

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations established to carry out activities of commercial nature while keeping in view the welfare of the people. In Odisha, the State PSUs occupy an important place in the state economy. The working State PSUs registered a turnover of ₹ 9,320.78 crore for 2010-11 as per their latest finalised accounts as of September 2011 which was equal to five *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of Odisha State PSUs are concentrated in the power sector. The State working PSUs earned a profit of ₹ 1,112.83 crore in the aggregate for 2010-11 as per their latest finalised accounts as of September 2011. They had employed 0.25 lakh¹ employees as on 31 March 2011. The State PSUs do not include one² prominent Departmental Undertaking (DU), which carries out commercial operations but is a part of Government department. Audit findings of this DU are incorporated in the Audit Report (Civil) for the State.

1.2 As on 31 March 2011, there were 65 PSUs (includes 62 companies) as per the details given below. None of these companies was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government companies ⁴	32	30 ⁵	62
Statutory corporations	3	-	3
Total	35	30	65

Audit Mandate

1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, 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 51 *per cent* of the paid up

¹ As per the details provided by 35 working PSUs

² Principal Chief Conservator of Forest (Kendu Leaf)

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ Includes five 619-B companies of which four are working companies.

⁵ Three non-working companies namely IDCOL Piping and Engineering Works Limited, SN Corporation Limited and Kalinga Steels (India) Limited were dissolved during the year.

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 (deemed Government company) as per Section 619-B of the Companies Act.

1.4 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 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.

1.5 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Orissa State Road Transport Corporation. In respect of Orissa State Warehousing Corporation and Orissa State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

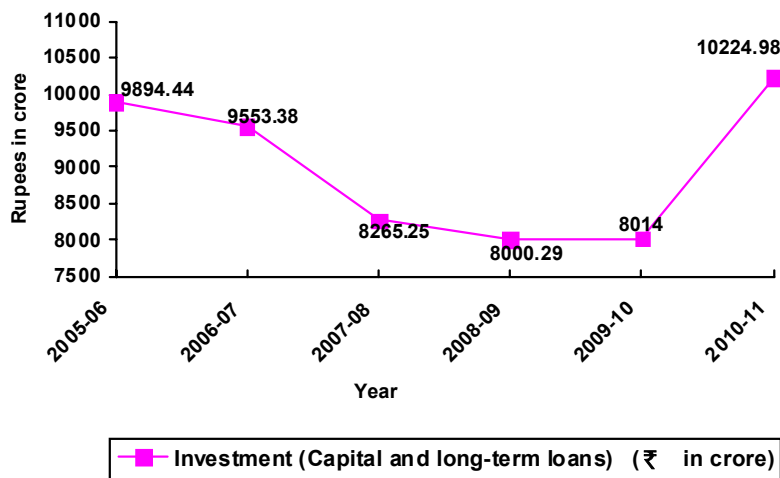
1.6 As on 31 March 2011, the investment (capital and long-term loans) in 65 PSUs (including 619-B companies) was ₹ 10,224.98 crore as per details given below:

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1,987.71	7,389.55	9,377.26	568.52	161.70	730.22	10,107.48
Non-working PSUs	80.36	37.14	117.50	---	---	---	117.50
Total	2,068.07	7,426.69	9,494.76	568.52	161.70	730.22	10,224.98

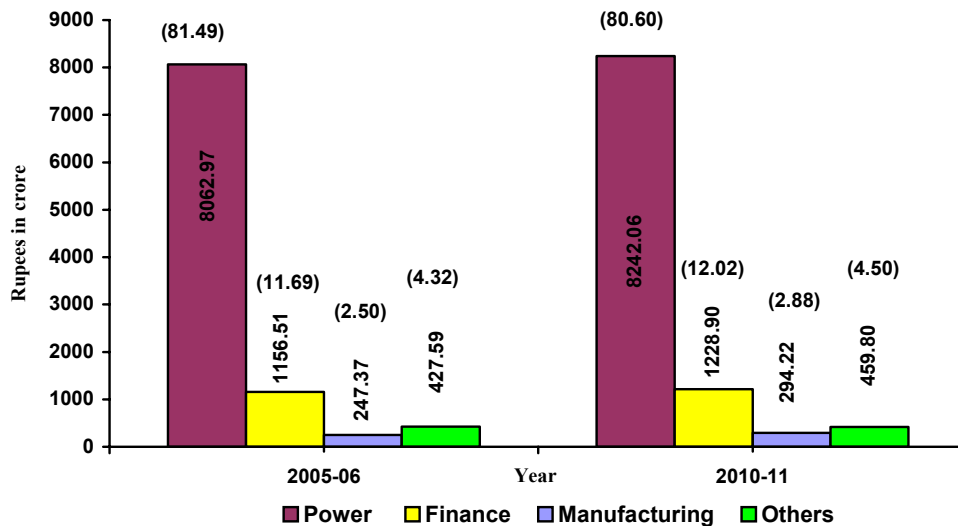
A summarised position of Government investment in State PSUs is detailed in **Annexure 1**.

1.7 As on 31 March 2011, of the total investment in State PSUs, 98.85 per cent was in working PSUs and the remaining 1.15 per cent in non-working PSUs. This total investment consisted of 25.79 per cent towards capital and 74.21 per cent in long-term loans. The investment had increased by 3.34 per cent from ₹ 9,894.44 crore in 2005-06 to ₹ 10,224.98 crore in 2010-11 as shown in the graph below:

The increase in investment was mainly due to increase in capital and loan in power sector.



1.8 The investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The thrust of PSU investment was mainly in the power sector during the six years ending 31 March 2011 though the share of investment of power sector has marginally declined from 81.49 per cent in 2005-06 to 80.60 per cent in 2010-11. Government investment had, however, marginally increased in finance sector from 11.69 in 2005-06 to 12.02 per cent in 2010-11, in manufacturing sector from 2.50 in 2005-06 to 2.88 per cent in 2010-11 and in other Sectors from 4.32 in 2005-06 to 4.50 per cent in 2010-11.



(Figures in brackets show the sector percentage to total investment)

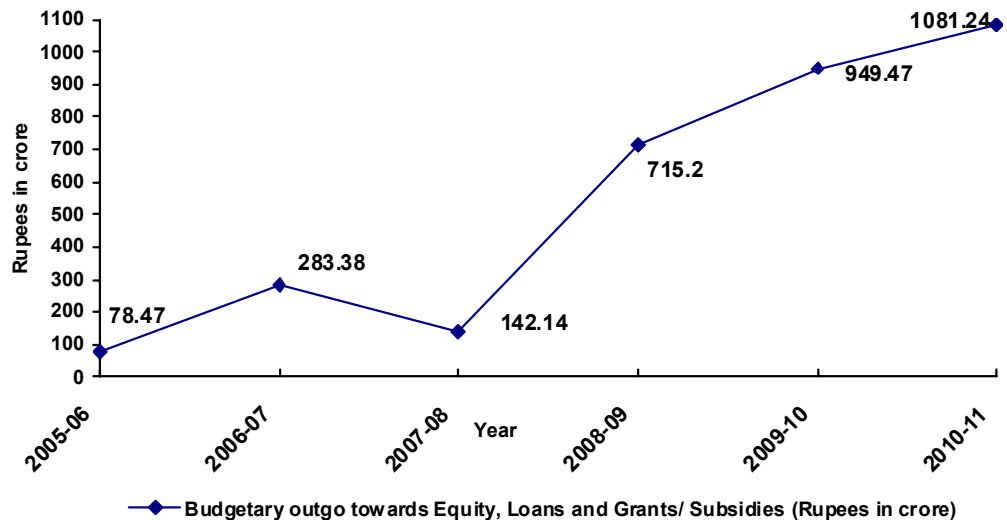
Budgetary outgo, grants/subsidies, guarantees and loans

1.9 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2010-11.

(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	54.22	4	12.56	4	73.00
2.	Loans given from budget	1	52.52	1	47.22	2	48.03
3.	Grants/Subsidy received	15	608.46	12	889.69	11	960.21
4.	Total outgo (1+2+3)	17 ⁶	715.20	16 ⁶	949.47	16 ⁶	1,081.24
5.	Loans converted into equity	1	1.73	1	0.04	-	-
6.	Loans written off	--	--	--	--	2	180.65
7.	Interest/Penal interest written off	2	84.98	--	--	--	---
8.	Total waiver (6+7)	2	84.98	--	--	2	180.65
9.	Guarantees issued	--	--	--	--	1	1,600.00
10.	Guarantee commitment	8	1,131.59	8	795.48	5	2,357.53

1.10 The details regarding budgetary outgo towards equity, loans and grants/subsidies for the past six years are given in a graph below:



⁶ Actual number of companies and corporations which received equity/ grants/ subsidy from the State Government

It may be noticed that the year-wise budgetary outgo towards equity, loans and grants/subsidy to State PSUs showed increasing trend after 2007-08 and touched the highest figure of ₹ 1,081.24 crore during 2010-11 mainly due to release of significant subsidy (₹ 924.45 crore) and equity contribution (₹ 71.94 crore) to Orissa State Civil Supplies Corporation Limited and Orissa Power Transmission Corporation Limited respectively.

1.11 As per the guidelines (November 2002) of Government of Odisha, the State PSUs were liable to pay guarantee commission (GC) at the rate of 0.5 per cent per annum on the maximum of the guarantee sanctioned irrespective of the amount of loan actually availed or outstanding there against. Fresh guarantee of ₹ 1,600 crore was released to GRIDCO Limited during 2010-11. The guarantee commitment by the Government at the end of 2010-11 was ₹ 2,357.53 crore against five PSUs. During the year 2010-11 four PSUs paid GC of ₹ 1.09 crore to the State Government, while GC of ₹ 52.65 crore was outstanding in respect of four PSUs.

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 2011 is stated below:

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1,724.07	2,116.58	392.51
Loans	2,022.15	3,581.71	1,559.56
Guarantees	2,002.74	2,357.53	354.79

1.13 We observed that the differences occurred in respect of 40 PSUs⁷ and some of the differences were pending reconciliation since many years. The Accountant General (AG) held two meetings during December 2009 to March 2010 with the Management of three PSUs⁸ and concerned Administrative Departments. The AG had also written (April 2011) to the Principal Secretaries to Government of Odisha in Public Enterprises Department, Finance Department and the Administrative Departments of the concerned State PSUs highlighting the issue of long pending differences for early reconciliation. No significant progress was, however, noticed in this direction. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

⁷ Including 13 non-working PSUs

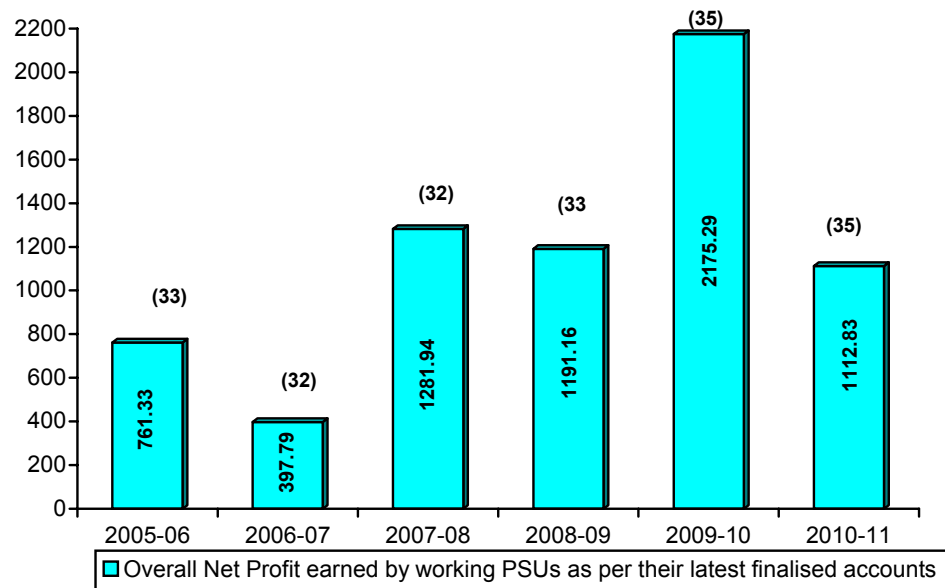
⁸ The Orissa State Police Housing and Welfare Corporation Limited, The Orissa Mining Corporation Limited and Orissa Forest Development Corporation Limited

Performance of PSUs

1.14 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexures 2, 5 and 6** respectively. A ratio of working State PSUs turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSU turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)						
Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover ⁹	5,493.67	5,772.26	7,257.81	8,093.78	8,573.26	9,320.78
State GDP	78,953	93,374	1,06,466	1,22,165	1,50,946.38	1,86,356
Percentage of turnover to State GDP	6.96	6.18	6.82	6.63	5.68	5.00

1.15 Profits earned by State working PSUs during 2005-06 to 2010-11 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

From the above it can be seen that the working PSUs earned overall profit in all the years which ranged between ₹ 397.79 crore (2006-07) and ₹ 2,175.29 crore (2009-10). During the year 2010-11, out of 35 working PSUs, 24 PSUs earned profit of ₹ 1,400.25 crore and six PSUs incurred loss of ₹ 287.42 crore. One¹⁰ working PSU prepared its accounts on a 'no profit no loss' basis though the Company was not registered under Section 25 of the Companies Act,

⁹ Turnover of working State PSUs as per the latest finalised accounts as of 30 September

¹⁰ Orissa State Civil Supplies Corporation Limited (Sl. No.A-30 of **Annexure 2**)

1956, while four¹¹ companies have not yet started their operation/commercial production. The major contributors to profit were The Orissa Mining Corporation Limited (₹ 1,089.32 crore), Orissa Power Generation Corporation Limited (₹ 166.44 crore), Orissa Hydro Power Corporation Limited (₹ 46.93 crore) and Orissa State Beverages Corporation Limited (₹ 40.02 crore). Heavy losses were incurred by GRIDCO Limited (₹ 146.53 crore), Orissa Power Transmission Corporation Limited (₹ 71.37 crore), IDCOL Kalinga Iron works Limited (₹ 39.61 crore) and Orissa Rural Housing and Development Corporation Limited (₹ 28.68 crore).

1.16 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the working State PSUs incurred losses to the tune of ₹ 2,409.93 crore and infructuous investments of ₹ 264.50 crore which were controllable with better management. Year-wise details from Audit Reports are stated below:

(Amount: ₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Profit	1,191.16	2,175.29	1,112.83	4,479.28
Controllable losses as per CAG's Audit Report	417.38	1,062.95	929.60	2,409.93
Infructuous investment	259.35	5.15	--	264.50

1.17 The above controllable losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant and increase in professionalism and accountability in the functioning of PSUs.

1.18 Some other key parameters pertaining to State PSUs are given below:

(Amount: ₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (per cent)	14.80	10.94	18.59	15.14	20.21	9.78
Debt	7,828.13	7,495.60	5,929.23	5,573.22	5,549.32	7,588.39
Turnover ¹²	5,493.67	5,772.26	7,257.81	8,093.78	8,573.26	9,320.78
Debt/ Turnover ratio	1.42:1	1.30:1	0.82:1	0.69:1	0.65:1	0.81:1
Interest payment	650.29	580.45	478.85	402.59	358.19	361.09
Accumulated profit/ (loss)	(1,541.66)	(1,441.03)	(17.36)	1,269.44	2,135.60	2,339.35

¹¹ Baitarani West Coal Company Limited, The Mandakini B Coal Company Limited, Orissa Thermal Power Corporation Limited and Lanjigarh Project Area Development Foundation (Sl. No.A-16, 20, 27 and 29 of Annexure 2)

¹² Turnover of working PSUs as per the latest finalised accounts as of 30 September.

1.19 The above parameters showed mixed trend in the financial position of the PSUs. Percentage of the return on capital employed ranged between 9.78 (2010-11) and 20.21 (2009-10). The return on capital employed was lowest at 9.78 *per cent* during 2010-11 in preceding five years (2006-11). This was because of the reduction in the return on capital employed of working PSUs in manufacturing sector from 72.64 *per cent* (2009-10) to 30.55 *per cent* (2010-11), which was caused mainly due to reduction of ₹ 800.90 crore in the profits of The Orissa Mining Corporation Limited during 2010-11. The debt turnover ratio had gradually improved from 1.42:1 in 2005-06 to 0.65:1 in 2009-10 but increased to 0.81:1 (2010-11) due to increase in debt by ₹ 2,039.07 crore during 2010-11. As against Accumulated losses of ₹ 1,541.66 crore in 2005-06, the PSUs registered an Accumulated profit of ₹ 2,339.35 crore in 2010-11 which is indicative of improved performance of the State PSUs. The working PSUs had, however, accumulated profit of ₹ 2,524.48 crore at the end of 2010-11.

1.20 As per the recommendations of the Tenth Finance Commission the State must adopt a modest rate of return on the investment made in commercial, promotional and commercial & promotional public enterprises at the rate of six *per cent*, one *per cent* and four *per cent* respectively, as dividend on equity. As per their latest finalised accounts, 24 working PSUs earned an aggregate profit of ₹ 1,400.25 crore and only three PSUs *viz.*, The Orissa Mining Corporation Limited, Orissa Construction Corporation Limited and Orissa State Cashew Development Corporation Limited declared interim dividend of ₹ 100 crore, ₹ 0.33 crore and ₹ 0.16 crore respectively.

Arrears in finalisation of accounts

1.21 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 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	32	32	33	35	35
2.	Number of accounts finalised during the year	33	35	34	46	39
3.	Number of accounts in arrears	65	62	54 ¹³	43	39
4.	Average arrears per PSU (3/1)	2.03	1.94	1.64	1.23	1.11

¹³ One company, namely, ELMARC Limited (Sl. No.C-29 of Annexure 2) became defunct during 2008-09 with seven years accounts in arrears.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
5.	Number of Working PSUs with arrears in accounts	31	29	28	27	25
6.	Extent of arrears	1 to 7 years	1 to 7 years	1 to 5 years	1 to 5 years	1 to 5 years

1.22 From the table, it may be seen that though the average arrears per PSU is showing a decreasing trend, a significant number of 39 accounts relating to 25 working PSUs are still in arrears as on 30 September 2011. Thus, concrete steps should be taken by the companies for preparation of accounts as per the statutory requirements with special focus on clearance of arrears in a time bound manner.

1.23 In addition to the above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 30 non-working PSUs, 19¹⁴ had gone into liquidation process. Of the remaining 11 non-working PSUs, all PSUs had arrears of accounts for 10 to 40 years.

1.24 The State Government had invested ₹ 2,211.59 crore (Equity: ₹ 76.22 crore, loans: ₹ 326.32 crore, grants: ₹ 1,809.05 crore) in 14 PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. 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.

1.25 The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The Accountant General (AG) had regularly drawn the attention of the Administrative Departments of the concerned PSUs on quarterly basis, on the issue of arrears of accounts. The AG had also highlighted (July 2011) the matter with the Commissioner-cum-Secretary, Public Enterprises Department and Principal Secretary, Finance Department of Government of Odisha emphasising on the need to expedite the clearance of backlog of accounts in a time bound manner. No significant progress was, however, noticed in this direction. As a result of this we could not assess the net worth of these PSUs.

1.26 In view of the above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956.

¹⁴ Sl. No.C-1,3,4,5,6,7,9,10,12,13,15,16,17,20,21,22,26,27 and 28 of **Annexure 2**

Winding up of non-working PSUs

1.27 There were 30 non-working PSUs (all companies) as on 31 March 2011. Of these, 19 PSUs were under liquidation process. The number of non-working companies at the end of each year during the past five years is given below:

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Number of non-working companies	32	31	33	33	30

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2010-11 three¹⁵ non-working PSUs incurred an expenditure of ₹ 0.16 crore towards establishment expenditure, salary etc. This expenditure was financed by the State Government by way of grants.

1.28 The stages of closure in respect of non-working PSUs are given below:

Sl. No.	Particulars	Number of Company
1.	Total number of non-working PSUs	30
2.	Of (1) above, the number under	
(a)	Liquidation by Court	10 ¹⁶
(b)	Voluntary winding up	9 ¹⁷
(c)	Closure, i.e., closing orders/instructions issued but liquidation process not yet started	11

1.29 The Companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 4 to 19 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may take an early decision regarding winding up of 11 non-working PSUs and expedite the liquidation process.

Accounts Comments and Internal Audit

1.30 Thirty four working companies forwarded 36 audited accounts to the Accountant General during the year 2010-11. Of these, 34 accounts of 30 companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved

¹⁵ Konark Television Limited, Orissa State Commercial Transport Corporation Limited and Orissa State Textile Corporation Limited

¹⁶ Sl. No.C-3,5,6,7,9,20,21,22,27 and 28 of **Annexure 2**

¹⁷ Sl. No.C-1,4,10,12,13,15,16,17 and 26 of **Annexure 2**

substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	11	38.78	17	161.61	14	1,145.50
2.	Increase in loss	7	350.72	5	68.53	3	65.22
3.	Non-disclosure of material facts	9	146.55	8	48.00	12	192.71
4.	Errors of classification	7	23.45	5	36.50	7	291.35

1.31 During the year, the Statutory Auditors had given qualified certificates for all the 36 accounts received. The compliance of companies with the Accounting Standards remained poor as there were 42 instances of non-compliance with Accounting Standards (AS) in 12 accounts during the year.

1.32 Some of the important comments in respect of Accounts of companies are stated below:

The Orissa Mining Corporation Limited (2009-10)

- Non-provision of liability of ₹ 670.25 crore towards Net Present Value (NPV) raised by the Forest Department upto 31 March 2010 in terms of the recommendation (April 2010) of the Central Empowered Committee of the Supreme Court of India, had resulted in understatement of Current Liabilities as well as overstatement of the Profit for the year by ₹ 670.25 crore each.

GRIDCO Limited (2009-10)

- Non-provision for the liability towards Delayed Payment Surcharge (DPS) on power purchase cost claimed by Orissa Power Generation Corporation Limited (₹ 53.95 crore), Vedant Aluminium Limited (₹ 0.29 crore) and Hindalco (₹ 0.22 crore) had resulted in understatement of Purchase of power, Current Liabilities and Loss for the year by ₹ 54.46 crore.

Orissa Power Generation Corporation Limited (2010-11)

- Charging of depreciation on plant and machinery of IB Thermal Power Station at lower rate than prescribed under Schedule-XIV of Companies Act, 1956 resulted in understatement of Depreciation by ₹ 23.11 crore with corresponding overstatement of Fixed Asset and profit for the year to the same extent.

Orissa Forest Development Corporation Limited (2009-10)

- Royalty amounting ₹ 63.88 lakh should have been charged to Profit & Loss account in proportion to actual production of 1,305 cum., upto March 2010 instead of ₹ 2.20 crore charged by the Company. Over charging of Royalty had correspondingly resulted in understatement of Profit for the year by ₹ 1.56 crore.

The Orissa Small Industries Corporation Limited (2008-09)

- Against the approved One Time Settlement (OTS) scheme (December 2007) applicable to all credit/finance given to private parties under different schemes, the Company settled 25 cases involving ₹ 39.52 lakh till authentication of Accounts (8 September 2010). The total principal outstanding against these parties was ₹ 2.96 crore. As the outstanding dues against these parties had been settled through OTS and there was no further scope for recovery of the outstanding dues, the balance amount of ₹ 2.56 crore should have been provided for in the Accounts. Non-provision of the same has resulted in overstatement of Current Assets, Loans and Advances and Profit for the year by ₹ 2.56 crore each.

Orissa Power Transmission Corporation limited (2009-10).

- Wrong charging of ₹ 132.89 crore to Revenue against the Regulatory Asset instead of actual amount of ₹ 76.94 crore allowed by OERC in Tariff order for the year 2009-10 had resulted in understatement of Revenue from Wheeling of power, Current Assets (Regulatory Assets) and overstatement of Loss for the year by ₹ 55.95 crore each.

1.33 Similarly, three¹⁸ working Statutory corporations forwarded their three accounts to the Accountant General during the year 2010-11. Of these, one account of Orissa State Road Transport Corporation pertains to sole audit by CAG. The other two accounts were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and CAG are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.74	3	2.47	2	4.52
2.	Non-disclosure of material facts	--	--	2	26.62	1	113.22

During the year, all the three accounts received qualified certificates.

¹⁸ Orissa State Financial Corporation, Orissa State Road Transport Corporation and Orissa State Warehousing Corporation

1.34 Some of the important comments in respect of accounts of Statutory corporations are stated below:

Orissa State Warehousing Corporation (2008-09)

- Non-accounting of additional storage charges of ₹ 4.04 crore receivable from FCI at the revised rate as per Government of India notification had resulted in understatement of Income from Warehousing Charges, Sundry Debtors and Profit for the year by ₹ 4.04 crore each.

Orissa State Road Transport Corporation (2008-09)

- Non-accounting of ₹ 5.98 crore towards Profit on sale of Fixed Assets (Book value: ₹ 0.02 crore) had resulted in overstatement of Fixed Assets by ₹ 0.02 crore, understatement of Non-operative Revenue and Net-Surplus by ₹ 5.98 crore and overstatement of Capital Reserve by ₹ 6 crore.
- Non-accounting of the one time (non-refundable) down payment for sub-lease of land as income had also resulted in understatement of Non-operative Revenue and Net-surplus for the year by ₹ 6.52 crore.

1.35 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 22 companies¹⁹ for the year 2009-10 and 21 Companies²⁰ for the year 2010-11 are given below:

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	19	A-2,3,4,5,6,7,9,11,13,14,15,17,19,20,21,24,25,26,31
2.	Absence of internal audit system commensurate with the nature and size of business of the company	22	A-1,2,3,4,5,6,7,9,11,12,13,14,15,17,19,20,23,24,28,29,32,C-3
3.	Non-maintenance of cost record	4	A-3,4,19,20
4.	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	18	A-1,2,3,4,5,6,7,9,11,13,14,15,19,29,30,31,32,C-3

¹⁹ Sl. No.A-1,2,3,4,5,6,7,9,11,13,14,15,19,21,24,25,26,28,30,31,32,& C-3 of Annexure 2

²⁰ Sl. No. 1,2,3,4,5,6,9,11,12,13,14,15,17,19,20,23,24,26,28,29&C-3 of Annexure 2

Recoveries at the instance of audit

1.36 During the year 2010-11 audit had pointed out recovery of ₹ 28.23 crore of which Management accepted ₹ 23.37 crore for recovery and recovered ₹ 15.94 crore as on 30 September 2011.

Status of placement of Separate Audit Reports

1.37 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.

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.	Orissa State Financial Corporation	2010-11	--	--	--
2	Orissa State Warehousing Corporation	2008-09	Not applicable	-do-	-do-
3.	Orissa State Road Transport Corporation	2007-08	2008-09	11 July 2011	Not furnished by the Management/ Department

Delay in placement of SAR weakens the Legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SAR of OSRTC in the Legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.38 The State Cabinet accepted (August 1996) the recommendations of the Cabinet Sub-Committee formed (October 1995) for disinvestment/privatisation/ restructuring/ liquidation of 34 Public Sector Enterprises (PSEs). The private investors, however, did not show much interest and little progress was made on reforms. As per the record notes of discussions held (15 April 1999) between the Union Ministry of Finance and the State Government for a fiscal reform programme, the State Government was to take up a time bound reform programme for disinvestment and restructuring of certain State level PSEs. A Task Force on Public Enterprises Reform was constituted (10 October 2000) for framing a clear policy framework on Public Enterprises Reform. In accordance with the recommendations of the Task Force, the State Government and the Department of Expenditure, Union Ministry of Finance signed (11 October 2001) an MOU to achieve fiscal sustainability in the medium term in accordance with the Odisha Medium Term Fiscal Reform Programme in two phases (first phase 2002-2005 and second phase 2005-2007) which included Public Sector Restructuring

Programme. In pursuance of the programme, four State Government Companies (*viz.*, IDCOL Cement Limited, IDCOL Rolling Mills Limited, Hirakud Industrial Works Limited and ORICHEM Limited) were privatised through disinvestment of shares during the period December 2003 to May 2008.

The present status (October 2011) of the Reform Programme in respect of other Public Sector Enterprises of second phase is given below:

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
Orissa State Textile Corporation Limited	Close	March 2000 ²¹	Action for privatisation was held up due to delay in finalisation of the accounts and Court case pending in the Hon'ble High Court filed by the erstwhile owner of the Company.
Kanti Sharma Refractories Limited	Close	March 2000 ²¹	Compulsory winding up petition had been filed before the Hon'ble High Court on 29 March 2008.
Orissa State Electronics Development Corporation Limited	Close	March 2000 ²¹	Steps had been initiated to liquidate the unit. Liquidation petition has already been filed in Hon'ble High Court of Odisha.
ELMARC Limited	Close	March 2000 ²¹	All employees had been relieved through VRS. It had been decided to follow the striking off route under Easy Exit Scheme.
Orissa State Commercial Transport Corporation Limited	Close	March 2000 ²¹	Steps were being taken to file liquidation petition before Hon'ble High Court of Odisha after updation of audit of accounts of the Company.
New Mayurbhanj Textiles Limited	Close	March 2000 ²¹	Steps were being taken to liquidate the Company after updation of audit of accounts of the Company.
IDCOL Ferro Chrome and Alloys Limited	Privatise	October 1999 ²¹	Steps were being taken on the proposal of merger of IDCOL Kalinga Iron Works Limited and IDCOL Ferro Chrome and Alloys Limited with The Industrial Development Corporation of Orissa Limited (IDCOL). IDCOL had to find out a strategic partner from among the Central PSUs.
Kalinga Studios Limited	Privatise	2002-05	All regular employees had been retrenched under the provisions of Industrial Disputes Act and steps had been taken to convert the status of the forest land and for privatisation of the unit.
Konark Television Limited	Close	2002-05	The Company is under liquidation.
Orissa Textile Mills Limited	Close	2002-05	The Company is under liquidation.
Konark Jute Limited	Privatise	2002-05	The privatisation process was in progress.

²¹ Included in the first phase

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
The Orissa Agro Industries Corporation Limited	Restructure	2002-05	Manpower restructuring had been completed. Memorandum for restructuring was being prepared for approval of the State Cabinet.
Orissa State Cashew Development Corporation Limited	Restructure	2002-05	Memorandum for restructuring was being prepared for approval of the State Cabinet.
Orissa Forest Development Corporation Limited	Restructure	2002-05	Implementation of restructuring plan was under process.
Orissa Lift Irrigation Corporation Limited	Restructure	2002-05	-do-
Orissa Construction Corporation Limited	Restructure	2002-05	-do-
Orissa Bridge & Construction Corporation Limited	Restructure	2002-05	-do-
Orissa State Handloom Development Corporation Limited	Close	2002-05	The Company was under liquidation.
Orissa Instruments Company Limited	Close	2002-05	Striking off application would be filed after up-to-date audit of the Accounts and clearance of the admitted liabilities.
Orissa State Leather Corporation Limited	Close	2002-05	Steps were being taken to complete the upto date audit of the accounts.
Orissa State Financial Corporation	Restructure	2002-05	Implementation of restructuring plan was in progress. A professional Banker had joined through the open market selection process by Public Enterprise Selection Board and Managing Director.

Reforms in Power Sector

1.39 Under the Orissa Electricity Reforms Act, 1995 Orissa Electricity Regulatory Commission (OERC) was formed in August 1996 with the objective of rationalisation of Electricity Tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2010-11, OERC issued 144 orders (25 on Annual Revenue Requirements and Tariff related matters and 119 on others). OERC had submitted its accounts for the year 2008-09 under section 104 of the Electricity Act, 2003. The audit of the accounts of the Commission had been undertaken by the Comptroller and Auditor General of India under section 19(3) of the Comptroller and Auditor General's Duties, Powers and Conditions of Service (DPC) Act, 1971 read with the Section 104(2), of the Electricity Act, 2003.

1.40 Memorandum of Understanding (MoU) was signed in (June 2001) between the Union Ministry of Power and the State Government as a joint commitment for implementation of Reforms Programme in the power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:

Sl. No.	Particulars	Milestone	Achievement as at March 2010
1.	Hundred <i>per cent</i> electrification of all villages	March 2012	69.73 <i>per cent</i> villages were electrified
2.	Hundred <i>per cent</i> metering of all distribution feeders	March 2009	Metering completed upto 59.28 <i>per cent</i>
3.	Hundred <i>per cent</i> metering of all consumers	December 2005	86.54 <i>per cent</i> consumers metered
4.	Transmission and distribution losses will not exceed 34 <i>per cent</i> , which have to be brought down to 20 <i>per cent</i>	2009-10	Total T&D losses in 2010-11 was 40.37 <i>per cent</i> .
5.	Establishment of State Electricity Regulatory Commission	April 1996	Established in August 1996