

INTRODUCTION

Functioning of State Public Sector Undertakings (Power Sector and Non-Power Sector)

General

1. State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2018, there were 82 PSUs in Odisha. These include three⁴ Statutory Corporations and 79 Government Companies (including 26 inactive government companies⁵) under the audit jurisdiction of the Comptroller & Auditor General of India. Of these, only GRIDCO Limited has listed its debt security on the Bombay Stock Exchange. During the year 2017-18, three new PSUs⁶ came within the audit jurisdiction of the C&AG of India and three PSUs⁷ had been withdrawn from audit jurisdiction of C&AG of India. During the year two⁸ PSUs were struck off from the Register of Companies by the Registrar of Companies, Cuttack under Section 248(5)⁹ of the Companies Act, 2013.

2. The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs for which accounts received during the reporting period ¹⁰				Number of PSUs for which accounts are in arrears (total accounts in arrear) as on 30 September 2018
		Accounts up to 2017-18	Accounts up to 2016-17	Accounts up to 2015-16	Total	
Working Government Companies ¹¹	53	18	21	09	48	35 (61)
Statutory Corporations	3	0	03	0	03	03 (03)
Total working PSUs	56	18	24	09	51	38 (64)
Inactive Government Companies	26	0	0	0	0	26 (747)
Total	82	18	24	09	51	64 (811)

(Source: Compiled based on accounts of PSUs received and database of inactive PSUs maintained in the AG Office)

⁴ Odisha State Financial Corporation, Odisha State Road Transport Corporation and Odisha State Warehousing Corporation

⁵ Inactive PSUs are those which have ceased to carry out their operations

⁶ (i) Shamuka Tourism Development Corporation Limited, (ii) Odisha Rail Infrastructure Development Limited, (iii) IREL IDCOL Limited

⁷ (i) Bhubaneswar Puri Transport Services Limited, (ii) Western Odisha Transport Service Limited, (iii) Ganjam Urban Transport Service Limited

⁸ Kanti Sharma Refractories Limited and Manufacture Electro Limited

⁹ Where the Registrar of Companies has reasonable cause to believe that a company is not carrying on any business or operation for a period of two immediately preceding financial years and has not made any application within such period for obtaining the status of a dormant company, he shall send a notice to the company and all the directors of the company, of his intention to remove the name of the company from the register of companies. At the expiry of the time mentioned in the notice, the Registrar may, unless cause to the contrary is shown by the company, strike off its name from the register of companies, and shall publish notice thereof in the Official Gazette, and on the publication in the Official Gazette of this notice, the company shall stand dissolved

¹⁰ From October 2017 to September 2018

¹¹ Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013

The working PSUs as per their latest finalised accounts registered an annual turnover of ₹25,123.06 crore as on 30 September 2018. The turnover relative to the State Gross Domestic Product (GDP) (₹4, 15,981.68 crore) was 6.04 *per cent* for the year 2017-18. The working PSUs together incurred loss of ₹356.40 crore as per their latest finalised accounts. As on March 2018, the State PSUs had employed 0.19 lakh employees (approx). There were 26 PSUs, which were inactive for the period ranging from last five years to 52 years having an investment of ₹95.96 crore in the nature of capital (₹65.30 crore) and long-term loans (₹30.66 crore). Inactive PSUs do not contribute to the economic growth of the State and may require winding up.

Accountability framework

3. The procedures for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013. According to Section 2(45) of the Act 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies. Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. Section 139(5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139(7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within 60 days from the date of registration of the Company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor. Further, as per Section 143(7) of the Act 2013, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG.

An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory audit

4. The financial statements of the Government Companies (as defined in Section 2(45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Companies Act, 2013. These financial statements are also subject to supplementary audit by the CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is 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 is conducted by the CAG.

Submission of accounts by PSUs

5. *Need for timely finalisation and submission*

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

6. The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government. The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Odisha in State Public Sector Undertakings

7. The Government of Odisha's (GoO) financial stakes in the PSUs is mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, GoO also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GoO provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoO also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8. The sector-wise summary of investment in the PSUs as on 31 March 2018 is given below:

Table 2: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment ¹² (₹ in crore)		
	Working	Inactive	Working	Inactive		Equity	Long Term Loans	Total
Power	08	-	-	-	08	3,948.67	11,388.75	15,337.42
Finance	05	-	01	-	06	584.08	570.18	1,154.26
Service	07	04	01	-	12	219.82	15.63	235.45
Infrastructure	12	-	-	-	12	627.28	689.06	1,316.34
Others	21	22	01	-	44	480.04	103.86	583.90
Total	53	26	03	-	82	5,859.89	12,767.48	18,627.37

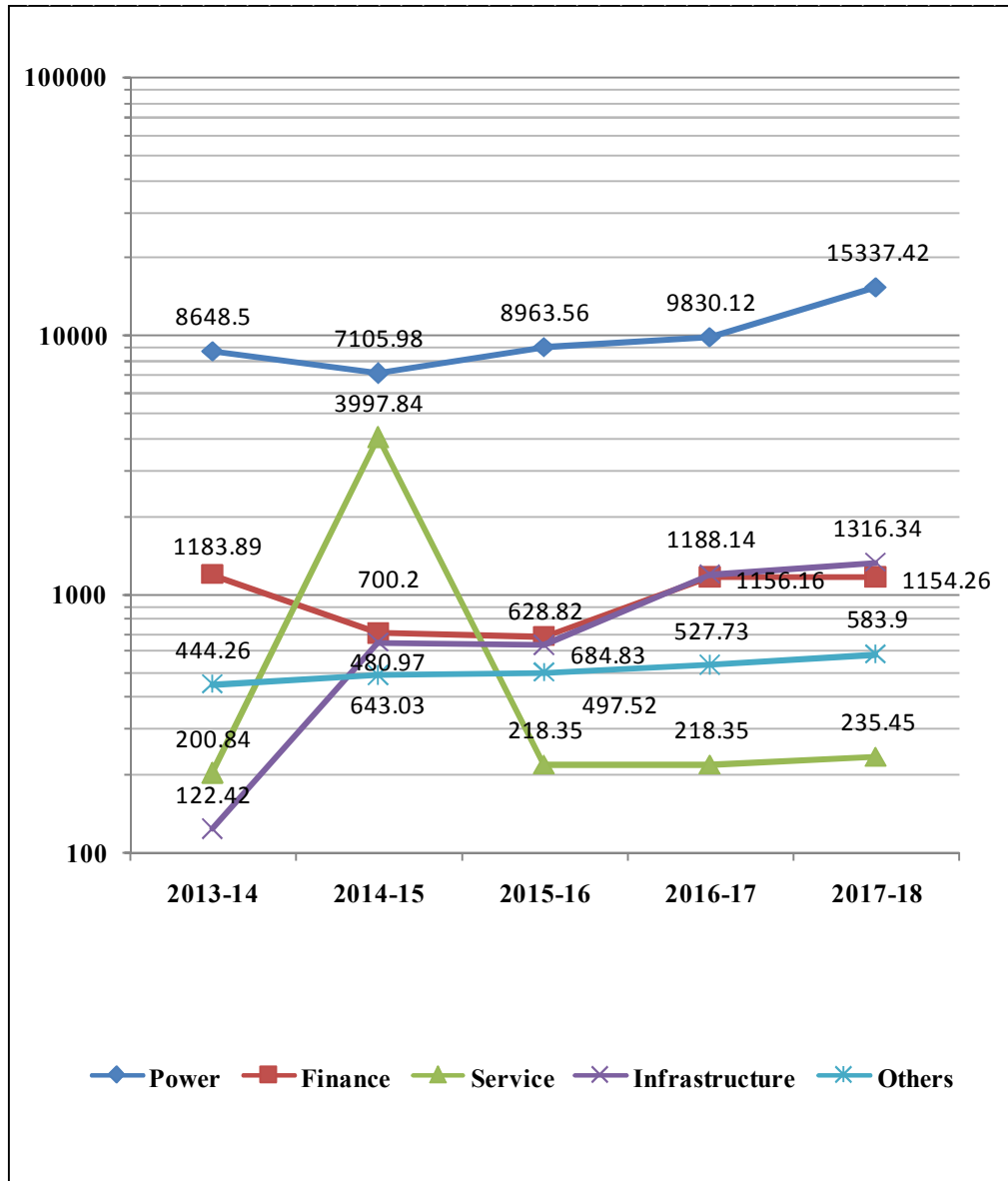
(Source: Compiled based on information received from PSUs)

The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investments of ₹6,688.92 crore (83.33 *per cent*) out of total investment of ₹8,027.46 crore made during the period from 2013-14 to 2017-18. The investment in various important sectors at the end of 31 March 2014 and 31 March 2018 is indicated in the Chart 1:

¹² Investment includes equity and long term loans

Chart 1: Sector-wise investment in PSUs

(Figures in ₹ crore)



Keeping in view the relatively high level of investment in Power Sector, the results of audit of eight Power Sector PSUs is presented in Part I of this report and the results of audit of the remaining 74 State PSUs (Non-Power Sector) in Part II of the report.