficiaries’ loan ledger was also not maintained by these offices. These deficiencies show lack of proper control system. As a result against a total disbursement of ₹ 1.89 crore under this

¹⁸ Patna, Gaya and Buxar (amount disbursed ₹ 39.60 lakh).

¹⁹ Samastipur, Darbhanga and Bhojpur.

²⁰ Samastipur, Darbhanga, Buxar and Saran.

Scheme during the period 2008-13, the recovery during the said period was dismal and was a mere ₹ 1.21 lakh (0.64 per cent).

The Management stated (October 2013) that the specific directions had been issued to the respective districts for immediate action as pointed out by audit.

Financial Assistance under Scholarship Scheme

2.1.15 In addition to implementing the lending schemes, the Company was also responsible for implementation of Mukhya Mantri Atyant Pichhada Varg Medhavriti Yojna during the period 2008-13. Related audit findings are discussed in succeeding paragraphs.

Mukhya Mantri Atyant Pichhada Varg Medhavriti Yojna (MMAPVMY)

2.1.16 MMAPVMY was introduced by State Government in 2008-09 with a view to increase the awareness among students of extremely backward classes²¹ (EBC) towards higher education. The said Scheme provided for payment of ₹ 10,000 as assistance to a student permanently residing in Bihar and securing first division in Xth Class examination conducted by Bihar School Examination Board, Patna. The Scheme was to be implemented by the Company through DWOs and the amount was to be disbursed through Bank Drafts/Cheques. The list of beneficiaries was issued by Bihar School Examination Board, Patna which was sent to Backward Classes and Extremely Backward Classes Welfare Department and based on such list, disbursements were required to be made by the Company. The list of the students to be disbursed with money under this Scheme was subject to the confirmation by the DWOs that they belonged to the EBC category. During 2008-13, the Company had received a sum of ₹ 108.94 crore for 1,08,940 students from State Government out of which ₹ 108.91 crore were disbursed to respective DWOs/DEOs for 1,08,915 EBC students under this Scheme.

Scrutiny of records pertaining to MMAPVMY revealed the following deficiencies:

Assistance of ₹ 29.90 lakh was extended to 299 ineligible beneficiaries

- As per the instruction²² of the Company/Department, the DWO was required to verify the EBC status of beneficiary before extending financial assistance under this Scheme. During verification of the EBC status of the beneficiaries on test check basis, it was found that in four²³ districts a sum of ₹ 29.90 lakh was sanctioned/dispursed to 299 candidates who were not eligible for assistance under the Scheme since they did not belong to the EBC community.

²¹ Caste mentioned in Annexure-I of Gazette notification of State Government.

²² Instruction issued by the Company to DWOs at the time of release of fund.

²³ Purnea, Gaya, Bhagalpur and Buxar.

Utilisation certificates of beneficiaries were not received from DWOs against disbursement of fund

- The Company was not in receipt of utilisation certificates of beneficiaries from 38 DWOs/DEOs in respect of a sum of ₹ 93.73 crore against the total disbursement of ₹ 108.91 crore made under this Scheme. The Company did not pursue the matter effectively with DWOs/ DEOs²⁴ in this regard.
- DWOs/ DEOs were not prompt in returning the unutilised amount and kept the undisbursed amounts in various banks and retained Bank Drafts with them. An amount of ₹ 1.86 crore was lying unutilised with the DWOs/DEOs for the period ranging from one year to four years. Further, ₹ 5.38 crore, being the undisbursed amount returned by DWOs/ DEOs was lying with the Company in various bank accounts and thus the benefit could not be passed to 53,800²⁵ beneficiaries. Moreover, the Company did not surrender the undisbursed amount to the Department.

The Management stated (October 2013) that the utilisation certificates from 16 districts had since been received. The reply of the Company confirms that the Company was not receiving the utilisation certificates properly. Further, reply is also silent on the amount/period for which the utilisation certificate had been received. It was further stated that the Company had been regularly receiving back the undisbursed amount lying at the DWOs/DEOs. We noticed that the DWOs/DEOs were returning the undisbursed amount after a period ranging between five months to 35 months.

Manpower

Shortage of manpower adversely affected the functioning of the Company and was not effectively dealt with by BoD

2.1.17 There was shortage of manpower in the Company as against the sanctioned strength of 30 officials (seven managerial and 23 sub-ordinate posts), 15 posts (five managerial and 10 sub-ordinate) were lying vacant during the Performance audit period which accounted for 50 *per cent* shortage of manpower. Due to shortage of manpower, the Company was not in a position to have its own district level set up. The Company has not determined the sanctioned strength at District Level Offices. The matter of shortage of manpower was not effectively dealt with by BoD of the Company. No recruitment policy has been formulated so far by the Company. Further, the Company had not prepared any personnel manual for establishment matters, recruitment, training, etc. During the period 2008-13, no training was imparted by the Company. Further, there was no system of Annual Performance Appraisal of the employees. These deficiencies affected the Company's working with respect to implementation of the schemes.

Internal Control mechanism

2.1.18 Internal Control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient,

²⁴ District Welfare Offices/District Education Offices.

²⁵ ₹5.38 crore (Undisbursed amount/bank draft) ÷ ₹10,000 (Amount of assistance to be disbursed to a student under the Scheme) = 53,800 students/beneficiaries.

effective and orderly manner. As a part of effective Internal Control System provision of efficient Management Information System (MIS) is a prerequisite to facilitate decision making and control. Further, an efficient and effective internal audit wing should also be in existence for better control. Audit noticed the following deficiencies in Internal Control System and Internal Audit:

- There was no MIS prevalent in the Company. The Company did not have any operational and functional manual. Further, no periodic reports/returns regarding disbursement, recovery due and actually made was prepared and sent by the DWO to the top management for effective monitoring.
- No system was evolved by the Company to monitor the receipt of utilisation certificate regarding disbursement of fund from DWOs/ADSS/DEOs. Further, data regarding year-wise/scheme-wise/District-wise utilisation certificate were not maintained by the Company.
- Ledger showing loanee-wise details of amount due and recoverable on account of principal and interest was not found properly maintained/updated. The database of loanees defaulting in repayment of the loan was also not being maintained. In absence of such basic records, there was no effective watch on recovery of loans which is evident from poor recovery performance.

The Management stated (October 2013) that the work of compilation had been started by the Company and the ledgers were to be updated based on inputs from the Districts.

- Only two Board meetings were held during the period 2008-09 to 2012-13. The Company did not have its BoD during the period April 2006 to June 2010. However, despite constitution of Board, the Board meetings were not held as stipulated under section 285 of the Companies Act, 1956 which resulted in non-finalisation of annual accounts, failure in filing statutory returns in absence of annual general meeting, poor/non-monitoring of recovery of loans, etc.
- Annual Returns²⁶ under Section 159 of the Companies Act, 1956 were not filed with Registrar of Companies (RoC) for the financial years since 1997-98. As a result, RoC served (October 2009 and June 2010) Notice for default under sections 159, 166, 210 and 220 of the Companies Act, 1956 and the Company's name was published by Ministry of Company Affairs in the list of "Dormant Companies".

The aforementioned deficiencies were indicative of poor internal control system and monitoring mechanism prevalent in the Company.

²⁶ Balance Sheet, Profit and Loss accounts, etc.

Internal audit

2.1.19 There was no separate internal audit wing in the Company since inception. Further, Internal Audit Manual was not prepared by the Company. In the Company, Chartered Accountants were engaged for updating of accounts and carrying out internal audit functions. Internal Audit of the Accounts was done for the period upto 2010-11. No corrective action was taken by the Company on the observations made by the internal auditor which included, *inter alia*, non-maintenance of ledger and beneficiary-wise account, follow-up for recovery of due amount from the beneficiaries, non-verification of the documents of loan and terms and conditions of loan, etc.

The Management, while accepting the fact, stated (October 2013) that the internal control and monitoring mechanism as suggested by the audit would be looked into on a priority basis.

Conclusion

The performance of Bihar State Backward Classes Finance and Development Corporation in regard to financing and recovery under various schemes was found to be sub-optimal. Non-preparation of detailed plan resulted in poor implementation of the schemes and deprivation of intended benefit to the targeted beneficiaries. The role of the Government in the functioning of the Company was deficient as there were delays in constitution of Board of Directors, formulation of the guidelines and issuance of instructions. Financial management of the Company was deficient as instances were noticed of poor recovery, non/under utilisation of funds pertaining to various loans/scholarship schemes, blocking of funds and there were delays in finalisation of accounts. The implementation of various schemes was deficient due to which the benefits of schemes did not reach fully to targeted beneficiaries.

There was no system of securing utilisation certificate to ensure that the loan/scholarship fund was indeed disbursed to the beneficiaries and the same was being utilised for the purpose for which it was disbursed.

The system for follow-up of the recovery from the beneficiaries was far from satisfactory since the total recovery effected by the Company during the last five years ending March 2013 was dismal. The shortage of manpower prevalent in the Company was not effectively dealt with by BoD which adversely affected the functioning of the Company. The internal control and monitoring mechanism prevalent in the Company was deficient.

Recommendations

- The Company by virtue of its nature of activities has a greater social responsibility and as such it needs to evolve a strategic plan for disbursement of loan/scholarship fund to the intended beneficiaries and recovery thereagainst. Besides, there is a need to

develop a system by which the funds are utilised within the time bound manner and for the purpose it is received;

- The Company should evolve a system of securing utilisation certificates from DWOs/colleges/institutes/beneficiaries prior to release of the subsequent scholarship/loan fund as well as ensure that the scholarship/loan fund disbursed to beneficiaries were being utilised for the purpose for which they were disbursed;
- Recovery mechanism needs to be strengthened. The Company needs to update the data base of its beneficiaries and needs to pursue and strictly monitor recovery from the beneficiaries at regular intervals;
- The BoD should effectively deal with the shortage of manpower so that the functioning of the Company is not adversely affected and district level set-up of the Company is ensured; and
- Internal control and monitoring mechanism prevalent in the Company need to be streamlined and strengthened.

2.2 Financing and recovery activities of Bihar State Minorities Financial Corporation Limited

Executive Summary

Introduction

Bihar State Minorities Financial Corporation Limited (Company) was incorporated in March 1984 by the Government of Bihar (GoB) under the Companies Act, 1956. The Company is under the administrative control of Minority Welfare Department, GoB. The Company is responsible to shortlist the eligible beneficiaries for various schemes of Government/National Minorities Development and Finance Corporation (NMDFC) based on laid out criteria and after physical verification, selection of beneficiaries is done by a committee having representation of district authorities, lead bank and Directorate of Industries and Commerce.

Annual Action Plan

Due to failure of the Company to comply with the terms and conditions of letter of intent against allocated fund, a sum of ₹45.20 crore was not released by NMDFC to the Company for disbursement during the period 2008-13.

Financial Management of the Company

The financial management of the Company was deficient as the recoveries were insufficient to discharge the liabilities of NMDFC. The Company had made repayments of outstanding dues of ₹12.99 crore to NMDFC from their own fund (Share Capital) during 2010-11.

Lending and recovery activities of the Company

Term Loan Scheme

The Company received ₹21.27 crore out of which ₹16.66 crore was utilised during 2008-13.

In Saran division, out of 361 applications received, 22 selected applications did not have income certificate which was a prerequisite for selection. In Patna division, the names of original 84 applicants were not considered for selection. Out of 49 test checked income certificates of beneficiaries, 16 were found deficient as per records of issuing authority (Circle Office).

Recovery effected by the Company during the five years ending March 2013 was dismal and ranged between 3.24 and 4.65 per cent of the total amount recoverable.

Education loan Scheme

The Company received ₹2.13 crore out of which ₹1.46 crore had been disbursed during the period 2008-13. No fresh loan under the Scheme could be disbursed in the year 2009-10 due to non-receipt of fund. Disbursement was also not made by the Company during the year 2011-12 despite availability of fund.

Repayment of loan under Educational Loan Scheme was not pursued as the beneficiaries neither informed the Company of their completion of course and/or self employment nor did the Company make endeavour to ascertain this aspect from the loanees.

Micro Credit Scheme

Under the Micro Financing Scheme, the Company released a sum of ₹48.21 lakh to three NGOs on their request for 305 beneficiaries without verifying the financial credibility/track record of NGOs out of which, a sum of ₹43.50 lakh could not be recovered for over four years. The Micro Financing Scheme was discontinued by the Company from 2009-10.

Financial Assistance under Scholarship, Coaching and Skill Development schemes

Post Matric Scholarship Scheme (Central)

The percentage of unutilised fund under Post Matric Scholarship Scheme (Central) during the period 2008-09 to 2011-12 ranged from 11.31 to 54 per cent. An amount of ₹14.01 crore was lying unutilised with the Company since 2011-12.

The Company disbursed a sum of ₹25.02 lakh in the year 2010-11 to four non-existent private colleges without ascertaining their authenticity.

Post Matric Scholarship Scheme (State)

An amount of ₹18.24 lakh was released to 456 students by the Company under Post Matric Scholarship Scheme (State) against whom funds had already been released under Post Matric Scholarship Scheme (Central). As a result of this, other eligible students were deprived of the benefits under this Scheme.

Non-achievement of objective under Coaching Scheme

Due to failure of monitoring by the committee constituted by the Department, an amount of ₹3.69 crore out of ₹4.67 crore received during 2007-11 could not be utilised which was ultimately refunded by the Company to the Department.

Mukhya Mantri Shrami Sakti Yojna

Out of ₹three crore received under the Scheme, the Company utilised only ₹14 lakh and balance ₹2.86 crore remained unutilised for more than four years. Thus the intended beneficiaries were deprived of the benefits under this Scheme.

Manpower

There was shortage of manpower which affected the Company's working with respect to implementation of schemes.

Internal Control mechanism

No system was evolved to obtain the utilisation certificate in respect of disbursement of funds.

There was no system of verification of the list of the eligible students prepared by outsourced agency/contractual staff which resulted in excess/double release of fund under scholarship scheme.

Conclusion and Recommendations

The Performance of the Company in financing and recovery under various schemes was far from satisfactory. Detailed plan was not prepared by the Company. The role of the Government in the functioning of the Company was deficient as it did not effectively monitor the functioning of Committee for Coaching Scheme. The financial management of the Company was deficient. There were procedural lapses in identification of intended beneficiaries and disbursement of financial assistance. Besides, there was no system of securing utilisation certificate. The system for follow-up of the recoveries from the beneficiaries was far from satisfactory. The internal control in the Company was deficient.

The Company needs to evolve a detailed plan for disbursement of loan/scholarship fund and recoveries thereof; develop a system for time bound utilisation of funds; develop a data base to identify the eligible beneficiaries; strengthen recovery mechanism and improve Internal Controls.

Introduction

2.2.1 Bihar State Minorities Financial Corporation Limited (Company) was incorporated in March 1984 under Section 617 of the Companies Act, 1956 to aid, assist, promote, encourage, co-ordinate, organise, extend and render financial help and assistance by way of loan or otherwise to the financially and socially weaker and needy members of the religious minority communities¹ residing in the State of Bihar. The Company works under the administrative control of Minority Welfare Department, Government of Bihar (GoB). In furtherance of its objectives, loans and assistance to the targeted beneficiaries are extended by the Company through various Government policies and programmes. Besides, the Company also works as State Channelising Agency (SCA) for the schemes of National Minorities Development and Finance

¹ Muslim, Christian, Sikh, Jain and Buddhist.

Corporation (NMDFC²). As on 31 March 2013, the paid up capital of the Company was ₹ 33.79 crore.

The major schemes pursued by the Company included the schemes of NMDFC viz. Term Loan, Education loan and Micro Credit. Besides, the Company also pursued various Government schemes such as Post Matric Scholarship Scheme (Central), Merit-cum-Means Scholarship, Post Matric Scholarship Scheme (State) and Mukhya Mantri Shram Shakti Yojana.

The Administrative Department of the Company is responsible for framing of guidelines for various schemes and laying down procedures for their implementation, notifying members of backward classes from time to time, extending guarantee for loans taken by the Company from NMDFC, extending budgetary support to the Company, seeking utilisation certificate for the funds made available to the Company for various schemes, etc. The guidelines in respect of the schemes of NMDFC are framed by NMDFC. The Company is responsible to shortlist the eligible beneficiaries based on laid out criteria and after physical verification, selection of beneficiaries is done by a Committee having representation of district authorities, lead bank and Directorate of Industries and Commerce.

The Management of the Company is vested in a Board of Directors (BoD) consisting of nine Directors. As on 31 March 2013, there were seven Government Directors and two non-Government Directors. Managing Director (MD) being the Chief Executive is assisted in day-to-day operation of the Company by other officials. The Government schemes and programmes are implemented by the Company through its field offices at nine divisions³ and with the help of District Welfare Offices (DWOs⁴) since the Company does not have district level set up.

A Review on the Working of the Company was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Commercial) – GoB.

Audit scope and methodology

2.2.2 The present Performance audit covers the “Financing and Recovery activities” of the Company during the period 2008-13. Records of the Administrative Department and Headquarters Office of the Company as well as its field offices were scrutinised by audit during the period June 2013 to August 2013. Out of 38 districts of the State, where schemes were being implemented, ten⁵ districts were selected on random sample basis. An entry conference was held on 31 May 2013 to apprise the Government and the Management about the audit objectives of Performance audit. A mix of methodologies was adopted in the course of Performance audit which included

² It is a Central Public Sector Undertaking under Ministry of Minority Affairs, Government of India, set up to promote the economic and developmental activities for the benefits of the backward sections among the notified minorities.

³ Bhagalpur, Darbhanga, Kosi, Magadh, Munger, Patna, Purnia, Saran and Tirhut.

⁴ Under SC & ST Welfare Department, Government of Bihar.

⁵ Araria, Bhagalpur, Bhojpur, Buxar, Darbhanga, Gaya, Patna, Samastipur, Saran and Siwan.

examination of records; documenting and analysing evidence collected from the Administrative Department of the Company, Company Headquarters' Office, and field offices; examination of agenda and minutes of BoD meetings; guidelines, instructions issued by Government and NMDFC and issuance of audit enquiries for information and interaction with the Management. The Audit findings were reported (September 2013) to the Government (Administrative Department)/Company. The exit conference was held on 28 November 2013 which was attended by the Principal Secretary, Minority Welfare Department, GoB and Managing Director of the Company.

Audit Objectives

2.2.3 The Performance audit was undertaken with a view to assess whether:

- Strategic plan/Annual Action Plan was prepared by the Company in view of allotment of fund by NMDFC and State Government for proper and timely implementation of schemes;
- Financial management of the Company was effective and funds received under various schemes were put to effective use in a time bound manner;
- An efficient system for identifying the eligible beneficiaries was in place and the Company had data-base of beneficiaries;
- The schemes were implemented efficiently and effectively and recoveries were made as per prescribed norms;
- The Government/Company has put in place a system to monitor the implementation of various schemes; and
- The Company had adequate manpower and efficient internal control mechanism.

Audit criteria

2.2.4 The audit criteria adopted for assessing the achievement of audit objectives were:

- Guidelines issued by Government and NMDFC for disbursement of loans/financial assistance;
- Policy/framework/criteria/guidelines laid down by the State/ Central Government and NMDFC for upliftment of targeted beneficiaries;
- Laid down procedures for sanction and disbursement of financial assistance and loans; and
- Procedures prescribed for post-disbursement monitoring and recovery mechanism.

Audit findings

2.2.5 The Audit findings are discussed in succeeding paragraphs:

Planning

Non-preparation of strategic plan

2.2.6 With a view to pursue its objectives as stated in Memorandum of Association, the Company is required to plan or fix targets as per the concentration of beneficiaries in urban as well as rural areas, prepare a well-considered action plan based on periodical data collected from grass-root levels for effective implementation of schemes. Further, as per the guidelines issued by NMDFC for identification of beneficiaries, the SCA should consider holding of Beneficiaries Identification Camps in the area where the Minority population is high and the NMDFC schemes have not been implemented previously. We observed that the Company had not prepared any strategic plan nor had maintained any data base of intended beneficiaries at block and district level.

In the exit conference, the Management stated (October 2013) that the Company did not have its own set up at district level and were facing shortage of manpower and paucity of funds which caused non-preparation of strategic plan.

Annual Action Plan (AAP)

2.2.7 The Company is required to submit in the prescribed format need based sector wise annual action plan bifurcated into quarterly targets in the month of February/March for the forthcoming financial year. On completion of the prescribed conditions⁶, the AAP is approved and NMDFC issues formal sanction in the form of letter of intent to the Company.

We observed that the proposals under AAP, which were approved by NMDFC, were based on ad hoc data in respect of numbers and fund requirement for the intended beneficiaries as the Company had not conducted any survey and collected data in respect of its targeted beneficiaries at block as well as district levels. The details of annual allocation, actual receipt of fund and utilisation thereagainst are given below:

⁶ Arrangement of Government Guarantee against allocated fund, adequate contribution in share capital of NMDFC and timely utilisation of the received fund.

Table No: 2.2.1

Details of annual allocation, actual receipt of fund and utilisation thereof

(₹ in lakh)

Year	Allocation/Target as per Annual Action Plan		Fund available for disbursement			Utilisation		Percentage achievement against target of annual action plan	
	Physical (in number)	Financial	Opening Balance	Receipt against allocation	Total	Physical (in number)	Financial	Physical	Financial
1	2	3	4	5	6	7	8	(9) = Col.(7) ÷ (2) × 100	(10) = Col. (8) ÷ (3) × 100
2008-09	3050	900	Nil	900	900	1282	616.90	42.03	68.54
2009-10	4178	770	283.10	-	283.10	148	62.90	3.54	8.17
2010-11	4245	1584	220.20	789	1009.20	545	234.49	12.84	14.80
2011-12	2491	1619	774.71	438	1212.71	1154	603.60	46.33	37.25
2012-13	1868	1774	609.65	-	609.65	338	148.58	18.09	8.38
Total	15832	6647	-	2127	-	3467	1666.47	-	-

(Source: Information provided by the Company.)

Due to failure to comply with the conditions of release of sanctioned loan, NMDFC did not release ₹ 45.20 crore for 12365 beneficiaries

It can be seen from the above table that percentage of achievement of physical and financial disbursement against the targeted allocation under AAP during 2008-13 ranged from 3.54 to 46.33 and 8.17 to 68.54 respectively. We observed that due to failure of the Company to comply with the terms and conditions of Letter of Intent, a sum of ₹ 45.20 crore⁷ was not released by NMDFC to the Company during 2008-13. Thus, targeted beneficiaries⁸ were deprived of the benefit of NMFDC schemes during the period 2008-13.

The Management/Government stated (October 2013) in the exit conference that due to non-fulfillment of conditions laid down by NMDFC, funds were not released. As regards failure on the part of the Company to arrange Government guarantee against the NMDFC loans, it was stated that as a policy matter, the Government had decided not to extend guarantee to any Company.

Financial Management of the Company

2.2.8 The Company is financed through budgetary support from the State Government, loan assistance from NMDFC and fund allocated to the Company by the Central/State Government for implementation of different schemes. The Company generated their income by earning margin of interest to the extent of 2.5 per cent on their lending activities. The year-wise position of receipts and payments/ disbursement is shown as under:

⁷ ₹ 7.70 crore for 2009-10, ₹ 7.95 crore for 2010-11, ₹ 11.81 crore for 2011-12 and ₹ 17.74 crore for 2012-13.

⁸ Number of targeted beneficiaries under AAP less the number of beneficiaries to whom loans were disbursed. (15832 – 3467 = 12365).

Table No: 2.2.2
Year-wise receipts and disbursements of Bihar State Minorities Financial Corporation Limited

(₹ in lakh)

Particulars		2008-09	2009-10	2010-11	2011-12	2012-13	Total
Receipts	Opening Balance	-	978.08	966.10	3599.52	4359.80	
	Loans Received from NMDFC	900.00	-	789.00	438.00	-	2127.00
	Central Government						
	Post Matric Scholarship Scheme (Central)	648.08*	605.86	1596.22	2227.09	-	5077.25
	Merit cum Means Scheme	-	-	946.08	673.82	1196.28	2816.18
	State Government						
	Post Matric Scholarship Scheme (State)	205.96*	100.00	100.00	-	-	405.96
	Mukhya Mantri Shram Shakti Yojna	200.00	100.00	-	-	-	300.00
	Coaching Scheme	302.40*	100.00	65	-	-	467.40
	Mukhya Mantri Alpshankhyak Rojgar Rin Yojna	-	-	-	-	1500.00	1500.00
	Mukhya Mantri Alpshankhyak Siksha Rin Yojna	-	-	-	-	500.00	500.00
	Equity Contribution	50.00	-	2028.92	100.00	100.00	2278.92
	Grants-in-aid	6.31	1.60	3.19	1.68	-	12.78
	Recoveries	154.03	139.34	192.07	192.09	237.37	914.90
Total Receipts		2466.78	1046.80	5720.48	3632.68	3533.65	16400.39
Payments/ Disbursements	Loans (NMDFC)	616.90	62.90	234.49	603.60	148.58	1666.47
	Post Matric Scholarship Scheme (Central)	574.80	587.51	1320.54	1193.54	-	3676.39
	Merit cum Means Scheme	-	-	-	775.26	1659.47	2434.73
	Post Matric Scholarship Scheme (State)	120.00	185.92	100.00	-	-	405.92
	Mukhya Mantri Shram Shakti Yojna	-	-	-	-	14.00	14.00
	Coaching Scheme	-	97.85	-	-	-	97.85
	Repayment to NMDFC	177.00	124.60	1432.03 ⁹	300.00	225.15	2258.78
	Total Payments	1488.70	1058.78	3087.06	2872.40	2047.20	10554.14
Closing balance		978.08	966.10	3599.52	4359.80	5846.25	

(Source: Information provided by the Company.)

The following observations are made:

- The disbursement activity of the Company was concentrated mainly in distribution of funds under scholarship schemes¹⁰ whereas lending activity was moderate.
- During the period 2008-13 the Company received ₹ 21.27 crore from NMDFC out of which ₹ 4.60 crore could not be disbursed till March 2013 owing to various reasons viz. delay in documentation, delay in sanction of loan, etc. Further, ₹ 50.77 crore was received under Post Matric Scholarship Scheme (Central) out of which ₹ 36.76 crore was utilised upto

* Inclusive of opening balance or unspent balance of the Scheme.

⁹ This includes ₹ 12.99 crore repayment to NMDFC from the Share Capital of Company.

¹⁰ Post Matric Scholarship Scheme (Central), Post Matric Scholarship Scheme (State), Merit cum Means Scholarship Scheme.

March 2012 and ₹ 14.01 crore remained unutilised, as discussed in paragraph 2.2.15.

- Recovery performance of the Company during the period 2008-13 was dismal and amount recovered was insufficient to discharge the liabilities of NMDFC. Resultantly, the repayments of outstanding dues of ₹ 12.99 crore to NMDFC were made by the Company from their own fund (Share Capital) during 2010-11. Due to poor recovery and poor repayment to NMDFC loan, ₹ 45.20 crore sanctioned under AAP was not released by the NMDFC which impacted the schemes adversely which is discussed in para 2.2.10 to 2.2.12.
- Further, the Company received an amount of ₹ 3.05 crore in May 1999 from Minorities Welfare Department under Peshewar Loan Scheme out of which a sum of ₹ 1.61 crore was lying unutilised with the Company over 10 years which depicted casual approach of the Company towards rendering its duty for welfare of minorities communities and weak control mechanism on the part of the Administrative Department also.
- The activity of the Company was extended to the territory of Jharkhand prior to reorganisation of the erstwhile State of Bihar in the year 2000. However, even after reorganisation the assets and liabilities of the Company were not apportioned between these two states (September 2013).

Lending and Recovery activities of the Company

2.2.9 The Company had implemented the Term Loan, Education Loan and Micro Credit Schemes of NMDFC of Government of India during the period 2008-13.

Term Loan Scheme

2.2.10 Assistance under Term Loan Scheme was available for any commercially viable and technically feasible ventures for the beneficiaries belonging to minority communities living below double the poverty line¹¹. Under the Term Loan Scheme, projects costing up to ₹ five lakh were considered for financing. NMDFC provided loan to the extent of 85 per cent of the project cost and the remaining cost of project was to be met by the State Channelising Agency (SCA) and the beneficiary. The applications of beneficiaries were to be received and scrutinised at division level offices and the same was to be put up before the Selection Committee¹² constituted by State Government. The beneficiaries selected by the Committee were sent to Company's divisional offices where documentation was completed in all respects

¹¹ ₹ 40,000 for rural area and ₹ 55,000 for urban area.

¹² Members of Committee: Additional District Magistrate or District Development Commissioner, District Welfare Officer (Concerned district), Manager of lead Bank of concerned district, Managing Director or Officer nominated by him, two non-Government members belonging to minority community as nominated by the Government, District Industry Promotional Officer/LEO.

and sent to Company's headquarters for sanction of loan. Against the allocated/targeted funds of ₹ 66.47 crore, the Company had received an amount of ₹ 21.27 crore only out of which ₹ 16.66 crore was utilised during the period 2008-13.

Receipts of fund from NMDFC and disbursement are depicted below:

Table No: 2.2.3

Year	Funds available for disbursement (₹ in lakh)			Utilisation
	Opening Balance	Receipts against allocations	Total	Financial (₹ in lakh)
2008-09	Nil	900	900	616.90
2009-10	283.10	-	283.10	62.90
2010-11	220.20	789	1009.20	234.49
2011-12	774.71	438	1212.71	603.60
2012-13	609.11	-	609.11	148.58
Total	-	2127	-	1666.47

(Source: Information provided by the Company)

Deficiencies observed in disbursement of loan and its recovery are discussed in succeeding paragraphs:

As per the State Government direction¹³, the selection of beneficiaries was to be done by inviting applications twice a year, i.e., first in the month of June and second in the month of December. The applications of beneficiaries were to be scrutinised at division level offices of the Company and the same was to be put up before the Selection Committee. Scrutiny of records of division level offices¹⁴ revealed that:

- During the period 2008-13, advertisement for invitation of application was made only once. Further, only one meeting of Selection Committee was held in 2011-12 instead of required 10 meetings.
- Basic records such as applications received, processed and applications rejected were not maintained in the division level offices. The application forms provided to beneficiaries were neither embossed/marked with serial number/unique number nor were allotted with such serial number or unique number at the time of receipt.
- During 2008-13, out of 361 applications received in Saran division office, 22 selected applications did not have income certificate which was a pre requisite for selection. In Patna division, it was found that names of 84 beneficiaries out of 899 selected beneficiaries, did not match with their respective serial numbers as entered in the application register. As a result, the names of original 84 applicants were not considered for selection. This indicated lack of transparency in selection procedure.

Names of original 84 applicants in Patna Division were not considered for selection which indicated lack of transparency in selection procedure

¹³ Issued vide letter no. 372 dated 14 March 2007.

¹⁴ Bhagalpur, Gaya, Darbhanga, Patna and Saran.

Due to Non-compliance of State Government Order, loan was disbursed to 16 beneficiaries in Patna, Saran and Gaya districts on deficient income certificates

- As per the State Government direction¹⁵, income certificates annexed with application forms were required to be verified by the Company through correspondence with the issuing authorities. However, the same was not done. Audit examination of 49¹⁶ income certificates annexed with the records of income certificate issuing authority (Circle Office), revealed that income certificates of beneficiaries in respect of four out of 10 beneficiaries in Gaya District, one out of two in Saran district and 11 out of 19 in Patna district were deficient as per records of Circle Office (issuing authority). Status of eight out of 10 in Saran district and 10 income certificates of Darbhanga district were yet to be received (August 2013).
- In Patna Division, on test check of 35 cases of loan amounting to ₹ 17.23 lakh out of total loan of ₹ 88.80 lakh disbursed to 354 beneficiaries during the period 2008-13, it was observed that Loan Agreements and Hypothecation bonds were not properly filled up and signed by both beneficiaries and guarantors; order sheet for loan was not signed by Managing Director; spot verification in case of 21 loanees was not done prior to the disbursement of loan and photocopy of Pass Book of Saving Bank Accounts of loanee was not obtained in all cases. The loan files were also not maintained properly.

The Management stated (October 2013) that meetings of district level Selection Committee were not held regularly because the funds from NMDFC were not provided as per approved Annual Action Plan. Further, due to shortage of manpower, income certificate and residential certificate of beneficiaries could not be verified from the issuing authority. The Management further assured to take care in future.

Recovery under Term Loan

2.2.11 Details of dues recoverable and actual recovery made against term loan for the five years period from 2008-09 to 2012-13 are given in the table below:

Table No: 2.2.4

	(₹ in lakh)				
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Opening Balance of outstanding dues	3735.99	3907.21	4163.33	4395.86	4642.53
Addition during the year	325.58	395.51	424.59	438.76	465.21
Total dues recoverable	4061.57	4302.72	4587.92	4834.61	5107.74
Actual recovery during the year	154.03	139.34	192.07	192.09	237.37
Percentage of recovery against dues during the year	47.31	35.23	45.24	43.78	51.02
Percentage of recovery against total dues recoverable	3.79	3.24	4.19	3.97	4.65

(Source: Information provided by the Company)

¹⁵ Issued vide letter no. 372 dated 14 March 2007.

¹⁶ Chapra-10, Darbhanga-10, Patna-19 and Gaya-10.

During 2008-13, recoveries against term loan ranged between 3.24 and 4.65 per cent of total amount recoverable

Despite provision of recovery under PDR Act, no action was taken against 78 defaulters

It can be seen from the above that recoveries effected by the Company during the five years ending March 2013 was dismal and ranged between 3.24 and 4.65 per cent of the total amount recoverable.

We further observed that:

- In Saran district, out of 78 defaulting loanees, 34 did not pay any instalment against outstanding loan of ₹ 41.80 lakh even after lapse of a period of more than eight years. We observed that the Company had not initiated action under the Public Debt Recovery (PDR) Act, 1914 for recovery of the dues. Further the Company was not aware about the whereabouts of five loanees and as such chances of recovery of the loan from these loanees were remote.
- In Darbhanga district, during the period 2008-13, out of ₹ 1.11 crore disbursed to 246 loanees, 41 loanees to whom a sum of ₹ 17.42 lakh was disbursed, did not pay any instalment even after lapse of more than one year of its disbursement.

The reasons of poor recovery as observed in audit included poor follow-up or pursuance for recovery, non-filing of cases against defaulting loanees under PDR Act, disbursement of loan to beneficiaries without verifying their credentials, etc.

The Management accepted the fact and stated (October 2013) that due to shortage of manpower, its divisional level offices could not be strengthened. However, all efforts were being made to recover the dues of loan from beneficiaries.

Educational Loan Scheme

2.2.12 NMDFC introduced the Scheme of Educational Loan in 2003-04 for the students of weaker section of the minorities having income under double the poverty line¹⁷ for professional and technical courses. The Scheme provides that 10 per cent of annual allocations under Term loans should be earmarked for educational loan. At the end of the moratorium period i.e. six months after completion of the course, the principal amount and interest was to be repaid by the loanee in maximum of 60 Equated Monthly Instalments (EMIs). The Company had received an amount of ₹ 2.13 crore out of which ₹ 1.46 crore had been disbursed during the period 2008-13.

We observed that educational loan could not be disbursed during the year 2009-10 as funds were not released by NMDFC. However, during the year 2011-12 despite availability of funds for the Scheme (10 per cent of allocation under Term Loan Scheme) disbursement was not made by the Company.

¹⁷ ₹40,000 for rural area and ₹ 55,000 for urban area.

Due to deficient monitoring system, repayment of ₹ 1.29 crore had not been commenced

It was further observed that recovery of loan under the Scheme was not pursued effectively which is evident from the fact that 37 and 65 beneficiaries to whom loan of ₹ 34.06 lakh and ₹ 94.94 lakh were sanctioned and final instalment paid upto March 2009 and December 2011 respectively, repayment in respect of such loan had not commenced (August 2013). The beneficiaries neither informed the Company of their completion of course and/or self employment nor did the Company make endeavour to ascertain this aspect from the loanees which indicated the failure of the system with respect to the monitoring and effective implementation of the Scheme.

The Management/Government accepted the fact and stated (October 2013) that due to shortage of manpower notices for recovery of loan under Education Loan Scheme were not issued in time. Further, the monitoring mechanism was being created and notices being issued after receipt of audit observations in this regard.

Micro Credit Scheme

2.2.13 Under the Micro Credit Scheme, micro credit is extended to the members of Self Help Groups (SHGs), especially the Minority women scattered in remote villages and urban slums who are not able to take advantage of formal banking credit as well as under the NMDFC programmes. Under the Scheme, micro-credit loan up to a maximum of ₹ 25,000 per beneficiary was extended to the poorest among the poor. Under the Scheme, the Company was required to take-up the Scheme on its own or through NGOs identified by the Company. Under the Micro Credit Scheme, the Company received a fund of ₹ 48.21 lakh as loan in 2007 from NMDFC.

Release of fund without verifying the credibility of NGOs resulted in non-recovery of ₹ 43.50 lakh

We observed that, the Company without verifying the financial credibility/track record, released a sum of ₹ 48.21 lakh to three NGOs¹⁸ on their request for 305 beneficiaries. However, out of ₹ 48.21 lakh disbursed to the beneficiaries by these NGOs, a sum of ₹ 43.50 lakh could not be recovered for over four years. Audit observed that the Scheme was discontinued by the Company from 2009-10.

The Management stated (October 2013) that legal suits had been filed against all three NGOs. The fact, however, remains that the funds were disbursed to NGOs without verifying their financial credibility which shows lack of monitoring mechanism in the Company.

Financial Assistance under Scholarship, Coaching and Skill Development Schemes

2.2.14 In addition to implementing the lending schemes of NMDFC, the Company was also responsible for implementation of scholarship schemes and other schemes of assistance of Central/State Government. Related audit findings are discussed in succeeding paragraphs.

¹⁸ Human Advancement Society, Saharsa, Manav Vikas Shilp Kala Kendra, Saran, M/s Buniad, Patna.

Post Matric Scholarship Scheme (Central)

2.2.15 Post Matric Scholarship Scheme (Central) was introduced in June 2006 with an objective to provide better opportunities to meritorious students belonging to economically weaker sections of minority communities, the annual income of whose guardian does not exceed ₹ two lakh. Under this Scheme, the course fee/tuition fee for higher education and the maintenance allowance was to be credited to the schools/colleges/institutions' Bank accounts and Students' Bank account, respectively. Besides, the Scheme provides for discontinuance of the benefit under the Scheme if a student failed to secure 50 *per cent* marks or equivalent grade in the previous final examination. Under the said Scheme, the Company received a sum of ₹ 50.74 crore from Central Government during the period 2008-13. Year-wise details of receipt and utilisation thereagainst are given below:

Table No: 2.2.5

(₹ in lakh)

Year	Post Matric Scholarship Scheme (Central)					
	Opening Balance	Funds received	Funds available for disbursement	Disbursed	Unutilised	Percentage of unutilised funds against funds available
2008-09	2.81	645.27	648.08	574.80	73.28	11.31
2009-10	73.28	605.86	679.14	587.51	91.63	13.49
2010-11	91.63	1596.22	1687.85	1320.54	367.31	21.76
2011-12	367.31	2227.09	2594.40	1193.54	1400.86	54.00
2012-13	1400.86	-	1400.86	-	1400.86	100
Total		5074.44		3676.39		

(Source: Information furnished by the Company)

It would be seen from the table that the percentage of unutilised fund during the period 2008-09 to 2011-12 ranged from 11.31 to 54 *per cent*. No fund under the Scheme was received during the year 2012-13. From the year 2013-14, the Minority Welfare Department, Government of Bihar changed the disbursement process and decided to transfer the funds directly to DWOs.

Audit observed that:

- The funds were requisitioned by the Company from Government of India on submission of application forms of the beneficiaries received by the Company. In the absence of proper mechanism to scrutinise the received forms within scheduled time, the Company had to make requisition for funds on the basis of unscrutinised forms. Due to requisition of funds on the basis of unscrutinised applications of the beneficiaries, the applications found ineligible for extending the benefit were subsequently rejected. Thus, all the received funds could not be disbursed which resulted in accumulation of unutilised fund of ₹ 14.01 crore.

Due to non-verification of authenticity of colleges/institutes, an amount of ₹ 25.02 lakh was disbursed to four non-existent private colleges

- There was no system to maintain District-wise data bank pertaining to schools/colleges/institutions, their affiliation status, etc. As a result disbursement was made to non-existent colleges/ institutes¹⁹. The Company disbursed a sum of ₹ 25.02 lakh in the year 2010-11 to four non-existent private colleges without ascertaining their authenticity and without verifying the bonafide of the institutes before disbursement of funds. It was seen in audit that though the Company had detected the above case, no remedial measures were taken to avoid the recurrence of such incidence.

The Management stated (October 2013) that a system for checking institutes had now been instituted for which lists of institutes recognised by various boards were obtained and applications were being vetted before recommendation. The reply of the Company is not acceptable as vetting of colleges/institutes was done earlier also. The Company should evolve a system to get the physical verification of the colleges/institutions through DWOs to avoid such recurrence.

- As the work of preparation of list of beneficiaries and their permissible amount of scholarships was outsourced by the Company, the Company was required to verify the same before actual disbursement. Failure on the part of the Company to verify the permissible limit of each students from the list as prepared (2008-09) by the outsourced data entry operator, resulted in excess disbursement than the maximum permissible limit amounting to ₹ 4.29 lakh for 133 students out of which ₹ 2.20 lakh from 95 students was still to be recovered (August 2013).

The Management accepted the fact and stated (October 2013) that efforts were being made to realise the balance amount.

- As per direction of the Company the DWO was required to issue two separate crossed cheques to colleges/institutions, one for tuition fee and another for maintenance allowance (student-wise). We observed that, eight DWOs²⁰, in violation of directives of the Company, released the consolidated cheques amounting to ₹ 16 crore towards tuition fee and maintenance allowance to the colleges/institutions. Besides, the Company /DWO also failed to obtain utilisation certificates from these colleges/institutions. As a result of this, it could not be ensured whether the intended beneficiaries were actually benefited or it was lying with the colleges/institutions.
- DWO, Siwan, in violation of the guidelines, undertook disbursement of the maintenance allowance amounting to ₹ 31.35 lakh directly to 1337 students during the period 2010-12, instead of disbursement of the

¹⁹ 1. International Para Medical Institute, Bailey Road, Raja Bazar, 2. RLS College, Bailey Road, Raja Bazar, 3. Rahmat Latif Sah college, Bailey Road, Raja Bazar, 4. Al Saad Industrial Training Institute, Bailey Road, Raja Bazar (Source: Company's own report).

²⁰ Buxar, Bhojpur, Darbhanga, Gaya, Patna, Siwan, Saran and Samastipur.

same through colleges /institutions to the beneficiaries. Similarly, in violation of the said guidelines, DWO, Samastipur sent the cheques of ₹ 28.89 lakh pertaining to maintenance allowance to Block Development Offices (BDOs) for its disbursement to the students. We noticed that neither any confirmation nor any utilisation certificate in respect of the actual disbursements by the BDOs was furnished and as such, the disbursement of ₹ 28.89 lakh could not be verified.

The Management stated (October 2013) that it was the failure on the part of the DWO who did not follow the instructions of the Company and did not procure utilisation certificates from BDOs. The reply of the Management confirms that the Company being the implementing agency for implementing the Scheme, had not ensured that disbursement was made as per the provisions of the guidelines.

Post Matric Scholarship Scheme (State)

2.2.16 Post Matric Scholarship Scheme (State) was introduced by Government of Bihar in 2007-08 to provide scholarship amounting to ₹ 4000 to every student who had passed the matric/intermediate examination with at least 50 *per cent* marks for pursuing higher studies. The eligibility criteria and disbursement mechanism for the Scheme were similar to those prescribed for the Post Matric Scholarship Scheme (Central) and the scholarship amount was to be distributed through schools/colleges/institutions. Under this Scheme ₹ 4.06 crore was disbursed during the period 2008-11.

Further, as per terms and conditions of the Post Matric Scholarship Scheme (Central), the student obtaining benefit under the Scheme shall not be allowed to avail of benefits under any other scholarship scheme for the same purpose.

We noticed during audit scrutiny in 10 Districts test checked, ₹ 1.09 crore was released for 2714 students during the year 2009-10 and 2010-11, under Post Matric Scholarship Scheme (State). Scrutiny of list containing names of students of nine districts revealed that ₹ 18.24 lakh²¹ was released to 456 students by the Company under Post Matric Scholarship Scheme (State) against whom funds had already been released under Post Matric Scholarship Scheme (Central). Thus, prior to release of fund under Post Matric Scholarship Scheme (State), the Company failed to verify the disbursement made earlier to 456 students under Post Matric Scholarship Scheme (Central), as a result of which the other eligible students were deprived of the benefits under this Scheme.

The Management stated (October 2013) that no check could be applied as the Company had not been provided with any mechanism or software by Ministry of Minority Affairs for identification of those students, who had availed scholarship in other scheme. The reply of the Company is not acceptable as both the scholarship schemes were implemented by Company and thus check

Due to non-verification of data, ₹ 18.24 lakh was released to those 456 students who had already availed scholarships under Post Matric Scholarship Scheme (Central)

²¹ Araria:16, Bhagalpur:38, Bhojpur: 03, Darbhanga:19, Gaya: 181, Patna: 133, Saran:37, Samastipur:28, Siwan: 1, Total: 456 students x ₹ 4000=18.24 lakh.

could have been exercised with details of disbursement by the Company. The Company should have evolved a system of verification to avoid availing of double benefit under both the scholarship schemes.

Non-achievement of objective under Coaching Scheme

2.2.17 In order to provide opportunity to the students of minority community by preparing them for various competitive examinations, a Coaching Scheme was introduced in March 2007 by Government of Bihar. To monitor implementation of the Scheme, the administrative department had constituted a Committee²² which was required to submit inspection report to the department at the end of last week of the month stating the status of implementation of the Scheme. Further, the onus of selection of students and coaching institutes was vested with the Committee constituted by the department. Thus, timely and adequate actions were required on the part of the Committee to ensure selection of eligible students each year so that the amount released could be utilised for the purpose envisaged under the Scheme.

Out of a sum of ₹ 4.67 crore received for the Scheme, only ₹ 0.98 crore was utilised

We noticed that coaching was provided only in 2007-08 and 2009-10 to 2661 students, as a result of which out of a sum of ₹ 4.67 crore received by the Company during 2007-11, only ₹ 0.98 crore was utilised and the balance unutilised amount to the tune of ₹ 3.69 crore was refunded by the Company to the department in January 2013.

The Committee constituted by the department failed to monitor the implementation of the Scheme effectively as no inspection report on status of implementation was submitted to the department. The payment to the institutes was stopped by the Company. Further, the Company also did not pursue the matter for continuance of the Scheme. Thus, the very objective of the Scheme could not be achieved and the same was discontinued in 2011-12.

The Management accepted the fact and stated (October 2013) that from the year 2012-13, the State Government had appointed “Maulana Mazharul Haque Arabic and Farsi University”, Patna as nodal agency for the Scheme. However, the fact remains that ₹ 3.69 crore remained idle and as a result, the desired benefits of the Scheme could not be extended to targeted beneficiaries.

Merit cum Means Scholarship Scheme

2.2.18 The Merit cum Means Scholarship Scheme was introduced (June 2007) by the Government of India with an objective to provide financial assistance to the poor and meritorious students belonging to minority communities to enable them to pursue professional and technical courses. 30 *per cent* scholarship was to be reserved for girl students for under-graduate and post-graduate courses. Continuation of the scholarship in subsequent years under this Scheme depended on the successful completion of the just preceding year of the course and after receipt of the utilisation certificate. The

²² Three Deputy Secretaries- Minority Welfare Department, GoB; Executive Officer of Bihar Rajya Haj Samiti, Patna; Deputy Secretary, Minority Commission, Bihar, Patna; Managing Director, BSMFCL.

Scheme was assigned (June 2010) by the Government to the Company for implementation. The year-wise target and achievement was as follow:

Table No: 2.2.6

Year	Targeted number of beneficiaries (Fresh)	Amount sanctioned ²³ (₹ in crore)	Achievement in number of beneficiaries			Amount disbursed (₹ in crore)
			Fresh	Renewal	Total	
2010-11	1458	9.46	1458	1661	3119	9.46
2011-12	1458	6.74	1457	1950	3407	6.74
2012-13	4353	11.96	4555 ²⁴	1478	6033	16.59
Total	7269	28.16	7470	5089	12559	32.79

Source: Information furnished by the Company

We observed that:

- Out of a sum of ₹ 28.16 crore received during the period 2010-13, the Company had disbursed a total of ₹ 32.79 crore till December 2013 of which ₹ 4.63 crore was disbursed by the Company from funds available for other schemes.
- The percentage of female candidates who benefited under this Scheme ranged from 8.98 to 17.77 per cent.
- Merit list for providing financial assistance under this Scheme was not prepared by the Company.
- The Company, in violation of the prescribed guidelines, released the scholarship fund for subsequent years without securing the utilisation certificate in respect of the scholarship fund disbursed in the previous years.

The Management stated (October 2013) that the Company was trying its best to procure utilisation certificate from the institutions. The reply of the Company itself proved that the provisions of guidelines were not being adhered to before release of fund.

Mukhya Mantri Shram Sakti Yojna (MMSSY)

2.2.19 Mukhya Mantri Shram Sakti Yojna (MMSSY) was introduced in 2008-09 for upliftment of the unemployed persons of minority community belonging to the age group of 18 to 45 years by giving them various vocational training of skill development so as to enable them for self employment. We observed that the department issued an advertisement in February 2009 for imparting training under various trades to the unemployed persons of minority community. Out of 3453 applications received, 2921 beneficiaries were found eligible for training.

²³ The amount sanctioned and disbursed was for fresh and renewal beneficiaries.

²⁴ 202 additional beneficiaries sanctioned by Ministry of Minority Affairs for the year 2012-13. However, additional funds were not received by the Company till December 2013.

₹ 14 lakh only was utilised out of ₹ three crore received under the Mukhya Mantri Shram Shakti Yojana

The Company had received a grant of ₹ two crore and ₹ one crore during 2008-09 and 2009-10 respectively from the State Government. Out of ₹ three crore received, the Company utilised only ₹ 14 lakh during 2012-13 in organising training programme through CIPET²⁵, Hajipur and no further action thereafter was taken by the Company for imparting training to the said eligible beneficiaries. Thus, ₹ 2.86 crore remained unutilised for more than four years. As such, the intended benefits of providing training for self employment as envisaged under the Scheme did not percolate to the targeted beneficiaries.

The Management accepted the fact and stated (October 2013) that due to lack of guidelines, the funds could not be utilised up to 2012. Thereafter to ensure effective and proper implementation of the Scheme, CIPET and Raymond had been selected for imparting training.

Manpower

2.2.20 There was shortage of manpower in the Company. As against the sanctioned manpower strength of 73 persons, actual men-in-position as on March 2013 was only 31 indicating a shortfall of 58 *per cent*. Due to shortage of manpower, the Company was not in a position to have district level set up. The matter of shortage of manpower was not effectively dealt with by BoD of the Company. No recruitment policy has been formulated so far by the Company. Further, the Company had not prepared any personnel manual for establishment matters, recruitment, training, etc. During the period 2008-13, no training was imparted and there was no system of Annual Performance Appraisal of the employees. These deficiencies affected the Company's working with respect to implementation of the schemes.

Internal Control mechanism

2.2.21 Internal Control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient, effective and orderly manner. As a part of effective internal control system provision of efficient Management Information System (MIS) is a pre-requisite to facilitate decision making and control. Further, an efficient and effective internal audit wing should also be in existence for better control. Audit noticed the following deficiencies in Internal Control system and Internal Audit:

- The Company did not have any operational and functional manual. Further, no periodic reports/returns regarding disbursement was prepared and sent by the DWO/Division to the top management for effective monitoring which indicated that there was no MIS prevalent in the Company.
- No system was evolved by the Company to monitor the receipt of utilisation certificate regarding disbursement of fund from

²⁵ Central Institute of Plastic Engineering and Technology, Hajipur.

DWOs/DEOs²⁶. Further, data regarding year-wise/scheme-wise/District-wise utilisation certificate to be obtained were not maintained by the Company.

- There was no system of verification of the list of the eligible students prepared by outsourced agency/contractual staffs.
- The accounts of the Company were in arrear since 2010-11. The delay was mainly due to delayed preparation of accounts for the years 1984-85 to 1998-99 which was initiated from 2001.
- The Company failed to file the annual returns with Registrar of Companies for the years 2007-08 to 2009-10, as a result of which it was included in the list of Defaulting Companies published by Ministry of Company Affairs.

The aforementioned deficiencies were indicative of poor internal control and monitoring mechanism prevalent in the Company.

Internal audit

2.2.22 There was no separate internal audit wing in the Company. Further, Internal Audit Manual was not prepared by the Company. Chartered Accountants were engaged for updating of accounts and carrying out internal audit functions. Internal audit of the Accounts was done upto 2010-11. No corrective action was taken by the Company on the observation made by the internal auditor which included, *inter alia*, follow up for recovery of due amount from the beneficiaries, non-verification of the documents of loan, etc.

Conclusion

The Performance audit on financing and recovery activities of the Company revealed that implementation of various Central and State schemes was far from satisfactory. The detailed plan for disbursement of loan/scholarship fund to the intended beneficiaries and recoveries thereof was not prepared by the Company. As a result it failed to meet its objective of providing financial assistance to the targeted religious minorities in the State. The role of the Government in the functioning of the Company was deficient. Besides, there was poor control of the Department on the performance of Selection Committee constituted for monitoring of Coaching Scheme. The benefits of various loans/scholarship schemes did not percolate smoothly to the intended beneficiaries.

No system existed in the Company to ensure effective and timely utilisation of funds and for the purpose it was received. Instances of poor recovery and non/under utilisation of funds pertaining to various

²⁶ District Welfare Office (DWO), Additional Director Social Security (ADSS), District Education Office (DEO).

loan/scholarship Schemes were noticed. This was indicative of deficient financial management of the Company.

There were procedural lapses in identification of intended beneficiaries and disbursement of financial assistance. Besides, there was no system to ensure whether the loan/scholarship fund was indeed disbursed to the beneficiaries and the same was being utilised for the purpose for which it was disbursed. The system for follow-up of the recoveries from the beneficiaries was also not satisfactory.

The internal control in the Company was deficient in many areas.

Recommendations

- The Company needs to evolve a detailed plan for disbursement of loan/scholarship fund to the intended beneficiaries and recovery thereagainst. Besides, there is a need to develop a system by which the funds are utilised in a time bound manner and for the purpose it is received;
- Data base of the eligible beneficiaries ought to be developed. The Company also needs to develop a system to monitor and evaluate the achievement of its objective of upliftment of targeted groups and other social economic aspects;
- The Company should evolve a system of securing utilisation certificates from DWOs/colleges/institutes/beneficiaries prior to release of the subsequent scholarship/loan fund as well as ensure that the scholarship/loan fund disbursed to beneficiaries were being utilised for the purpose for which it was disbursed;
- Recovery mechanism needs to be strengthened; and
- Internal control and monitoring mechanism prevalent in the Company must be streamlined and strengthened.

CHAPTER III

- 3. PERFORMANCE AUDIT RELATING TO STATUTORY CORPORATION**
- 3. PERFORMANCE AUDIT ON WAREHOUSING ACTIVITIES OF BIHAR STATE WAREHOUSING CORPORATION**

Chapter III

Performance audit relating to Statutory corporation

3. Warehousing activities of Bihar State Warehousing Corporation

Executive Summary

Introduction

Bihar State Warehousing Corporation (Corporation) was established in March 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956. As on March 2013, the Corporation had 37 warehousing centres with a total available storage capacity of 31.99 lakh Metric Tonnes (MT).

Deficiencies in warehousing activities

Non-accrual of benefits to primary producers (Farmers)

The Corporation failed to achieve its main objective of providing storage facility to primary producers because of lack of initiative on the part of Corporation to educate farmers regarding benefit of scientific storage of stock.

Loss due to shortage of stock

The Corporation incurred a loss of ₹12.63 crore due to shortage of foodgrains, caused by deficient monitoring of the periodical physical verification of State Warehousing Centres (SWCs).

Non-compliance of First In First Out (FIFO) method

Stock of 448 MT and 269 MT of rice at SWC, Bettiah and SWC, Raxaul respectively were lying unissued since 2010-11 due to non-observance of FIFO method. The rice worth ₹1.42 crore had become discoloured, infested, heavily broken and non-issuable.

Engagement of Excess Capacity

At SWC, Muzaffarpur, due to engagement of more godowns than required, the Corporation could not utilise the aggregate storage capacity of 98,000 MT resulting in potential loss of ₹0.54 crore towards storage charge.

Non-recovery of Storage loss

At SWC, Sasaram, no monthly report of storage loss was submitted to FCI for waiver. Resultantly an amount of ₹1.05 crore could not be recovered (August 2013). A further storage loss of 145 MT of wheat and 171 MT of rice valuing ₹23.13 lakh was reported at the same centre during October 2009 to February 2011. Despite continued storage loss at the centre, the Corporation neither investigated the reasons nor took any initiative to plug the loopholes.

Deficient protective measures

Utilisation of dunnage and other fumigation material was much below norms which may damage the godowns, foodgrains and other stocks kept. Besides, the intended objective of scientific storage was defeated.

Tariff and billing

Non-raising of revised bills of FCI

Arrear bills valuing ₹3.16 crore of storage charges at revised enhanced rates (effective from April 2009) were not preferred by seven centres. (August 2013).

Non-realisation of revised tariff from IFFCO

Although the arrear bills at the revised rate were issued by the Corporation, the enhanced rate was made applicable by IFFCO from the next month of the receipt of tariff order instead of retrospective effect. This led to non-realisation of ₹44.04 lakh (July 2013) to the Corporation.

Construction of godowns

Central/ State Scheme

Rashtriya Krishi Vikash Yojana (RKVY)

The Government sanctioned ₹26.30 crore for construction of 10 godowns

with total capacity of 50,000 MT at seven locations in 2007-08 and 2008-09, under RKVY. However, only eight godowns were completed (September 2013) with a delay ranging between 18 to 40 months as against the scheduled completion period of seven months.

Under Own Scheme

The Executive Committee of the Corporation sanctioned (March 2010) ₹6.43 crore for construction of two godowns at two centres (Kasba-6000 MT and Muzaffarpur-4310 MT) from its own funds. However, the godowns were completed with a delay of 19 and 21 months as against the scheduled completion period of seven months.

Financial Management

Non-finalisation of Accounts

The Corporation has finalised its Annual Accounts upto the year 2009-10, while the Accounts for 2010-11 to 2012-13 were yet to be finalised (September 2013). Delay in finalisation of Accounts may result in risk of financial irregularities including fraud.

Deficient Manpower Planning

As against the sanctioned strength of 493 employees, the Corporation had working strength of 206 employees as on 31 March 2013 out of which 153 employees were Peon-cum-Dusting Officials (PCDOs), drivers, etc. Superintendents were required to be posted as godowns in-charge, however, due to huge shortage of manpower, Lower Cadre Personnel such as Assistants in 23 SWCs and PCDOs/ Daftery/ Record keepers in 14 SWCs were given the charge of risk prone warehouses. However, no action was taken by the Management for appointment of employees.

Internal control

The Corporation does not have any operation or functional manual nor has its own accounts manual. Internal Audit Reports were not placed before the Board of Directors. Only 18 meetings of the BoD and 10 meetings of Executive Committee were held at irregular intervals against the required number of 30 and 60 meetings respectively during 2008-13. The Corporation had not devised any comprehensive Management Information System for collection, consolidation and analysis of various information/data for effective monitoring. Books of records were also not properly maintained.

Conclusion

The Corporation did not have a proper plan for construction of godowns. The Corporation failed to achieve its main objective of providing storage facility to primary producers. The warehousing activities of the Corporation were deficient as it suffered losses on account of pilferage of stock, non-observance of FIFO, etc. Also, there were instances of wrong application of tariff, billing and non-realisation. The financial management, Internal Control and MIS were deficient.

Recommendations

The Corporation needs to prepare perspective plan for construction of godowns and ensure timely completion of construction of godowns; ensure scientific storage and issuance of stock; raise bills timely and pursue realisation, keep the control registers complete and updated, strengthen its Internal Control System and improve MIS.

(Chapter-III)

Introduction

3.1 Bihar State Warehousing Corporation (Corporation) was established in March 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956. Government of India repealed this Act and replaced it by the Warehousing Corporation Act, 1962 (Act). The Corporation was deemed to be a State Warehousing Corporation under the provision of Section 2(k) of this Act. The main objectives of the Corporation are to provide scientific storage facilities for agricultural and notified commodities and to help depositors, particularly the primary producers in obtaining credit against stored commodities.

In furtherance of the objectives, the main functions of the Corporation are to acquire and build godowns and warehouses within the State, to provide storage facilities in its warehouses and hired godowns for agricultural produce, fertilizers and other notified commodities and to arrange facilities for transportation of the aforesaid commodities to and from warehouses.

The Corporation is under the administrative control of Department of Co-operative, Government of Bihar. As on March 2009, the Corporation had 173 Godowns (74 owned and 99 Hired) at 44 warehousing centres with a total available storage capacity of 32.62 lakh metric tonnes (MT) which was reduced to 154 godowns (84 owned and 70 hired) at 37 warehousing centres with a total available storage capacity of 31.99 lakh MT by 31 March 2013.

The Management of the Corporation is vested in a Board of Directors (BoD) consisting of 11 Directors including a Chairman and a Managing Director (MD) appointed by the State Government. Out of these Directors, five are nominated by the Central Warehousing Corporation (CWC) and six by the State Government. The BoD is assisted in the performance of its functions by an Executive Committee consisting of the Chairman, the Managing Director and three Directors. The MD is assisted by eight Managers in charge of different functional wings, viz. Finance, Business, Engineering, Technical and the divisions of the Corporation. Further each centre is managed by a Centre Superintendent under the supervision of a Divisional Manager who reports directly to the Managing Director.

Scope and Methodology of Audit

3.2 The working of the Corporation was last reviewed and incorporated in the Audit Report of the Comptroller and Auditor General of India (Commercial), Government of Bihar for the year ended 31 March 2005. The Committee on Public Undertakings (CoPU) discussed the review and made recommendations in its Report No.166 of 2006-07 which was presented in the State Legislature in February 2008. The recommendations, wherever applicable, were considered in the Performance audit.

The present Performance audit, conducted between May and August 2013, covers the warehousing activities of the Corporation for the period 2008-13. Records of the Corporation at headquarters and 12¹ State Warehousing Centres (SWCs) with total storage capacity of 18.94 lakh MT out of 37 warehousing centres (total storage capacity of 31.99 lakh MT) were test checked. The SWCs were selected by adopting the Random Sampling Method.

The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to the Management in the entry conference, examination of records, documenting and analysing evidence collected from the Headquarters office and field offices of the Corporation, examination of agenda and minutes of BoD meetings, issue of audit enquiries and interaction with the Management.

¹ Ara, Aurangabad, Barauni, Biharsharif, Bettiah, Buxar, Gaya, Gulabbagh (Purnea), Motihari, Muzaffarpur, Samastipur and Sasaram.

Audit findings were reported to the Corporation and the State Government in August 2013 and discussed in an 'exit conference' held on 24 October 2013. The exit conference was attended by Joint Secretary, Department of Co-operative, Government of Bihar and the Managing Director, Bihar State Warehousing Corporation. While the replies of the Corporation were received in October 2013, the response of the State Government was awaited (December 2013). The Management's replies and views expressed in exit conference have been considered while finalising this Performance audit.

Audit Objectives

3.3 The Performance audit was conducted with a view to ascertain whether:

- storage capacities were utilised optimally, effectively and efficiently;
- adequate measures were taken to minimise losses of foodgrains and other commodities during storage;
- the Corporation raised bills accurately for providing storage within the stipulated period and recovery of storage charges were made as per tariff;
- storage facilities were constructed/created in economical and efficient manner;
- proper financial management of the funds existed; and
- internal control was adequate and commensurate with the nature and size of business of the Corporation.

Audit Criteria

3.4 Audit criteria considered for assessing the achievement of the audit objectives were as follows:

- Guidelines/directions issued by Food Corporation of India/Central Warehousing Corporation relating to warehousing activities;
- Guidelines/directions of the Board of Directors;
- Provisions of the Warehousing Corporation Act, 1962, Bihar State Warehousing Corporation Rules, 1958 and General Regulations of Bihar State Warehousing Corporation;
- Standard procedure for award of contract for construction of godowns; and
- Orders/instructions of the Corporation in respect of delegation of power.

Audit Findings

3.5 The audit findings are discussed in subsequent paragraphs.

Warehousing operations

Capacity utilisation

3.6 Warehousing facilities in the State were being provided by the Corporation through its owned as well as hired godowns. As on 31 March 2013, the Corporation had 154 godowns (owned: 84, hired: 70) at 37 centres with a total available storage capacity of 31.99 lakh MT. During the Performance audit period, available storage capacity of 6.11 lakh MT² was created by the Corporation through construction of 10³ new godowns with a storage capacity of 50310 MT. The summarised position of the storage activities of the Corporation for the last five years ending 31 March 2013, is shown in the table below:

Table No: 3.1

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1	No. of warehousing centres	44	42	40	40	37
2	Annual capacity available (in lakh MT)					
	Owned warehouses	17.38	17.38	17.38	19.83	21.04
	Hired warehouses	15.24	14.35	12.64	11.18	10.95
	Total	32.62	31.73	30.02	31.01	31.99
3	Annual capacity utilised (in lakh MT)					
	Owned warehouses	14.79	13.91	13.86	15.83	18.89
	Hired warehouses	17.85	14.94	12.78	10.74	10.51
	Total	32.64⁴	28.85	26.64	26.57	29.40
4	Percentage of capacity utilization					
	Owned warehouses	85.10	80.03	79.75	79.83	89.78
	Hired warehouses	117.13	104.11	101.11	96.06	95.98
	Total	100	91	89	86	92
5	Decline in capacity utilisation (in lakh MT) (as compared to 2008-09)	-	3.79	6.00	6.07	3.24

(Source: Information provided by the Management)

It is evident from the above table that:

- The owned capacity remained at 17.38 lakh MT during 2008-11 and marginally increased during 2011-12 and 2012-13.

² During 2011-12, 2.45 lakh MT (19.83 lakh MT-17.38 lakh MT) and during 2012-13, 3.66 lakh MT (21.04 lakh MT-17.38 lakh MT), i.e. 6.11 lakh MT (2.45 lakh MT+3.66 lakh MT) added as compared to 2010-11.

³ Chapra (two godowns of 5000 MT each), Fatuha (two godowns of 5000 MT each), Kasba (one godown of 6000 MT), Mohania (one godown of 5000 MT), Motihari (one godown of 5000 MT), Muzaffarpur (one godown of 4310 MT) and Samastipur (two godowns of 5000 MT each).

⁴ Capacity utilisation was in excess of 100 per cent of the available capacity due to increase in height of stacks and use of alleyways.

- Utilisation of available capacity declined from 32.64 lakh MT (100 *per cent*) in 2008-09 to 26.57 lakh MT (86 *per cent*) in 2011-12 and again increased to 29.40 lakh MT (92 *per cent*) in 2012-13.

The overall average capacity utilisation was commendable and was more than industry norm of 60 *per cent*, however, the capacity utilisation of own warehouses were lower than hired warehouses

The average capacity utilisation was commendable as the capacity utilisation ranged from 86 to 100 *per cent* as against the industry norm of 60 *per cent* and above which is generally considered as satisfactory. It was further observed that the capacity utilisation of own warehouses (80 to 90 *per cent*) were lower than hired warehouses (96 to 117 *per cent*). The lower utilisation was mainly because of non-repair of godowns at Muzaffarpur (3000 MT), Ara (425 MT) and Sasaram (3250 MT). Further the utilisation of own godowns located at Jankinagar (1000 MT) was “nil” upto 2011-12 and Murliganj (4360 MT) was 0.17 *per cent* to 18.16 *per cent* during 2008-13 respectively, due to poor demand. We noticed that there was absence of any marketing strategy to augment capacity utilisation of the centres. It was also observed that the Corporation had no policy/programme for education of farmers on scientific utilisation of storage capacity.

During the exit conference (October 2013), the Management accepted the observation.

Non-accrual of benefits to the Primary producers (Farmers)

3.7 The Corporation was formed with the main objective to provide scientific storage facilities for agricultural and notified commodities, and to help depositors, particularly the primary producers in obtaining credit against stored commodities. The details of the depositor-wise utilisation of storage capacity for the five years ending March 2013 were as follows:

Table No: 3.2

(in lakh MT)

Year	Bulk depositors (FCI and Fertilizer Companies)	Primary producers (Farmers)	Traders (other PSUs ⁵)	Others	Total	Percentage utilisation of total capacity by bulk depositors
2008-09	24.96	Nil	3.20	4.48	32.64	76.47
2009-10	22.96	Nil	2.60	3.29	28.85	79.58
2010-11	20.76	Nil	2.30	3.58	26.64	77.93
2011-12	21.54	Nil	3.13	1.90	26.57	81.07
2012-13	23.71	Nil	3.48	2.21	29.40	80.65

(Source : Information provided by the Management)

Warehousing facility was mainly utilised by the bulk depositors. The primary producers (farmers) did not utilise the warehousing facility of the Corporation at all

As is evident from the above table, the warehousing facility was mainly utilised by bulk depositors for storage of foodgrains and fertilizers and their combined utilisation ranged between 76.47 *per cent* and 81.07 *per cent* (2008-13). The primary producers (farmers) did not utilise the warehousing facility of the Corporation at all. We noticed that the Corporation had neither taken any initiative in conducting any training programme for education of farmers regarding the benefits of scientific storage of stock nor analysed the

⁵ Bihar State Text Book Publishing Corporation Limited and Bihar State Beverages Corporation Limited, etc.

reasons for non-utilisation of the warehousing facility by primary producers. Thus, the Corporation failed to achieve its main objective.

During the exit conference (October 2013), the Management accepted the observation and stated that the utilisation by primary producers would be encouraged.

Deficiencies in warehousing activities

3.8 As per the laid down instructions issued by the Corporation from time to time, the following procedures were required to be followed in the management of warehouses:-

- Quarterly and Annual physical verification of the stock is required to be done for timely detection of shortages and deterioration of stock;
- Stocks should be issued on First In First Out (FIFO) method;
- The Stock should be kept in stacks in a scientific manner so as to ensure better utilisation of storage space; and
- Prescribed books of records should be maintained properly for effective control.

The deficiencies noticed in warehousing activities are discussed below:

Shortage of stock

3.9 The Corporation did not conduct physical verification of its stock during 2008-09, 2010-11 and 2011-12. Though physical verification of stock was conducted (March 2010) at SWC Biharsharif for 2009-10, no excess/shortage was reported, as the stock was not in countable position. We noticed that FCI conducted (March 2011) inspection of the centre and reported a shortage of 6063.72 MT of foodgrains valuing ₹ 12.63 crore. The Corporation lodged (July 2011) an FIR against the centre superintendent and also protested with the FCI contesting the quantum of shortage which was, however, not accepted by FCI. The payments of the Corporation were withheld (April 2011).

The Corporation incurred a loss of ₹ 12.63 crore due to shortage of foodgrains

Thus, the Corporation incurred a loss of ₹ 12.63 crore due to shortage of foodgrains which could not be detected over the years due to non- conducting of the periodical physical verification of the SWCs.

The Management accepted (October 2013) the observation and stated that due to paucity of manpower, physical verification of the godowns could not be done. Management also stated that an FIR has been lodged in this regard. The fact remained that the Corporation sustained loss due to inaction and lapses on the part of Management.

Inadequate system to monitor shortages

3.10 A shortage of 144 MT of wheat was detected during handing/taking over of charge at SWC Ara in July 2008. The Corporation lodged an FIR against shortage in July 2008. A departmental proceeding was also initiated but no responsibility for losses was fixed as one employee was finally exonerated (February 2011) due to lack of evidence, and the other had retired (May 2008) before the detection of shortage. FCI recovered a sum of ₹ 14.39 lakh against shortage. Thus, the Corporation incurred a loss of ₹ 14.39 lakh as it failed to recover the shortage amount.

The Management accepted (October 2013) the observation in the exit conference.

Non-observance of First In First Out (FIFO) method of stock issuance

Stock of rice worth ₹ 1.42 crore deteriorated and became non-issuable due to non-observance of FIFO method of stock issuance

3.11 As per the laid down instructions of the Corporation, the stock of foodgrains, deposited by the FCI in the godowns of the Corporation were required to be issued on FIFO method. We observed that 448 MT and 269 MT of rice at SWC Bettiah and SWC Raxaul respectively were lying unissued since 2010-11. The centres received various consignments of rice thereafter and issued the same but the old stock remained unissued till date (August 2013). The old stock of rice had become discoloured, infested, heavily broken and non-issuable. Thus, the quality of rice worth ₹ 1.42 crore⁶, deteriorated and became non-issuable due to non-observance of FIFO method. However, no action was taken against the centre in-charges (September 2013).

The Management accepted (October 2013) the observation and stated that all centre in-charges have been instructed to adhere to the FIFO system.

Engagement of Excess Capacity

3.12 Engagement of godowns for storage of fertilizers should be based on the capacity reserved by the depositors so that the unoccupied godowns may further be utilised for storage.

The Corporation incurred a loss of revenue of ₹ 0.54 crore due to engagement of excess capacity of godown

We noticed that Indian Farmers Fertilizers Corporation Limited (IFFCO) reserved a storage space of 5,000 MT during October 2009 to March 2012 (except 6000 MT in August 2010 and September 2010), and 7000 MT during 2012-13 for storage of fertilizer at SWC, Muzaffarpur. Though, based on capacity reserved by the IFFCO, engagement of four godowns (1400 MT each) during October 2009 to March 2012 and five godowns during 2012-13 was sufficient, the Corporation engaged six godowns having total storage capacity of 8,400 MT (i.e. 1,400 MT x 6) for storage of IFFCO stock, irrespective of its reservation. We observed that due to engagement of more godowns than required, the Corporation could not utilise the aggregate storage capacity of 98,000 MT during the period resulting in potential loss of ₹ 0.54 crore towards storage charge.

The Management stated (October 2013) that the godowns were also utilised by other depositors. The reply is not acceptable as no documentary evidence was

⁶ At the economic cost of rice of FCI at the rate of ₹ 1,983.11 per quintal.

provided to the audit regarding utilisation of capacity by other depositors. Further, the centre in-charge has confirmed the fact that the above six godowns were utilised by IFFCO only.

Improper handing over of charge

3.13 As per the Order⁷ of the Corporation, immediate handover/ takeover of the complete charge is to be made on transfer of an employee. We observed that subsequent to transfer of the centre in-charge of SWC, Samastipur to SWC, Buxar in July 2012, only the partial charge of fertilizers was handed over to the incumbent centre in-charge in February 2013. However, the complete charge of fertilizers has not been handed over to the incumbent centre in-charge so far (September 2013). We noticed that there were huge differences in the book balance of stock and the stock taken over, as detailed below:-

Table No: 3.3

Type of Fertilizers	Stock as per stock register as on the date of handing over		Stock taken over as per charge report		Stock not taken over	
	Bags	MT	Bags	MT	Bags	MT
IFFCO Urea	7941	397.05	3459	172.95	4482	224.10
Diammonium Phosphate (DAP)	25404	1270.20	3255	162.75	22149	1107.45
Ammonium Phosphate Sulphate (APS)	7430	371.50	133	6.65	7297	364.85

No action was taken for delayed/non-handing over of the charge for such a long period. As a result, timely identification of possible pilferage, theft or misappropriation of stock, and consequent loss to the Corporation could not have been ensured.

The Management, while accepting the audit contention, stated (October 2013) that departmental proceeding would be initiated against the centre in-charge for non-handing over of charge.

Non-availability of safety measures and other facilities

3.14 Safety measures and other warehousing facilities are required to be provided in the warehouses for safe storage and preservation of stock. We observed that the following safety measures and facilities were not available in the warehouses:

- Security arrangement for the safety of warehoused stock;
- Fire fighting equipments and fire bucket with sand for the safety against fire;
- Electric installation/connection in the warehouses;
- Facilities for grading and sampling of the commodities stored; and

⁷ Office Order no: 283 dated 31 July 2012.

- Maintenance of proper cleanliness and hygiene.

The Management stated (October 2013) that the Corporation was maintaining safety methods and cleanliness. The reply is not acceptable as the above stated deficiencies were noticed during audit. Further, FCI had regularly intimated the Corporation about non-availability of the safety measures and other facilities at the warehouses.

Non-recovery of Storage Loss

The Corporation lost ₹ 1.28 crore due to non-recovery/ non-fixation of responsibility for shortage of foodgrains

3.15 As per the instructions of the Corporation, the centre in-charge is required to submit a monthly report of storage loss⁸ to FCI for waiver. Storage loss not waived by FCI, was to be recovered from the centre in-charge. We observed that at SWC, Sasaram though no monthly report of storage loss was submitted to FCI for waiver, a quantity of 218 MT of wheat and 430 MT of rice valuing ₹ 1.06 crore was deducted by the centre in-charge from the stock register of FCI as storage loss during 2005-09. The Corporation fixed responsibility (May 2009) for storage loss against the centre in-charge and recovered a sum of ₹ 1.20 lakh only till his retirement (October 2010). The remaining amount (₹ 1.05 crore) could not be recovered as on date (October 2013). No action was taken by the Corporation for recovery of balance storage loss even after lapse of more than two years from the date of retirement of the concerned staff.

Despite continued storage loss at the centre, the Corporation neither investigated the reasons nor took any initiative to plug the loopholes. As a result, a further storage loss of 145 MT of wheat and 171 MT of rice valuing ₹ 23.13 lakh was reported at the same centre during October 2009 to February 2011. The Corporation took no step to fix the responsibility of loss, resulting in a further loss of ₹ 23.13 lakh.

The Management stated (October 2013) that the matter of writing off of the storage loss has been taken up with FCI and recovery, if any, would be made from the concerned centre in-charge. The reply is not acceptable as no documentary evidence has been provided to the audit for taking up the matter with FCI and besides the Corporation took no step to fix the responsibility of subsequent losses.

Deficient protective measures

3.16 In order to provide scientific storage, the Corporation undertakes fumigation work of the godowns to protect the stored commodities from insects, rodents, etc. Though the Corporation has prescribed norms for use of dunnage and fumigation material to carry out the periodical protective measures, the actual utilisation of such material was much lower than the norms. The following table indicated the usage of consumables like dunnage and fumigation material during 2008-13:

⁸ Loss in weight of foodgrains due of moisture content.

Table No: 3.4

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1	Reservation of FCI (in lakh MT)	12.74	14.47	15.53	17.31	19.36
2	Fertilizer (in lakh MT)	12.22	8.49	5.23	4.23	4.35
3	Total Reservation (in lakh MT)	24.96	22.96	20.76	21.54	23.71
4	Average monthly reservation (in lakh MT)	2.08	1.91	1.73	1.79	1.98
5	Average Monthly reservation of FCI (in lakh MT)	1.06	1.21	1.29	1.44	1.61
6	Norms of consumption of Dunnage at the rate of 80 kg for 1000 MT on total reservation (KG)	16640	15280	13840	14360	15840
7	Quantity utilised (KG)	8350	8570	9825	9800	7681
8	Shortage in utilisation of dunnage in KG with respect to actual requirement (<i>per cent</i>)	8290 (50)	6710 (44)	4015 (29)	4560 (32)	8159 (52)
9	Norms of consumption of Cellphos at the rate of 3 tablets of 3 gram each / MT twice in a year 5 x 9 x 2 (KG)	1908	2178	2322	2592	2898
10	Quantity utilised (KG)	398	472	277	655	200
11	Shortage in KG with respect to actual requirement (<i>per cent</i>)	1510 (79)	1706 (78)	2045 (88)	1937 (75)	2698 (93)
12	Norms of consumption of Deltametharine at the rate of 5 kg for 1000 MT 3-4 times in a year	2120	2420	2580	2880	3220
13	Quantity utilised (KG)	168	148	124	216	108
14	Shortage in KG with respect to actual requirement (<i>per cent</i>)	1952 (92)	2272 (94)	2456 (95)	2664 (93)	3112 (97)

(Source:- Budgeted norms and data provided by the Management)

Utilisation of dunnage and other fumigation materials was below norm

It is evident from the table that there were under fumigation, and shortage in utilisation of dunnage material ranged between 29 *per cent* and 52 *per cent*, Cellphos ranged between 75 *per cent* and 93 *per cent* and Deltametharine ranged between 92 and 97 *per cent*. Utilisation of dunnage and other fumigation material below norms may damage the foodgrains and other stocks kept and defeat the intended objective of scientific storage.

The Management stated (October 2013) that in many cases FCI itself arranged the pesticides and in some cases the Corporation had taken pesticides on loan from Central Warehousing Corporation (CWC). No documentary evidence was, however, produced to audit regarding pesticides arranged by FCI or taken on loan from CWC. Further, it was the Corporation's responsibility to undertake fumigation work of the godowns on regular basis to protect the stored commodities.

Tariff and Billing

3.17 The Corporation had not formulated any system of fixation of storage tariff of its own and had been following the storage tariff fixed by CWC from time to time. We noticed irregularities in implementation of tariff and billings thereof as discussed in the succeeding paragraphs :

Non-raising of revised bills of FCI

The Corporation could not recover storage charge of ₹ 3.16 crore due to non-raising of arrear bills at revised storage charges

3.18 The storage rates applicable to FCI for reservation for a minimum period of at least one year was revised in October 2011 to ₹ 49.00 per MT (effective from April 2008) and in September 2012 to ₹ 54.60 per MT (effective from April 2009). As such, the arrear bills for the revised rates were required to be sent to FCI. We noticed that arrear bills (April 2008 to March 2013) of ₹ 3.16 crore towards storage charges at revised rates were not preferred by seven⁹ centres (August 2013). Non-raising of revised arrear bills not only led to non-recovery of revenue amounting to ₹ 3.16 crore but also indicated the deficient internal control mechanism in the Corporation.

The Management, while accepting the audit contention, stated (October 2013) that the billing of arrear would be done.

Non-recovery of storage charge due to wrong application of tariff

The Corporation did not charge storage bills at applicable rates from FCI

3.19 As per the terms and conditions of tariff, if FCI agreed to keep the stock for a minimum period of one year, the Corporation was required to charge the concessional rate. In other cases, where utilisation was not guaranteed by FCI, the Corporation was allowed to charge the storage charges from FCI at the same rate as applicable to the private parties. We observed that at four SWCs¹⁰, FCI reserved (April 2012 to April 2013) storage space for less than a year but the Corporation did not charge storage bills at rates as applicable to the private parties. Due to non-billing as per the terms and conditions of tariff, the Corporation failed to claim and recover ₹ 19.43 lakh as storage charge.

The Management stated (October 2013) that FCI had taken continuous reservation in all the years under audit. The reply is not based on the facts as FCI took reservations of space for less than a year at above mentioned SWCs and the Corporation failed to charge storage bills at higher rates as applicable.

Non-realisation of revised tariff from Indian Farmers Fertilizer Co-operative (IFFCO) Limited

The Corporation failed to effectively pursue the applicability of tariff rates with retrospective effect which led to non-realisation of ₹ 44.04 lakh

3.20 Central Warehousing Corporation revised its tariff for fertilizers in March 2009 to ₹ 27 per MT (effective from November 2008), in March 2011 to ₹ 29 per MT (effective from April 2010) and in December 2011 to ₹ 31 per MT (effective from May 2011). As such the arrear was required to be realised from the date of effect of tariff revision. Although the arrear bills at the revised rate were issued by the Corporation, the enhanced rates were accepted by IFFCO from the next month of the receipt of tariff order, instead of its applicability with retrospective effect. The Corporation, however, failed to effectively pursue the applicability of tariff with retrospective effect which led to non-realisation of ₹ 44.04 lakh (July 2013).

⁹ Ara, Aurangabad, Barauni, Bettiah, Biharsharif, Samastipur and Sasaram.

¹⁰ Bhagalpur, Buxar, Dehri-on-sone and Sasaram.

The Management stated (October 2013) that the matter had already been taken up with IFFCO. No documentary evidence for pursuance of arrear was, however, provided to audit and the fact remains that realisation was still pending. As IFFCO is the regular and a major depositor, the matter needs to be pursued at higher level to avoid loss on account of storage charges.

Construction of godowns

3.21 The Corporation had not made any annual plan or perspective plan for increasing its storage capacity and undertook construction of warehouses as and when the scheme was sanctioned and funds were provided under Central/ State schemes. During the Performance audit period, the Corporation had undertaken construction of 10¹¹ godowns of 0.50 lakh MT capacity at seven centres under Rashtriya Krishi Vikash Yojana (RKVY), out of which only eight¹² godowns of 0.40 lakh MT capacity at five centres were completed. The Corporation had also constructed two godowns of 10,310 MT capacity from its own resources during the period.

Discrepancies noticed in execution of Scheme are discussed below:

Rashtriya Krishi Vikash Yojana (RKVY)-Government of India Scheme

3.22 The Government of India sanctioned ₹ 20.00 crore (at the rate of ₹ 2.50 crore per 5000 MT godown) for construction of eight godowns with total capacity of 40,000 MT at five locations¹³ and ₹ 6.30 crore (at the rate of ₹ 3.15 crore per 5000 MT godown) for two godowns with capacity of 10,000 MT at two locations¹⁴ in the financial year 2007-08 and 2008-09 respectively, under RKVY. The Government released ₹ 19.29 crore (April 2008) and ₹ 0.71 crore (June 2009) for eight godowns; and ₹ 3.03 crore (November 2009) and ₹ 3.26 crore (March 2013) for two godowns. The Corporation issued four different work orders at each location for the construction of aforementioned 10 godowns during January 2009 to June 2012. However, only eight godowns were completed (September 2013) with a delay ranging between 18 to 40 months as against the scheduled completion period of seven months.

Non- co-ordination in award of work led to delay in execution with consequential potential loss of revenue of ₹ 5.32 crore

We observed that the main reasons attributed for delay in construction of godowns were awarding of four separate work orders for a single work, lack of co-ordination in award of works and delay in execution of the work by the contractors. Delay in construction of godowns resulted in potential loss of revenue of ₹ 5.32 crore on account of storage charges (Details of projects indicated in *Annexure-7*).

The Management stated (October 2013) that reasons for delay in construction were delay in issue of work contract for Pre-engineered, Pre-fabricated

¹¹ Chapra (2x5,000 MT), Fatuah (2x5,000 MT), Mohania (5,000 MT), Motihari (5,000 MT), Samastipur (2x5,000 MT), Ara (5,000 MT) and Sasaram (5,000 MT).

¹² Chapra (2x5,000 MT), Fatuah (2x5,000 MT), Mohania (5,000 MT), Motihari (5,000 MT), and Samastipur (2x5,000 MT)

¹³ Chapra (10,000 MT), Fatuah (10,000 MT), Mohania (5,000 MT), Motihari (5,000 MT), and Samastipur (10,000 MT).

¹⁴ Ara (5,000 MT) and Sasaram (5,000 MT).

structural steel building (PEB) roofing, Parliamentary/State election, court case at Motihari centre and removal of high tension wire at Fatuha centre. We, however, noticed that there was lack of planning at the time of award of work order, as single work was divided into four different works.

During exit conference, the Management accepted (October 2013) that the delay was caused due to deficiencies in the planning part.

In case of remaining two incomplete godowns at Ara and Sasaram, (Sl.Nos.6 and 7 of *Annexure-7*), we noticed that after partial completion of civil and roofing works, the work of construction of godowns was stopped (December 2011) by the contractors for want of funds. Though the Corporation took up (August 2009) the matter for release of balance fund with the Government, the same was, however, received only in January 2013. In the meanwhile, the Corporation decided (October 2012) to foreclose the existing agreements and prepared the revised estimate for remaining work. The estimate of remaining work increased by ₹ 25.58 lakh as compared to the original estimate. The process of award of the remaining work was still under progress (September 2013).

The Management did not offer any comment on the audit observation.

Construction of godowns from own funds

The godowns were completed with a delay of 19 and 21 months as against scheduled completion period of seven months

3.23 The Executive Committee of the Corporation sanctioned (March 2010) ₹ 6.43 crore for construction of two godowns at two centres (Kasba-6000 MT, Muzaffarpur-4310 MT) from its own funds. The Corporation issued (March 2010 to August 2011) four different work orders at each centre for the construction of aforementioned godowns. However, the godowns were completed with a delay of 19 and 21 months as against the scheduled completion period of seven months.

We observed that the main reasons for delay in construction of godowns were award of four separate work orders for a single work, non-synchronisation of different work orders and delay in execution of the work by the contractors. Thus, delayed completion of godowns deprived the Corporation of the revenue on account of storage charges.

During exit conference, the Management stated (October 2013) that the delay was caused due to deficiencies in the planning part.

Implementation of Private Entrepreneurs Guarantee (PEG)-2008 Scheme

3.24 Ministry of Consumer Affairs & Public Distribution, Government of India, framed (July 2008) Private Entrepreneurs Guarantee- 2008 (PEG-2008) Scheme for construction of godowns for storage requirements of Food Corporation of India. The Scheme envisaged, *inter alia*, construction of godowns by private participation through Central Warehousing Corporation/ State Warehousing Corporation on revenue sharing basis at locations finalised by the High Level Committee (Committee) of the FCI.

With a view to augment storage capacity in the state of Bihar, FCI approved (May 2009) construction of three lakh MT capacity of godowns under PEG-2008. Tenders were floated by the Corporation in February 2011 and the Committee approved (June 2011 to February 2013) the rates for 1.55 lakh MT capacity at 10 locations¹⁵. We observed that the Corporation entered into agreement with the entrepreneurs at five locations (Capacity-70000 MT) only with a delay of period ranging from four to 12 months. Agreements for remaining locations were pending (September 2013) for want of no objection certificate from District Authorities. The details of approved locations under PEG-2008, their capacity, and present status of construction work are given in *Annexure-8*.

Thus, due to delay in agreement and failure of the Corporation to get the construction work completed on time through proper co-ordination with entrepreneurs, no capacity had been added under PEG Scheme (September 2013). As a result, intended objective of capacity addition and revenue generation could not be achieved.

The Management, while accepting the observation, stated (October 2013) that godown at Motihari had been completed in October 2013 and agreement for construction of godown at Jamui had been cancelled while godowns at remaining five places were expected to be completed by March 2014.

Financial Management

Financial Position

3.25 The summarised position of the income and expenditure of the Corporation for last five years ending 31 March 2013, is shown in the table below:

Table No: 3.5

Particulars	(₹ in crore)			
	2008-09	2009-10	2010-11 ¹⁶ (provisional)	2011-12 (provisional)
Warehousing charges	8.69	9.31	9.33	12.37
Other income	47.29	50.74	56.56	57.88
Total	55.98	60.05	65.89	70.25
Establishment charges	5.00	4.96	6.53	8.14
Other Expenses	48.51	52.23	58.47	61.87
Total	53.51	57.19	65.00	70.01
Profit (+) / Loss (-) before tax	2.47	2.86	0.89	0.24

As would be seen from the above table, the profit of the Corporation has decreased drastically from ₹ 2.47 crore in 2008-09 to ₹ 0.24 crore in 2011-12. The main reasons for decrease in profit as analysed in audit are write off of

¹⁵ Begusarai, Gopalganj and Khagaria in June 2011, Bettiah, Jamui, Motihari and Siwan in August 2011 and Ara, Aurangabad and Sasaram in February 2013.

¹⁶ Figures for the financial year 2010-11 and 2011-12 are provisional. Figures for the financial year 2012-13 were not available.

debtors¹⁷ and provision made in accounts for losses due to shortage of stock at SWC Biharsharif (discussed in para 3.9).

We observed that the Corporation did not effectively pursue the recovery of its dues on account of transportation and handling and storage charges. The following instances were observed:

- Transportation and handling bills payable by the Corporation on behalf of FCI for the period from January 2012 to August 2012 amounting to ₹ 1.29 crore including supervision charges of ₹ 9.56 lakh had not been submitted to FCI for reimbursement due to non-authentication of bills by FCI.
- Bills amounting to ₹ 11.99 lakh for the period 2008-13 for storage charges on account of one godown of 425 MT capacity at SWC Ara by District Election Officer, Ara were not raised till July 2013.
- Out of transportation and handling bills for ₹ 1.95 crore preferred on FCI by the Corporation on account of flood relief work, an amount of ₹ 1.60 crore was outstanding on the part of FCI for more than five years till October 2013.

During exit conference (October 2013), the Management accepted the observation.

Non- finalisation of Accounts

3.26 As per para 31(10) of the Warehousing Corporation Act, 1962, the Annual Accounts of the Corporation together with the Audit Report thereon shall be placed before the Annual General Meeting (AGM) of the Corporation within six months of the close of the financial year. We noticed that the Corporation had finalised its Annual Accounts upto the year 2009-10, while the Accounts for 2010-11 to 2012-13 were yet to be finalised (September 2013). Under such circumstances, it could not be ascertained whether the investments and expenditure were properly accounted for and the purpose for which the funds were invested, was achieved. Further, apart from violation of the provisions of Act, delay in finalisation of Accounts may result in risk of financial irregularities including fraud.

Improper maintenance of cash book

3.27 Rule 13 (v) of the Bihar State Warehousing Corporation Rules, 1958, stipulates that all monetary transactions shall be entered in the cash book as soon as they occur and be attested by an Officer of the Corporation duly authorised in this behalf. The cash book shall be closed daily and checked by the Managing Director or the Officer so authorised shall verify the cash book and the cash in hand and record a signed and dated certificate to that effect. We observed that the cash book was not maintained properly by the Corporation in the manner as envisaged in the Rule. Monetary transactions were not entered in the cash book as soon as they occurred. It was neither

¹⁷ ₹ 3.78 crore in 2008-09, ₹ 2.12 crore in 2009-10.

attested nor verified by the person authorised or Managing Director as required.

The Management stated (October 2013) that accounting of daily transactions is done through computerised tally software. The reply was, however, silent about violation of above mentioned Rule which specifically states that Managing Director or the Officer so authorised shall verify the cash book and the cash in hand and record a signed and dated certificate to that effect.

Non-reconciliation of payment received through Real Time Gross Settlement (RTGS)

3.28 The storage charge is the main source of income of the Corporation. The Corporation receives payment of storage charge from FCI through RTGS¹⁸ since June 2011. Though FCI credited the bank account of the Corporation, it did not reconcile the credit given by FCI with storage bills of the centres. We observed that the Corporation did not have prescribed procedures/modalities for reconciliation of payment received through RTGS with revenue register maintained at headquarter. As a result, the centre-wise amount claimed and payments received were not reconciled by the Corporation. Non-availability of the centre-wise/bill-wise details of the storage charges was indicative of poor financial control of the Corporation.

The Management stated (October 2013) that all warehouses kept records for such transaction and payment received against storage charge from FCI through RTGS were recorded and reconciled at warehouse levels. It further stated that the systems were being adopted to keep up the memorandum account at headquarter. The reply is not acceptable as the centre-wise amount claimed and payments received were neither reconciled at warehouse levels nor at the headquarter's level.

Deficient Manpower Planning

3.29 Manpower planning involves adequate and efficient utilisation of human resource in an organisation and appointment of capable persons as per requirement of specific job. The detailed staff position of the Corporation during the last five years up to 2012-13 is tabulated below:

Table No: 3.6

Category	Sanctioned position	Men in Position (as on 31 March)				
		2009	2010	2011	2012	2013
Group A viz. Executive Engineer, Divisional Manager, Superintendent, etc.	60	3	3	3	3	3
Group B viz Assistants, Accountants	143	55	59	58	55	50
Group C viz PCDO ¹⁹ , drivers, etc.	290	181	186	179	168	153
Total	493	239	248	240	226	206

¹⁸ A funds transfer system where transfer of money takes place from one bank to another on a real time and on gross basis.

¹⁹ Peon cum Dusting Official.

As against the sanctioned post of 493, actual available manpower of the Corporation was only 206 as on 31 March 2013. In this connection, we observed that:

- the sanctioned strength was last assessed in 1991 and thereafter no assessment had been made.
- there was huge shortage of manpower in managerial and other positions. In absence of Superintendents required as centre in-charge, the Assistants in 23 SWCs and PCDO/ Daftary/ Record keeper in 14 SWCs were given the charge of risk prone warehouses.
- despite the fact that men in position decreased from 239 to 206 during the period, the Management had not taken any action for appointment of employees.

Superintendents were required to be posted as in-charge of Godowns of SWCs. We, however, noticed that due to persistent shortage of manpower, Lower Cadre Personnel²⁰ were posted as in-charge of godowns as against Superintendents which resulted in poor maintenance of control registers as commented in para 3.30 infra.

The Management, while accepting the observation, stated (October 2013) that appointment in various vacant posts was under progress.

Internal controls

3.30 Internal control is a management tool used to provide reasonable assurance to see that management operation is being achieved in an efficient, effective and orderly manner. The internal control procedures were not commensurate with the size and activities of the Corporation as discussed below:

- The Corporation had not prepared any operation or functional manual nor had its own accounts manual.
- The Corporation had prescribed quarterly Physical Verification (PV) of stock by the local staff and annual verification by inter divisional staff. During discussion (July 2006) by CoPU on the Performance review of the Corporation which appeared in Audit Report (Commercial) for the year 2004-05, the Corporation had assured that monthly PV of the warehouses would be done. It was noticed in audit that despite assurance given to CoPU, monthly and quarterly PV was not done. Annual stock verification was also not carried out except in 2009-10 and 2012-13. Further, during 2009-10 and 2012-13, the annual stock verification was only partial as a sizeable lot of stock could not be verified as these were improperly stored and counting thereof was not possible. This puts a question mark on the accuracy and efficacy of the physical verification. In absence of a sound physical verification system, cases of shortages were detected in Biharsharif, Ara and Sasaram warehousing centres (referred in para no. 3.9, 3.10 and 3.15). This situation was indicative of persisting weak and

²⁰ Assistants, PCDO, Daftary and Record keeper.

non-operational Internal Controls fraught with the risk of more losses towards which the Management was not sensitive.

- As per the Corporation Regulation²¹, the meetings of BoD and Executive committee are required to be held bi-monthly and monthly respectively. We observed that in violation of the regulation, only 18 meetings of the BoD and 10 meetings of Executive Committee were held at irregular intervals against the required number of 30 and 60 meetings respectively during 2008-13.
- The Corporation had not devised any comprehensive Management Information System for collection, consolidation and analysis of various information/data for effective monitoring. Although the warehousing centres were rendering Custom Report²² and profit & loss accounts each month to the corporate office but this report lacked desired information relating to storage losses. The divisional offices were not rendering any periodical reports/statements to the corporate office. In absence of an effective Management Information System, the Management was not in a position to take prompt, effective and timely decisions for improving the efficiency, effectiveness and profitability of the warehousing centres.
- Though the Technical register, Dunnage register, Stock Treatment register, Inspection register, Godown-wise stock register, Stack register, Bill register, etc are required to be maintained as per the instructions of the Corporation, the same were found to be incomplete/not updated at the test checked SWCs.

Internal Audit

3.31 The Corporation had not prepared any internal audit manual. Even though the Corporation had an Internal Audit wing, yet it was not made operational due to non-deployment of manpower. The Chartered Accountants had been entrusted with both the work of preparation of accounts and internal audit of the Annual Accounts of the Corporation. Internal Audit Reports were not placed before the Board of Directors for review and issuance of direction to resolve shortcomings in the areas of interest for the Corporation. Thus, the purpose of Internal Audit was defeated.

Conclusion

The Corporation did not have a proper plan for construction of godowns. There were delays in construction of godowns which resulted in loss of potential revenue. Augmentation of storage capacity could not be done under Private Entrepreneur Guarantee Scheme for want of no objection certificate from district authorities. The Corporation failed to achieve its main objective of providing storage facility to primary producers (farmers) because of lack of initiative on the part of Corporation to educate farmers regarding the benefits of scientific storage of stock. The

²¹ Chapter II of Bihar State Warehousing Corporation General Regulations.

²² A monthly report in which customer-wise stock-position of centre is reported.

warehousing activities of the Corporation was deficient as it suffered loss on account of pilferage of stock, non-observance of prescribed FIFO method of stock issuance, etc. Proper safety measures and facilities were not available in the warehouses. There was underutilisation of fumigation material defeating the objective of scientific storage. There were instances of wrong application of tariff, billing and non-realisation of dues. The financial management and control of the Corporation with respect to preparation of financial records, non-reconciliation of the payments, etc. was deficient. Internal Control System was also deficient.

Recommendations

The Corporation needs to:

- prepare perspective plan for construction of godowns;
- ensure timely completion of work of construction of the godowns to increase storage capacity for revenue generation;
- ensure scientific storage and issuance of the stock as per prescribed methods and proper operation of godowns to avoid losses ;
- implement applicable tariff strictly, raise bills timely and pursue realisation thereagainst to avoid losses of revenue;
- complete and keep the Control Registers updated; and
- strengthen its Internal Control System and improve Management Information System.

CHAPTER IV

4. TRANSACTION AUDIT OBSERVATIONS

Chapter-IV

4. Transaction Audit Observations

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

Government companies

South Bihar Power Distribution Company Limited

4.1 Undue benefit to the consumer and loss of revenue

Non-adherence to the provisions of the Tariff Order regarding reduction of contract demand resulted in undue benefit to the consumer and a loss of revenue of ₹1.19 crore to the Company.

Para 7.4 of Tariff Order, 2012-13, approved (March 2012) by Bihar Electricity Regulatory Commission, which was effective from 1 April 2012, provides, *inter alia*, that for new connection and if the furnace is replaced with a new one for the existing connections, the Contract Demand shall be based on total capacity of the furnace and equipment as per manufacturer technical specifications. Further, the billing demand shall be the maximum demand recorded during the month or the contract demand, whichever is higher.

An existing High Tension Specified Services (HTSS¹) consumer (M/s Balmukund Concast Limited) having a Contract Demand of 12141 KVA, applied (November 2011) for a reduction of Contract Demand to 8001 KVA consequent upon replacement of its already installed two induction furnaces and closing down of one old induction furnace. Accordingly, inspection of the premises of the said consumer was carried out (February 2012) by an Inspection Team of the erstwhile Bihar State Electricity Board (Now South Bihar Power Distribution Company Limited). As per the Inspection Report, total connected load of the furnace and the rolling mills as per Manufacturer technical specifications was found to be 9714 KVA.

We observed (February 2013) that in violation of the Tariff Order, a load of 8400 KVA was sanctioned to the consumer (August 2012) instead of 9714 KVA as recommended in the Inspection Report and bills were being issued on the reduced load of 8400 KVA since September 2012. Thus, the reduced load was sanctioned not only in violation of the Tariff Orders but also on the basis of installed capacity of the transformers instead of the capacity as per manufacturer's technical specifications in disregard to the Contract Demand determined by the Inspection Team. Thus, non-adherence to the provisions of Tariff Order in reduction of Contract Demand not only led to short sanction of Contract Demand by 1314 KVA (total connected load of 9714 KVA - sanctioned reduced load of 8400 KVA) but also resulted in undue benefit to

¹ High Tension Specified Services (33 KV/11KV). A consumer under this category has contract demand of 300 KVA and more for induction furnace including Ferro Alloy loads.

the consumer and a loss of revenue of ₹ 1.19² crore for the period September 2012 to September 2013.

The matter was reported to the Government/Management (May 2013); their replies were awaited (November 2013).

4.2 Loss of revenue due to non-conversion of consumers' category

The Company suffered a loss of ₹ 36.89 lakh due to non-billing of the consumers as per the High Tension Services (HTS) -I tariff.

The Tariff Orders³ approved by Bihar Electricity Regulatory Commission provide, *inter alia*, that Low Tension Supply (LTS) tariff for Non-Domestic Services (NDS) category are applicable only for supply of electricity to LT consumers having a maximum connected load of 60 KW (up to March 2012) and 70 KW (since April 2012). The load of 75 KVA and above come under High Tension Service (HTS) -I category.

Scrutiny of records of Electric Supply Division, Danapur, a unit of erstwhile Bihar State Electricity Board [now South Bihar Power Distribution Company Limited (Company)] revealed (February 2013) that three consumers⁴ were supplied electricity on a connected load in excess of 60 KW (67KVA)/ 70 KW (78KVA) since February 2010 but were being billed on the basis of units consumed under NDS-II⁵ tariff.

As NDS-II tariff is applicable for the load up to 60 KW/ 70 KW only, the supply of electricity to these consumers at a load in excess of 60 KW/ 70 KW under this category was in violation of the Tariff Order. As the Company was aware of the supply of electricity in excess of permissible limits to these consumers, it was incumbent on its part to take necessary steps to convert the consumers' category from NDS-II to HTS-I. Further, in case of outstanding electricity dues, the Company was required to serve notice to the consumer concerned for payment by stipulated date failing which the electricity connection of the consumer was to be disconnected. There was no proper system to inspect consumer installations as required under Bihar Electricity Supply Code, 2007 which indicates deficient internal control mechanism to detect over such irregularities.

² 1314 KVA x tariff rate of ₹ 700 per KVA x 13 months.

³ Tariff Order 2010-11(effective from December 2010), Tariff Order 2011-12 (effective from May 2011) and Tariff Order 2012-13 (effective from April 2012).

⁴ M/s Ratan Priya (consumer no.- 394292, connected load- 85 KW(94 KVA)); Smt. Meena Singh, Radiant School (consumer no.- 320875, connected load - 72 KW(80 KVA)); and Principal, DAV Public School (consumer no.-297335, connected load- 71 KW(79 KVA)).

⁵ Non-Domestic services - II is applicable for supply of electrical energy for non-domestic consumers having sanctioned load up to 60 KW in urban areas covered by Notified Area Committees Municipalities / Municipal Corporations / Regional Development Authorities / District and Sub-divisional towns/Block headquarters / Industrial areas/ contiguous sub urban areas getting power from urban/town feeders, except those covered under NDS III.

Thus, due to failure on the part of the Company to convert the consumers' category from NDS-II to HTS-I category, the Company suffered a loss of revenue of ₹ 36.89 lakh⁶ during the period February 2010 to January 2013 on account of billing at lower rate. This also tantamounts to extension of undue benefit to the consumers.

The matter was reported to the Government/Management (May 2013); their replies were awaited (November 2013).

Bihar State Power (Holding) Company Limited

4.3 Avoidable expenditure in purchase of transformer oil

Cancellation of tender with firm price and fresh invitation of tender on variable price basis in contravention of provisions of Bihar Financial Rules resulted in avoidable expenditure of ₹25.48 lakh.

The erstwhile Bihar State Electricity Board (Board), now Bihar State Power (Holding) Company Limited (Company) as one of its five unbundled parts, vide a resolution adopted (July 2008) the procurement process for future tender as per Bihar Financial Rules⁷ (BFR), 2005.

Scrutiny of records (January 2013) revealed that the Board invited (July 2009) tender for purchase of 1304 Kilo Litre (KL) of Extra High Voltage(EHV) grade transformer oil to be supplied within four months from the date of issue of purchase order. As per terms and conditions of the Notice Inviting Tender (NIT), the tenderers were required to quote the firm price. Against the NIT, four bids were received, out of which two bids were conditional. Therefore, financial bids of only two tenderers were opened (September 2009). The lowest quoted landed rate⁸ was ₹ 58128.31 per KL. However, the above bids were cancelled (December 2009) by the Board on the plea that competitive offers were not received due to putting of firm price condition in the tender notice. The Board again invited (December 2009) a tender for purchase of 1267 KL⁹ EHV grade transformer oil to be supplied within four months from the date of issue of purchase order. As per NIT, the price was to be quoted on a variable basis which was contrary to the aforementioned BFR. Out of four bids received, the lowest bid of M/s Savita Oil Technologies Limited was accepted and the Board placed two purchase orders (March and April 2010) on the agency for supply of 1267 KL EHV grade transformer oil by July 2010 at the landed cost of ₹ 52606.13 per KL (total cost ₹ 736.34 lakh) which was variable as per IEEMA¹⁰ price variation circular with base date of 01 January 2010. During delivery period, price of oil increased and the Board had to make

⁶ Total loss of revenue = M/s Ratan Priya (₹ 9.90 lakh) + Smt. Mina Singh(₹ 13.23 lakh) + Principal, DAV Public School (₹ 13.76 lakh)= ₹ 36.89 lakh.

⁷ Rule 30 (viii) of BFR relating to general principle for contracts provides, *inter alia*, that price variation clause can be provided only in long term contracts where the delivery period extends beyond 18 months whereas in short-term contracts firm and fixed prices should be provided for.

⁸ Landed rate means ex-work price including Central Sales Tax, freight, entry tax, etc.

⁹ The requirement was reassessed by the erstwhile Bihar State Electricity Board.

¹⁰ Indian Electrical and Electronics Manufacturers' Association.

payment at higher per KL rate amounting to ₹ 761.82 lakh for 1266.749 KL transformer oil instead of ₹ 736.34 lakh which the Board would have been liable to pay had it accepted the firm rate of ₹ 58,123.31 per KL as per the BFR under the first tender in July 2009.

Thus, the Company incurred avoidable expenditure of ₹ 25.48 lakh¹¹ due to cancellation of tender with the stipulation of firm price and invitation of fresh tender on variable price basis in contravention of Bihar Financial Rules.

The matter was reported (July 2013) to the Company/Government; replies were awaited (November 2013).

4.4 Irregularities in purchase of Power

Due to non-drawal of purchased power and non-pursuance of the matter of obtaining monthly scheduling instead of daily scheduling, the Company suffered loss of ₹ 58.97 crore.

4.4.1. The State of Bihar had acute power shortage¹² during the period 2008-09 to 2010-13. To sort out the deficit, the erstwhile Bihar State Electricity Board {Bihar State Power (Holding) Company Limited¹³ (Company)} enters into Power Purchase Agreements (PPA). Power Purchase Agreements are governed by various Regulations issued by the Central Electricity Regulatory Commission from time to time.

As per clause 19 (2) of the CERC (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) Regulations 2009, the start date of the supply of power under medium-term shall not be earlier than five months from the last day of the month in which supplier files application for grant of medium term open access with the concerned Regional Load Dispatch Center (RLDC). Supplier is supposed to file application with RLDC, only after entering into agreement for supply of power.

In order to meet the power deficit in Bihar, the Company invited a Bid (October 2011) for procurement of 450 Mega Watt (MW) of Power to be supplied for a medium term period, i.e., from March 2012 to December 2015.

On the basis of request from bidders/prospective bidders on above bid, a clarification regarding deferment of the scheduled delivery date for commencement of power supply to August/September 2012 instead of March 2012 was referred to the consultant viz. Bihar Power Infrastructure Company Private Limited¹⁴ for suggestions. The consultant suggested (November 2011)

¹¹ ₹ 761.82 lakh-₹ 736.34 lakh.

¹² As per 18th Electric Power Survey of Ministry of Power, Government of India, there was power deficit ranging from 4071.89 MUs in 2008-09 to 7620.15 MUs in 2011-12 in State of Bihar during the period 2008-13.

¹³ One of the five parts after unbundling of Bihar State Electricity Board.

¹⁴ A Government venture company between Government of Bihar/erstwhile BSEB and IL&FS (a Central Public Sector Undertaking).

to revise the date of commencement of supply to August /September 2012, so as to ensure maximum participation of the bidders for getting competitive bids. The Consultant also suggested that the Company may purchase power under short term during the period from March 2012 to August 2012 to meet the deficit. However, suggestion of the consultant was not taken into consideration by the Company on the plea that it would require further approval of BERC.

The bid was finalised with Lowest bidder i.e. Adani Enterprises Limited (AEL) and Power Purchase Agreement (PPA) was signed in February 2012 for Supply of 200 MW¹⁵ of power with effect from March 2012 to December 2015, under medium term open access at a levelised rate¹⁶ of ₹ 4.41/Unit and the supplier started the supply of power from 1 March 2012.

In the meantime, the Company, before finalising the above bid, extended (January 2012) short term power purchase agreement for 300 MW of power from NTPC Vidyut Vyapar Nigam Limited (NVVNL) for a further period of six months from 1 March 2012 to 31 August 2012 which was scheduled till February 2012.

We observed that notwithstanding the CERC guidelines regarding provision of period of minimum five months for commencement of supply under medium term from the date of agreement, recommendation of the consultant regarding deferment of commencement of supply of power to August 2012 and extension of short term purchase of power from NVVNL, the Company took a decision to purchase 200 MW of power from AEL with effect from March 2012 and as a result the availability of the power increased by 200 MW.

We further observed that as against the purchase of 633.17 Million Units (MUs) of power from AEL at an average rate of ₹ 4.25/ unit during the period from March 2012 to August 2012, the Company did not draw 587.79 MUs of available power during the above period and sold the same through Unscheduled Interchange¹⁷ (UI) at an average value of ₹ 3.25/unit.

We observed from the data¹⁸ that due to non-drawal of available power, there was loss of ₹ One per unit against the cost of purchase of power from AEL. Thus, the Company suffered loss of ₹ 58.78 crore (i.e. 587.79 MUs × ₹ One/unit) during March 2012 to August 2012.

¹⁵ Equals to 131.40 MUs i.e [(200MW × 365 Days × 24 Hrs × 0.9 Power factor) ÷ 12].

¹⁶ The rate arrived at for the purpose of price comparison in bidding process, taking into account the Base Price, escalation rate, period of supply, etc.

¹⁷ Unscheduled Interchange (UI) is over / under drawal of power than the scheduled allocation. Under drawal is termed as sale under UI .

¹⁸ Furnished by Inter State Wing of Bihar State Power (Holding) Company Limited.

4.4.2 Loss due to daily scheduling of power by the supplier

For supply of power, the supplier is required to get advance scheduling¹⁹ of bilateral transactions from the concerned Regional Load Dispatch Centre (RLDC).

As per Clause 2.1 of CERC Open Access²⁰ Regulations, 2008 and subsequent (Amendment) Regulations, 2009, an application for scheduling of bilateral transaction along with non-refundable application fee of ₹ five thousand shall be made to the concerned Regional Load Dispatch Centre (RLDC). Besides, as per clause 5.2 of above regulation an application for advance scheduling can be submitted once for whole month. Thus, the seller could have applied for monthly advance scheduling with the Eastern RLDC by paying ₹ 5000 *per* month only.

Further, as per Clause 4.4.2 of the PPA with AEL for supply of 200 MW of power, the payment of the RLDC charges (including application fees for scheduling) shall be the responsibility of procurer, i.e., the Company.

We observed that the seller had applied for daily scheduling of power with the Eastern RLDC instead of monthly scheduling which resulted in a total number of 390 schedulings during the period from March 2012 to March 2013 on a daily basis for which a sum of ₹ 19.50 lakh (at the rate of ₹ 5000 per scheduling) towards non refundable application fees was paid by AEL to Eastern RLDC and the same was reimbursed by the Company to AEL.

We further observed that the Company did not pursue the matter with the supplier regarding obtaining monthly scheduling instead of daily scheduling from the ERLDC as the supplier could have applied for monthly advance scheduling with the Eastern RLDC by paying a fee of ₹ 0.65 lakh only during the said period.

Thus, due to non-pursuance of the matter of obtaining monthly scheduling instead of daily scheduling by the Company with the supplier, the Company incurred an avoidable expenditure of ₹ 18.85 lakh up to March 2013.

The matter was reported to the Government/Company (June 2013), replies were awaited (November 2013).

¹⁹ Scheduling of power is the permission to the power generators to inject the power in the transmission system by the respective RLDC.

²⁰ Point of access to inject /draw power to/from the transmission system.

North Bihar Power Distribution Company Limited

4.5 Loss of Interest

Delayed enhancement of the contract demand and belated issue of energy bills by the Company resulted in loss of interest amounting to ₹ 0.97 crore.

Tariff orders²¹ approved by Bihar Electricity Regulatory Commission (BERC), provide, *inter alia*, that the transformer capacity of High Tension (HT) consumers shall not be more than 150 *per cent* of their contract demand. It also states that if consumer is found to be utilising transformer of higher capacity than admissible for his contracted load, it will fall under malpractice. Further, Para 6.24 of Bihar Electricity Supply Code, 2007 (as approved by BERC) provides that before any transformer, switchgear or other electrical equipment in the case of HT consumer is connected to the system, it shall be subject to inspection and approval of the licensee [i.e. Bihar State Power (Holding) Company Limited²²] and no connection shall be made without the licensee's approval. In addition, all high-tension installations will have to be approved by the Electrical Inspector. Further, as per Tariff Orders, billing (Minimum energy charge till March 2012 and Demand Charge) was to be done on the basis of Contract Demand.

Scrutiny of records (June 2013) of the Electric Supply Circle (ESC), Motihari of North Bihar Power Distribution Company Limited (Company) related to M/s. Steel Authority of India Limited (SAIL), SPU²³, Bettiah, Bihar, an HT Consumer having a contract demand of one Mega Volt Ampere (MVA) revealed that:-

- the consumer was utilising transformer of five MVA capacity as against the admissible 1.5 MVA since March 2011 and was pointed out by audit earlier (March 2012); and
- the Company started billing the said consumer on the basis of enhanced contract demand of 3.334²⁴ MVA only from January 2013 and issued (July 2013) revised consolidated bill for the period March 2011 to December 2012 at the instance of audit after a delay of 27 months.

We observed that the monitoring and control with respect to the adequacy of transformers and billing was deficient as the Company failed to ensure the timely enhancement of the contract demand and billing accordingly, despite being pointed out by audit in March 2012. Besides, the Company took further six months resulting in a delay of 27 months in issuing revised consolidated bill for the period March 2011 to December 2012.

²¹ Tariff orders 2010-11 (effective from December 2010); Tariff orders 2011-12 (effective from May 2011); Tariff orders 2012-13 (effective from April 2012); Tariff orders 2013-14 (effective from April 2013).

²² Previously Bihar State Electricity Board.

²³ Steel Processing Unit.

²⁴ 5 MVA x 2/3 = 3.334 MVA.

Due to delayed enhancement of contract demand of the consumer on the part of the Company, an amount of ₹ 4.73 crore pertaining to the period March 2011 to December 2012 was billed in July 2013, i.e., after a delay of 27 months. As a result of delayed billing the Company had already suffered a loss of interest amounting to ₹ 0.97²⁵ crore.

The Company, while confirming the facts and figures, stated (September 2013) that the said consumer was being billed on the basis of contract demand of 3.334 MVA since January 2013 and had been charged for the aforementioned earlier period in the bill for the month of June 2013.

The fact remains that the Company, despite knowing the installation of transformer of higher capacity in excess of the admissible capacity, failed to enhance the contract demand on the basis of transformer capacity of the consumer and raise the bills accordingly. Thus, due to deficient monitoring and control with respect to the enhancement of the contract demand of the said consumer and delayed billing thereof, the Company suffered a loss of interest amounting to ₹ 0.97 crore.

The matter was reported (July 2013) to the Government; reply was awaited (November 2013).

Bihar Urban Infrastructure Development Corporation Limited

4.6 Contribution to the Chief Minister's Relief fund

The Company, despite incurring losses in the Accounts, made contribution of ₹ two crore to the Chief Minister's Relief Fund without following due procedures and also in violation of relevant provision of the Companies Act, 1956.

The Managing Director of the Bihar Urban Infrastructure Development Corporation Limited (Company) proposed to the Board of Directors (BoD), a resolution by circulation (March 2012), to grant approval to make a donation of ₹ three crore to the CM Relief Fund citing plea that such contributions were also being made by other corporations earning profit. The BoD approved donation of ₹ three crore to the CM Relief Fund in anticipation of approval of shareholders in general meeting. However, against the approved contribution of ₹ three crore, the Company contributed a sum of ₹ two crore to the CM Relief Fund.

It would be pertinent to mention here that Section 293(1)(e) of the Companies Act, 1956 (Act) restricts the powers of the Board of Directors of a public Company to contribute to charitable and other funds not directly related to the business of the Company or the welfare of their employees. The Company may contribute any amount, the aggregate of which, within any financial year, does not exceed fifty thousand rupees or five *per cent* of its average profit during the immediately preceding three financial years, whichever was greater. Where the contribution is likely to exceed the aforesaid limit, the same must be done with the prior consent of the Company in a General Meeting.

²⁵ Loss of interest has been worked out at the rate of 13 *per cent*, i.e. borrowing rate charged by the State Government.

Scrutiny of records of the Company revealed that:

- As against the admissible income of ₹ 2.65 crore in the Accounts for the year 2011-12, the Company exhibited an income of ₹ 8.25 crore due to excess account of Centage²⁶ and Contingency charges and other income. Besides, ₹ 0.54 crore payable on account of Minimum Alternate Tax was also not provided for in the Accounts. Thus, as against the exhibited profit of ₹ 2.70 crore in the Accounts, the Company, in fact, incurred a loss of ₹ 3.44 crore²⁷. A comment on the incorrect recognition of revenue by the Company was also made by the CAG in the audit of the accounts for the year 2011-12.
- Since no surplus was available with the Company, the contribution of ₹ two crore to the CM Relief Fund, in fact, was made from the capital of the Company which was in violation of Section 293(1)(e) of the Companies Act, 1956.
- Further, the aforementioned contribution to the CM Relief Fund was made on the basis of provisional accounts and in absence of any call for contribution for an emergent cause.

Thus, the Company made contribution of ₹ two crore to the Chief Minister's Relief Fund without adhering to the due procedures and provisions of the Companies Act, 1956.

The matter was reported (July 2013) to the Government/Management; replies were still awaited (November 2013).

Bihar State Hydroelectric Power Corporation Limited

4.7 Creation of undue liability due to non-deduction of labour cess

Due to not effecting mandatory deduction of labour cess from the bills of the contractors, the Company made itself liable to pay ₹ 0.56 crore towards labour cess and penal interest thereon.

The Government of Bihar (GoB) vide an Extraordinary Gazette notification²⁸ enforced Labour Cess as envisaged by the Ministry of Labour, Government of India notification²⁹ of 'the Building and Other Construction Workers' Welfare Cess Act, 1996(Act)³⁰. The Act specified deduction of Labour Cess at the rate of one *per cent* out of the cost of construction incurred by an employer. As per Section 3(2) of the Act, *ibid*, all Government Departments and Public Sector

²⁶ These are the charges received by the Company from the Government on deposit works.

²⁷ Inadmissible Income (₹ 5.60 crore) + Provision for MAT (₹ 0.54 crore) - Exhibited Profit (₹ 2.70 crore) = ₹ 3.44 crore.

²⁸ Notification No. 865 dated 04 April 2008.

²⁹ Central Gazette Notification No: SO 2899 of 26 September 1996.

³⁰ Section 2(d) of the Act provides that "Building or other Construction work" means the construction, alteration, repairs, maintenance or demolition, of or, in relation to buildings, streets, roads, railways, generation, transmission and distribution of power, etc. but does not include any building or other construction work to which the provisions of the Factory Act would apply.

Undertakings, engaged in construction works are required to deduct Labour Cess at the prescribed rate from the bills of the agencies and remit the same to the “Building and Other Construction Workers Welfare Board”. Further Section 8 of the Act stipulates that if any employer failed to pay any amount of Labour Cess payable within the time specified, such employer would be liable to pay interest on the amount at the rate of two *per cent* for every month or part of a month till such amount was actually paid.

Bihar State Hydroelectric Power Corporation Limited (Company) is engaged in the generation of power and setting up of hydel power projects. The construction of power projects is got executed through outside construction agencies (contractors). As per the provisions of the Act, the Company was liable to deduct the cess from the bills of the contractors and deposit the same with the Labour Resources Department of GoB.

We observed (February 2013) that the Company was not effecting the mandatory deduction of Labour Cess since April 2008. Consequently, a sum of ₹ 0.41³¹ crore was not deducted from the bills of contractors to be deposited with the concerned authorities as a result of which the Company became liable to pay penal interest to the tune of ₹ 0.15 crore. This has resulted in creation of undue liability to the extent of ₹ 0.56 crore on account of Labour Cess and interest thereon (up to June 2013) towards the Labour Resources Department, GoB.

The Management stated (June 2013) that since the projects of the Company, after commissioning, were registered under the Factories Act, 1948, cess levied at a rate of one *per cent* by the Labour Resources Department, Government of Bihar as such was not applicable to the Company.

The reply of the Company is not acceptable as only those premises including the precincts thereof, wherein a manufacturing process is being carried out with or without the aid of power, can be registered as a factory under the Factories Act, 1948. Further, the Labour Resources Department of the Government of Bihar has also clarified (October 2013) that the Company was liable to pay cess at the rate of one *per cent* on the projects under construction. Thus, failure on the part of the Company to enforce Labour Cess led to creation of undue liability amounting to ₹ 0.56 crore.

The Company needs to effect statutory deduction of Labour Cess from the bills of contractors in respect of its construction projects so as to avoid undue liability.

The matter was reported to the Government (June 2013); reply was awaited (November 2013).

³¹ Cess of ₹ 0.41 crore at the rate of one *per cent* on total cost of construction in respect of 23 projects.

4.8 Avoidable expenditure

The Company incurred an avoidable expenditure of ₹ 1.50 crore due to failure to verify the international issues associated with the Dagmara power project and awarding of work order for preparation of DPR in contravention of the Central Water Commission Guidelines.

Para 2.1 of the Guidelines for Submission, Appraisal and Clearance of Irrigation and Multipurpose projects issued (July 2002) by the Central Water Commission (CWC), Ministry of Water Resources (MoWR), Government of India (GoI) provides, *inter alia*, that a Preliminary Feasibility Report (PFR) in respect of multipurpose projects having inter-state/international ramifications along with the applicable checklists should be submitted to CWC for their "In Principle" consent for preparation of the Detailed Project Report (DPR).

Bihar State Hydroelectric Power Corporation Limited (Company) prepared (August 2006) a PFR for setting up a Hydroelectric Project of 126 MW capacity on Koshi River near Dagmara village in Supaul District of Bihar. The proposed Dagmara project envisaged construction of a barrage 22.5 kilometers downstream of the Nepal border and therefore had international ramifications (viz. sub-mergence of the territory of Nepal, sharing of water, etc.) associated with it. On the basis of PFR, the Company placed (September 2007) a work order for preparation of DPR on M/s Water & Power Consultancy Services Limited (WAPCOS) for ₹ 3.08 crore plus taxes. The scope of the said work order included power potential studies, assisting in appraisal of the said Project by Central Electricity Authority (CEA)/CWC/Geological Survey of India (GSI), and obtaining clearance from the Ministry of Environment and Forests (MoEF) as well as Ministry of Defence (MoD). WAPCOS prepared and submitted (December 2010) the DPR to the Company after a delay of two years from the schedule date of submission (September 2008) of DPR. For preparation of DPR, the Company released a payment of ₹ 3.48 crore (inclusive of taxes) to WAPCOS up to April 2011.

We observed that:-

- Though the projects had international ramification, the Company did not submit the PFR along with the applicable checklists to CWC for their "In Principle" consent for preparation of the Detailed Project Report (DPR) as stipulated under the aforementioned Para 2.1 of the CWC Guidelines .
- Based on news regarding fear of submersion in border area of Nepal due to Dagmara Project published (02 July 2007) in newspaper of Nepal, the Indian Embassy in Kathmandu requested the Government of

Bihar/Company to make available full information in this regard. The Company, without verifying the international issues associated with the project, intimated on the same day, i.e., 02 July 2007 the Indian Embassy in Kathmandu that Dagmara Project did not pose any threat of submergence of land or dislocation of population in India or Nepal.

- The draft DPR submitted by WAPCOS was forwarded (July 2010) by the Company to CEA for approval. CEA informed (November 2010) that Dagmara Project being a multipurpose project (MPP) procedurally required clearance from the Technical Advisory Committee (TAC) of MoWR, GoI first and thereafter Power Component would be concurred by CEA. Accordingly, the CEA returned the DPR to the Company with an instruction to resubmit the DPR only after resolving the international issue associated with the said project.
- Accordingly, the Company took up (December 2010) the matter with the MoWR, GoI for clearance. MoWR advised (December 2010) the Company to either shift the proposed project further downward stream so as to ensure that all the civil structures were situated at least eight kilometers from the international border and as such there was no submergence of land in the territory of Nepal or the proposed project in its present form be planned only after obtaining clearance from the Government of Nepal.
- The Company, decided (July 2011) to shift the proposed project 7.5 kilometers downward stream. Accordingly, the Company placed (September 2011) an additional work order on WAPCOS for preparation of DPR for the proposed project at its revised location, at a cost of ₹ 1.50 crore. The scope of additional work order included Topographical survey, Geological investigations, Environment study, modifications in design, drawings and estimates, and preparation of DPR. This resulted in avoidable expenditure of ₹ 1.50 crore on Topographical survey, Geological investigations, Environment study, etc. of the original location of the said project for preparation of DPR which were already carried out as per the earlier DPR.

The Management stated (June 2013) that Dagmara project being a power project required appraisal from CEA only. It further stated that the issue pertaining to the submergence problem in Nepal came to its notice only after preparation of DPR at earlier location. The reply of the Company is not acceptable since Dagmara project was a multipurpose project and the Company was aware (July 2007) of the international issues associated with the said project through Indian Embassy in Nepal prior to awarding (September 2007) of the work of preparation of DPR to WAPCOS.

Thus, failure on the part of the Company to verify the international issues associated with the Dagmara power project and awarding of work order for preparation of DPR in contravention of the Central Water Commission Guidelines resulted in avoidable expenditure of ₹ 1.50 crore.

The matter was reported to the Government (June 2013); reply was awaited (November 2013).

4.9 Wasteful expenditure

Deficient planning on the part of the Company in respect of Dhoba SHP resulted in wasteful expenditure of ₹ 0.31 crore. Besides, there was irregular drawal of further instalments of NABARD loan by submitting incorrect expenditure certificates by the Company.

Bihar State Hydroelectric Power Corporation Limited (Company) decided (March 2001) to set up 2 x 1000 KW Dhoba Small Hydel Power (SHP) project at Tirhut main canal in the district of West Champaran at an estimated cost of ₹ 8.73 crore. Since the site of the project fell within forest land and it required transfer of land under Forest Conservation Act (Act), 1980, a proposal was sent (December 2008) to the Chief Conservator of Forest-cum-Nodal Officer, Bihar for clearance under the said Act. On the basis of latest cost estimates of ₹ 8.90 crore for the said SHP, NABARD sanctioned (March 2008) a loan³² of ₹ 8.46 crore and the balance (₹ 44 lakh) amount was to be funded by the Government of Bihar (GoB). The scheduled date of completion of the SHP was 31 March 2010. The Company was required to submit drawal application along with the duly certified statement of expenditure to NABARD through the Department of Energy, Government of Bihar for reimbursement of the subsequent expenditure incurred on the project.

Scrutiny of records (March 2013) revealed that the Company, without ensuring the availability of land for the project, invited (January 2009) a tender for construction of Dhoba SHP project on turn key basis in which only one³³ firm submitted its offer. However, the aforementioned tender was cancelled (June 2009) on the ground of review of the projects due to administrative and technical reasons. The Company awarded (April 2010) the civil work of the project to M/s Gandak Construction Private Limited at a cost of ₹ 8.11 crore who had submitted their offer (December 2009) after the cancellation of the tender. Besides, without ascertaining the source of additional fund³⁴ and inviting any tender, a Letter of Intent (LoI) for the work relating to main generating equipments (including erection, testing & commissioning and O & M for one year) was issued (July 2010) to M/s BEAS

³² Interest payable on NABARD Loan at the rate of 12 per cent per annum and additional 2.5 per cent per annum in case of default in repayment of loan.

³³ M/s Nortech Power Project Private Limited, Kolkata.

³⁴ i.e. cost of the civil work (₹ 8.11 crore) + cost of work relating to main generating equipments (₹6.65 crore) – sanctioned cost of the SHP (₹ 8.90 crore) = ₹ 5.86 crore.

Infrastructure Private Limited at a cost of ₹ 6.65 crore. The actual expenditure incurred (2006-07 to 2010-11) by the Company in respect of the said SHP stood at ₹ 0.31³⁵ crore.

We further observed that:

- The Forest Department asked (July 2011) the Company to either provide eight hectares of land for the purpose of compensatory afforestation together with a compensation of ₹ 3.92³⁶ crore to the Forest Department or to review the techno-feasibility of the SHP.
- Perceiving heavy compensation payable to the Forest Department to secure the land, the Company belatedly decided (December 2012) to close the project and accordingly directed the contractor to stop the work.
- Despite non-availability of the required land and non-preparation of design and drawings, the Company obtained further instalments of loan aggregating to ₹ 5.95 crore during the period 2008-09 to 2011-12 by submitting incorrect expenditure certificates to NABARD.

As a result of the closure of the Dhoba SHP, the expenditure of ₹ 0.31 crore incurred by the Company, thus, became wasteful.

The Management, while accepting irregularity in reimbursement claims of Dhoba project stated (July 2013) that the fund drawn for Dhoba SHP in excess of actual expenditure had been utilised in Mathauli SHP, which was sanctioned under the same tranche of NABARD. The reply is not based on facts as the expenditure incurred for Mathauli SHP was incurred out of a different loan of ₹ 4.73 crore and was not incurred out of the funds drawn for Dhoba SHP.

Thus, deficient planning on the part of the Company in respect of Dhoba SHP resulted in wasteful expenditure of ₹ 0.31 crore. Besides, there was irregular drawal of further instalments of NABARD loan by submitting incorrect expenditure certificates by the Company.

The matter was reported to the Government (June 2013); reply was awaited (November 2013).

³⁵ Inclusive of mobilisation advance of ₹ 14.86 lakh.

³⁶ At the rate of ₹ 98.10 lakh per hectare.

4.10 Energy generation loss due to absence of a sound power evacuation system

Deficient planning in setting up of the Small Hydel Power Projects without a sound Power Evacuation System led to Energy generation loss of 35.88 MUs of power valuing ₹ 8.93 crore.

Bihar State Hydroelectric Power Corporation Limited (Company), a licensee for generation of power, sells all the power generated through its Hydroelectric Power Plants to the Bihar State Power (Holding) Company Limited³⁷ (BSPHC) by evacuating the same at the receiving points³⁸ of the system of BSPHC. For evacuation of power without any interruptions, the Power House of a generating station is connected by electric line either with a 33/11 KV Power Sub-station (PSS) or with a 132/33 KV Grid Sub-station (GSS) of BSPHC. Evacuation of power at the sub-station is possible only when the GSS or PSS is in charged condition, otherwise the power generated by the Company cannot be evacuated and as such generation has to be stopped in the power house of the Company since surplus power cannot be stored. As the Grid Sub-stations cover larger area, these always remain charged whereas PSSs remain in charged condition depending upon the availability of power in the Grid system and/or area-wise distribution priority of BSPHC. Thus, to maintain generation of power and its evacuation for sale for revenue, it is imperative on the part of the Company to establish a foolproof system to ensure that the targeted GSSs/PSSs remain charged uninterruptedly.

Scrutiny of records of the Company revealed (March 2013) that:

- The Company commissioned eight³⁹ Small Hydroelectric Power Projects (SHPs) during the period 2006-07 to 2009-10. As per the Detailed Project Report (DPR) of these SHPs, power generated was to be evacuated at different GSS of BSPHC. These SHPs were, however, linked with the sub-stations of BSPHC which were, in fact, PSSs and not GSSs. Linking of power-houses of the aforementioned SHPs to the nearest GSS of BSPHC, as envisaged in the DPR for these SHPs was, however, not done so as to ensure uninterrupted generation of power and evacuation.
- During the period 2011-12 to 2012-13, the PSSs of BSPHC were not in a charged condition for 29733⁴⁰ hours due to continual trippings. Consequently, the Company had to shut down its generation at the aforementioned five SHPs for 17,710 hours during the said period and

³⁷ Previously known by the name of Bihar State Electricity Board(Board).

³⁸ Power Sub-station (PSS) and Grid Sub-station (GSS).

³⁹ Jainagra, Shirkhinda, Sebari, Dhelabag . Nastiganj, Agnoor, Arwal and Belsar.

⁴⁰ 2011-12 (10466 hours) and 2012-13 (19267 hours).

as such could not generate 35.88 MUs of power valued at ₹ 8.93⁴¹ crore.

Thus, due to absence of a sound Power Evacuation System, the Company suffered Energy Generation loss of 35.88 MUs valued at ₹ 8.93 crore.

The Management stated (July 2013) that due to poor power system condition, power availability was not continuous in the PSSs and hence the Company sustained generation loss. It further stated that for the purpose of ensuring a better availability of evacuation system by pooling the power of two to three generating stations, it had got prepared a DPR by its consultant⁴² which was also sanctioned under the State Plan.

The fact, thus, remains that the Company failed to plan a sound Power Evacuation System prior to setting up of the SHPs itself to ensure a sound Power Evacuation System to avoid loss of potential generation of power.

The matter was reported to the Government (July 2013); the reply was awaited (November 2013).

Bihar State Electronics Development Corporation Limited, Bihar Police Buildings Construction Corporation (Private) Limited and Bihar State Beverages Corporation Limited

4.11 Avoidable payment of interest

Failure on the part of the companies to devise a suitable system for ensuring proper assessment of tax liability led to non-payment of advance tax resulting in avoidable payment of interest of ₹ 1.64 crore.

Section 207 of the Income Tax Act, 1961 (Act), *inter alia*, provides that every assessee having a tax liability of ₹ 10,000 or more shall pay advance tax in the manner and at the rate prescribed under the Act. Failure to deposit minimum 90 *per cent* of the tax in advance as well as shortfall in depositing tax as per the prescribed slab attracts interest at the rate of one *per cent* per month separately as prescribed under Section 234B and 234C of the Act. The Management is, thus, required to make proper estimation of taxable income to ensure timely deposit of advance tax as required under the Act to avoid the incidence of interest payment.

We examined the system of assessment of tax liability and payment of advance tax in three companies viz. Bihar State Electronics Development Corporation Limited (BELTRON), Bihar Police Buildings Construction Corporation (Private) Limited (BPBCC) and Bihar State Beverages Corporation Limited (BSBCL) and noticed deficiencies as mentioned here under:

⁴¹ Jainagra(4.83 MUs valued at ₹ 1.20 crore), Shirkhinda(4.67 MUs valued at ₹ 1.16 crore), Sebari(3.92 MUs valued at ₹ 0.98 crore), Dhelabag (8.25 MUs valued at ₹ 2.05 crore), Nasriganj(4.10 MUs valued at ₹ 1.02 crore), Agnoor(5.25 MUs valued at ₹ 1.31 crore), Arwal(1.88 MUs valued at ₹ 0.47 crore) and Belsar(2.98 MUs valued at ₹ 0.74 crore).

⁴² Alternate Hydro Energy Center (AHEC), Roorkee.

- BELTRON failed to deposit advance tax with the Income Tax authorities for the financial years 2009-10 and 2011-12. The amount of tax deducted at source on the income of BELTRON for the financial years 2009-10 and 2011-12 stood at ₹ 1.20 crore and ₹ 1.83 crore respectively which was deposited with the Income Tax authorities. The total tax liability of BELTRON for the financial years 2009-10 and 2011-12, however, amounted to ₹ 2.59 crore and ₹ 5.29 crore respectively. Since the total tax paid fell short of 90 *per cent* of tax payable, BELTRON had to pay penal interest of ₹ 14.37 lakh and ₹ 38.18 lakh for the financial years 2009-10 and 2011-12 respectively. Further, for the financial year 2010-11, BELTRON deposited ₹ 0.75 crore and ₹ 1.49 crore on account of advance tax and TDS which fell short of 90 *per cent* of tax payable, i.e., ₹ 4.52 crore, being the actual tax liability for the financial year 2010-11. Thus, BELTRON had to pay penal interest of ₹ 28.23 lakh for the financial year 2010-11.
- BPBCC failed to deposit advance tax with the Income Tax authorities for the financial years 2009-10 and 2011-12. The amount of tax deducted at source on the income of BPBCC for the financial years 2009-10 and 2011-12 stood at ₹ 0.96 crore and ₹ 0.77 crore respectively which was deposited with the Income Tax authorities. The total tax liability of BPBCC for the financial years 2009-10 and 2011-12 was ₹ 2.92 crore and ₹ 1.59 crore respectively. Since the total tax paid fell short of 90 *per cent* of tax payable, BPBCC had to pay penal interest of ₹ 22.65 lakh and ₹ 7.89 lakh for the financial years 2009-10 and 2011-12 respectively. For the financial year 2010-11, BPBCC deposited a sum of ₹ 1.36 crore on account of advance tax which fell short of 90 *per cent* of tax payable for the financial year 2010-11. Thus, BPBCC had to pay penal interest of ₹ 5.73 lakh for the financial year 2010-11.
- Similarly, the total tax liability of BSBCL for the financial years 2009-10, 2010-11 and 2011-12 stood at ₹ 2.82 crore, ₹ 6.39 crore and ₹ 7.40 crore respectively. Since the total tax paid (i.e. advance tax plus TDS) fell short of 90 *per cent* of tax payable in these financial years, BSBCL had to pay penal interests of ₹ 13.39 lakh, ₹ 13.72 lakh and ₹ 19.74 lakh for the financial years 2009-10, 2010-11 and 2011-12 respectively.

Thus, due to failure on the part of the aforementioned companies to devise a suitable system for ensuring proper assessment of tax liability, the companies had to make an avoidable payment of interest of ₹ 1.64⁴³ crore.

The BELTRON Management, while confirming the facts and figures, stated (July 2013) that the suggestions made by the audit have been noted for future.

The Government/BPBCC Management, while confirming the facts and figures, stated (October 2013) that the Company is strengthening its internal

⁴³ i.e. BELTRON - ₹ 14.37 lakh (2009-10) + ₹ 28.23 lakh (2010-11) + ₹ 38.18 lakh (2011-12) = ₹ 80.78 lakh.
BPBCC - ₹ 22.65 lakh (2009-10) + ₹ 5.73 lakh (2010-11) + ₹ 7.89 lakh (2011-12) = ₹ 36.27 lakh.
BSBCL - ₹ 13.39 lakh (2009-10) + ₹ 13.72 lakh (2010-11) + ₹ 19.74 lakh (2011-12) = ₹ 46.85 lakh.

control system to ensure timely availability of information pertaining to turnover, revenues and other parameters necessary for estimation of taxable income.

The BSBCL Management, stated (September 2013) that the system adopted by the Company for estimation of annual income is based on premises and assumptions as prevailing at the time of making projections and are best judgment estimates of future probable income. Further, due to certain expenditure like privilege fee, contribution to Chief Ministers' Relief Fund which crystallise at the end of the accounting year, sharply skewed sales at the end of the accounting year, etc., they can be estimated vaguely only and as such the variance between the projected income and the assessed income is bound to arise causing payment of interest under Section 234 B and 234 C. The contention of the Management is not acceptable as expenditure incurred in the normal course of business can be estimated with a reasonable degree of accuracy by devising a system of making accurate projections/estimates pertaining to turnover, revenues and other parameters necessary for computation of taxable income.

Thus, failure on the part of the companies in assessing the turnover indicated poor internal control system prevalent in the companies to ensure proper estimation of taxable income and formation of other projections, etc.

The companies should strengthen their internal control system so as to ensure timely availability of information pertaining to turnover, revenues and other parameters necessary for estimation of taxable income and formation of other projections, etc.

The matter was reported to the Government (Information Technology Department and Registration, Excise & Prohibition Department) (May and August 2013), replies were awaited (November 2013).

GENERAL

4.12 Response to Inspection Reports, Draft Paragraphs and Performance Audit Reports


Audit observations made during audit and not settled on the spot were communicated to the heads of PSUs and concerned departments of the State Government through Inspection Reports (IRs). The heads of the PSUs were required to furnish replies to the IRs through respective heads of departments within a period of four weeks. IRs issued up to March 2013 pertaining to 24 PSUs disclosed that 1480 paragraphs related to 658 inspection reports were outstanding at the end of September 2013. These outstanding Inspection Report paragraphs had not been replied to for one year to seven years. Department-wise break-up of IRs and audit observations outstanding as on 30 September 2013 is given in *Annexure- 9*.

Similarly, Draft Paragraphs and Performance Audit Reports on the working of PSUs were 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 11 Draft Paragraphs and two Performance Audit Reports forwarded to the various departments during May to September 2013 as detailed in *Annexure -10* were awaited (November 2013).

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/Performance Audit Reports as per the prescribed time schedule; (b) action is taken to recover loss/outstanding advances/overpayments in a time bound schedule; and (c) the system of responding to audit observations is strengthened.

Patna
The



(P. K. SINGH)

Accountant General (Audit), Bihar

Countersigned

New Delhi
The



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

ANNEXURES

Annexure – 1

(Referred to in paragraph 1.7)

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2013 in respect of Government companies and Statutory corporations

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital ¹			Total	Loans ^{2,3} outstanding at the close of 2012-13			Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)	
				State Government	Central Government	Others		State Government	Central Government	Others			Total
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Bihar Rajya Beej Nigam Limited. (BRBNL)	Agriculture	18.7.1977	2.27 (0.65)	1.22 (0.02)	0.22 (0.03)	3.71 (0.70)	27.93	-	-	27.93	7.53:1 (7.53:1)	89
2.	Bihar Rajya Matasya Vikas Nigam Limited. (BRMVNL)	Animal & Fish Resource	23.3.1980	3.00 (1.25)	-	-	3.00 (1.25)	2.60	0.03	-	2.63	0.88:1 (0.88:1)	30
3.	SCADA Agro Business Company Limited. (SABCL)	Water Resources		-	-	0.05	0.05	-	-	-	-	--	NA
Sector-wise total				5.27 (1.90)	1.22 (0.02)	0.27 (0.03)	6.76 (1.95)	30.53	0.03	-	30.56		119
FINANCE													
4.	Bihar State Credit & Investment Corporation Limited. (BSCICL)	Industries	30.1.1975	15.12 (0.12)	-	-	15.12 (0.12)	20.47	-	33.01	53.48	3.54:1 (3.54:1)	41
5.	Bihar State Backward Classes Finance & Development Corporation (BSBCFDC)	Backward Classes and Extremely Backward Classes Welfare	17.6.1993	20.36 (7.00)	-	-	20.36 (7.00)	-	16.32	-	16.32	0.80:1 (0.86:1)	17
6.	Bihar State Minorities Financial Corporation Limited. (BSMFCL)	Minority Welfare	22.3.1984	33.79	-	-	33.79	-	-	42.87	42.87	1.27:1 (1.44:1)	26
7.	Bihar State Film Development & Finance Corporation Limited. (BSFDFCL)	Industries	6.3.1983	1.00	-	-	1.00	0.15	-	-	0.15	0.15:1 (0.08:1)	06
Sector-wise total				70.27 (7.12)	-	-	70.27 (7.12)	20.62	16.32	75.88	112.82		90
INFRASTRUCTURE													
8.	Bihar Police Buildings Construction Corporation Limited (BPBCCL)	Home (Police)	26.6.1974	0.10 (0.00) ¹	-	-	0.10 (0.00) ²	-	0.43	-	0.43	4.30:1 (4.30:1)	363

¹ ₹ 0.01 Lakh

² ₹ 0.01 Lakh

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital ₹				Loans outstanding at the close of 2012-13			Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total	
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(8)
9.	Bihar Rajya Pul Nirman Nigam Limited (BRPNL)	Road Construction	11.6.1975	3.50	-	-	3.50	-	-	-	-	374
10.	Bihar State Building Construction Corporation Limited. (BSBCCL)	Building Construction	20.3.2008	5.00	-	-	5.00	-	-	-	-	78
11.	Bihar State Road Development Corporation Limited (BSRDCL)	Road Construction	20.04.2009	20.00	-	-	20.00	-	-	-	-	101
12.	Bihar Urban Infrastructure Development Corporation Limited (BUIDCO)	Urban Development & Housing	16.06.2009	5.00	-	-	5.00	-	-	-	-	54
13.	Bihar State Educational Infrastructure Development Corporation Limited (BSEIDCL)	Education	16.07.2010	20.00	-	-	20.00	-	-	-	-	49
Sector-wise total				53.60 (0.00)	-	-	53.60 (0.00)	-	0.43	-	0.43	1019
MANUFACTURING												
14.	Bihar State Electronics Development Corporation Limited (BSEIDCL)	Information Technology	21.2.1978	5.66 (5.51)	-	-	5.66 (5.51)	6.00	-	-	6.00	76
15.	Bihar State Mineral Development Corporation Limited (BSMDCL)	Mines & Geology	12.6.1972	9.97	-	-	9.97	-	-	-	-	NA
16.	Bihar State Beverages Corporation Limited (BSBCL)	Registration, Excise & Liquor Prohibition	25.5.2006	5.00	-	-	5.00	-	-	-	-	186
Sector-wise total				20.63 (5.51)	-	-	20.63 (5.51)	6.00	-	-	6.00	262
POWER												
17.	Bihar State Hydroelectric Power Corporation Limited (BSHPCL)	Energy	31.3.1982	99.04	-	-	99.04	198.09	-	175.93	374.02	129
18.	Bihar State Power (Holding) Company Limited	Energy	16.04.2012	1475.00	-	-	1475.00	-	-	-	-	10278
19.	Bihar State Power Generation Company Limited	Energy	29.06.2012	-	-	344.00	344.00	-	-	406.00	406.00	
20.	Bihar State Power Transmission Company Limited	Energy	29.06.2012	-	-	235.00	235.00	-	-	277.00	277.00	
21.	North Bihar Power Distribution Company Limited	Energy	06.07.2012	-	-	385.00	385.00	253.42	-	434.38	687.80	
22.	South Bihar Power Distribution Company Limited	Energy	29.06.2012	-	-	662.48	662.48	277.74	-	342.32	620.06	
23.	Bihar Grid Company Limited	Energy	04.01.2013	-	-	0.05	0.05	-	-	-	-	01
Sector-wise total				1574.04	-	1626.53	3200.57	729.25	-	1635.63	2364.88	10408

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	State Government	Central Government	Others	Total	Loans State Government	Central Government	Others	Total	Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
SERVICES													
24.	Bihar State Tourism Development Corporation Limited (BSTDCL)	Tourism	28.11.1980	5.00	-	-	5.00	-	-	-	-	-	231
25.	Bihar State Food & Civil Supplies Corporation Limited (BSPCSCL)	Food & Consumer Protection	22.4.1973	10.00 (4.73)	-	-	10.00 (4.73)	739.93	-	-	739.93	73.99:1 (22.88:1)	584
26.	Bihar Medical Services & Infrastructure Corporation Limited	Health & Family Welfare	26.07.2010	6.74 (6.69)	-	-	6.74 (6.69)	-	-	-	-	-	17
Sector-wise total				21.74 (11.42)	-	-	21.74 (11.42)	739.93	-	-	739.93	-	832
MISCELLANEOUS													
27.	Bihar State Forest Development Corporation Limited (BSFDCL)	Forest & Environment	10.2.1975	1.75	0.54	-	2.29	-	-	-	-	-	NA
28.	Bihar State Text Book Publishing Corporation Limited (BSTBPCL)	Education	2.4.1965	0.36	-	0.12	0.48	-	-	-	-	-	130
Sector-wise total				2.11	0.54	0.12	2.77	-	-	-	-	-	130
Total A (All sector-wise working Government companies)				1747.66 (25.95)	1.76 (0.02)	1626.92 (0.03)	3376.34 (26.00)	1526.33	16.78	1711.51	3254.62	-	12860
B. Working Statutory corporations													
FINANCE													
1.	Bihar State Financial Corporation (BSFC)	Industries	2.11.1954	39.95	37.70	0.19	77.84	228.47	-	-	228.47	2.94:1 (2.94:1)	249
Sector-wise total				39.95	37.70	0.19	77.84	228.47	-	-	228.47	-	249
SERVICES													
2.	Bihar State Road Transport Corporation (BSRTC)	Transport	1.5.1959	74.75	26.52	-	101.27	547.79	-	-	547.79	5.41:1 (5.41:1)	1275
3.	Bihar State Warehousing Corporation (BSWC)	Co-operative	29.3.1957	3.21	-	3.21	6.42	-	-	-	-	-	215
Sector-wise total				77.96	26.52	3.21	107.69	547.79	-	-	547.79	-	1490
Total B (All sector-wise working Statutory corporations)				117.91	64.22	3.40	185.53	776.26	-	-	776.26	-	1739
Grand Total (A + B)				1865.57 (25.95)	65.98 (0.02)	1630.32 (0.03)	3561.87 (26.00)	2302.59	16.78	1711.51	4030.88	-	14559
C. Non-working Government companies													
AGRICULTURE & ALLIED													
1.	Bihar State Water Development Corporation Limited (BSWDCL)	Water Resources	12.4.1973	10.00	-	-	10.00	49.68	-	-	49.68	4.97:1 (4.97:1)	NA
2.	Bihar State Dairy Corporation Limited (BSDCL)	Animal Husbandry & Fisheries	13.3.1972	6.72	-	-	6.72	-	-	-	-	-	-

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(Figures in column 5 (a) to 6 (d) are ₹ in crore)													
Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital [₹]			Loans [₹] outstanding at the close of 2012-13			Debt equity ratio for 2012-13 (Previous year)		Manpower (No. of employees) (as on 31.3.2013)	
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
3.	Bihar Hill Area Lift Irrigation Corporation Limited ((BSHADCL)	Minor Irrigation	3.6.1975	10.82	-	-	10.82	8.55	-	-	8.55	0.79:1 (0.86:1)	NA
4.	Bihar State Agro Industries Development Corporation Limited (BSAIDCL)	Agriculture	28.4.1966	5.19	2.45	-	7.64	12.60	-	-	12.60	1.65:1 (1.65:1)	136
5.	Bihar State Fruit & Vegetables Development Corporation Limited (BSFVDCI)	Agriculture	8.10.1980	1.61	0.49	-	2.10	0.42	0.70	-	1.12	0.53:1 (0.53:1)	9
6.	Bihar Insecticide Limited (BIL)	Industries	27.2.1983	-	-	2.96 (2.39)	2.96 (2.39)	-	-	1.54	1.54	0.52:1 (0.52:1)	53
7.	SCADA Agro Business Limited, Khagaul (SABLK)	Agriculture	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
8.	SCADA Agro Business Limited, Delhi. (SABLD)	Agriculture	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
9.	SCADA Agro Business Limited, Arrah (SABLA)	Agriculture	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
10.	SCADA Agro Business Limited, Aurangabad (SABLA)	Agriculture	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
11.	SCADA Agro Business Limited, Mohania (SABLM)	Agriculture	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
12.	SCADA Agro Forestry Company Limited, Khagaul (SAFCLK)	Agriculture	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sector-wise total				34.34	2.94	2.96 (2.39)	40.24 (2.39)	71.25	0.70	1.54	73.49	-	198
FINANCE													
13.	Bihar Panchayati Raj Finance Corporation Limited (BPRECL)	Panchayati Raj	20.4.1974	02.01	-	01.01	03.02	-	-	-	-	-	54
14.	Bihar State Handloom and Handicrafts Corporation Limited (BSHHCL)	Industries	21.5.1974	10.00	-	-	10.00	1.16	-	-	1.16	0.12:1 (0.12:1)	NA
15.	Bihar State Small Industries Corporation Limited (BSSICL)	Industries	29.10.1961	7.18	-	-	7.18	10.40	-	1.83	12.23	1.70:1 (1.70:1)	49
16.	Bihar State Industrial Development Corporation Limited (BSIDCL)	Industries	5.11.1960	14.04	-	-	14.04	66.67	-	-	66.67	4.75:1 (4.74:1)	517
Sector-wise total				33.23	-	1.01	34.24	78.23	-	1.83	80.06	-	620
INFRASTRUCTURE													
17.	Bihar State Construction Corporation Limited (BSCCL)	Water Resources	22.8.1974	7.00	-	-	7.00	1.95	-	-	1.95	0.28:1	641
Sector-wise total				7.00	-	-	7.00	1.95	-	-	1.95	-	641

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital ^{\$}			Loans outstanding at the close of 2012-13 ^{**}			Debt equity ratio for 2012-13 (as on 31.3.2013)	Manpower (No. of employees) (as on 31.3.2013)		
				State Government	Central Government	Others	Total	State Government	Central Government			Others	Total
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURING													
18.	Bihar Solvem & Chemicals Limited (BS&CL)	Forest & Environment Industries	Aug-79	0.20	-	0.88	1.08	-	-	0.89	0.89	0.82:1 (0.82:1)	NA
19.	Magadh Mineral Limited (MML)		22.11.1984	-	-	0.36 (0.36)	0.36 (0.36)	-	-	0.47	0.47	1.31:1 (1.31:1)	5
20.	Kumardhabi Metal Casting & Engineering Limited (KMC&EL)	Industries	25.10.1983	-	-	2.17	2.17	-	-	6.63	6.63	3.06:1 (3.06:1)	NA
21.	Beltron Video System Limited (BVSL)	Industries	19.9.1984	-	-	5.05	5.05	-	-	4.51	4.51	0.89:1 (0.89:1)	NA
22.	Beltron Mining System Limited (BMSL)	Industries	30.1.1986	-	-	2.48	2.48	-	-	-	-	-	NA
23.	Beltron Informatics Limited (BIL)	Industries	1.3.1988	-	-	0.00 ¹	0.00	-	-	-	-	-	NA
24.	Bihar State Sugar Corporation Limited (BSSCL)	Sugar Cane	26.12.1974	20.00	-	-	20.00	322.95	-	-	322.95	16.15:1 (16.15:1)	NA
25.	Bihar State Cement Corporation Limited (BSCCL)	Industries	17.10.1981	-	-	0.00 ⁴	0.00	0.03	-	-	0.03	42.86:1 (45.29:1)	NA
26.	Bihar State Pharmaceuticals & Chemicals Development Corporation Limited (BSP&CDCL)	Industries	22.2.1978	15.78 (0.78)	-	-	15.78 (0.78)	4.25	-	-	4.25	0.27:1 (0.26:1)	52
27.	Bihar Maize Product Limited (BMPL)	Industries	2.9.1982	-	-	0.74 (0.74)	0.74 (0.74)	-	-	0.02	0.02	0.03:1 (0.03:1)	NA
28.	Bihar Drugs and Chemicals Limited (BD&CL)	Industries	12.8.1983	-	-	4.00	4.00	1.28	-	-	1.28	0.32:1 (0.32:1)	NA
29.	Bihar State Textiles Corporation Limited (BSTCL)	Industries	21.2.1978	10.78	-	-	10.78	2.27	-	-	2.27	0.21:1 (0.42:1)	51
Sector-wise total				46.76 (0.78)	-	15.68 (1.10)	62.44 (1.88)	330.78	-	12.52	343.30	-	108
SERVICES													
30.	Bihar State Export Corporation Limited (BSECL)	Industries	29.12.1974	2.00	-	-	2.00	1.22	-	-	1.22	0.61:1 (0.61:1)	23
Sector-wise total MISCELLANEOUS				2.00	-	-	2.00	1.22	-	-	1.22	-	23
31.	Bihar Paper Mills Limited (BPML)	Industries	8.7.1977	-	-	7.77	7.77	-	-	10.72	10.72	1.38:1 (1.38:1)	NA
32.	Bihar State Glazed Tiles & Ceramics Limited (BSGT&CL)	Industries	2.4.1984	-	-	1.40 (0.25)	1.40 (0.25)	-	-	3.66	3.66	2.61:1 (2.61:1)	32

³ ₹ 0.28 lakh⁴ ₹ 0.07 lakh

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital ₹				Loans outstanding at the close of 2012-13			Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Government	Central Government	Others	Total	State Government	Central Government	Others		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)
33.	Vishwanatra Paper Industries Limited (VPIL)	Industries	18.6.1983	-	-	1.74 (0.60)	1.74 (0.60)	-	-	0.81	0.81	NA
34.	Jhunjharpur Paper Industries Limited (JPIL)	Industries	27.2.1982	-	-	1.49 (0.42)	1.49 (0.42)	-	-	0.46	0.46	13
35.	Bihar State Tannin Extract Limited (BSTEL)	Forest & Environment	27.1.1984	-	-	1.57	1.57	-	-	2.14	2.14	NA
36.	Bihar State Finished Leathers Corporation Limited (BSFLCL)	Industry	20.4.1982	-	-	1.47	1.47	9.18	-	-	9.18	NA
37.	Synthetic Resins (Eastern) Limited (SREL)	Industries	14.12.1982	-	-	0.31	0.31	-	-	1.05	1.05	-
38.	Bhavani Active Carbon Limited (BACL)	Industries	26.3.1985	-	-	0.09	0.09	-	-	-	-	NA
39.	Bihar State Leather Industries Development Corporation Limited (BSLIDCL)	Industries	23.3.1974	17.40	-	-	17.40	12.43	-	1.70	14.13	NA
40.	Bihar Scooters Limited (BSL)	Industries	19.1.1978	-	-	1.63	1.63	6.09	-	-	6.09	NA
Sector-wise total				17.40	-	17.47 (1.27)	34.87 (1.27)	27.70	-	20.54	48.24	45
Total C (All sector-wise non-working Government companies)				140.73 (0.78)	2.94	37.12 (4.76)	180.79 (5.54)	511.13	0.70	36.43	548.26	1635
Grand Total (A + B + C)				2006.30 (26.73)	68.92 (0.02)	1667.44 (4.79)	3742.66 (31.54)	2813.72	17.48	1747.94	4579.14	16234*

§ Above includes Section 619-B company at Sl. Nos. 3 of working companies and Sl. Nos. 7 to 12 of non-working companies.

* Paid-up capital includes share application money which is appearing in brackets in column 5(a) to 5 (d).

* This represents unallocated manpower of 10,278 on account of erstwhile BSEB unbundled into five companies with effect from 1 November 2012.

(Total manpower = 10,278+5956=16,234)

** Loans outstanding at the close of 2012-13 represent long-term loans only.

NA indicates that the information has not been provided by the respective companies.

Figures of the companies at Sl. No. A-27, C-1, C-3, C-7 to 12, C-14 to 15, C-18, C-20 to 25, C-27 to 31 and C-33 to 40 have been taken from the Audit Report (Commercial), Govt. of Bihar, 2011-12 as the required information has not been furnished by the respective companies.

Annexure – 2

(Referred to in paragraph 1.10)

Statement showing Equity/Loans received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year ^(d)		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
FINANCE													
1.	Bihar State Backward Classes Finance & Development Corporation	1.00	-	-	-	-	-	-	25.56 ^{(a)(i)}	-	-	-	-
2.	Bihar State Minorities Finance Corporation Limited	1.00	-	-	-	-	-	-	47.50 ^{(a)(i)}	-	-	-	-
Sector-wise total		2.00	-	-	-	-	-	-	73.06 ^{(a)(i)}	-	-	-	-
INFRASTRUCTURE													
3.	Bihar State Building Construction Corporation Limited	4.94	-	-	-	-	-	-	-	-	-	-	-
Sector-wise total		4.94	-	-	-	-	-	-	-	-	-	-	-
POWER													
4.	Bihar State Hydroelectric Power Corporation Limited	-	57.78	-	-	-	-	-	-	-	-	-	-
5.	Bihar State Power (Holding) Company Limited	1475.00	-	-	-	-	-	-	-	-	-	-	-
6.	Bihar State Power Generation Company Limited	-	-	-	-	-	-	-	-	-	-	-	-
7.	North Bihar Power Distribution Company Limited	-	153.28	-	339.38	-	-	-	-	-	-	-	-

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Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year ⁱⁱ		(Figures in column 3 (a) to 6 (d) are ₹ in crore)			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off 6 (a)	Loans converted into equity 6 (b)	Interest/ penal interest waived 6 (c)	Total 6 (d)
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
8.	South Bihar Power Distribution Company Limited	-	127.53	-	587.13	-	-	-	-	-	-	-	-
9.	Bihar State Power Transmission Company Limited	-	-	-	-	-	-	-	-	-	-	-	-
Sector-wise total		1475.00	338.59	-	926.51	-	-	-	-	-	-	-	-
SERVICES													
10	Bihar State Tourism Development Corporation Limited	-	-	-	12.00	-	12.00	-	-	-	-	-	-
Sector-wise total		-	-	-	12.00	-	12.00	-	-	-	-	-	-
Total A (All sector-wise Working Government Companies)		1481.94	338.59	-	938.51	-	938.51	-	73.06 ^{(a)(c)}	-	-	-	-
B. Working Statutory corporations													
Co-operative													
1.	Bihar State Warehousing Corporation	-	-	-	16.00	-	16.00	-	-	-	-	-	-
Sector-wise total		-	-	-	16.00	-	16.00	-	-	-	-	-	-
Power													
2.	Bihar State Electricity Board ^f	-	338.58	-	1980.00	-	-	-	-	-	-	-	-
Sector-wise total		-	338.58	-	1980.00	-	1980.00	-	-	-	-	-	-
FINANCE													
3.	Bihar State Financial Corporation	-	-	-	0.46	-	0.46	-	-	-	-	-	-
Sector-wise total		-	-	-	0.46	-	0.46	-	-	-	-	-	-
Total B (All sector-wise working Statutory corporations)		-	-	-	1996.46	-	1996.46	-	-	-	-	-	-
Grand Total (A + B)		1481.94	677.17	-	2934.97	-	2934.97	-	73.06 ^{(a)(c)}	-	-	-	-

^{(b)(c)} figures indicate total guarantees outstanding at the end of the year.

This figure relates to erstwhile Bihar State Electricity Board for the period ending 31 October 2012.

Annexure – 3

(Referred to in paragraphs 1.14, 1.29 and 1.33)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Figures in column 5 (a) to (6) and (7) to (10) are ₹ in crore)														
Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Net Profit/ Interest	Depre- ciation	Net Profit/ Loss	Turn- over	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed ^(a)	Return on capital employed \$	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Bihar Rajya Beej Nigam Limited.	1999-2000	2013-14	(-2.19	2.74	0.06	(-)4.99	1.89	-	3.71	(-)58.45	0.82	(-)2.25	-
2.	Bihar Rajya Matasya Vikas Nigam Limited	1992-93	1996-97	(-)0.01	0.17	0.04	(-)0.22	-	-	1.75	(-)1.92	1.74	(-)0.05	-
3.	SCADA Agro Business Company Limited.	2010-11	2011-12	0.01	-	0.01	0.00 [^]	-	-	0.05	(-)1.81	1.11	-	0.36
Sector-wise total				(-)2.19	2.91	0.11	(-)5.21	1.89	-	5.51	(-)62.18	3.67	(-)2.30	-
FINANCE														
4.	Bihar State Credit & Investment Corporation Limited.	2004-05	2011-12	(-)0.26	3.69	0.04	(-)3.99	2.23	(-)0.99	15.00	(-)149.67	32.00	(-)0.30	-
5.	Bihar State Backward Classes Finance & Development Corporation Limited.	1997-98	2006-07	0.41	0.68	0.02	(-)0.29	0.64	-	3.62	0.53	3.86	0.39	10.10
6.	Bihar State Minorities Finance Corporation Limited.	2008-09	2012-13	0.43	2.37	0.01	(-)1.95	2.44	-	4.75	(-)6.99	56.12	0.42	0.75
7.	Bihar State Film Development & Finance Corporation Limited.	1991-92	2000-01	0.02	-	0.00 [^]	0.02	-	-	0.95	(-)0.12	0.88	0.02	2.27
Sector-wise total				0.60	6.74	0.07	(-)6.21	5.31	(-)0.99	24.32	(-)156.25	92.86	0.53	-
INFRASTRUCTURE														
8.	Bihar Police Buildings Construction Corporation Limited	2003-04 2004-05	2012-13	(-)0.11	-	0.02	(-)0.13	3.21	0.23	0.10	(-)8.37	(-)7.84	(-)0.13	-

⁵ ₹ (-) 0.42 lakh⁶ ₹ 0.29 lakh

Audit Report on Public Sector Undertakings for the year ended 31 March 2013

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)			Turn-over	Impact of Accounts # Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed ^{1d}	Return on capital employed ⁵	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Net Profit/ Interest	Depre- ciation							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(7)	(8)	(9)	(10)	(11)	(12)
9.	Bihar Rajya Pul Nirman Nigam Limited	2010-11	2012-13	45.31	-	7.42	37.89	-	3.50	110.44	170.00	37.89	22.29
10.	Bihar State Building Construction Corporation Limited.	2008-09 2009-10 2010-11											
11.	Bihar State Educational Infrastructure Development Corporation Limited	2011-12	2013-14	0.39	-	0.007	0.38	(-)0.36	0.06	(-)2.16	(-)2.10	0.38	-
		2012-13		24.16	-	0.01	24.15	-	20.00	34.57	54.57	24.15	44.10
12.	Bihar State Road Development Corporation Limited	2011-12 2012-13	2013-14	37.67	-	0.31	37.36	6.55	20.00	182.71	206.95	37.36	18.05
13.	Bihar Urban Infrastructure Development Corporation Limited (BUIDCO)	2011-12	2012-13	2.81	-	0.11	2.70	(-)6.14	5.00	2.98	7.98	2.70	33.83
Sector-wise total				110.23	-	7.87	102.35	0.28	48.66	320.17	429.56	102.35	-
MANUFACTURING													
14.	Bihar State Electronics Development Corporation Limited (BSEDCL)	2009-10	2011-12	8.31	0.92	0.08	7.31	(-)1.32	5.66	1.76	35.30	8.23	23.31
15.	Bihar State Mineral Development Corporation Limited (BSMDCL)	2000-01	2004-05	9.42	-	0.13	9.29	-	9.97	7.04	20.68	9.29	44.92
16.	Bihar State Beverages Corporation Limited (BSBCL)	2010-11	2013-14	12.59	-	0.17	12.42	-	5.00	14.90	21.44	12.42	57.93
Sector-wise total				30.32	0.92	0.38	29.02	(-)1.32	20.63	23.70	77.42	29.94	-
POWER													
17.	Bihar State Hydroelectric Power Corporation Limited (BSHPCL)	1999-2000	2012-13	6.60	6.54	5.65	(-)5.59	(-)0.94	99.04	(-)44.79	251.74	0.95	0.38

⁷ ₹ (-) 0.29 lakh

(Figures in column 5 (a) to (6) and (7) to (10) are ₹ in crore)														
Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)			Turn-over	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed [@]	Return on capital employed \$	Percentage return on capital employed	
				Net Profit/ Loss before Interest & Depreciation 5 (a)	Net Profit/ Interest 5 (b)	Depre- ciation 5 (c)								Net Profit/ Loss 5 (d)
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
18.	Bihar State Power (Holding) Company Limited*	A/c not finalised	-	-	-	-	-	-	-	-	-	-	-	-
19.	Bihar State Power Generation Company Limited*	A/c not finalised	-	-	-	-	-	-	-	-	-	-	-	-
20.	Bihar State Power Transmission Company Limited*	A/c not finalised	-	-	-	-	-	-	-	-	-	-	-	-
21.	North Bihar Power Distribution Company Limited*	A/c not finalised	-	-	-	-	-	-	-	-	-	-	-	-
22.	South Bihar Power Distribution Company Limited*	A/c not finalised	-	-	-	-	-	-	-	-	-	-	-	-
23.	Bihar Grid Company Limited	2012-13	2013-14	0.00	-	-	0.00 ⁸	-	-	0.05	-	0.05	0.00	-
Sector-wise total				6.60	6.54	5.65	(-5.59)	8.53	(-0.94)	99.09	(-44.79)	251.79	0.95	-
Services														
24.	Bihar State Tourism Development Corporation Limited	2004-05 2005-06 2006-07 2007-08 2008-09												
25.	Bihar State Food & Civil Supplies Corporation Limited	1990-91	2012-13	1.88 (-2.44)	- 8.16	0.67 0.58	1.21 (-11.18)	5.88 140.14	(-0.43 (-3.37)	5.00 4.46	4.83 (-46.04)	11.63 39.12	1.21 (-3.02)	10.40 -
26.	Bihar Medical Services & Infrastructure Corporation Limited	2011-12	2012-13	0.81	-	0.08	0.73	0.08	(-1.64)	0.05	-	7.47	0.73	9.77
Sector-wise total				0.25	8.16	1.33	(-9.24)	146.10	(-5.44)	9.51	(-41.21)	58.22	(-1.08)	-
Miscellaneous														
27.	Bihar State Forest Development Corporation Limited	2000-01	2005-06	0.34	-	0.06	0.28	22.81	(-0.40)	2.29	0.32	1.17	0.28	23.93

⁸ ₹ (-) 0.38 lakh

(Figures in column 5 (a) to (6) and (7) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Net Profit/ Interest	Depr-eciation	Net Profit/ Loss	Turn-over	Impact of Accounts # Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed ⁹	Return on capital employed ⁸	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
28.	Bihar State Text Book Publishing Corporation Limited	1998-99	2013-14	(-)0.26	-	0.06	(-)0.32	17.02	-	0.48	(-)6.29	(-)5.81	(-)0.32	-
	Sector-wise total	-	-	0.08	-	0.12	(-)0.04	39.83	(-)0.40	2.77	(-)5.97	(-)4.64	(-)0.04	-
	Total A (All sector-wise working Government companies)	-	-	145.89	25.27	15.53	105.08	2721.29	(-)8.81	210.49	(-)33.47	908.88	130.35	-
B. Working Statutory Corporations														
FINANCE														
1.	Bihar State Financial Corporation	2011-12	2012-13	19.15	19.04	0.06	0.05	5.78	(-)0.19	77.84	(-)382.14	31.98	19.09	59.69
	Sector-wise total			19.15	19.04	0.06	0.05	5.78	(-)0.19	77.84	(-)382.14	31.98	19.09	
SERVICES														
2.	Bihar State Road Transport Corporation	2003-04	2013-14	(-)69.35	32.96	3.58	(-)105.89	28.21	**	101.28	(-)786.06	(-)531.83	(-)72.93	-
3.	Bihar State Warehousing Corporation	2009-10	2013-14	4.32	1.59	0.78	1.95	58.42	**	6.42	4.87	25.71	3.54	13.77
	Sector-wise total	-	-	(-)65.03	34.55	4.36	(-)103.94	86.63	-	107.70	(-)781.19	(-)506.12	(-)69.39	-
	Total B (All sector-wise working Statutory corporations)	-	-	(-)45.88	53.59	4.42	(-)103.89	92.41	(-)0.19	185.54	(-)1163.33	(-)474.14	(-)50.30	-
	Grand Total (A + B)	-	-	100.01	78.86	19.95	1.19	2813.70	(-)9.00	396.03	(-)1129.86	434.74	80.05	-
C. Non-working Government companies														
AGRICULTURE & ALLIED														
1.	Bihar State Water Development Corporation Limited	1978-79	1997-98	3.03	0.25	0.61	2.17	-	-	5.00	11.20	26.70	2.42	9.06
2.	Bihar State Dairy Corporation Limited	1996-97	2013-14	(-)0.00	0.00	0.00 ⁹	(-)0.00 ¹⁰	-	-	6.72	(-)10.58	4.86	(-)0.00	-
3.	Bihar Hill Area Lift Irrigation Corporation Limited	1982-83	1993-94	0.18	0.13	0.31	(-)0.26	0.01	-	5.60	(-)0.86	9.53	(-)0.13	-
4.	Bihar State Agro Industries Development Corporation Limited	1990-91	2013-14	(-)1.63	0.57	0.02	(-)2.22	3.70	-	7.57	(-)34.73	(-)6.64	(-)1.65	-

⁹ ₹ 560 lakh

¹⁰ ₹ (-) 0.36 lakh

(Figures in column 5 (a) to (6) and (7) to (10) are ₹ in crore)														
Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)			Turn-over	Impact of Accounts # Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed [@]	Return on capital employed ^{\$}	Percentage return on capital employed	
				Net Profit/ Loss before Interest & Depreciation 5 (a)	Net Profit/ Interest 5 (b)	Depre- ciation 5 (c)								Net Profit/ Loss 5 (d)
(1)	(2)	(3)	(4)	(5 (a))	(5 (b))	(5 (c))	(5 (d))	(6)	(7)	(8)	(9)	(10)	(11)	(12)
5.	Bihar State Fruit & Vegetables Development Corporation Limited	1994-95	2010-11	(-)0.12	0.73	0.07	(-) 0.92	0.00	(-) 0.14	2.10	(-)7.82	(-)0.07	(-)0.19	-
6.	Bihar Insecticide Limited	1986-87	1991-92	(-) 0.52	0.16	0.35	(-) 1.03	-	-	0.57	(-) 1.03	2.35	(-) 0.87	-
7.	SCADA Agro Business Limited, Khagaul	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	SCADA Agro Business Limited, Dehri.	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	SCADA Agro Business Limited, Arrah	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	SCADA Agro Business Limited, Aurangabad	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	SCADA Agro Business Limited, Mohania	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	SCADA Agro Forestry Company Limited, Khagaul	-	-	-	-	-	-	-	-	-	-	-	-	-
Sector-wise total FINANCE				(-)0.94	1.84	1.36	(-)2.26	3.71	(-)0.14	27.56	(-)43.82	36.73	(-)0.42	-
13.	Bihar Panchayati Raj Finance Corporation Limited	1984-85	1991-92	0.23	0.24	0.00 ¹¹	(-)0.01	-	-	1.44	(-)0.03	5.86	0.23	3.92
14.	Bihar State Handloom and Handicrafts Corporation Limited	1983-84	1996-97	0.02	0.11	0.01	(-)0.10	-	(-)0.01	6.28	(-)0.44	7.08	0.01	0.14
15.	Bihar State Small Industries Corporation Limited	1990-91	2005-06	(-)0.21	1.15	0.06	(-)1.42	15.22	(-)0.53	7.18	(-)16.56	1.86	(-)0.27	-
16.	Bihar State Industrial Development Corporation Limited	1987-88	2009-10	2.22	5.35	0.38	(-)3.51	6.59	(-)9.28	14.04	(-)26.42	29.54	1.84	6.23
Sector-wise total INFRASTRUCTURE				2.26	6.85	0.45	(-)5.04	21.81	(-)9.82	28.94	(-)43.45	44.34	1.81	-
17.	Bihar State Construction Corporation Limited	1990-91	2012-13	(-)1.02	-	0.11	(-)1.13	22.03	-	7.00	(-)1.17	8.39	(-)1.13	-
Sector-wise total				(-)1.02	-	0.11	(-)1.13	22.03	-	7.00	(-)1.17	8.39	(-)1.13	-

¹¹ ₹ 16,235.26

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(Figures in column 5 (a) to (6) and (7) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Net Profit/ Interest	Depr-eciation	Net Profit/ Loss	Turn-over	Impact of Accounts # Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed ^(d)	Return on capital employed ^(e)	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURING														
18.	Bihar Solvent & Chemicals Limited	1986-87	1995-96	(-10.05)	0.11	0.16	(-0.32)	-	(-0.24)	0.66	(-0.32)	1.67	(-0.21)	-
19.	Magadh Mineral Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
20.	Kumardubhi Metal Casting & Engineering Limited	1994-95	1995-96	(-11.13)	0.38	0.88	(-12.39)	10.89	-	2.17	(-18.16)	0.91	(-12.01)	-
21.	Beltron Video System Limited	1987-88	1998-99	(-10.09)	0.05	0.01	(-10.15)	0.75	-	1.21	(-10.22)	1.02	(-10.10)	-
22.	Beltron Mining System Limited	1989-90	2002-03	(-10.07)	-	0.03	(-10.10)	0.41	-	1.26	(-10.49)	0.52	(-10.10)	-
23.	Beltron Informatics Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
24.	Bihar State Sugar Corporation Limited	1984-85	1996-97	(-12.84)	6.00	0.36	(-19.20)	-	(-14.67)	9.97	(-72.31)	(-110.24)	(-13.20)	-
25.	Bihar State Cement Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
26.	Bihar State Pharmaceuticals & Chemicals Development Corporation Limited	1985-86	1992-93	(-10.16)	0.00 ¹²	0.01	(-10.17)	-	-	3.62	(-10.74)	6.87	(-10.17)	-
27.	Bihar Maize Product Limited	1983-84	1987-88	(-10.03)	-	0.00 ¹³	(-10.03)	-	-	0.67	(-10.06)	0.80	(-10.03)	-
28.	Bihar Drugs and Chemicals Limited	1985-86	1991-92	(-10.03)	-	0.00 ¹⁴	(-10.03)	-	-	0.94	(-10.16)	1.16	(-10.03)	-
29.	Bihar State Textiles Corporation Limited	1987-88	1995-96	(-10.08)	-	0.01	(-10.09)	-	(-10.02)	4.98	(-10.32)	3.72	(-10.09)	-
Sector-wise total				(-14.48)	6.54	1.46	(-12.48)	12.05	(-14.93)	25.48	(-182.78)	6.43	(-15.94)	-
SERVICES														
30.	Bihar State Export Corporation Limited	1991-92	1999-00	0.11	0.20	0.01	(-10.10)	4.94	(-10.03)	2.00	(-10.01)	3.75	0.10	2.67
Sector-wise total				0.11	0.20	0.01	(-10.10)	4.94	(-10.03)	2.00	(-10.01)	3.75	0.10	-

¹² ₹ 1,680.50

¹³ ₹ 9,052.80

¹⁴ ₹ 328.52

(Figures in column 5 (a) to (6) and (7) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Net Profit/ Interest	Depr- ciation	Net Profit/ Loss	Turn- over	Impact of Accounts # Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed [@]	Return on capital employed ^{\$}	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MISCELLANEOUS														
31.	Bihar Paper Mills Limited	1985-86	1997-98	(-0.05)	-	0.01	(-0.06)	-	0.00 ¹⁵	1.56	(-0.31)	1.44	(-0.06)	-
32.	Bihar State Glazed Tiles & Ceramics Limited	1985-86	1997-98	(-0.06)	0.02	0.00 ¹⁶	(-0.08)	-	-	0.16	(-0.51)	3.50	0.06	-
33.	Vishwamitra Paper Industries Limited	1984-85	1988-89	(-0.01)	-	0.00 ¹⁷	(-0.01)	-	-	0.40	(-0.01)	0.69	(-0.01)	-
34.	Jharkhand Paper Industries Limited	1985-86	1991-92	(-0.01)	0.00 ¹⁸	0.00 ¹⁸	(-0.01)	-	(-0.03)	0.42	(-0.02)	0.59	(-0.01)	-
35.	Bihar State Tannin Extract Limited	1988-89	1993-94	(-0.16)	0.16	0.00 ²⁰	(-0.32)	-	-	1.03	(-0.67)	2.49	(-0.16)	-
36.	Bihar State Finished Leathers Corporation Limited	1983-84	1986-87	(-1.49)	-	-	(-1.49)	-	-	1.47	(-2.13)	6.15	(-1.49)	-
37.	Synthetic Resins (Eastern) Limited	1983-84	1987-88	(-0.02)	0.00 ²¹	-	(-0.02)	-	-	0.09	(-0.01)	0.17	(-0.02)	-
38.	Bhavani Active Carbon Limited	1985-86	1989-90	(-0.01)	-	-	(-0.01)	-	-	0.02	(-0.01)	0.01	(-0.01)	-
39.	Bihar State Leather Industries Development Corporation Limited	1982-83	2004-05	(-0.25)	0.08	0.04	(-0.37)	-	(-0.01)	5.14	(-2.92)	2.56	(-0.29)	-
40.	Bihar Scooters Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
Sector-wise total				(-2.06)	0.26	0.05	(-2.37)	-	(-0.04)	10.29	(-6.59)	17.60	(-1.99)	-
Total C (All sector-wise non-working Government companies)				(-6.13)	15.69	3.44	(-23.38)	64.54	(-14.96)	101.27	(-177.82)	117.24	(-7.57)	-
Grand Total (A + B + C)				93.88	94.55	23.39	(-22.19)	2878.24	(-23.96)	497.30	(-1307.68)	551.98	72.48	-

Above includes Section 619-B company at Sl. No. 3 of working companies and Sl. Nos. 7 to 12 of non-working companies.

¹⁵ ₹ 36,000

¹⁶ ₹ 47,550.94

¹⁷ ₹ 7,623.00

¹⁸ ₹ 2,533.30

¹⁹ ₹ 421.36

²⁰ ₹ 22,074.77

²¹ ₹ 5,814.45

- # Impact of accounts comments include the net impact of comments of CAG and is denoted by (+) increase in profit/decrease in losses (-) decrease in profit/increase in losses.
- (a) Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance). Consequent upon amendment in Schedule IV of Companies Act 1956, Capital Employed has been computed as:
Shareholders fund (i.e. Share capital, Share application money pending allotment and Free reserve after adjusting accumulated loss if any) plus Long term Borrowings consequent upon amendment in Schedule IV to the Companies Act w.e.f. 1st April 2011. Sl. No. A1, A3, A4, A6, A8 to A17, A23 to A26, A28, B1 to B3, C2, C4 & C17.
- S Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.
- ** Audit of Accounts by CAG for these corporations is under progress.
- * These Companies commenced their operation w.e.f. 01 November 2012 on unbundling of erstwhile Bihar State Electricity Board. The turnover/ Loss of Board upto October 2012 and other PSU's is as under.
- (1) **Loss incurred by working PSUs = ₹ 1.19 crore + ₹ (-) 1087.63 crore (BSEB) = ₹ 1086.44 crore**
- (2) **Total Turnover = (A+B) + BSEB = ₹ 2813.70 crore + ₹ 2043.93 crore (BSEB) = ₹ 4857.63 crore**
- (3) **Loss for the current year = (A+B+C) + BSEB = ₹ 22.19 crore + ₹ 1087.63 crore (BSEB) = ₹ 1109.82 crore**

Annexure - 4

(Referred to in paragraph 1.14)

Statement of financial position of Statutory corporations

(Amount: ₹ in crore)

1. Bihar State Road Transport Corporation[♦]			
Particulars	2010-11 (Provisional)	2011-12 (Provisional)	2012-13 (Provisional)
A. Liabilities			
Capital (including capital loan & equity capital)	525.35	646.69	649.06
Borrowings (Government)	—	—	—
(Others)	—	—	—
Funds**	0.30	0.30	0.30
Trade dues and other current liabilities (including provisions)	925.52	722.77	754.81
Total – A	1451.17	1369.76	1404.17
B. Assets			
Gross Block	—	—	—
Less depreciation	—	—	—
Net fixed assets	32.00	27.00	22.00
Capital works in progress (including cost of chassis)	—	—	—
Investments	—	—	—
Current Assets, loans and advances	325.39	149.75	88.00
Accumulated Losses	1093.78	1193.01	1294.17
Total – B	1451.17	1369.76	1404.17
C. Capital employed	(-)568.13	(-)546.32	(-)645.11
2. Bihar State Financial Corporation[♦]			
Particulars	2010-11	2011-12	2012-13 (Provisional)
A. Liabilities			
Paid-up capital*	77.84	77.84	77.84
Share application money	—	—	—
Reserve fund, other reserves and surplus	10.05	10.05	10.05
Borrowings	—	—	—
Bonds and Debentures	3.47	—	—
Fixed Deposits	—	—	—
IDBI & SIDBI	—	—	—
Reserve Bank of India	—	—	—
Loan towards share capital	228.47	228.47	228.47
(a) State Govt.			
(b) I.D.B.I.			
Refinance Loan IDBI & SIDBI	—	—	—
Others including State Govt.	—	—	—

♦ Figures are as per information provided by the Corporation.

** Excluding depreciation funds.

♦ Figures are as per information provided by the Corporation.

* Paid-up capital includes share application money.

Current liabilities and provisions	305.34	281.51	292.55
Total – A	625.17	597.87	608.91
B. Assets			
Cash and Bank balance	71.16	61.12	65.01
Investments	0.04	0.04	0.04
Loans and advances	162.59	143.92	140.17
Net fixed assets	0.65	0.64	0.60
Other assets	8.53	10.01	10.14
Miscellaneous Expenditure	382.20	382.14	392.95
Total – B	625.17	597.87	608.91
C. Capital employed**	335.75	(-)65.78	(-)76.56
3. Bihar State Warehousing Corporation[♦]			
Particulars	2010-11 (Provisional)	2011-12 (Provisional)	2012-13 (Provisional)
A. Liabilities			
Paid-up capital	6.42	6.42	6.42
Reserves and surplus	11.59	11.59	11.59
Subsidy from Government	Nil	Nil	Nil
Borrowing- Govt. Others	1.17	Nil	Nil
Trade dues and other liabilities (including provisions)	41.52	38.09	NA
Total – A	60.70	56.10	
B. Assets			
Gross block	22.24	22.30	22.30
Less depreciation	8.10	8.85	-
Net fixed assets	14.14	13.44	-
Capital work-in-progress	2.03	3.78	-
Current assets, loans and advances	44.53	38.88	-
Profit and loss Account	-	-	-
Total – B	60.70	56.10	-
C. Capital employed	19.18	18.01	-

** Capital employed represents shareholder fund + Free Reserve + Long term Borrowing as per revised schedule IV w.e.f. 01 April 2011.

♦ Figures are as per information provided by the Corporation.

Annexure - 5

(Referred to in paragraph 1.14)

Statement of working results of Statutory corporations

(Amount: ₹ in crore)

1	Bihar State Road Transport Corporation [♦]			
	Particulars	2010-11 (Provisional)	2011-12 (Provisional)	2012-13 (Provisional)
	Operating			
(a)	Revenue	19.56	21.03	18.00
(b)	Expenditure	33.53	36.46	27.24
(c)	Surplus (+)/Deficit (-)	(-)13.97	(-) 15.43	(-) 9.24
	Non-operating			
(a)	Revenue	-	10.35	8.00
(b)	Expenditure	7.18	94.15	99.92
(c)	Surplus (+)/Deficit (-)	(-)7.18	(-)83.80	(-) 91.92
	Revenue	19.56	31.38	26.00
	Expenditure	40.71	130.61	127.16
	Net Profit (+)/ Loss (-)	(-)21.15	(-) 99.23	(-) 101.16
	Interest on capital and loans	-	89.63	97.70
	Total return on Capital employed	-	(-)9.6	(-)3.46
2	Bihar State Financial Corporation [♦]			
	Particulars	2010-11	2011-12	2012-13 (Provisional)
1.	Income			
i)	Interest on loans	8.28	5.78	6.86
ii)	Other income	4.89	7.70	9.89
iii)	Excess provision written back	39.42	20.65	3.81
	Total - 1	52.59	34.13	20.56
2.	Expenses[*]			
i)	(a) Interest on long term loans and short term loans	31.53	19.04	16.35
	(b) Provision for non-performing assets	-	-	-
	(c) Provision for FBT/MAT	-	-	-
	(d) Other Expenses	19.34	15.03	15.01
	Total - 2	50.87	34.07	31.36
3.	Profit (+)/Loss (-) before tax (1-2)	1.72	0.06	(-)10.80
4.	Provision for tax	-	-	-
5.	Other appropriations	-	-	-
6.	Amount available for dividend [#]	-	-	-
7.	Dividend	-	-	-

♦ Figures are provided by the Corporation.

♦ Figures are provided by the Corporation.

* Provision for Non-Performing Assets for the year may be distinctly shown under the head Expenses.

Represents profit of current year available for dividend after considering the specific reserve.

8.	Total return on capital employed	0.30	0.02	-
9.	Percentage of return on capital employed	0.51	0.02	-3.41
3	Bihar State Warehousing Corporation[♦]			
	Particulars	2010-11 (Provisional)	2011-12 (Provisional)	2012-13 (Estimated)
1.	Income			
(a)	Warehousing charges	9.32	11.92	17.00
(b)	Other income	56.55	56.68	86.16
	Total - 1	65.87	68.60	103.16
2.	Expenses			
(a)	Establishment Charges	4.91	4.96	10.58
(b)	Other Expenses	58.50	55.59	89.51
	Total - 2	63.41	60.55	100.09
3.	Profit (+)/Loss (-) before tax	2.47	3.06	3.06
4.	Prior period adjustment	0.04	-	-
5.	Other appropriation	-	-	-
6.	Amount available for dividend	2.43	8.06	3.06
7.	Total return on Capital employed	2.47	3.06	3.06
8.	Percentage of return on Capital employed	12.88	16.98	-

[♦] Figures are provided by the Corporation.

Annexure-6

(Referred to in paragraph 1.22)

Statement showing investments made by the State Government in PSUs
whose accounts are in arrear

(₹ in crore)

Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised Accounts	Investment made by the State Government during the years for which Accounts are in arrears				
			Equity	Loans	Grants	Others to be specified (subsidy)	Total
A. Working Companies							
Bihar Rajya Beej Nigam Limited	1999-00	3.71	-	2.28	59.69	-	61.97
Bihar State Text Book Publishing Corporation Limited	1998-99	0.48	-	-	-	205.00	205.00
Bihar State Backward Classes Finance & Development Corporation	1997-98	3.62	16.74	7.49	-	-	24.23
Bihar State Tourism Development Corporation Limited	2008-09	5.00	-	-	-	12.00	12.00
Bihar State Food & Civil Supplies Corporation Limited	1990-91	4.46	0.81	600.75	-	-	601.56
Bihar Rajya Pul Nirman Nigam Limited	2010-11	3.50	-	-	-	-	-
Bihar Police Building Construction Corporation Limited	2004-05	0.10	-	-	-	-	-
Bihar State Hydroelectric Power Corporation Limited	1999-00	99.04	-	147.55	-	-	147.55
Bihar State Power Holding Company Limited	A/c has not been finalised since inception	-	1475.00	-	-	-	1475.00
Bihar State Power Transmission Company Limited	A/c has not been finalised since inception	-	-	-	-	-	-
Bihar State Power Generation Company Limited	A/c has not been finalised since inception	-	-	-	-	-	-
North Bihar Power Distribution Company Limited	A/c has not been finalised since inception	-	-	153.28	-	339.38	492.66
South Bihar Power Distribution Company Limited	A/c has not been finalised since inception	-	-	127.53	-	587.13	714.66
Bihar Grid Company Limited	2012-13	0.05	-	-	-	-	-
Bihar Rajya Matasya Vikash Nigam Limited	1992-93	1.75	1.25	5.63	-	-	6.88

Bihar State Forest Development Corporation Limited	2000-01	2.29	-	-	-	-	-
Bihar State Credit & Investment Corporation Limited	2004-05	15.12	-	57.49	-	-	57.49
Bihar State Film Development & Finance Corporation Limited	1991-92	0.95	1.05	0.01	-	-	1.06
Bihar State Electronic Development Corporation Limited	2009-10	5.66	-	-	-	-	-
Bihar State Mineral Development Corporation Limited	2000-01	9.97	-	-	11.00	-	11.00
Bihar State Minorities Finance Corporation Limited	2008-09	33.79	22.29	-	-	-	22.29
Bihar State Beverages Corporation Limited	2010-11	5.00	-	-	-	-	-
Bihar State Building Construction Corporation Limited	2011-12	5.00	4.94	-	-	-	4.94
Bihar State Road Development Corporation Limited	2011-12	20.00	-	-	-	-	-
Bihar Urban Infrastructure Development Corporation Limited	2011-12	5.00	-	-	-	-	-
Bihar State Educational Infrastructure Development Corporation Limited	2011-12	20.00	-	-	-	-	-
Bihar Medical Services & Infrastructure Corporation Limited	2011-12	6.74	-	-	-	-	-
Total (A)		251.23	1522.08	1102.01	70.69	1143.51	3838.29
B. Working Statutory Corporation							
Bihar State Road Transport Corporation	2003-04	101.28	-	456.77	-	-	456.77
Bihar State Financial Corporation	2011-12	77.84	-	-	91.28	-	91.28
Bihar State Warehousing Corporation	2009-10	6.42	-	-	16.00	-	16.00
Total (B)		185.54	-	456.77	107.28	-	564.05
Total (A+B)		436.77	1522.08	1558.78	177.97	1143.51	4402.34
C. Non-working Companies							
Bihar State Small Industries Corporation Limited	1990-91	7.18	-	1.66	-	2.46	4.12
Bihar State Pharmaceutical & Chemical Development Corporation Limited	1985-86	3.62	12.92	6.30	-	-	19.22
Bihar State Industrial Development Corporation Limited	1987-88	14.04	-	38.47	-	-	38.47
Bihar State Leather Industries Development Corporation Limited	1982-83	5.14	12.26	43.18	-	-	55.44

Bihar State Textile Corporation Limited	1987-88	4.98	5.80	2.74	-	-	8.54
Bihar State Dairy Corporation Limited	1995-96	6.72	-	-	-	-	-
Bihar State Construction Corporation Limited	1990-91	7.00	2.00	1.05	-	-	3.05
Bihar Hill Area Lift Irrigation Corporation Limited	1982-83	5.60	5.22	18.78	-	55.41	79.41
Bihar State Sugar Corporation Limited	1984-85	9.97	10.03	365.32	-	-	375.35
Bihar Panchayati Raj Finance Corporation Limited	1984-85	1.44	-	-	-	-	-
Bihar State Water Development Corporation Limited	1978-79	5.00	5.00	154.33	-	-	159.33
Bihar State Agro Industries Development Corporation Limited	1991-92	7.57	0.07	24.66	-	-	24.73
Bihar Fruits & Vegetables Development Corporation Limited	1994-95	2.10	-	4.65	21.07	-	25.72
Bihar State Export Corporation Limited	1991-92	2.00	-	2.21	-	0.07	2.28
Bihar State Handloom & Handicrafts Corporation Limited	1983-84	6.28	3.72	0.25	-	0.48	4.45
Bihar Solvent & Chemicals Limited	1986-87	0.66	-	-	-	-	-
Bihar State Cement Corporation Limited	A/c has not been finalised since inception	-	-	-	-	-	-
Bihar Drugs and Chemicals Limited	1985-86	0.94	NA	NA	NA	NA	NA
Bihar State Tannin Extract Limited	1988-89	1.03	NA	NA	NA	NA	NA
Bihar State Finished Leathers Corporation Limited	1983-84	1.47	-	9.18	-	-	9.18
Bihar Scooter Limited	-	-	-	6.09	-	-	6.09
Total (C)		92.74	57.02	678.87	21.07	58.42	815.38
Total (A+B+C)		529.51	1579.10	2237.65	199.04	1201.93	5217.72

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

NA indicates that the information has not been provided by the respective Company.

Annexure - 7

(Referred to in Paragraph 3.22)

Statement showing details of construction of godowns and their status of completion

Sl. No.	Location & Capacity (in MT)	Name of the work	Date of work order	Date of completion of work	Date of handing over	Schedule of completion (months)	Delay in completion (months)	Loss of potential storage charge (₹ in lakh)	Reason for delay
2007-08									
1	Motihari (5000 X 1= 5000 MT)	(i) Civil works	30-01-09	27-01-13	January 2013	7	40	109.20	Poor co-ordination among different works as work orders were issued from the period from January 2009 to June 2012, Lok Sabha Election '09, Court case.
		(ii) VDF Works	8-06-12	6-10-12					
		(iii) Paver works	8-06-12	27-01-13					
		(iv) PEB roofing	28-02-09	17-12-09					
2	Samastipur (5000 X 2= 10000 MT)	(i) Civil works	17-07-09	8-08-12	August 2012	7	29	158.34	Poor co-ordination among different works as work orders were issued from the period from July 2009 to April 2011, Assembly election '10, damage of road bridge.
		(ii) VDF Works	1-04-11	20-07-12					
		(iii) Paver works	21-04-11	08-08-12					
		(iv) PEB roofing	31-08-10	31-12-12					
3	Fatuha (5000 X 2= 10000 MT)	(i) Civil works	1-02-09	31-03-11	April 2011	7	18	98.28	Poor co-ordination among different works as work orders were given from the period from February 2009 to December 2010, removal of high tension wire.
		(ii) VDF Works	7-12-10	31-03-11					
		(iii) Paver works	7-12-10	31-03-11					
		(iv) PEB roofing	28-02-09	17-12-09					
4	Chapra (5000 X 2= 10000 MT)	(i) Civil works	1-02-09	7-07-11	July 2011	7	21	114.66	Poor co-ordination among different works as work orders were given from the period from February 2009 to December 2010, Lok Sabha Election '09.
		(ii) VDF Works	29-12-10	25-06-11					
		(iii) Paver works	29-12-10	7-07-11					
		(iv) PEB roofing	28-08-09	12-11-09					

Sl. No.	Location & Capacity (in MT)	Name of the work	Date of work order	Date of completion of work	Date of handing over	Schedule of completion (months)	Delay in completion (months)	Loss of potential storage charge ₹ in lakh)	Reason for delay
5	Mohania (5000 X 1=5000 MT)	(i) Civil works	1-02-09	20-05-11	May 2011	7	19	51.87	Poor co-ordination among different works as work orders were given from the period from February 2009 to December 2010, Assembly Election '10.
		(ii) VDF Works	21-01-11	9-04-11					
		(iii) Paver works	21-01-11	19-05-11					
		(iv) PEB roofing	28-02-09	9-12-09					
Total			-	-	-	-	-	532.35	-
2008-09									
6	Ara (5000 X 1= 5000 MT)	(i) Civil works	17-07-09		In progress	7	37	-	Delay in receipt of fund from the State Government.
		(ii) VDF Works	17-07-09						
		(iii) Paver works	28-08-11						
		(iv) PEB roofing	31-08-10	4-11-10					
7	Sasaram (5000 X 1 = 5000 MT)	(i) Civil works	30-06-09		In progress	7	38	-	Delay in receipt of fund from the State Government.
		(ii) VDF Works	-						
		(iii) Paver works	-						
		(iv) PEB roofing	28-02-09	31-07-10					

Annexure - 8

(Referred to in Paragraph 3.24)

Statement showing details of approved locations under PEG-2008, their capacity, and present status of construction

Sl. No.	Name of the Center	Capacity (MT)	Tender date	HLC date	Date of Agreement	Date of comment	Scheduled date of completion	Remarks	Present position as on 30.09.13
1	Gopalganj	5000	25-2-11	30-6-11	Agreement yet to be entered.	-	-	Not completed	Pre construction activities at hand.
2	Begusarai	15000	25-2-11	30-6-11	Agreement yet to be entered.	-	-	Not completed	Brick work completed up to door level, filling work of campus is in progress. Land conversion has been done.
3	Khagaria	10000	25-2-11	30-6-11	25-7-12	25-7-12	24-7-13	Not completed	Brick work completed up to roof level. Fabrication of roofing material is in progress.
4	Siwan	10000	25-2-11	9-8-11	27-6-12	25-7-12	24-7-13	Not completed	Construction of 2000 MT godown completed. Roofing work is in progress for 3000 MT and foundation work in progress for 5000 MT.
5	Motihari	20000	25-2-11	9-8-11	24-1-12	3-4-12	2-4-13	Not completed	Though godowns were ready to use but agreement for transfer had not been made.
6	Jamui	5000	25-2-11	9-8-11	03-04-12	4-5-12	3-5-13	Not completed	Cancelled.
7	Bettiah	25000	25-2-11	9-8-11	20-7-12	25-7-12	24-7-13	Not completed	Boundary wall completed. Pre-construction activities started.
8	Ara	20000	25-2-11	27-2-13	Agreement yet to be entered.	-	-	Not completed	NOC received. Agreement under progress.
9	Sasaram	25000	25-2-11	27-2-13	Agreement yet to be entered.	-	-	Not completed	NOC yet to be received.
10	A.N. Road	20000	25-2-11	27-2-13	Agreement yet to be entered.	-	-	Not completed	NOC received. Agreement under progress.
		155000							

Annexure-9

(Referred to in paragraph 4.12)

Statement of department-wise outstanding Inspection Reports (IRs)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1	Industry	2	8	33	2007-08
2	Information Technology	1	4	23	2007-08
3	Environment & Forest	1	1	9	2005-06
4	Agriculture	1	3	7	2004-05
5	Energy ²²	7	613	1241	2004-05
6	Food & Consumer Protection	1	4	33	2007-08
7	Tourism	1	1	3	2011-12
8	Education	1	2	7	2010-11
9	Road Construction	2	3	27	2011-12
10	Home (Police)	1	2	9	2007-08
11	Transport	1	3	20	2007-08
12	Co-operative	1	5	24	2004-05
13	Registration, Excise & Prohibition	1	5	22	2008-09
14	Minority Welfare	1	2	12	2010-11
15	Backward & Extremely Backward Classes Welfare Department	1	1	5	2010-11
16	Urban Development & Housing	1	1	5	2010-11
Total		24	658	1480	

²² This includes 610 IRs and 1229 Para pertaining to the erstwhile BSEB which has been unbundled w.e.f. 01st November 2012.

Annexure – 10

(Referred to in paragraph 4.12)

Statement of department-wise Draft paragraphs/Performance Audit Reports, reply to which are awaited

Sl. No.	Name of Department	No. of Draft paragraphs	No. of Performance Audit Reports	Periods of issue
1.	Information Technology, Home and Registration, Excise & Prohibition	1	-	May to July 2013
2.	Energy	9	-	May to July 2013
3.	Urban Development & Housing	1	-	July 2013
4.	Co-operative	-	1	August 2013
5.	Backward Classes & Extremely Backward Classes Welfare	-	1	September 2013