Report of the
Comptroller and Auditor General of India

on

Public Sector Undertakings

for the year ended March 2012

Government of Odisha

Report No.2 of the year 2013

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Preface

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India (CAG), fall under the following categories:

- Government Companies,
- Statutory Corporations, and
- Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government Companies and Statutory Corporations and has been prepared for submission to the Government of Odisha under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

3. Audit of the accounts of Government Companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Odisha State Road Transport Corporation, which is a Statutory Corporation, the CAG is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, the CAG has the right to conduct the audit of accounts of Odisha State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Odisha State Warehousing Corporation, the CAG has the right to conduct the audit of its accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with the CAG. In respect of the Odisha Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations/organisations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2011-12 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

6. Audits have 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 the CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2012, the State of Odisha had 36 working PSUs (33 Companies and 3 Statutory Corporations) and 28 non-working PSUs (all Companies), of which working PSUs employed 0.23 lakh employees. The working PSUs registered a turnover of ₹11,450.16 crore for 2011-12 as per their latest finalised accounts as on 30 September 2012. This turnover was equal to 5.06 per cent of State GDP indicating an important role played by State PSUs in the economy. The working PSUs earned an aggregate profit of ₹1,296.02 crore for 2011-12 and had accumulated profits of ₹2,439.63 crore as on 31 March 2012.

Investments in PSUs

As on 31 March 2012, the investment (capital and long term loans) in 64 PSUs was ₹10,058.34 crore. It increased by 5.29 per cent from ₹9,553.38 crore in 2006-07 to ₹10058.34 crore in 2011-12. The increase in investment was mainly due to increase in capital and loan in the power sector. The share of investment in the power sector marginally increased from 79.60 per cent in 2006-07 to 81.30 per cent in 2011-12.

Performance of PSUs

During the year 2011-12, 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 as on 30 September 2012. 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).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of ₹6485.01 crore and infructuous investments of ₹7.59 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and enhance profits/minimise losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. All 30 accounts finalised during October 2011 to September 2012 received qualified certificates. There were 32 instances of non-compliance with Accounting Standards in 11 accounts. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Twenty nine working PSUs had arrears of 45 accounts as of September 2012. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were 28 non-working companies. As no purpose is served by keeping these PSUs in existence, these need to be wound up expeditiously

(Chapter 1)

2. Performance Audit relating to Government Companies

Performance Audit relating to 'Transmission Activities of **Odisha Power Transmission Corporation Limited**' and 'Construction Activities of **Odisha Construction Corporation Limited**' were conducted. Executive summary of the Audit findings are given below:

Transmission activities of Odisha Power Transmission Corporation Limited

The Company, incorporated in March 2004 as a wholly owned Government Company, is engaged in the business of Transmission of electricity and Grid operations. The activities of the Company include construction and operation of Extra High Tension (EHT) transmission network, i.e. 400 KV to 132 KV level Sub-stations (SSs) and lines. As of March 2012, the Company had 100 SSs with installed capacity of 10,262.50 MVA and transmission lines of 11295.963 Ckm. The Performance Audit of the Company for the period from 2007-08 to 2011-12 was conducted to assess the economy, efficiency and effectiveness of its operations and ability to meet the objectives of its establishment.

Capacity Additions

The Company could add 19 EHT SSs, 3,105 MVA transformer capacity and 1,809.121 Ckm EHT lines during the five year period 2007-12 as against its actual planned addition of 33 EHT SSs, 6,227.50 MVA transformer capacity and laying of 2,987.768 Ckm of EHT lines. Achievement was 57.58, 49.86 and 60.55 per cent respectively. The shortfall was attributed to delay in execution of projects beyond the scheduled dates. Delayed execution of projects resulted in cost overrun of ₹165.56 crore, blockade of fund of ₹328.52 crore and non-achievement of projected benefits of₹650.18 crore.

Project Management

The Company could not complete its projects as per the original schedule. In respect of 22 cases, the time overrun was between 15 and 154 months. The mismatch between generation capacity and evacuation system resulted in non evacuating the share of the State from one IPP and two hydro power stations forgoing benefit of earning ₹97.98 crore towards transmission charges on 4067.68 MU of energy. The capacity of the SSs at different voltage levels exceeded the norms fixed. The Company installed inadequate number of capacitor banks in its SSs to regulate fluctuation in the voltage and failed to install the required software to bill the DISCOMs for reactive energy charges.

Grid Management

Absence of SCADA/RTU connectivity in all the SSs despite investment of ₹108.85 crore, the SLDC function was not integrated resulting in inadequate monitoring of transmission system. SLDC did not enforce Grid discipline through operation of ABT and DISCOMs were not penalised for overdrawal of power over the approved schedules.

Transmission Losses

Transmission losses though reduced from 4.82 per cent in 2007-08 to 3.97 per cent in 2011-12, the same was, however, above the approved norms of OERC. Energy Audit has so far not been conducted to identify factors contributing to such losses and arresting the same.

Financial Management

The Company incurred losses in all the years 2007-11 and the accumulated loss as at the end of March 2012 was ₹181.98 crore. The Company's borrowing as of March 2012 was ₹818.63 crore. Due to incorrect filing of ARR, the Company could not recover ₹ 77.27 crore through the tariff.

Material Management

The closing stock of the Company ranged between 13 and 40 months of consumption. As of March 2012 there was a huge surplus/non-moving stores valued at ₹38.93 crore awaiting disposal.

Monitoring and Control

Monitoring by the Management was inadequate and there were deficiencies in internal control system prevailing in the Company.

Conclusion and Recommendation

Proper planning for capacity addition and project management could have enabled the Company to meet the peak demand, avoid cost overrun, supply stable power, earning benefits towards reduction in transmission loss and additional revenue.

The Performance Audit contains eight recommendations to improve the performance of the Company i.e., preparation of capacity addition plan in line with the NEP; creation of adequate transmission facilities for evacuation of State share of power from generators; execution of the transmission projects as per the recommendation of Task Force Committee of MoP, GoI; adherence to the norms of MTPC/Grid Code for

effective functioning and maintenance of transmission network; installation of adequate number of capacitor banks and bus bar protection panels to protect the lines and SSs; maintenance of strict Grid discipline and operation of intra State ABT; earn additional revenue through reduction of transmission losses by enforcing energy audit; and strengthening inventory management to avoid blockade of funds.

(Chapter 2.1)

Construction Activities of Odisha Construction Corporation Limited

The Company was incorporated in May 1962 with the main objective of executing works like dams, barrages, reservoirs, power houses, canals etc., on allotment basis as well as through tenders. The present Performance Audit covers activities of the Company in the areas of Planning, Preparation of estimates, Execution of works, Material Management, Financial Management, Monitoring and Internal Control mechanism for the five year period from 2007-08 to 2011-12 with a view to assess economy, efficiency and effectiveness of its operations and ability to meet its stated objectives.

Planning for execution of works

Though the Company was in existence for more than five decades, it did not attempt to evolve any long term Corporate/Perspective Plan for effective utilisation of its resources. The Company largely depends on the works allotted by DoWR. However, it never raised the issue of a long term Perspective Plan with DoWR. Budgetary control was deficient as the annual budgets were prepared without obtaining inputs from GoO and without assessing adequacy of budget proposals based on physical parameters. During 2007-12 the Company could execute works valued at ₹ 654.85 crore which was only 45 per cent of the financial targets.

Preparation of estimates

The Company prepares the estimates for the allotted works based on fair market rates and submits the same to DoWR for scrutiny by the Project Level Technical Committee and Tender Committee before award of work. There were deficiencies in preparation of estimates such as less provision on hire charges of machinery, non inclusion of VAT/Service Tax/Cess component, incorrect provision for lead distance and quoting lower coefficient for construction materials etc. As a result the Company sustained a loss of ₹ 19.41 crore besides extra expenditure of ₹ 49.62 crore by DoWR due to acceptance of inflated offers.

Execution of Works

The Company had 93 spill over works valued at ₹ 397.47 crore as on March 2007 and was entrusted with 185 works during 2007-12. It completed 157 works and executed works valued at ₹ 777.99 crore against completed/121 ongoing works. There were delays of more than two years in 93 completed and 57 ongoing works which resulted in cost overrun and non-achievement of intended benefits. Delay in completion of 15 works resulted in cost overrun of ₹ 161.99 crore for which Government would be further burdened with an extra cost of ₹141.11 crore with a resultant loss of ₹17.88 crore to the Company. Price escalation for an amount of ₹ 4.72 crore was disallowed and the Company sustained loss of ₹ 6.11 crore due to excess consumption of material, execution of extra work without approval etc. Award of work at higher rate without analysing the cost of execution resulted in extension of undue favour to the tune of ₹ 27.61 crore to the subcontractor.

Engagement of Job Workers

Terms and conditions of engagement of job workers indicated subletting of works in violation of the terms of entrustment of works to the Company. Further, even these engagements were not made in a transparent manner. The Company had an accumulated balance of ₹ 14.47 crore under EPF due to empanelment of job workers without EPF registration certificate violating provisions of the EPF Act.

Material Management

The Company had neither adopted any purchase manual nor prepared materials budget though materials constituted around 60 to 70 per cent of the estimated cost of the works. The Company sustained loss of ₹ 2.15 crore due to procurement of cement at higher rates and excess consumption of cement/steel. Despite availability of new machinery worth ₹ 8.50 crore, the Company could

not gainfully utilise the same in execution of works resulting in short recovery of ₹13.53 crore from the job workers towards hire charges.

Financial Management

The Company incurred excess expenditure of ₹2.19 crore towards payment of VAT by way of composition. Deficiencies in operation of current accounts, short term deposits and security deposits resulted in loss of interest of ₹1.53 crore.

Monitoring and Internal Control

Deficient monitoring and internal control system of the Company resulted in accumulation of spill over works, non-realisation of dues against completed works, release of advances to job workers in violation of the provisions of the agreement and discrepancy in stores.

Conclusion and Recommendations

Despite the Company being largely dependent upon the works allotted by the DoWR of the State Government it did not prepare the annual plan/target in line with the completion schedule of the works stipulated by DoWR resulting in huge spill over of the works. The Company sustained significant losses due to preparation of deficient work estimates, inordinate delays in commencement/completion of works, delayed engagement of job workers, poor material management and deficient monitoring and internal control mechanism.

Performance Audit contains recommendations on the need to prepare Annual Action Plan prioritising the works duly linked with the schedule of completion of the works; participate in open tenders to get more work orders and reduce dependence on the allotted works of Government; factor in all costs while making offers and enter into proper agreements with the Clients; dispense with subletting of works and ensure engagement of agencies in a transparent manner; frame a suitable material management policy and reassess its manpower requirement; strengthen its Project Monitoring and Internal Control mechanism; scrutinise offers with reference to prescribed guidelines; formulate a suitable policy for release of work advances so as to avoid the accumulation thereof with the Company; and monitor the execution of works for their timely completion.

(Chapter 2.2)

3. Transaction Audit Observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss of ₹ 36.78 crore in five cases due to non-compliance with rules, directives, procedures and terms and conditions of contracts.

(Paragraphs 3.1, 3.3, 3.9, 3.15 and 3.18)

Loss of ₹ 75.68 crore in five cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 3.2, 3.7, 3.10, 3.11 and 3.14)

Loss of ₹ 292.38 crore in five cases due to defective/deficient planning.

(Paragraphs 3.6, 3.8, 3.12, 3.13 and 3.16)

Loss of ₹ 14.75 crore in one case due to lack of fairness, transparency and competitiveness in operations.

(Paragraph 3.4)

Loss of ₹ 5.67 crore in two cases due to inadequate/deficient monitoring.

(Paragraphs 3.5 and 3.17)

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

Irregularities in selection of partner/formation of Joint Venture by **The Odisha Mining Corporation Limited** violating the Coal Mines (Nationalisation) Act, 1973 and coal block allocation orders.

(Paragraph 3.1)

Sale of iron ore fines without segregation of the grades by **The Odisha Mining Corporation Limited** resulted in a short realisation of sales price by ₹ 36.25 crore.

(Paragraph 3.2)

Inaction of **The Odisha Mining Corporation Limited** in adhering to the statutory requirements resulted in degradation of environment coupled with a loss of stock of ₹ 34.45 crore.

(Paragraph 3.3)

The Odisha Mining Corporation Limited suffered a loss of revenue of ₹ 14.75 crore from the sale of chrome concentrate in the domestic market due to short fixation of domestic sale price of chrome concentrate.

(Paragraph 3.4)

Imprudent fund management in **The Odisha Mining Corporation Limited** led to loss of interest ₹ 4.87 crore.

(Paragraph 3.5)

Avoidable delay in procurement and blending of imported coal by **Odisha Power Generation Corporation Limited** led to non-generation of additional power of 1099 MU valued at ₹ 251.82 crore with consequential loss of incentive of ₹ 32.17 crore.

(Paragraph 3.8)

Failure of internal check over the payment towards reimbursement of Income Tax by **GRIDCO Limited** resulted in excess payment of ₹ 34.11 crore with consequential loss of interest.

(Paragraph 3.10)

Failure of **Odisha Hydro Power Corporation Limited** in maintaining a spare transformer and commissioning of an underrated one coupled with inordinate delay in synchronisation resulted in a loss of ₹ 3.77 crore towards capacity charges.

(Paragraph 3.12)

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[1]	33[2]	28[3]	61
Statutory Corporations	3	-	3
Total	**36**	**28**	**64**

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,

[1] Includes six 619 B Companies of which five are working Companies
[2] One working 619 B Company namely Nuagaon Coal Company Limited was incorporated on 11 May 2011.
[3] 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

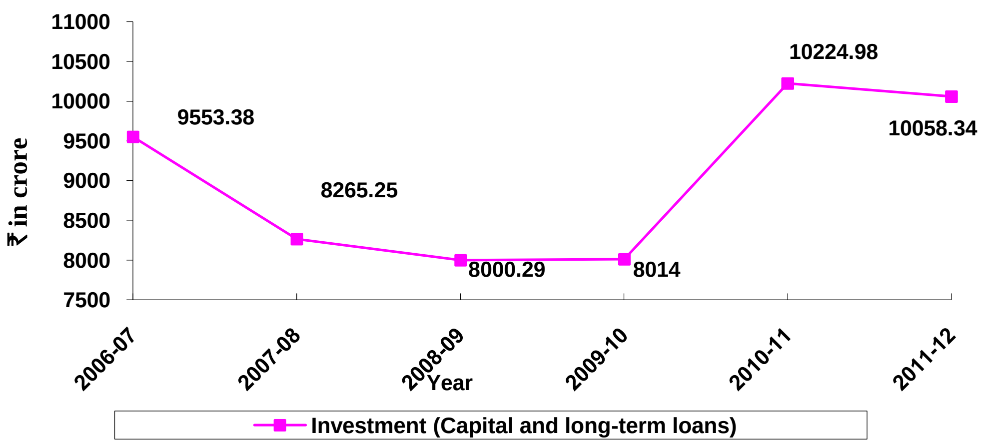
1.6 As on 31 March 2012, investment (capital and long-term loans) in 64 PSUs (including 619 B Companies) was ₹ 10,058.34 crore as per details given in the table below:

(₹ in crore)

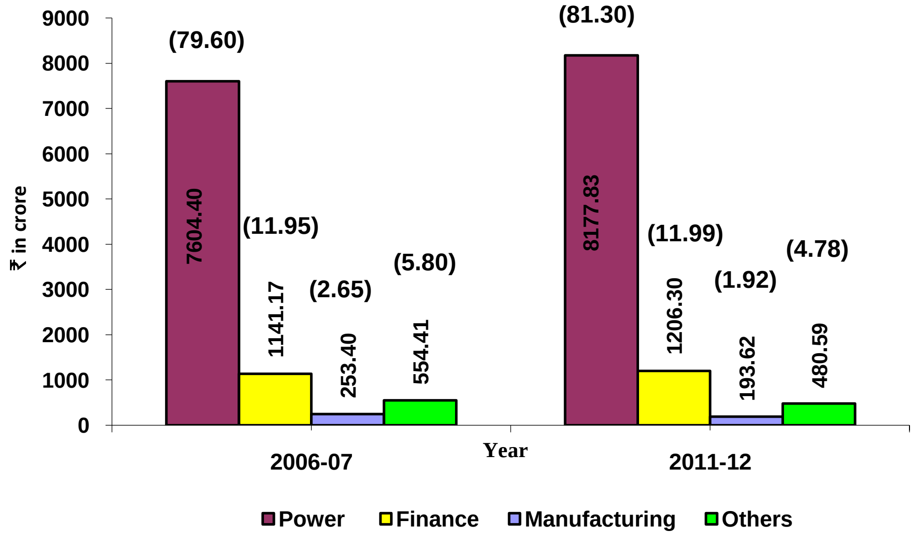
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1,938.56	7,258.04	9,196.60	570.39	173.93	744.32	9,940.92
Non-working PSUs	80.28	37.14	117.42	--	--	--	117.42
Total	**2,018.84**	**7,295.18**	**9,314.02**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

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.

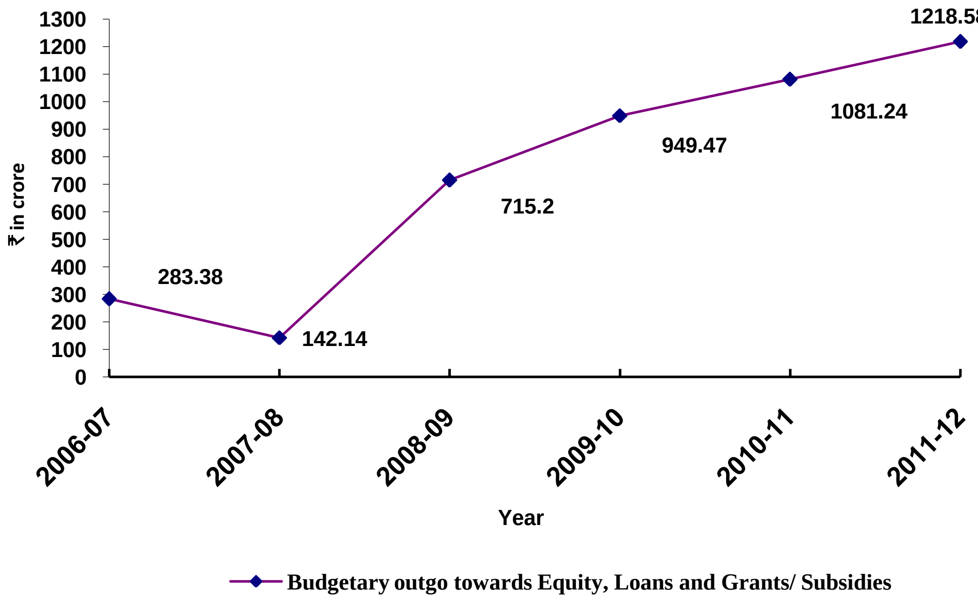
(₹ in crore)

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[4]	949.47	16[4]	1,081.24	13[4]	1,218.58

[4] 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[5] 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[6] 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)

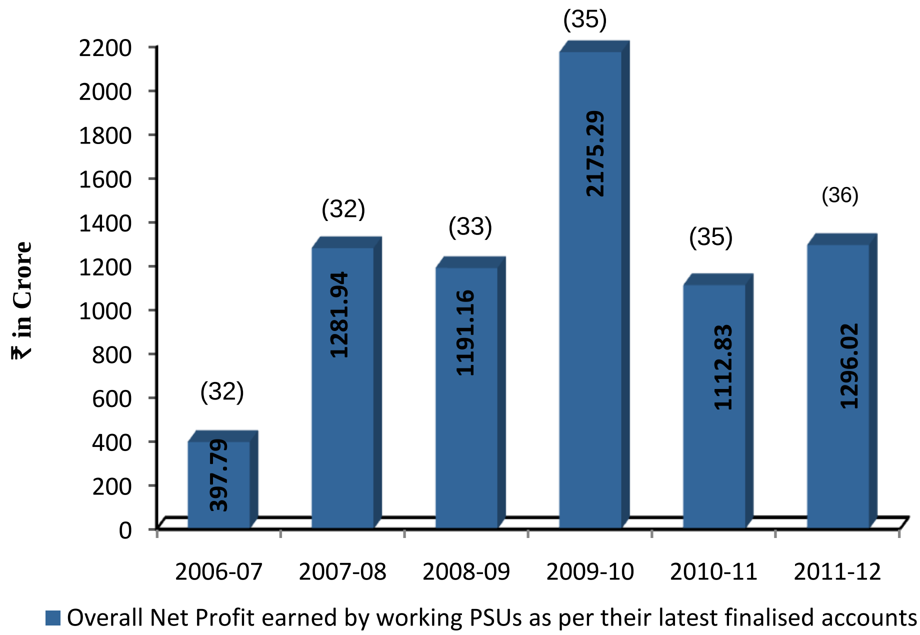
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover[7]	5,772.26	7,257.81	8,093.78	8,573.26	9,320.78	11,450.16
State GDP	93,374	1,06,466	1,22,165	1,50,946.38	1,86,356	2,26,236.14
Percentage of turnover to State GDP	6.18	6.82	6.63	5.68	5.00	5.06

[5] Including 14 non-working PSUs

[6] Odisha Power Generation Corporation Limited, GRIDCO Limited, Odisha Power Transmission Corporation Limited and Odisha Hydro Power Corporation Limited

[7] 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[8] 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:

[8] 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[9]	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*

[9] 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[10] working PSUs earned an aggregate profit of ₹ 2,305.81 crore and only five[11] 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[12] 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**).

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[10] 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.

[11] 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)

[12] 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[13] 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[14]
(b)	Voluntary winding up	7[15]
(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

[13] Orissa State Handloom Development Corporation Limited and Orissa State Textile Corporation Limited
[14] Sl. No.C-3,5,6,7,9,18,19,20,25 and 26 of **Annexure 2**
[15] 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[16] 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.

[16] 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[17] for the year 2010-11 and 17 Companies[18] 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.

[17] 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**
[18] 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[19]	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[19]	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[19]	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[19]	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[19]	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[19]	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[19]	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.

[19] 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:

Sl. No.	Particulars	Milestone	Achievement as at March 2012
1.	Hundred *per cent* electrification of all villages	March 2012	83.17 *per cent* villages were electrified
2.	Hundred *per cent* metering of all distribution feeders	March 2009	Metering completed upto 60.14 *per cent*
3.	Hundred *per cent* metering of all consumers	December 2005	97.93 *per cent* consumers metered
4.	Transmission and distribution losses will not exceed 34 *per cent*, which have to be brought down to 20 *per cent*	2009-10	Total Transmission and Distribution losses in 2011-12 was 59.09 *per cent*
5.	Establishment of State Electricity Regulatory Commission	April 1996	Established in August 1996

Chapter II

2. Performance Audit relating to Government Companies

2.1 Odisha Power Transmission Corporation Limited

Transmission Activities

Executive Summary

The Company, incorporated in March 2004 as a wholly owned Government Company, is engaged in the business of Transmission of electricity and Grid operations. The activities of the Company include construction and operation of Extra High Tension (EHT) transmission network, i.e. 400 KV to 132 KV level Sub-stations (SSs) and lines. As of March 2012, the Company had 100 SSs with installed capacity of 10,262.50 MVA and transmission lines of 11,295.963 Ckm. The Performance Audit of the Company for the period from 2007-08 to 2011-12 was conducted to assess the economy, efficiency and effectiveness of its operations and ability to meet the objectives of its establishment.

Capacity Additions

The Company could add 19 EHT SSs, 3,105 MVA transformer capacity and 1,809.121 Ckm EHT lines during the five year period 2007-12 as against its actual planned addition of 33 EHT SSs, 6,227.50 MVA transformer capacity and laying of 2,987.768 Ckm of EHT lines. Achievement was 57.58, 49.86 and 60.55 per cent respectively. The shortfall was attributed to delay in execution of projects beyond the scheduled dates. Delayed execution of projects resulted in cost overrun of ₹165.56 crore, blockade of fund of ₹328.52 crore and non-achievement of projected benefits of ₹650.18 crore.

Project Management

The Company could not complete its projects as per the original schedule. In respect of 22 cases, the time overrun was between 15 and 154 months. The mismatch between generation capacity and evacuation system resulted in non evacuating the share of the State from one IPP and two hydro power stations forgoing benefit of earning ₹97.98 crore towards transmission charges on 4,067.68 MU of energy. The capacity of the SSs at different voltage levels exceeded the norms fixed. The Company installed inadequate number of capacitor banks in its SSs to regulate fluctuation in the voltage and failed to install the required software to bill the DISCOMs for reactive energy charges.

Grid Management

Absence of SCADA/RTU connectivity in all the SSs despite investment of ₹108.85 crore, the SLDC function was not integrated resulting in inadequate monitoring of transmission system. SLDC did not enforce Grid discipline through operation of ABT and DISCOMs were not penalised for overdrawal of power over the approved schedules.

Transmission Losses

Transmission losses though reduced from 4.82 per cent in 2007-08 to 3.97 per cent in 2011-12, the same was, however, above the approved norms of OERC. Energy Audit has so far not been conducted to identify factors contributing to such losses and arresting the same.

Financial Management

The Company incurred losses in all the years 2007-11 and the accumulated loss as at the end of March 2012 was ₹181.98 crore. The Company's borrowing as of March 2012 was ₹818.63 crore. Due to incorrect filing of ARR, the Company could not recover ₹77.27 crore through the tariff.

Material Management

The closing stock of the Company ranged between 13 and 40 months of consumption. As of March 2012 there was a huge surplus/non-moving stores valued at ₹38.93 crore awaiting disposal.

Monitoring and Control

Monitoring by the Management was inadequate and there were deficiencies in internal control system prevailing in the Company.

Conclusion and Recommendations

Proper planning for capacity addition and project management could have enabled the Company to meet the peak demand, avoid cost overrun, supply stable power, earning benefits towards reduction in transmission loss and additional revenue. The Performance Audit contains eight recommendations to improve the performance of the Company i.e., preparation of capacity addition plan in line with the NEP; creation of adequate transmission facilities for evacuation of state share of power from generators; execution of the transmission projects as per the recommendation of Task Force Committee of MoP, GoI; adherence to the norms of MTPC/Grid Code for effective functioning and maintenance of transmission network; Installation of adequate number of capacitor banks, bus bar protection panels to protect the lines and SSs; maintenance of strict Grid discipline and operation of intra State ABT; earn additional revenue through reduction of transmission losses by enforcing energy audit; and Strengthening inventory management to avoid blockade of funds.

Introduction

2.1.1 With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) formulated the National Electricity Policy in February 2005 which stated that the Transmission System required adequate and timely investment besides efficient and co-ordinated action to develop a robust and integrated power system for the country. It also, *inter alia*, recognised the need for development of National and State Grid with the coordination of Central/State Transmission Utilities (STUs). Transmission of electricity and Grid operations in Odisha are managed and controlled by Odisha Power Transmission Corporation Limited (Company) which is mandated to provide an efficient, adequate and properly coordinated Grid management and transmission of energy. The Company was incorporated on 29 March 2004 under the Companies Act, 1956 after unbundling of GRIDCO Limited (GRIDCO)[20] by virtue of Orissa Electricity Reforms (Transfer of Transmission and Related Activities) Scheme, 2005 of Government of Odisha (GoO). In addition to function as a STU, the Company was also entrusted with the State Load Despatch functions. The Company is under the administrative control of Department of Energy, GoO. The Management of the Company is vested with a Board of Directors (BoD) comprising eleven members appointed by the State Government. Day to day operations are carried out by the Chairman-cum-Managing Director (CMD) with the assistance of Director (Engineering), Director (Human Resources), Director (Finance) and Company Secretary.

[20] Now engaged only in power trading activity

2.1.2 During 2007-08, 19,407.66 Million Units (MUs) of energy was transmitted by the Company which increased to 21,824.08 MU in 2011-12 i.e. an increase of 12.45 *per cent* over five years. As on 31 March 2012, the Company had a transmission network of 11,295.963 Circuit kilometer (Ckm) and 100 Sub-stations (SSs) with installed capacity of 10,262.50 Mega Volt Ampere (MVA), capable of annually transmitting 54,538.23 MUs at 220 Kilo Volt (KV) and above. The turnover of the Company was ₹ 591.98 crore in 2011-12 which was equal to 0.26 *per cent* of State Gross Domestic Product (₹ 2,26,236 crore). It employed 3,482 employees as on 31 March 2012.

Performance Audit on Procurement, Performance, Repairs and Maintenance of Transformers was included in the Report of the Comptroller and Auditor General of India (Commercial), GoO for the year ended 31 March 2007. The report is yet to be discussed (October 2012) by the Committee on Public Undertakings (COPU).

Scope and Methodology of Audit

2.1.3 The present Performance Audit (PA) was conducted during February to July 2012 and covers performance of the Company during the period 2007-08 to 2011-12. Audit examination involved scrutiny of records of different wings at the Head office, State Load Despatch Center (SLDC), 6[21] out of 7 Construction Divisions and the Operation and Maintenance (O&M) Divisions each headed by an Assistant General Manager (Electrical). The Construction Divisions were selected on the basis of value of works for execution of projects. The Company constructed 19[22] SSs (1,062.5 MVA) and 48[23] lines (1,809.121 Ckm) during audit period, of which five SSs (140 MVA) and 13 lines (889.870 Ckm) were examined. Besides, the ongoing works of six SSs (150 MVA) and five lines (759.798 Ckm) were also examined. The examinations of the completed and ongoing works were limited to the selected divisions.

Audit Objectives

2.1.4 The objectives of the Performance Audit were to assess whether:

- Perspective Plan was prepared in accordance with the guidelines of the National Electricity Policy/Plan and Odisha Electricity Regulatory Commission (OERC) and to assess impact of failure to plan, if any;
- Transmission system was developed and commissioned in an economical, efficient and effective manner;
- Operation and maintenance of transmission system was carried out in an economical, efficient and effective manner;

[21] Angul, Balasore, Bhubaneswar, Bolangir, Cuttack and Jharsuguda
[22] Includes 10 switching stations
[23] Includes 7 associated lines of SSs and 26 deposit works

- Disaster Management System was set up to safeguard its operations against unforeseen disruptions;
- Failure analysis system set up was effective;
- Financial Management system was efficient with emphasis on timely raising and collection of bills and filing of Annual Revenue Requirement (ARR) for tariff revision in time was in place;
- There was an efficient and effective system of procurement of material and inventory control mechanism;
- Efficient and effective energy conservation measures were undertaken in line with National Electricity Plan (NEP) and a proper Energy Audit System was established; and
- There was a monitoring system in place to review existing/ongoing projects, corrective measures to overcome deficiencies identified and response to Audit/Internal audit observations.

Audit Criteria

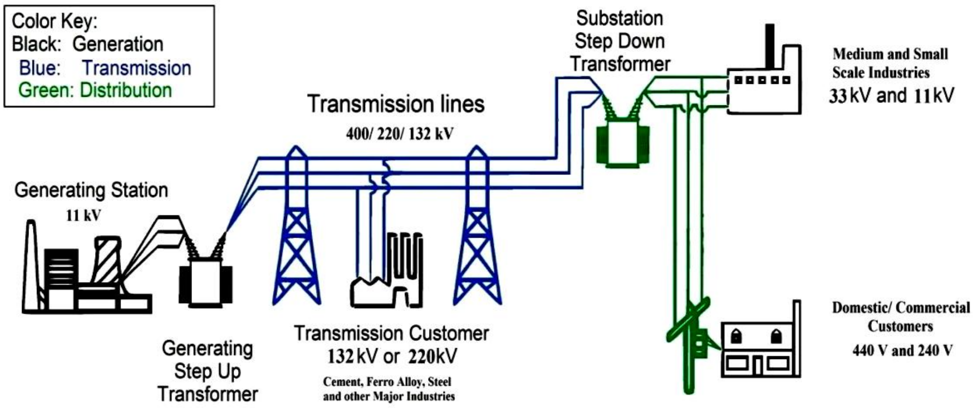
2.1.5 The audit criteria for assessing the achievement of the audit objectives were adopted from the following sources:

- Provisions of National Electricity Policy/Plan and National Tariff Policy;
- Perspective Plan and Project Reports of the Company;
- Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- ARR filed with OERC for tariff fixation, Circulars, Manuals and MIS reports;
- Manual of Transmission Planning Criteria (MTPC);
- Code of Technical Interface (CTI)/Grid Code consisting of planning, operation and connection codes;
- Directions from GoO/Ministry of Power (MoP);
- Norms/Guidelines issued by OERC/Central Electricity Authority (CEA);
- Report of the Committee constituted by the MoP recommending the Best Practices in Transmission;
- Report of the Task Force constituted by the MoP to analyse critical elements in transmission project implementation; and
- Reports of Regional Power Committee (RPC)/Regional Load Despatch Centre (RLDC).

Brief description of transmission process

2.1.6 Transmission of electricity is defined as bulk transfer of power over a long distance at high voltages, generally at 132 KV and above. Electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the Grid. SSs are facilities within the high voltage electric system used for stepping up /stepping down voltage from one level to another, connecting electric systems and switching equipment in and out of the system.

Electrical energy cannot be stored. Therefore, every transmission system required a sophisticated system of control called Grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is given below:



Audit Findings

2.1.7 Audit objectives, criteria, scope and methodology were shared with the Company during an Entry Conference held on 07 June 2012. Subsequently, audit findings were reported to the Company and the State Government in September 2012 and discussed in an Exit Conference held on 19 October 2012. The Entry and Exit Conferences were attended by the Secretary, Department of Energy and the CMD of the Company. The Company/GoO furnished replies to audit findings in October 2012. The views expressed by them have been considered while finalising this report. Audit findings are discussed in the subsequent paragraphs:

Planning and Development

National Electricity Policy/Plan

2.1.8 The Central Transmission Utility (CTU) and State Transmission Utility (STU) have the key responsibility of network planning and development based on the National Electricity Plan (NEP) in coordination with all the concerned agencies. At the end of the X Plan i.e., March 2007, the transmission system in the country at 765/HVDC/400/230/220 KV was 1.98 lakh Ckm of transmission lines which was planned to increase to 2.93 lakh Ckm by end of XI Plan i.e., March 2012. The NEP assessed the total inter-regional transmission capacity as 14,100 MW at the end of 2006-07 and further planned to add 23,600 MW in XI plan bringing the total inter-regional capacity to 37,700 MW.

The Company's transmission network at the beginning of 2007-08 consisted of 81 Extra High Tension (EHT) SSs with a transformation capacity of 7,157.5 MVA and 9,486.842 Ckm of EHT transmission lines. The transmission network as on 31 March 2012 consisted of 100 EHT SSs with a transformation capacity of 10,262.5 MVA and 11,295.963 Ckm of EHT transmission lines.

Long Term Load Forecast

2.1.9 The STU is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning capacity addition. As required under Orissa Transmission and Bulk Supply License, 1997, the Company had to prepare and submit a long term load forecast every year alongwith the methodology and assumptions to OERC for succeeding ten years. The peak demand assessed as per the long term load forecast is to be considered as the basis for long term perspective plan for transmission system.

Capacity addition was planned without approved load forecast for peak demand

We observed that the Company submitted (August 2008 to July 2012) long term load forecasts every year for the five years 2007-12. OERC, however, approved (September 2010) the load forecast for 2009-10 only. Reasons for not seeking approval for the other four years were not on record. Thus, lack of persuance in obtaining approval for four years resulted in planning the capacity addition without any approved load forecast for peak demand.

Long Term Perspective Plan

2.1.10 As per the Orissa Grid Code (OGC) Regulations, 2006, the STU was responsible for preparing and submitting a long term perspective plan to OERC based on long term load forecast for expansion of transmission system. The Company submitted (April 2011) the long term transmission plan for the period 2007-12 by engaging a consultant, Power Research Development Corporation Private Limited (PRDC). The transmission plan was based on the peak demand of 4,459 MW as projected by CEA for the State. OERC did not approve the plan since it was submitted belatedly and relied on 2007-08 as base year which had lost its relevance. It, however, directed (May 2011) the Company to submit a revised plan for the period 2012-17 with 2010-11 as base year. The revised plan was yet (October 2012) to be submitted.

We observed that in the absence of any approved transmission plan for 2007-12, addition to the transmission system was made on an adhoc manner by obtaining approval of OERC through the ARRs every year which resulted in inadequate and deficient transmission system for supply of quality and reliable

In the absence of long term perspective plan 134.10 MW of power could not be transmitted leading to loss of revenue of ₹ 54.14 crore

power and evacuating State share of power from IPPs/hydro power projects as discussed in subsequent paragraphs. Further, the Company failed to transmit 134.10 MW of power to 8 out of 20 test checked upcoming EHT consumers. This resulted in forgoing revenue of ₹ 54.14 crore during 2007-12.

While accepting the fact of delayed submission of the long term perspective plan for XI plan period, the Government/Management stated (October 2012) that submission of XII plan in compliance to the observations of OERC was in process.

Transmission Network and its growth

2.1.11 Transmission network comprises SSs, transformers in the SSs and transmission lines. The transmission capacity of the Company at EHT level during the PA period is given below:

Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Number of Sub-stations							
1	At the beginning of the year	81	86	87	95	97	
2	Additions planned for the year	8	4	11	13	17	53[24]
3	Added during the year	5	1	8	2	3	19
4	Total sub-stations at the end of the year **(1 + 3)**	86	87	95	97	100	
5	Shortfall in addition **(2-3)**	3	3	3	11	14	34
B. Transformers Capacity (MVA)							
1	Capacity at the beginning of the year	7,157.5	7,537.5	7,805	8,832.5	9,595	
2	Addition/augmentation planned for the Year	2,512.5	3,732.5	4,495	3,927.5	3,790	18,457.5[24]
3	Capacity added during the year	380	267.5	1,027.5	762.5	667.5	3,105
4	Capacity at the end of the year **(1+3)**	7,537.5	7,805	8,832.5	9,595	10,262.5	
5	Shortfall in additions /augmentation **(2-3)**	2,132.5	3,465	3,467.5	3,165	3,122.5	15,352.5
C. Transmission Lines (Ckm)							
1	At the beginning of the year	9,486.842	10,064.852	10,310.258	10,545.038	11,152.586	
2	Additions planned for the year	2,146.55	1,584.017	1,553.914	1,793.469	1,322.024	8,399.974[24]
3	Added during the year	578.01	245.406	234.78	607.548	143.377	1,809.121
4	Total lines at the end of the year **(1+3)**	10,064.852	10,310.258	10,545.038	11,152.586	11,295.963	
5	Shortfall in additions **(2-3)**	1,568.540	1,338.611	1,319.134	1,185.921	1,178.647	6,590.853

[24] Includes spill over of 20 SSs, 12,230 MVA transformer capacity and 5,412.20 Ckm lines

It could be seen from the above table that against the planning for addition of 53 SSs, 18,457.5 MVA transformer capacity and 8,399.974 Ckm transmission lines during 2007-12, the Company could add 19 SSs, 3,105 MVA transformer capacity and 1,809.121 Ckm transmission lines.

Shortfall in addition of transmission capacity resulted in higher percentage of loading and voltages

We observed that PRDC, the consultant appointed by the Company, recommended loading of SSs by 15.43 to 97.52 *per cent* of the capacity and voltages by 128.44 to 228.1 KV for 132/220 KV SSs to meet the peak demand of 4,459 MW. Due to shortfall in transmission network, the actual peak demand was restricted at 3,511 MW during 2011-12. Even at this lower peak demand, the percentage of loading and voltages of SSs was between 18.66 to 102.21 *per cent* and 134 to 254 KV respectively which were on a higher side than that recommended by PRDC. This reflected on inadequacy of transmission network for ensuring quality and reliable power supply to the consumers.

Particulars of voltage-wise capacity additions planned, actual additions, shortfall in capacity etc. during the audit period are given in the **Annexure 7**. The shortfall in transmission network was mainly due to time overruns caused by right of way (RoW) problem, delay in site allocation, non availability of forest and railways clearances etc. as discussed in subsequent paragraphs.

The Government/Management while accepting the fact of shortfall in addition of transmission system as planned stated (October 2012) that the shortfalls were due to RoW problem, delay in site allocation, forest and railways clearance etc. The shortfall, however, could have been reduced with proper planning and coordination with the Departments concerned.

Project management of transmission system

2.1.12 A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are project formulation, appraisal, approval and project execution. For reduction in project implementation period, the MoP, GoI constituted (February 2005) a Task Force Committee (TFC) on transmission projects with a view to analyse the critical elements in transmission project execution, implementation from the best practices of CTU/STUs and suggest a model transmission project schedule of 24 month duration.

The TFC recommended (July 2005) that preparatory activities such as surveys, design and testing, processing for statutory clearances, tendering activities etc. be undertaken in advance/parallel to project appraisal and to go ahead with construction activities once transmission line project sanction/approval is received. It also recommended breaking down the transmission projects into clearly defined packages which could be executed with minimal disruptions.

Delay in execution of work

2.1.13 During 2007-12 the Company executed 53 works involving construction of SSs and lines, of which 24 works were completed and 29 works were in progress. The following table indicates delay in execution and consequential time/cost overrun of 29 test checked works.

Capacity in KV	Total No. of works executed		No. test checked by audit		Delay in construction (Numbers)		Time overrun (range in months)		Cost overrun (₹ in crore)	
	SSs	Lines	SSs	Lines	SSs	Lines	SSs	Lines	SSs	Lines
400	2	3	-	3	-	3	-	24-126	-	96.56
220	8	8	1	6	1	6	20	45-153	5.22	61.28
132	20	12	10	9	10	9	1-18	72-154	1.05	1.45
Total	30	23	11	18	11	18			6.27	159.29

(Source: Monthly Progress Reports and Unit Records)

The work-wise details are listed in **Annexure 8.**

22 projects were delayed in execution upto 154 months

We observed that despite the recommendations of TFC to break down the works to different packages, all works were executed on turnkey basis. Further, 22 works were delayed in completion/execution by 15 to 154 months. The delays in execution of the works were attributed to RoW problem, impediment in obtaining statutory clearances, land acquisition problems, etc.

The Government/Management stated (October 2012) that to avoid interfacing problems between various executing agencies and to have single source of responsibility for smoothening of the project execution, projects were awarded on turnkey basis. The fact remained that the Company did not adhere to the recommendations of TFC which led to abnormal delays in execution of the works.

Delay on account of statutory clearances

2.1.14 The Company was required to solve the RoW problem and obtain statutory clearances like Power and Telecommunication Co-ordination Committee (PTCC) and forest clearances along with acquisition of land in terms of the recommendation of the TFC to ensure timely execution of works. We noticed that in the case of 11 works, the Company failed to solve the RoW problem and obtain Power and Telecommunication Co-ordination Committee (PTCC)/forest clearances. Further, seven works were awarded prior to acquisition of land over which the SSs and lines were to be constructed and in eight cases, the Company could not hand over the sites on time to the contractor due to absence of proper coordination with the related departments/agencies. This has resulted in delay in commencement of works by the contractors/stoppage of works during execution, affecting the completion of the works.

The Government/Management stated (October 2012) that to save time, tendering process was initiated after administrative approval without waiting for possession of land and forest clearance. The reply was not acceptable since land acquisition and statutory clearances were pre-requisite for execution of projects and should have been planned in advance.

Delay in awarding of works

2.1.15 As per the recommendation of the TFC, once the sanction/approval is obtained for execution of works, the Company was required to go ahead with the construction activities. We noticed that the Company awarded three works for execution after a delay of 24 to 28 months from their sanction/approval. The delay was mainly due to change in scope of work, non finalisation of site and delayed selection of contractors etc. These delays could have been avoided with proper planning and coordination.

Delay due to change in scope of works

2.1.16 To accelerate the completion of works TFC had included the preparatory activities such as survey, design etc. We noticed that the Company awarded 14 works without proper soil and site survey. This resulted in change in scope of work on account of revision of Bill of Quantities, additional sand filling, construction of approach road etc., which delayed execution of works.

Delay in supply of transformers

2.1.17 In terms of the agreements with the contractors, the Company was required to supply transformers in time to make the SSs ready for operation. The Company supplies transformers either through procurement or by repairing the available defective transformers. In execution of four projects, the Company did not synchronise procurement of transformers/repairing defective transformers in order to provide the same to the contractors in time which resulted in delay in completion of the works.

Delay on the part of the contractors

2.1.18 The Company should exercise proper control over execution of works by the contractors so as to ensure completion of the works in time. We noticed that the execution of ten works were delayed due to delay on the part of the contractors towards mobilization of their resources in time and thereby did not adhere to the stipulated date. The Company, however, extended the contract period from time to time without imposition of penalty despite delay in completion of the works as per schedule.

As a result of delay in execution/completion of works, the Company was not able to achieve the intended benefits towards improvement in voltage profile, strengthening of the transmission system, minimising interruption in the power supply, availability of alternative power supply, reduction in transmission loss and enhancement of flow of power in the system as envisaged in the Detailed Project Reports (DPRs).

Non availment of financial benefits

2.1.19 Projects were implemented availing term loans from Rural Electrification Corporation Limited (REC)/Power Finance Corporation Limited (PFC)/World Bank and equity from Government. As such projects should be planned and executed adhering to the time schedule to achieve the financial benefits as envisaged in the DPRs. Failure of the Company to execute the projects in time has resulted in forgoing benefit amounting ₹ 988.34 crore as discussed in the succeeding paragraphs:

Idle Investment

Delay in execution of 17 works led to idle investment of ₹ 328.52 crore with resultant loss of interest of ₹ 127.97 crore

2.1.20 Sub stations are made functional when the associated lines are synchronised to it. As such the completion period of SSs should match with the completion of the associated lines. We observed that the Company constructed (September 2005 to October 2008) six SSs incurring an expenditure of ₹ 168.56 crore The SSs, however, could not be made functional due to delayed completion of associated lines for a period of 18 to 72 months. We, further noticed that construction of 11 other line and SS works were delayed by 36 to 60 months where the Company invested ₹ 159.96 crore. Thus, due to delay in execution of the lines/SSs, the investment of ₹ 328.52 crore remained idle leading to loss of interest ₹ 127.97 crore.

Cost overrun

Delay in completion/ non-completion of 21 works resulted in cost overrun of ₹ 165.56 crore

2.1.21 We noticed that in respect of 12 completed works, there was cost over-run of ₹ 91.71 crore varying from 9.05 to 126 *per cent* against their estimated cost of ₹ 139.67 crore due to delay in completion. Further, due to delay in execution of nine works, which were in progress, the estimated cost of ₹ 132.57 crore was increased by ₹ 73.85 crore and varied from 2.36 to 85.30 *per cent* of estimates. Thus, delay in completion/non completion of works within the scheduled period led to cost overrun of '₹ 165.56 crore.

Loss of revenue

Non-achievement of projected financial benefit of ₹ 650.18 crore due to delay in execution of 14 works

2.1.22 The DPRs of the individual projects envisaged the projected financial benefits towards additional units proposed to be transmitted through the system and reduction in the system loss. We observed that due to delayed execution of 14 works (5 completed and 9 ongoing) the Company had to forego the projected annual revenue of ₹ 650.18 crore (completed works ₹ 41.65 crore and ongoing works ₹ 608.53 crore).

Avoidable/unfruitful expenditure

Non-availment of financial benefits of ₹ 10.31 crore

2.1.23 It is incumbent on the Company to achieve economy in the execution of works where there is scope for availing financial incentives from any source. We noticed that in execution of four works, the Company could not avail the benefit of ₹ 2.65 crore since the contractor did not extend the benefit of discount against the additional supply and erection value which exceeded the contractual quantity. Besides in execution of nine works, it could not avail the deemed export benefit of ₹ 0.22 crore on excise duty due to expiry of World

Bank funding. We further noticed that the Company also incurred an avoidable/unfruitful expenditure of ₹ 7.44 crore due to construction of separate line as completion of original line was uncertain (₹ 1.64 crore), non rerouting of a line where execution was uncertain due to RoW problems (₹ 0.98 crore) and restoration of a line out of own source which was to be at the risk and cost of the contractor (₹ 4.82 crore).

Avoidable payment of consultancy fees

2.1.24 The Company decided (October 2005) to execute seven works through Power Grid Corporation of India Limited (PGCIL) with consultancy fees varying from 12 to 15 *per cent* of the project cost on the ground of expertise in executing transmission projects and their approach in solving RoW problems which would help for timely completion of works. We noticed that while awarding the works, the Company did not include a suitable clause regarding responsibility of PGCIL to address RoW problems of the works. As such tackling the RoW problems were undertaken by the Company itself. Further, no benefit of PGCIL's expertise could be available to the Company since against the schedule completion of works by July 2012, PGCIL could complete only 10 *per cent* of erection of tower and 2 *per cent* stringing of conductors. Moreover while reviewing the execution of the projects, OERC directed (May 2011) the Company to execute the projects with their own expertise through competitive bidding instead of through PGCIL as payment of consultancy fees would be a burden to the consumers. Thus, the very purpose of award of works to PGCIL did not yield the desired result. Further while releasing payment, the Company had not fixed any responsibility on PGCIL for their lapses in executing works in time. Thus, the Company incurred an avoidable expenditure of ₹ 34.32 crore towards consultancy fee paid/payable to PGCIL.

The Company incurred an avoidable expenditure of ₹ 34.32 crore towards consultancy fees

The Government/Management stated (October 2012) that for better co-ordination, gaining expertise and saving overhead expenditure the works were awarded to PGCIL. The reply is not acceptable as no benefit could be accrued to the Company from their expertise as the execution was abnormally delayed and the very purpose of engagement of expertise was defeated.

Mismatch between generation capacity and transmission facilities

2.1.25 National Electricity Policy envisaged augmenting transmission capacity taking into account planning of new generation capacities to avoid mismatch between generation capacity and transmission facilities.

Scrutiny of records revealed that 29 IPPs had entered into MOUs with GoO during June 2006 to January 2011 for generation of 40,620 MW of which State share was 10,653 MW. Two[25] out of the 29 IPPs started generation in March/August 2010. The Company was required to develop adequate transmission system to evacuate the State share of power generated by the IPPs and the existing hydro power projects. The Company, however, was not

[25] Sterlite Energy Limited (SEL) and Arati Steel Limited

able to evacuate the State share of power of one IPP (SEL) and one existing hydro power station (MHEP). In addition, the existing transmission network provided for the other hydro power project (BHEP) was not upgraded as per the conditions of CEA. The following table indicates the mismatch between the generation and evacuation plan of the Company against these three power projects:

Sl. No.	Project	Generating Company's plan	Company's plan	Result of mismatch
1.	Sterlite Energy Limited(SEL)	Synchronisation of 768 MW power in four units by December 2011.	Construction of 400 KV Ib-Meramundali DC line by November 2012.	Non-availability of transmission system in time for evacuation of power.
2.	Machkund Hydro Electric Project(MHEP)	To avail the entire State share of 57 MW being 50 *per cent* of the designed energy of the plant.	Absence of any plan to avail the full State share.	Non-drawal of cheaper power for the State.
3	Balimela Hydro Electric Project(BHEP)	Commissioning of two new units of 150 MW.	Conversion of existing 220 KV Balimela-Jayanagar SC line into multi circuit line.	Not able to evacuate full output of power due to inadequacy of transmission system.

Sterlite Energy Limited

2.1.26 GoO signed (September 2006) an MoU with SEL wherein GRIDCO, the power trading State PSU, was entitled to get 25 *per cent* (revised to 32 *per cent* from August 2008) of their generating capacity of 2,400 MW (4 units @ 600 MW) consisting of the entire power (600 MW) of first unit and 7 *per cent* of other three units. Accordingly, GRIDCO entered into PPA (September 2006) with SEL for purchase of the State share of power. In terms of both MoU and PPA, the Company had to arrange for evacuation of such power. Out of four units, the first unit was synchronised (August 2010) to the Grid SS of the Company through a 220 KV DC line owned by Vedanta Aluminium Limited (VAL). Subsequently, the second unit of SEL was synchronised (March 2011) to the PGCIL Grid, where the State share of 7 *per cent* was to be evacuated by the Company through its transmission network. We observed that the Company did not plan any addition to its transmission lines for evacuation of power for which it had to depend on the line of VAL and PGCIL. Further, the decision for capacity addition by construction of 400 KV DC line of the Company was taken as late as in November 2010 which was still in progress (November 2012). Due to inadequacy of the existing transmission line of the Company to evacuate the power of both the units, SEL got the opportunity to inject its major part of the power to VAL and to sell outside the State, which resulted in short drawal of State share by 3,983.09 MU with consequential loss of transmission charges to the Company by ₹ 96.84 crore. Had power been available to GRIDCO it could have sold the same outside the State under Unscheduled Interchange (UI) route at a higher rate and earned maximum revenue of ₹ 742.11 crore.

Failure of the Company to provide transmission network to evacuate 3,983.09 MU of SEL power resulted in loss of transmission charge of ₹ 96.84 crore and loss of revenue of ₹ 742.21 crore

Government/Management stated (October 2012) that it would be prudent to start construction of transmission lines based on the advance stage of construction of power plant and accordingly renovation of IB-Meramundali line was started in 2010.

The reply is not acceptable because as per the MoU, the Company should have planned for completion of the 400 KV DC line for evacuation of power by August 2010.

Machkund Hydro Electric Project (MHEP)

State share of 84.59 MU power could not be evacuated from MHEP resulting in loss of transmission charges ₹ 1.14 crore and loss of revenue ₹ 16.36 crore

2.1.27 GoO was entitled to draw 50 *per cent* (262 MU) of energy generated by Machkund Hydro Electric Project (MHEP), jointly owned by GoO and Government of Andhra Pradesh. A mention was made in the Report of Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2007 that due to system constraints of the Company in evacuation of the required power there was a short drawal of power of 168.6845 MU during 2003-07. Despite this being pointed out, the Company had not developed the then existing transmission system so as to evacuate the entire State share of power. During 2007-12 also, the Company could not draw the entire State share leaving a shortdrawal of 84.59 MU and thereby had to forego transmission charges of ₹ 1.14 crore. Further, due to non-availability of the State share of low cost power, GRIDCO was burdened with an avoidable expenditure of ₹ 16.36 crore towards procurement of high cost power which was ultimately passed on to the consumers.

The Government/Management stated (October 2012) that the area load of Southern part of the State could never match with Odisha share in MHEP. The reply is not acceptable since in the absence of adequate transmission system the Company was not able to draw entire State share of power of MHEP.

Balimela Hydro Electric Project (BHEP)

2.1.28 CEA accorded (January 2001) Techno Economic Clearance for commissioning of two units of 75 MW each at Balimela Hydro Electric Project (BHEP) with the condition that the Company (erstwhile GRIDCO) should provide adequate transmission capability to evacuate full output of power of 510 MW including 360 MW power of existing six units either by providing one separate 220 KV SC line from Balimela-Jayanagar or re-conductoring the existing 220 KV DC lines. Accordingly, the Company conducted (December 2003) a technical feasibility study and concluded that though the project was not financially viable, it was technically justified strictly in accordance with Transmission Planning and Security Standards since line overloads occurred when there was a single circuit outage. Subsequently, while reviewing (May 2006) the stand of the Company regarding financial unviability, the CEA again opined for the commissioning of the above projects for facilitating the evacuation of full power. Accordingly, the BOD accorded (August 2008) its ‘in principle’ approval for upgrading the existing line at an estimated cost of ₹119 crore.

We noticed that though both the units were commissioned during December 2008/January 2009, upgradation of the line was not undertaken so far (November 2012) due to its financial unviability. Thus, the Company failed to provide adequate transmission capability to evacuate full output of power as required strictly in accordance with Transmission Planning and Security Standards.

The Government/Management stated (October 2012) that the peak generation of BHEP in rainy season was 406 MW which could be evacuated through the existing three lines each carrying 200 MW power and even after outage of one line, the other two lines could carry the power. The reply is not acceptable because the Company had not adhered to condition of the CEA's directive for upgradation of the existing line.

Performance of transmission System

2.1.29 Performance of the Company mainly depends on efficient maintenance of its EHT transmission network for supply of quality power with minimum interruptions. Performance with regard to transmission system is discussed in the succeeding paragraphs.

Transmission Capacity

2.1.30 National Electricity Policy emphasised creation of adequate margins in the transmission system. Transmission capacity would be planned and built to cater to both the redundancy levels and margins keeping in view international standards and practices. Reliability and operation margins would be generally of the order of 25-30 *per cent* of the transmission capacities required for meeting the firm transmission needs of the long term commitments and sufficient margins for trading needs.

Transmission capacity (220 KV) created vis-à-vis transmitted capacity (Peak Demand met) at the end of each year by the Company during the 5 years ending March 2012 are as follows:

Transmission Capacity (in MVA)					
Year (1)	**Installed (2)**	**After leaving 30 *per cent* towards margin (3)**	**Peak demand including non-coincident demand (in MW) (4)**	**Peak demand equivalent (5)**	**Excess (Shortage) (3-5)**
2007-08	4,050	2,835	2,906	3,059	(224)
2008-09	4,290	3,003	3,021	3,180	(117)
2009-10	5,120	3,584	3,150	3,316	268
2010-11	5,320	3,724	3,347	3,523	201
2011-12	5,620	3,934	3,511	3,696	238

From the above table it could be observed that overall transmission capacity was in excess of the requirement for last three years. The existing transmission capacity excluding 30 *per cent* towards redundancy was excess by 238 MVA to the end of March 2012 which worked out to ₹ 8.85 crore (₹ 5.95 crore per 160 MVA Auto Transformer). This was a burden passed on to the consumers. Existence of extra/idle capacity in the transmission network and prevalence of overloads, high voltages on certain places is indicative of unscientific planning in creation of transmission network.

Poor planning led to excess transmission capacity of 238 MVA costing ₹ 8.85 crore

The Government/Management replied (October 2012) that power flowing through the power transformers has to pass through the Auto Transformers and similarly, power flowing through Auto Transformers has to pass through the Inter Connecting Transformers, resulting in addition of same power in three stages taking one particular voltage transformation ratio. The reply is not tenable since poor planning by the Company led to creation of excess transmission capacity.

Sub-Stations

Adequacy of Transformers

2.1.31 Manual on Transmission Planning Criteria (MTPC) stipulates the permissible maximum capacity for different SSs i.e. 320 MVA for 220 KV and 150 MVA for 132 KV SSs. Scrutiny of the maximum capacity levels of 100 SSs revealed that six 220 KV SSs and one 132 KV SS exceeded the permitted levels. NEP also stipulates at least two transformers for each 132 KV and above capacity SSs. We observed that two out of 100 SSs, were having only one transformer each. Further, the Transmission Planning and Security Standards issued by CEA indicated that the size and number of transformers in the SS shall be planned in a way that in the event of outage of any single transformer the remaining transformers could still supply 80 *per cent* of the load. We observed that in the event of outage of single transformer at 28 out of 100 SSs, the remaining transformers were not capable of meeting 80 *per cent* of the load (Peak Demand).

Transformers capacity at 28 SSs were not upgraded to meet 80 *per cent* of peak load

While accepting the fact of inadequacy of transformers in the SSs, the Government/Management stated (October 2012) that the same would be met by 2013-14 by installation of third transformers/upgradation of SSs capacity.

Adequacy of Circuit Breakers

2.1.32 As per MTPC, the rated rupturing capacity (KA) of the circuit breakers (CBs) in any SS shall not be less than 125 *per cent* of the maximum fault levels at the SSs. We observed that as per the short circuit study done by the Company, fault current at one (Meramundali) out of 100 SSs was 40.08 KA. As such the capacity of CB should have been more than 50 KA, against which the rupturing capacity of the installed CB was 40 KA only violating the said norm of MTPC. Further, the standard rated rupturing capacity of CBs at 132 KV, 220 KV and 400 KV SSs should be 25 or 31 KA, 31 or 40 KA and 40 KA

Inadequate circuit breakers rendered the SSs unable to withstand maximum fault level

respectively. We noticed that 23 out of 100 SSs were not having the minimum rupturing capacity of 25 KA. As such these CBs in service were not capable to withstand the maximum fault levels

The Government/Management while accepting the fact stated (October 2012) that all the CBs would be phased out with SF6 breakers within next two years with priority given to areas, where fault levels were more.

Voltage Management

2.1.33 Licensees using intra-state transmission system should make all possible efforts to ensure that Grid voltage always remain within limits. As per Indian Electricity Grid Code (IEGC), STUs should maintain voltage ranges between 198-245 KV and 119-145 KV in 220 KV and 132 KV lines respectively.

A test check of 17 out of 20 bus voltages of 220 KV for the period 2007-2012 revealed that in five SSs the maximum voltage recorded was between 250 to 270 KV against permissible limit of 245 KV and minimum voltage in 12 SSs was between 157 to 195 KV against norm of 198 KV. Similarly, in 132 KV bus voltages, two SSs recorded maximum voltage between 146 to 148 KV as against norm of 145 KV and minimum voltage in six SSs between 90 to 108 KV against the permissible limit of 119 KV. The Company, however, was not able to maintain the maximum and minimum voltages as per the norms and thereby could not provide quality power and reduce the transmission losses.

Capacitor Banks

Non provision of capacitor banks to regulate voltage profiles at 23 SSs resulted in foregoing benefit of ₹ 1.36 crore *per annum*

2.1.34 As per the provisions of IEGC/OGC, the Company as an STU was required to keep the voltage profiles within +/- 3 *per cent* of the rated voltage. As voltages and reactive power are strongly inter-related, power system voltages can be controlled through the supply and absorption of Volt Ampere Reactive (VARs) by providing suitable reactor/capacitor banks. Accordingly, the Company identified 23 Grid SSs for installation of 33 KV capacitor banks with a combined rating of 275 MVAR so as to improve the system voltages and reduce the system loss, which was approved (May 2010) by OERC for ₹ 18.59 crore with a scheduled date of completion by March 2011.We noticed that in none of the identified SSs, the Company could install capacitor banks so far (July 2012). This resulted in non achievement of required system voltages, as well as reduction in system loss of 22.672 MW and equivalent saving of ₹ 1.36 crore *per annum*.

The Government/Management while accepting the fact of delay in installation of capacitor banks stated (October 2012) that though compliance to the directives of OERC took a considerable time, orders, however, were placed for installation of capacitor banks which was expected to be completed within the financial year 2012-13. However, the Company could not achieve the required system voltage as well as reduction in system loss so far by installation of capacitor banks.

Pricing of Reactive Energy

2.1.35 As per the provisions of OGC on Reactive Power Pricing Policy, beneficiaries/power distribution companies should be discouraged to draw reactive power (VAR) during low frequency condition of the Grid i.e., when voltage would be below 97 *per cent*. For any drawal during low frequency period they would be billed for reactive power at the rate of 5 paise/KVArh with effect from 14 June 2006 which shall be escalated at 0.25 paise/KVArh every year, unless otherwise revised by OERC. The Company was required to install hardware and software for billing reactive power. We observed that despite repeated directions of OERC, the Company failed to submit the reactive power pricing policy due to non installation of required hardware and software, which resulted in non billing of reactive power so far with consequential non imposition of penalty for drawal during low frequency period.

The Government/Management while accepting the fact of non-billing of reactive energy charges stated that for Reactive Energy billing WIPRO had been engaged to develop the required software and the same was ready for trial run.

EHT Lines

17 segments of 220 KV lines and 15 segments of 132 KV lines were over loaded causing voltage fluctuations and transmission loss

2.1.36 As per norms of MTPC, permissible line loading cannot normally be more than the Thermal Loading Limit (TLL). The TLL limits the temperature attained by the energised conductors and restricts sag and loss of tensile strength of the lines. The TLL limits the maximum power flow of the lines. As per MTPC the TLL of 220 KV line with ACSR[26] Zebra conductor and 132 KV line with ACSR Panther conductor was 540 Amps (180 MW) and 400 Amps (80 MW) respectively. Scrutiny of the line loadings revealed that in 17 out of 22 segments of 220 KV lines and in 15 out of 20 segments of 132 KV lines were loaded above 540 Amps and 400 Amps respectively during the last three years ending 2011-12. Loading of the lines beyond capacity resulted in voltage fluctuations, higher transmission losses and frequent interruptions/ breakdowns.

The Government/Management while accepting the fact of the loading of the lines beyond TLL stated (October 2012) that the Amp/MW drawals in most of the identified 132/220 KV lines have been experienced in exigency conditions during peak load period. Thus, the Company had not taken adequate steps for the required addition to the EHT lines to meet the peak load in exigency conditions.

Bus Bar Protection Panel

2.1.37 Bus bar is used as an application for interconnection of the incoming and outgoing transmission lines and transformers at an electrical SS. Bus Bar

[26] Aluminium Conductor Steel Reinforced

Protection Panel (BBPP) limits the impact of the bus bar faults on the entire power network which prevents unnecessary tripping and selective to trip only those breakers necessary to clear the bus bar fault. As per Grid norm and Best Practices in transmission system, BBPP is to be kept in service for all 400 KV SSs to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220/400 KV buses. The Company was required to install BBPP at its 22 SSs of 220/400 KV. We noticed that in 21 out of 22 SSs, the Company installed BBPPs of which only eight were in service and the other 13 were not put to service due to obsolescence or change in switchyard configuration which requires modification/ upgradation of the existing systems.

The Government/Management while accepting the fact of non operation of BBPP at 13 SSs stated (October 2012) that the procurement of numeric Bus Bar Protection Relays with Panels was in process.

Maintenance

Planning for maintenance

2.1.38 In terms of the master maintenance plan of the Company, the BoD decided (June 2008) for installation of third transformer bays with third transformer in different Grid SSs to accommodate the future area load growth and to have redundancy for maintenance of power transformers with uninterrupted power supply, for ensuring the longevity of transformers and preventive maintenance without loss of revenue. Accordingly, the Company obtained (December 2008) the approval of OERC for installation of third transformer bays with transformers in 48 Grid SSs during 2008-10 at an estimated cost of ₹ 278.12 crore.

Company could not provide third bay in 48 SSs and had forgone benefit of ₹ 4.77 crore towards reduction in system loss

We observed that as on 31 March 2012, work of 20 SSs only could be completed with a delay of 19 to 34 months and the work of the balance SSs were yet to be completed even after a delay of 24 to 36 months due to delayed placement of work orders. Thus, due to delay/non-execution of the planned Operation and Maintenance (O&M) works, the very purpose of uninterrupted power supply and preventive maintenance without load shedding could not be achieved and as well as the envisaged reduction of system losses of ₹ 4.77 crore could not be achieved.

The Government/Management stated (October 2012) that the unfinished SS works which were in different stages would be completed by end of August 2013. The fact, however, remained that due to delay/non-execution of planned works, reduction in system loss could not be achieved.

Performance of Auto/Power Transformers

2.1.39 Auto Transformers (AT) and Power Transformers (PT) are the most important and cost intensive components of electrical energy supply networks. It is necessary to prolong their normal life duration of 35 years while reducing their maintenance expenditure. The Company had formulated (August 2009) a Maintenance Manual which stipulates various tests/analysis like the standard oil Dissolved Gas Analysis (DGA) to be conducted for these equipments periodically. In the event of non-adherence to the maintenance schedules, premature failure of the equipments cannot be ruled out. The table below indicates status of failure of ATs/PTs, during the years 2007-08 to 2011-12:

Year	No. of transformers at the beginning of the year	No. of transformers failed	No. of transformers failed within guarantee period	No. of transformers failed within normal working life	Expenditure on repair and maintenance (₹ in crore)
2007-08	160	5	0	4	6.55
2008-09	170	3	0	3	4.20
2009-10	180	2	0	1	Not Repaired
2010-11	194	0	0	0	Not Applicable
2011-12	221	2	0	2	Not Repaired
Total		12	Nil	10	10.75

Funds amounting to ₹ 4.24 crore was blocked up due to non-repair of three failed transformers

As seen from the above table 10 transformers failed prematurely during the period from 2007-08 to 2011-12 after serving for a period of eight to 31 years as against 35 years of normal life. Further, due to absence of prompt action of the Company, there was delay in repair of six out of seven transformers for a period of 6 to 55 months of their failure which were repaired at a cost of ₹ 10.75 crore. Four transformers which had served only for 13 to 15 years excluding one served for 31 years, are yet to be repaired resulting in blockage of approximately ₹ 4.24 crore towards their residual value.

The Government/Management stated (October 2012) that major diagnostic tests like DGA and various other tests were carried out for in-service transformers as per guidelines prescribed in the Maintenance Manual, subject to availability of shutdown. It also added that mechanism and modalities for repair activities had been streamlined for prompt repair of failed transformers.

The reply is not acceptable since diagnostic tests should have been carried out by proper scheduling of shut down periodically to avoid premature failure of PTs. Further the reply is general and not specific to the issues brought out.

Hot Line Maintenance

2.1.40 Regular and periodic maintenance of transmission system is of utmost importance for its un-interrupted operation. Apart from scheduled patrolling of lines, the Committee constituted (November 2001) by MoP for updating the best practices of transmission also prescribed various hot line technique (HLT) for maintenance of lines without switching off.

The Company, however, has not yet implemented the HLT for undertaking the regular and periodic maintenance of the transmission system and instead undertook the maintenance works of the lines either in dead condition with load shedding or through alternative arrangements by restoring power supply through other existing lines.

As per the available data from 4 out of 15 O&M Divisions on hotline maintenance, we observed that during 2007-12 due to non-implementation of HLT in two divisions, the Company suffered loss of ₹ 0.43 crore towards transmission charges whereas the other two divisions made alternative arrangements through other lines for supply of power.

The Government/Management while accepting the fact of non-implementation of HLT stated (October 2012) that neither the Company nor its Rate Contract holder firms, had the expertise and the Company was initiating action to implement HLT by working out the preventive maintenance schedules which would certainly help to reduce revenue losses accrued due to shutdowns.

Non recovery of repair and maintenance charge

Company failed to recover O&M charges amounting to ₹ 3.30 crore from 44 EHT consumers

2.1.41 The Company has extended power supply to different industries from different Grid SSs through 74 dedicated feeders for their exclusive use, out of which 22 feeders are maintained by the beneficiaries and the balance 52 are maintained by the Company. The Company was required to collect the O&M charges against the dedicated feeders maintained by it. We noticed that out of 52 dedicated feeders maintained by the Company, though the Company was collecting the O&M charges from the beneficiaries of eight feeders, the O&M charges of ₹ 3.30 crore for the period 2007-12 has not been realised from the 44 beneficiaries either due to non-claiming or for non-response to the claims of the Company. Instead, the Company claimed the O&M charges through ARR which resulted in burden on the consumers.

The Government/Management stated (October 2012) that since the ownership of such lines created under deposit works lies with the Company, it was neither supposed to ask for reimbursement of maintenance expenditure from EHT beneficiaries nor request them to look after the maintenance of the said lines.

The reply is not acceptable because the Company was realising the O&M charges from eight of such beneficiaries and on the same analogy the O&M charges should have been recovered from such other beneficiaries.

Transmission losses

2.1.42 While energy is carried from the generating stations to the consumers through the Transmission and Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/Grid and energy sent to DISCOMs. At present, the transmission loss in the network of the Company is estimated by deducting the energy sent out to the DISCOMs from the energy input/injected to the network. Details of transmission losses from 2007-08 to 2011-12 are as under:

Particulars	Unit	Year					Total
		2007-08	2008-09	2009-10	2010-11	2011-12	
Power received for transmission	MUs	20,389.83	20,190.50	20,896.33	22,930.18	22,726.91	1,07,133.75
Net power transmitted	MUs	19,407.66	19,277.67	20,036.48	22,004.35	21,824.08	1,02,550.24
Actual transmission loss	MUs	982.17	912.83	859.85	925.83	902.83	4,583.51
	Percentage	4.82	4.52	4.11	4.04	3.97	
Target Transmission loss as per the CEA norm	Percentage	4	4	4	4	4	
Target Transmission loss as per the OERC norm	Percentage	5.00	4.50	4.00	4.00	3.90	
Transmission loss in excess of OERC norm (Valued at transmission tariff rate as approved by OERC)	MUs	--	4.04	22.99	9.17	15.91	52.11
	Rate per unit in (₹)	--	0.21	0.205	0.235	0.25	
Amount of loss at the average supply rate per unit (₹ in crore)	₹ in crore	--	0.08	0.47	0.22	0.40	1.17

Company incurred transmission loss of 52.11 MU valued at ₹ 10.62 crore for transmission charges

As seen from the above table transmission losses exceeded the CEA norm of 4 *per cent* in all the years except in 2011-12 and also the OERC norm during all the years except for 2007-08. During the period 2008-12 excess transmission loss over OERC norms was 52.11 MU valued at ₹ 10.62 crore. This was not made available to GRIDCO which was a burden passed onto the consumers. The Company was also not able to earn transmission charges amounting to ₹ 1.17 crore. Further, The Company was not able to keep transmission loss at 3 *per cent* as recommended by a Committee on Power Sector Reforms.

The Government/Management stated (October 2012) that transmission loss was purely a technical loss which was dependent on several factors over which the Company had no significant control.

The reply is not acceptable since it contradicts its own contention that for control/reduction in transmission loss, remedial measures were being taken up to identify the loss incurring components through energy audit.

Grid Management

Maintenance of Grid and performance of SLDC

2.1.43 Transmission and Grid Management are essential functions for smooth evacuation of power from generating stations to the DISCOMs/consumers. Grid Management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. The State Load Despatch Centre (SLDC) of Odisha, a constituent of Eastern Region Load Despatch Centre (ERLDC), Kolkata, and operated by the Company, ensures integrated operation of power system in the State. Deficiencies in the performance of SLDC in maintenance of Grids are discussed in the succeeding paragraphs.

Infrastructure for load monitoring

2.1.44 Remote Terminal Units (RTUs) being an element of Supervisory Control and Data Acquisition (SCADA)/Sub-station Management System (SMSs) are essential for monitoring the efficiency of transmission system and the loads during emergency in load despatch centres as per Grid norms for all SSs.

We noticed that the Company had provided RTUs at all the nine generating stations and at 49 Grid SSs during the period 2005-06 at a cost of ₹ 108.85 crore. However, 77 SSs (33 SSs of CGPs/EHT consumers and 44 SSs of the Company) did not have RTUs facilities so far (October 2012). The Company, however, had executed (October 2009) an agreement with PGCIL for establishment of SCADA connectivity including provision for RTUs in its 35 SSs at a cost of ₹ 31.67 crore. The work scheduled to be completed in September 2013 has not commenced so far. No action, however, has been taken so far for provision of SCADA/RTUs in the 33 SSs of the CGPs/EHT consumers and in balance nine SSs of the Company.

As all the SSs were not provided with RTUs, the Grid function was not integrated with SLDC and the objectives of SLDC to monitor real time data and effecting control over the functioning of the Grids were not achieved. Besides, ₹ 108.85 crore spent for installation of SCADA in 49 SSs remained idle since September 2005.Further, the delay in installation of SCADA in 35 SSs resulted in non-achievement of the intended benefit of ₹ 4.50 crore *per annum*.

The Government/Management while accepting the fact stated (October 2012) that action is underway for integration of additional 35 SSs with SLDC for SCADA connectivity by September 2013. The reply, however, was silent on the RTU connectivity at the 46 SSs of the CGPs/EHT consumers.

Grid discipline by frequency management

2.1.45 As per Grid Code, transmission utilities are required to maintain Grid discipline for efficient functioning of the Grid. All the constituent members of the Grid are expected to maintain a system frequency between 49 (49.5 with effect from 2010-11) and 50.5 hertz (Hz) (50.3 Hz and 50.2 Hz from 2009-10 and 2010-11 respectively). Grid frequency goes below or above the permitted frequency level due to various reasons such as shortage in generating capacities, high demand, Grid indiscipline in maintaining load generation balance, inadequate load monitoring and management. To enforce Grid discipline, the SLDC was required to issue violation messages.

No messages were issued to the Power Generators/ DISCOMs inspite of Grids operating above/below the threshold limit

We observed that during the years 2007-12 though the Grid had operated 6.56, 11.22, 125.37, 606.54 and 217.10 hours above and 823, 583.10, 740.20, 1,045.74 and 656.22 hours below the threshold frequency level, no violation message was issued to DISCOMs and no penalty was imposed on the ground that it was not possible to record exact quantum of drawal by them in the absence of SCADA. Similarly the Company has failed to maintain Grid discipline with ERLDC resulting in receipt of 118 messages. However, no penalty was imposed by the ERLDC.

The Government/Management stated (October 2012) that since the commercial implementation of Intra-State ABT was not in place, penalty for Grid violation by DISCOMs was not imposed. The reply is not tenable since directions of OERC for issue of violation messages were not complied with by the Company.

Backing Down Instructions

2.1.46 When the frequency exceeds the ideal limit i.e. situation where generation is more but drawal is less (at a frequency above 50.2/50.5 Hz), SLDC takes action by issuing Backing Down Instruction (BDI) to the power generators to reduce the generations for ensuring the integrated Grid operations and achieving maximum economy and efficiency in the operation of the power system in the State. Failure of the power generators to follow the SLDC instructions would constitute violation of Grid Code and would entail penalty. We observed that even though the State Grid operated 966.79 hours during 2007-12 at a frequency above 50.2/50.5 Hz, SLDC issued BDI to only one generating company for violation of Grid Code for 7.30 hours.

The Government/Management stated (October 2012) that in case of rising frequency SLDC instructs verbally the State hydro power stations for backing down of generation to avoid delay in issuing written message. Thus, despite availability of clear cut instruction, the Company had not adhered to the Grid Code for issue of BDI.

Operation of Availability Based Tariff

2.1.47 As per the National Electricity Policy and Tariff Policy, intra-state Availability Based Tariff (ABT) was to be implemented latest from April 2006 with the objective to maintain Grid discipline and proper load management. OERC issued (December 2007) guidelines for implementation of ABT in the State by the SLDC from January 2008. Under ABT, the generators as well as the DISCOMs were required to furnish their daily/monthly/annual schedule of generation/drawal beforehand. Any deviation in generation/drawal of electricity is to be dealt through Unscheduled Interchange (UI) and the charges for such deviations would be collected as per the rate determined by CERC for each 15 minutes block linked with the frequency.

We observed that for operation of ABT the Company was required to establish Energy Accounting and Settlement System Centre (EASSC) for recording and settling of monthly energy account and weekly UI and also required to install four dumb terminals in the Distribution System Operation Control Centres (DSOCC) of DISCOMs to display drawal and related data. For this purpose OERC allowed ₹ 8.80 crore through tariffs for 2008-10. The Company, however, failed to install the EASSC/DSOCC for which it could not implement the intra state ABT as of March 2012. In the absence of ABT the Company was not able to exercise control over the drawals of power by

In the absence of ABT being operated, DISCOMS had not settled 3,274.71 MU over drawal power valuing ₹ 622.96 crore

DISCOMs. We noticed that during 2008-11 the DISCOMs got the opportunity for overdrawal of 3,274.71 MU as against scheduled drawal of 45,433.82 MU. The overdrawal was met by GRIDCO by purchasing high cost power from Central Generating Stations/UI route incurring additional cost of ₹ 622.96 crore, the recovery of the same was doubtful as GRIDCO did not hold any security against such overdrawal. Thus, in the absence of ABT, being implemented, the Company could not recover the additional cost from the DISCOMs through weekly billing.

The Government/Management stated (October 2012) that due to non availability of required infrastructure and preparedness of DISCOMs, the ABT Regulation could not be implemented. The fact remained that the notification of OERC was not complied with by the Company.

Inadequate scheduling of hydro power

Failure of SLDC to schedule 221.45 MU cheaper hydro power resulted in avoidable expenditure of ₹ 57.49 crore

2.1.48 As per OGC, SLDC is responsible for optimum scheduling and despatch of electricity within the State in consultation with the power generators, DISCOMs and GRIDCO. We observed that during June 2010 and June 2011, 221.45 MU of hydro power was available for optimum scheduling at cheaper rate varying from ₹ 0.35 to ₹ 0.625 per unit. However, the same could not be scheduled by SLDC on the ground that GRIDCO had already committed to avail power from CGPs and Central Generating Stations. This resulted in purchase of high cost power from CGPs at a rate varying from ₹ 2.75 to ₹ 3.25 per unit by GRIDCO with a consequential burden of ₹ 57.49 crore passed on to the consumers**.**

Disaster Management

2.1.49 Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As per the Best Practices, DM should be set up by all STUs for immediate restoration of transmission system in the event of a major failure. Disaster Management Centre of National Load Despatch Centre, New Delhi will act as a Central Control Room in case of disasters. As a part of DM programme, mock drill for starting up generating stations during black start[27] operations should be carried out by the Company at least once in every six months as per Indian Electricity Grid Code and Odisha Grid Code.

We observed that black start facilities were available only in two generating stations out of eight generating stations identified by SLDC in the State. Only five mock drill programmes could be conducted against the required 10 programmes during 2007-12. DG sets and synchronoscopes[28] form part of DM facilities at EHT SSs. Against 100 Grid SSs, DG sets were available only in nine SSs of which seven were in working condition. The synchronoscopes were available only in 13 Grid SSs as of March 2012. Further, the Company

[27] The procedure necessary to recover from partial or a total black out

[28] In an AC electrical power system it is a device that indicates the degree to which two system generators or power networks are synchronised with each other.

did not identify vulnerable installations for provisions of metal detectors and handing over the sites to the security force to meet crisis arising out of terrorist attack, sabotage and bomb threats. This indicated that the facilities available for DM were inadequate.

The Government/Management stated (October 2012) that to carry out maintenance activities, portable DG sets were hired. It was also stated that the two defunct DG sets would be repaired to meet the emergency situations. Further, it was stated that synchronoscopes were available at the generating SSs, 400 KV Grid SSs and some of the important 220 KV Grid SSs. Though the available facilities were inadequate, the reply of the Government/ Management is silent about effective implementation of DM.

Energy Accounting and Audit

Company has not started energy audit so far

2.1.50 Energy accounting and audit is necessary to assess and reduce the transmission losses. Transmission losses are calculated from the Meter Reading Instruments (MRI), readings obtained from Generation to Transmission (GT) and Transmission to Distribution (TD) boundary metering points. As on March 2012 there were 437 interface boundary metering points (TD 372 and GT 65) in the transmission system of the Company. All the TD and GT metering points were provided with 0.2 accuracy class meters. Meters installed at the TDs for energy accounting by recording the power sent out to the distribution network. The Company arrived at the transmission losses by using gross method wherein energy sent out to the distribution point was deducted from energy input at the generation point. However, there was no metering of energy received at the SSs/feeders which can facilitate the comparison of the energy flow in the system to arrive at the transmission losses. In the absence of installation of the energy audit meters, the Company was not able to assess the details of energy consumed at the Grid Station, energy lost at transformers and at feeders, leading to deficiencies in energy audit.

The Government/Management while accepting the facts stated (October 2012) that action was underway for installation of ABT compliant energy meters to assess and identify the elements with higher losses and to take follow up remedial measures.

Financial Management

2.1.51 One of the major objectives of the National Electricity Policy 2005 was ensuring financial turnaround and commercial viability of Power Sector. The financial position of the Company for the five years ending 2011-12 is as under:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12 (provisional)
A. Liabilities/					
Paid up Capital	60.07	83.13	88.13	160.07	203.07
Reserves and Surplus	536.84	553.17	682.47	707.45	843.23
Borrowings (Loan Funds)	1,415.29	1,311.66	1,030.90	918.86	818.63

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12 (provisional)
Other Funds (Consumer's Security Deposit)	0.01	0.01	0.04	0.79	
Current Liabilities and Provisions (CL)	335.97	730.40	821.37	842.35	939.81
Total	**2,348.18**	**2,678.37**	**2,622.91**	**2,629.52**	**2,804.74**
B. Assets					
Gross Block	2,272.54	2,415.26	2,603.75	2,793.54	2,929.13
Less: Depreciation	1,034.01	1,143.75	1,251.98	1,375.87	1,505.11
Net Block (NB)	1,238.53	1,271.51	1,351.77	1,417.67	1,424.02
Capital works-in-progress (CWIP)	722.14	671.10	576.07	556.25	626.28
Investments	27.06	27.06	27.06	27.06	27.06
Current Assets, Loans and Advances (CA)	310.61	630.63	507.94	443.85	545.40
Miscellaneous Expenditure to the extent not written off	0.61	0.30	--	--	
Accumulated Loss	49.23	77.77	160.07	184.69	181.98
Total	**2,348.18**	**2,678.37**	**2,622.91**	**2,629.52**	**2,804.74**
Debt equity ratio	23.56:1	15.78:1	11.70:1	5.74:1	4.03:1
Profit/(Loss) before tax	(3.64)	(18.30)	(71.37)	(12.73)	27.64
Interest (net of Interest during construction capitalised)	110.66	97.25	54.16	42.44	50.39
Total return (Interest on borrowed funds plus net profit/loss)	107.01	78.95	(-)17.21	29.71	78.03
Capital employed (NB+CWIP+CA-CL)	1,935.31	1,842.84	1,614.41	1,575.42	1,655.89
Percentage of Return on capital employed	5.53	4.28	--	1.89	4.71

(Source: Annual Accounts)

As seen from the above table the loss incurred by the Company increased from ₹ 3.64 crore in 2007-08 to ₹ 71.37 crore in 2009-10, which, however, was reduced to ₹ 12.73 crore during 2010-11 and earned a profit of ₹ 27.64 crore during 2011-12 due to hike in transmission tariff rate. The decreasing trend of Debt Equity ratio from 23.56**:**1 in 2007-08 to 4.03**:**1 in 2011-12 was due to decrease in borrowings and increase in the capital base. Percentage of Return on Capital employed steadily decreased from 5.53 (2007-08) to 1.89 *per cent* (2010-11) due to decrease in Capital Works in Progress from ₹ 722.14 crore (2007-08) to ₹ 556.25 crore (2010-11) and increase in Current Liabilities, which, however, increased to 4.71 *per cent* during 2011-12 due to earning of profit.

2.1.52 Details of working results like revenue realisation, net surplus/loss and earnings and cost per unit of transmission are given in the table below:

(₹ in crore)

Sl.No	Description	2007-08	2008-09	2009-10	2010-11	2011-12
1	**Income**					
	Revenue (transmission charges and SLDC charges)	399.76	413.15	438.05	538.08	570.54
	Other income (including interest, supervision charges and misc. receipt)	28.21	302.62	3.73	(107.38)	21.44
	Total Income	**427.97**	**715.77**	**441.78**	**430.70**	**591.98**

Sl.No	Description	2007-08	2008-09	2009-10	2010-11	2011-12
2	**Transmission**					
(a)	Installed capacity (MW)	3,918.475	3,918.475	4,048.475	4,048.475	4,048.475
(b)	Power received from state generation units (MUs)[29]	13,422.84	13,883.95	13,394.06	15,846.48	15,725.22
(c)	Power received from regional Grid (MUs)	6,966.99	6,306.55	7,502.27	7,083.7	7,001.69
	Total	20,389.83	20,190.50	20,896.33	22,930.18	22,726.91
(d)	Loss in transmission (MUs)	982.17	912.83	859.85	925.83	902.83
	Net power transmitted (b)+(c)-(d) in MUs	**19,407.66**	**19,277.67**	**20,036.48**	**22,004.35**	**21,824.08**
3	**Expenditure**					
(a)	**Fixed cost**					
(i)	Employees cost	210.66	500.27	302.71	219.55	286.59
(ii)	Administrative and General Expenses	17.92	18.25	26.68	33.82	90.47
(iii)	Depreciation	108.55	109.82	108.03	122.34	125.68
(iv)	Interest and Finance charges (net after capitalisation)	110.66	97.25	54.16	42.44	50.39
	Total fixed cost	**447.79**	**725.59**	**491.58**	**418.15**	**553.13**
(b)	**Variable cost – (**Repairs and Maintenance)	16.52	16.92	26.14	28.32	45.70
(c)	**Total cost 3 (a) + (b)**	**464.31**	**742.51**	**517.72**	**446.47**	**598.83**
4	Realisation (₹ per unit)	0.22	0.37	0.22	0.20	0.27
5	Fixed cost (₹ per unit)	0.23	0.38	0.26	0.19	0.25
6	Variable cost (₹ per unit)	0.01	0.01	0.01	0.01	0.02
7	Total cost (₹ per unit) (5+6)	0.24	0.39	0.27	0.20	0.27
8	Contribution (₹ per unit) (4-6)	0.21	0.36	0.21	0.19	0.02
9	**Profit (+)/Loss(-) (4-7) (₹ per unit)**	-0.02	-0.02	-0.05	0.00	0.00

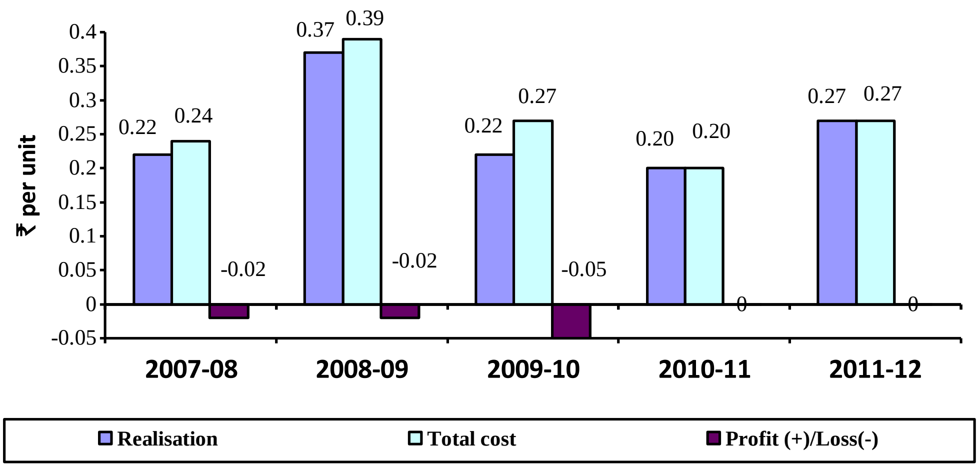
(Source: Annual Accounts)

It may be seen from the above that realisation per unit ranged between ₹ 0.20 (2010-11) to ₹ 0.37 (2008-09) during the audit period. Realisation as well as contribution per unit during 2008-09 was at a higher side due to inclusion of ₹ 265.78 crore in the other income as regulatory asset which was to be recovered in three financial years as per the orders of OERC. The cost per unit ranged between ₹ 0.20 to ₹ 0.39 during the corresponding period mainly due to decrease in interest and finance charges. It is also evident from the table above that Employee cost, Depreciation and Interest and Finance charges constituted the major elements of cost in 2011-12 which represented 48, 21 and 8 *per cent* of total cost in that year respectively. On the other hand, Transmission and SLDC charges constituted the major element of revenue during 2011-12 which represents 96 *per cent* of total revenue.

[29] Including private generation

Recovery of cost of operation

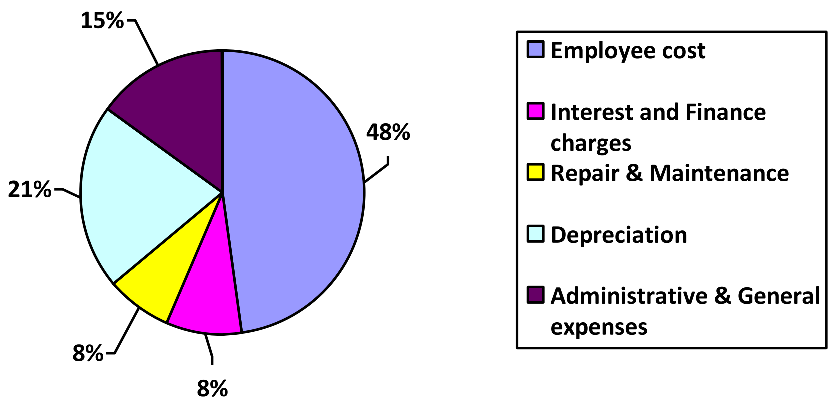
2.1.53 During the last five years ending 2011-12, the loss per unit ranged from ₹ 0.02 to ₹ 0.05 except for the years 2010-12 as given in the chart below:



It would be seen from the above chart that the Company has recovered the cost of operation only in two years i.e. 2010-12.

Elements of cost

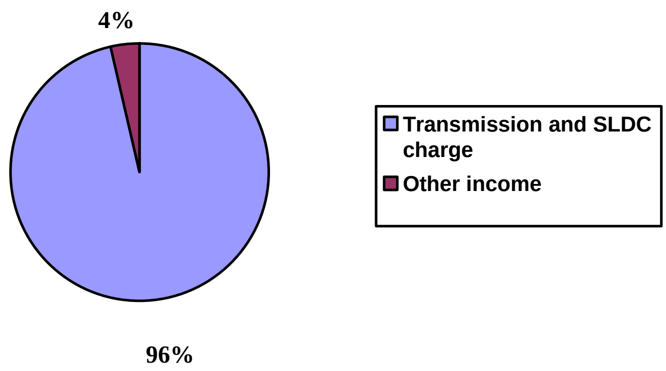
2.1.54 The percentage break-up of major elements of costs for 2011-12 is given below:



The Employee cost and Depreciation constituted the major elements of cost.

Elements of revenue

2.1.55 Transmission charges and SLDC charges constitute the major element of revenue. The percentage break-up of revenue for 2011-12 is given in the following pie chart.



Transmission charges and SLDC charges constituted 96 *per cent* of the revenue of the Company.

Loss due to claim after defect liability period

2.1.56 The Company awarded (September 1998) a turnkey contract for construction of system improvement projects in Sambalpur District to Tata Projects Limited (TPL). Terms of payment stipulated for payment up to 90 *per cent* of contract price while retaining 10 *per cent* to be payable after the defect liability period of 12 months is over after completion of the work. On successful completion of the work TPL raised (July 2002 to September 2005) bills for ₹ 2.67 crore which was not released on account of objection (May 2007) of the executing division concerned for recovery of ₹ 1.72 crore towards reduction in line length, less execution of work and theft of conductor after expiry of defect liability period. TPL initiated (April 2008) legal action and the Arbitrator directed (August 2010) for payment of ₹ 2.98 crore including interest at 9 *per cent per annum* up to the date of award permitting a deduction of ₹ 0.43 crore only. Subsequently, after negotiation TPL agreed (November 2010) to accept an amount of ₹ 2.48 crore including interest of ₹ 0.64 crore. Failure of the Company to claim within defect liability period resulted in loss of ₹ 1.29 crore and payment of interest of ₹ 0.64 crore.

The Government/Management stated (October 2012) that the loss was only due to theft and was beyond the control of the Management. The reply is not acceptable since the Company could have avoided the loss by recovering the dues within the defect liability period.

Collection of SLDC charges

2.1.57 Sub-section-3 under Section 32 of the Electricity Act, 2003 provided levy and collection of charges by SLDC from the generating companies and licensees engaged in intra state transmission of electricity. OERC issued (August 2007) road maps for implementation of independent function of SLDC and levy of fees and operating charge from April 2008. Since the functioning of SLDC could not be separated from the Company, OERC in their annual tariff orders allowed the Company to include charges of SLDC in the ARR of the Company upto 2008-09 and thereafter ARR of SLDC were determined separately by OERC.

We observed that against the System Operation Charges (SOC) and Market Operation Charges (MOC) effective from 2010-11 as approved by OERC, SLDC raised bills of ₹ 7.95 crore and ₹ 8.87 crore respectively for the years 2010-11 and 2011-12, of which an amount of ₹ 0.24 crore for the year 2011-12 was outstanding as of October 2012 against the generators and DISCOMs.

While accepting the fact and figures, the Government/Management stated (October 2012) that necessary follow up action had been taken for realisation of the outstanding amount. The outstanding amount has not been realised so far (November 2012).

Collection of transmission charge from LTOA customers

2.1.58 The Company supplies power through its transmission system to six[30] long term open access (LTOA) customers and raises bills towards transmission charges on the power transmitted at the rates specified in the tariff orders. The Company had not entered into any transmission agreement with the LTOA customers except with IMFA, during June 2011 only. The Company, however, was claiming/realising transmission charges as per the agreement of the LTOA customers with GRIDCO. Deficiencies in collection of transmission charges are discussed below:

Transmission charges against DISCOMs

In the absence of agreement with DISCOMs, the Company was not able to recover outstanding transmission charges of ₹ 18.79 crore

2.1.59 We observed that in the case of the DISCOMs, the Company was realising the transmission charges through GRIDCO as a first charge on its receivables upto 2009-10 and thereafter directly from the DISCOMs as per the order (20 March 2010) of OERC. Realisation was timely upto 2010-11. However, an amount of ₹ 18.79 crore, being the additional claim during 2011-12, due to revision of the tariff remained unrealised so far (July 2012).

The Government/Management stated that though no separate agreement was executed with DISCOMs, the Company enjoyed all rights and undertook all obligations in respect of the existing agreements relating to transmission activities by GRIDCO with the DISCOMs. The reply is not tenable due to the

[30] DISCOMs (CESU, NESCO, WESCO, SOUTHCO), NALCO and IMFA

fact that the Company has not executed separate agreement with customers as required under Open Access Regulation of OERC of June 2005.

Billing of Transmission charges to NALCO/IMFA

Delay in raising and settlement of transmission bills resulted in loss of interest of ₹ 0.72 crore

2.1.60 In the absence of any back to back agreement and specific time limit for billing and realisation of transmission charges, during 2007-12 NALCO/IMFA were billed (₹ 63.24) after a delay of 1 to 140 days[31]. Further, realisation of ₹ 14.41 crore was also delayed by 1 to 87 days after allowing a period of 30 days for settlement which resulted in loss of interest of ₹ 0.72 crore.

Government/Management stated (October 2012) that upto the year 2009-10 bills were settled through GRIDCO. From the year 2010-11, though bills were raised directly yet the processed data were collected from the Energy Billing Centre (EBC) of GRIDCO for billing which caused delay in raising of bills. It further stated that after implementation of ERP such problem would be overcome. The reply is silent as to why the Company is yet to provide separate billing centre for compilation of transmission data for raising of bills.

Power Factor Penalty

Power factor penalty was not imposed on NALCO in the absence of any agreement

2.1.61 As per CEA norm, the Power Factor (PF)[32] should be 0.95. As per OERC tariff order PF for consumption of power should not be less than 0.92 and for every one *per cent* decrease upto 0.60, penalty at the rate of 0.5 *per cent* should be levied. A test check of monthly bills of NALCO for the period April 2010 to March 2011 revealed that, though the PF ranged between 0.74 and 0.86 and attracted penalty of ₹ 24.88 lakh the same remained unclaimed by the Company.

The Government/Management stated (October 2012) that in the absence of any fresh agreement with NALCO, bills were raised based on the earlier agreement with GRIDCO, which had no provision for levy of PF penalty. The reply is not acceptable since PF penalty is recoverable from NALCO as per CEA/OERC norms.

Tariff fixation

2.1.62 The financial viability of the Company depends upon generation of surplus (including fair returns) from the operations to finance their operating needs and future capital expansion programme by adopting prudent financial practices. Revenue collection towards transmission and SLDC charges is the main source of generation of funds for the Company. Issues relating to tariff are discussed here under.

[31] Considering a preparation period of nine days

[32] Power factor expresses the relationship between the working power i.e., the power actually consumed (KW) by the user utility and the capacity, which must be supplied (KVA) by the supplier to meet the working power requirement

Tariff structure of the Company is subject to revision as approved by OERC after the objections, if any, received against Annual Revenue Requirement (ARR) petition filed by them within the stipulated date. During the last five years ending 2011-12, the Company had filed the ARR by the due date of 30 November and the ARRs were given effect from the commencement of the respective financial years. The ARR proposals made by the Company and approved by OERC are given below:

Transmission Tariff						
Year	**Proposed by the Company**			**Approved by OERC**		
	Total Capacity for transmission (MW)	**Revenue Requirement (₹ in crore)**	**Tariff /kW/ Month (in ₹)**	**Total Capacity for transmission (MW)**	**Revenue Requirement (₹ in crore)**	**Tariff /kW/ Month (in ₹)**
2007-08	1,862	675.34	298.11	1,936	373.72	156
2008-09	2,194	655.78	245.64	2,047	376.57	148
2009-10	2,173	1,092.80	408.54	2,195	403.81	151
2010-11	2,398	1,443.50	300.40	2,336	480.93	169
2011-12	2,616	1,573.69	494.46	2,612	572.50	180

Further, as per the Regulation, whenever there is a gain or loss (excess/short) in the controllable items (O&M, Return on capital employed, Depreciation and non tariff income), the Company shall file before OERC, which would review the same and make appropriate adjustments wherever required. During 2007-11 against the actual expenditure of ₹ 1,939.72 crore, OERC approval was for ₹ 1,625.38 crore as a pass through in the ARR. Deficiencies in filing of ARRs are discussed below:

Irregular availing of infrastructure loan

Availment of infrastructure loan without approval of OERC resulted in non-recovery of revenue of ₹ 27.39 crore in the tariff

2.1.63 The Company was availing infrastructure loan at six *per cent per annum* from upcoming industries to facilitate provision of electricity to them and the same was being shown as cash inflow in the ARRs. OERC did not approve the availment of such loan from the consumers on the ground that construction of infrastructures like SSs was the responsibility of the Company and consumers would not be forced to extend loan. This has adversely affected the Company's entitlements to get relief under truing up exercise and resulted in non-recovery of revenue of ₹ 27.39 crore[33] in the tariff.

Short-realisation of inter-State wheeling charges

Accounting of inter-state transmission charges at 10 paise per unit in place of 3.5 paise per unit resulted in reduction of ARR by ₹ 13.43 crore

2.1.64 The Company has accounted for the inter-State wheeling charges at the rate of ₹ 0.10 per unit as income against the rate of ₹ 0.035 per unit as decided by CERC in 2005-06. Thereafter, no revision of inter State wheeling rate was made by CERC. As such the Company exhibited a higher income of ₹ 0.065 per unit in the ARR. Thus, accountal of higher income resulted in reduction of the revenue requirement of the Company by ₹ 13.43 crore against wheeling of

[33] Pass through of past loss of ₹ 9.06 crore in 2009-10 and Special Appropriation of ₹ 18.33 crore in 2010-11

20.66 MU, which was actually not being realised from the consumers concerned. Consequently the Company could not realise ₹ 13.43 crore through the tariffs.

The Government/Management stated that the rate of 3.5 paise per unit was not acceptable as the same was indicative for the period 2001-02 to 2003-04 only and no further rate for wheeling charges was fixed since the matter is subjudice .The reply is not acceptable as the parties have settled the wheeling charges at the rate of 3.5 paise per unit as per the prevailing rate.

Non-investment of Contingency Reserve Fund

Non-investment of contingency reserve funds resulted in forgoing of benefit amounting to ₹ 36.45 crore

2.1.65 As per provisions under Electricity Supply Act 1948, to meet the expenses towards unforeseen calamities, the Company was required to appropriate[34] to the Contingency Reserve Fund from the revenue of each year and invest it in securities authorised under Indian Trust Act, 1882 within a period of six months from the close of the year of accounts in which appropriation was made. The appropriation so made was claimed through the ARR. During 2009-12, OERC disallowed ₹ 36.45 crore[35] towards contingency reserve on the ground of non investment of funds as approved by OERC in earlier years. The Company did not offer any specific reply.

Non-utilisation of Repair and Maintenance (R&M) expenditure

Company failed to utilise R&M funds amounting to ₹ 195.98 crore obtained through tariff

2.1.66 During 2007-12, against the Company's proposal of ₹ 358.01 crore in the ARRs towards R&M expenses, OERC approved ₹ 283.88 crore out of which the Company could spend only ₹ 87.90 crore. Deficient expenditure on R&M work has resulted in non maintenance of transmission system at the desired level as the transmission system faced 757 interruptions caused due to major incidents for 1,277.34 hours.

The Government/Management while accepting the fact stated (October 2012) that in a number of cases it was difficult to replace old equipment as per schedule due to non availability of required shut down. It also added that in future, subsequent to expansion of network and addition of redundancy, the problem could be minimised. The reply is, however, silent about the action to be taken to utilise the funds allocated by OERC identifying the old equipments for replacement.

Material Management

2.1.67 Key areas in material management are laying down inventory control policy, procurement of materials and disposal of obsolete inventory. The Company had not formulated any procurement policy and inventory control mechanism for economical procurement and efficient control over inventory. Details of the 25 area stores out of 35 showing opening stock, purchases,

[34] a sum of not less than 0.25 *per cent* and not more than 0.5 *per cent* of the original cost of the fixed assets subject to a maximum of 5 *per cent* of original cost of the fixed assets
[35] Company's claim of ₹ 69.12 crore less OERC approval of ₹ 32.67 crore

issues and closing stocks for the period from 2007-08 to 2011-12 are detailed in the following table:

(₹ in crore)

Year	Opening stock	Purchases	Consumption (*per annum*)	Consumption (per month)	Net Closing stock (as per Balance Sheet)	Closing stock in terms of months to consumption
2007-08	118.71	37.69	36.11	3.01	120.29	40
2008-09	120.29	53.18	46.73	3.89	126.74	33
2009-10	126.74	71.28	56.30	4.69	141.72	30
2010-11	141.72	158.03	143.33	11.94	156.42	13
2011-12	156.42	142.61	142.78	11.90	156.25	13

A test check of the records of 25 stores of the Company revealed that though the Company had limited its closing stock to 13 months consumption as of 2011-12, it had neither made any ABC analysis, nor fixed any standard, minimum or reorder level of their material requirement which indicated non-scientific material management.

The Government/Management stated (October 2012) that the stock positions as pointed out was average stock and were used for maintenance and construction works. The reply is not tenable since the closing stock pointed out was the actual stock at the year end but not the average stock.

Physical verification of stocks in the stores

2.1.68 There were 35 area stores under the control of the Company. Physical verification of all the stores was conducted annually, except for tower materials lying at one area store.

The value of non-moving, surplus, obsolete, unserviceable and scrap material in the last five years is given below:

Failure in disposal of surplus/non-moving stores valued ₹ 38.93 crore

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Surplus/obsolete/ unserviceable/scrap	8.65	12.66	12.8	20.55	22.19
Non-moving	16.48	16.7	16.77	16.77	16.74
Total	**25.13**	**29.36**	**29.57**	**37.32**	**38.93**

(₹ in crore)

From the above table, it could be seen that the value of the scrap, obsolete stock and non-moving stock showed an increasing trend during 2007-12. Despite the increasing trend, the Company had neither taken any suitable action for its disposal nor for its utilisation elsewhere.

The Government/Management stated (October 2012) that non-moving materials were generally different types of conductor which could be utilised and the scrap materials, however, were disposed of from time to time. The reply is not acceptable since the position of scrap as well as non moving stores was on increasing trend which clearly indicates the non-availability of the effective inventory management system.

Procurement of low capacity conductors at higher rates

Avoidable expenditure of ₹ 0.76 crore in the procurement of conductors

2.1.69 A purchase order was placed (February 2009) on Gupta Power Infrastructure Limited to supply 250 Kms of AAAC Zebra conductor at ₹ 2.43 lakh *per* Km for restoration work of 220 KV Budhipadar-Bolangir DC line. During the same month, a turnkey contract was placed on A.K.Das for construction of 220 KV Bidanasi-Cuttack DC line which included supply of ACSR Zebra conductors of 60.35 Kms at ₹ 3.69 lakh per km having lower current carrying capacity compared to AAAC Zebra conductors. The Company, however, procured ACSR zebra conductor (60.35 Kms) of lower specification at a higher rate of ₹ 1.26 lakh *per* Km and incurred extra expenditure of ₹ 0.76 crore.

The Government/Management stated (October 2012) that turnkey contract could not be compared with single item procurement because of their evaluation process and payment terms. The reply is not tenable because the Company had procured conductors of lower specification at a higher rate during the same period.

Deficiencies in the procurement of conductors

2.1.70 The Company floated (September 2007) a tender for procurement of 559 kms of AAAC Zebra conductor for three lines where Sterlite Limited, Pune (STL) was L_1 bidder at an unit price of ₹ 1,98,561 *per* Km with validity of offer upto 5 February 2008. Meanwhile, the requirement was increased to 584 Kms by inclusion of another line and the bidders were asked to extend the offer validity period from time to time upto 15 May 2008. Only Teracom Limited (TCL), the L_4 bidder agreed to supply at L_1 price. However, PO for 55 Kms of conductor only was placed (May 2008) with TCL on the ground that the restoration work of the other line (529 kms) which was assessed earlier was not finalised. Subsequently, by floating (October 2008) another tender, the Company purchased 500 Kms of conductors for the earlier left over line (529 Kms) from STL being the L_1 and from Gupta Power Infrastructural Limited, being an SSI at the L_1 rate of ₹ 2.43 lakh *per* Km for 250 km each.

We observed the following:

Procurement of conductors by deferring the validity of offer resulted in incurring extra expenditure of ₹ 2.23 crore

- Due to non-completion of the restoration work of one line (529 Kms), the Company could procure onl1y 55 Kms of the assessed quantity of 584 Kms at L_1 price (₹ 1,98,561 *per* Km) of STL from TCL and the balance quantity of 500 Kms were procured at higher price (₹ 2,43,086 per km) through another tender leading to an avoidable expenditure of ₹ 2.23 crore.

Improper material management led the Company to saddle with 46.032 Kms of conductors valued at ₹ 0.91 crore

- Although no deficiencies were noticed during pre-despatch inspection of the 55 Kms of conductors supplied by TCL, during stringing, the Company noticed (March 2009) that the conductors of 46.032 Kms were of below standard size and accordingly, the bank guarantee (₹ 10.92 lakh) was hastily invoked (March 2009) and TCL was black listed without issuing any notice. After protracted correspondences, claims and counter claims, the Company received (November 2011) 46.032 Kms of conductor in replacement of the substandard conductors and lifted the blacklisting imposed on TCL due to threat of legal action of the suppliers. Thus, due to improper material management, 46.032 Kms of conductors valued at ₹ 0.91 crore remained idle.

The Government/Management stated that the balance conductors which are available at the stores will be utilised for Mendhasal-Bidanasi D.C. line, whose work has not been completed due to RoW problem. The reply,however, did not address the issue of blacklisting the supplier and procurement of conductors at a higher rate.

Avoidable expenditure towards procurement of materials

Irregular reimbursement of material cost of ₹ 3.02 crore without assessing the reasons for shortage

2.1.71 The Company awarded (November 2010) the restoration work of 400 KV IB-Meramundali DC line to Sterlite Energy Limited (SEL) at a cost of ₹ 103 crore including the value of surplus material available with the Company which was duly physically verified. As per terms of agreement the party was to lift and utilise the materials from the store in execution of the work. During lifting the party reported shortage of materials valued at ₹ 5.62 crore and the BoD of the Company agreed to compensate SEL for such shortage on the ground that the materials were utilised in other work. Audit scrutiny however, revealed that materials valued at ₹ 3.02 crore were physically available in the store before lifting started and was not utilised in any other work. The Company did not verify the authenticity of the claim of SEL towards the shortage and thus incurred an avoidable expenditure towards reimbursement of materials cost of ₹ 3.02 crore.

While confirming the fact and figures the Government/Management stated (October 2012) that as regards the shortage of material valued at ₹ 3.02 crore final reply would be furnished after verification.

Monitoring and Control

2.1.72 To execute the lines and SSs works economically and efficiently, an effective monitoring system is essential. Deficiencies noticed in the monitoring system of the Company are discussed as under:

- The Company did not create Project Monitoring Cell to monitor the progress and final execution of all the on-going transmission projects as directed by OERC.

The Government/Management stated that a complete monitoring and control system existed at the Company. The reply is not acceptable since as per the direction of OERC, the Company could not create a dedicated project management cell for continuous monitoring of the execution of the projects.

- Submission of returns on various performance parameters of SSs and lines were not ensured and year-wise cumulative performance of the SSs and lines were not maintained for evaluation of their annual performance for all the parameters.

- As per the recommendation of the enquiry team of OERC there should be a regular review by each Circle on functioning of each O&M Division under his control at least once in each quarter and the review report with all the problems along with the suggestions/remedial measures should be sent to the Corporate office for appropriate action. However, no quarterly review was conducted by the Circles.

- The weak areas noticed during the regular/periodical patrolling were not analysed at Head Office to avoid longer interruptions deviating OERC recommendations.

Inspite of availing ₹ 10.37 crore under tariff, the ERP was yet to be implemented

- The Company decided (2007-08) to induct basic essential infrastructure in terms of Data Centres, WAN and Integrated Business Information System as part of Enterprise Resource Planning (ERP). A sum of ₹ 10.37 crore was recovered in the tariff as allowed by OERC in 2009-10. The Company, however, could spend only ₹ 1.10 crore so far and the ERP system was yet to be implemented resulting in non availability of an adequate monitoring mechanism.

Review of the envisaged benefits of transmission schemes

Non-assessment of envisaged benefits on implementation of transmission schemes

2.1.73 The Company executed and commissioned 19 EHT SSs including switching stations and erected a total length of 1,809.21 Ckm of EHT lines during the audit period. While approving the transmission schemes, the Company envisaged benefits in terms of reduction in system losses, improvement in voltage levels and achievement of load growth. However, the Company has not assessed the envisaged benefits, actually derived on implementation of the transmission schemes by commissioning of these projects.

In reply the Government/Management stated (October 2012) that after commissioning of projects, sustainable loss reduction has taken place in the network and the voltage in the command area of the commissioned projects also improved. The reply, however, is general in nature and does not address project wise assessment of the benefit derived by the Company with reference to the envisaged benefit.

Internal Controls and Internal Audit

2.1.74 Internal control is a process designed for providing reasonable assurance for efficiency of operation, reliability of financial reporting and compliance with applicable laws and statutes which is designed to ensure proper functioning as well as effectiveness of the internal control system and detection of errors and frauds. The following deficiencies were noticed in the internal control system being followed by the Company.

- The Company did not have its own procurement manual to guide the departments dealing with procurement activities and ensure adoption of uniform standards. It is continuing to follow the circulars of erstwhile Orissa State Electricity Board and GRIDCO.

- There was no system of timely identification and disposal of obsolete, unserviceable and non-moving items.

- The Company did not have separate billing unit and is depending on the data furnished by Energy Billing Centre (EBC) of GRIDCO. This has resulted in delay in raising transmission bills causing loss of interest.

- The Company was not able to assess the transmission losses at different stages of power flow due to absence of energy audit meters and as such did not have control over the energy losses in the system.

- The Company was not able to monitor real time data, Grid discipline as well as to calculate flow of reactive energy for billing purposes due to non-implementation of ABT and non-installation of RTUs in each SS.

The Government/Management stated (October 2012) that the internal control system laid down by the Management was being vigorously pursued and were achieved in an optimal manner. The reply is general in nature and is silent on the specific issues raised in audit.

Internal Audit

2.1.75 The Company has been following the Internal Audit Manual of the erstwhile OSEB despite functioning independently from April 2005. Though it had own Internal Audit Cell yet the services of Chartered Accountants are hired every year to conduct audit of all divisions and HO. Scope of internal audit is limited to audit of expenditure on establishments, revenue and capital expenditure on projects and expenditure on O&M of lines and SSs leaving the core activities like revenue from transmission, SLDC charges, filing of ARR, compliance of OERC orders and directions. This indicate inadequacy of the internal audit system of the Company.

While accepting facts on non-existence of Internal Audit Manual, the Government/Management stated that the scope of work assigned to the outsourced internal auditors were adequate. The fact, however, remained that core activities were not included in the scope of the internal auditors.

Audit Committee

2.1.76 The Company constituted (December 2005) an Audit Committee (AC) as required under Section 292 A of the Companies Act, 1956 which was reconstituted from time to time with the approval of the BoD. The AC had, however, met for the required 15 times during the audit period as per the Terms of Reference (TOR) of the AC. As per Section 292 A (5), of Companies Act, 1956 the internal auditors should also attend all the meetings, but the same was not complied with. Further, in terms of Section 292 A(6) of the Act, the Committee should also have discussions with the Statutory Auditors periodically on the matters of internal control system. Despite being repeatedly commented by the Statutory Auditors on inadequacy of internal control system, the AC did not take any action to strengthen the same.

The Government/Management stated that inviting all internal auditors to AC meetings was not possible. Statutory Auditors, however, participated in discussion on finalisation of accounts. The reply is not acceptable since the Company did not adhered to the provisions of the Companies Act, 1956.

Acknowledgement

We acknowledge the co-operation and assistance extended by the Management and staff of the Company at various stages of conducting the Performance Audit and the Entry Conference and the Exit Conference.

Conclusion

- **The Company failed to prepare plan for capacity addition as per National Electricity Plan (NEP) resulting in non achievement of peak demand projected under the NEP.**
- **Due to inadequate transmission network the Company was not able to evacuate State share of power of 4,067.68 MU from generators forgoing transmission charges of ₹ 97.98 crore.**
- **There were abnormal delays in execution of major projects due to deficient planning and project management. This has resulted in time overrun ranging from 15 to 154 months with consequential cost overrun of ₹ 165.56 crore and loss of additional power with non reduction of system loss of ₹ 650.18 crore.**
- **Due to non adherence to the norms of MTPC/Grid Code for effective functioning and maintenance of transmission network there were cases of abnormal over loading of lines and sub-stations leading to voltage fluctuation, high transmission losses and frequent interruption/breakdown.**

- **The Company failed to provide adequate capacitor banks in the sub-stations for regulating voltage and monitoring reactive energy. BBPPs were not adequate to maintain system stability.**
- **The SLDC was not able to enforce Grid discipline resulting in existence of drawl of power by DISCOMs when frequency was below threshold limit in the absence of operation of ABT.**
- **There was delay in raising transmission bills and Revenue Requirement for filing to OERC was not assessed properly.**
- **The Company did not have effective inventory management which has resulted in accumulation of obsolete and non moving items.**
- **Internal control system and monitoring mechanism were not commensurate with the growing activities of the company.**

Recommendations

The Company

- **should prepare capacity addition plan in line with the National Electricity Plan;**
- **need to create adequate transmission facilities for evacuation of State share of power from generators;**
- **has to execute the transmission projects as per the recommendation of Task Force Committee of MoP, GoI;**
- **should adhere to the norms of MTPC/Grid Code for effective functioning and maintenance of transmission network;**
- **should ensure installation of adequate number of capacitor banks, bus bar protection panels to protect the lines and SSs;**
- **should maintain strict Grid discipline and operate intra State ABT;**
- **has to earn additional revenue through reduction of transmission losses by enforcing energy audit; and**
- **has to strengthen inventory management to avoid blockade of funds.**

2.2 Odisha Construction Corporation Limited

Construction Activities

Executive Summary

The Company was incorporated in May 1962 with the main objective of executing works like dams, barrages, reservoirs, power houses, canals etc., on allotment basis as well as through tenders. The present Performance Audit covers activities of the Company in the areas of Planning, Preparation of estimates, Execution of works, Material Management, Financial Management, Monitoring and Internal Control mechanism for the five year period from 2007-08 to 2011-12 with a view to assess economy, efficiency and effectiveness of its operations and ability to meet its stated objectives.

Planning for execution of works

Though the Company was in existence for more than five decades, it did not attempt to evolve any long term Corporate/Perspective Plan for effective utilisation of its resources. The Company largely depends on the works allotted by DoWR. However, it never raised the issue of a long term Perspective Plan with DoWR. Budgetary control was deficient as the annual budgets were prepared without any inputs from GoO and without assessing adequacy of budget proposals based on physical parameters. During 2007-12 the Company could execute works valued at ₹654.85 crore which was only 45 per cent of the financial targets.

Preparation of estimates

The Company prepares the estimates for the allotted works based on fair market rates and submits the same to DoWR for scrutiny by the Project Level Technical Committee and Tender Committee before award of work. There were deficiencies in preparation of estimates such as less provision on hire charges of machinery, non inclusion of VAT/Service Tax/Cess component, incorrect provision for lead distance and quoting lower coefficient for construction materials etc. As a result the Company sustained a loss of ₹19.41 crore besides extra expenditure of ₹49.62 crore by DoWR due to acceptance of inflated offers.

Execution of Works

The Company had 93 spill over works valued at ₹397.47 crore as on March 2007 and was entrusted with 185 works during 2007-12. It completed 157 works and executed work valued at ₹777.99 crore against completed/121 ongoing works. There were delays of more than two years in 93 completed and 57 ongoing works which resulted in cost overrun and non-achievement of intended benefits. Delay in completion of 15 works resulted in cost overrun of ₹161.99 crore for which Government would be further burdened with an extra cost of ₹141.11 crore with a resultant loss of ₹17.88 crore to the Company. Price escalation for an amount of ₹4.72 crore was disallowed and the Company sustained loss of ₹6.11 crore due to excess consumption of material, execution of extra work without approval etc. Award of work at higher rate without analysing the cost of execution resulted in extension of undue favour to the tune of ₹27.61 crore to the subcontractor.

Engagement of Job Workers

Terms and conditions of engagement of job workers indicated subletting of works in violation of the terms of entrustment of works to the Company. Further, even these engagements were not made in a transparent manner. The Company had an accumulated balance of ₹14.47 crore under EPF due to empanelment of job workers without EPF registration certificate violating the provisions of EPF Act.

Material Management

The Company had neither adopted any purchase manual nor prepared materials budget though materials constituted around 60 to 70 per cent of the estimated cost of the works. The Company sustained a loss of ₹2.15 crore due to procurement of cement at higher rates and excess consumption of cement/steel. Despite availability of new machinery worth ₹8.50 crore, the Company could not gainfully utilise the same in execution of works resulting in short recovery of ₹13.53 crore from the job workers towards hire charges.

Financial Management

The Company incurred excess expenditure of ₹2.19 crore towards payment of VAT by way of composition. Deficiencies in operation of current accounts, short term deposits and security deposits resulted in loss of interest of ₹1.53 crore.

Monitoring and Internal Control

Deficient monitoring and internal control system of the Company resulted in accumulation of spill over works, non-realisation of dues against completed works, release of advances to job workers in violation of the provisions of the agreement and discrepancy in stores.

Conclusion and Recommendations

Despite the Company being largely dependent upon the works allotted by the DoWR of the State Government it did not prepare the annual plan/target in line with the completion schedule of the works stipulated by DoWR resulting in huge spill over of the works. The Company sustained significant losses due to preparation of deficient work estimates, inordinate delays in commencement/completion of works, delayed engagement of job workers, poor material management and deficient monitoring and internal control mechanism.

Performance Audit contains recommendations on the need to prepare Annual Action Plan prioritising the works duly linked with the schedule of completion of the works; participate in open tenders to get more work orders and reduce dependence on the allotted works of Government; factor in all costs while making offers and enter into proper agreements with the Clients; dispense with subletting of works and ensure engagement of agencies in a transparent manner; frame a suitable material management policy and reassess its manpower requirement; strengthen its Project Monitoring and Internal Control mechanism; scrutinise offers with reference to prescribed guidelines; formulate a suitable policy for release of work advances so as to avoid the accumulation thereof with the Company; and monitor the execution of works for their timely completion.

Introduction

2.2.1 Odisha Construction Corporation Limited (Company) was incorporated on 22 May 1962 as a wholly owned Company of Government of Odisha (GoO). The main objectives of the Company *inter alia* included construction/development of works like dams, barrages, reservoirs, powerhouses, canals etc. In pursuance of these objectives, the Company has been executing construction contracts of the Department of Water Resources (DoWR) of GoO secured through allotment basis and also by participating in tenders for works of various Departments of GoO including DoWR and State/Central Public Sector Undertakings.

2.2.2 The Company is under the administrative control of the DoWR of GoO. The Management of the Company is vested in a Board of Directors

(BoD) with the Principal Secretary, DoWR as the ex-officio Chairman and eight Directors, appointed by the GoO. The Managing Director (MD), the Chief Executive of the Company, is assisted by Director (Mechanical), General Managers (Civil), General Managers (Mechanical), Financial Advisor-cum-Chief Accounts Officer (FA&CAO) and Company Secretary at the Head Office (HO) to carry out the day to day operations of the Company. The Company functions through four Zones and 41 unit offices (as on 31 March 2012) headed by General Managers and Senior Managers respectively for overseeing the execution of the works.

2.2.3 Performance Audit on the activities of the Company was conducted and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2006, GoO. This report is yet to be discussed (October 2012) by the Committee on Public Undertakings (COPU). Deficiencies related to dependence on allotted works of DoWR, non-fixation of targets based on the scheduled completion period of works, irregularity in selection/engagement of job workers, ineffective monitoring and internal control system though observed earlier, still persisted, as discussed in the present Performance Audit.

Scope of Audit

2.2.4 The present Performance Audit conducted during April to August 2012 covers the construction activities of the Company during the period from 2007-08 to 2011-12. The audit findings were based on a test check of records of the HO of the Company/DoWR and examination of 70 works (₹ 1,155.90 crore being 70 *per cent*) out of 227[36] works (₹ 1,617.53 crore) selected through stratified random sampling method with agreement value of works as a size measure which were executed under 15 out of 41 unit offices of the Company.

Audit Objectives

2.2.5 Performance Audit on the construction activities of the Company was conducted with a view to assess whether:

- Planning for execution of the works was effective and the Annual Plan was devised in line with the Perspective Plan;
- Financial Management of the Company was effective and flow of funds was timely and optimally utilised;
- Works were executed economically, efficiently and effectively;
- Material Management system was effective in assessment, procurement and efficient utilisation of inventory;
- Deployment of man power was in compliance to the Rules/Orders of GoO; and

[36] Excludes 51 Pradhan Mantri Gram Sadak Yojana (PMGSY) works and System Business Works

- Efficient Monitoring Mechanism and Internal Control system existed.

Audit Criteria

2.2.6 The audit criteria adopted for assessing the achievement of the audit objectives was from the following sources:

- Perspective Plan and Annual Action Plan of the Company and norms/targets set by the Company;
- Generally accepted commercial and financial practices, relevant codal provisions;
- Guidelines/Circulars issued by DoWR/Company for preparation of estimates, technical specifications, approved drawings and designs, terms and conditions provided in the contract documents, Odisha Public Works Department (OPWD) Code;
- Labour related regulations like The Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996, The Building and Other Construction Workers Welfare Cess Act, 1996, The Minimum Wages Act, 1948, etc;
- Procurement Policy/Manual of the Company for procurement of construction materials; and
- Decisions of the BoD of the Company, circulars and office orders of the MD /other Executives, policies/instructions of the GoO and Government of India (GoI) with reference to relevant issue/activity.

Audit Methodology

2.2.7 The audit methodologies adopted for achieving the audit objectives with reference to audit criteria were:

- Study of minutes and agenda papers of the meetings of the BoD, correspondence with DoWR and other Clients[37];
- Scrutiny of estimates, offers, contract documents, tendering and negotiation documents, Measurement Books (MBs), empanelment and engagement of job workers, Running Account (RA) bills, Monthly Progress Reports (MPRs);
- Study of circulars, office orders of the Executives, instructions of the GoO and GoI with reference to relevant issue/activity;
- Examination of records relating to Government policies, Perspective Plan, Project Reports, coordination and project monitoring etc; and
- Interaction with the Management and issue of audit queries.

[37] Government Departments including DoWR and State/Central PSUs

Audit Findings

2.2.8 We explained the audit scope, objectives and methodology to the Company during the 'Entry Conference' held on 24 April 2012. Subsequently, we reported the audit findings to the Company and the Government on 29 September 2012 and also discussed the same in the 'Exit Conference' held on 17 October 2012. Both the Entry and Exit Conferences were attended by the Principal Secretary, DoWR, GoO and MD of the Company. The views expressed by them have been considered while finalising the report. The Company also furnished partial replies (October 2012) to the audit findings. The audit findings are discussed in the succeeding paragraphs.

Financial Position and Working Results

2.2.9 The Company has finalised its accounts upto 2009-10 and prepared the provisional accounts for the years 2010-11 and 2011-12.

Financial Position

2.2.10 Financial position of the Company for the last five years ended 2011-12 was as under:

(Amount: ₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11 (Prov.)	2011-12 (Prov.)
Sources of Funds					
Share Capital	11.50	14.50	16.50	17.50	17.50
Capital Reserve	0.29	0.29	0.29	0.29	0.29
General Reserve	4.91	5.98	6.65	7.31	10.02
Secured Loans	3.56	1.30	1.32	7.52	6.82
Unsecured Loans	202.09	213.68	240.17	287.24	391.14
Current Liabilities and Provisions	84.62	109.23	122.14	124.74	157.60
Total	**306.97**	**344.98**	**387.07**	**444.60**	**583.37**
Application of Funds					
Fixed Assets (Gross Block)	19.77	26.81	27.97	28.12	28.37
Less: Depreciation	12.75	13.11	14.32	15.82	17.07
Fixed Assets (Net Block)	7.02	13.70	13.65	12.30	11.30
Capital Work-in-Progress	0.31	0.43	0.18	0.18	0.39
Investments	0.00	0.00	0.00	0.00	0.00
Deferred Tax Assets	1.28	0.66	0.80	0.80	0.00
Current Assets, Loans and Advances	298.20	329.60	372.44	431.32	571.68
Misc Expenditure	0.16	0.59	0	0.00	0.00
Total	**306.97**	**344.98**	**387.07**	**444.60**	**583.37**
Capital Employed[38]	217.64	234.51	260.67	315.48	422.17
Net Worth[39]	16.25	19.89	23.15	24.81	27.52

(Source: Annual Accounts/Annual Reports)

[38] Capital employed represents net Fixed Assets *plus* Capital Work-in-Progress and Working Capital (Current Assets- Current Liabilities).
[39] Net Worth represents Paid-up Capital *plus* General Reserve *less* Intangible Assets (miscellaneous expenditure)

From the table above, it can be seen that 'Unsecured Loans' being the interest free work advances received from the Clients and the 'Current Assets, Loans and Advances' showed an increasing trend ranging between ₹ 202.09 crore to ₹ 391.14 crore and ₹ 298.20 crore to ₹ 571.68 crore respectively during 2007-12. The increasing trends were mainly due to delay in/non-execution of works, non-adjustment of the same against the works, etc. The 'Current Liabilities and Provisions' also increased from ₹ 84.62 crore in 2007-08 to ₹ 157.60 crore in 2011-12 due to non-adjustment of advances to job workers in the absence of measurement of works executed by them. The Capital Employed and Net Worth of the Company also increased steadily during 2007-12 from ₹ 217.64 crore to ₹ 422.17 crore and ₹ 16.25 crore to ₹ 27.52 crore respectively due to increase in Working Capital, General Reserve and infusion of Share Capital.

Working Results

2.2.11 Working results of the Company for the last five years ended 2011-12 were as under:

(Amount: ₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11 (Prov.)	2011-12 (Prov.)
A. Income					
Income from Contracts	100.26	139.63	160.74	145.27	208.58
Total	**100.26**	**139.63**	**160.74**	**145.27**	**208.58**
B. Expenditure					
Works expenses	89.19	122.39	146.42	132.89	187.78
Establishment expenses	13.58	22.74	19.96	19.85	25.44
Total	**102.77**	**145.13**	**166.38**	**152.74**	**213.22**
C. Operational Profit/Loss (-) (A-B)	(-) 2.51	(-) 5.50	(-) 5.64	(-)7.47	(-) 4.64
D. Revenue receipts (General)	4.36	7.39	7.60	8.78	7.41
E. Profit for the Year (C+D)	1.85	1.89	1.96	1.31	2.77
Prior Period Adjustments	(-) 1.14	0.29	(-) 0.33	(-) 0.46	(-) 0.27
Less: Provision for taxation	0.28	0.77	0.57	0.19	0.81
Less: Appropriation for Dividend and tax on Dividend	0.00	0.34	0.39	0.00	0.00
Net Profit carried to General Reserve	0.43	1.07	0.67	0.66	1.69

(Source: Annual Accounts/Annual Reports)

The operational income of the Company showed an increasing trend during 2007-08 to 2009-10 (₹ 100.26 crore to ₹ 160.74 crore) and reduced to ₹ 145.27 crore during 2010-11 due to low execution of works which however, increased to ₹ 208.58 crore in 2011-12 mainly due to execution of flood damage repair works valued at ₹ 42.24 crore. The Company, however, incurred operational losses during all the said years ranging between ₹ 2.51 crore to ₹ 7.47 crore mainly due to cost overrun and other irregularities in execution of the works which are discussed in the subsequent paragraphs. Despite operational losses the Company could achieve overall profit during all the five years which increased from ₹ 1.85 crore in 2007-08 to ₹ 2.77 crore in

2011-12 mainly due to non operational income (₹ 2.95 crore to ₹ 5.25 crore) towards interest on fixed deposits.

Position of works in hand

2.2.12 The GoO in DoWR decided (June 2002) to allot work valued upto ₹ 100 crore per year to the Company without invitation of tender and allowed separately overhead charges of 15 *per cent* (reduced to 10 *per cent* from April 2011) on the value of the work executed. However, GoO may award the work exceeding above ceiling for convenience. Further, as per the Memorandum of Understanding (MoU) with the DoWR for the years 2010-12, the DoWR was to allot work value of ₹ 250 crore subject to achievement of turnover of ₹ 225 crore in each of the years. In addition to the allotted works of DoWR, the Company could also secure works from other clients including DoWR through participation in tenders.

The table below indicates the position of works secured by the Company under the allotted and tender categories during the five years ended 31 March 2012.

(Amount:₹ in crore)

Particular		2007-08	2008-09	2009-10	2010-11	2011-12	Total
Allotted works	No.	15	08	38	08	62	131
	Value	148.80	64.11	255.40	34.03	304.54	806.88
Tender Works	No.	11	32	07	03	01	54
	Value	183.67	129.09	10.26	17.89	7.42	348.33
Total	**No.**	**26**	**40**	**45**	**11**	**63**	**185**
	Value	**332.47**	**193.20**	**265.66**	**51.92**	**311.96**	**1,155.21**
Percentage of value of allotted works to total works		44.75	33.18	96.14	65.54	97.62	69.85
Percentage of value of tender works to total works		55.25	66.82	3.86	34.46	2.38	30.15

(Source: Monthly Progress Reports/Annual Reports)

Allotted works

2.2.13 The DoWR allotted 131 works valued at ₹ 806.88 crore (70 *per cent*) to the Company during 2007-12. As per Government order, DoWR was to allot works valued upto ₹ 100 crore *per annum* and even without any limitation. The DoWR, however, did not frame any policy for categorisation of works for award on allotment and tender basis. We noticed that the DoWR allotted works valued ₹ 64.11 crore to ₹ 255.40 crore during 2007-10 and after entering into MoU, it allotted works valued ₹ 34.03 crore and ₹ 304.54 crore during 2010-11 and 2011-12 respectively. Thus, the allotment of works by DoWR was neither consistent with its order nor with the MoU during all the years.

Tender works

2.2.14 The Company participated in 206 tenders for works estimated at ₹ 1,618.27 crore during 2007-12 and could obtain only 54 works (26 *per cent*) with negotiated value of ₹ 348.33 crore against the bid value of ₹ 357.11 crore. The works secured through participation in tenders was meager and even as low as 2.38 *per cent* of the total work secured during 2011-12 with an average percentage of 30.15 during 2007-12. Though there was low percentage of achievement in securing works through tenders, the same was not reviewed by the BoD. Further, the decision of DoWR for award of allotted works upto ₹ 100 crore and even beyond that without any conditions, made the Company dependent on allotted works which was a disincentive for the Company in securing works through tender.

Status of works

2.2.15 The year-wise position with respect to booking, execution and balance works in hand for the last five years ended 31 March 2012 was as under:

(Amount:₹ in crore)

Year	Spilled over from the previous year		Works booked during the year		Revision in value by (+/-)	Total		Number of works completed	Value of works executed (completed/ ongoing)	Spilled over to next year	
	No	Value	No	Value	Value	No	Value			No	Value
2007-08	93	397.47	26	332.47	16.61	119	746.55	27	124.81 (17)	92	621.74
2008-09	92	621.74	40	193.20	21.66	132	836.60	16	149.22 (18)	116	687.38
2009-10	116	687.38	45	265.66	4.19	161	957.23	27	160.19 (17)	134	797.04
2010-11	134	797.04	11	51.92	-24.03	145	824.93	56	136.00 (16)	89	688.93
2011-12	89	688.93	63	311.96	66.35	152	1,067.24	31	205.91 (19)	121	861.33
Total			**185**	**1,155.21**	**84.78**			**157**	**776.13**[40]		

(Figures in brackets are in *per cent*)

(Source: Monthly Progress Reports/Annual Reports)

As seen from the above table, the Company could execute work value of ₹776.13 crore during 2007-12 which were between 16 and 19 *per cent* of the year wise total value of works available with the Company for execution. The Company could complete execution of 157 out of 278[41] works during 2007-12. The value of works spilled over increased from ₹ 621.74 crore in 2007-08 to ₹ 861.33 crore in 2011-12 which was mainly due to booking of works at the fag end of the years, scheduled period of completion of works ranging upto three years and delay in/non execution of works. The value of spill over works as at the end of 2011-12 included work value of ₹ 235.12 crore spilled over from 1991-92 to 2006-07 and the balance work value of ₹ 626.21 crore pertains to the audit period.

[40] Excludes System Business Works of ₹ 1.86 crore
[41] Spillover: 93 works *plus* works booked: 185 works.

Planning

The Company did not evolve any long term plan and the annual plans did not include physical targets

2.2.16 The Company, despite being engaged in the construction activities for more than five decades, did not attempt to evolve any long term Corporate/Perspective Plan for effective utilisation of its resources. The DoWR, for the first time prepared (July 2009) a five year Perspective Plan for 2009-14 envisaging the targets for completion of different ongoing works and for the new works to be taken up to extend irrigation facilities in the State. It, however, did not specify the works to be executed through the Company. Though the Company was largely depending on allotted works, it never took up this matter with DoWR to prepare a long term Perspective Plan.

The Company prepared the annual plans based on the work-wise financial targets only without taking into account the physical targets for adhering to the scheduled completion period as discussed in succeeding paragraphs.

Targets and Achievements

2.2.17 For execution of works, the Company fixes work-wise annual financial targets based on the proposals collected from the field units. The table below exhibits the targets fixed/required to be fixed by the Company and achievements thereagainst during the five years ended 31 March 2012.

(Amount: ₹ in crore)

Year	Target fixed	Work value to be includ-ed in target	Target require to be fixed	Achie-vement against target fixed	Achie-vement against no target	Overall achie-vement	Percentage of achieve-ment to target fixed	Percent-age of overall achie-vements to required target
1	**2**	**3**	**4 (2+3)**	**5**	**6**	**7 (5+6)**	**8 (5/2*100)**	**9 (7/4*100)**
2007-08	250.00	54.50	304.50	108.45	16.81	125.26	43	41
2008-09	353.30	69.31	422.60	146.43	3.70	150.13	41	36
2009-10	300.00	31.55	331.55	136.74	23.50	160.24	46	48
2010-11	336.84	12.00	348.84	129.39	6.95	136.34	38	39
2011-12	225.00	70.99	295.99	133.84	72.18	206.02	59	70
Total	**1,465.14**	**238.35**	**1,703.48**	**654.85**	**123.14**	**777.99**	**45**	**46**

(Source: Budget documents/Monthly Progress Reports)

Shortfall in achievement of targets was between 41 and 62 *per cent*

From the table above, it can be seen that, the Company had fixed the annual target which ranged between ₹ 225 crore and ₹ 353.30 crore during 2007-12. Against the targets fixed, the Company could execute works value ranging between ₹108.45 crore and ₹146.43 crore with a shortfall in achievement by 41 to 62 *per cent.* The Company did not set any target for works valued ₹ 238.35 crore secured during 2007-12 which were either scheduled to be completed or proportionate value of which were to be executed within March of the respective years. The Company, however, executed works value of ₹ 123.14 crore during 2007-12 for which no targets were fixed. Further, the overall achievement of the Company was between ₹ 125.26 crore and ₹ 206.02 crore during 2007-12 with a shortfall of 30 to 64 *per cent* against the required targets. This indicates poor planning in fixation of targets and absence of any system for periodical review of the annual targets.

The Management stated (October 2012) that shortfall in achievement of the targets was mainly attributed to non-availability of work sites, Rehabilitation and Resettlement (R&R) problems, delay in supply of approved drawings and designs, certificate on forest clearance, which were to be solved by the GoO.

The reply of the Management is not acceptable as the Company should have coordinated with GoO to obtain necessary clearances for settlement of the issues and planned accordingly for execution of the works. Further, the Company should have fixed target for all the works secured during a particular year as these are prerequisite to execute the works within the scheduled period.

Budgetary Control

2.2.18 An effective Budgetary Control is essential to assess and monitor the actual Receipt and Expenditure against the Budget and also to take timely corrective action to avoid adverse variation. The Company prepared the budgets based on the inputs received from the field units for the years 2007-10 and thereafter it prepared the annual budget on the basis of work wise working estimates for the years 2010-12.

The table below indicates the Budgeted Receipt and Expenditure against Actuals and Excess/Shortfall over the budget during 2007-12.

(Amount: ₹ in crore)

Year	**Date of approval by BoD**	**Receipt**		**Expenditure**		**Excess (+)/Shortfall (-) (in *per cent*)**	
		Budgeted	**Actual**	**Budgeted**	**Actual**	**Receipt**	**Expenditure**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)=(4)-(3)**	**(8)=(6)-(5)**
2007-08	4 September 2007	185.71	104.62	180.39	102.77	(-) 81.09 (44)	(-) 77.62 (43)
2008-09	20 September 2008	369.34	147.02	340.63	145.13	(-) 222.32 (60)	(-) 195.50 (57)
2009-10	31 December 2009	368.83	168.34	362.29	166.38	(-) 200.49 (54)	(-) 195.91 (54)
2010-11	Not available	343.34	154.05	320.53	152.74	(-) 189.29 (55)	(-) 167.79 (52)
2011-12	21September 2011	231.40	216.00	228.46	213.22	(-) 15.40 (7)	(-) 15.24 (7)

(Source: Budget documents, Annual accounts/Annual Reports)

As seen from the above table, the shortfall in budgeted receipts ranged between 44 and 60 *per cent* and the shortfall in budgeted expenditures ranged between 43 and 57 *per cent* during 2007-11. However, during 2011-12, the shortfall in budgeted receipts and expenditure were reduced to 7 *per cent* each due to lower estimation of budgeted receipt and expenditure compared to the previous years.

Approval of annual budget was delayed by five to nine months and reasons for wide variation were not analysed

We noticed that the Annual Budget of the Company was approved by the BoD with a delay of five to nine months after commencement of the respective financial years and the approval of Annual Budget for 2010-11 was not obtained from the BoD. The Company neither took any inputs from the budget of the GoO/DoWR in preparation of its Annual Budget nor did it attempt to analyse the reasons for huge variations in the budget and the actuals leading to the annual budget being unrealistic.

The Management stated (October 2012) that to increase the turnover it had given higher budgetary provision to unit offices so that it can achieve at least 60 to 70 *per cent* of the proposed turnover.

The reply confirms that the preparation of budget was not realistic. The Company should ensure that a prudent budgetary control mechanism put in place through a realistic budget. The reply, was silent on the issues of non-analysing the variations and delay in/non-obtaining approval of budgets by BoD as well as non-obtaining inputs from DoWR.

Funding of Projects

2.2.19 The Company executes works allotted by the DoWR and works secured through participation in tenders. In respect of allotted works, the DoWR releases interest free work advance to the Company in accordance with the payment schedule drawn up by the Chief Engineer, DoWR. The subsequent advance is to be released after the previous advance is utilised or adjusted upto 75 *per cent*. For works secured through tenders, the Company arranges its own funds for execution of works where advances are not available as per the terms of the agreements. The table below indicates the adjustment of advances against the total advance received against allotted works during 2007-12.

(Amount: ₹ in crore)

Year	Opening Balance	Advance received	Total advance received	Advance adjusted out of total	Percentage of advance adjusted to total advance available	Closing Balance	Shortfall in adjustment of advance with reference to opening balance
2007-08	107.95	126.99	234.94	44.95	19	189.99	58
2008-09	189.99	60.24	250.23	46.13	18	204.10	76
2009-10	204.10	97.20	301.30	72.33	24	228.97	65
2010-11	228.97	102.92	331.89	59.91	18	271.98	74
2011-12	271.98	208.30	480.28	106.18	22	374.10	61

(Source: Information furnished by Management)

Utilisation/adjustment of work advance was 18 to 24 *per cent* only during 2007-12

From the table above, it could be seen that the Company could utilise/adjust only 18 to 24 *per cent* of the total advance available each year during 2007-12. Even the year wise adjustment fell short of the balance of advances lying at the beginning of respective financial years by 58 to 76 *per cent* during the same period. The deficiencies in release of work advances by DoWR are discussed below:

Release of work advances in the fag end of the year

DoWR released work advance of ₹ 268.60 crore at the fag end of the years to avoid budgetary lapses

2.2.20 As per agreement, the DoWR was to release interest free work advance to the Company in accordance with the payment schedule of the allotted works. We observed that DoWR released work advance of ₹ 591.49 crore against 96 works of which ₹ 268.60 crore (45 *per cent*) was released in respect of 65 works at the fag end of each financial year i.e. in the month of March which were not in accordance with the payment schedule. These work advances were released only to avoid the budgetary lapses. Consequently, the works which were planned at GoO/DoWR level for execution during the year remained non commenced.

Unadjusted work advances against works not commenced

Non commencement of nine works led to non adjustment of work advances of ₹ 20.44 crore

2.2.21 The Company was to utilise the work advances through execution of the allotted works. We noticed that the Company did not commence the execution of nine allotted works due to R&R problems and non-availability of work sites and could not adjust so far (March 2012) work advances of ₹ 20.44 crore released by DoWR during 2004-05 to 2011-12. This indicated absence of proper planning in commencement and execution of works which resulted in unadjustment of work advances.

Irregular release of work advances

2.2.22 The DoWR had not laid down any norm regarding the quantum of first installment of work advances to be released to the Company. It, however, stipulated that the subsequent advance is to be released after the previous advance is utilised or adjusted upto 75 *per cent*.

Lack of monitoring on the part of DoWR led to irregular release of work advances of ₹ 248.10 crore

We noticed that in 70 test checked works the quantum of first installment of work advances released by DoWR varied from 5 to 77 *per cent* of the work value indicating absence of any policy for release of funds. We further noticed that DoWR released work advances of ₹ 125.54 crore to the Company against 25 works valued at ₹ 245.51 crore after the expiry of its scheduled completion period and without sanctioning the Extension of Time (EoT) and in respect of 24 works, DoWR released subsequent advances of ₹ 122.56 crore to the Company without ensuring utilisation of 75 *per cent* of the previous advances. Thus, lack of monitoring on the part of DoWR in release of work advances coupled with non-ensuring optimal utilisation of funds led to accumulation of huge work advances with the Company.

Absence of policy for interest earned on unutilised work advances

2.2.23 The GoO had neither issued any direction nor framed any policy regarding utilisation of interest earned on unutilised work advances. The Company invested the unutilised work advances in 'Term Deposits' for ₹ 45.27 crore (2007-08) to ₹ 81.03 crore (2011-12). It treated the interest of ₹ 20.46 crore earned on the fixed deposits as its own income and paid income tax of ₹ 3.31 crore. Thus, absence of any directions/policy of GoO regarding utilisation of interest was a disincentive for timely execution of works.

Preparation of estimates and acceptance of works

2.2.24 The Company submits its offers for allotted works on the basis of fair assessment of market rates as per the guidelines (June 2002) of DoWR. The estimates after scrutiny by the Project Level Technical Committee (PLTC) of DoWR, are placed before the Tender Committee (TC) of the GoO for further scrutiny and thereafter forwarded to the GoO for award of the work. The Company enters into agreements with DoWR on item rate contract basis in F2[42] form and is allowed overhead charges at the rate of 15 *per cent (revised to 10 per cent* from April 2011) on the basis of actual value of work executed. In respect of the tender works, the Company submits the offers based on the terms of the bid documents. The deficiencies noticed by us in preparation of estimates of 70[43] test checked works are discussed in the succeeding paragraphs.

Excess provision of overhead charges in the estimates

2.2.25 DoWR prepares estimates based on the Schedule of Rates (SoRs) of GoO which has an inbuilt provision of overhead charges (15 *per cent* on the labour component upto May 2006 and thereafter at 10 *per cent* on prime cost i.e. material, labour and hire charges of machinery). Based on these estimates PLTC examines the offers of the Company to ascertain the reasonableness of the offers. As per the guidelines (June 2002) of DoWR, the PLTC was required to scrutinise the offer rates of the Company with reference to the cost estimates of DoWR by excluding the inbuilt overhead charges.

On a test check of the records for 20 out of 51 allotted civil works, we found that the estimated cost of DoWR in respect of 17 works was ₹ 257.19 crore inclusive of inbuilt overhead charges of ₹ 23.23 crore. Against these works the Company's offer rate of ₹ 280.33 crore was agreed to by DoWR and accordingly works were awarded during 2004-05 to 2011-12. We noticed that while finalising the offer rates of the Company, PLTC without excluding the inbuilt overhead charges from the estimates of DOWR compared the same with the offer rates of the Company. This resulted in award of these works to the Company at enhanced work value by ₹ 46.37 crore[44]. DoWR, however, neither revised the guidelines of June 2002 nor at any time reviewed the practice.

In the 'Exit Conference', the Principal Secretary assured (October 2012) to look into the matter and issue proper instructions

Provision for EPF dues

2.2.26 The estimates of DoWR are based on the prevailing SoRs which included the labour component of the works considered at the minimum wage rates, inclusive of EPF dues, as notified by the GoO from time to time.

[42] The standard format of contract signed by the Government for execution of works
[43] Includes 7 tender works and 63 allotted works (Civil : 51 and Mechanical :12)
[44] ₹ 23.23 crore *plus* (₹ 280.33 crore-₹ 257.19 crore)

We noticed that the Company separately included provision for EPF dues, at the rate of 13.61 *per cent* on labour component amounting to ₹ 3.25 crore in its offer (September 2011) for one[45] allotted civil work which was accepted (December 2011) by DoWR. Since the labour rate was inclusive of EPF dues, the acceptance of the additional EPF dues on labour component included separately in the offer of the Company was not justified. This resulted in increase in the cost of the work by ₹ 3.25 crore.

The Management stated (October 2012) that the market rates of labour indicated in the offer were exclusive of EPF dues and therefore was added separately in the labour component. However, the fact remained that acceptance of EPF dues separately by DoWR/GoO increased the cost of the work.

Less provision for hire charges of machinery

2.2.27 For construction of the Spillway of Lower Indra Irrigation Project, the Company in its offer (June 2011) included hire charges of machinery at ₹ 76 *per* cum of cement concrete work of 1,94,363 cum which was revised to 1,82,832 cum. However, the actual hire charges as worked out in its analysis of rates was ₹ 122 *per* cum. Thus, adoption of a lesser rate by ₹ 46 *per* cum by the Company led to irrecoverable amount of hire charges of ₹ 0.97 crore towards execution of 1,82,832 cum of cement concrete work.

Non revision of estimates by inclusion of Cess

2.2.28 The GoO instructed (15 December 2008) all Departments, Public Sector Undertakings (PSUs) and Government agencies to deduct one *per cent* from the contractor's bills for Labour Cess and remit it to the Odisha Building and Other Construction Workers Welfare Board. The DoWR clarified (June 2010) that in respect of agreements executed prior to 15 December 2008, Cess would be deducted from the gross bills and would be reimbursed to the Company by revision of the estimates and approval thereof.

We test checked 29 works where agreements were executed prior to 15 December 2008. In respect of 10 works, the DoWR deducted a sum of ₹ 0.98 crore towards Cess from RA bills of the Company. However, it had not revised the estimates and reimbursed the same to the Company. The Company had not taken any effective action so far (August 2012) to get the reimbursement of ₹ 0.98 crore even after a lapse of three years. In respect of the remaining 19 works, the DoWR/Govt. Departments did not realise and remit Cess of ₹ 0.65 crore to the Odisha Construction Workers' Welfare Board and thus violated the provisions of the Act.

While accepting our observation, the Management stated (October 2012) that effective measures are being taken to realise the pending amount on account of Cess from DoWR.

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[45] Construction of Spillway of Lower Suktel

Non-inclusion of VAT in estimates

2.2.29 As per the existing provisions of F2 agreement with DoWR, the Company was required to offer item-wise rates inclusive of all taxes and duties. The Company, however, did not include the Value Added Tax (VAT) on works contract in its offer (March 2006) for a work[46] of ₹ 47.20 crore. Instead, the Company stated in their offer that VAT on work contracts would be reimbursed to the Company on production of proof of payment. The work, however, was allotted (June 2006) to the Company without the provisions for reimbursement of VAT on works contract. The Company completed (May 2011) the work at a value of ₹ 41.72 crore against which DoWR deducted a sum of ₹ 1.40 crore towards VAT from the RA bills. Thus, due to non-compliance to the provision of F2 agreement towards submission of offer, the Company sustained a loss of ₹ 1.40 crore.

Management stated (October 2012) that it was pursuing the matter with the DoWR to realise the claim. The fact, however, remained that the Company could not realise the amount so far (October 2012).

Non-inclusion of Service Tax in estimates

2.2.30 The offer of the Company required to include all the probable expenditure including Service Tax in execution of works. We noticed that the Company did not include (August 2007) Service Tax of ₹ 0.79 crore in its offer and also in the agreement executed (March 2008) for dredging works of River Daya and Luna though dredging services were liable to Service Tax. This has resulted in Company bearing additional cost of ₹ 0.74 crore as Service Tax as of July 2011. Though the Company completed the works by March 2011, the final bills were yet to be settled (August 2012).

While accepting the fact of non-inclusion of Service Tax in the offer for dredging work, the Management stated (October 2012) that the reimbursement of Service Tax had been processed. However, the Service Tax already paid by the Company was yet to be realised (October 2012).

Incorrect provision for lead distance in the estimates

Incorrect provision of lead distance in the estimates led to extra expenditure of ₹ 1.06 crore

2.2.31 The Company was procuring steel from the stockyards of Steel Authority of India Limited (SAIL)/Rastriya Ispat Nigam Limited (RINL) located at Bhubaneswar/Cuttack being at a distance of 300 to 500 Km from the work sites. We noticed that it submitted the offers for five works with provision for procurement of 5,604 MT steel considering a lead distance ranging from 9 to 125 Kms. Thus, inclusion of lead distance at lower side in the estimates resulted in additional expenditure/liability of ₹ 1.06 crore towards transportation charges.

Management stated (October 2012) that the lead considered was the same as that considered by the Department for their estimate. The reply is not tenable

[46] Balance work of construction of LBC of Rengali Irrigation Project from RD-31.50 Km to RD-33.00 Km (Open cut along-with cut and cover) under OECF Package-7(A)

since the Company had not considered the actual lead based on the actual source of procurement which resulted in additional expenditure.

Submission of tender at lower rates towards cement coefficient

2.2.32 The Company secured (November 2007) the tender work for construction of Kanupur Spillway at ₹ 135.67 crore. The tender condition stipulated the maximum coefficient of 3.21 to 5.71 quintals of cement for consumption in each cum of different grades of cement concrete. It further stipulated that the cost for less consumption of cement compared to design mix would be recovered from the Company. The Company was also required to consider the coefficient for metal/sand as per the prevailing Analysis of Rates (AoR) of GoO.

Analysis of the estimates prepared by the Company for the above work revealed the following:

Cement cost of ₹ 12.63 crore was not included in the estimate due to consideration of low coefficient

- The Company considered a low coefficient of 2.59 to 3.99 quintals of cement per cum in its offer for execution of 3,84,678 cum of different grades of cement concrete instead of considering the maximum coefficient of 3.21 to 5.71 quintals of cement as stipulated in the tender condition. This resulted in non-inclusion of 2,81,052 quintals of cement valued at ₹ 12.63 crore (@ ₹ 449.50 per quintal as per the offer) in the offer.

- The Company did not consider the coefficient for metal/sand as per the prevailing AoR and instead quoted the rates for the same at lower side. Thus, the Company could not realise ₹ 1.58 crore in execution of 3,13,628 cum of cement concrete.

Management stated (October 2012) that the technical specification relating to maximum consumption of cement was in no way related to rates quoted by them to warrant a deduction. It also added that it had moved the DoWR for refund of the withheld amount.

The reply is not tenable because the DoWR recovered the differential value as per the tender condition and as such the realisation of the same was remote.

Execution of Works

Execution of 141 completed and 81 ongoing works were delayed upto 180 and 192 months respectively

2.2.33 The Company secured 185 works valued at ₹ 1,155.21 crore through allotment and participation in tenders during the last five years 2007-12. Besides 93 works had spilled over with an un-executed balance of ₹ 397.47 crore at the beginning of the year 2007-08. The period of delay in respect of 141 out of 157 completed works as on 31 March 2012 was ranged between 3 and 180 months. The date of commencement and scheduled date of completion in respect of nine completed works was not furnished by the Company and seven works was completed within the scheduled completion period. Similarly, the period of delay in respect of 81 out of 151[47] ongoing

[47] Additional 30 works due to splitting during 2007-12

works as on March 2012 ranged between 1 month and 192 months. The date of commencement and scheduled date of completion in respect of 29 ongoing works was not furnished and the schedule completion period for 41 ongoing works was beyond 31 March 2012 as shown in the following table.

Scheduled time for completion of work (in months)	Total no of works	No of works completed within scheduled time	Delay in months				
			3-6	7-12	13-18	19-24	25-180
Completed works							
Upto 6	32	1	3	12	-	5	11
7-12	68	3	1	2	8	4	50
13-18	25	-	1	5	3	1	15
19-24	12	-	-	-	1	1	10
More than 24	11	3	1	-	-	-	7
Total	**148**	**7**	**6**	**19**	**12**	**11**	**93**
Ongoing works			**1-6**	**7-12**	**13-18**	**19-24**	**25-192**
Upto 6	9	-	2	-	2	1	4
7-12	31	-	2	3	4	2	20
13-18	19	-	2	-	1	-	16
19-24	11	-	1	-	1	-	9
More than 24	11	-	-	-	-	3	8
Total	**81**	**-**	**7**	**3**	**8**	**6**	**57**

In the test check of 70 works, we noticed the following reasons for delay in execution of works:

- In 23 cases delays in execution of works were attributed to local problems (9), non-availability of working sites (3), R&R problems (5), non-acquisition of lands (5) and non-availability/delay in supply of drawings and designs (1).

Job workers were engaged after delays upto 632 days for commencement of works

- In 43 cases due to delay in mobilisation/ engagement of job workers the works could commence only after expiry of 3 to 632 days of the scheduled date of commencement of works.

The delays in completion of the works also resulted in cost overrun and non achievement of intended benefits such as irrigation potential, development of better infrastructure, communication by improved roads etc. Delay in execution would result in delayed inflow of revenue even though the Company would continue to incur fixed overheads whether works are executed or not.

Cost overrun due to delay in completion/execution

2.2.34 The MPRs of the Company exhibited only the value of works executed as per the item rates of agreements but did not exhibit the actual expenditure incurred as well as the cumulative expenditure there against.

Delay in execution of works led to cost overrun of ₹ 161.99 crore

We observed that in 15 (completed: 4 and ongoing: 11) out of 63 test checked allotted works, due to abnormal delay of 13 to 98 months in completion/execution, the value of the works were increased to ₹ 555.10 crore as against the agreement value of ₹ 393.11 crore. The cost overrun of ₹ 161.99

crore burdened the DoWR with an extra cost of ₹ 141.11 crore and the Company a non-reimbursable expenditure of ₹ 17.88 crore.

Management stated (October 2012) that the delay in execution of works and cost overrun was due to R&R problem, agitation by displaced persons and delay in finalisation of drawing and design which were not attributable to the Company.

The reply is not acceptable. Better co-ordination with authorities concerned to minimise delays/expedite in execution/completion of works with approvals could have checked consequential cost overrun.

Non-compliance to the provisions of the Agreements

2.2.35 In terms of Clause 4 of the F2 agreements with the clients, the Company was required to obtain Extension of Time (EoT) within 30 days from the date of the hindrance in execution of the works and the Executive Engineer concerned of DoWR authorises the EoT when the delay is genuine. The Company was to ensure existence of a proper monitoring mechanism to identify the works against which submission of EoT was due and also to ensure timely submission of EoT application thereagainst.

Delay in obtaining approval of EoT led to non realisation of ₹ 1.60 crore

We noticed that in 38 out of 106 ongoing works the Company did not apply for EoT till March 2012 even after a lapse of 2 to 36 months from their stipulated date of completion. Even after expiry of the last approved EoT, there was a delay of 3 to 88 months in submission of application for the subsequent EoT though the balance 68 works could not be completed during the approved EoT period. We further observed that in the absence of approval of EoT, an amount of ₹ 1.60 crore (two *per cent* of bill value) was withheld in respect of 20 works by DoWR pertaining to the period 2007-2012.

This indicated absence of any monitoring mechanism with the Company to ensure timely submission of EoT applications.

Management while accepting the audit observation, assured (October 2012) to obtain sanction of EoT from the competent authority within a reasonable time.

Non-availing of price escalation benefits

2.2.36 As per Price Adjustment clause of the conditions of contract, reimbursement on variation in the cost of materials, labour and fuel is applicable only in respect of contracts where the period of completion was more than one year and provided the work is completed within the stipulated time.

The Company sustained a loss of ₹ 4.72 crore either due to sanction of EoT without price escalation or for absence of enabling clause in the agreement

A test check of 22 out of 70 selected works where agreements were executed with price adjustment clause and with scheduled completion period of more than one year, we noticed that in respect of 14 works, the Company did not work out and claim the price escalation, for reasons not in record. Out of the balance eight works, DoWR disallowed escalation claim of ₹ 4.72 crore either due to sanction of EoT without price escalation (two cases) or non-provision of escalation clause in the agreement (one case) and for five works, the Company is yet (October 2012) to realise the escalation claim of ₹ 4.25 crore.

This indicated the ineffective monitoring and the casual approach in safeguarding the financial interest of the Company.

Management while accepting the fact assured (October 2012) to take steps to raise claims with DoWR relating to price escalation and review the matter.

Excess consumption of construction materials

2.2.37 The Company submitted (October 2003) its offer for the work of construction of Spillway of Telengiri Irrigation Project. The offer of the Company was based on the prevailing analysis of rates with coefficient for construction materials of metal and sand ranging between 0.80 to 0.88 and 0.35 to 0.41 per *cum* of cement concrete respectively. The DoWR awarded (February 2004) the work to the Company for ₹ 63.55 crore with scheduled date of completion by 5 February 2006. Due to non-settlement of R&R and land acquisition problem, the Company could complete work value of ₹ 7.54 crore only as of June 2012 and obtained the EoT from DoWR upto 31 December 2012.

Excess consumption of construction materials by job workers led to loss of ₹ 2.16 crore

We noticed that the Company without adhering to its offered coefficient, prepared (February 2010) the first revised working estimate by adopting coefficients at higher side for metal and sand at 0.90 and 0.45 respectively for execution of 2,20,936 cum of cement concrete. Since the cost of consumption of metal and sand at higher coefficient is not reimbursable by DoWR, the Company sustained a loss of ₹ 2.16 crore[48] due to payment to the job workers towards consumption of metal and sand at higher coefficient.

Management stated (July/October 2012) that the first revised working estimate was prepared (February 2010) as per the prevailing SoR 2008, where there was an upward revision of the coefficient and the job workers were paid accordingly with no loss to the Company.

The reply is not tenable though job workers were paid as per SoR 2008, they were allowed for consumption of metal and sand at higher coefficient despite being aware of non-reimbursement of the cost of excess consumption. The reply is, however, silent about the reasons as to why there was a change of coefficient in their initial offer and the first revised working estimate.

Loss due to absence of safeguard clause in the agreement

2.2.38 The Company executed (February 2004/November 2008) agreements with DoWR for construction of barrage over river Mahendratanaya and Spillway of Telengiri Irrigation Project. The Company while submitting the tender/offer for these works stipulated the coefficient of cement consumption at 2.59 to 4.03 quintals *per* cum of cement concrete which was agreed to by DoWR. During execution of the works, the Company consumed cement as per the actual design mix which was at a higher side ranging between 2.65 and 4.40 quintals *per* cum. Agreements generally include a safeguard clause for

[48] Already sustained loss of ₹ 0.21 crore: 20,585 cum and liable to sustain ₹ 1.95 crore: 2,00,351 cum.

the Company as well as for DoWR towards increase/decrease of cement consumption as per design mix and the rates for the corresponding concrete items are adjusted accordingly.

Absence of safeguard clause in the agreements led to extra expenditure of ₹ 1.80 crore towards excess consumption of cement

We noticed that in the absence of such a safeguard clause in the agreements for these works the Company incurred extra expenditure of ₹ 1.80 crore[49] towards the cost of higher consumption of cement.

Thus, lack of internal checks has resulted in non-inclusion of safety clause in the agreements with consequential loss of ₹ 1.80 crore towards cost of higher consumption of cement.

While accepting the fact for Telingiri, the Management stated (October 2012) that in the case of Mahendratanaya, the expected variation in cement consumption, which normally happened in construction works, was taken into consideration. The reply is not acceptable since the Company incurred extra expenditure and in absence of the safeguard clause, reimbursement of the same was not certain.

Execution of extra quantum of works without approval

2.2.39 As per clause 10 of the conditions of F2 contract, no deviation from the stipulated specifications is to be carried out by additional items of work without the approval of the Engineer-in-charge of DoWR.

The Company executed extra work of ₹ 1.23 crore without approval

We noticed that in respect of two[50] works the Company executed 1,28,093 cum of excavation/desiltation, cement concrete and earth filling work at a cost of ₹ 2.17 crore as against the agreed quantity of 78,747 cum valued at ₹ 0.94 crore. In the absence of prior approval for execution of the extra quantity (49,344 cum) DoWR restricted the payment for the agreed quantity only. Thus, failure to get prior approval for execution of extra work, the Company incurred extra expenditure of ₹ 1.23 crore.

Management stated (October 2012) that execution of the extra quantity was done as per direction of the Engineer-in-charge of DoWR and the withheld amount would be released on approval of the deviation statement.

The reply is not tenable as the recovery of extra expenditure already incurred is doubtful in the absence of approval for the extra work.

Forgoing of overhead charges

The Company had forgone overhead charges of ₹ 0.92 crore due to execution of work at higher rate through job workers

2.2.40 The Company secured (March 2008) dredging work of 4,98,573 cum. in rivers Daya and Luna leading to Chilika Lagoon at a rate of ₹ 132 per cum exclusive of 15 *per cent* overhead charges. We noticed that the Company executed 3,47,393 cum and 1,51,180 cum of the works at a rate of ₹ 150 and ₹ 151.80 per cum through the job workers. Thus, due to execution of works at

49 Already incurred ₹ 0.29 crore: 4726.387 quintals of cement and liable to incur ₹ 1.51 crore: 24791.455 quintals of cement.

50 "Construction of cross drainage (under tunnel) and gap closing of Upper Indravati Right Canal" and "Spillway of Ret Irrigation Project"

higher rate through the job workers without limiting to the rates receivable from DoWR led to forgoing of overhead charges of ₹ 0.92[51] crore.

Management stated (October 2012) that the Company executed the work during 2009 within the offered rate of ₹151.80 per cum including overhead charges of 15 *per cent* without incurring losses.

The reply is not acceptable as the Company failed to assess the fair market price which has resulted in execution of works at higher rate forgoing its overhead charges.

Execution of works by job workers

2.2.41 In respect of works allotted by DoWR, the Company is not allowed to sub-contract the works except for piece works. The Company, however, engaged job workers either on unit rate basis or on labour contract basis. The component of works executed by the job workers ranged from 49 to 75 *per cent* of the total value of the works executed during the last five years ending 2011-12. The deficiencies in empanelment/engagement of job workers and execution of works by job workers are discussed in the succeeding paragraphs.

Empanelment of job workers

2.2.42 For empanelment of job workers, the Company invites applications in its prescribed form for submission with documentary evidences towards proof of registration for Employees' Provident Funds (EPF)/VAT, solvency certificate, previous experience, status etc. The Company empanels the job workers (Civil/Mechanical/Electrical) under four categories based on their capacity to execute value of works and the empanelment remains valid for three years.

A review of 74 out of 306 applications of the job workers empanelled during 2010-12 revealed the following:

- The Company had considered the applications without the prescribed documents like EPF registration certificates (59), solvency certificates from Banks (19), experience certificates (12) and VAT registrations (12).

The Company empanelled job workers without obtaining required documents

- The Company empanelled super class (8), Special class (14), class A (14), class B (3) and class C (5) contractors as their job workers. However, in 30 applications the status of the contractors was not available, though empanelled.
- Though the BoD decided (December 2006) for constitution of a Committee for review of performance of the job workers, the same was constituted only in September 2011 and no meetings were held upto August 2012. Hence, the very purpose of formation of the Committee was defeated and raises a doubt on the transparency of the transactions.

[51] {(₹ 150 - ₹ 132) x 3,47,393 cum} + {(₹ 151.80 - ₹ 132) x 1,51,180} = ₹ 92,46,438

Management stated (October 2012) that steps would be taken to review the performance of the job workers through the Performance Review Committee and delist the non-performing agencies. The reply, however, was silent regarding deficiencies in empanelment of job workers.

Engagement of job workers

2.2.43 The modalities for engagement of job workers, as approved (September 2008) by the BoD included the condition that the quotation call notices should be published in two local dailies and to host it in the Company's website for work values ranging between ₹ 5 lakh to ₹ 10 lakh. In addition to this, for work values of more than ₹ 10 lakh to ₹ 1 crore, the quotation should also be published in one local English daily. We noticed the following deficiencies.

- The Company had not published the quotation call notices of any work in print media during the period 2007-08 to 2011-12.

Management stated (October 2012) that selection and engagement of job workers was done through short quotation calls from the empanelled job workers where wide circulation was not required. The fact remained that the Company had not adhered to the direction of BoD in this regard.

Job workers were engaged by splitting of works in violation of financial powers

- As per the delegation of financial powers the Company is required to obtain administrative approval of the DoWR for award of work valued ₹ 1 crore and above. We noticed that the Company split 21 works valued at ₹ 103.65 crore into 3 to 26 parts during 2007-12 to avoid the administrative approval of the competent authority. Even works valued ₹ 1.17 crore to ₹ 9.05 crore were split to below ₹ 1 crore each and awarded to five job workers without obtaining approval of DoWR, in violation of requirement of delegation of financial powers.

While accepting the fact of splitting of the works, the Management stated that the splitting of the works ensured deployment of more machinery and working units for simultaneous execution of different reaches. The reply is not acceptable since it was done in violation of codal provision and the execution of works was abnormally delayed.

Non-payment of EPF dues

2.2.44 Section 6 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 read with paragraph 38 of EPF Scheme, 1952 stipulated that the employer is required to deposit the employees and employer's share of contribution within 15 days of the close of the month, and failure in compliance would attract penalty under Section 14(B) of the Act. Further, in the terms of the agreements with job workers, two *per cent* of the bill amount was to be withheld from RA bills towards statutory dues and would be released on production of documentary evidences in support of deposit of the same within three months from the end of each financial year. In case of non-production of the documents, the Company would deposit the same with the concerned authorities.

Absence of EPF registrations of job workers led to accumulation of EPF dues of ₹ 14.47 crore with the Company

We noticed that the concerned Senior Managers deducted a sum of ₹ 1.67 crore towards EPF dues from the RA bills of job workers in respect of 20 works upto March 2012. The Company, however, could not deposit the same with the concerned authorities due to the fact that most of the job workers did not have PF registrations. As a result, EPF dues of ₹ 14.47 crore was accumulated with the Company as of March 2012 which was clear violation of the provisions of the Act.

While accepting the fact, Management stated (October 2012) that retention of money towards EPF was intended to insist on the job workers to obtain and submit EPF clearance certificates and would be refunded on production of the same.

Non settlement of EPF dues in violation of the provisions of the Act, which the Company had accumulated, could attract penalty also.

Subletting of Works

2.2.45 As per the guidelines issued (June 2002) by DoWR and in terms of the conditions of the agreement for execution of works, the Company was not allowed to sub contract the work for execution except for piece work and the work was to be executed directly by the Company.

We noticed the following:

- In line with the F2 agreements with DoWR, the Company empanelled different categories of job workers with a condition that they should have diploma/degree Engineers to supervise the execution of works.
- The agreement executed with the job workers *inter-alia* stipulated that they would be responsible for maintaining the data and complete records of issue and consumption of materials received from the Company. The job workers would be responsible for transportation of materials to site of the work and storage thereof.
- In line with the F2 agreements with DoWR, the Company also approved the item rates for the job workers which included rates for supply of labour, material excluding cement and hire charges of machinery

Execution of agreements with job workers in line with F2 agreements tantamount to subletting of works by the Company

Thus, award of the works to job workers with the above conditions tantamount to subletting of the works to the job workers.

Management stated (October 2012) that engagement of agencies and ensuring their competency did not amount to subletting of contracts and the engagement was done by piecework arrangement.

The contention was not acceptable in view of the fact that the engagement of the agencies was not made in a transparent manner and also was in line with its F2 agreement with the DoWR which included supervision, material management etc., which is applicable for subletting of the contracts.

Award of work at higher rate to subcontractor

2.2.46 The Company engaged (December 2010) SEW Infrastructure Limited (SIL), Hyderabad for execution of the balance work of construction of Kanupur Spillway at a total value of ₹ 106.95 crore scheduled to be completed by August 2012. As per the agreement made with SIL, 4,03,131 cum of different grades of cement concrete was required to be executed against four items of work at ₹ 97.58 crore. The receivable rate from DoWR for each item of cement concrete work was inclusive of cement cost at ₹ 449.50 *per* quintal. However, the off loading rate to SIL for the same items of work was exclusive of cement cost as cement would be supplied by the Company.

Award of work at higher rate to sub-contractor resulted in loss of ₹ 27.61 crore

We noticed that the Company offloaded the work to SIL at the rates of ₹ 2,329, ₹ 2,624 and ₹ 2,624 per cum for three out of four items of cement concrete work against the receivable rates (excluding cement cost) of ₹ 1,541, ₹ 1,886 and ₹ 2,091 per cum respectively which resulted in off loading of the works at higher rates by ₹ 788, ₹ 738 and ₹ 533 *per* cum. In execution of 3,70,446 cum of cement concrete works, the Company incurred extra expenditure of ₹ 27.61 crore[52]. Thus, failure of the Company in analysing the cost of execution of work before awarding to SIL resulted in loss to the extent of ₹ 27.61 crore.

Management stated (October 2012) that there would not be any loss to the Company as the receivable rate including price escalation dues would be in excess of the rate payable to SIL.

The reply is not acceptable as the Company should have restricted the off loading cost upto the receivable rate without anticipating the benefit of price escalation. Further, the chance of getting price escalation benefit was remote as the Company could not complete the work within the scheduled completion period.

Material Management

2.2.47 Materials constitute around 60 to 70 *per cent* of the estimated cost of the works and thus, need an efficient and scientific management of material so that there is optimum use of resources. The Company procures the major construction materials like steel and cement from the reputed manufacturers. Steel is generally procured from SAIL and RINL at their prevailing rates. For procurement of cement, the Company invites quotations periodically from cement manufacturers and approves the district-wise supply rates (inclusive of tax and transportation cost) on the basis of lowest accepted quotations. The Company, however, does not have any purchase manual nor prepares the material budget to regulate the procurement. We noticed the following deficiencies in material management of the Company.

[52] Already incured ₹ 4.45 crore: 57,806 cum and liable to incur ₹ 23.16 crore: 3,12,640 cum.

Procurement of steel

MoU with Steel Authority of India Limited

2.2.48 The Company entered into (April 2011) an MoU with SAIL which *inter alia* included that interest free credit (IFC) upto 15 days would be allowed on monthly lifting of 100 MT and above and for more than 15 days upto 60 days IFC would be allowed subject to separate approval of the SAIL authorities.

Failure of internal control mechanism led to non-availment of IFC facility of SAIL

We noticed that though the Company had procured 2,490.190 MT[53] of steel (ranging between 115.450 to 634.920 MT per month) valued at ₹ 11.36 crore from SAIL during 2011-12 to meet the requirement of its Central Workshop (CWS) only, it had never approached SAIL for IFC facility. Instead, the Company procured the above quantity on 105 *per cent* advance payment basis and thereby sustained a loss of interest of ₹ 3.92 lakh and ₹ 15.69 lakh (@ 8 *per cent per annum)* considering credit facility of 15 and 60 days respectively towards non-availment of the IFC facility.

Management stated (October 2012) that SAIL allowed IFC facility against equivalent amount of Bank Guarantee (BG) and for obtaining BG, the Company had to pay BG charges. In the Exit conference, the Principal Secretary, DoWR, however agreed to undertake a cost benefit analysis as cost of BG was very less.

Procurement of cement at higher rates

The Company had to incur extra expenditure of ₹ 0.67 crore due to procurement of cement at higher rates

2.2.49 The Company placed (July-December 2011) six Purchase Orders (POs) on Orissa Cement Limited (OCL) (20,000 bags) and Associated Cement Companies Limited (ACCL) (1,40,000 bags) for supply of 1,60,000 bags of cement at a cost of ₹ 3.36 crore at ₹ 210 *per* bag as approved by the Company to be delivered at work site of Kanupur Spillway Project, Keonjhar. The Company did not stipulate the delivery schedule against the POs. The approved rate was valid upto 31 December 2011. We noticed that ACCL supplied 57,595 bags only during August 2011 to January 2012 leaving a balance of 82,405 bags. OCL did not supply the entire 20,000 bags. Subsequently, the Company procured (January to March 2012) the balance quantity at higher rate of ₹ 275 *per* bag from the same suppliers. In the absence of a delivery schedule and any binding clause for supply of the total quantity or for levy of penalty, the Company had to incur extra expenditure of ₹ 0.67 crore.

Management stated (October 2012) that the Company would get 100 *per cent* differential cost of cement from client and would not make any loss on procurement of cement.

[53] Excludes 52.390 MT purchased during July 2011 and no purchase made during August and September 2011.

The contention of Management is not acceptable as the extra cost was in turn an extension of benefit to the cement suppliers with a burden on the exchequer since the Company had failed to stipulate the delivery schedule.

Excess consumption of cement and steel

2.2.50 As per the agreements the Company issued cement and steel to the job workers for execution of works and they were responsible for transportation and storage at site.

Due to excess consumption of cement and steel, the Company sustained a loss of ₹ 1.48 crore

We noticed that 1,95,429 bags of cement were consumed against the requirement of 1,80,284 bags as per agreed coefficient in execution of 34,213.231 cum (upto May 2012) out of 37,151.326 cum of different grades of cement concrete for the work of construction of left main canal with structures of Lower Indra Irrigation Project from RD-1.00 Km to 20.04 Km. We further noticed that for execution of cement concrete in respect of three works[54], the Company consumed 2,564.243 MT of steel. The DoWR, however, measured the consumption to 2,262.291 MT. Thus, due to excess consumption of cement (15,145 bags: ₹ 0.27 crore) and steel (301.952 MT: ₹ 1.21 crore) the Company sustained a loss of ₹ 1.48 crore.

Discrepancies in issue of materials

2.2.51 For execution of Left Bank Canal of Rengali Irrigation Project from RD-31.50 Km to RD-33.00 Km, which was completed during May 2011, the Company issued 3,64,313 bags of cement and 5,069.751 MT steel. We noticed that as per the measurement taken by the DoWR (upto 13th RA bills), the consumption of cement and steel was 3,80,095 bags and 5,323.200 MT respectively. Thus, the practice of issuing cement and steel to job workers who were made responsible for the transportation and storage resulted in excess consumption of 15,782 bags of cement and 253.45 MT of steel valued at ₹ 1.11 crore[55]. The discrepancy needs to be reconciled.

Procurement of Machinery/Equipments

2.2.52 To cope up with the increased volume of work, the BoD of the Company decided (December 2007) to procure construction machinery like batching plants, transit mixers etc. at a cost of ₹ 10.06 crore with budgetary support from GoO. Though the Company proposed (December 2007) to the BoD for availing loan, it, however, requested (December 2007) GoO in DoWR for a Share Capital support of ₹ 8.50 crore. The Company also intimated that the shortfall (₹ 1.56 crore) would be met from internal source/borrowings. In anticipation of the funds from GoO, the Company procured (June 2008 to January 2009) 824 items of construction machinery/equipment of 39 categories worth ₹ 8.50 crore by diverting the interest free work advances received from the DoWR against the allotted

[54] Excavation and construction of left main canal with structure from RD-1 Km to RD-20.04 Km of Lower Indra Irrigation Project, Construction of Lower Indra Spillway Project and Titilagarh Spillway Project.

[55] Calculated at the average procurement price of the work for cement @ ₹ 203.98 *per* bag and steel @ ₹ 30959.67 *per* MT.

works. However, it could receive only ₹ 6 crore from the GoO as Share Capital for procurement of machinery during 2009-12. The Company also created (June 2008) a new Division Office (Machinery Bank) to function as a profit centre by looking after all departmental machineries and preferring hire charge bills to the unit offices for collection from the job workers. Poor utilisation of the machinery and functioning of the Machinery Bank is discussed in the subsequent paragraphs.

Poor utilisation of machinery/equipment

2.2.53 The Company had envisaged that Machinery Bank Division was to be responsible for optimum utilisation of the machinery/equipment and to ensure at least 2,000 schedule total machine running hours *per annum* per machinery. We test checked the utilisation of 52 items of new major machinery under 12 categories valued at ₹ 7.72 crore and noticed that:

The Company utilised its machinery only for 9.51 *per cent* of the available machine running hours

- Against the available 3,43,200 machine running hours during January 2009 to March 2012, the Company could utilise 47 machines for 32,635 hours only (9.51 *per cent*). The machine wise utilisation of these 47 machines ranged between 43 and 1,380 hours (1 to 21 *per cent*). Besides, five machines procured (June 2008 to January 2009) at a cost of ₹ 0.93 crore remained idle since procurement.

Poor utilisation of machinery led to non-realisation of hire charges of ₹ 13.53 crore

- Though the Company scheduled the realisation of hire charges for ₹ 15.10 crore against these 52 machines during January 2009 to March 2012, it could realise ₹ 1.57 crore only (10 *per cent*) leaving a shortfall of ₹ 13.53 crore due to poor utilisation of its machineries.

The poor achievement of utilisation was mainly due to failure on the part of the Senior Manager, Machinery Bank in ensuring optimal utilisation of the departmental machinery in the execution of works. Further, the Company never analysed the reasons for non/low utilisation of its machineries resulting in investment of ₹ 8.50 crore in procurement of machineries not being gainfully utilised besides wasteful payment of hire charges to job workers.

Idle Batching Plant at Kanupur Spillway

Management while accepting the fact of poor utilisation of machinery stated (October 2012) that the Company did not have machinery of higher capacity to provide to job workers.

The reply is not tenable as the Company had not analysed the reasons for low utilisation alongwith poor planning in procurement of machinery of required capacity resulted in low/non utilisation coupled with short realisation of hire charges. Further, the reply confirms the fact of subletting as machinery is hired to job workers.

Payment of hire charges of machinery to job workers

Hiring of machinery from job workers at higher rates and keeping its own machinery idle, resulted in avoidable expenditure of ₹ 1.37 crore

2.2.54 In execution of 1,09,262 cum of cement concrete items in four[56] works during the period from January 2009 to March 2012, we noticed that against the requirement of 7,284 and 18,210 hours, the Company could deploy its five batching plants and eight transit mixers for 1,241 and 4,112 hours respectively. The Company paid the hire charges of ₹ 1.57 crore to the job workers towards hiring of their machinery at higher rates against which it recovered ₹ 0.20 crore towards hiring charges of its own machinery. Thus, due to non-utilisation of its own machinery and allowing the job workers to deploy their machinery, the Company sustained an avoidable expenditure of ₹ 1.37 crore[57] towards differential hire charges.

Financial Management

2.2.55 Efficient fund management serves as a tool for decision making for optimum utilisation of available resources and borrowings at favourable terms at appropriate time. The main source of finance of the Company were interest free work advances received from DoWR against allotted works, interest earned on short term deposits and retention of money from job workers towards Security Deposits. We noticed the following irregularities/ deficiencies in financial management of the Company:

Irregularity in operation of current accounts with Banks

2.2.56 The Company operates two set of bank accounts i.e. one at HO level and the other at the unit level. The unit offices operate two bank accounts (one was deposit account where the funds received from the clients was deposited for onward transmission to HO and the other was the expenditure account to which funds were remitted from HO for incurring day to day expenditure). Apart from operation of 21 current accounts in 11 different banks by the HO, the unit offices of the Company were operating 97 current accounts as of March 2011 including 29 deposit accounts. We noticed that the Company neither had a system of regular monitoring of fund received from the Clients nor had fixed any minimum balance to be retained, which resulted in funds ranging from ₹ 0.05 lakh to ₹ 7 crore remaining idle for a period of 8 to 648 days during 2008-11. This also resulted in loss of interest of ₹ 0.58 crore (calculated at the rate of 5 *per cent per annum*).

The Management stated (October 2012) that on accumulation of appreciable amount, funds were transferred to HO in the shape of demand draft and after introduction of electronic system in banks the funds were invested in term deposits.

[56] Kanupur Spillway, Mahendratanaya Barrage Project, Telengiri Spillway and Lower Indra Spillway

[57] ₹ 1.57 crore less ₹ 0.20 crore (hire charges recovered by the Company)

The reply was not acceptable since the Company had not so far fixed any minimum balance for retention to avoid accumulation of fund leading to loss of interest.

Investment in Short Term Deposits

2.2.57 The GoO in Public Enterprises (PE) Department issued (November 1996) guidelines for investment of surplus funds by State PSUs. The guidelines, *inter-alia*, stipulated that the investment decision were to be based on sound commercial judgement and the decision involving investment were to be reported to the BoD in their meetings. The Company was also to evolve a suitable investment procedure with the approval of the BoD.

We noticed that the Company neither framed any policy/guidelines duly approved by the BoD for investment of funds in Term Deposits nor the status of such investments appraised to the BoD at regular intervals. The Company invested ₹ 66.97 crore during 2007-11 in different banks for a period of 16 to 371 days with a lower rate of interest by 0.25 to 1.50 *per cent* while during the same period higher rates of interest were available. The details of investment for the year 2011-12 though called for was not made available. Thus, investment in short term deposit without analysing the interest rate resulted in loss of interest of ₹ 0.28 crore.

The Management stated that with a limited staff it was difficult to watch more than one hundred bank accounts located throughout the State.

The reply, however, was not specific to the audit observation regarding non-availment of higher rate of interest in investment of surplus funds.

Non-admission of TDS certificates

Failure of the Company in preferring appeal for admission of TDS certificates led to non realisation of refund of TDS of ₹ 5.54 crore

2.2.58 Due to non-finalisation of accounts in time, the Company files income tax return on provisional basis and submits the revised return once the accounts are finalised and audit completed. The assessment of income tax liability of the Company was completed (December 2011) upto the financial year 2008-09 in which income tax authority adjusted the tax deducted at source (TDS) for ₹ 1 crore against the TDS claim of ₹ 6.54 crore deducted by DoWR from various bills. Though the tax authorities did not consider the TDS of ₹ 5.54 crore, the Company had not so far preferred any appeal against the assessment orders for refund and instead, requested the assessing authority u/s 154 of the IT Act for rectification of mistake towards TDS and to pass order for refund. As a result, the refund of TDS of ₹ 5.54 crore was not received as of date (October 2012).

The Management stated (October 2012) that appeal would be filed in case the assessing officer declined to rectify the mistake for passing of order for refund of the claim.

The Company, however, was yet to receive the refund towards TDS or file an appeal.

Loss due to payment of VAT at higher rate

2.2.59 As per the provision of the Orissa Value Added Tax (OVAT) Rules, 2005 under Rule 8, the Company was permitted to pay VAT on works contracts by way of composition with effect from 14 July 2008 at the rate of four *per cent* on sixty *per cent* (2.4 *per cent*) of the gross value received or receivable towards execution of works for any year. The HO of the Company instructed (August 2008) the unit offices to ensure deduction of VAT at a rate of 2.4 *per cent* in conformity with the provision of the OVAT Rules which was reiterated on several occasions thereafter.

Failure of the Company to ensure deduction of VAT at prescribed rate resulted in excess payment of VAT for ₹ 2.19 crore

We observed that, the DoWR deducted VAT of ₹ 2.19 crore at higher rates ranging from 2.41 to 22.29 *per cent* in 262 out of 1,115 RA bills than the prescribed rate of 2.4 *per cent* during January 2009 to March 2012. The Senior Managers of different unit offices of the Company without ensuring the correctness of deduction of VAT by the DoWR, acknowledged the bills prepared by them. As the tax returns filed under composition is not subject to assessment, failure to ensure deduction of VAT at the prescribed rate, resulted in excess expenditure of ₹ 2.19 crore towards payment of VAT.

While accepting the fact Management stated (October 2012) that the unit offices were directed to be vigilant at the time of passing of bills by DoWR and as a result the process of deduction of VAT at higher rate was reduced. It also added that appeal was filed with the authority for refund.

The reply, so far as refund is concerned, is not tenable since the chance of refund is remote as payment of VAT by way of composition is not subject to assessment.

Non conversion of Security Deposits into interest bearing deposits

2.2.60 DoWR allowed (January 1998) the Company to convert performance Security Deposits (SDs) deducted from the bills in respect of all its running contracts into interest bearing SDs. The interest bearing SDs shall be in the name of the Company and pledged with DoWR. The total deduction on account of performance SDs from the RA bills of the Company stood at ₹ 29.84 crore (March 2012). We noticed that SDs of ₹ 5.64 crore relating to 38 works were not converted into interest bearing deposits due to absence of any system in place for effective monitoring by the Company. This resulted in loss of interest of ₹ 0.67 crore (calculated at the rate of six *per cent per annum*).

Ineffective monitoring of the Company led to non conversion of SD of ₹ 4.94 crore to interest bearing deposits

Management while accepting the fact stated (October 2012) that an amount of ₹ 0.70 crore of SDs had been converted to interest bearing deposits and all the pending receivable including SDs of the Company were centralised for close monitoring. The balance amount of ₹ 4.94 crore had not yet been converted into interest bearing deposits.

Manpower Management

Manpower

2.2.61 Consequent upon Corporate Restructuring Plan (July 2004) of the Company and as approved (February 2005) by GoO, 734 employees were categorised as core and non-core employees and 117 employees were found surplus. The Company implemented VRS in two phases (April and August 2007) under which 45 employees retired. Due to substantial increase in work load as well as in turnover, the Company assessed the requirement of 998 employees considering an estimated turnover of ₹ 150 crore. After approval (September 2008) of BoD, the manpower assessment was forwarded (November 2008) to GoO for approval. The approval of GoO, however, was awaited (August 2012). Meanwhile the employees strength reduced to 587 during 2011-12 though the turnover of the Company increased from ₹ 100.26 crore in 2007-08 to ₹ 208.58 crore in 2011-12.

In the Exit conference the Principal Secretary, DoWR stated (October 2012) that Public Enterprise Department of GoO was asked to assess the requirement of manpower afresh.

Training

2.2.62 Training and Development is an important tool to upgrade the skills and efficiency of the employees. With increased workload and reduction in manpower over the years, the Company needs to increase the productivity with better accuracy and speed with the available resources. To achieve the same, the Company needs to formulate realistic planning to impart training to the available manpower.

The Company was irregular in conducting training programme for employees

We noticed that the Company was not regular in conducting training programme for its employees. Training for only 687 man days during 2007-12 was provided as against its commitment to provide training programme for 2,500 man days as per the MoU with the GoO. Further, it was decided (April 2009) by the DoWR to have an annual training calendar for various units of DoWR including the Company to impart training at reputed National Institutes. However, the details of training availed, if any, by the employees of the Company through DoWR were not on record.

While confirming the facts and figures the Management stated (October 2012) that imparting training in small group would be taken up after completion of Final Accounts of 2011-12 and no programmes was obtained from DoWR so far.

Project Monitoring

2.2.63 To execute the works economically and efficiently as well as to watch the physical and financial progress of the works an effective monitoring is a pre-requisite.

Irregular monitoring

2.2.64 As per the working manual of the Company, all the field units are required to send a monthly progress report (MPR) in the prescribed format by fifth of the following month and in turn the consolidated MPR is to be furnished to DoWR by twentieth of the month. DoWR takes up monthly plan expenditure review meeting in which MD of the Company participates. We noticed the following deficiencies:

There was delay in submission of MPRs upto 31 days

- Delay in submission of MPRs by the field units caused delay in submission of consolidated MPRs to DoWR ranging between 1 and 31days in 45 months during 2007-12.

The Management stated that the delay was due to delay in measurement of works by the clients. The contention is not acceptable since the MPRs were to be submitted as per schedule and measurement of works was also the responsibility of the Company

The Company did not review the monthly progress of works despite huge spill over

- The Company was not regular in communicating the decision of the monthly plan expenditure meetings of DoWR to the field units for taking necessary remedial actions. Further, the Company did not review the monthly progress of the works though spillover works increased from ₹ 397.47 crore in 2007-08 to ₹ 861.33 crore in 2011-12.

The Management stated that sometimes the decisions of the Review meetings were communicated to the field units and the backlogs could not be fulfilled due to various reasons not attributable to the Company. The reply is not acceptable as the field units were not regularly communicated with the decisions of the Review meetings and the accumulation of spill over works could not be reduced.

- The Company had not fixed any norm as to the periodicity for field inspections by the higher officers from HO.

Closure of works

2.2.65 The Company declares the completed works as closed and instructed (June 2003) the field units to transfer all the records relating to the completed works to the Defunct and Recovery Cell (DRC) at its HO for monitoring the post closure transactions against each closed work in coordination with the clients for settlement of its dues. The Company had declared 380[58] works as closed during 2005-11 of which records of 20 works closed during 2009-11 were not transferred to HO so far (October 2012).

A review of the post closure transactions of the works at HO level revealed that:

- Out of a total of ₹ 30.79 crore receivable against 360 works (withheld amount: ₹ 4.18 crore, security deposits: ₹ 3.77 crore and value of works executed: ₹ 22.84 crore), the Company could realise ₹ 3.07

[58] Civil works -334 and Mechanical works-46.

crore only against 46 closed works so far (August 2012). These amounts were pending mainly due to non-sanction of EoT and non-approval of deviations by the Clients;

- in the case of 339 closed works staff advance of ₹ 0.40 crore has not been adjusted so far though the staff of the closed works were transferred to other works and no debit notes were raised to this effect;

- in respect of these 360 closed works outstanding advances of ₹ 5.64 crore against the job workers is yet to be settled; and

- in addition to the above 360 closed works, the Company also could not realise ₹ 3.32 crore against 347 works closed prior to 2005-06.

The Management stated (October 2012) that through functioning of DRC the advance against the work would be adjusted. The reply is not tenable as despite the creation of DRC, substantial amounts are yet to be recovered.

Internal Control

2.2.66 Internal control system is an essential part of the managerial control system. An efficient and effective internal control system helps the management to achieve the organisational objectives efficiently and effectively. The following deficiencies were noticed in the internal control system being followed by the Company:

Irregular payment of advance to job workers resulted in non adjustments of ₹ 35.17 crore

- Though the agreements with the job workers did not permit for payment of advance, as per circular (August 2006) of HO, the unit offices used to release 75 *per cent* of the certified value of the works executed as advance instead of against actual measurement of the works and recording thereof in the measurement books (MBs). The release of advances in contravention to the provisions of the agreements resulted in non adjustment of ₹ 35.17 crore as of March 2012.
- As per the conditions of the agreements with the clients, the Company was required to prefer bills on monthly basis by measurements of the works executed during the previous month. Instead the bills were prepared by the Clients and countersigned by the Company. In the absence of any measurement by the Company, the deviations if any could not be ascertained and work valued at ₹ 28.69 crore (2007-08) to ₹ 74.64 crore (2011-12) was accounted for provisionally on the basis of the certification of unit heads.

Absence of physical verification of store and stocks by independent authority led to discrepancies of ₹ 1.31 crore

- No physical verification of stores and stocks were carried out by any independent authority rather it was certified by the respective unit heads. Though discrepancies in stores accumulated to ₹ 1.31 crore upto 2011-12 was booked to suspense accounts, the Company failed to identify the same and settled the issue.

- The MPR exhibit only the value of works executed as per the item rates of the agreements but not the actual expenditure incurred as well as the cumulative expenditure there against. Failure on the part of the Company in ensuring work wise actual expenditure incurred resulted in lack of internal control on the cost overrun of the works as discussed in **Paragraph 2.2.34.**

- Non-availment of interest free credit (IFC) facility as per provisions of MoU with SAIL for procurement of steel and instead procuring the same on advance payment basis resulted in loss of interest as discussed in **Paragraph 2.2.48.**

Management while accepting (October 2012) the fact stated that steps were being taken for adjustment of outstanding advances with job workers, preparation of bills and to apprise the BoD of recruitment of staff for better internal control with the Company.

Internal Audit

2.2.67 The Company did not have its own internal audit wing. It appointed firms of Chartered Accountants to conduct internal audit of field units as well as of HO. The scope of internal audit was restricted to compilation of accounts only and thus, the important activities of the Company were not covered in internal audit. The engagement of internal auditors were delayed by 6 to 22 months during 2008-09 to 2010-11 and the coverage of internal audit of the unit offices was not adequate as the internal audit could be conducted in 10, 14 and 20 units out of 35, 38 and 44 units respectively. The major observations of internal audit were never placed before the BoD for discussion and taking remedial actions.

Management while accepting the fact of inadequacy of internal audit stated (October 2012) that steps would be taken to cover audit of all units and observation would be placed before BoD through the Audit Committee.

Audit Committee

2.2.68 As per the provisions of the Corporate Governance Manual of GoO, the Company should have an Audit Committee to review the financial statements, internal control mechanism and the findings of the internal auditors. It, however, did not have an Audit Committee till June 2012.

Management while confirming (October 2012) the above fact stated that Audit Committee had been constituted and assured to deal with all audit matters through the Committee.

Acknowledgement

We acknowledge the co-operation and assistance extended by the Management and Staff of the Company at various stages of conducting the Performance Audit and the Entry Conference and the Exit Conference.

Conclusion

- **Despite the Company being largely dependent upon the works allotted by the DoWR, it did not prepare the Annual Plan for ensuring timely completion of works nor did it fix any annual target in physical terms in line with the Perspective Plan of the DoWR.**
- **The targets fixed by the Company for completion of the works fell short of the scheduled dates, leading to accumulation of spill over works valued at ₹ 861.33 crore and interest free work advances of ₹ 374.01 crore received from DoWR.**
- **Low/non-utilisation of available fund coupled with irregular payment/recovery of statutory dues indicates the deficient financial management of the Company.**
- **Irregular release of work advances by DoWR leading to accumulation of huge balances with the Company which in turn is invested in term deposits by the Company**
- **The Company had sustained significant losses due to preparation/submission of deficient offers/work estimates and execution of works without adhering to the terms of the agreements/bid documents. DoWR also incurred extra expenditure of ₹49.62 crore due to acceptance of inflated offers.**
- **There were inordinate delays in commencement/completion of works which were mainly due to deficiencies in coordination between the Company and Clients and delayed engagement of agencies.**
- **The terms and conditions of engagement of job workers indicated sub-letting of works in violation of the terms of entrustment of works and even these entrustments were not made in transparent manner.**
- **Deficiency in procurement/issue of construction materials and low/non-utilisation of its equipments and machineries indicates poor materials management system in the Company.**
- **The manpower management, monitoring and internal control system of the Company was also deficient and had adverse impact on the execution of works.**

Recommendations

The Company may like to put emphasis on the following:

- **Preparation of Annual Action Plan prioritising the execution of the works duly linked with the schedule of completion of the works;**
- **Participation in open tenders to get more work orders and reduce dependence on the allotted works of Government;**

- **Factor in all costs while making the offers and enter into proper agreements with the Clients;**
- **Dispensing with sub-letting of works and ensuring engagement of agencies in a transparent manner;**
- **Framing a suitable material management policy and reassessing its manpower requirement; and**
- **Strengthening of Project Monitoring and Internal Control mechanism.**

The Government may:

- **Scrutinise the offers with reference to prescribed guidelines;**
- **Formulate a suitable policy for release of work advances so as to avoid the accumulation thereof with the Company; and**
- **Monitor the execution of works for timely completion of the works.**

Chapter III

3. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government Companies are included in this Chapter.

Government Companies

The Odisha Mining Corporation Limited

3.1 Irregular formation of Joint Venture Company

Irregularities in selection of partner/formation of Joint Venture by the Company violating the Coal Mines (Nationalisation) Act, 1973 and coal block allocation orders.

In order to diversify its activities in coal mining, the Company obtained (July 2001) allocation of Utkal-D coal block in Talcher Coalfields from the Ministry of Coal (MoC), Government of India (GoI). The allocation of the block was initially for supply of coal to Odisha Power Generation Corporation Limited (OPGC) only. Since coal mining business was a fairly capital intensive business and required specialised expertise, the Company decided (22 December 2001) to develop the coal block through Joint Venture (JV) by offering 51 *per cent* equity to a Private Promoter and to retain equity of 49 *per cent*, maximum of which is to be obtained as free equity from the Private Promoter.

Accordingly, the Company invited (January 2002) Expression of Interest (EoI) for Joint Venture. Out of 21 bids received, three[59] were shortlisted. Two part tender documents were sent (May 2002) to the shortlisted bidders for submission of technical and financial/commercial bids. On evaluation of the bids, the Company selected Sainik Transporters Private Limited, later changed to Sainik Mining and Allied Services Limited (SMASL) as the preferred bidder for the JV partner.

The BoD subsequently decided (5 September 2002) to restrict its equity to 26 *per cent* only for reasons not on record and issued (25 September 2002) Letter of Intent to SMASL. The Company envisaged a net revenue earning of ₹ 840.52 core inclusive of facilitation fee of ₹ 626 crore upto a period of 20 years with a production of two million tons *per annum.*

[59] Sainik Transporters Private Limited (STPL), Eastern Minerals and Trading Agency (EMTA) and Tata Steel

Subsequently, on the request of GoO/Company (August/September 2003) for reallocation of the coal block under the revised Coal Mining Policy, the MoC conveyed (19 December 2003) its 'in principle' consent for operation of the coal block by GoO through the Company. The conditions of the reallocation by MoC *inter alia* included that the Company would supply coal from the mines to the consumers in the market as against the original stipulation of supply to OPGC only and do coal mining in accordance with the provisions of Coal Mines (Nationalisation) Act, 1973 and other related laws and regulations.

The Company executed (29 December 2003) a JV Agreement with SMASL for a period of 20 years. The agreement *inter alia* provided that the JV Company will incur all capital and revenue expenditure and make payment of facilitation fee at the agreed rate to the Company on the sale of coal. As per the agreement, a JV Company named Kalinga Coal Mining Pvt. Ltd. (KCMPL) was incorporated (30 January 2004) with 26 *per cent* and 74 *per cent* equities held by the Company and SMASL respectively. The Company extended the agreement conditionally from time to time upto 31 July 2013 as the conditions precedent to make the agreement effective could not be complied with by the stipulated period of three years i.e., by 29 December 2006.

In the process of examination of diversion of forest land for the coal block, the Central Empowered Committee (CEC) raised (August 2007) the issue of the legality, validity and public interest related to the JV. Further, two Hon'ble MPs of Lok Sabha also made representations (August 2007) regarding violation of guideline for allocation of coal block and sought termination of the allocation by the MoC. Despite these representations being referred (October 2007) by the MoC through GoO, the Company merely proposed (November 2007) amendments to JV agreement by which the Company would have effective control on the activities of the JV Company by assigning powers to the Managing Director of the Company who would be the Chairman of the JV Company. In response to the representations of the MPs , the MoC instructed (1 April 2009) the Company to suitably modify the Memorandum of Association (MoA) and Articles of Association (AoA) of the JV Company to make the same compliant to the conditions of allocation. The same was not complied with.

In the meanwhile, GoO also sought (July 2008) the views of MoC on whether coal mining by a JV Company of OMC and SMASL would be in violation of the provisions of Coal Mines (Nationalization) Act or not, and whether modification of the JV agreement by raising the OMC share from 26 *per cent* to 51 *per cent* would be a legal cure to avoid violation of the terms of allotment. The MoC issued a Show Cause Notice (3 September 2009) for delay in implementation of the project in response to which the Company cited (17 September 2009) various reasons including non receipt of clarification from MoC regarding shareholding pattern of the JV Company. MoC, however, subsequently intimated (9 July 2010) the Company to suitably modify the MoA and AoA of the JV Company so as to raise the allocatee Company's shareholding in the JV Company to not less than 51 *per cent* in order to make the JV Company, a Government Company.

On the basis of the report of the Board Committee set up to examine the issue of violation, letter of MoC and opinion of the legal counsel, Board recommended (18 September 2010) to:

- carry out the suggestions of the GoI;
- move an application before Hon'ble Supreme Court for an appropriate order to carry out coal mining after compliance of observation of CEC;
- ensure that no undue gain accrued to SMASL; and
- negotiate with SMASL.

After nearly 17 months, the Chairman on perusal of the Board decision, advised (25 February 2012) to analyse the coal project holistically from inception duly indicating lacunae pointed out by various Committees. The CMD of the Company, only as late as on 21 September 2012, in view of other developments on matter of allocation of coal block sought the advice of the State Government. GoO advised (26 September 2012) the Company to terminate the JV agreement in the larger public interest and take up coal mining on its own in terms of allotment order of MoC order dated 19 September 2003. The Company accordingly cancelled (27 September 2012) the JV agreement with SMASL.

In this connection, the following observations are made:

- In the EOI the Company invited offers for development of Utkal-D coal block for supply of coal to OPGC for power generation. However, the tender documents supplied to three short listed parties contained provision for supply of coal to OPGC/any other end users, as may be approved by the Competent Authority under a long term coal supply agreement, which should be drawn between two Companies. There was thus material change in the scope of tender mid-way through the tender process without appropriate approval for reasons not on record. Further, one out of the three Directors who finalised the bid documents, however, was an advisor to a Company, the Directors of which were also the Directors of one of the shortlisted companies.
- The JV partner, SMASL, submitted its price bid in 2002 when the coal of this block was mandated to be sold to OPGC on long-term basis which was later on changed for open market sale. The tender documents also called for a specific price bid and the bidders had submitted such price bids indicating profit margin and return on equity. Due to the changed nature of allotment of coal block in 2003, commercial aspects of the project underwent change leading thereby to extension of undue favour to SMASL in the form of additional financial benefit.

- The Company while inviting EoI for developing the coal block through JV invited agencies having substantial experience in eco-friendly coal mining, financial sound credentials and capability to bring the necessary capital for the project with previous experience in setting up and operating a washery. The parameters considered for evaluating the bidders for their shortlisting were too general. The certificate of experience subsequently obtained from MCL indicated that SMASL had more experience as a transporter than a coal mining operator. Further, basic information including the Geological data required for evaluation of the project was not available with the Company. It is pertinent to mention here that on grounds of inadequate information and data on the proposed coal block, Tata Steel, one of the three short listed bidders backed out from submitting the bid.
- The JV agreement signed by the Company with SMASL to undertake coal mining was in violation of the Coal Mines (Nationalisation) Act, 1973 as well as the coal block allocation orders since SMASL had a stake of 74 *per cent* in equity of KCMPL with entitlement to manage and control KCMPL and thereby did not fulfil the conditions that the coal mining was to be undertaken by the Government or a Government Company/Corporation.
- There was no attempt to terminate the contract although two MPs had made representations (August 2007) wherein it was brought to the notice that conditions for allocation of coal blocks were being violated. Only due to the other developments, the Company was forced to terminate the Joint Venture.

Although OMC was allocated with the coal block for mining as a Public Sector Undertaking, it roped in a private JV partner with a majority share and continued negotiating with them and finally entered into an agreement without adhering to the provisions of the Act. This was objected to by the GoI. The Company continued seeking clarification without terminating the agreement at the first instance showing undue favour to the JV partner. Further even after a lapse of ten years, no output could be achieved whereby the purpose of allocating a coal block to a PSU to augment coal supply to another PSU was defeated.

The above irregularities in the formation of Joint Venture Company violating the Coal Mines (Nationalisation) Act, 1973 and coal block allocation orders coupled with irregularities in selection of Joint Venture Partner was reported to the Management/Government (October 2012); their replies are awaited (December 2012).

3.2 Loss due to non-segregation of grades of iron ore fines

Sale of iron ore fines without segregation of the grades resulted in a short realisation of sales price by ₹ 36.25 crore

Iron ore lumps/fines are classified into different grades based on the percentage of Fe content in the lump/fines. The Company produces two grades of iron ore i.e. 60-62 *per cent* Fe (lower grade) and 62-64 *per cent* (higher grade) at its iron ore mines. The Indian Bureau of Mines (IBM) publishes the monthly average sales price for the State for different grades of iron ore fines. For sale of both the grades the Company, however, invites Price Setting Tenders (PSTs) quarterly considering 62 and 64 *per cent* Fe as the basis for billing in respect of the lower and higher grades respectively. In case of Daitary Iron Ore Mine (DIOM), the Company invited PSTs considering both the grades under one category with the basis of billing at 62 *per cent* Fe. As such the sale of higher grade iron ore of DIOM are sold at a prorata price of lower grade with the basis of 62 *per cent* Fe, instead of 64*per cent* Fe.

We observed that the sales price obtained for the other region of the Company for higher grade was ₹ 2,955 to ₹ 2,885 which was at higher side by ₹ 150 to ₹ 774 per MT as compared to the price of ₹ 2,805 to ₹ 2,111 obtained for the lower grade. Even, the price for higher grade with 64 *per cent* Fe basis as published by IBM was higher by ₹ 262 to ₹ 1,344 per MT compared to the lower grade with 62 *per cent* Fe basis. Despite a marked difference between the sale price of higher and lower grades fixation of price on pro-rata basis by considering the Fe content at 62 *per cent* by DIOM for the higher grade was not in order. This resulted in short realisation of ₹ 36.25 crore by DIOM in the sale of 4.93 lakh MT of higher grade fines during 2011-12 as compared with the IBM price.

Thus, sale of iron ore fines without segregation of the grades as well as adoption of price of 62 *per cent* Fe basis, resulted in a short realisation of sales price by ₹ 36.25 crore.

The Management stated (October 2012) that the comparison of sales price with IBM average price is not proper and most of the iron ore fines of higher grade are being supplied to NINL, a Government of India Company. It also added that though tender was called for during August to October 2012 for separate grade of fines, the rates obtained was the same for both the grades. The Government endorsed (November 2012) the views of the Management.

The reply is not acceptable since the Company was required to segregate the grades with different basis of Fe content so as to safeguard its financial interest. Further, though the Company invited tender for both the grades of fines, the basis of both the grades were kept at 62 *per cent* Fe instead of segregating the basis as 62 and 64 *per cent* Fe separately.

Hence, it is recommended that the Company should adopt a suitable mechanism for sale of different grades of iron ore fines to safeguard the interest of the Company.

3.3 Non-adherence to statutory requirements

Inaction of the Company in adhering to the statutory requirements resulted in degradation of environment coupled with a loss of stock of ₹ 34.45 crore.

The Company has been carrying out mining operations at its Kurmitar and Gandhamardan iron ore mines over lease areas of 1,212.470 and 1,590.867 hectares respectively. As per Rule 13 (1) and (2) of Mineral Conservation and Development Rules (MCDR), 1988, mining operation should be carried out in accordance with the approved mining plans. The mining plan, and the stipulations of the Ministry of Environment and Forest and Odisha State Pollution Control Board emphasised construction of retaining wall, garland drains and settling tanks of appropriate size to arrest sliding down of excavated material due to rain water.

Scrutiny of records of the Company revealed that during the period from 2007 to 2011, Indian Bureau of Mines (IBM) authorities issued several violation/ show-cause notices pointing out the violation of the provisions of MCDR, 1988, like non-construction of retaining wall/garland drain etc., and advised the Company to take protective measures. The Company also assured to undertake the same in compliance to the notices from time to time.

During July/ September 2011, due to heavy rain, iron ore of 2.49 lakh MT[60] valued at ₹ 34.45 crore at both the mines were washed out from the yards of both the mines to different inaccessible places like nalas, drains, ponds and were lying inside forest growth, and had slid down the hills etc. The Company officials subsequently observed (December 2011) that due to inadequate/non-existence of protective measures, iron ore/fines were washed off by surface run off.

Washed out ore at Kurmitar

Washed out ore at Gandhamardan

Thus, inaction of the Company to adhere to the statutory requirements and directives of different authorities resulted in degradation of environment with

[60]Fines: 0.79 MT and Sub-grade ore: 1.70 MT

a consequential loss of stock of ₹ 34.45 crore and would also attract penal provisions for violation of MCDR, 1988.

The Management in reply stated (October 2012) that it had initiated action to strengthen the protective measures as well as to recover the washed out materials with a view to minimise the loss. As the fines were washed out to inaccessible areas, the recovery may not be feasible. The Government endorsed (November 2012) the views of the Management.

It is recommended that the Company should comply with the provisions of MCDR, 1988 and directives of statutory authorities to protect the environment and its financial interest as well.

3.4 Loss of revenue

Loss of revenue of ₹ 14.75 crore from the sale of chrome concentrate in the domestic market

The Company produces friable chrome ore and beneficiates the sub-grade/low grade chrome ore at its Chrome Ore Beneficiation Plant at South Kaliapani Mines to produce chrome concentrate. Friable chrome ore was sold in the international as well as in the domestic market. Chrome concentrate was disposed off in the international market only. Export sale of chrome ore/concentrate is through MMTC at the price decided in the chrome ore producers' meeting held periodically. Domestic sale, however, was effected through the Price Setting Tender[61] (PST) called for in each quarter.

Keeping in view the piling of stock due to recession in international market of chrome concentrate, the Board of Directors (BoD) decided (June 2009) to sell it in domestic market. As per the decision of BoD, the Company determined the domestic sale price for a particular grade of chrome concentrate by deducting the differential export price of chrome ore and chrome concentrate from the domestic price of same grade of chrome ore.

We observed that the fixation of price for the domestic sale of chrome concentrate was not done in accordance with BoD decision as detailed below:

- The sale price of chrome concentrate during the quarter ending March 2010 was fixed (December 2009) considering the then prevailing MMTC price. Though MMTC revised the export price on 19 January 2010, the same was not considered while selling (March 2010) 28,206 MT of concentrate resulting in loss of revenue to the extent of ₹ 0.21 crore.

- For the quarter ending March 2011 the Company decided (December 2010) to roll over the price of October-December 2010 to the January–March 2011 quarter though the domestic sale price of chrome ore was

[61] PST is the mechanism through which the quarterly rates for domestic sale of iron, chrome and manganese ore are decided.

revised upward. This had resulted in loss of revenue of ₹ 10.91 crore in the sale of 49,361 MT of chrome concentrate.

- The export price of chrome ore and concentrate for the quarters ending December 2010 and June 2011 were fixed by MMTC at par with that of chrome ore. The Company, however, without considering the MMTC price, rolled over the price of the previous quarters which was on the lower side. This has resulted in loss of revenue of ₹ 3.63 crore towards the sale of 50,064 MT of chrome concentrate.

Thus, due to short fixation of domestic sale price of chrome concentrate without adhering to the decision of the BoD, the Company sustained a loss of revenue of ₹ 14.75 crore.

The Management stated (October 2012) that there was no reason to be optimistic or opportunistic and wait for a future price which is uncertain. It also added that there was no reason to wait for the MMTC's price since price once fixed remains unchanged for the entire quarter. The Government endorsed (November 2012) the views of the Management.

The reply is not acceptable as the Company had not strictly adhered to the policy decision of the BoD for determining the domestic sale price of chrome concentrate.

3.5 Loss of interest

Foregoing of revenue of ₹ 4.87 crore due to imprudent fund management

The Company framed (December 2007) an investment policy to invests its surplus fund in short term deposits (STDs) with different banks. The banks are selected by a Committee of the Company considering their exposure limit i.e. ceiling for fund investment considering the net worth as per their latest Accounts.

The Company invested its surplus funds of ₹ 4,000.12 crore during 2010-11 in STDs with different banks for a period of one year each at interest rates ranging from 6 to 10.37 *per cent per annum*. As per the offers of the banks, the Company had an option for premature encashment of the STDs for which either it was liable for penal charges or to obtain a lower rate of interest. It was thus imperative on the part of the Company to keep a track on the changing rate of interest offered by the banks from time to time so as to prematurely encash the lower earning STDs for investing at higher rate of interest offered by other banks.

We observed that the Company did not have a mechanism to closely monitor the market trend to avail the benefits of higher rates of interest. During 2010-11, out of the investment of ₹ 4,000.12 crore in 70 STDs, the Company could have prematurely encashed 20 STDs amounting to ₹ 1,201 crore invested at rates varying from 6.5 to 7.25 *per cent* and reinvested the same at higher rates of 7.00 to 7.85 *per cent* available with other banks, fulfilling the criteria of exposure limit and thereby earned an additional interest of ₹ 4.87 crore[62]. Thus, although a Committee was formed to determine the exposure limits of banks, there was no proper mechanism to monitor the market trend as a result of which the Company had to forego revenue of ₹ 4.87 crore.

The Management stated (September 2012) that the Company had no policy for pre closure of fixed deposit and reinvest the same in some other bank. The Government endorsed (September 2012) the views of the Management.

The reply is not tenable as the Company should have devised a suitable investment policy to safeguard its financial interest.

3.6 Undue favour to Transport Contractor

Injudicious decision of the Management in continuance of transport contract even after resumption of direct sale from Processing Yard resulted in avoidable expenditure of ₹ 1.24 crore.

The Company executed (March 2007) an agreement with a contractor (D.K.Nayak) for raising of 2 lakh MT of iron ore from Putulpani quarry of Gandhamardhan iron ore mines and shifting the ore to the processing yard (PY) from where stocks were lifted by the buyers. The agreement was extended from time to time up to March 2010 with an increase in the target for raising ore to 9 lakh MT *per annum*. Consequent upon increase in the target for raising ore and keeping in view the insufficient space at the PY, the Regional Manager (RM) of the mines proposed (January 2008) for engagement of transport contractor for shifting of iron ore from PY to Jagar Central Stock Yard (JCSY). The contractor also intimated (October 2008) that due to non-lifting of iron ore by buyers from PY, more than 20,000 MT of stock had piled up, resulting in non-availability of adequate space for further processing by the workers. Accordingly, a transport contract was awarded (October 2008) to the same contractor, being the single tenderer, at a negotiated price of ₹ 54 per MT for transporting 9 lakh MT of iron ore during 23 October 2008 to 22 October 2009. The transport contract was extended for a further period upto 19 March 2010 for transportation of 3 lakh MT iron ore. During the entire period of the transport contract, the contractor shifted 6.57 lakh MT of iron ore from PY to JCSY.

We observed that the piling of stock since October 2008 was mainly due to non-lifting of iron ore by the buyers following recessionary market trend, and continued up to April 2009 only. The RM, however, on the request (May 2009) of the contractor for achieving its target quantity of transport, allowed the contractor to transport from PY. This was allowed despite sales being effected directly from the PY from May 2009. Further, as per the terms of the transfer agreement, the Management had an option to curtail the target of

[62] Calculated after considering the penal/lower interest rate of 3 *per cent per annum*

transport quantity. The same was not considered for reasons not on record. During May 2009 to March 2010 the contractor needlessly shifted 2,33,546 MT iron ore to JCSY from where it was sold to buyers and in the process the Company incurred an avoidable expenditure of ₹ 1.24 crore[63].

Thus the decision of the Management for the continuance of transport contract even after resumption of direct sale from PY resulted in avoidable expenditure of ₹ 1.24 crore.

The Management stated (September 2012) that allowing a large number of trucks for sale of ore directly from the mine would have compromised on the safety of the workforce working in the PY. It also added that due to shifting of the ore to JCSY, not only higher production could be achieved but also higher sales due to simultaneous sale from the stockyard and mine head. The Government endorsed (September 2012) the views of the Management.

The contention is not tenable since shifting of ore to stockyard also involved movement of trucks as would have been required for direct sale from PY and thus direct sale from PY would not have hampered the higher sale.

3.7 Loss due to cancellation of tender

Loss of ₹ 1.11 crore due to cancellation of tender and subsequent export at reduced rate.

The Company invited (February 2011) an open tender for export of 30,000 MT of iron ore fines on FOB Paradeep Port basis. The terms and conditions of the of the tender *inter-alia* included that the bidders were to quote the price in USD on FOB Paradeep Port basis and export duty would be to the seller's account. The tender committee recommended (22 February 2011) that the tendered quantity be offered to Tradeline LLC, Dubai (TLLC), at the quoted price of 150.25 USD per Dry Metric Ton (DMT) being the highest bid. In anticipation of the rise in export duty, the Company communicated (25 February 2011) a conditional acceptance of the offer of TLCC, that the additional export duty if any, should be borne by TLLC. As the export duty was to the seller's account, TLLC requested (28 February 2011) the Company to deliver the shipment as per tender terms. Consequent upon the introduction of the Finance Bill, 2011 (28 February 2011) export duty was enhanced by 15 *per cent*. The Company cancelled the tender thereof on the grounds of the regret of TLLC not to bear the additional duty and retendered (March 2011) for 40, 000 MT for shipment by 15 April 2011 with the same condition that the export duty would be to the seller's account. By this time the price of iron ore fines has decreased and the tender was awarded to S K Recourses Limited, Hong Kong, the highest bidder at 138.88 USD per DMT.

We observed that since export duty was to the Company's account as per the tender condition, requesting TLLC to bear the enhanced export duty was not

[63] (2,33,546 MT * ₹ 54)- POL de-escalation of ₹ 2,43,111

correct. Further, the volatile market trend of iron ore prices was not considered and merely the differential export duty was insisted upon, although it was not a condition in the bid. The Company should not have cancelled the tender particularly in as much as TLLC was ready to accept the tender (28 February 2011) as per the original tender condition.

Thus, injudicious decision of the Company in cancelling the initial tender had resulted in loss of revenue to the extent of ₹ 1.11[64] crore.

Management stated (October 2012) that the Company was bound to raise the issue for payment of enhanced export duty as the same was made effective after the tender and retendering was done expecting higher price, but unexpectedly received a lower price due to Tsunami in Japan (March 2011). The Government endorsed (November 2012) the views of the Management.

The contention of the Management is not acceptable as the terms of the tender stipulated that the export duty would be to seller's account and there was no reason to anticipate a higher price which was uncertain.

Odisha Power Generation Corporation Limited

3.8 Loss of revenue due to non-generation of additional power

Avoidable delay in procurement and blending of imported coal led to non-generation of additional power of 1,099 MU valued at ₹ 251.82 crore with consequential loss of incentive of ₹ 32.17 crore.

The Company procures coal from Mahanadi Coalfields Limited (MCL) for generation of power. In view of low calorific value of MCL coal causing recurring generation loss and due to low generation of hydel power in the State, GRIDCO Limited (GRIDCO), the power trading Company of the State, requested (August 2008) the Company to procure imported coal for blending with the MCL coal and also agreed to bear the cost of imported coal. Accordingly, the Board of Directors (BoD) of the Company decided (August 2008) to import coal so as to increase generation of power.

BHEL, the Original Equipment Manufacturer (OEM) of the plant, on the request of the Company, advised (September 2008) to start blending with around 15 *per cent* of the imported coal with MCL coal and to increase the blending in steps of 5 *per cent.* The Company also assessed (February 2010) that there would be an increase in generation by 151 MU during the year 2010-11 by blending imported coal at 3.75 *per cent* with MCL coal. As the Company earns revenue in terms of incentive by way of achievement of Plant Load Factor (PLF) beyond 80 *per cent* of the plant capacity, the blending of imported coal could also fetch an additional incentive due to achievement of higher PLF. On GRIDCO agreeing (July 2010) to bear the cost of imported

[64] {30,000-(8% of 30,000 towards moisture content)}*{(150.25-138.88)*61.02/62}*₹ 44.75 less 20 *per cent* Export Duty

coal and thereafter by upgrading (March 2011) the existing railway line, the Company placed (May 2011) a purchase order with MSTC Limited for supply of 50,000 MT of imported coal. MSTC, however, could supply 21,644.08 MT by June 2012 of which the Company could utilise 16,676 MT by July 2012.

We observed that despite the consent (August 2008) of GRIDCO to bear the cost of imported coal and the Company being aware about the increase in generation by blending with MCL coal, it could not procure the same in time. The fact of non blending of imported coal was mentioned in Paragraph 2.1.21 of the the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 2009-10. Further audit analysis for the years 2010-12 revealed that had the Company blended 7.42 lakh MT of imported coal in terms of the advise of the OEM it could have generated 7,165 MU of power as against the actual generation of 6,066 MU and thereby could have generated an additional power of 1,099 MU valued at ₹ 251.82 crore[65]. In addition it could have earned an additional incentive of ₹ 32.17 crore by achievement of higher PLF.

Thus, delayed action in procurement and blending of imported coal despite advice of the BoD and the OEM led to non-generation of additional power of 1,099 MU valued at ₹ 251.82 crore with consequential loss of incentive of ₹ 32.17 crore.

The Management stated (July 2012) that PPA did not provide for use of imported coal and additional investment towards upgradation of the railway line. It further stated that the computation of loss was based on enhancement of PLF, which was beyond technical acceptability. The Government endorsed (August 2012) the views of the Management.

The contention of the Management is not acceptable since PPA had allowed the cost of coal delivered at plant site irrespective of imported/indigenous coal and incentive accrued due to higher PLF was much higher than the cost of upgradation of railway line. Further, the computation of loss was in line with the recommendation of the OEM as well as the assessment made by the Company and as such it was not beyond the technical acceptability.

3.9 Excess payment towards water charges

Payment of water charges without segregating for domestic and industrial consumption resulted in excess expenditure of ₹ 41.27 lakh.

The Company draws water from Hirakud reservoir for its power plant at Ib Thermal Power Station since inception and deposits the monthly water charges with the office of the Executive Engineer, Main Dam Division, Burla (EE, MDD) as per monthly demand notice served by the EE, MDD. Till September 2010 water charges were paid at the rate of ₹ 250 per Lakh Gallon (LG) (₹ 0.55 per KL) for use of water for both industrial and domestic purpose. The

[65] For 2010-11 i.e., (527 MU X ₹ 2.11 per unit) + For 2010-11 i.e., (572 MU X ₹ 2.46 per unit).

Government of Odisha in Revenue and Disaster Management Department amended (October 2010) the Orissa Irrigation Rules, 1961 and revised the rate of water charges as well as notifying separate rates for industrial/commercial and for domestic use at ₹ 5.60 and ₹ 0.05 per kilo liter (KL) respectively. Consequent upon amendment of the said Rules, the EE, MDD also requested (December 2010) the Company to execute fresh agreement for drawal of water.

We noticed that though separate metering arrangement is already in existence for assessing domestic and industrial consumption of water, the water charges were being paid at industrial rate (₹ 5.60) without segregation. Thus, due to non-segregation of water into domestic and industrial use, the Company incurred an excess expenditure of ₹ 41.27[66] lakh on domestic consumption of 7.44 lakh KL of water during the period from October 2010 to September 2012.

Thus, payment of water charges without segregating for domestic and industrial consumption resulted in excess expenditure of ₹ 41.27 lakh by the Company.

While accepting the fact of wide difference in the water charges tariff, the Management stated (August 2012) that they had approached the EE, MDD for separate billing. The Government endorsed (September 2012) the views of the Management.

GRIDCO Limited

3.10 Excess reimbursement of Income Tax

Failure of internal check over the payment towards reimbursement of Income Tax to OPGC resulted in excess payment of ₹ 34.11 crore.

The Company procures the entire power generated by Odisha Power Generation Corporation Limited (OPGC). The Power Purchase Agreement (PPA) between the Company and OPGC provided that the income tax (IT) on supply of power would be passed on to the Company. OPGC, however, was availing tax exemption under section 80 IA of the IT Act, 1961 and was paying Minimum Alternate Tax (MAT) under section 115 JB of the Act during 2005-06 to 2008-09. Further, as per section 115 JAA of the Act, *ibid*, OPGC was entitled to carry forward MAT credit for ten succeeding assessment years for adjustment against actual IT liability.

We observed that the Company had reimbursed ₹ 34.11 crore to OPGC towards MAT for the years 2005-06 to 2008-09. Since the tax exemption was valid upto 2008-09, the Company was entitled for adjustment of the tax paid from 2009-10 onwards against the MAT credit available to OPGC. Since MAT credit of ₹ 35.39 crore and ₹24.49 crore was available to OPGC for set

[66] 7,43,621.5 KL x (₹ 5.60-₹ 0.05)

off against their IT liability during 2009-10 and 2010-11 respectively, the Company, could have availed the corresponding benefit for adjustment of the MAT credit of ₹ 34.11 crore during 2009-10 itself. Instead, the Company reimbursed an amount of ₹ 72.88[67] crore towards IT for the years 2009-11 as demanded by OPGC. This indicated the lack of financial check before reimbursement of IT claim of OPGC.

Thus, failure of internal check over the payments towards reimbursement of IT to OPGC resulted in excess payment of ₹ 34.11 crore with consequential loss of interest.

The Management stated (August 2012) that at the time of reimbursement of IT claim for the financial year 2009-10 it was not having the information about the quantum of MAT credit available to OPGC. It further stated that as OPGC had claimed MAT credit accruals through their IT returns, the same would be passed on to the Company after completion of assessment for relevant year. The Government endorsed (October 2012) the views of the Management.

The reply is not tenable as the Company had sufficient reason and information to insist for adjustment of MAT credit due to it. Further, reimbursement of IT at normal provision for 2009-11 indicated that MAT credit was available to the Company for adjustment.

The Company should put in place an effective internal check on the IT claims of OPGC so as to avoid excess payments.

3.11 Excess payment

Incorrect evaluation of claims of the Captive Generating Plants resulted in excess payment of power bills by ₹ 2.12 crore.

The Company procures power from various sources including the surplus power from Captive Generating Plants (CGPs) at a price as approved by Orissa Electricity Regulatory Commission (OERC) from time to time.

In view of favourable reservoir position of hydro power stations, high frequency profile in the grids and lower Unscheduled Interchange rates, the Company decided (September 2010) to curtail procurement of surplus power from CGPs for a better price mix of power from various sources. It requested (18 September 2010) State Load Despatch Centre (SLDC) to restrict drawal from CGPs upto a maximum schedule of 50 MW on Round The Clock (RTC) basis for supplying low cost hydro power to the consumers and the same was implemented by SLDC. The restriction of power injection by CGPs was to be implemented with effect from 20 September 2010 allowing a day ahead schedule on 19 September 2010. Injection of power beyond the schedule of 50 MW was to be considered as inadvertent power and payment for this power, if any, was to be made at the rate applicable for inadvertent power instead of at

[67] 2009-10: ₹ 37.07 crore and 2010-11: ₹ 35.81 crore

rate for firm power up to October 2010. Thereafter, pricing system for CGP power was changed consequent upon orders (November 2010) of OERC.

We observed that though Jindal Stainless Limited (JSL), a CGP, injected 2.343690 MU of power beyond the scheduled 50 MW per day during 20 to 30 September 2010, the Company paid for inadvertent power at the rate for firm power (₹ 3.7 per unit) instead of payment at rate for inadvertent power (₹ 0.6251 per unit). This resulted in excess payment of ₹ 0.70 crore to JSL. Similarly in the case of another CGP, Vedanta Aluminium Limited (VAL), 5.087780 MU of inadvertent power was also paid at the rate for firm power during 20 September to 31 October 2010, resulting in excess payment of ₹ 1.42 crore to the VAL.

Thus, incorrect evaluation of claims of the CGPs resulted in excess payment of power bills by ₹ 2.12 crore to JSL and VAL.

The Management stated (September 2012) that the reconciliation statement had been sent to JSL for acceptance and ₹ 0.70 crore would be recovered. Further, the Company while stating that VAL had not injected any power beyond the average of 50 MW during the period from 20th September 2010 to 30th September 2010, remained silent about inadvertent power injected by VAL for October 2010. The Government endorsed (October 2012) the views of the Management.

The reply in respect of VAL is not acceptable since computation of actual injection should have been made on daily basis instead of on monthly average basis to determine the deviation from the schedule.

Odisha Hydro Power Corporation Limited

3.12 Loss of revenue towards capacity charges

Failure of the Company in maintaining a spare transformer and commissioning of an underrated transformer coupled with inordinate delay in synchronisation resulted in a loss of ₹ 3.77 crore.

The Company which generates hydro power from Hirakud Hydro Electric Project (HHEP), located at Burla has seven units with a total installed capacity of 275.5 MW. During September 2010 a 42 MVA Generator Transformer (GT) for an installed capacity of 37.5 MW of unit VII went out of order due to technical problems and the Company replaced (October 2010) it with its existing spare 27 MVA transformer which runs at an under rated capacity of 24 MW. In order to restore the unit to full capacity (37.5 MW) the HHEP after obtaining approval from its Head Office undertook the repair and overhauling of one out of the existing two spare 42 MVA transformers at a cost of ₹ 20.62 lakh and synchronised the same on 23 February 2012. In the meantime the 27 MVA GT also went out of order on 31 August 2011.

As *per* Central Electricity Regulatory Commission (CERC) (Terms and Conditions of Tariff) Regulation 2009, the annual fixed cost of a power station shall be recovered through capacity charge (CC) and energy charge to be shared on 50:50 basis. The CC of the generators should be reimbursed by the user (GRIDCO) on the availability of the units for generation irrespective of the quantum of power they draw or are scheduled to draw.

We observed that despite availability of two repairable 42 MVA GTs, the Company did not maintain even one as spare for emergency use so as to avoid outage of the unit and instead commissioned an under rated GT of 27 MVA after the outage. This resulted in short realisation of CC of ₹ 1.46 crore for 281 days during November 2010 to August 2011. Further, failure of the 27 MVA GT due to technical problems, the total generation was blocked and CC for ₹ 2.52 crore for 175 days could not be claimed by the Company during September 2011 to February 2012.

Thus, failure of the Company in maintaining a spare GT of the same capacity (42 MVA) and commissioning of an underrated GT coupled with inordinate delay in synchronisation of the 42 MVA GT resulted in a loss of ₹ 3.77 crore.[68]

The Management stated (September 2012) that it was not economically viable to keep three different types of generator transformers as spare. It also stated that it had realised full capacity charges during 2010-11 and 2011-12 as per the Annual Revenue Requirement approved by OERC by its best effort. The Government merely endorsed (October 2012) the views of the Management.

The reply is not acceptable as the Company could have kept the spare transformers in working condition and thereby could have enhanced the earning of CC which was not restricted by OERC. It, however, admitted that steps would be taken to avoid such delay in future and spare transformers would be kept.

Odisha Thermal Power Corporation Limited

3.13 Infructuous expenditure

Hasty decision of the Management for shifting of the project site resulted in infructuous expenditure of ₹ 2.44 crore

The Company was incorporated (January 2007) as a joint venture Company of Orissa Hydro Power Corporation Limited and The Orissa Mining Corporation Limited with an objective to set up a coal based thermal power project of 1000 MW in the State. In order to avail the locational advantages like availability of land, water, etc., the Company decided (August 2009) to set up the plant at Rengali at an estimated cost of ₹ 8,250 crore. For providing technical assistance and to obtain required statutory clearances the Company engaged

[68] Capacity charges-(₹ 1.46 crore plus ₹ 2.52 crore) *less* repair cost ₹ 0.21 crore

(May 2009) a consultant, Visiontech Consultancy Services Private Limited (VCSPL), at a cost of ₹ 4.78 crore.

Subsequently VCSPL informed (19 January 2010) the Company that the Ministry of Environment and Forests (MoEF), Government of India (GoI) had imposed (13 January 2010) a temporary restriction for eight months i.e., up to August 2010 for according environmental clearance for Rengali site. The position, however, was put up to the Board during June 2010 after a lapse of nearly five months. Keeping in view the restriction imposed by MoEF, the BoD decided (June 2010) to shift the project to Kamakhayanagar Tehsil of Dhenkanal district.

In the meantime, the Company (February 2010) deposited ₹ 2.39 crore with the Land Acquisition Officer (LAO), Angul towards the establishment cost for acquisition of private land for Rengali site. Consequent upon the shifting of the project site from Rengali, the agreement with the VCSPL was foreclosed (July 2010) and the Company decided to settle the dues of VCSPL for ₹ 1.49 crore as against their claim of ₹ 4.02 crore. Since the settlement was not acceptable to VCSPL, it moved the Hon'ble High Court for settlement of dues. As per the judgement of Hon'ble High Court it was open to VCSPL to accept the amount as settled by the Company and for balance amount, VCSPL was at liberty to settle the matter through arbitration.

We observed that despite being aware that the restriction towards environmental clearance was upto August 2010 only, the decision (June 2010) of BoD to foreclose the agreement with VCSPL led to unfruitful expenditure of ₹ 1.49 crore. Further, due to hasty decision in shifting of site, the Company also sustained a loss of ₹ 0.95 crore being 40 *per cent* of the deposit (₹ 2.39 crore) with LAO, Angul towards the establishment charges as the same was non-refundable as per the conditions of the order (June 1999) of Government in Revenue Department. The refundable amount of ₹ 1.44 crore (60 *per cent* of ₹ 2.39 crore) is yet to be received by the Company leading to recurring loss of interest thereon. Thus, hasty decision of the Management for shifting of the project site from Rengali to Kamakhayanagar resulted in infructuous expenditure of ₹ 2.44 crore.

The Management stated (July 2012) that it felt that Rengali site may not fall under the area restricted by MoEF and accordingly paid the establishment cost towards land acquisition. It also added that the project site was shifted to Kamakhyanagar apprehending a much longer period for lifting of moratorium which would result in time and cost overrun of the project. The Government endorsed (August 2012) the views of the Management.

The reply of the Management is not acceptable because the Company deposited the land acquisition fees despite being aware of the MoEF restriction. Further, with only three months of the moratorium period being remaining, shifting of the site did not yield the desired results since there was no remarkable progress of the project at the new site so far (September 2012).

Odisha State Beverages Corporation Limited

3.14 Undue favour to retailers

Fixation of price for country spirit led to extension of undue benefit of ₹ 2.09 crore to the retailers

Government of Odisha (GoO) authorised the Company to carry out wholesale trade and distribution of Country Spirit (CS) and fixed the Maximum Retail Price (MRP) of CS from time to time on the basis of the recommendation of the Price Fixation Committee constituted by the State Government. This Committee included a representative of the Company as a member. The Company procures CS in poly pouches and bottles of 200 ml from Aska Co-operative Sugar Industries Limited and distributes those in cases[69] through its depots for retail sale by vendors. The consumers of CS are generally from economically weaker sections of the society.

The Government in Excise Department approved (23 December 2008) the MRP of CS at ₹ 11.25 per pouch of 200 ml. As the tax collection at source (TCS) was not considered as a cost component in the approved MRP, the Company initiated a proposal for inclusion of the same in the MRP after receiving a clarification from Government. The Company revised (29 December 2008) the MRP to ₹ 14.50 per pouch by inclusion of the TCS components for ₹ 3 per pouch as against an amount of ₹ 0.10 per pouch only. The Company after nearly a month revised (27 January 2009) the MRP to ₹ 11.60 per pouch by inclusion of ₹ 0.10 towards TCS component against ₹ 3 considered earlier.

We observed that due to erroneous inclusion of TCS for ₹ 3 per pouch instead of ₹ 0.10 per pouch the Company allowed the retailers to retain the balance of ₹ 2.90 per pouch with them and thereby extended an undue benefit of ₹ 1.16 crore to the retailers on sale of 80,343 cases of CS pouches during 1 to 27 January 2009 at the cost of the consumers.

We further observed that due to revision in Excise Duty (ED) on CS during 2009-10, the MRP of 200 ml pouch and bottle were revised to ₹ 12 and ₹ 15.50 by rounding off the MRP at a higher side by ₹ 0.35 and ₹ 0.24 respectively. Similarly during 2011-12, the MRP of CS was also revised to ₹ 13 per pouch and ₹ 17.50 per bottle of 200 ml by rounding off at a higher side by ₹ 0.18 and ₹ 0.08 respectively. The Company instead of absorbing the benefit of rounding off in its own margin with an extension of percentile benefit to VAT/IT authorities passed on the same to the retailers. This led to extension of undue benefit of ₹ 93.42 lakh to the retailers with consequential loss of Company's margin by ₹ 71.26 lakh, differential collection of VAT by ₹ 14.53 lakh and TCS component of ₹ 7.63 lakh against a sale of 1.40 lakh cases of pouches and 27.65 lakh cases of bottles during 2009-10 and 2011-12.

[69] One case of pouches=50 pouches and one case of bottle = 25 bottles of 200 ml each

Thus, erroneous fixation of MRP and non-absorbing of the rounding off effect within the Company's margin led to extension of undue benefit of ₹ 2.09[70] crore to the retailers with a resultant loss of ₹ 1.87 crore to the Company, ₹ 0.14 crore to the VAT authorities and non-collection of IT for ₹ 0.08 crore.

The Management while accepting the facts and figures stated (July 2012) that it would adopt a suitable method for pricing in future.

The matter was reported to the Government (July 2012); their reply had not been received (December 2012).

Industrial Development Corporation of Odisha Limited

3.15 Undue favour on sale of lump iron ore

Failure of the Company to take appropriate action as per the terms and condition of sale resulted in loss of ₹ 1.48 crore towards sale of Iron ore

The Company floated (September 2008) a tender for sale of Iron Ore lump of 65 *per cent* Fe content from its Roida-C mines. The terms and conditions of the tender document *inter-alia* provided that (a) in the event of failure of the bidder to lift the allotted quantity within the stipulated period, the contract would be terminated and the buyer will not be eligible to participate in future tender for a period of six months and; (b) the Management reserved the right to recover the loss suffered by them in selling the iron ore subsequently at lower rate, if any, from any amount payable to such purchaser apart from forfeiture of EMD.

The Company issued a (September 2008) sale order for 20,000 MT of lump iron ore @ ₹ 3,313 per MT in favour of Bhusan Power & Steel Limited (BPSL) being the highest bidder for which BPSL deposited ₹ 7.12 crore. The entire stock was to be lifted by 31 October 2008 against which BPSL could lift only 9,644.19 MT leaving a balance of 10,355.81 MT of ore on the ground of fall in the market price. As a result balance amount of ₹ 3.68 crore deposited by BPSL remained with the Company.

We observed that despite non-lifting of the full quantity, the Company allowed BPSL to participate in the subsequent tender (November 2008) and sold 9,996.720 MT @ ₹ 1,592 per MT during December 2008/January 2009 and also did not recover the loss of ₹ 1.78 crore[71] suffered by it in selling the iron ore at a lower rate to the defaulting bidder (BPSL) in violation of the terms and conditions of the sale order. The Company however, after a lapse of more than one and half years, on the request of BPSL permitted (April 2010) for adjustment of their balance amount of ₹ 3.68 crore by lifting of equivalent quantity of lump iron ore at the earlier price of ₹ 3,313 per MT as against the prevailing market price of ₹ 2,734 to ₹ 3,105 per MT during May to July 2010.

[70] ₹ 1.16 crore + ₹ 0.93 crore

[71] (@ ₹1721 per MT (₹ 3,313-₹ 1,592) on 10,355.81 MT)

Thereby the Company, however, earned additional revenue of ₹ 0.30 crore compared to the prevailing market price.

Thus, failure of the Company to take appropriate action as per the terms and condition of sale resulted in loss of ₹ 1.48 crore in the form of undue benefit to the vendor towards sale of iron ore.

The Management noted (August 2012) the observation of audit for future guidance and stated that action would be taken against the officers responsible. The Government endorsed (September 2012) the views of the Management.

3.16 Loss on export sale

Deficient planning for export sale of chrome concentrate resulted in loss of ₹ 0.94 crore

The Company exports chrome concentrate produced at its Tailangi Chromite Mines from Paradeep Port through MMTC Limited (MMTC). The price and the quantity for export are decided by MMTC through meetings with chrome ore producers. Thereafter the confirmation from the Company is obtained and MMTC enters into sales contract with the overseas buyer and purchase contract with the Company on back to back basis and arranges for export of the chrome concentrate.

The Company confirmed (6 January 2009) its willingness to export 20,000 MT of chrome concentrate during January-March 2009 at 275 USD per Dry Metric Ton (DMT). This export sale, however, could not be materialised due to non-availability of buyers. Subsequently, MMTC revised (19 February 2009) the selling price to 255 USD per DMT against which the Company also confirmed for export of 20,000 MT. For immediate shipment the Company, however, confirmed (24 February 2009) MMTC for export of 12,000 MT and could export 12,500 MT on 1 and 8 March 2009. Thereafter against the reduced (22 April 2009) selling price of 195 USD per DMT, the Company exported 10,000 DMT in May 2009 through MMTC.

We observed that despite being aware of the downward market trend and ready availability of stock of 16,116 MT[72] as on 23 February 2009, the Company confirmed for shipment of 12,000 MT only and could export 12,500 MT. Thus, due to deficient planning, the Company lost the opportunity to export an additional quantity of 3,500 MT (by rounding off) and sustained a loss of ₹ 0.94 crore.[73]

The Management stated (August 2012) that export commitment is normally made based on stock at Paradeep port, stock at mines and trend of

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[72] 12,638 MT at Paradeep Port and 3,478 MT at Tailangi Chromite Mines

[73] at the rate of 60USD(255-195) at an exchange of ₹ 51.3726 on 3500 MT less 10 *per cent* for moisture margin and 3 *per cent* for MMTC Commission {(3500MT -10% of 3500MT) *51.3726*60*97%}

transportation from mines to port. It further stated that due to dispute between different truck owners association for loading and allotment of trucks, the despatch from the mines could not be anticipated at that time with certainty. The Government endorsed (September 2012) the views of the Management.

The reply is not acceptable as the Company had not considered the stock at mines on the date of commitment to MMTC. As regards the trend of transportation it could have planned suitably so as to make available adequate quantity at Paradeep Port for export since production was intended for export only.

Orissa State Seeds Corporation Limited

3.17 Loss due to fixation of higher procurement price

Incorrect fixation of procurement price of certified groundnut seeds resulted in loss of ₹ 49.24 lakh to the Company and ₹ 31.24 lakh to the Government

The Company purchases certified groundnut seeds from the seed growers for sale to Government of Odisha (GoO) who in turn sells them to the farmers. The procurement price of the seeds was fixed by the Company from time to time and is considered for fixation the sale price of seeds by the Company which is finally approved by GoO. The elements of procurement cost *inter alia* included the cost of unprocessed seeds, processing loss (10 *per cent*) and marketing charge (one *per cent*). Besides production incentive as allowed to the farmers by Government of India under Integrated Scheme of Oilseeds, Pulses and Maize (ISOPOM) also forms a part of the procurement cost separately alongwith recovery towards undersize and chaffs.

We noticed that while revising the per quintal procurement cost for the Khariff 2009 season, the Company included the production incentive of ₹ 750 to the coost of unprocessed seeds and calculated the processing loss and marketing charges thereon. In addition, it also reduced the component of recovery towards undersize/chaffs from ₹ 65 to ₹ 18.50 per quintal. Although the revision was necessitated for a change in cost of unprocessed seeds, the inclusion of production incentive to the cost of unprocessed seeds and reduction in the component of recovery towards undersize/chaffs was not justified. Since the above revision was not approved by the GoO, the Company could not realise the extra expenditure of ₹ 49.24 lakh [74] towards procurement of 38,167 quintals of certified seeds.

We further observed that in the procurement price for Khariff 2010, the Company also allowed excess processing loss/marketing charge of ₹ 82.50 per quintal, as production incentive of ₹ 750 was included in the cost of

[74] ₹17.75 lakh{ 38166.9 quintal * ₹46.50 (₹65-₹18.50)} and ₹ 31.49 lakh {38166.9 quintal * (₹ 75+₹ 7.50)}

unprocessed seeds. This resulted in an extra burden of ₹ 31.24 lakh[75] on GoO towards procurement of 37,869 quintals of certified seeds, since the cost structure was approved (September 2010) by GoO and the Company could recover the same through sale price.

Thus, incorrect fixation of procurement price of certified groundnut seeds during Khariff 2009 and 2010 resulted in loss of ₹ 49.24 lakh to the Company and ₹ 31.24 lakh to the Government.

The Management stated (July 2012) that although ₹ 750 included in the unprocessed groundnut seeds in cost structure as production incentive, but actually it had paid for tagged seeds only. Regarding recovery for undersize and chaffs it added that since the farmers were given a higher procurement price they were advised for proper grading for which the processing loss was fixed at ₹ 18.50 per quintal instead of ₹ 65 per quintal. The Government endorsed (August 2012) the views of the Management.

The reply is not tenable as inclusion of production incentive in the cost of unprocessed seeds resulted in allowing of excess processing loss and marketing charges. The contention of the Management on recovery for undersize and chaffs is not acceptable since the prevailing processing loss of 10 *per* cent was not reduced accordingly, consequent upon reduction in recovery from undersize and chaffs.

Orissa Bridge and Construction Corporation Limited

3.18 Avoidable payment of Income Tax

Avoidable payment of income tax of ₹ 44.30 lakh due to deficiency in filing of returns and non-deposit of statutory dues in time

The Company filed (November 2007) its Income Tax return for the assessment year (AY) 2007-08 during which it earned a net profit of ₹ 86.84 lakh. The Assessing Officer (AO) assessed (December 2009) the taxable income as ₹ 1.29 crore under section 143 (3) of the Income Tax (IT) Act, 1961 and levied tax thereon amounting to ₹ 43.43 lakh. While assessing the taxable income the AO disallowed the delayed payments of employee's share of Provident Fund (PF) of ₹ 23.16 lakh, the Statutory liabilities (VAT, Professional Tax, Gratuity, Bonus and GIS) amounting to ₹ 18.83 lakh under section 43 (B) and the differential depreciation of ₹ 6.80 lakh as per the Companies Act and IT Act and treated the same as income. The AO, however, adjusted the loss of ₹ 6.61 lakh for AY 2006-07 only against the taxable income. In addition, IT authority charged interest of ₹ 7.20 lakh under Section 234 (B) of the IT Act.

We observed that due to delay in deposit of employee's share of PF, statutory liabilities etc. the AO disallowed the same and treated them as taxable income.

[75] 37869 qtl. * (₹ 75+₹ 7.50)

Further, due to deficiency in submission of relevant documents, the AO, treating the past years IT returns invalid, did not allow the carry forward losses of ₹ 6.32 crore upto AY 2006-07, as was available to the Company under Section 72 of IT Act, 1961.

Thus, failure of the Management in submission of documentary evidences while filing the IT returns to set off carry forward losses coupled with belated deposit of PF dues led to avoidable payment of IT for ₹ 44.30[76] lakh.

The Management stated (October 2012) that the lapses in deposit of PF dues had been rectified in subsequent years and the submission of invalid IT return was due to delay in finalisation of accounts and audit. The Government endorsed (December 2012) the views of the Management.

The reply, so far as finalisation of accounts and audit is concerned, is not acceptable since timely finalisation of accounts and audit is also the responsibility of the Company under Section 210 (3) of the Companies Act, 1956.

General

3.19 Follow-up action on Audit Reports

Explanatory Notes outstanding

3.19.1 The Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Odisha issued instructions (December 1993) to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and PA included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 1999-2000 to 2010-11 were presented to the State Legislature, 14 out of 17 departments featuring in this report did not submit explanatory notes on 62 out of 214 paragraphs/performance audits as on 30 September 2012, as indicated in the following table:

Year of the Audit Report (Commercial)	Date of presentation	Total Paragraphs/ Performance audits in Audit Reports	No. of paragraphs/ Performance audits for which explanatory notes were not received
1999-00	1 August 2001	29	1
2001-02	24 March 2003	17	1
2003-04	14 March 2005	27	2

[76] Total tax liability- ₹ 43.43 lakh + Interest U/s 234B ₹ 7.20 lakh -₹ 6.33 lakh (tax on statutory dues of ₹ 18.83 lakh, the benefit of which could be obtained during the subsequent years)

Year of the Audit Report (Commercial)	Date of presentation	Total Paragraphs/ Performance audits in Audit Reports	No. of paragraphs/ Performance audits for which explanatory notes were not received
2004-05	20 February 2006	17	2
2005-06	29 March 2007	21	2
2006-07	17 March 2008	25	6
2007-08	18 June 2009	25	14
2008-09	16 March 2010	19	10
2009-10	28 March 2011	17	9
2010-11	29 March 2012	17	15
Total		**214**	**62**

Department-wise analysis is given in **Annexure 9** PSUs under the Industries, Energy and Public Enterprises Department were largely responsible for non-submission of explanatory notes. The Government did not respond to even performance audits highlighting important issues like system failures, mismanagement and non-adherence to extant provisions.

Compliance to Reports of Committee on Public Undertakings (COPU) outstanding

3.19.2 Action Taken Notes (ATNs) to 39 recommendations pertaining to six Reports of the COPU presented to the State Legislature between August 2001 and August 2008 had not been received as on 30 September 2012 as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of recommendations where ATNs not received
2001-02	1	8
2007-08	5	31
Total	**6**	**39**

The replies to the recommendations were required to be furnished within six months from the date of presentation of the Reports.

Response to Inspection Reports, Draft Paragraphs and Performance Audits

3.19.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of four weeks. Inspection Reports issued up to March 2012 pertaining to 37 PSUs disclosed that 1,525 paragraphs relating to 438 Inspection Reports remained outstanding at the end of 30 September 2012. Even the initial replies were not received in respect of 56 Inspection Reports containing 336 paragraphs. Department-wise break-up of Inspection Reports and Audit observations outstanding at the end of 30 September 2012 is given in **Annexure 10.** Similarly, draft paragraphs and performance audits on the working of PSUs are 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 out of 18 draft paragraphs and two draft Performance Audits forwarded to various departments between July and October 2012, as detailed in **Annexure 11**, replies to two draft paragraphs and one draft Performance Audit were awaited (December 2012). It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to Inspection Reports/draft paragraphs/Performance Audits and ATNs on recommendations of COPU 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 revamped.

Bhubaneswar **(S R Dhall)**
The **Accountant General**
(Economic and Revenue Sector Audit), Odisha

Countersigned

New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**

ANNEXURE

Annexure 1

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2012 in respect of Government Companies and Statutory Corporations)

(Referred to in paragraph 1.6)

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

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	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 AND ALLIED													
1	The Agricultural Promotion and Investment Corporation of Orissa Limited	Agriculture	March 1996	1.10	--	--	1.10	--	--	--	--	-- (--)	46
2	The Odisha Agro Industries Corporation Limited	Agriculture	December 1961	6.09	1.05	0.01	7.15	15.36	--	0.70	16.06	2.25:1 (2.25:1)	248
3	Orissa State Cashew Development Corporation Limited	Agriculture	April 1979	1.55	--	--	1.55	--	--	--	--	-- (--)	465
4	Odisha Forest Development Corporation Limited	Forest and Environment	September 1962	1.28	--	--	1.28	--	--	--	--	-- (--)	2690
5	Odisha Lift Irrigation Corporation Limited	Water Resources	October 1973	74.73	--	--	74.73	--	--	--	--	-- (0.01:1)	1441
6	Orissa State Seeds Corporation Limited	Agriculture	February 1978	2.11	--	0.50	2.61	--	--	--	--	-- (--)	143
7	Orissa Pisciculture Development Corporation Limited	Fisheries and Animal Resources Development	May 1998	2.21	--	--	2.21	2.91	--	0.22	3.13	1.41:1 (2.40:1)	202
	Sector wise total			**89.07**	**1.05**	**0.51**	**90.63**	**18.27**	**--**	**0.92**	**19.19**	**0.21:1**	**5235**
FINANCING													
8	The Industrial Promotion and Investment Corporation of Odisha Limited	Industries	April 1973	83.14	--	--	83.14	--	--	--	--	-- (--)	103
9	The Odisha Film Development Corporation Limited	Industries	April 1976	5.40	--	--	5.40	--	--	--	--	-- (--)	22

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
10	Orissa Rural Housing and Development Corporation Limited	Housing and Urban Development	August 1994	48.16	--	--	48.16	487.83	--	--	487.83	10.13:1 (10.27:1)	44
11	The Odisha Small Industries Corporation Limited	Industries	April 1972	40.80	--	--	40.80	--	--	0.01	0.01	0.00:1 (0.16:1)	182
	Sector wise total			**177.50**	**--**	**--**	**177.50**	**487.83**	**--**	**0.01**	**487.84**	**2.75:1**	**351**
INFRASTRUCTURE													
12	The Industrial Development Corporation of Odisha Limited	Industries	March 1962	57.12	--	--	57.12	32.86	--	--	32.86	0.58:1 (0.58:1)	112
13	Odisha Construction Corporation Limited	Water Resources	May 1962	17.5	--	--	17.5	--	--	--	--	-- (--)	587
14	Orissa Bridge and Construction Corporation Limited	Works	January 1983	9.31	--	--	9.31	--	--	--	--	-- (--)	269
15	The Odisha State Police Housing and Welfare Corporation Limited	Home	May 1980	5.63	--	--	5.63	--	--	--	--	-- (--)	327
	Sector wise total			**89.56**	**--**	**--**	**89.56**	**32.86**	**--**	**--**	**32.86**	**0.37:1**	**1295**
MANUFACTURING													
16	Baitarni West Coal Company Limited(619-B)	Energy	April 2008	--	--	30.00	30.00	--	--	--	--	-- (--)	12
17	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. A-12	Industries	March 1999	--	--	18.81	18.81	--	--	--	--	-- (--)	321
18	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. A-12)	Industries	March 1999	--	--	1.20	1.20	--	--	--	--	-- (--)	910
19	Konark Jute Limited (Subsidiary of Sl. No.A-12)	Industries	January 1975	--	--	5.94	5.94	0.44	--	0.84	1.28	0.22:1 (1.29:1)	658
20	The Mandakini – B Coal Corporation Limited (619-B)	Industries	February 2009	--	--	8.00	8.00	--	--	--	--	-- (--)	7
21	The Odisha Mining Corporation Limited	Steel and Mines	May 1956	31.45	--	--	31.45	--	--	--	--	-- (--)	3865
22	Odisha State Beverages Corporation Limited	Excise	November 2000	1.00	--	--	1.00	--	--	--	--	-- (--)	182
23	Nuagaon Coal Company Limited (619-B)	--	May 2011	--	--	0.06	0.06	--	--	--	--	--	--
	Sector wise total			**32.45**	**--**	**64.01**	**96.46**	**0.44**	**--**	**0.84**	**1.28**	**0.01:1 (0.04:1)**	**5955**

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
POWER													
24	GRIDCO Limited	Energy	April 1995	432.98	--	--	432.98	989.70	--	3084.08	4073.78	9.41:1 (9.59:1)	55
25	Odisha Hydro Power Corporation Limited	Energy	April 1995	320.8	--	--	320.80	1743.40	--	80.04	1823.44	5.68:1 (5.71:1)	2728
26	Odisha Power Generation Corporation Limited	Energy	November 1984	250.01	--	240.21	490.22	--	--	--	--	-- (--)	484
27	Odisha Power Transmission Corporation Limited	Energy	March 2004	203.07	--	--	203.07	417.00	--	402.65	819.65	4.04:1 (5.25:1)	3482
28	Odisha Thermal Power Corporation Limited (619-B)	Energy	January 2007	--	--	13.89	13.89	--	--	--	--	-- (--)	6
	Sector wise total			**1206.86**	**--**	**254.10**	**1460.96**	**3150.10**	**--**	**3566.77**	**6716.87**	**4.60:1**	**6755**
SERVICE													
29	IDCOL Software Limited (Subsidiary of Sl. No.A- 12)	Industries	November 1998	--	--	1.00	1.00	--	--	--	--	-- (--)	7
30	Lanjigarah Project Area Development Foundation(619-B)		October 2009	0.03	--	0.02	0.05	--	--	--	--	---- (--)	0
31	Odisha State Civil Supplies Corporation Limited	Food Supplies and Consumer Welfare	September 1980	11.03	--	--	11.03	--	--	--	--	---- (--)	935
32	Odisha Tourism Development Corporation Limited	Tourism and Culture	September 1979	9.62	--	--	9.62	--	--	--	--	---- (--)	620
	Sector wise total			**20.68**	**--**	**1.02**	**21.7**	**--**	**--**	**--**	**--**	**--**	**1562**
MISCELLANEOUS													
33	Kalinga Studios Limited (Subsidiary of Sl. No.A-9)	Industries	July 1980	--	--	1.75	1.75	--	--	--	--	-- (--)	--
	Sector wise total			**--**	**--**	**1.75**	**1.75**	**--**	**--**	**--**	**--**	**--**	**--**
Total A (All sector wise working Government companies)				**1616.12**	**1.05**	**321.39**	**1938.56**	**3689.50**	**--**	**3568.54**	**7258.04**	**3.74:1 (3.72:1)**	**21153**
B. Working Statutory Corporations													

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
FINANCING													
1	Odisha State Financial Corporation	Industries	March 1956	342.73	72.46	0.16	415.35	--	--	125.61	125.61	0.30:1 (0.33:1)	253
	Sector wise total			**342.73**	**72.46**	**0.16**	**415.35**	**--**	**--**	**125.61**	**125.61**	**0.30:1**	**253**
SERVICE													
2	Odisha State Road Transport Corporation	Commerce and Transport	May 1974	135.51	15.92	0.01	151.44	23.55	--	1.30	24.85	0.16:1 (0.16:1)	867
	Sector wise total			**135.51**	**15.92**	**0.01**	**151.44**	**23.55**	**--**	**1.30**	**24.85**	**0.16:1 (0.16:1)**	**867**
MISCELLANEOUS													
3	Odisha State Warehousing Corporation	Co-operation	March 1958	1.80	--	1.80	3.60	--	--	23.47	23.47	6.52:1 (1.50:1)	349
	Sector wise total			**1.80**	**--**	**1.80**	**3.60**	**--**	**--**	**23.47**	**23.47**	6.52:1 (1.50:1)	**349**
Total B (All sector wise working Statutory Corporations)				**480.04**	**88.38**	**1.97**	**570.39**	**23.55**	**--**	**150.38**	**173.93**	**0.30:1**	**1469**
Grand Total (A + B)				**2096.16**	**89.43**	**323.36**	**2508.95**	**3713.05**	**--**	**3718.92**	**7431.97**	**2.96:1 (2.95:1)**	**22622**
C. Non working Government companies													
AGRICULTURE AND ALLIED													
1	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	Industries	May 1959	0.01	--	--	0.01	--	--	--	--	-- (--)	NA
2	Orissa Fisheries Development Corporation Limited	Fisheries and Animal Resources Development	August 1962	0.35	--	--	0.35	--	--	--	--	-- (--)	NA
	Sector wise total			**0.36**	**--**	**--**	**0.36**	**--**	**--**	**--**	**--**	**--**	**NA**
MANUFACTURING													
3	ABS Spinning Orissa Limited (Subsidiary of Sl. No.A-12). (Under liquidation)	Industries	April 1990	--	--	3.00	3.00	--	--	1.40	1.40	0.47:1 (0.47:1)	NA

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
4	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	Industries	February 1959	0.04	--	--	0.04	--	--	--	--	-- (--)	NA
5	Hira Steel and Alloys Limited (Subsidiary of Sl. No.A-12). (Under liquidation.)	Industries	August 1974	--	--	0.12	0.12	--	--	--	--	-- (--)	NA
6	IPITRON Times Limited (Subsidiary of Sl.No.C-21. (Under liquidation since 1998)	Information and Technology	December 1981	--	--	0.81	0.81	1.68	--	--	1.68	2.07:1 (2.07:1)	NA
7	Kanti Sharma Refractories Limited (Subsidiary of Sl. No.A 11 (Closed since 5 December 1998)	Industries	January 1994	--	--	0.75	0.75	--	--	--	--	-- (--)	NA
8	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-11	Industries	August 1978	--	--	0.09	0.09	--	--	--	--	-- (--)	NA
9	Konark Television Limited (Defunct since 1999-2000)	Information and Technology	June 1982	6.07	--	--	6.07	2.01	--	--	2.01	0.33.1 (0.33:1)	NA
10	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	Industries	September 1959	0.01	--	--	0.01	--	--	--	--	-- (--)	NA
11	Mayurbhanj Textiles Limited	Textile and Handloom	1943	0.04	--	--	0.04	--	--	--	--	-- (--)	NA
12	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	Industries	September 1960	0.04	--	--	0.04	--	--	--	--	-- (--)	NA
13	New Mayurbhanj Textiles Limited	Textile and Handloom	1988	0.17	--	--	0.17	--	--	--	--	-- (--)	NA
14	Orissa Boat Builders Limited (under liquidation)	Industries	March 1958	0.04	--	0.01	0.05	--	--	--	--	-- (--)	NA

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
15	Orissa Electrical Manufacturing Company Limited (Company closed since 1968. Under voluntary liquidation since 30 August 1976)	Industries	March 1958	0.04	--	0.01	0.05	--	--	--	--	-- (--)	NA
16	Orissa Instruments Company Limited	Industries	March 1961	0.97	--	--	0.97	--	--	--	--	-- (--)	NA
17	Orissa Leather Industries Limited (Subsidiary of Sl.No.C-25	Industries	July 1986	--	--	0.65	0.65	1.77	--	--	1.77	2.72:1 (2.72:1)	NA
18	Orissa Textile Mills Limited (Under liquidation since 2001)	Textile and Handloom	January 1946	21.04	--	3.66	24.7	14.68	--	--	14.68	0.59:1 (0.59:1)	NA
19	Orissa State Electronics Development Corporation Limited (closed since 31 January 2006)	Information and Technology	September 1981	20.04	--	--	20.04	--	--	0.19	0.19	0.01:1 (0.01:1)	NA
20	Orissa State Handloom Development Corporation Limited (under liquidation)	Textile and Handloom	February 1977	3.63	--	0.55	4.18	1.58	--	--	1.58	0.38:1 (0.38:1)	NA
21	Orissa State Leather Corporation Limited(closed since 18 June 1998)	Industries	April 1976	3.97	--	0.28	4.25	0.37	--	--	0.37	0.09:1 (0.09:1)	NA
22	Orissa State Textile Corporation Limited	Textile and Handloom	September 1981	4.53	--	--	4.53	1.62	--	--	1.62	0.36:1 (0.36:1)	NA
23	Orissa Tools and Engineering Company Limited (619-B)	Industries	--	--	--	--	--	--	--	--	--	-- (--)	NA
24	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	Industries	August 1959	0.01	--	0.01	0.02	--	--	--	--	-- (--)	NA
	Sector wise total			**60.64**	**--**	**9.94**	**70.58**	**23.71**	**--**	**1.59**	**25.30**	**0.36:1 (0.36:1)**	**NA**
SERVICE													
25	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. C-23)	Information and Technology	January 1987	--	--	1.58	1.58	2.00	--	--	2.00	1.27:1 (1.27:1)	NA

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**	**7**	**8**
26	ELCO Communication and Systems Limited (Subsidiary of Sl.No.C-23 Under liquidation since 1998)	Information and Technology	March 1989	--	--	0.64	0.64	0.72	--	--	0.72	1.13:1 (1.13:1)	NA
27	ELMARC Limited (Subsidiary of Sl. No. C-23)	Information and Technology	January 1990	--	--	1.02	1.02	0.57	--	--	0.57	0.56:1 (0.56:1)	NA
28	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	January 1964	2.34	--	3.76	6.1	0.50	--	8.05	8.55	1.40:1 (1.40:1)	4
	Sector wise total			**2.34**	**--**	**7.00**	**9.34**	**3.79**	**--**	**8.05**	**11.84**	**1.27:1 (0.54:1)**	**4**
Total C (All sector wise non working Government companies)				**63.34**	**--**	**16.94**	**80.28**	**27.50**	**--**	**9.64**	**37.14**	**0.46:1**	**4**
Grand Total (A + B + C)				**2159.50**	**89.43**	**340.30**	**2589.23**	**3740.55**	**--**	**3728.56**	**7469.11**	**2.88:1**	**22626**

Above includes Section 619-B companies at Sl.No.A- 16, 20, 23, 28 & 30 C-23

$ Paid-up capital includes share application money.

** Loans outstanding at the close of 2011-12 represent long-term loans only.

NA- Not available.

Annexure 2

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Referred to in paragraphs 1.14 and 1.35)

(Figures in column 5 (a) to (11) are ₹ in crore)

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed$	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
A. Working Government Companies														
AGRICULTURE AND ALLIED														
1	The Agricultural Promotion and Investment Corporation of Orissa Limited	2009-10	2010-11	0.10		0.03	0.07	0.56	2.65	1.10	0.06	1.22	0.07	5.74
2	The Odisha Agro Industries Corporation Limited	2009-10	2011-12	4.67	1.60	0.04	3.03	203.30	-0.54	7.15	-49.71	-39.11	4.63	0.00
		2010-11	2012-13	8.35	1.59	0.06	6.70	340.71		7.15	-44.04	17.97	8.29	0.00
3	Orissa State Cashew Development Corporation Limited	2010-11	2012-13	0.81	0.00	0.32	0.49	8.72	0.00	1.55	14.80	21.55	0.49	2.27
4	Odisha Forest Development Corporation Ltd.	2010-11	2011-12	5.95	1.34	0.54	4.07	51.54		1.28	-155.21	-139.86	5.41	0.00
5	Odisha Lift Irrigation Corporation Ltd	2009-10	2010-11	6.15		5.76	0.39	35.24	-3.79	74.73	-1.98	150.72	0.39	0.26
6	Orissa State Seeds Corporation Limited	2010-11	2011-12	9.12	2.35	0.41	6.36	148.48	4.70	2.61	21.28	75.78	8.71	11.49
7	Orissa Pisciculture Development Corporation Limited	2008-09	2012-13	-0.08	0.04	0.30	-0.42	49.90	-0.57	2.21	-4.35	8.04	-0.38	0.00
Sector wise total				**30.40**	**5.32**	**7.42**	**17.66**	**635.15**	**2.99**	**90.63**	**-169.44**	**135.42**	**22.98**	**16.97**

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed $	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
FINANCING														
8	The Industrial Promotion and Investment Corporation of Odisha Limited	2010-11	2011-12	1.57	0.00	0.07	1.50	0.93	-3.02	83.14	16.87	198.85	1.50	0.75
9	The Odisha Film Development Corporation Limited	2010-11	2012-13	0.06	0.00	0.04	0.02	0.42	-0.15	5.40	0.80	7.48	0.02	0.27
10	Orissa Rural Housing and Development Corporation Limited	2006-07	2011-12	26.76	51.88	0.15	-25.27	24.39	-356.03	48.16	-71.41	617.11	26.61	4.31
		2007-08	2012-13	10.94	42.53	0.12	-31.71	15.70	-340.92	48.16	-103.12	550.87	10.82	1.96
11	The Odisha Small Industries Corporation Limited	2009-10	2011-12	7.43	1.41	0.15	5.87	344.99	-3.33	40.80	-9.59	49.62	7.28	14.67
Sector wise total				**20.00**	**43.94**	**0.38**	**-24.32**	**362.04**	**-347.42**	**177.50**	**-95.04**	**806.82**	**19.62**	**2.43**
INFRASTRUCTURE														
12	The Industrial Development Corporation of Odisha Limited	2010-11	2011-12	6.30	1.93	0.43	3.94	19.89	0.00	57.12	37.42	5.65	5.87	103.89
13	Odisha Construction Corporation Ltd.	2009-10	2011-12	3.38	0.13	1.62	1.63	160.74	0.00	16.50	6.65	260.67	1.76	0.68
14	Orissa Bridge and Construction Corporation Limited	2009-10	2012-13	2.64	0.00	0.08	2.56	23.05	-5.48	9.31	-8.19	1.12	2.56	228.57
15	The Odisha State Police Housing and Welfare Corporation Limited	2011-12	2012-13	10.55	0.00	0.22	10.33	195.64	0.77	5.63	40.41	48.51	10.33	21.29
Sector wise total				**22.87**	**2.06**	**2.35**	**18.46**	**399.32**	**-4.71**	**88.56**	**76.29**	**315.95**	**20.52**	**6.49**

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed$	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
MANUFACTURING														
16	Baitarani West Coal Company Ltd.	2010-11	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	30.00	0.00	13.99	0.00	0.00
17	IDCOL Ferro Chrome & Alloys Limited(subsidiary od sl.no.A-12)	2010-11	2011-12	16.18	0.25	0.97	14.96	115.12		18.81	31.97	53.58	15.21	28.39
18	IDCOL Kalinga Iron Works Limited	2010-11	2011-12	-18.03	2.80	6.20	-27.03	218.74	-37.18	95.10	-88.03	83.22	-24.23	0.00
19	Konark Jute Limited	2009-10	2011-12	-0.73	0.15	0.04	-0.92	2.59	0.00	5.94	-25.30	-4.85	-0.77	0.00
20	The Mandakini B-Coal	2010-11	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	8.31	0.00	7.27	0.00	0.00
21	The Odisha Mining Corporation Limited	2010-11	2011-12	1464.61	1.30	16.35	1446.96	2755.82	-261.31	31.45	3406.50	4125.44	1448.26	35.11
		2011-12	2012-13	1895.47	3.78	11.10	1880.59	2141.81	-341.92	31.45	4059.65	5092.96	1884.37	37.00
22	Odisha State Beverage Corporation Limited	2009-10	2011-12	40.12	0.00	0.10	40.02	67.90	1.05	1.00	69.31	70.31	40.02	56.92
23	Nuagaon Coal Company Limited													
Sector wise total				**1933.01**	**6.98**	**18.41**	**1907.62**	**2546.16**	**-378.05**	**190.61**	**4047.60**	**5316.48**	**1914.60**	**36.01**
POWER														
24	GRIDCO Limited	2010-11	2011-12	-251.32	336.46	0.08	-587.86	4208.34	-161.84	432.98	-835.64	3237.80	-251.40	0.00
		2011-12	2012-13	-247.55	689.14	0.12	-936.81	5316.88		432.98	-1772.45	-2256.69	-247.67	0.00
25	Odisha Hydro Power Corporation Limited	2011-12	2012-13	227.00	8.29	123.10	95.61	358.68	-252.57	320.80	505.31	2847.35	103.90	3.65
26	Odisha Power Generation Corporation Limited	2011-12	2012-13	221.55	0.05	15.21	206.29	490.46	-22.19	490.22	651.89	1180.60	206.34	17.48

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed$	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
27	Odisha Power Transmission Corporation Limited	2010-11	2011-12	152.05	42.44	122.34	-12.73	405.19	-21.16	160.07	-184.69	2000.98	29.71	1.48
28	Odisha Thermal Power Corporation Limited	2011-12	2012-13	0.00	0.00	0.00	0.00	0.00		13.89	0.00	3.76	0.00	0.00
Sector wise total				**353.05**	**739.92**	**260.77**	**-647.64**	**6571.21**	**-295.92**	**1417.96**	**-799.94**	**3776.00**	**92.28**	**2.44**
SERVICES														
29	IDCOL Software Limited (Subsidiary of Sl. No.A- 12)	2010-11	2011-12	0.11	0.00	0.01	0.10	2.85	0.00	1.00	-0.37	0.63	0.10	15.87
30	Lanjigarah Project Area Development Foundation	2010-11	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	38.87	0.00	0.00
31	Odisha State Civil Supplies Corporation Limited	2009-10	2012-13	157.03	156.43	0.60	0.00	810.64		11.03	0.00	3313.27	156.43	4.72
32	Odisha Tourism Development Corporation Limited	2010-11	2011-12	3.64	0.00	0.82	2.82	17.83	4.90	9.62	0.09	10.99	2.82	25.66
Sector wise total				**160.78**	**156.43**	**1.43**	**2.92**	**831.32**	**4.90**	**21.70**	**-0.28**	**3363.76**	**159.35**	**4.74**
MISCELLANEOUS														
33	Kalinga Studios Limited (Subsidiary of Sl. No.A-9)	2008-09	2012-13	-0.08	0.07	0.02	-0.17		0.02	1.75	-2.88	0.22	-0.10	0.00
Sector wise total				**-0.08**	**0.07**	**0.02**	**-0.17**	**0**	**0.02**	**1.75**	**-2.88**	**0.22**	**-0.1**	0.00
Total A (All sector wise working Government companies)				**2520.03**	**954.72**	**290.78**	**1274.53**	**11345.20**	**-1018.19**	**1988.71**	**3056.31**	**13714.65**	**2229.25**	16.25
B. Working Statutory Corporations														
FINANCE														
1	Odisha State Financial Corporation	2011-12	2012-13	9.60	8.67	0.41	0.52	13.42	-5.53	415.35	-400.39	569.61	9.19	1.61
Sector wise total				9.60	**8.67**	**0.41**	**0.52**	**13.42**	**-5.53**	**415.35**	**-400.39**	**569.61**	**9.19**	**1.61**

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed$	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
SERVICES														
2	Odisha State Road Transport Corporation	2009-10	2011-12	17.73	1.11	4.46	12.16	54.39	4.74	151.44	-216.32	-31.56	13.27	0.00
Sector wise total				**17.73**	**1.11**	**4.46**	**12.16**	**54.39**	**4.74**	**151.44**	**-216.32**	**-31.56**	**13.27**	0.00
MISCELLANEOUS														
3	Odisha State Warehousing Corporation	2009-10	2011-12	11.64	0.00	1.21	10.43	36.71	-6.98	3.60	0.02	57.32	10.43	18.19
		2010-11	2011-12	9.86	0.00	1.05	8.81	37.15	-3.36	3.60	0.03	57.88	8.81	15.22
Sector wise total				**9.86**	**0.00**	**1.05**	**8.81**	**37.15**	**-3.36**	**3.60**	**0.03**	**57.88**	**8.81**	15.22
Total B (All sector wise working Statutory Corporations)				**37.19**	**9.78**	**5.92**	**21.49**	**104.96**	**-4.15**	**570.39**	**-616.68**	**595.93**	**31.27**	**5.25**
Grand Total (A + B)				**2557.22**	**964.50**	**296.70**	**1296.02**	**11450.16**	**-1022.34**	**2559.10**	**2439.63**	**14310.58**	**2260.52**	**15.80**
C. Non working Government companies														
AGRICULTURE AND ALLIED														
1	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	1972-73	1975-76							0.01				
2	Orissa Fisheries Development Corporation Limited	1982-83	1983-84	-0.03	0.01		-0.04			0.35		0.20	-0.03	
Sector wise total				**-0.03**	**0.01**	**0**	**-0.04**	**0**	**0**	**0.36**	**0**	**0.2**	**-0.03**	**0**
MANUFACTURING														
3	ABS Spinning Orissa Limited (Subsidiary of Sl. No.A-12). (Under liquidation)	2006-07	2010-11	12.57	0.24	0.09	12.24			3.00	-48.89	-7.69	12.48	

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed$	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
4	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	1968-69	1974-75	0						0.04		0.02	0	
5	Hira Steel and Alloys Limited (Subsidiary of Sl. No.A-12). (Under liquidation.)	1975-76	1976-77	0						0.12		0.27	0	
6	IPITRON Times Limited (Subsidiary of Sl.No.C-23). (Under liquidation since 1998)	1997-98	2005-06	-0.92			-0.92			0.81	-9.47	-2.07	-0.92	
7	Kanti Sharma Refractories Limited (Subsidiary of Sl. No.A 11). (Closed since 5 December 1998)	1996-97	2008-09	-0.5	0.28	0.03	-0.81			0.75	-1.26	1.92	-0.53	
8	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-11)	1981-82	1996-97	0						0.06		0.05	0	
9	Konark Television Limited (Defunct since 1999-2000)	1991-92	1998-99	0.46	1.31	0.10	-0.95	14.05		1.20	-6.04	6.00	0.36	6.00
10	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	1965-66	1982-83	0						0.01		0	0	
11	Mayurbhanj Textiles Limited	1970-71	1976-77	0						0.04	0	0	0	
12	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	1972-73	1975-76	0						0.04	0	0.03	0	

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed$	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
13	New Mayurbhanj Textiles Limited	1881-82	2003-04	0.03			0.03			0.02	0.03	0.05	0.03	60.00
14	Orissa Boat Builders Limited (under liquidation)	1970-71	1997-78	0						0.05	0	0.01	0	
15	Orissa Electrical Manufacturing Company Limited	1966-67	1973-74	0						0.05	0	0.05	0	
16	Orissa Instruments Company Limited	1987-88	2000-01	-0.04	0.02		-0.06	0	0	0.09	0	0.36	-0.04	
17	Orissa Leather Industries Limited (Subsidiary of Sl.No.C-25)	1991-92	1995-96	0					0	0.65	0	1.92	0	
18	Orissa Textile Mills Limited (Under liquidation since 2001)	1997-98	1998-99	-7.66	2.58		-10.24			24.7	-53.41	5.17	-7.66	
19	Orissa State Electronics Development Corporation Limited	2004-05	2008-09	-0.24		0.02	-0.26		-	20.03	-2.8	0	-0.26	
20	Orissa State Handloom Development Corporation Limited (under liquidation)	2003-04	2011-12	-0.35	0.23	0.01	-0.59	0.03	0	3.53	-20.77	-5.6	-0.36	
21	Orissa State Leather Corporation Limited (closed since 18 June 1998)	1988-89	2004-05	-0.17	0.06		-0.23			1.85	-2.46	1.71	-0.17	
22	Orissa State Textile Corporation Limited	1993-94	2003-04	-1.73	1.30	0.07	-3.10	3.52		2.62	-15.95	-5.45	-1.80	
23	Orissa Tools and Engineering Company Limited (619-B)	1982-83		0						0.44	-0.43	0	0	

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed $	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
24	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	1966	1973-74	0						0.02	0	0	0	
Sector wise total				**1.45**	**6.02**	**0.32**	**-4.89**	**17.6**	**0**	**60.12**	**-161.45**	**-3.25**	**1.13**	
SERVICES														
25	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. C-23	1997-98	2005-06	-0.24		0.26	-0.50			1.59	-6.87	1.76	-0.50	
26	ELCO Communication and Systems Limited (Subsidiary of Sl.No.C-23 Under liquidation since 1998)	1997-98	2005-06	0						0.64		-1.46	0	
27	ELMARC Limited (Subsidiary of Sl. No. C-23)	2000-01	2006-07	-0.05		0.02	-0.07	0.77		1.02	-2.25	-0.56	-0.07	
28	Orissa State Commercial Transport Corporation Limited	1997-98	2008-09	-0.73	0.32	0.02	-1.07	0.39		2.34	-14.21	-4.1	-0.75	
Sector wise total				**-1.02**	**0.32**	**0.30**	**-1.64**	**1.16**	**0**	**5.59**	**-23.33**	**-4.36**	**-1.32**	
Total C (All sector wise non working Government Co.				**0.4**	**6.35**	**0.62**	**-6.57**	**18.76**	**0**	**66.07**	**-184.78**	**-7.41**	**-0.22**	**--**
Grand Total (A + B + C)				**2557.62**	**970.85**	**297.32**	**1289.45**	**11468.92**	**-1022.34**	**2625.17**	**2254.85**	**14303.17**	**2260.30**	**15.80**

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses, (-) decrease in profit/ increase in losses.

@ 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).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

* One Company (Sl.No.A-31) prepared accounts on ‘no profit no loss’ basis.

∇ Five companies (Sl.No.A-16, 20, 23, 28 and 30) have not started operations/commercial production.

Annexure 3

Statement showing 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 2012

(Referred to in paragraph 1.9)

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

Sl. No.	Sector and 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@		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Government	Others	Total	Received	Commitment	Loans repayment/ written off	Loans converted in to 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**												
AGRICULTURE AND ALLIED													
1	The Agricultural Promotion and Investment Corporation of Orissa Limited	--	--	--	0.50#	--	0.50#	--	--	--	--	--	--
2	Orissa State Cashew Development Corporation Limited	--	--	--	0.47#	--	0.47#	--	--	0.08	--	--	--
3.	Odisha Lift Irrigation Corporation Limited	--	--	--	30.00	--	30.00	--	--	--	--	--	--
4	Orissa State Seeds Corporation Limited.	--	--	2.35	6.64	--	8.99	--	--	--	--	--	--
	Sector wise total	**--**	**--**	**2.35**	**36.64** **0.97#**	**--**	**38.99** **0.97#**	**--**	**--**	**0.08**	**--**	**--**	**--**
FINANCING													
5	The Industrial Promotion and Investment Corporation of Odisha Limited	--	--	--	0.33#	--	0.33#	--	--	--	--	--	--
6	Orissa Rural Housing and Development Corporation Limited	--	163.23	--	--	--	--	--	--	1.72	--	--	--
7	The Odisha Small Industries Corporation Limited	--	--	--	--	--	--	--	20.00	--	--	--	--
	Sector wise total	**--**	**163.23**	**--**	**0.33#**	**--**	**0.33#**	**--**	**20.00**	**1.72**	**--**	**--**	**--**

Sl. No.	Sector and 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@		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Government	Others	Total	Received	Commitment	Loans repayment/ written off	Loans converted in to 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)
MANUFACTURING													
8	The Odisha Mining Corporation Limited	--	--	--	0.08#	--	0.08#	--	--	--	--	--	--
	Sector wise total	**--**	**--**	**--**	**0.08#**	**--**	**0.08#**	**--**	**--**	**--**	**--**	**--**	**--**
POWER													
9	GRIDCO Limited	--	--	--	--	--	--	290.00	2226.50	--	--	--	--
10	Odisha Power Transmission Corporation Limited	43.00	--	--	--	--	--	--	46.87	--	--	--	--
11	Odisha Hydro Power Corporation Limited								80.04				
	Sector wise total	**43.00**	**--**	**--**	**--**	**--**	**--**	**290.00**	**2353.41**	**--**	**--**	**--**	**--**
SERVICE													
12	Odisha State Civil Supplies Corporation Limited	--	--	2414.54	971.15	--	3385.69	--	--	--	--	--	--
	Sector wise total	**--**	**--**	**2414.54**	**971.15**	**--**	**3385.69**	**--**	**--**	**--**	**--**	**--**	**--**
Total A (All sector wise working Government companies)		**43.00**	**163.23**	**2416.89**	**1007.79** **1.38#**	**--**	**3424.68** **1.38#**	**290.00**	**2373.41**	**1.80**	**--**	**--**	**--**
B. Working Statutory Corporations													
FINANCING													
1	Odisha State Financial Corporation	--	--	--	0.84 0.64#	0.13	0.97 0.64#	--	--	--	--	--	--
	Sector wise total	**--**	**--**	**--**	**0.84** **0.64#**	**0.13**	**0.97** **0.64#**	**--**	**--**	**--**	**--**	**--**	**--**
SERVICE													
2	Odisha State Road Transport Corporation	--	--	--	1.60	--	1.60	--	--	--	--	--	--
	Sector wise total	**--**	**--**	**--**	**1.60**	**--**	**1.60**	**--**	**--**	**--**	**--**	**--**	**--**

Sl. No.	Sector and 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@		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Government	Others	Total	Received	Commitment	Loans repayment/ written off	Loans converted in to 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)
MISCELLANEOUS			--										
3	Odisha State Warehousing Corporation	--	--	--	--	--	--	--	--	--	--	--	--
	Sector wise total	--	--	--	--	--	--	--	--	--	--	--	--
Total B (All sector wise working Statutory Corporations)		--	--	--	**2.44 0.64#**	**0.13**	**2.57 0.64#**	--	--	--	--	--	--
Grand Total (A+B)		**43.00**	**163.23**	**2416.89**	**1010.23 2.02#**	**0.13**	**3427.25 2.02#**	**290.00**	**2373.41**	**1.80**	--	--	--
C. Non-working Government companies													
MANUFACTURING													
1	Orissa State Handloom Development Corporation Limited	--	--	--	0.05#	--	0.05#	--	--	--	--	--	--
2	Orissa State Textile Corporation Limited	--	--	--	0.05#	--	0.05#	--	--	--	--	--	--
	Sector wise total	--	--	--	**0.10#**	--	**0.10#**	--	--	--	--	--	--
Total C (All sector wise Non-working Government companies		--	--	--	**0.10#**	--	**0.10#**	--	--	--	--	--	--
Total (A + B+C)		**43.00**	**163.23**	**2416.89**	**1010.23 2.12#**	**0.13**	**3427.25 2.12#**	**290.00**	**2373.41**	**1.80**	--	--	--

@ Figures indicate total guarantees outstanding at the end of the year.
# Grants received during 2011-12 and in case of non-working companies this was towards establishment expenditure, salary, etc.

Annexure 4

Statement showing investment made by State Government in PSUs, whose accounts are in arrears

(Referred to in paragraph 1.24)

(Amount: ₹ in crore)

Sl. No	Name of PSU	Year upto which Accounts finalised	Arrear of accounts in term of years	Paid up capital as per latest finalised accounts (₹ in crore)	Arrear years in which investment received	Investment made by State Government during the years for which accounts are in arrear			
						Equity	Loans	Grants/ Subsidy	Others
A.	**Working Companies**								
1	Orissa Rural Housing and Development Corporation Limited	2007-08	4 years	48.16	2008-09 2009-10 2010-11 2011-12	-- -- -- --	52.52 47.22 47.50 163.23	-- -- -- --	-- -- -- --
2	Odisha State Civil Supplies Corporation Limited	2009-10	2 years	11.03	2010-11 2011-12	-- --	-- --	924.45 971.15	-- --
3	Orissa State Seeds Corporation Limited	2010-11	1 year	2.61	2011-12	--	--	6.64	--
4	Orissa State Cashew Development Corporation Limited	2010-11	1 Year	1.55	2011-12	--	--	0.47	--
5	Odisha Lift Irrigation Corporation Limited	2009-10	2 years	74.73	2010-11 2011-12	-- --	-- --	30.00 30.00	-- --
6	The Agricultural Promotion and Investment Corporation of Orissa Limited	2009-10	2 years	1.10	2010-11 2011-12	-- --	-- --	0.50 0.50	-- --
7	Odisha Power Transmission Corporation Limited	2010-11	1 year	203.07	2011-12	43.00	--	--	--
8	The Industrial Promotion and Investment Corporation of Odisha Limited	2010-11	1 year	83.14	2011-12	-	-	0.33	--
Total A				**425.39**		**43.00**	**310.47**	**1964.04**	--

Sl. No	Name of PSU	Year upto which Accounts finalised	Arrear of accounts in term of years	Paid up capital as per latest finalised accounts (₹ in crore)	Arrear years in which investment received	Investment made by State Government during the years for which accounts are in arrear			
						Equity	**Loans**	**Grants/ Subsidy**	**Others**
B.	**Working Statutory Corporation**								
1	Odisha State Road Transport Corporation	2009-10	2 years	151.44	2010-11 2011-12	-- --	-- --	1.60 1.60	-- --
Total B				**151.44**		**--**	**--**	**3.20**	**--**
Total A+B				**576.83**		**43.00**	**310.47**	**1967.24**	**--**
C.	**Non-working Government companies**								
1	Orissa State Handloom Development Corporation Limited	2003-04	8 years	4.18	2011-12	--	--	0.05	--
2	Orissa State Textiles Corporation Limited	1993-94	18 years	2.62	2007-08 2008-09 2009-10 2010-11 2011-12	-- -- -- -- --	-- -- -- -- --	0.05 0.05 0.06 0.05 0.05	-- -- -- -- --
Total C				**6.80**		**--**	**--**	**0.31**	**--**
Grand Total (A+B+C)				**583.63**		**43.00**	**310.47**	**1967.55**	**--**

Annexure 5

Statement showing financial position of Statutory Corporations

(Referred to in paragraph 1.14)

(Amount: ₹ in crore)

1. Odisha State Financial Corporation			
Particulars	**2009-10**	**2010-11**	**2011-12**
A. Liabilities			
Paid-up capital	381.78	413.48	415.35
Reserve fund and other reserves and surplus	23.79	23.91	24.02
Borrowings:			--
(i) Bonds and debentures	1.27	--	--
(ii) Fixed Deposits	0.12	--	--
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	158.76	136.85	125.61
(iv) Reserve Bank of India	--	--	
(v) Loans from State Government	--	--	
(vi) Loans in lieu of share capital:			
(a) State Government	--	--	
(b) Industrial Development Bank of India	6.22	--	
(vii) Others (subvention from State Government)	--	--	
(viii) Other liabilities and provisions	356.28	305.11	294.14
Total (A)	**928.22**	**879.35**	**859.12**
B. Assets			
Cash and Bank balance	24.99	23.64	25.47
Investments	--	--	
Loans and Advances	371.56	326.15	301.71
Net fixed assets	22.04	22.00	22.56
Other assets	133.87	106.81	108.99
Miscellaneous expenditure (Loss)	375.76	400.75	400.39
Total (B)	**928.22**	**879.35**	**859.12**
C. Capital employed*	**588.76**	**573.09**	**569.61**

2. Odisha State Road Transport Corporation			
Particulars	**2007-08**	**2008-09**	**2009-10**
A. Liability			
Capital (including loan capital and equity capital)	146.44	151.44	151.44
Borrowings (Government)	23.55	23.55	23.55
(Others)	1.30	1.30	1.30
Funds#	2.57	8.53	8.47
Trade dues and other current liabilities (including provisions)	104.61	110.50	109.35
Total (A)	**278.47**	**295.32**	**294.11**
B. Assets			
Gross Block	48.82	55.99	57.50
Less : Depreciation	22.01	25.79	29.30
Net fixed assets	26.81	30.20	28.20
Investment	--	--	

* Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, free reserves, loans in lieu of capital, seed money, debentures (other than those which have been funded specially and backed by investment outside), bonds, deposits and borrowings (including refinance).

Excluding depreciation funds.

Particulars	2007-08	2008-09	2009-10
Current assets, loans and advances	23.64	42.67	49.59
Accumulated losses	228.02	222.45	216.32
Total (B)	**278.47**	**295.32**	**294.11**
C. Capital employed[⊗]	**(-)-54.16**	**(-)37.64**	**(-)31.56**
3. Odisha State Warehousing Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11**
A. Liability			
Paid-up capital	3.60	3.60	3.60
Reserves and surplus	42.76	48.67	54.28
Borrowings	5.42	5.05	--
Trade dues and other current liabilities (including provisions)	26.26	31.86	43.47
Total (A)	**78.04**	**89.18**	**101.35**
B. Assets			
Gross Block	40.74	40.21	35.82
Less : Depreciation	11.12	12.34	13.37
Net fixed assets	29.62	27.87	22.45
Capital works-in-progress	0.02	0,02	0.02
Current assets, loans and advances	48.40	61.29	78.88
Total (B)	**78.04**	**89.18**	**101.35**
C. Capital employed	**51.81**	**57.32**	**57.88**

[⊗] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital

Annexure 6

Statement showing working results of Statutory Corporations

(Referred to in paragraph 1.14)

1.	**Odisha State Financial Corporation**			**(Amount : ₹ in crore)**
Particulars		**2009-10**	**2010-11**	**2011-12**
1.	**Income**			
(a)	Interest on Loans	21.10	15.40	13.42
(b)	Other Income	2.37	10.07	12.61
Total – 1		**23.47**	**25.47**	**26.03**
2.	**Expenses**			
(a)	Interest on long-term and short-term loans	10.79	9.65	8.67
(b)	Provision for non-performing assets	3.66	--	-
©	Other expenses	8.80	14.69	15.88
Total – 2		**23.25**	**24.34**	**24.55**
3.	Profit before tax (1-2)	0.22	1.13	1.48
4.	Prior period adjustment (Income)	(1.58)	0.53	0.96
4.	Provision for tax	--	--	-
5.	Profit/ Loss (-) after tax	1.80	0.60	0.52
6.	Other appropriations	0.36	0.12	0.11
7.	Amount available for dividend	1.44	0.48	0.41
8.	Dividend	--	--	-
9.	**Total return on Capital employed***	**12.59**	**10.26**	**9.19**
10.	**Percentage of return on Capital Employed**	**2.14**	**1.79**	**1.61**
2.	**Odisha State Road Transport Corporation**			
Particulars		**2007-08**	**2008-09**	**2009-10**
Operating				
a)	Revenue	40.56	51.02	54.39
b)	Expenditure	40.15	48.03	51.58
c)	Surplus / Deficit (-)	0.41	2.99	2.81
Non-operating				
a)	Revenue	3.99	5.23	6.26
b)	Expenditure	1.72	1.66	1.62
c)	Surplus / Deficit (-)	2.27	3.57	4.64
Total				
a)	Revenue	44.55	56.25	60.65
b)	Expenditure	41.87	49.69	53.20
c)	Surplus / Deficit (-)	2.68	6.56	7.45

*Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised)

Particulars	2007-08	2008-09	2009-10
d) Prior period adjustment (Income)	(0.22)	-0.99	4.71
e) Surplus / Deficit after Prior period adjustment	2.90	5.57	12.16
Interest on capital and loans	1.11	1.11	1.11
Total return on Capital employed*	4.01	6.68	13.27
Percentage of return on Capital employed	--	--	--
3. Odisha State Warehousing Corporation		**(Amount: ₹ in crore)**	
Particulars	**2008-09**	**2009-10**	**2010-11**
1. Income			
Warehousing Charges	28.52	36.71	37.15
Other income	0.92	1.46	1.40
Total – 1	**29.44**	**38.17**	**38.55**
2. Expenses			
(a) Establishment charges	6.40	6.94	13.22
(b) Other expenses	13.63	18.92	16.38
Total - 2	**20.03**	**25.86**	**29.60**
3. Profit / Loss (-) before tax	9.41	12.31	8.95
4..Prior period adjustment Income /(Expenditure)	(0.08)	(1.88)	(0.14)
5. Provision for tax	3.23	4.18	1.77
6. Profit / Loss (-) after tax	6.26	6.25	7.04
7. Other appropriations	6.30	5.90	5.60-
8. Amount available for dividend	--		
9. Dividend for the year	--		
10. Interest on capital and loans	--		
11. Total return on Capital employed*	**9.49**	**10.43**	**8.81**
12. Percentage of return on Capital employed	**18.32**	**18.19**	**15.22**

*Total return on capital employed represents net profit (including prior period adjustment) before tax plus total interest charged to profit and loss account (less interest capitalised).

Annexure 7

Statement showing voltage-wise capacity additions planned, actual additions and shortfall during five years upto 2011-12

(Referred to in paragraph 2.1.11)

Sl No	Description	2007-08	2008-09	2009-10	2010-11	2011-12
400 KV Sub-Station (Numbers)						
1	At the beginning of the year	1	1	1	1	1
2	Additions Planned for the year	1	0	0	0	0
3	Actual Additions during the year	0	0	0	0	0
4	At the end of the year **(1+3)**	1	1	1	1	1
5	Shortfall in Additions (2-3)	1	0	0	0	0
400 KV Transfermers Capacity(MVA)						
1	At the beginning of the year	842.5	842.5	842.5	1472.5	1472.5
2	Additions/augmentation Planned for the year	1260	1260	1260	630	630
3	Actual Additions during the year	0	0	630	0	0
4	Capacity at the end of the year **(1+3)**	842.5	842.5	1472.5	1472.5	1472.5
5	Shortfall in Additions/augmentation (2-3)	1260	1260	630	630	630
400 KV Lines (CKM)						
1	At the beginning of the year	442.703	442.703	442.703	446.103	521.935
2	Additions Planned for the year	673.4	673.4	673.4	745.832	670
3	Actual Additions during the year	0	0	3.4	75.832	0
4	At the end of the year **(1+3)**	442.703	442.703	446.103	521.935	521.935
5	Shortfall in Additions (2-3)	673.4	673.4	670	670	670
220 KV Sub-Station (Numbers)						
1	At the beginning of the year	15	17	17	17	17
2	Additions Planned for the year	2	1	1	0	2
3	Actual Additions during the year	2	0	0	0	0
4	At the end of the year **(1+3)**	17	17	17	17	17
5	Shortfall in Additions (2-3)	0	1	1	0	2
220 KV Transformers Capacity(MVA)						
1	At the beginning of the year	3416	3796	4116	4418.5	4758.5
2	Additions/augmentation Planned for the year	1092.5	1712.5	1965	1750	1942.5
3	Actual Additions during the year	380	320	302.5	340	322.5
4	At the end of the year **(1+3)**	3796	4116	4418.5	4758.5	5081
5	Shortfall in Additions/augmentation (2-3)	752.5	1472.5	1702.5	1422.5	1620
220 KV Lines (CKM)						
1	At the beginning of the year	4284.747	4751.842	4981.772	4981.772	5368.478
2	Additions Planned for the year	1247.126	780.031	550.101	565.027	202.821
3	Actual Additions during the year	467.095	229.93	0	386.706	117.847
4	At the end of the year **(1+3)**	4751.842	4981.772	4981.772	5368.478	5486.325
5	Shortfall in Additions (2-3)	780.031	550.101	550.101	178.314	84.974
132 KV Sub-Station (Numbers)						
1	At the beginning of the year	65	68	69	77	79
2	Additions Planned for the year	5	3	10	13	15
3	Actual Additions during the year	3	1	8	2	3
4	At the end of the year **(1+3)**	68	69	77	79	82

Sl No	Description	2007-08	2008-09	2009-10	2010-11	2011-12
5	Shortfall in Additions (2-3)	2	2	2	11	12
132 KV Transfermers Capacity(MVA)						
1	At the beginning of the year	2899	2899	2846.5	2941.5	3364
2	Additions/augmentation Planned for the year	160	760	1270	1547.5	1217.5
3	Actual Additions during the year	0	-52.5	95	422.5	345
4	At the end of the year **(1+3)**	2899	2846.5	2941.5	3364	3709
5	Shortfall in Additions/augmentation (2-3)	120	732.5	1135	1112.5	872.5
132 KV Lines (CKM)						
1	At the beginning of the year	4759.392	4870.307	4885.783	5117.163	5262.173
2	Additions Planned for the year	226.025	130.586	330.413	482.61	449.203
3	Actual Additions during the year	110.915	15.476	231.38	145.01	25.53
4	At the end of the year **(1+3)**	4870.307	4885.783	5117.163	5262.173	5287.703
5	Shortfall in Additions (2-3)	115.11	115.11	99.033	337.9	423.673

*** Out of 82 Nos of 132 KV SSs, 4 have been upgraded to 220 KV SSs and out of 17 Nos of 220 KV SSs 1 has been upgraded to 400 KV**

Annexure 8

Statement showing the delay in execution of works, reasons and effect of delay

(Referred to in paragraph 2.1.13)

								Reasons for Delay										Non-achievement of Financial benefits (₹ in crore)				
Sl No.	**Name of the works**	**Value of work order (Rupees in crores)**	**Scheduled date of commencement**	**Actual date of commencement**	**Scheduled date of completion**	**Actual date of completion**	**Delay in number of months**	**Delay in handing over of site**	**Delay in Awarding of Work**	**Delay in Acquisition of Land**	**RoW Problems**	**Delay in PTCC& Forest Clearance**	**Delay due to Change in Scope of Work**	**Delay in Supply/ Installation of Transformer**	**Delay on the part of the Contractor**	**Execution without any Detail Survey**	**Others**	**Investment of Fund***	**Loss of interest @ 10.9 percent per annum$**	**Loss of Projected Revenue (additional power and reduction in system loss)#**	**Cost overrun/ Additional/ Excess Expenditure&**	**Avoidable Expenditure/ consultancy fees@**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**
A. Completed works																						
1	20 MVA, 220/33 SKV SS at Balimela	14.47	Oct-05	Jan-06	Oct-06	Sep-08	20	1					1	1							5.22	
2	132/33 SS at Karanjia	17.63	Mar-06	Dec-06	Jun-08	Oct-09	15	1	1					1						4.96		
3	132/33 KV SS at Basta	12.40	Mar-06	Apr-07	Oct-08	Mar-10	16		1				1	1	1		Delay in selection of site			16.08		
4	132/33 KV SS at Barapalli	12.69	Mar-06	Dec-06	Jun-08	Jan-10	18							1	1					4.78		
5	2x20 MVA, 132/33 S/s at Anandapur	22.28	Jan-08	Jun-08	Jun-10	Sep-10	2		1	1	1									0.78		

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
6	Meramundali-Mendhasal 400 KV DC line				Jun-99	Jan-10	126				1	1					Delay due to pile foundation in river Mahanadi	41.51	6.30		23.76	
7	Budhipadar-Bolangir 220 KV DC Line				Sep-02	Jul-11	105										Failure to safeguard the line	26.72	14.18	15.05	46.09	4.82
8	220 KV/Indravati-Theruvali				Sep-01	May-07	67					1	1			1		30.52	9.26		15.19	2.65
9	220 KV/LILO Bhanjanagar-Chandaka				Mar-01	Jan-08	69					1	1			1		1.90	0.43			
10	220 KV/Narendrapur-Chandaka				Mar-01	Jan-08	81					1	1			1		3.78	0.86			
11	220 KV/Duburi New- Duburi-Old				Sep-01	Jul-05	45									1						
12	132 KV/Badagada-Uttara				Sep-99	Mar-10	125						1			1	Due to preparation of bid documents based on inadequate information				1.45	2.84
13	132 KV/Uttara-Sijua				Sep-99	Sep-09	119						1			1						
14	132 KV/Hirakud-Burla				Mar-01	Jan-10	105						1			1		44.13	5.74			
15	132 KV/Hirakud-Chipilima				Mar-01	Apr-07	72						1			1						
16	132 KV/LILO Phulnakhara-Mancheswar-Burla				Apr-01	Mar-09	94						1			1		7.44	3.63			
17	132 KV/LILO Chainpal-Dhenkanal				Mar-01	Nov-07	79						1			1						

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
18	132 KV/LILO Chainpal-Choudwar				Mar-01	Nov-07	79						1			1						
								2	**3**	**1**	**2**	**4**	**12**	**4**	**2**	**11**		**156.00**	**40.40**	**41.65**	**91.71**	**10.31**
	B. Ongoing Works																					
1	400 KV Ib-Meramundali Transmission line	103.00	Nov-10	Nov-10	Nov-12	In progress	24**				1							111.00	55.50	332.18	37.24	
2	400 KV Duburi-Meramundali Transmission line	77.25	Apr-06	Apr-06	Sep-08	In progress	46				1	1			1			42.07	27.51	274.36	35.56	12.79
3	220 KV DC line from Mendhasal to Bidanasi				Oct-99	In progress	153				1				1						0.41	
4	132 KV/Bidanasi-Cuttack				Mar-01	In progress	136						1			1		4.39		0.99		
5	132 KV/Mancheswa-Badagada				Sep-99	In progress	154						1			1		6.69	3.84			
6	Nuapada	159.67	Dec-08	Jun-09	Jun-12	In progress	1	1		1	1	1			1		Defective Agreement	8.37	0.72	1.00	0.64	21.53
7	Dabugaon						1	1		1	1	1			1							
8	Padampur						1	1		1	1	1			1							
9	Kuchinda						1	1		1	1	1			1							
10	Bhawanipatna						1	1		1	1	1			1							
11	Boudh						1	1		1	1	1			1							
								6		**6**	**9**	**7**	**2**	**0**	**8**	**2**		**172.52**	**87.57**	**608.53**	**73.85**	**34.32**
																		328.52	**127.97**	**650.18**	**165.56**	**44.63**
								8	**3**	**7**	**11**	**11**	**14**	**4**	**10**	**13**		**17**	**16**	**14**	**21**	**19**

* Pertains to works Sl. No.A-6, 7, 8, 9, 10, 14, 16 & B-1, 2, 4, 5, 6 to 11

$ Pertains to works at Sl. No.A-6, 7, 8, 9, 10, 11, 12 & B-1, 2, 5, 6 to 11

\# Pertain to works at Sl. No. A-2, 3, 4, 5, 7 & B-1, 2, 4, 6 to 11

& Pertain to works at Sl. No. A-1, 2, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18 & B-1, 2, 3, 6 to 11

@ Pertain to works at Sl. No. A-7, 8, 9, 10, 11, 12 to 18 & B-2, 6 to 11

** Delay in taking revival action from February 2005 to February 2007

Annexure 9

Statement showing Paragraphs/Performance Audit for which explanatory notes were not received as on 30 September 2012

(Referred to in paragraph 3.19.1)

Sl. No.	Name of the Department	1999-2000	2001-02	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total
1.	Industries	--	1	--	1	--	--	5	2	3[1]	6	**18**
2.	Public Enterprises	--	--	2	1	2	1	--	--	--	--	**6**
3.	Energy	--	--	--	--	--	2	7	5[2]	1	--	**15**
4.	Commerce and Transport	1	--	--	--	--	--	--	1	1	--	**3**
5.	Water Resources	--	--	--	--	--	--	--	-	1	--	**1**
6.	Works	--	--	--	--	--	1	--	--		--	**1**
7.	Tourism and Culture	--	--	--	--	--	1	--	--	1	--	**2**
8.	Agriculture	--	--	--	--	--	1	--	--	1[3]	--	**2**
9	Excise	--	--	--	--	--	--	1	--		2[4]	**3**
10	Food Supplies and Consumer Welfare	--	--	--	--	--	--	1	2		1	**4**
11	Housing and Urban Development	--	--	--	--	--	--	--	--	1	--	**1**
12	Steel and Mines	--	--	--	--	--	--	--	--	--	3	**3**
13	Home	--	--	--	--	--	--	--	--	--	1	**1**
14	Forest and Environment	--	--	--	--	--	--	--	--	--	2	**2**
	Total	**1**	**1**	**2**	**2**	**2**	**6**	**14**	**10**	**9**	**15**	**62**

[1] Includes one part para relating to Steel & Mines Department
[2] Includes one part para relating to Food Supplies & Consumer Welfare Department
[3] Includes one part para relating to Home Department
[4] Includes one part para relating to Steel & Mines Department

Annexure 10

Statement showing department-wise outstanding Inspection Reports as on 30 September 2012

(Referred to in paragraph 3.19.3)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which Paragraphs outstanding
1.	Industries	10	48	174	2005-06 to 2011-12
2.	Steel and Mines	3	19	66	2008-09 to 2011-12
3.	Home	1	3	10	2005-06, 2009-10, 2011-12
4.	Housing and Urban Development	1	7	44	2005-06 to 2011-12
5.	Excise	1	2	21	2010-11, 2011-12
6.	Commerce and Transport	2	29	144	2004-05 to 2011-12
7.	Tourism and culture	1	3	4	2008-09, 2010-11, 2011-12
8.	Energy	6	150	466	2004-05 to 2011-12
9.	Water Resources	2	9	57	2006-07 to 2011-12
10.	Fisheries and Animal Resources Development	1	3	12	2008-09 to 2010-11
11.	Agriculture	4	14	63	2004-05, 2008-09 to 2011-12
12.	Works	1	7	27	2004-05,2005-06, 2007-08 to 2011-12
13.	Co-operation	1	4	13	2007-08, 2009-10 & 2011-12
14.	Food Supplies and Consumer Welfare	1	134	402	2004-05 to 2009-10, 2011-12
15.	Forest and Environment	1	4	9	2007-08 to 2009-10, 2011-12
16.	Information and Technology	1	2	13	2007-08, 2009-10
	TOTAL	**37**	**438**	**1525**	

Annexure 11

Statement showing department-wise Draft Paragraphs/Performance Audit reply to which are awaited (31 December 2012)

(Referred to in paragraph 3.19.3)

Sl. No.	Name of the Department	No. of draft paragraphs	No. of Performance Audit	Period of issue
1.	Excise	1		July 2012
2.	Water resources		1	September 2012
3.	Steel & Mines	1		October 2012
	Total	**2**	**1**	

Glossary of Abbreviations

Sl. No.	Abbreviation	Description
1	ABT	Availability Based Tariff
2	AC	Audit Committee
3	AoR	Analysis of Rates
4	ARR	Annual Revenue Requirement
5	ATE	Appellate Tribunal of Electricity
6	BBPP	Bus Bar Protection Panel
7	BDI	Backing Down Instructions
8	BoD	Board of Directors
9	CAG	Comptroller and Auditor General of India
10	CEC	Central Empowered Committee
11	CERC	Central Electricity Regulatory Commission
12	CGPs	Captive Generating Plants
13	Ckm	Circuit Kilometer
14	COPU	Committee on Public Undertakings
15	CTU	Central Transmission Utility
16	DG	Diesel Generator
17	DGA	Dissolved Gas Analysis
18	DISCOMs	Distribution Companies
19	DM	Disaster Management
20	DoWR	Department of Water Resources
21	DPRs	Detailed Project Reports
22	DSCOCC	Distribution System Operation Control Centres
23	EASSC	Energy Accounting and Settlement System Centre
24	EBC	Energy Billing Centre
25	EHT	Extra High Tension
26	ERLDC	Eastern Region Load Despatch Centre
27	ERP	Enterprise Resource Planning
28	GoO	Government of Odisha
29	HLT	Hot Line Technique
30	Hz	Hertz
31	IEGC	Indian Electricity Grid Code
32	IPPs	Independent Power Producers
33	JV	Joint Venture
34	KV	Kilo Volt
35	LAO	Land Acquisition Officer
36	LTOA	Long Term Open Access
37	MAT	Minimum Alternate Tax
38	MCDR	Mineral Conservation and Development Rules
39	MCL	Mahanadi Coalfields Limited

Sl. No.	Abbreviation	Description
40	MoC	Ministry of Coal
41	MoEF	Ministry of Environment and Forests
42	MoU	Memorandum of Understanding
43	MPRs	Monthly Progress Reports
44	MRI	Meter Reading Instruments
45	MTPC	Manual of Transmission Planning Criteria
46	MVA	Mega Volt Ampere
47	MVAR	Mega Volt Ampere Reactive
48	NEP	National Electricity Plan
49	OEM	Original Equipment Manufacturer
50	OERC	Odisha Electricity Regulatory Commission
51	OGC	Orissa Grid Code
52	OPWD	Odisha Public Works Department
53	OVAT	Orissa Value Added Tax
54	PERT	Programme Evaluation and Review Technique
55	PF	Power Factor
56	PGCIL	Power Grid Corporation of India Limited
57	PLTC	Project Level Technical Committee
58	PPA	Power Purchase Agreement
59	PRDC	Power Research Development Corporation Private Limited
60	PSUs	Public Sector Undertakings
61	R&M	Repair and Maintenance
62	R&R	Rehabilitation and Resettlement
63	RTC	Round The Clock
64	RTUs	Remote Terminal Units
65	SARs	Separate Audit Reports
66	SCADA	Supervisory Control and Data Acquisition
67	SLDC	State Load Despatch Centre
68	SoRs	Scheduled of Rates
69	SS	Sub-Station
70	STDs	Short term deposits
71	STU	State Transmission Utility
72	T&D	Transmission and Distribution
73	TDS	Tax Deducted at Source
74	TFC	Task Force Committee
75	TLL	Thermal Loading Limit
76	TOR	Terms of Reference
77	UI	Unscheduled Interchange
78	VAR	Volt Ampere Reactive
79	VAT	Value Added Tax
80	VRS	Voluntary Retirement Scheme

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