

## 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. The State PSUs and one Departmental Undertaking established to carry out activities of commercial nature while keeping in view the welfare of the people. In Odisha, PSUs occupy an important place in the State economy. The working State PSUs registered a turnover of ₹ 11,450.16 crore for 2011-12 as per the latest finalised accounts (September 2012). This turnover was equal to 5.06 *per cent* of State Gross Domestic Product (GDP) of ₹ 2,26,236.14 crore for 2011-12. Major activities of State PSUs are concentrated in Power and Manufacturing sectors. The working PSUs earned a profit of ₹ 1,296.02 crore in the aggregate for 2011-12 as per their latest finalised accounts (September 2012). They had 0.23 lakh employees as of 31 March 2012.

**1.2** As on 31 March 2012, there were 64 PSUs (including 61 Companies and 3 Statutory Corporations) as per the details given below. None of these Companies were listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government Companies <sup>1</sup>	33 <sup>2</sup>	28 <sup>3</sup>	61
Statutory Corporations	3	-	3
<b>Total</b>	<b>36</b>	<b>28</b>	<b>64</b>

#### 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 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,

<sup>1</sup> Includes six 619 B Companies of which five are working Companies

<sup>2</sup> One working 619 B Company namely Nuagaon Coal Company Limited was incorporated on 11 May 2011.

<sup>3</sup> Two non-working Companies namely Modern Electronics Limited and Orissa Board Mills Limited were dissolved during the year.

who are appointed by the 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 the 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, the CAG is the sole auditor for Odisha State Road Transport Corporation. In respect of Odisha State Warehousing Corporation and Odisha State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

### Investment in State PSUs

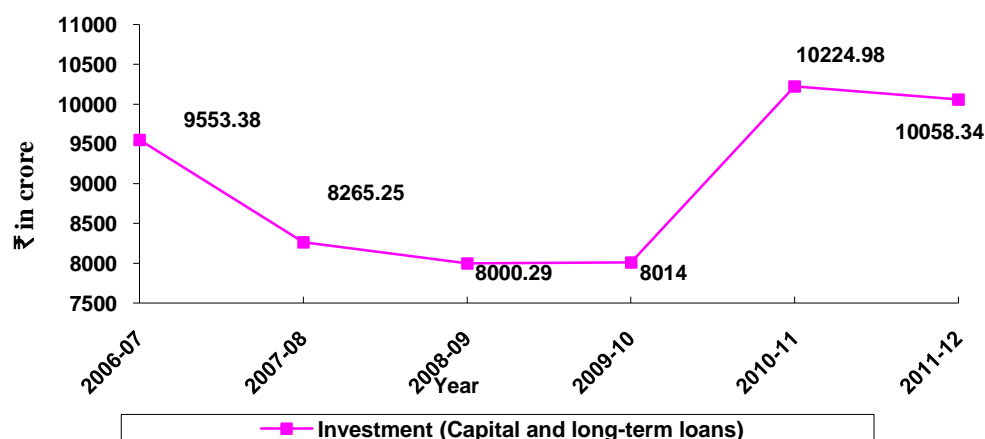
**1.6** As on 31 March 2012, investment (capital and long-term loans) in 64 PSUs (including 619 B Companies) was ₹ 10,058.34 crore as per details given in the table below:

(₹ in crore)

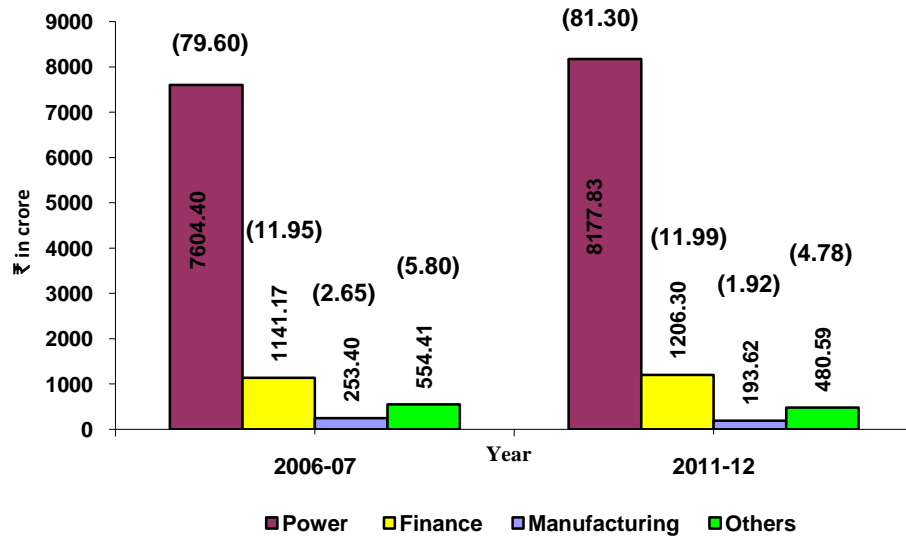
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1,938.56	7,258.04	9,196.60	570.39	173.93	744.32	9,940.92
Non-working PSUs	80.28	37.14	117.42	--	--	--	117.42
<b>Total</b>	<b>2,018.84</b>	<b>7,295.18</b>	<b>9,314.02</b>	<b>570.39</b>	<b>173.93</b>	<b>744.32</b>	<b>10,058.34</b>

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

**1.7** As on 31 March 2012, of the total investment in State PSUs, 98.83 per cent was in working PSUs and the remaining 1.17 per cent in non-working PSUs. This total investment consisted of 25.74 per cent towards capital and 74.26 per cent in long-term loans. Investment had increased by 5.29 per cent from ₹ 9,553.38 crore in 2006-07 to ₹ 10,058.34 crore in 2011-12 due to increase in capital and loan in power sector as shown in the graph below:



**1.8** Investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart.



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

The thrust of PSU investment was mainly in the power sector during the six years ending 31 March 2012. The share of investment of power sector has marginally increased from 79.60 per cent in 2006-07 to 81.30 per cent in 2011-12 and in finance sector from 11.95 per cent in 2006-07 to 11.99 per cent in 2011-12. The share of investment of Manufacturing Sector has decreased from 2.65 per cent in 2006-07 to 1.92 per cent in 2011-12 and other sectors from 5.80 per cent in 2006-07 to 4.78 per cent in 2011-12.

### Budgetary outgo, grants/subsidies, guarantees and loans

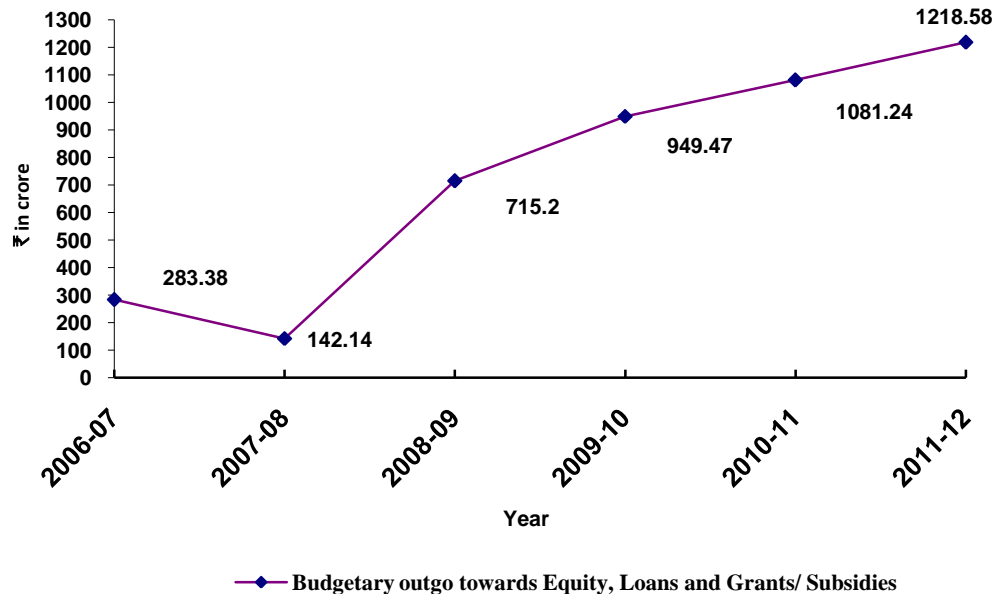
**1.9** Details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. Summarised details for three years ended 2011-12 are given below.

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	12.56	4	73.00	1	43.00
2.	Loans given from budget	1	47.22	2	48.03	1	163.23
3.	Grants/Subsidy received	12	889.69	11	960.21	11	1,012.35
4.	Total outgo (1+2+3)	16 <sup>4</sup>	949.47	16 <sup>4</sup>	1,081.24	13 <sup>4</sup>	1,218.58

<sup>4</sup> Actual number of Companies and Corporations which received equity/loans/grants/subsidy from the State Government

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
5.	Loans converted into equity	1	0.04	--	-	--	--
6.	Loans written off	--	--	2	180.65	2	1.80
7.	Interest/Penal interest written off	--	--	--	--	--	--
8.	Total waiver (6+7)	--	--	2	180.65	2	1.80
9.	Guarantees issued	--	--	1	1,600.00	1	290.00
10.	Guarantee commitment	8	795.48	5	2,357.53	4	2,373.41

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



It may be noticed that the year-wise budgetary outgo of the State towards equity, loans and grants/subsidy to State PSUs showed increasing trend after 2007-08 and touched the highest figure of ₹ 1,218.58 crore during 2011-12 mainly due to release of significant subsidy (₹ 971.15 crore), loans (₹ 163.23 crore) and equity contribution (₹ 43.00 crore) to Odisha State Civil Supplies Corporation Limited, Orissa Rural Housing and Development Corporation Limited and Odisha 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 thereagainst. Fresh guarantee of ₹ 290.00 crore was released to GRIDCO Limited during 2011-12. The guarantee commitment by the Government at the end of 2011-12 was ₹ 2,373.41 crore against four PSUs. During the year 2011-12 three PSUs paid GC of ₹ 0.55 crore to the State Government, while GC of ₹ 45.17 crore was outstanding in respect of six PSUs.

### Absence of accurate figure for investment in PSUs

**1.12** 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 reconcile the differences. The position in this regard as at 31 March 2012 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	2,393.19	2,159.50	233.69
Loans	2,176.09	3,740.55	1,564.46
Guarantees	2,454.51	2,373.41	81.10

**1.13** We observed that the differences occurred in respect of 40 PSUs<sup>5</sup> and some of the differences were pending reconciliation since many years. The office of the Accountant General (AG) held three meetings during December 2009 to January 2012 with the Management of four PSUs<sup>6</sup> and concerned Administrative Departments. The office of the AG had also written (April 2011/August 2012) 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. The Government and the PSUs may take concrete steps to reconcile the differences in a time-bound manner.

### Performance of PSUs

**1.14** 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 that extent of PSUs activities in the State economy is significant. The table below provides the details of turnover of working PSUs and State GDP for the period 2006-12.

(₹ in crore)

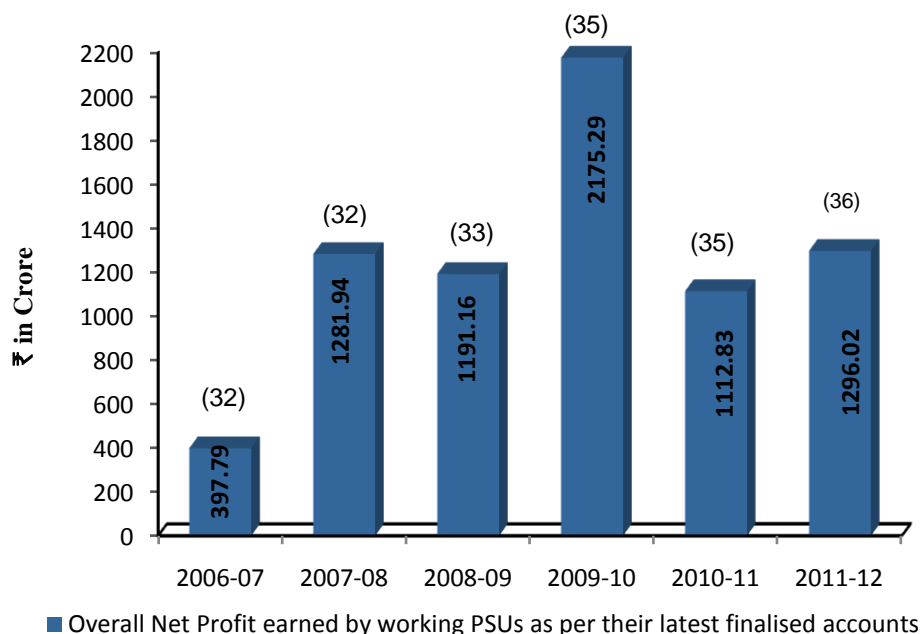
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover <sup>7</sup>	5,772.26	7,257.81	8,093.78	8,573.26	9,320.78	11,450.16
State GDP	93,374	1,06,466	1,22,165	1,50,946.38	1,86,356	2,26,236.14
Percentage of turnover to State GDP	6.18	6.82	6.63	5.68	5.00	5.06

<sup>5</sup> Including 14 non-working PSUs

<sup>6</sup> Odisha Power Generation Corporation Limited, GRIDCO Limited, Odisha Power Transmission Corporation Limited and Odisha Hydro Power Corporation Limited

<sup>7</sup> Turnover of working State PSUs as per the latest finalised accounts as of 30 September 2012

**1.15** Profit earned by working State PSUs during 2006-12 is given below.



(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). Out of 36 working PSUs, 23 PSUs earned profit of ₹ 2,305.81 crore and seven PSUs incurred loss of ₹ 1,009.79 crore as per their latest finalised accounts during October 2011 to September 2012. One working PSU i.e., Odisha State Civil Supplies Corporation Limited prepared its accounts on a ‘no profit no loss’ basis while five<sup>8</sup> Companies have not yet started their operation/commercial production. The major contributors to profit were The Odisha Mining Corporation Limited (₹ 1,880.59 crore), Odisha Power Generation Corporation Limited (₹ 206.29 crore), Odisha Hydro Power Corporation Limited (₹ 95.61 crore) and Odisha State Beverages Corporation Limited (₹ 40.02 crore). Heavy losses were incurred by GRIDCO Limited (₹ 936.81 crore), Orissa Rural Housing and Development Corporation Limited (₹ 31.71 crore), IDCOL Kalinga Iron Works Limited (₹ 27.03 crore) and Odisha Power Transmission Corporation Limited (₹ 12.73 crore).

**1.16** Losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of last three years’ Audit Reports of the CAG shows that the working State PSUs incurred losses to the tune of ₹ 6,485.01 crore and made infructuous investments of ₹ 7.59 crore which were controllable with better management. Year-wise details from Audit Reports are stated in the following table:

<sup>8</sup> Baitarani West Coal Company Limited, The Mandakini B Coal Company Limited, Odisha Thermal Power Corporation Limited, Lanjigarh Project Area Development Foundation and Nuagaon Coal Company Limited (Sl. No.A-16, 20, 23, 28 and 30 of **Annexure 2**)

(Amount: ₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit	2,175.29	1,112.83	1,296.02	4,584.14
Controllable losses as per CAG's Audit Report	1,062.95	929.60	4,492.46	6,485.01
Infructuous investment	5.15	--	2.44	7.59

**1.17** The above losses pointed out in the Audit Reports of the CAG are based on test check of records of PSUs. The actual controllable losses could be much more. The PSUs can discharge their role better if they are financially self-reliant and increase 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	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (per cent)	10.94	18.59	15.14	20.21	9.78	15.80
Debt	7,495.60	5,929.23	5,573.22	5,549.32	7,588.39	7,469.11
Turnover <sup>9</sup>	5,772.26	7,257.81	8,093.78	8,573.26	9,320.78	11,450.16
Debt/Turnover ratio	1.30:1	0.82:1	0.69:1	0.65:1	0.81:1	0.65:1
Interest payment	580.45	478.85	402.59	358.19	361.09	970.85
Accumulated profit/ (loss)	(1,441.03)	(17.36)	1,269.44	2,135.60	2,339.35	2,254.85

**1.19** Above parameters showed a mixed trend in the financial position of the PSUs. Percentage of 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 the preceding five years (2007-12). However it increased to 15.80 per cent in the current year mainly due to increase in the return on capital employed of working PSUs in Manufacturing Sector from 30.55 per cent (2010-11) to 36.01 per cent (2011-12) which was due to increase of ₹ 791.27 crore in the profit of The Odisha Mining Corporation Limited during 2011-12. The debt turnover ratio had improved from 1.30:1 in 2006-07 to 0.65:1 in 2011-12 due to increase in turnover to ₹ 11,450.16 crore in 2011-12 from ₹ 9,320.78 crore in 2010-11. As against accumulated losses of ₹ 1,441.03 crore in 2006-07, the PSUs registered an accumulated profit of ₹ 2,254.85 crore in 2011-12 which is indicative of improved performance of State PSUs. The working PSUs had, however, accumulated profit of ₹ 2,439.63 crore at the end of 2011-12.

**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 as well as commercial and promotional public enterprises at the rate of six per cent, one per cent and four per cent

<sup>9</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012

respectively, as dividend on equity. As per their latest finalised accounts, 23<sup>10</sup> working PSUs earned an aggregate profit of ₹ 2,305.81 crore and only five<sup>11</sup> PSUs declared/paid dividend of ₹ 304.92 crore. The Odisha Mining Corporation Limited has not declared any dividend for the year 2011-12 despite earning a net profit of ₹ 1,880.59 crore.

### Arrears in finalisation of accounts

**1.21** Annual accounts of 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 to be 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 2012.

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of working PSUs	32	33	35	35	36
2.	Number of accounts finalised during the year	35	34	46	39	30
3.	Number of accounts in arrears	62	54	43	39	45
4.	Average arrears per PSU (3/1)	1.94	1.64	1.23	1.11	1.25
5.	Number of working PSUs with arrears in accounts	29	28	27	25	29
6.	Extent of arrears	1 to 7 years	1 to 5 years	1 to 5 years	1 to 5 years	1 to 4 years

**1.22** From the table, it may be seen that though the average arrears per PSU was in decreasing trend upto 2010-11, the same increased to 1.25 during 2011-12. A significant number of 45 accounts relating to 29 working PSUs are still in arrears as on 30 September 2012. 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 28 non-working PSUs, 17<sup>12</sup> had gone into the liquidation process. Of the remaining 11 non-working PSUs, all PSUs had arrears of accounts for 11 to 41 years.

**1.24** As on September 2012 the State Government has invested ₹ 2,321.02 crore (Equity: ₹ 43 crore, loans: ₹ 310.47 crore, grants/subsidy: ₹ 1,967.55 crore) in 11 PSUs during the years for which accounts have not been finalised (**Annexure 4**).

<sup>10</sup> Excludes one (2011-12) out of two (2010-11 & 2011-12) accounts of The Odisha Mining Corporation Limited (OMC) finalised during October 2011 to September 2012.

<sup>11</sup> OMC (₹ 285 crore), Odisha Hydro Power Corporation Limited (₹ 19.42 crore), Odisha Construction Corporation Limited (₹ 0.33 crore), Orissa State Cashew Development Corporation Limited (₹ 0.16 crore) and Agricultural Promotion and Investment Corporation of Orissa Limited (₹ 0.01 crore)

<sup>12</sup> Sl. No.C-1,3,4,5,6,7,9,10,12,14,15,18,19,20,24,25 and 26 of **Annexure 2**



**1.25** Administrative Departments overseeing the activities of these entities have also to ensure that accounts are finalised and adopted by these PSUs within the prescribed period. The Accountant General (AG) has brought out the position of accounts to the notice of the concerned Administrative Departments every quarter. The AG had also highlighted (June 2012) the matter to the Chief Secretary 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 actual net worth of these PSUs.

**1.26** It is, therefore, recommended that the Government should monitor and ensure timely finalisation of accounts with special focus on arrears and comply with the provisions of the Companies Act, 1956.

### Winding up of non-working PSUs

**1.27** There were 28 non-working PSUs (all Companies) as on 31 March 2012. Of these, 17 PSUs were under the liquidation process. The number of non-working Companies at the end of each year during the past five years is given below:

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Number of non-working Companies	31	33	33	30	28

The non-working PSUs are required to be closed down as their continuance is a cost to the exchequer with no purpose. During 2011-12 two<sup>13</sup> non-working PSUs incurred an expenditure of ₹ 0.10 crore towards establishment expenditure, salary etc. This expenditure was financed by the State Government by way of grants.

**1.28** Details of closure stages in respect of non-working PSUs is given below:

Sl. No.	Particulars	Number of Company
1.	Total number of non-working PSUs	28
2.	Of (1) above, the number under	
(a)	Liquidation by Court	10 <sup>14</sup>
(b)	Voluntary winding up	7 <sup>15</sup>
(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 orders are under liquidation for a period ranging from 5 to 20 years. The process of voluntary winding up under the Companies Act is much faster and

<sup>13</sup> Orissa State Handloom Development Corporation Limited and Orissa State Textile Corporation Limited

<sup>14</sup> Sl. No.C-3,5,6,7,9,18,19,20,25 and 26 of **Annexure 2**

<sup>15</sup> Sl. No.C-1,4,10,12,14,15 and 24 of **Annexure 2**

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.

### Adverse comments on the accounts and Internal Audit of PSUs

**1.30** Twenty five working Companies forwarded 30 audited accounts to the Accountant General during October 2011 to September 2012. 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 substantially. The details of aggregate money value of comments of Statutory Auditors and CAG for last three years are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	17	161.61	14	1,145.50	6	616.09
2.	Increase in loss	5	68.53	3	65.22	6	969.20
3.	Non-disclosure of material facts	8	48.00	12	192.71	11	515.03
4.	Errors of classification	5	36.50	7	291.35	4	6.75

**1.31** During the year, Statutory Auditors had given qualified certificates for all the 30 accounts received. Compliance by the Companies of the Accounting Standards (AS) remained poor as there were 32 instances of non-compliance with AS in 11 accounts during the year.

**1.32** Some of the important comments are stated below:

#### *The Odisha Mining Corporation Limited (2011-12)*

- Non-provision of liability of ₹ 208.08 crore towards claim raised by the Mining Officer, Keonjhar for unlawful extraction/removal of 24.65 lakh MT of iron ore during 2007-08 and 2008-09 from Gandhamardan Block A iron ore mines has resulted in understatement of Current Liabilities and overstatement of profit for the year by the same amount.
- Pending confirmation of ownership over the seized chrome ore, non-provision towards sale proceeds thereof has resulted in understatement of Other Current Liabilities, overstatement of profit for the year and General Reserve by ₹ 50.83 crore.

#### *Odisha State Civil Supplies Corporation Limited (2009-10)*

- Non-provision of ₹ 49.09 crore claimed towards procurement expenses by custom millers in three districts has resulted in understatement of loss before subsidy and Current Liabilities (Miller claim payable) by ₹ 49.09 crore.

**IDCOL Kalinga Iron Works Limited (2010-11)**

- Non provision of liability towards additional gratuity of ₹ 10.44 crore and unutilised leave salary of ₹ 6.16 crore as per actuarial valuation demanded by LIC of India resulted in understatement of Current Liabilities with corresponding understatement of loss for the year by ₹ 16.60 crore.

**GRIDCO Limited (2010-11)**

- Non accounting of unsecured loan consequent upon conversion of liabilities of ₹ 191.17 crore has resulted in understatement of Unsecured Loan by ₹ 191.17 crore with corresponding understatement of interest accrued and due on loan and accumulated loss by ₹ 124.18 crore each.

**Odisha Power Transmission Corporation Limited (2010-11)**

- Non provision of liability towards differential net present value claimed by Forest authority for forest land diverted for non forest use has resulted in understatement of Other Liabilities as well as Capital Work-in-Progress by ₹ 9.37 crore each.

**Odisha Tourism Development Corporation Limited (2010-11)**

- Accounting of up front fee of ₹ 4.90 crore received for development and operation of hotels/restaurants on PPP mode as liability instead of Miscellaneous Income, has resulted in overstatement of Current Liabilities, understatement of Miscellaneous Income and profit for the year by ₹ 4.90 crore each.

**1.33** Similarly, three<sup>16</sup> working Statutory Corporations forwarded four accounts to the AG during October 2011 to September 2012. Of these, one account of Odisha State Road Transport Corporation pertains to sole audit by the CAG. The other three accounts were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and CAG for the last three years are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	2.47	2	4.52	4	17.99
2.	Non-disclosure of material facts	2	26.62	1	113.22	1	0.35

During the year, all the four accounts received were given qualified certificates.

<sup>16</sup> Odisha State Financial Corporation, Odisha State Road Transport Corporation and Odisha State Warehousing Corporation

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

***Odisha State Warehousing Corporation (2010-11)***

Charging depreciation on godowns and warehouses at the rate prescribed for factory building instead of at the rate applicable for building has resulted in overstatement of accumulated depreciation by ₹ 5.77 crore (including current year depreciation by ₹ 0.47 crore) and understatement of Fixed Assets and accumulated profit by ₹ 5.77 crore each.

***Odisha State Financial Corporation (2011-12)***

Non-provision of ₹ 5.53 crore towards interest accrued on loan in lieu of share capital refused for waiver by SIDBI has resulted in overstatement of Other Assets and profit for the year by ₹ 5.53 crore each.

**1.35** 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 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 areas for improvement in the internal audit/ internal control system in respect of 21 Companies<sup>17</sup> for the year 2010-11 and 17 Companies<sup>18</sup> for the year 2011-12 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	7	A-2,3,11,14,21,25 and 26
2.	Absence of internal audit system commensurate with the nature and size of business of the company	11	A-2,3,6,7,9,10,11,18,21, 28 and 30
3.	Non-maintenance of cost record	3	A-3,7 and 21
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	10	A-2,3,9,10,11,14,15,18, 30 and 32

**Recoveries at the instance of audit**

**1.36** During the year 2011-12 audit had pointed out recovery of ₹ 0.32 crore which Management accepted and effected recovery as on 30 September 2012.

<sup>17</sup> Sl. No. A- 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

<sup>18</sup> Sl. No.A-.2,3,6,7,9,10,11,14,15,18,19,21,25,26,28,30 & 32 of Annexure 2

### 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.	Odisha State Financial Corporation	2011-12	--	--	--
2.	Odisha State Warehousing Corporation	2009-10	2010-11	31 July 2012	Not furnished by the Management/ Department
3.	Odisha State Road Transport Corporation	2009-10	--	--	--

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 Odisha State Warehousing Corporation 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.

The present status (April 2012) of the Reform Programme in respect of Public Sector Enterprises of second phase is given in the following table:

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 <sup>19</sup>	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 <sup>19</sup>	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 <sup>19</sup>	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 <sup>19</sup>	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 <sup>19</sup>	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 <sup>19</sup>	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 <sup>19</sup>	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 Odisha 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.
The Odisha 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.

<sup>19</sup> Included in the first phase

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
Odisha Forest Development Corporation Limited	Restructure	2002-05	Implementation of restructuring plan was under process.
Odisha Lift Irrigation Corporation Limited	Restructure	2002-05	-do-
Odisha Construction Corporation Limited	Restructure	2002-05	-do-
Orissa Bridge and 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.
Odisha 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 Odisha Electricity Reforms Act, 1995 Odisha Electricity Regulatory Commission (OERC) was formed in August 1996 with the objective of rationalisation of Electricity Tariff, for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2011-12, OERC issued 123 orders (19 on Annual Revenue Requirements and Tariff related matters and 104 on others). OERC had submitted its accounts for the year 2009-10 under section 104 of the Electricity Act, 2003. The audit of the accounts of OERC had been undertaken by the CAG 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 (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 in the following table:

<b>Sl. No.</b>	<b>Particulars</b>	<b>Milestone</b>	<b>Achievement as at March 2012</b>
1.	Hundred <i>per cent</i> electrification of all villages	March 2012	83.17 <i>per cent</i> villages were electrified
2.	Hundred <i>per cent</i> metering of all distribution feeders	March 2009	Metering completed upto 60.14 <i>per cent</i>
3.	Hundred <i>per cent</i> metering of all consumers	December 2005	97.93 <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 Transmission and Distribution losses in 2011-12 was 59.09 <i>per cent</i>
5.	Establishment of State Electricity Regulatory Commission	April 1996	Established in August 1996