

OVERVIEW

I Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India. These financial statements are also subject to supplementary audit conducted by the Comptroller and Auditor General of India. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2017, the State of Odisha had 56 working Public Sector Undertakings (53 Companies and 3 Statutory Corporations) and 28 non-working Public Sector Undertakings (all Companies), of which working Public Sector Undertakings employed 21 thousand employees. Working Public Sector Undertakings registered a turnover of ₹21,596.54 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 6.87 *per cent* of State Gross Domestic Product. The Return on Equity of 56 working PSUs was 7.67 *per cent* based on latest finalised accounts as on September 2017.

(Paragraph 1.1, 1.2 and 1.3)

Investment in Public Sector Undertakings

As on 31 March 2017, investment (capital and long-term loans) in 84 Public Sector Undertakings was ₹12,920.50 crore. It increased by 23.39 *per cent* from ₹10,471.51 crore in 2012-13 to ₹12,920.50 crore in 2016-17. Increase in investment was mainly due to increase in investment in infrastructure sector. Share of investment in infrastructure sectors increased from 1.17 to 9.20 *per cent* during 2012-13 to 2016-17.

(Paragraph 1.6 and 1.7)

Performance of Public Sector Undertakings

Out of 56 working Public Sector Undertakings, 35 Public Sector Undertakings earned profit of ₹2,028.23 crore and 15 Public Sector Undertakings incurred loss of ₹507.36 crore as per their latest finalised accounts during October 2016 to September 2017. One Public Sector Undertaking prepared its accounts on 'no profit no loss' basis as the excess of expenditure over income was met from the subsidy from Government of Odisha/Government of India. Five Public Sector Undertakings have not yet started their operation/commercial production. Major contributors to profit were Odisha Mining Corporation Limited (₹1,320.51 crore), Odisha Power Generation Corporation Limited (₹178.16 crore) and Odisha Hydro Power Corporation Limited (₹137.97 crore). Heavy losses were incurred by Grid Corporation of Odisha Limited (₹406.66 crore), Odisha Rural Housing and Development Corporation Limited (₹42.93 crore) and IDCOL Kalinga Iron Works Limited (₹21.18 crore).

(Paragraph 1.15 and 1.16)

II Performance Audit relating to Government Company

Performance Audit relating to “Activities of Odisha Mining Corporation Limited” was conducted. The overview of the Audit findings is given below:

Odisha Mining Corporation Limited was incorporated on 16 May 1956. The main objective was harnessing the mineral wealth of the State of Odisha through exploration, extraction as well as value addition. Presently, the mining activities of Odisha Mining Corporation Limited are restricted to production and sale of iron and chrome ore. Government of Odisha had granted 34 Mining Leases to Odisha Mining Corporation Limited covering 17,826.82 hectares of lease area. Odisha Mining Corporation Limited was operating in 4,335.28 hectares (24 *per cent*) of land comprising six mines during the period 2012-17. Audit scrutiny revealed the following deficiencies:

(Paragraph 2.1)

Absence of Long Term Corporate Plan

- Odisha Mining Corporation Limited had not prepared Long Term Corporate Plan, Vision and Mission statements as required under Corporate Governance Manual of Government of Odisha. In the absence of any perspective corporate plan, Odisha Mining Corporation Limited could not develop strategies to achieve its objectives.

(Paragraph 2.10)

Management of Mining Leases

- Out of 34 mining leases, 26 mining leases were inoperative. Out of 26 inoperative mines, Odisha Mining Corporation Limited did not commence any mining operations in eight mines since inception. In respect of rest of 18 mines, the mining operations were discontinued. The mines remained inoperative for a period ranging from 07 to 37 years. Mines were inoperative mainly for want of statutory clearances and non-assessment of ore reserves.

(Paragraph 2.12)

- Non-operation of mines resulted in unfruitful expenditure of ₹57.26 crore towards dead rent and watch ward expenses. Further, Odisha Mining Corporation Limited retained four mines which did not have adequate ore reserves and incurred avoidable expenditure of ₹112.85 crore.

(Paragraph 2.12 and 2.13)

Production Performance

- Odisha Mining Corporation Limited could not achieve the targeted production of ores during 2012-17. This resulted in shortfall in production of 114.44 lakh metric tonne of iron ore and 2.70 lakh metric tonne of chrome ore. Consequently, Odisha Mining Corporation Limited lost the opportunity to earn revenue of ₹1,838.98 crore during 2012-17.

(Paragraph 2.19 and 2.20)

- Delayed action to obtain forest clearance for mining purpose resulted in shortage of space for storing of ores in separate stacks. This resulted in extra expenditure of ₹110.79 crore towards royalty.

(Paragraph 2.22)

- Odisha Mining Corporation Limited incurred avoidable expenditure of ₹138.63 crore due to non-segregation of natural iron ore fines from the crushed iron ore fines.

(Paragraph 2.23)

Sales Performance

- Odisha Mining Corporation Limited could not achieve the targeted sales in any of the year during 2012-17. The shortfall in achievement ranged from 21.04 *per cent* to 60.84 *per cent* in case of iron ore. Similarly, in respect of chrome ore, Odisha Mining Corporation had achieved sales target only during 2014-15. In other years, the shortfall in achievement ranged from 10.25 *per cent* to 57.69 *per cent*. Odisha Mining Corporation Limited could not recover royalty of ₹37.28 crore from the buyers due to absence of suitable provision in the sales contract.

(Paragraph 2.28 and 2.29)

Inventory Management

- The annual closing stock position of iron ore as on 31 March of each year of 2012-17 was more than production of respective years. Odisha Mining Corporation Limited failed to put necessary infrastructure facility for evacuation of the produced ores. This resulted in accumulation of 66.95 lakh metric tonne of iron ore valuing ₹417.92 crore as on 31 March 2017.

(Paragraph 2.30)

- During the period 2012-17, there was a shortage in closing stock of iron ore and chrome ore of 5.21 lakh metric tonne valuing ₹146.01 crore beyond the norm prescribed by the Board of Directors of Odisha Mining Corporation Limited.

(Paragraph 2.31)

- Sub-grade iron ore and chrome ore of 23.39 lakh metric tonne valuing ₹714.87 crore was not accounted for in the books of accounts as of March 2017.

(Paragraph 2.32)

Project and Financial Management

- Funds allocated for investment in own projects ranged between ₹34.90 crore and ₹1,210.70 crore during 2012-17 despite availability of surplus funds that ranged from ₹5,149.82 crore to ₹5,867.13 crore. Against the allocation, the actual expenditure ranged between ₹2.16 crore and ₹118 crore during 2012-17. Odisha Mining Corporation Limited failed to install

an Iron Ore Handling Plant, Infrastructure facility and a Mechanical Evacuation System in its three major operating mines. The envisaged benefit of ₹1,189.97 crore per annum from two out of three projects could not be achieved.

(Paragraph 2.33 and 2.34)

- As of March 2017, Odisha Mining Corporation Limited invested ₹408.81 crore towards equity/ preference shares in 12 Joint Ventures, subsidiary and associate companies. None of the projects could be completed (October 2017). Odisha Mining Corporation Limited could not derive envisaged benefit from the projects.

(Paragraph 2.35)

Monitoring and Internal Control

- The scope of internal audit did not include scrutiny of settlement of advances and outstanding liabilities. Odisha Mining Corporation Limited, in the annual accounts of 2016-17, had written back liability of ₹71.34 crore and written off advance of ₹39.92 crore without any reconciliation. Odisha Mining Corporation Limited had not formulated manuals relating to core activities viz: contract/production, cost and budget, marketing and sales, internal audit etc. Odisha Mining Corporation Limited did not have a system of identification of non-moving, slow moving stores and their disposal.

(Paragraph 2.37)

III Compliance Audit Observations

Overview of some of the important Compliance Audit observations is given below:

Capital Expenditure Programme of GRIDCO Limited

The CAPEX programme was launched with a total proposed outlay of ₹2,400 crore to increase the quality of power and reduction in Aggregate Technical and Commercial losses. Audit scrutiny revealed the following deficiencies:

- There were defects in the funding mechanism of the programme. The CAPEX programme was short-closed with an investment of ₹877.49 crore as Distribution Companies did not contribute any fund.

(Paragraph 3.1.4)

- The programme was executed by dividing the entire work into 71 packages. Nineteen packages were completed with a delay ranging from 104 to 1158 days and 51 packages were not completed (March 2017). This indicated non-adherence to timelines prescribed in the programme.

(Paragraph 3.1.6)

- The reduction of Aggregate Technical and Commercial losses was only 5.58 *per cent* against a target of 15 *per cent*. This had resulted in loss of opportunity to earn additional revenue of ₹471 crore.

(Paragraph 3.1.9)

Failure to take timely action for reduction of government guarantees in Odisha Hydro Power Corporation Limited resulted in excess payment of guarantee commission of ₹14.98 crore.

(Paragraph 3.2)

Unauthorised construction deviating from the approved plan by Odisha State Police Housing & Welfare Corporation Limited had resulted in additional liability of ₹1.94 crore.

(Paragraph 3.3)

Construction of building deviating from the approved design and lack of supervision over execution by Odisha State Police Housing & Welfare Corporation Limited resulted in avoidable expenditure of ₹0.64 crore.

(Paragraph 3.4)

Deficient management of stores by Odisha State Police Housing & Welfare Corporation Limited resulted in damage and pilferage of materials worth ₹0.31 crore and non-completion of project.

(Paragraph 3.5)

Failure to take timely action for construction of transmission lines by Odisha Power Transmission Corporation Limited resulted in extra expenditure of ₹0.71 crore.

(Paragraph 3.6)

Imprudent fixation of Rate Contract Price by Odisha Power Transmission Corporation Limited resulted in extension of undue benefit of ₹0.59 crore to the contractors.

(Paragraph 3.7)

Failure to take timely action to let out the vacant space by Odisha Film Development Corporation Limited resulted in loss of revenue of ₹0.63 crore towards rental income.

(Paragraph 3.8)

Failure to take decision within validity period of the offer by Industrial Development Corporation of Odisha Limited resulted in sale of iron ore fines at lower rate and loss of ₹0.46 crore.

(Paragraph 3.9)

