

Overview

1. Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. 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 2014, the State of Odisha had 38 working PSUs (35 Companies and 3 Statutory Corporations) and 28 non-working PSUs (all Companies), of which working PSUs employed 0.20 lakh employees. Working PSUs registered a turnover of ₹15,949.82 crore for 2013-14 as per their latest finalised accounts as on 30 September 2014. This turnover was equal to 5.53 per cent of State GDP indicating an important role played by State PSUs in the economy. Working PSUs earned an aggregate profit of ₹1,891.60 crore for 2013-14 and had accumulated profit of ₹2,763.57 crore as on 31 March 2014.

Investment in PSUs

As on 31 March 2014, investment (capital and long term loans) in 66 PSUs was ₹10,662.02 crore. It increased by 33.27 per cent from ₹8,000.29 crore in 2008-09 to ₹10,662.02 crore in 2013-14. Increase in investment was mainly due to increase in capital and loan in power sector. Share of investment in power sector marginally increased from 76.27 per cent in 2008-09 to 81.58 per cent in 2013-14.

Performance of PSUs

During 2013-14, out of 38 working PSUs, 27 PSUs earned profit of ₹1,945.53 crore and seven PSUs incurred loss of ₹53.93 crore as per their latest finalised accounts as on 30 September 2014. One PSU prepared its accounts on 'no profit no loss' basis while three PSUs have not yet started their operation/commercial production. Major contributors to profit were The Odisha Mining Corporation Limited (₹1,449.95 crore), Odisha Power Generation Corporation Limited (₹183.82 crore), Odisha State Beverages Corporation Limited (₹97.81 crore) and GRIDCO Limited (₹41.93 crore). Heavy losses were incurred by Orissa Rural Housing and Development Corporation Limited (₹31.71 crore) and IDCOL Ferro Chrome and Alloys Limited (₹12.85 crore).

Losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' (2011-14) Audit Reports of the CAG reflect losses to the extent of ₹ 13,185.05 crore and infructuous investments of ₹17.37 crore by State PSUs.

Quality of accounts

Quality of accounts of PSUs needs improvement. All 38 accounts finalised during October 2013 to September 2014 received qualified certificates from Statutory Auditors. There were 65 instances of non-compliance with Accounting Standards in 26 accounts. Reports of Statutory Auditors on internal control of companies indicated several weak areas.

Arrears in accounts and winding up

Twenty Seven working PSUs had arrears of 47 accounts as of 30 September 2014, of which 20 accounts pertained to earlier years and the remaining were 2013-14 accounts. There were 28 non-working PSUs including 17 under liquidation. Government may expedite closing down non-working PSUs for which closure/liquidation orders were already issued and for balance PSUs take appropriate action after exercising due diligence.

(Chapter 1)

2. Performance Audit relating to Government Companies

Performance Audit relating to “Activities of Odisha Tourism Development Corporation Limited and Department of Tourism, Government of Odisha in promoting tourism in the State” and “Activities of Odisha Pisciculture Development Corporation Limited and Fisheries and Animal Resources Development Department in developing fisheries sector in the State” were conducted. Executive summary of the Audit findings are given below:

Activities of Odisha Tourism Development Corporation Limited and Department of Tourism, Government of Odisha in promoting tourism in the State

Odisha Tourism Development Corporation Limited (OTDC) was incorporated in September 1979 as a wholly owned Government Company pursuant to Government of Odisha (GoO) resolution of 27 March 1979. As per the above resolution, while Department of Tourism (DoT) of GoO is responsible for policy planning, project evaluation, promotion and publicity of tourism etc., OTDC is responsible for providing accommodation to tourists, developing places of tourist interest, providing transport services to tourists, creating different facilities for the interest and convenience of tourists and adopting methods and devices necessary to attract tourists in large numbers. Performance Audit was conducted to assess activities of OTDC and DoT in promoting tourism in the State. As of March 2014, OTDC had 20 tourist hotels alongwith facilities like catering, surface transport, restaurant, air ticketing, bars and beer parlours and DoT had 17 Panthasalas.

Planning for Projects

Odisha Tourism Policies formulated by GoO did not spell out the role of OTDC for implementation of the policies/projects. No long-term perspective plan/corporate plan was prepared by GoO or OTDC for development of tourism in the State. Though, GoO identified 336 tourist centres in the State, no master plan was prepared for sustainable development of these tourist centres.

Physical and Financial Performance

State’s share of foreign tourists was below one per cent of the tourists who visited India. Due to inadequate facilities, out of 429.98 lakh tourists who visited the State during 2009-14, only 5.60 lakh stayed in the accommodation units of DoT/OTDC. As per overall country tourism statistics, State’s national rank for attracting domestic tourists reduced from 17th in 2010 to 19th in 2012.

From Budgeted Plan allocation of ₹257.18 crore for DoT during 2009-14, an amount of ₹251.48 crore though stated as spent, ₹58.51 crore was lying with OTDC. For want of Administrative Approvals and non-availability of land, ₹22.33 crore released to OTDC for execution of 26 works remained unutilised. OTDC misused ₹26.02 crore, interest accrued on project fund of Central/State sponsored projects.

Implementation of Tourism Projects

Out of 21 Centrally Sponsored Projects (CSPs) of 11th Plan period, OTDC could execute works valued at ₹74.95 crore as of March 2014 and completed three works only with a delay of 41 to 68 months. Ongoing projects were also delayed upto 71 months. In 13 projects, GoO dropped project components of ₹15.32 crore due to non-availability of suitable land and want of forest clearance. Due to non-completion of CSPs, GoO refunded ₹24.59 crore and diverted ₹21.95 crore from the State budget to complete balance work. The State sacrificed Central Financial Assistance of ₹37.42 crore for five projects due to non-submission of Utilisation Certificate (UC). In absence of any time limit for execution, 43 State Sponsored Projects (₹29.30 crore) had not commenced as of July 2014.

Tourism Projects under PPP mode

Development of tourism projects in the State under PPP mode was ineffective due to lack of commercial viability study. Even after lapse of 18 years, GoO failed to develop required infrastructure despite incurring an expenditure of ₹35.13 crore for development of Shamuka Beach project.

Operational Performance

DoT incurred a loss of ₹7.90 crore in operation of Panthasalas. Three out of twenty hotels of OTDC incurred continuous losses during 2009-14 and only 1 to 4 hotels could achieve the National average of occupancy. Non achievement of targeted food cost ratio resulted in excess consumption of raw material valued at ₹1.94 crore. OTDC could utilise 43.13 to 62.26 per cent of available days of operation of its tourist buses and incurred a loss of ₹4.35 crore during 2009-14. Operation of Hop on Hop off bus service on Public Private Partnership mode was also failed for which OTDC sustained loss of ₹1.05 crore. There was low utilisation of big boats (48.60 to 50.41 per cent) and floating restaurant (4.49 per cent) at Barkul.

Marketing Strategy and Business Promotion

Despite spending ₹17.87 crore during 2009-14 towards promotion and publicity at international level, flow of foreign tourists to State did not increase significantly. Upgradation of three Panthanivases into 3-Star Hotels did not come up so far.

Project Monitoring and Internal control

Deficient monitoring and internal control system of DoT/OTDC resulted in delayed/non-execution of tourist projects, low operational performance and inadequate promotion of tourism.

Recommendations

Performance Audit contains recommendations to prepare a strategic corporate plan defining the role and activities as per the tourism policy; create a credible database to assess return on investment in tourism sector; develop a suitable mechanism to monitor and oversee utilisation of Central/State assistance towards completion of projects in a time bound manner; and adopt effective marketing and publicity practices to improve State's national rank in tourist attraction.

(Chapter 2.1)

Activities of Odisha Pisciculture Development Corporation Limited and Fisheries and Animal Resources Development Department in developing fisheries sector in the State

Odisha Pisciculture Development Corporation Limited (OPDC) was incorporated as a wholly owned Government Company in May 1998 with the main objective of production and sale of quality fry/fingerlings and development of pisciculture, manufacturing and trading of fishing net, retailing of high speed diesel, motor spirit and lubricants. Fisheries potential in Odisha is 6.61 lakh MT per annum from Inland Sector (fresh water: 4.33 lakh MT, brackish water : 0.67 lakh MT) and Marine Sector (1.61 lakh MT). About 10.84 lakh population (2.95 per cent) depends upon fisheries for their livelihood.

Planning

Against budget allocation of ₹342.25 crore for Fishery Sector by GoO under State Plan (₹178.56 crore), Centrally Sponsored Plan (₹150.81 crore) and Central Plan (₹12.88 crore) during 2009-14, Fisheries and Animal Resources Development Department (FARD) surrendered ₹188.75 crore (55 per cent) which ranged from 17 to 78 per cent during this period. Surrender was mainly due to non/partial implementation of scheme works.

Implementation of Programmes/Schemes

Due to non/poor execution of different central schemes, FARD had to surrender ₹14.59 crore and also could not avail ₹92.10 crore further central assistance.

Fish Seed Production

There was shortfall in production of 17,110 lakh spawn and 5,245 lakh fry for which OPDC sustained loss of revenue of ₹11.60 crore. Against the target for development of 4,330 Ha land for brackish water aquaculture, only 2,313 Ha was developed. During 2009-14 there was shortfall in production of 7,580 MT shrimp valued at ₹163.32 crore and 0.38 lakh MT marine fish valued at ₹202.06 crore.

Welfare activities for fishermen

During 2009-14, though ₹6.63 crore was available under Saving-cum-Relief Scheme which intended to provide sustenance to 78,000 fishermen in lean period, ₹3.21 crore remained unutilised due to non-identification of eligible beneficiaries. Further, during 2009-13 due to delay in completion of low cost houses, 5,634 fishermen were deprived of availing financial assistance of ₹28.65 crore.

Infrastructure

Though National Fisheries Development Board sanctioned ₹11.65 crore for upgradation and modernisation of seven Fishing Harbours/Fish Landing Centres to provide infrastructure facilities, only one of them was completed. Construction of FLC at Balugaon remained incomplete after lapse of 11 years leading to cost overrun of ₹2.83 crore (120 per cent). Further, due to non-finalisation of land, construction of fishing harbour at Balasore District is yet to commence. Due to non-utilisation of machine hours and shortage of staff/power/working capital, there was shortfall in production of fishing net for which OPDC sustained potential revenue loss of ₹7.03 crore. In absence of estimates for reconstruction/restoration of fish firms, ₹10 crore availed from Special Relief Commissioner was refunded.

Financial Management

Against targeted lease value and royalty of ₹5.32 crore, FARD realised ₹1.85 crore only from Primary Fishermen Co-operative Societies during 2009-14. Interest earned on scheme funds of ₹1.81 crore accrued in bank accounts remained idle without refund or adjustment.

Monitoring and Control

There was deficient monitoring and internal control system with FARD/OPDC.

Recommendations

Performance Audit contains four recommendations on need to prepare realistic budget to avoid surrender of allocation; implement central schemes/programmes in time to boost pisciculture; effectively implement welfare programmes/schemes for social upliftment of fishers; and strengthen monitoring and internal control mechanism.

(Chapter 2.2)

3. Compliance Audit Observations

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

One PSU incurred avoidable expenditure of ₹ 148.72 crore due to non-compliance with rules, directives, procedures and terms and conditions of contracts.

(Paragraph 3.3)

Two PSUs suffered loss of ₹ 53.92 crore due to non-safeguarding financial interests of organisations.

(Paragraphs 3.4, 3.5 and 3.9)

One PSU lost the opportunity of availing exemption of ₹ 15.07 crore and another PSU incurred wasteful expenditure of ₹ 1.21 crore due to defective/deficient planning.

(Paragraphs 3.2 and 3.8)

One PSU extended undue benefit of ₹ 2.67 crore to contractors due to lack of fairness, transparency and competitiveness in operations.

(Paragraphs 3.6 and 3.7)

One PSU incurred avoidable extra expenditure of ₹ 24.10 crore due to inadequate/deficient monitoring.

(Paragraph 3.1)

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

Odisha Hydro Power Corporation Limited incurred avoidable extra expenditure of ₹ 24.10 crore due to short drawal of 57.764 MU low cost hydro power and failed to seek exemption from payment of licence fees of ₹ 15.07 crore (as a total) on use of water.

(Paragraphs 3.1 and 3.2)

Non adherence to the provisions of FC Act by **The Odisha Mining Corporation Limited** resulted in avoidable payment of ₹ 148.72 crore towards penal Net Present Value and Compensatory Afforestation apart from blocking of iron ore costing ₹ 23.90 crore.

(Paragraph 3.3)

Injudicious decision of **The Odisha Mining Corporation Limited** to adopt “price inclusive of royalty” coupled with absence of safety clause in the sales contracts for recovery of differential royalty resulted in loss of ₹ 49.84 crore.

(Paragraph 3.4)

Absence of enabling clause to safeguard the financial interest deprived **The Odisha Mining Corporation Limited** of earning additional revenue of ₹ 3.01 crore.

(Paragraph 3.5)

Acceptance of allotment of an inappropriate land with subsequent decision for amendment of scope of contract led to wasteful expenditure of ₹ 1.21 crore by **Odisha Power Transmission Corporation Limited**.

(Paragraph 3.8)