Chapter III

3. Compliance Audit Observations

Important audit findings emerging from test check of transactions of the State Government Companies/Statutory Corporations are included in this Chapter.

Government Companies

Odisha Hydro Power Corporation Limited

3.1 Deficient monitoring

Failure of OHPC to monitor the drawal of State's share of power led to short drawal of low cost hydro power and subsequent purchase of power at higher cost by GRIDCO resulting in avoidable extra expenditure of ₹ 24.10 crore.

Machhakund Hydro Electric Project (MHEP) is a joint scheme of Government of Andhra Pradesh (GoAP) and Government of Odisha (GoO) with 70 *per cent* and 30 *per cent* share respectively with option of GoO to draw an additional 20 *per cent* power at a cost of ₹ 0.08 per unit as per the interstate supplementary agreement (December 1978) between both the States. MHEP has an installed capacity of 114.5 MW and design energy of 525 MU. Consequent upon unbundling of erstwhile Orissa State Electricity Board, the management of share of GoO in MHEP was transferred (March 1997) to Odisha Hydro Power Corporation Limited (OHPC). GRIDCO Limited (GRIDCO) procures the MHEP power from OHPC and supplies the same to the power distribution companies.

It was decided (09 February 2010) by the power sector companies of both the States that monthly reconciliation and adjustment of energy drawal would be made by both the States and the day ahead availability from MHEP would be made available to State Load Despatch Centre (SLDC)/OHPC every day.

Audit observed the following:

- During 2009-14 (upto October 2013) as against total net generation of 2,472.272 MU by MHEP, 1,178.372 MU power had been drawn against GoO's share of 50 *per cent* (1,236.136 MU) leaving a shortfall of 57.764 MU.
- Monthly reconciliation/adjustment of any over drawal/under drawal of power by Odisha as agreed (09 February 2010) upon was not done during this period.
- In absence of monitoring mechanism by OHPC, GRIDCO had to purchase power at higher rates ranging from ₹ 2.92 to ₹ 4.59 per unit and incurred additional expenditure of ₹ 24.10 crore as detailed in **Annexure 11**.

Government while endorsing views of Management stated (August 2014) that energy drawal by Odisha upto 50 *per cent* out of day to day available generation from MHEP is the responsibility of GRIDCO, OPTCL and SLDC.

Reply is not acceptable, since OHPC, being the managing agent of the State for MHEP, should have monitored the day ahead availability of State's share of power so as to draw full quantum of low cost hydro power from MHEP.

Thus, short drawal of 57.764 MU low cost hydro power and subsequent purchase of power at higher cost by GRIDCO resulted in avoidable extra expenditure of ₹ 24.10 crore.

3.2 Non-availment of exemption

The Company failed to seek exemption from payment of licence fees of ₹ 15.07 crore (total) on use of water

Odisha Hydro Power Corporation Limited (Company), a hydro power generating company of the State, supplies its entire power to GRIDCO for onward supply to the end users and in turn gets its expenses reimbursed from GRIDCO.

The Company was availing exemption from payment of water cess on the volume of water used by them for generation of electricity pursuant to notification (29 January 2003) of Department of Energy (DoE) of Government of Odisha (GoO). Subsequently, the Orissa Irrigation (Amendment) Rules, 2010 notified on 01 October 2010, provided for levy and collection of licence fees for water used for hydro power generation at ₹ 0.01 per KWH. However, Rule 23A(4) provides that the State Government may grant total or partial exemption from payment of licence fees for any specified period in the interest of industrial or commercial developments in the State subject to application made in this regard.

Audit observed that, though Rule 23A(4) provides for exemption from payment of licence fee subject to submission of an application in this regard, no application was made by the Company for seeking such exemption. Further, Consumer Counsel and Director (Tariff), OERC during the hearing of ARR and tariff filing (Case No.143/2010) of the Company for 2011-12 pointed out (February 2011) that the Company is a Government owned Corporation and the water is used for non-consumptive purpose, the State Government may waive the licence fees for the Company in order to minimise its impact on end consumer tariff. Company paid ₹ 15.07 crore to GoO as licence fees for use of water for generation of electricity during the period from October 2010 to August 2013 and got reimbursement of the same from GRIDCO through its Annual Revenue Requirement (ARR). Had the Company applied for exemption and availed the same, the expenditure borne by GRIDCO could have been avoided.

Government stated (August 2014) that there was no scope for the Company, being a 100 *per cent* Government owned Company, to disobey the Government decision under notification of October 2010 and apply for exemption from payment of license fees for any specific period on use of water for generation.

But the Company could have applied for exemption under Rule 23A(4) of the Orissa Irrigation (Amendment) Rules, 2010.

Thus, the Company lost the opportunity of availing exemption from payment of licence fees of ₹ 15.07 crore **(**as a total**)** during the period from October 2010 to August 2013 as per the provisions of the Orissa Irrigation (Amendment) Rules, 2010.

The Odisha Mining Corporation Limited

3.3 Avoidable payment

Non adherence to the provisions of FC Act resulted in avoidable payment of ₹ 148.72 crore towards penal NPV and CA apart from blocking of iron ore valuing ₹ 23.90 crore

As per Section 2 (ii) of Forest (Conservation) Act, 1980 (FC Act), which came into force from 25 October 1980, prior approval of Ministry of Environment and Forests (MoEF) of Government of India (GoI) is required for use of forest land for non-forest purpose. Government of Odisha (GoO) leased (April 1967) 50.59 hectares (Ha.) of forest land known as Daitari Extension Area (DEA) to The Odisha Mining Corporation Limited (Company) for a period of 30 years to create infrastructure facilities for Daitari iron ore mines of the Company located in its vicinity. Due to enhancement of production and for facilitating mining operation, the Company further utilised 199.378 Ha. forest land outside the leasehold area for allied activities. Thus, total area of 249.968 Ha. forest land was in continuous use of the Company. Though it was required to obtain approval of MoEF, the same was not done till January 2014 and mining operation continued. Mining squad headed by Mining Officer, Jajpur Road while visiting Baliparbata Stockyard of the Company, found stacking of iron ore outside lease area, for which Deputy Director Mines, Jajpur Road (DDM) issued (24 August 2011) a show cause notice. Subsequently, after visit (25 to 27 August 2011) of State Level Enforcement Squad, DDM did not issue stack removal permission. The Company stopped dumping of minerals at the stack yard from 01 October 2011 and obtained (January 2014) stage-1 approval of MoEF for diversion of 249.968 Ha forest land. MoEF also directed GoO to realise penal Net Present Value (NPV) and Compensatory Afforestation (CA) for utilisation of forest land for non-forestry purposes without obtaining prior approval as required under FC Act. Accordingly, on the claim

(February/March 2014) of GoO, the Company paid (March 2014) ₹ 148.72 crore towards penal NPV (₹ 143.45 crore[62]) and CA (₹ 5.27 crore).

Audit noticed that illegal dumping of 5.56 lakh MT of iron ore at Baliparbata stack yard, blocked ₹ 23.90 crore since September 2011, which included 1.59 lakh MT dumped even after intimation (24 August 2011) by DDM.

Government stated (October 2014) that the diversion proposal was pending with the State Government.

Thus, non-adherence to the provisions of FC Act by the Company resulted in avoidable payment of ₹ 148.72 crore towards penal NPV and CA apart from blocking of iron ore valuing ₹ 23.90 crore.

3.4 Loss due to short recovery of royalty

Injudicious decision of the Company 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

The Odisha Mining Corporation Limited (Company) produces iron and chrome ore at its mines and sells it through Price Setting Tenders[63] (PST) finalised on quarterly basis. Government of India in Ministry of Mines revised (August 2009) the rate of royalty to 10 *per cent* of sale price on *ad valorem* basis for both iron and chrome ore where the sale price would be the price published by Indian Bureau of Mines (IBM) for the State. Revised rate was effective from 13 August 2009.

The price of iron and chrome ore as finalised through PSTs till quarter ending September 2009 was "exclusive of royalty". While deciding implementation of revised royalty, the Board of Directors (BoD) of the Company suggested (September 2009) that the sale price should not be "inclusive of royalty". The Company, however, adopted price "inclusive of royalty" for quarter ending December 2009 and switched over to price exclusive of royalty for quarter ending March 2010.

BoD on the recommendations of a Committee consisting of the officials of Finance, Sales and Marketing sections of the Company decided (March 2010) that the price of ores would be 'inclusive of royalty' citing problems like difficulties in availability of IBM price in time, determination of other components like Central Sales Tax, Valued Added Tax and Entry Tax, delay in finalisation of accounts and requirement of man power, etc., in 'price exclusive of royalty'. Accordingly, from the quarter ending June 2010, the sale prices were finalised considering 'price inclusive of royalty' of 10 *per cent ad valorem* without inclusion of a clause for recovery of differential royalty in case of increase in the IBM price as was available in earlier contracts with 'price exclusive of royalty'.

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[62] For 50.59 Ha ₹ 16.15 crore for 17 years from April 1997 to January 2014 and for 199.378 Ha ₹ 127.30 crore for 34 years from October1980 to January 2014.

[63] PST is the mechanism through which the quarterly rates for domestic sale of iron and chrome ore are decided by the Company.

Audit observed the following:

- The Company adopted 'price inclusive of royalty' for the quarter ending December 2009 in violation of the directions (September 2009) of BoD without adducing any reason;
- Due to absence of a safety clause in the sales contracts for realisation of differential royalty consequent upon availability of IBM fixed prices, Company could not realise ₹ 49.84 crore[64] from the buyers which was paid/payable to the GoO against sale of 135.57 lakh MT of different grades of iron and chrome ore during 2010-14 (up to January 2014).

Government stated (September 2014) that directions of BoD of the Company could not be implemented for quarter ending December 2009 due to paucity of time. It also stated that the system of price "inclusive of royalty" was preferred due to various reasons like avoiding preparation and submission of revised sales tax return, delay in finalisation of accounts, additional requirement of man power etc.

Government's contention is not tenable as there was enough time upto the bid opening date (19 September 2009) from the date (07 September 2009) of directions of BoD for issue of necessary corrigendum to the tender call notice (03 September 2009) for quoting price exclusive of royalty for the quarter ending December 2009. Further, the Company has not made any cost benefit analysis of both the systems before arriving at the decision to adopt price "inclusive of royalty" keeping in view the payment of differential royalty.

3.5 Loss of revenue

Absence of enabling clause to safeguard financial interest deprived the Company of earning additional revenue of ₹ 3.01 crore

The Odisha Mining Corporation Limited (Company) sells iron ore in the domestic market by inviting quarterly Price Setting Tenders (PST). The stock available at different mines is sold to the buyers on allotment basis at the H1 price obtained in the PST and accordingly, sales contracts are executed with the buyers. In terms of the sales contracts, the buyers have to deposit 100 *per cent* of the sale value of allotted quantity in advance. Further, as per the special condition of the contract, buyers have to lift minimum proportionate quantity every month, otherwise the unlifted quantity during the month would be distributed among other buyers who completed lifting successfully during the month.

[64] Gandhamardan : 49.60 lakh MT (₹ 8.67 crore) plus Koira : 51.74 lakh MT (₹ 7.52 crore) plus Daitari : 24.15 lakh MT (₹ 20.17 crore) plus JK Road : 10.08 lakh MT (₹ 13.48 crore)

During October-December 2012 quarter, 15 parties were allotted 5,22,500 MT of iron ore at ₹ 4,805 per MT (PMT) out of which 4,11,896 MT was lifted including lifting of 54,908 MT during 24 to 31 December 2012. For the next quarter ending March 2013, the H1 price obtained through PST (22 December 2012) was ₹ 5,354 PMT which was higher than the rate of previous quarter by ₹ 549 PMT.

Audit observed that due to acceptance of sale value on piecemeal basis on the lifted quantity instead of 100 *per cent* sale value of the allotted quantity in advance, the Company did not ensure 100 *per cent* lifting of the allotted quantity and also could not earn interest revenue thereon. Further, the buyers did not lift the monthly minimum quantity as per the special conditions of the contract. There was no clause in the contracts to protect the interest of the Company in case of any increase/decrease in the rates of iron ore in subsequent quarter and for not lifting the allotted quantity as per milestone. In absence of such a clause, Company could not terminate the contracts. As a result, the Company sold 54,908 MT iron ore during 24 to 31 December 2012 at a lower price (₹ 4,805 PMT) despite being aware of higher price (₹ 5,354 PMT) for the subsequent quarter and incurred loss of revenue of ₹ 3.01 crore.

Government stated (August 2014) that the buyers were allowed to deposit the cost of allotted quantity in phased manner so that flow of their working capital is not stifled. The Company instead of insisting on the condition of the contract regarding payment terms took other factors into consideration.

Thus, due to non-adherence to the terms and conditions of sales contracts coupled with absence of enabling clause to protect its financial interest, the Company was deprived of earning additional revenue of ₹ 3.01 crore.

3.6 Undue benefit

Inclusion of a contradictory payment term in the contract resulted in extension of undue benefit of ₹ 1.34 crore to the contactor.

The Odisha Mining Corporation Limited (Company) executed (June 2010) an agreement with a contractor for excavation/raising of Run Off Mines (ROM) by drilling/ blasting, transportation of ROMs to the crushing plant to produce different grades of Calibrated Lump Ore (CLO) and fines and disposal of finished products to the specified stock yards after weighment at Kurmitar iron ore mines. The agreement was for a period of ten years (July 2010 to March 2021) subject to satisfactory performance of the contractor in the preceding year. In terms of the contract, CLO and fines, after production, would be analysed by analyst appointed by the Company to determine physical and chemical specifications, based on which the same would be transported. The agreement stipulated acceptance of under size/oversize and fines up to a maximum of 5 *per cent* in the production of CLO. The awarded rate of payment for production of CLO and fines was ₹ 207 and ₹ 51.75 per MT respectively. The accepted stocks are transported to the respective stockyards

where the CLO/fines are again subject to grade analysis by an analyst appointed by the Company at the time of despatch. As per "Basis of Payment" clause of the contract, release of payment to the contractor would be based on weighment of accepted stock transported to stockyard being the dispatch point. The contract under "Analysis" clause also stipulates that analysis at the dispatch point was to be treated as final for all purposes and the Company would not stand responsible for any grade variation between stack analysis at mines and at the dispatch point.

Audit scrutiny revealed that during 2012-14, the Company paid ₹ 38.57 crore to the contractor for production of 18.63 lakh MT of CLO on the basis of the analysis report of stacks at mines. However, further scrutiny of records revealed that as per the analysis at dispatch point the percentage of fines contained in CLO was beyond five *per cent*, ranging from 6.40 to 11.86. As such there was excess production of 86,359 MT fines. Due to inclusion of ambiguous terms and conditions in the contract, the Company paid ₹ 1.79 crore at the rate of ₹ 207 per MT applicable for CLO instead of payment of ₹ 0.45 crore at the rate of ₹ 51.75 per MT applicable for fines. Thus, the Company extended undue benefit of ₹ 1.34 crore to the contractor.

Government stated (August 2014) that though the agency handed over CLO at the central stock yard with undersize of maximum five *per cent*, percentage of undersize increased during storage due to weather effect, movement of heavy earth moving machinery, loading and unloading of ore during despatch. It also stated that since the agency handed over the ore produced at the specified stock yard, the provision of analysis clause as regards dispatch point was not applicable.

The reply of Government is not acceptable since as per the agreement, analysis at the dispatch point was to be treated as final for all purposes and this also safeguarded the interest of the Company as it was not responsible for any grade variation between stack analysis at mines and at the dispatch point.

Thus, inclusion of contradictory payment term in the contract resulted in extension of undue benefit of ₹ 1.34 crore to the contactor.

3.7 Excess payment

Ambiguous term in the agreement coupled with proportionate non-reduction of the awarded rate for production of CLO against non-installation of crusher resulted in excess payment of ₹ 1.33 crore and extension of undue benefit to the agency

The Odisha Mining Corporation Limited (Company) entered (August 2010) into an agreement with an agency on the basis of its tender offer (February 2010) and subsequent (March 2010) negotiation for production of 10-180 mm lump iron ore, 10-40 mm Calibrated Lump Ore (CLO) and – 10 mm fines at Gandhamardan Iron Ore mines. The agreement was for a period

of 10 years subject to annual renewal based on the assessment of performance of the agency. The awarded rate of payment for production of CLO was ₹ 215.00 per MT (PMT) and accordingly price for production of lump and fines was fixed at ₹ 172.00 and ₹ 53.75 PMT respectively being 80 *per cent* and 25 *per cent* of the rate for production of CLO. As per the contract, the agency was to install crusher and/or screen plant within a period of four months from the date of handing over of the quarry for commencement of production of CLO and fines. The agency commenced work from August 2010 but installed the crusher in October 2013. During August 2010 to September 2013, agency produced 2,16,542 MT CLO, 3,58,437 MT lump and 44,867 MT fines.

Audit scrutiny revealed the following:

- As per clause 45.1 of agreement, requirement of equipment for execution of mining and transportation work included crusher and screen plant. Though crusher and/or screen plant was to be installed by December 2010, agency installed the crusher only in October 2013. This indicated that the agency produced CLO by the process of screening only. By incorporating an ambiguous clause in the agreement to install crusher and/or screen plant, Company allowed the agency to do away with crusher installation and operate with only screen plant.

- During negotiation with the agency, being the lowest tenderer, for reduction of rate, the agency declined to reduce the quoted rate for CLO (₹ 215 PMT) stating that the cost of mining would have been cheaper, had sizable quantity of Run Off Mines (ROM) been handled by means of screening only but without crushing to obtain CLO. The Company, however, accepted the quoted rate for production of CLO. Since departmental estimated weighted average rate (₹ 287.52 PMT) included 12 *per cent* towards cost of crushing, despite non-installation of crusher, the Company paid the agency at its quoted rate instead of reducing the rate for CLO, lump and fines proportionately. This resulted in excess payment of ₹ 1.33 crore to the agency.

Government stated (September 2014) that as per the geological occurrence, upper portion of the quarry had friable ore deposit. Had this been processed through crusher plant, generation of CLO would have been decreased with more generation of fines. As such, to maximise CLO production, the relevant clause was incorporated in the agreement.

Reply of Government is not acceptable since the Notice Inviting Tender and agreement with the agency had no indication regarding the geological occurrence and use of screen plant only for the upper portion of quarry. Further, the Company had not segregated the rates for production of CLO through crusher and/or screen plant.

Thus, incorporation of an ambiguous term in the agreement and proportionate non-reduction of awarded rate for production of CLO against non-installation of crusher resulted in extension of undue benefit with consequential excess payment of ₹ 1.33 crore to the agency.

Odisha Power Transmission Corporation Limited

3.8 Wasteful expenditure

Acceptance of allotment of an inappropriate land with subsequent decision for amendment of scope of contract led to wasteful expenditure of ₹ 1.21 crore

For power supply to Keonjhar town and its adjoining areas, from a separate grid sub-station, Board of Directors (BoD) of Odisha Power Transmission Corporation Limited (OPTCL) accorded (September 2008) in principle approval for construction of a 220/33 KV grid sub-station at Gopinathpur along with associated lines. While approving, BoD directed taking up survey and other preliminary work and also preparation of Detailed Project Report (DPR) and realistic estimate with cost benefit analysis etc. Subsequently, based on the compliance to the above directions, the BoD accorded (February 2009) administrative approval for construction of the sub-station at a cost of ₹ 29.93 crore on the plain land identified and awaiting alienation from Tahasildar, Keonjhar. Accordingly, OPTCL issued (October 2010) Letter of Intent for supply of materials (₹ 18.12 crore) and erection work (₹ 11.31 crore) of sub-station at Gopinathpur and associated lines to a contractor for completion by March 2013. Land actually alienated (December 2009) by Tahasildar, Keonjhar and accepted (November 2010) by OPTCL was on a hillock (not plain land). This was handed over (November 2010) to the contractor for constructing envisaged sub-station.

The contractor during site levelling work (April 2011) encountered huge rock and intimated (June 2011) that unless rocks were broken into pieces, further working would not be possible. The contractor also requested OPTCL for on the spot study of the problem. After site visit (July 2011) by the officials of OPTCL, the Contract Scrutiny Committee (CSC) and Purchase Sub Committee (PSC) of OPTCL recommended(September/November 2011) amendment of the contract with additional financial involvement of ₹ 1.02 crore considering increase in scope of work towards levelling and blasting of hard rock which was approved(December 2011) by the BoD. Due to uncertainty of levelling of the total land, the work was stopped from January 2013. Subsequently, as decided (April 2013) by OPTCL in the works review meeting as well as in PSC, a high level committee visited (August 2013) the site and opined to foreclose the work due to various constraints. Accordingly, the BoD decided (May 2014) to short close the work for which OPTCL had already incurred an expenditure of ₹ 4.06 crore (materials: ₹ 2.85 crore and erection: ₹ 1.21 crore).

In this connection, audit observed the following:

- OPTCL being aware (November 2010) of the hillock site allotted by the revenue authorities not being suitable for construction of grid sub-station, accepted the same in place of the originally identified plain land without proper site survey despite direction of the BoD; and
- Despite being intimated by the contractor of the presence of hard rock, OPTCL allowed (April 2011) the agency to execute the work with subsequent approval for additional expenditure towards blasting of the hard rock.

While accepting the fact, Government stated (August 2014) that from appearance, the land looked almost normal and from the soil investigation report it was presumed that the inner layer would be of fractured rock but during excavation, hard rock was noticed in the inner layer.

However, the soil investigation report showing rocky strata was not examined by OPTCL before commencement of work.

Thus, acceptance of unsuitable site and commencement of work without proper site survey led to wasteful expenditure of ₹ 1.21 crore besides blockage of materials valuing ₹ 2.85 crore.

Statutory Corporation

Odisha State Financial Corporation

3.9 Inappropriate settlement of dues

Non-adherence to OTS policy in settlement of dues and delay in initiation of action under SFCs Act resulted in loss of ₹ 1.07 crore

Odisha State Financial Corporation (Corporation) was established under the State Financial Corporations Act, 1951 (SFCs Act) with the main objective of providing loan assistance to micro, small and medium enterprises. To reduce non-performing loans, it introduced One Time Settlement (OTS) schemes since 1992-93 and the schemes were modified from time to time. Board of Directors (BoD) approved (April 2011) OTS Policy 2011 for implementation with effect from 2 May 2011. The scope of the OTS Policy 2011 included as under:

- The eligible borrowers interested to settle the loan under OTS are to submit the prescribed OTS application duly filled in accompanied with requisite initial deposit (ID) of 10 *per cent* of the total principal outstanding and prescribed amount of Recovery Administrative Charges.
- The settlement formula for disbursement of loans above ₹ 5 lakh shall be security linked and is to be based on minimum expected amount and value of securities.

In connection with settlement of dues of a loanee, audit observed the following:

- The loanee was lent (February 2002 to January 2004) ₹ 1.16 crore with scheduled repayment within seven years. On repaying ₹ 21.26 lakh till December 2006 the unit was closed in 2007. The Corporation belatedly seized the industrial unit and part of collateral security under Section 29 of SFCs Act during January and June 2011 respectively, leaving out major part of collateral security valued at ₹ 0.63 crore on the plea that these were agricultural property/dwelling house which were not easily enforceable.

- Failure of the Corporation to initiate timely action for seizure of the unit along with the collaterals led to missing industrial assets worth ₹ 9.05 lakh along with obsolescence of plant and machinery, which resulted in lack of interest from the prospective buyers.

- Although the loanee did not apply for OTS in proper form and deposited ₹ 5.75 lakh less towards ID, Corporation accepted its request (February 2012) to settle dues at principal outstanding amount only.

- As of December 2011, though OTS amount as per settlement formula worked out to ₹ 2.33 crore, Corporation agreed for settlement of all dues at ₹ 1.26 crore and sacrificed ₹ 1.07 crore.

Government stated (September 2014) that though it was searching for prospective buyers prior to seizure, no buyer could be available mainly due to locational disadvantages and huge electricity liabilities. Even after seizure, due to deteriorated condition of the assets and obsolescence of machinery, inspite of best efforts no buyer was available. The reply of the Government confirmed that there was ineffective monitoring and inaction for timely seizure which consequentially led to sacrifice of ₹ 1.07 crore out of the OTS amount

Thus, failure of the Corporation in adhering to OTS policy in settlement of dues and delay in initiation of action against the loanee under SFCs Act resulted in loss of ₹ 1.07 crore.

General

3.10 Follow-up action on Inspection Reports/Audit Reports

Explanatory Notes outstanding

3.10.1 Audit Reports of the Comptroller and Auditor General of India represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in 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 performance audits included in Audit Reports within three months of their presentation to the Odisha Legislative Assembly (OLA), without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though Audit Reports (Commercial/PSUs) for the years 1999-2000 to 2012-13 were presented to the OLA during August 2001 to June 2014, 13 out of 18 Departments featuring in those Reports did not submit explanatory notes on 56 out of 246 paragraphs/performance audits as on 30 September 2014. Department-wise analysis is given in **Annexure 12**. Public Sector Undertakings under Industries (19 *per cent*), Energy (35 *per cent*) and Public Enterprises Department (10 *per cent*) were largely responsible for non-submission of explanatory notes.

Compliance to Reports of Committee on Public Undertakings outstanding

3.10.2 As per Rule 213-B (1) of Rules of Procedures and Conduct of Business in the OLA, the Departments are required to submit Action Taken Notes (ATNs) on the recommendations made by COPU in its Reports within six months from their presentation to OLA. The time limit was reduced (April 2005) by OLA to four months.

ATNs on 64 recommendations for nine Departments pertaining to 15 Reports of COPU presented to OLA between August 2001 and December 2013 had not been received as on 30 September 2014 as detailed vide **Annexure 13**. Micro Small and Medium Enterprises and Industries Department had not submitted 23 and 20 ATNS on the recommendations respectively constituting 36 and 31 *per cent* of outstanding ATNs.

Response to Inspection Reports, Draft Paragraphs and Performance Audits

3.10.3 Audit observations, not settled on the spot during audit, are communicated to the heads of PSUs and the administrative departments concerned of State Government through Inspection Reports (IRs). As per Regulation 197 of Regulations on Audit and Accounts, 2007, the heads of PSUs are required to furnish replies to IRs through respective heads of departments within a period of four weeks. IRs issued during 2004-05 to 2013-14 pertaining to 36 PSUs disclosed that 1,846 paragraphs relating to 438 IRs remained outstanding at the end of 30 September 2014. Even initial replies were not received in respect of 96 IRs containing 443 paragraphs (PSUs under Energy Department - 30 *per cent*, Industries Department - 23 *per cent*). Department-wise break-up of IRs and paragraphs outstanding at the end of 30 September 2014 is given in **Annexure 14**.

3.10.4 Similarly, as per Regulation 207 of Regulations on Audit and Accounts, 2007, draft paragraphs and draft Performance Audit reports 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. Fourteen draft paragraphs and two draft performance audit reports were

forwarded to various departments between June and September 2014. While replies to one draft paragraph and one performance audit report were received in time, the replies to remaining were received with delay of one to eleven weeks beyond the stipulated period of six weeks.

It is recommended that the Government investigate reasons for failing to send replies to paragraphs of Inspection Reports/Audit Reports and ATNs on recommendations of COPU as per prescribed time schedule and initiate action to streamline the procedure/recover loss/outstanding advances/overpayments as brought out in the above reports in a time-bound manner.

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