

CHAPTER-I

1. Functioning 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 are established to carry out activities of commercial nature keeping in view the welfare of people. They occupy an important place in the State economy. As on 31 March 2017, there were 84 PSUs in Odisha. Of these, one company¹ has listed its debt security on the Bombay Stock Exchange. During the year 2016-17, four new PSUs² came within the audit jurisdiction of the C&AG of India. The details of the State PSUs in Odisha as on 31 March 2017 are given below:

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government Companies ⁴	53	28	81
Statutory Corporations	3	--	3
Total	56	28	84

(Source: As per information furnished by PSUs)

The working PSUs registered a turnover of ₹21,596.54 crore as per their latest finalised accounts as of September 2017. This turnover was equal to 6.87 per cent of State Gross Domestic Product (GDP) of ₹3,14,363.78 crore for 2016-17. The working PSUs earned aggregate profit of ₹1,520.87 crore as per their latest finalised accounts as of September 2017. They had employed 0.21 lakh employees at the end of March 2017. Total investment in 56 working PSUs was ₹12823.78 crore. The Return on Equity of 56 working PSUs was 7.67 per cent based on latest finalised accounts as on September 2017.

As on 31 March 2017, there were 28 non-working PSUs existing for the last five years from 2012-13 to 2016-17 and having a total investment of ₹96.72 crore.

Accountability framework

1.2 A Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. The process of audit of Government Companies is governed by the respective provisions of Section

¹ GRIDCO Limited

² (i) Odisha Electronics Park Limited (ii) Bhubaneswar Smart City Limited (iii) Rourkela Smart City Limited (iv) Inland Waterways Consortium of Odisha Limited

³ Non-working PSUs are those which have ceased to carry on their operations

⁴ Government PSUs includes other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013

139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, “Government Company” means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Further, as per sub-Section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company. The provisions of Section 19 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 shall apply to such test Audit. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act. The Statutory Auditors shall submit a copy of the Audit Report to the CAG which, among other things, include financial statements of the Company under Section 143 (5) of the Act. These financial statements are subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

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.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its Administrative Departments. The Chief Executives and Directors to the Boards are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. The Annual Reports, together with the Statutory Auditors’ Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Odisha

1.5 The State Government's stake in PSUs is mainly of three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2017, the investment (capital and long-term loans) in 84 PSUs was ₹12,920.50 crore as detailed below:

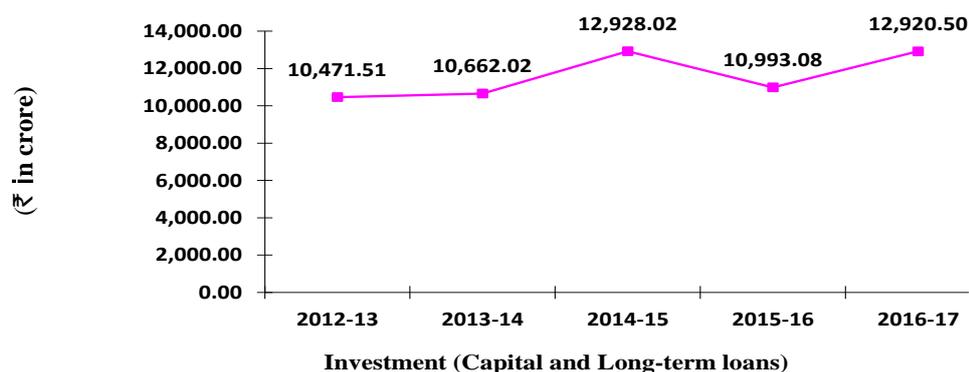
Table 1.2: Total investment in PSUs (₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	3,488.22	8,644.02	12,132.24	581.38	110.16	691.54	12,823.78
Non-working PSUs	66.06	30.66	96.72	0	0	0	96.72
Total	3,554.28	8,674.68	12,228.96	581.38	110.16	691.54	12,920.50

(Source: As per information furnished by PSUs)

As on 31 March 2017, of the total investment in State PSUs, 99.25 per cent was in working PSUs and the remaining 0.75 per cent in non-working PSUs. This total investment consisted of 32.01 per cent towards capital and 67.99 per cent in long-term loans. The investment has grown by 23.39 per cent from ₹10,471.51 crore in 2012-13 to ₹12,920.50 crore in 2016-17 as shown in the following graph:

Chart 1.1: Total investment in PSUs



1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2017 is given in **Table 1.3**:

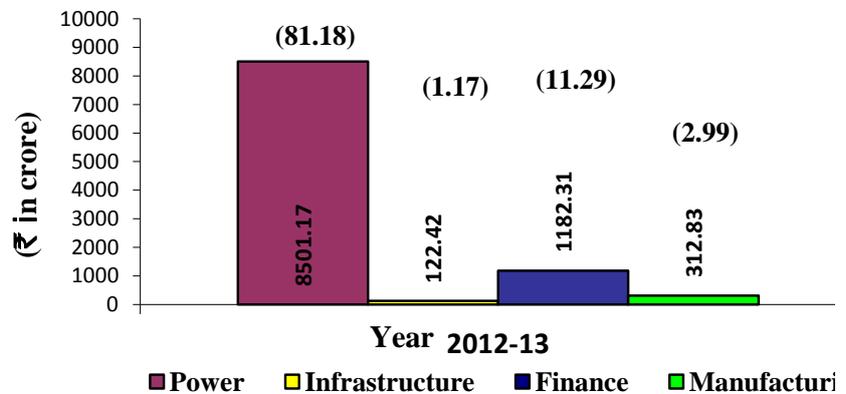
Table 1.3: Sector-wise investment in PSUs (₹ in crore)

Name of Sector	Government/ Other Companies		Statutory Corporations Working	Total Investment
	Working	Non-Working		
Agriculture & Allied	139.88	0.36	0	140.24
Finance	640.93	0	515.23	1156.16
Infrastructure	1188.14	0	0	1188.14
Manufacturing	295.05	85.42	0	380.47
Power	9830.12	0	0	9830.12
Service	34.70	10.94	172.71	218.35
Miscellaneous	3.42	0	3.60	7.02
Total	12132.24	96.72	691.54	12920.50

(Source: As per information furnished by PSUs)

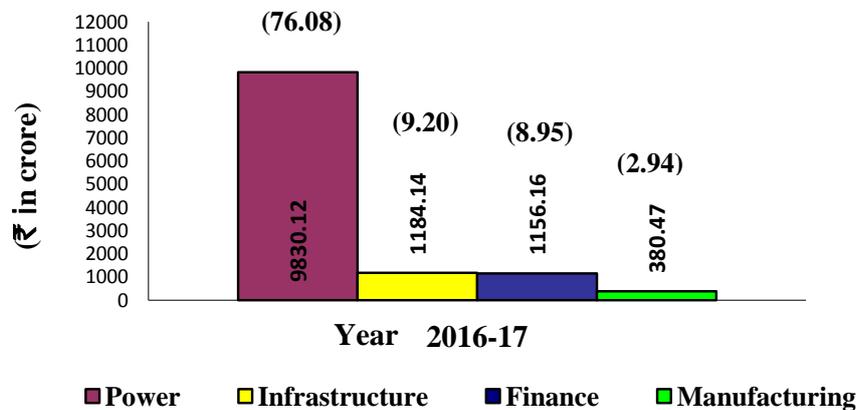
The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in the following bar chart:

Chart 1.2: Sector-wise investment in PSUs (2012-13)



(Figures in brackets show the sector percentage to total investment)

Chart 1.3: Sector-wise investment in PSUs (2016-17)



(Figures in brackets show the sector percentage to total investment)

In absolute terms, the PSU investment was mainly in power sector. During 2012-13 to 2016-17, share of investment in infrastructure sector increased from 1.17 to 9.20 per cent. However, investment in power sector and finance sector decreased from 81.18 to 76.08 per cent and from 11.29 to 8.95 per cent respectively. Investment in manufacturing sector also recorded a marginal decrease from 2.99 to 2.94 per cent.

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs are given below for the three years ended 2016-17:

Table 1.4: Details regarding budgetary support to PSUs

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	74.00	1	57.00	4	372.35
2.	Loans given from budget	--	--	1	48.75	1	121.66
3.	Grants/Subsidies from budget	11	1,530.26	13	2,263.31	12	1,107.16
4.	Total Outgo (1+2+3)	12^{\$}	1,604.26	14[#]	2,369.06	16[*]	1,601.17
5.	Waiver of loans and interest	1	3.15	1	30.23	--	--
6.	Guarantees issued ⁵	1	236.00	--	--	1	1,100.00
7.	Guarantee Commitment ⁶	2	1,719.63	2	1,343.53	1	971.18

(Source: As per information furnished by PSUs)

\$ Two companies i.e. Odisha Power Transmission Corporation Limited and Odisha State Medical Corporation Limited received both equity and grant

One company i.e. Odisha Power Transmission Corporation Limited received both equity and grant

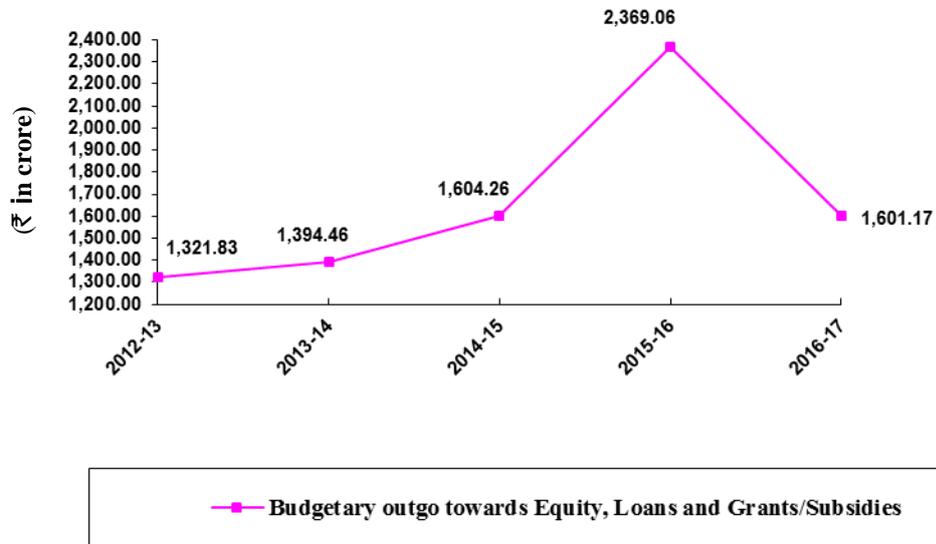
* One company i.e. Odisha State Road Transport Corporation received both equity and subsidy

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in the following graph:

⁵ Government guarantee issued to the PSUs during a particular year

⁶ Closing balance of Government guarantee in respect of PSUs at the end of a particular year

Chart 1.4: Budgetary outgo towards Equity, Loans and Grants/Subsidies



It may be seen that year-wise budgetary outgo of the State towards equity, loans and grants/subsidies to State PSUs showed an increasing trend during 2012-13 to 2015-16. It touched the highest figure of ₹2,369.06 crore during 2015-16. However, in 2016-17 the budgetary outgo of the State decreased to ₹1,601.17 crore. During 2016-17, the Government of Odisha (GoO) released grant/subsidy of ₹890.67 crore to Odisha State Civil Supplies Corporation Limited. During 2016-17, GoO also released ₹247.35 crore as equity to Odisha Power Generation Corporation Limited.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantees in accordance with criteria and guidelines issued (November 2002) by the Government subject to the limits prescribed by the Constitution of India, for which guarantee fee is being charged. The rate is 0.50 per cent on the maximum of the guarantee sanctioned. The guarantee commitment decreased from ₹1,719.63 crore during 2014-15 to ₹971.18 crore during 2016-17. Further, three PSUs paid guarantee commission to the tune of ₹16.72 crore during 2016-17. There were four⁷ PSUs which did not pay/partially paid guarantee commission during the year and accumulated outstanding guarantee commission there against was ₹58.51 crore as on 31 March 2017.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with 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 carry out reconciliation of

⁷ IDCOL, OHPC, OPTCL and GRIDCO

differences. The position in this regard as on 31 March 2017 is stated in the following table:

Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts vis-à-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	3,269.53	3,259.58	9.95
Loans	1,795.52	3,173.69	1,378.17
Guarantees	2,184.10	971.18	1,212.92

(Source: Information furnished by PSUs and Report on State Finance for the year ended March 2017)

Audit observed that differences occurred in respect of 41 PSUs⁸ and some of the differences have been pending for reconciliation for many years. Office of the Principal Accountant General (PAG) had from time to time written letters to the Administrative Departments of the State PSUs concerned. The letters highlighted the issue of long pending differences for early reconciliation. The Administrative Departments had also directed the PSUs to reconcile the differences. However, no significant progress was observed. The Government and the PSUs need to take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e., by September end in accordance with the provisions of Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. **Table 1.6** provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2017:

Table 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working PSUs/other companies	37	38	47	52	56
2.	Number of accounts finalised during the year	35	38	43	50	53
3.	Number of accounts in arrears	47	47	54	58	64
4.	Number of working PSUs with arrears in accounts	30	27	29	34	39
5.	Extent of arrears in accounts of working PSUs (numbers in years)	1 to 5 years	1 to 6 years	1 to 7 years	1 to 8 years	1 to 8 years

(Source: Database of finalisation of accounts maintained in the PAG Office)

⁸ Including 15 non-working PSUs

The number of accounts in arrears has increased from 47 in 2012-13 to 64 in 2016-17. This indicated that there was little improvement in clearance of arrear accounts. Fifty-three accounts of 43 PSUs were finalised as of September 2017. Out of these, 39 PSUs⁹ had arrears ranging between one and eight years. Several correspondences and tripartite meetings were held with the PSUs' management and their Statutory Auditors to pull up the arrear accounts. But these PSUs did not adhere to their action plans. The Administrative Departments concerned were also pursued for finalisation of arrear accounts in a time bound manner. Concrete steps should be taken by the PSUs for preparation of accounts as per statutory requirements with special focus on clearance of arrears in a time bound manner.

1.11 The State Government had invested ₹1491.13 crore in 13¹⁰ working PSUs {equity: ₹372.35 crore (four PSUs), loans ₹121.66 crore (one PSU) and grants/subsidy ₹997.12 crore (nine PSUs)} during the year 2015-16 and 2016-17. For such PSUs, accounts have not been finalised, as detailed in **Annexure 1**. In the absence of finalisation of accounts and their subsequent audit, it could not be assessed whether the investments and expenditure incurred have been properly accounted for and the purposes of investment were achieved or not. Thus, Government's investment in such PSUs in effect remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2017, there were arrears in finalisation of accounts by non-working PSUs. Out of 28 non-working PSUs, 18 PSUs were in the process of liquidation whose accounts were in arrears for five to 51¹¹ years. Remaining 10¹² non-working PSUs had arrears of accounts for 16 to 46 years.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
28	1966-67 to 2016-17	5 to 51 years

(Source: Database of non-working PSUs maintained in the PAG Office)

Placement of Separate Audit Reports

1.13 The position depicted below shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2017) on the accounts of Statutory Corporations in the Legislature:

⁹ Sl. Nos. A-3, 4, 5, 13, 15, 17, 18, 23, 25, 26, 28, 35, 36, 37, 38, 42, 45, 47, 48, 49, 50, 51, B-1, 2 and 3 (one year); A-1, 2, 7, 9, 12, 31, 32, 44 and 53 (two years); A-11, 19 and 52 (three years), A-6 (Four Years) and A-10 (eight years) of Annexure 2

¹⁰ One company i.e., OSRTC received both equity and subsidy

¹¹ Sl. Nos. C-3, 5, 18 and 20 (5-10 years); C-6, 7, 19, 25 and 26 (11-20 years), C-9, 22 (21-30 years) and C-1, 4, 10, 12, 14, 15 and 24 (41 to 51 years) of Annexure 2

¹² Sl. Nos. C-27 and 28 (16 to 20 years); C-16,17 and 21 (21-30 years); C-2, 8, 11, 13 and 23 (31-46 years) of Annexure 2

Table 1.8: Status of placement of SARs in Legislature

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/Present Status
1.	Odisha State Financial Corporation	2015-16	2016-17	Accounts not finalised
2.	Odisha State Warehousing Corporation	2014-15	2015-16 2016-17	28.03.2017 Accounts not finalised
3.	Odisha State Road Transport Corporation	2015-16	2016-17	Accounts not finalised

(Source: Information furnished by Statutory Corporations)

Delay in placement of SAR dilutes the financial accountability of Statutory Corporations. Government should ensure prompt placement of SARs of the Corporations in the Legislature.

Impact of non-finalisation of accounts

1.14 As pointed out above (Paragraph 1.10 to 1.12), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money. It is also in violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2016-17 could not be ascertained. Their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Government may:

- set up a cell to oversee the clearance of arrears and set the targets for individual PSU which would be monitored by the cell;
- consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Annexure 2**. A ratio of PSUs turnover to State GDP shows contribution of PSUs activities in the State economy. **Table 1.9** provides the details of working PSUs turnover and State GDP for a period of five years ending 2016-17:

Table 1.9: Details of working PSUs turnover vis-à-vis State GDP (₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover ¹³	11,294.70	15,949.82	16,474.01	19870.03	21596.54
State GDP	2,58,744.09	2,88,414.31	3,10,810.24	3,32,329.13	3,14,363.78
Percentage of Turnover to State GDP	4.37	5.53	5.30	5.98	6.87

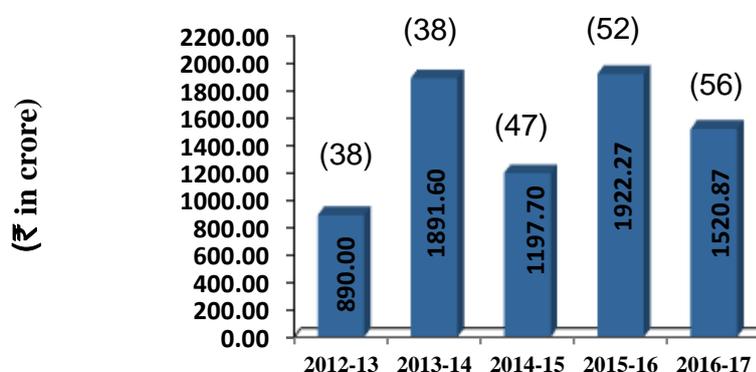
(Source: Information furnished by PSUs and Report on State Finance for the year ended March 2017)

¹³ Turnover as per the latest finalised accounts as of 30 September

From the above, it may be seen that there was an increasing trend of turnover from the year 2012-13. Turnover in 2016-17 increased by 8.69 per cent due to substantial increase in turnover of Odisha State Civil Supplies Corporation Limited and the Odisha Mining Corporation Limited.

1.16 Overall profits earned by State working PSUs during 2012-13 to 2016-17 are given below in a bar chart:

Chart 1.5: Profit/Loss of working PSUs



■ Overall Net Profit earned by working PSUs as per their latest finalised accounts

(Figures in brackets show the number of working PSUs in respective years)

There were 56 working PSUs under GoO. Thirty-five PSUs earned profit of ₹2,028.23 crore and 15 PSUs incurred loss of ₹507.36 crore as per their latest accounts finalised during October 2016 to September 2017. One working PSU i.e., Odisha State Civil Supplies Corporation Limited prepared its accounts on 'no profit no loss'¹⁴ basis. Five¹⁵ companies have not yet started their operation/commercial production. The major contributors to profit were the 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 GRIDCO Limited (₹406.66 crore), Odisha Rural Housing and Development Corporation Limited (₹42.93 crore) and IDCOL Kalinga Iron Works Limited (₹21.18 crore).

1.17 Some other key parameters of PSUs are given below:

Table 1.10: Key Parameters of State PSUs (₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Return on Capital Employed (Per cent)	13.62	14.44	13.86	18.79	15.15
Debt	7,703.16	7,503.98	9,643.54	7,347.63	8,784.84
Turnover ¹⁶	11,294.70	15,949.82	16,474.01	19,870.03	21,596.54
Debt/ Turnover Ratio	0.68:1	0.47:1	0.59:1	0.37:1	0.41:1
Interest Payments	976.32	1,160.85	964.74	1,254.44	1,249.22

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

¹⁴ The excess of expenditure over income was met from the subsidy from Government of Odisha/ Government of India as such there was no profit or loss

¹⁵ Sl. Nos.A-19, 21, 23, 40 and 51 of Annexure 2

¹⁶ Turnover of working PSUs as per the latest finalised accounts as of 30 September

Above parameters showed a mixed trend in financial position of the PSUs. Return on capital employed decreased to 15.15 *per cent* in 2016-17 as against 18.79 *per cent* in 2015-16 due to incorporation of two new companies. The two new companies were Bhubaneswar Smart City Limited with capital employed of ₹393.21 crore and Rourkela Smart City Limited with capital employed of ₹154.54 crore. The reduction in return on capital employed was also due to increase in loss of GRIDCO Limited to ₹406.66 crore (2015-16). GRIDCO Limited incurred a loss of ₹99.53 crore during the previous finalised accounts (2014-15). Debt turnover ratio increased to 0.41:1 in 2016-17 from 0.37:1 in 2015-16 due to increase in debt as compared to turnover. This indicated poor performance of the PSUs.

1.18 State Government had formulated (December 2011) a dividend policy under which all profit making PSUs were required to pay a minimum dividend of 20 *per cent* on equity or a minimum of 20 *per cent* of profit, whichever was higher. In case of mining and power sector PSUs, minimum dividend was to be 30 *per cent* of post-tax profit. As per their latest finalised accounts, 35¹⁷ PSUs earned an aggregate profit of ₹2,028.23 crore of which nine¹⁸ PSUs declared/paid dividend of ₹585.52 crore.

Winding up of non-working PSUs

1.19 There were 28 non-working PSUs (all Companies) as on 31 March 2017. Of these, 18 PSUs have commenced liquidation process. The number of non-working companies at the end of each year during the past five years was 28.

Since the non-working PSUs have not been contributing to the State economy and meeting the intended objectives, these PSUs may be considered either to be closed down or revived. Against the 28 non-working PSUs, Government of Odisha did not furnish the details of establishment expenditure, salary etc. of 27 companies. One non-working PSU i.e., Orissa State Commercial Transport Corporation Limited incurred expenditure of ₹0.03 crore during 2016-17. In absence of latest finalised accounts/data, expenditure incurred by the remaining non-working PSUs could not be ascertained.

1.20 The stages of closure in respect of non-working PSUs are given below:

Table 1.12: Closure of Non-working PSUs

Sl. No.	Particulars	Number of PSUs
1.	Total number of non-working PSUs	28
2.	Of (1) above, the number under	
	(a) Liquidation by Court	10 ¹⁹
	(b) Voluntary winding up	8 ²⁰
	(c) Closure i.e., closing orders/instructions issued but liquidation process not yet started	10

(Source: Information furnished by Public Enterprise Department)

¹⁷ Sl. Nos. A- 1, 2, 3, 4, 5, 6, 7, 8, 11, 12, 14, 15, 16, 17, 18, 28, 29, 30, 31, 32, 33, 36, 37, 38, 39, 41, 43, 44, 46, 47, 48, 50, 53 and B-2 & 3 of Annexure 2

¹⁸ Sl. Nos. A- 3, 4, 14, 16, 29, 30, 36, 37 and B-3 of Annexure 2

¹⁹ Sl. Nos.C-3, 6, 7, 9, 18, 19, 20, 22, 25 and 26 of Annexure 2

²⁰ Sl. Nos.C-1, 4, 5, 10, 12, 14, 15 and 24 of Annexure 2

The companies, which have taken the route of winding up by Court order, have arrear of accounts for periods ranging from five to 25 years. The process of voluntary winding up under the Companies Act is much faster. Hence, this needs to be pursued vigorously. The Government needs to take a decision regarding winding up of remaining 10 non-working PSUs.

Accounts Comments

1.21 Forty one working companies forwarded their 51 audited accounts to the PAG during October 2016 to September 2017. Of these 51 accounts, 34 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by the CAG and the supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below:

Table 1.13: Impact of audit comments on working companies (Amount ₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	20	734.61	14	197.19	16	217.78
2.	Increase in loss	6	213.00	7	552.31	5	306.73
3.	Non-disclosure of material facts	13	1066.84	10	2319.94	6	245.20
4.	Errors of classification	1	0.76	Nil	Nil	Nil	Nil

(Source: Audit Comments of the C&AG and Statutory Auditors)

The Statutory Auditors had given qualified certificates for 51 accounts during the period October 2016 to September 2017. The compliance of the PSUs with the Accounting Standards (AS) remained poor as there were 56 instances of non-compliance of AS in respect of 20 accounts during the year.

1.22 Similarly, two working Statutory Corporations forwarded their two accounts to the PAG during October 2016 to September 2017. Of these, the CAG is the sole auditor for the accounts of Odisha State Road Transport Corporation. The remaining one account was selected for supplementary audit. The Audit Reports of Statutory Auditors and the sole/supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

Table 1.14: Impact of audit comments on Statutory Corporations (Amount ₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	1.43	1	6.33	1	1.19
2.	Increase in loss	1	0.44	1	1.07	1	5.00
3.	Non-disclosure of material facts	2	42.25	1	25.81	Nil	Nil

(Source: Database maintained in the PAG Office)

Qualified certificates were issued to both accounts based on comments towards decrease in profit and increase in loss.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended March 2017, one Performance Audit and 10 compliance audit paragraphs were issued to the Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. Replies in respect of all audit paragraphs were received from the State Government.

Follow up action on Inspection Reports/Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that it elicits appropriate and timely response from the executive. The Finance Department, Government of Odisha had issued (December 1993) instructions to all Administrative Departments to submit replies/explanatory notes to Paragraphs/Performance Audits included in the Audit Reports of the CAG of India. This was to be done within a period of three months of their presentation to the Legislature in the prescribed format without waiting for any notice or call from the Committee on Public Undertakings (CoPU).

Table No.1.15: Explanatory notes not received (as on 30 September 2017)

Year of the Audit Report (Commercial/PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	29 March 2012	3	14	-	1
2013-14	24 August 2015	2	9	1	4
2014-15	26 September 2016	2	12	2	12
2015-16	16 September 2017	1	13	1	13
Total	--	8	48	4	30

(Source: Database maintained in the PAG Office)

Out of 56 Paragraphs/Performance Audits, explanatory notes to 34 Paragraphs/Performance Audits in respect of 11 departments were awaited (September 2017).

Discussion of Audit Reports by CoPU

1.25 The status of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) and those discussed by the CoPU as on 30 September 2017 was as under:

Table No.1.16: Performance Audits/ Paragraphs appeared in Audit Reports vis-à-vis discussed as on 30 September 2017

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Reports		Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	2	17	0	13
2009-10	2	15	0	14
2010-11	3	14	1	13
2011-12	2	18	2	18
2012-13	2	10	1	10
2013-14	2	9	0	0
2014-15	2	12	0	0
2015-16	1	13	0	0
Total	16	108	4	68

(Source: Database maintained in the PAG Office)

Committee on Public Undertakings was apprised of the pendency of the discussion of Audit Report Paragraphs in their first meeting (June 2016). During 2016-17, with the co-ordination and assistance of PAG, CoPU had in its 10 meetings, discussed two Performance Audits relating to Audit Reports of 2010-11 and 2011-12.

Compliance to Reports of Committee on Public Undertakings (CoPU)

1.26 Action Taken Notes (ATN) on 27 Paragraphs pertaining to four Reports of the CoPU presented to the State Legislature between August 2001 and March 2017 had not been received (October 2017) as detailed in **Table 1.17:**

Table 1.17: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total no. of recommendations in CoPU Report	No. of recommendations where ATNs not received
2001-02	1	8	8
2007-08	3	6	6
Total	4	14	14

(Source: Database maintained in the PAG Office)

These reports of CoPU contained recommendations in respect of Paragraphs pertaining to four departments which appeared in the Reports of the CAG of India for the years 1989-90 to 2004-05.

Response to Inspection Reports, Draft Paragraphs and Performance Audits

1.27 Audit observations 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 2016-17 pertaining to 42 PSUs disclosed that 2,267 Paragraphs relating to 525 IRs remained outstanding at the end of

30 September 2017. No replies were received in respect of 120 IRs containing 594 Paragraphs (PSUs under Energy Department - 52 per cent).

It is recommended that the Government may ensure: (a) submission of replies/Explanatory Notes to IRs/ Draft Paragraphs/ Performance Audits and ATNs on the recommendations of CoPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this Report

1.28 This Report contains one Performance Audit on “Activities of Odisha Mining Corporation Limited” and nine Compliance Audit paragraphs including one detailed Compliance Audit on “Capital Expenditure Programme of GRIDCO Limited”. These audit findings relate to PSUs which fall under Department of Steel and Mines, Energy, Home and Industries. The number of PSUs, investment, turnover and Return on Equity (RoE) in respect of all PSUs under these four departments are given below:

Table 1.18: Department-wise Investment, Turnover and Return on Equity of PSUs appeared in this Report

Sl. No.	Name of Department	No. of PSUs	Investment (₹ in crore)	Turnover (₹ in crore)	Return on Equity (in per cent)
1	Steel and Mines	5	71.93	2331.43	13.08
2	Energy	8	9830.12	8530.83	-11.42
3	Home	1	5.63	385.31	16.42
4	Industries	15	530.64	201.09	-8.71
	Total	29	10438.32	11448.66	

(Source: As per information furnished by PSUs)

It can be seen that the investment in PSUs under Steel & Mines Department was meagre at ₹71.93 crore but the turnover was ₹2331.43 crore with a good RoE being 13.08 per cent. The investment was very high in PSUs under Energy Department but had a negative RoE, i.e. -11.42 per cent.