

Chapter-V

State Public Sector Enterprises

Chapter V

State Public Sector Enterprises

Summary of Financial Performance of State Public Sector Enterprises

5.1 Introduction

This Chapter presents the summary of financial performance of Government Companies, Statutory Corporations and Government controlled other Companies. The term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and the subsidiaries of such Government companies. The Statutory Corporations set up under Statutes enacted by the Legislature and other companies owned or controlled, directly or indirectly by the State Government have also been categorised as SPSEs.

A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a Company in which not less than 51 *per cent* of the paid-up share capital is held by 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 of a Government.

Besides, any other company owned or controlled, directly or indirectly, 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 are referred to in this Report as Government controlled other Companies.

5.1.1 Mandate of Audit

Audit of Government companies and Government controlled other companies is conducted by the CAG under the provisions of Sections 143(5) to 143(7) of the Companies Act, 2013, read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971, and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing some of the Statutory Corporations require their accounts to be audited only by the CAG.

5.1.2 What this Chapter contains

This Chapter gives an overall picture of the financial performance of the State Government Companies and Corporations as revealed from their accounts.

5.1.3 Number of State Public Sector Enterprises

As on 31 March 2022, there were 82³⁷ SPSEs under the audit jurisdiction of the CAG as detailed in *Appendix 5.1*. These included 64 Government Companies, 03 Statutory Corporations and 15 Government controlled other Companies. Out of the 64 Government Companies, 8 were power sector companies and 56 were non-power sector companies. Out of 56 non-power sector companies, 26 were non-functional. Of these, summary of financial performance of 43 SPSEs (30 Government Companies, 02 Corporations and 11 Government controlled other Companies) is covered in this report and the nature of these SPSEs is indicated in the table below:

Table 5.1: Coverage and nature of SPSEs covered in this report

Nature of the SPSE	Total number of SPSEs	Number of SPSEs covered in the Report				Number of SPSEs not covered in the Report
		Accounts up to				
		2021-22	2020-21	2019-20	Total	
Government Companies	64	11	16	3	30	34
Statutory Corporations	3	0	2	0	2	1
Total Companies/ Corporations	67	11	18	3	32	35
Government Controlled other Companies	15	2	9	0	11	4
Total	82	13	27	3	43	39

(Source: Compiled based on the accounts received from PSUs during the respective years)

This Chapter does not include 39 SPSEs (34 Government Companies, 01 Statutory Corporation and 04 Government Controlled other Companies) whose accounts were in arrears for three years or more or were defunct/ under liquidation or whose first accounts have not been received yet, as indicated in *Appendix 5.2 A* and *Appendix 5.2 B*.

5.1.4 Contribution to the Gross State Domestic Product

A ratio of turnover of the Government companies and corporations to the Gross State Domestic Product (GSDP) shows the extent of their activities in the State economy. The Compounded Annual Growth Rate (CAGR) is a useful method to measure growth rate over multiple time periods. **Table 5.2** provides the details of turnover of 32 Government SPSEs and 11 Government Controlled other SPSEs and GSDP of Odisha for a period of three years from 2019-20 to 2021-2022:

³⁷ Two Government Companies viz. Startup Odisha and World Skill Centre came under the purview of CAG's audit during 2020-21.

Table 5.2: Details of turnover of State PSEs vis-a-vis GSDP of Odisha

(₹ in crore)

Particulars	2019-20	2020-21	2021-22
Turnover	21,149.69	23,876.47	38,169.90
Percentage of increase of Turnover over Previous Year	0.97	12.89	59.86
GSDP of Odisha at current prices	5,46,413	5,42,889	6,38,342
Percentage of Turnover to GSDP of Odisha	3.87	4.40	5.98

(Source: Turnover reported in the latest finalised accounts of Government Companies and Corporations till 15th September 2022 and GSDP figures received from Directorate of Economics and Statistics, Odisha.)

In 2021-22, the turnover of the SPSEs relative to GSDP was 5.98 *per cent* and had increased by 1.58 *per cent* from the previous year. The department-wise position is given in **Appendix 5.3**.

5.1.5 Budgetary Support to State Public Sector Enterprises

The Government of Odisha (GoO) provides financial support to State PSEs in various forms, through the annual budget. During 2021-22, there was budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity by GoO, in regard to 16 Government SPSEs and 03 Government controlled other SPSEs. The summarized details for the last three years ending March 2022, are as follows:

Table 5.3: Details regarding budgetary support to State PSEs

(Amount in ₹ crore)

Particulars ³⁸	2019-20		2020-21		2021-22	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	2	118.70	2	32.54	4	572.80
Loans given (ii)	1	100.05	0	0	2	118.40
Grants/Subsidy provided (iii)	8	1,136.03	9	758.19	16	1436.14
Total Outgo (i+ii+iii)	8[#]	1,354.76	9[*]	790.73	19^{\$}	2127.34
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	2	2439.69
Guarantees issued	1 [@]	600.00	1 [@]	2,000.00	1 [@]	600.00
Guarantee ³⁹ Commitment	1 [@]	913.50	1 [@]	6233.90	1 [@]	8277.50

(Source: Compiled based on information received from SPSEs.)

One Government SPSE i.e., Odisha Power Transmission Corporation Limited received equity, loans and grants in 2019-20 and One Government SPSE i.e., Odisha Hydro Power Corporation Limited received both equity and grants in 2019-20.

* One Government SPSE i.e., Odisha Hydro Power Corporation Limited received equity and grants in 2020-21.

\$ One Government SPSE i.e., Industrial Development Corporation of Odisha Limited received equity and grants in 2021-22, One Government SPSE i.e., Odisha Power Transmission Corporation Limited received both equity and loan in 2021-22 and One Government SPSE i.e., Odisha Pisciculture Development Corporation Limited received both loans and grants in 2021-22.

@ GRIDCO Limited.

³⁸ Amount represents outgo from State Budget only.

³⁹ Closing balance of Government guarantee in respect of SPSEs at the end of a particular year

The budgetary assistance of ₹2,127.34 crore given during the year 2021-22 was in the form of equity, loan and grants/ subsidy. During the year 2021-22, maximum grants/subsidy were provided to Odisha State Civil Supplies Corporation Limited (₹584.30 crore) and Odisha Lift Irrigation Corporation Limited (₹170.99 crore). These two SPSEs have not furnished their annual accounts for the financial year 2021-22. The overall summary position of financial performance of SPSEs (Government Companies and Statutory Corporations) covered in this Report, is summarised in **Table 5.4**.

Table 5.4: Financial performance of SPSEs for 2021-22 covered in this Report (Government Companies and Statutory Corporations)

Number of SPSEs	67
SPSEs covered	32
Paid up capital (32 SPSEs)	₹8,985.19 crore
Long term loans (32 SPSEs)	₹15,387.41 crore
Net profit (22 SPSEs)	₹3,289.58 crore
Net loss (10 SPSEs)	₹2,423.10 crore
Dividend declared (11 SPSEs)	₹565.10 crore
Total assets (32 SPSEs)	₹74,648.11 crore
Value of production (15 SPSEs)	₹8,070.01 crore
Net worth (32 SPSEs)	₹12,235.22 crore

5.2 Investment in Government Companies and Corporations and Government controlled other Companies

Details of equity and loans in 32⁴⁰ Government Companies and Corporations and 11 Government controlled other companies as of 31 March 2021 and 31 March 2022, are given in the table below:

Table 5.5: Equity and loans in Government Companies and Corporations

(₹ in crore)

	Sources of investment	As on 31.03.2022			As on 31.03.2021		
		Equity	Long term loans	Total	Equity	Long term loans	Total
Government Companies and Corporations	1. State Government	7,313.82	1,015.57	8,329.39	4108.87	1,243.93	5,352.80
	2. State Government Companies/ Corporations/Autonomous Bodies	1,549.14	722.83	2,271.97	616.59	596.35	1,212.94
	3. Central Governments/ Central Government Companies/Corporations	44.95	6760.81	6,805.76	44.95	7241.53	7286.48
	4. Financial Institutions and Others	77.28	6,888.20	6,965.48	969.03	6912.09	7881.12
	Total	8,985.19	15,387.41	24,372.60	5,739.44	15,993.90	21,733.34
Government controlled other companies	State Government	235.00	0	235.00	235.01	0	235.01

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

⁴⁰ (67-35) SPSEs whose accounts were in arrears for more than or equal to three years were defunct/under liquidation.

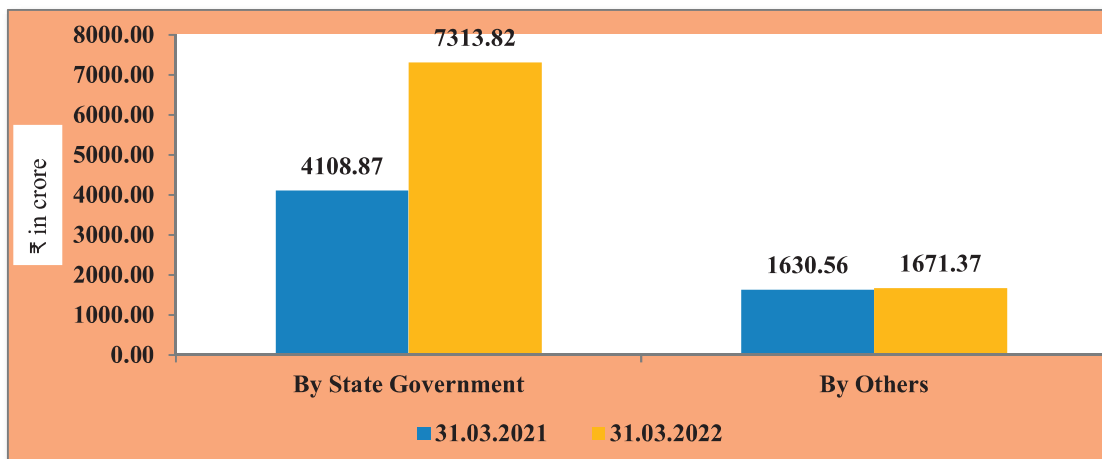
The amount of equity and loans in 11 Government controlled other companies, as of 31 March 2022 is given in the table below.

5.2.1 Equity holding

During 2021-22, the total equity holding at face value in the 32 SPSEs covered in this Report registered a net increase of ₹3,245.76 crore. This was due to increase in State Government equity share capital of ₹ 50.00 crore in Odisha State Road Transport Corporation Limited, ₹ 2214.51 crore in GRIDCO Limited, ₹ 22.54 crore in Odisha Hydro Power Corporation Limited, ₹ 207.00 crore in Odisha Power Generation Corporation Limited, ₹ 711.29 crore in Odisha Power Transmission Corporation Limited and increase in equity share capital of holding State Government companies of ₹ 39.95 crore in Odisha Coal Power Limited.

Holding in equity by State Government and others, during the last two years ended 31 March 2021 and 31 March 2022 in Government Companies and Corporations, is depicted in the Chart below:

Chart 5.1: Holding in equity in Government Companies and Corporations



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Details of significant holding (holding of more than ₹200 crore) of the State Government during 2021-22 in the paid-up capital of the SPSEs, are given in Table 5.6.

Table 5.6: Significant holding of the State Government

(₹ in crore)

Name of the SPSE	Name of the Department	Amount	Percentage of State Government holding in the individual SPSE with the total holding of the State Government
Statutory Corporation			
Odisha State Financial Corporation	Micro, Small & Medium Enterprise	342.72	4.69
Odisha State Road Transport Corporation	Commerce and Transport	328.54	4.49
Government Companies			

Odisha Power Generation Corporation Limited	Energy	1136.47	15.54
Odisha Power Transmission Corporation Limited	Energy	1571.06	21.48
Odisha Hydro Power Corporation Limited	Energy	833.19	11.39
GRIDCO Limited	Energy	2791.22	38.17

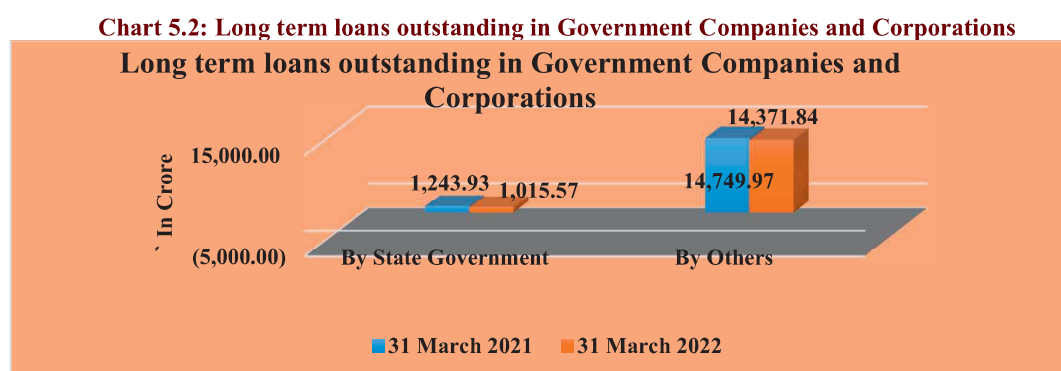
(Source: Compiled from the latest finalised accounts of SPSEs)

5.2.2 Loans given to Government Companies and Corporations

5.2.2.1 Computation of long-term loans outstanding as on 31 March 2022

Out of the 32 Government Companies and Corporations covered in this report, 11 had outstanding long term loans from all sources, amounting to ₹15,387.41 crore, as on 31 March 2022. During 2021-22, the long-term loans of Government Companies and Corporations registered a decrease of ₹606.49 crore in five SPSEs viz. GRIDCO Limited, Odisha Hydro Power Corporation Limited, Odisha Power Generation Corporation Limited, Odisha Coal and Power Limited and Kalinga Studio Limited.

Year wise details of outstanding long-term loans of Government Companies and Corporations, covered in this report, are depicted in the chart below:



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

5.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long-term loans by value of total assets in 11 Government SPSEs, which had outstanding loans as on 31 March 2022, is given in the table below:

Table 5.7: Coverage of long term loans with total assets

	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term loans	Assets	Percentage of assets to loans	No. of SPSEs	Long term loans	Assets	Percentage of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	2	107.33	1129.86	1052.70	-	-	-	-
Government Companies	9	15,280.08	33,763.54	220.96	-	-	-	-
Total	11	15,387.41	34,893.40		-	-	-	-

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

From the above table, it can be seen that all the 11 Government Companies and Corporations had positive coverage ratio, which indicates that all these Companies and Corporations possess adequate assets to meet their loan liabilities.

5.2.2.3 Interest Coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicates that the company is not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of SPSEs, which had outstanding loans during the period from 2019-20 to 2021-22 are given in the table below:

Table 5.8: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of SPSEs	No. of SPSEs having ICR ≥ 1	No. of SPSEs having ICR < 1
Statutory Corporations					
2019-20	0.47	5.73	1	1	-
2020-21	0.47	-1.59	1	-	1
2021-22	0.47	-0.45	1	-	1
Government Companies					
2019-20	662.75	911.48	6	4	2
2020-21	1,640.31	70.61	7	5	2
2021-22	1745.21	1547.32	9	8	1

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that the number of SPSEs with ICR equal to or more than one, had increased in case of Government Companies and decreased in case of Statutory Corporations during 2021-22, as compared to the previous years.

5.2.2.4 Age Wise Analysis of interest outstanding on State Government loans

As on 31 March 2022, interest amounting to ₹956.09 crore was outstanding on long term loans of four SPSEs provided by the State Government. The age wise analysis of interest outstanding on State Government loans in SPSEs is depicted in the table below:

Table 5.9: Interest outstanding on State Government Loans

(₹ in crore)					
Sl. No.	Name of the SPSE	Outstanding interest on State Government loans	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years
1	Odisha Hydro Power Corporation Limited	842.27	66.94	140.23	635.10
2	Odisha State Seeds Corporation Limited	0.98	-	-	0.98
3	Industrial Development Corporation Limited	56.53	1.66	6.04	48.83
4	Odisha Power Transmission Corporation Limited	56.31	21.58	0	34.73
Total		956.09	90.18	146.27	719.64

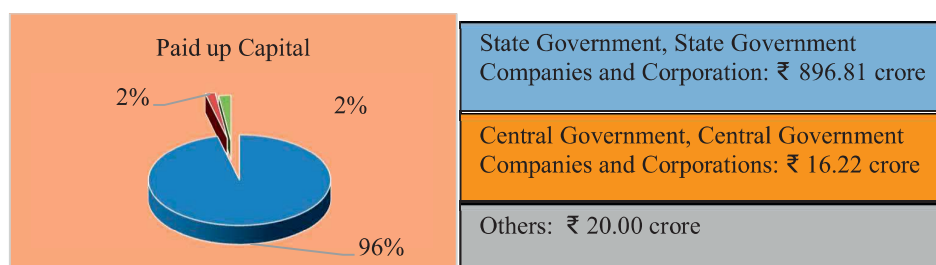
(Source: Compiled on the basis of information received from SPSEs)

It is revealed from the above table that the companies failed to pay the interest liabilities which should have been paid within one year, resulting in accumulation of interest on State Government loans, year after year.

5.2.3 Investment in Government controlled other Companies

The capital invested in 11⁴¹ Government Controlled other Companies by the State Government, Central Government and by Companies and Corporations controlled by them, during the year 2021-22, is depicted in the chart below:

Chart 5.3: Composition of share capital in Government controlled other Companies



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

As on 31 March 2022, equity in these Government controlled other companies remained the same as it was in 2020-21 i.e., 933.08 crore.

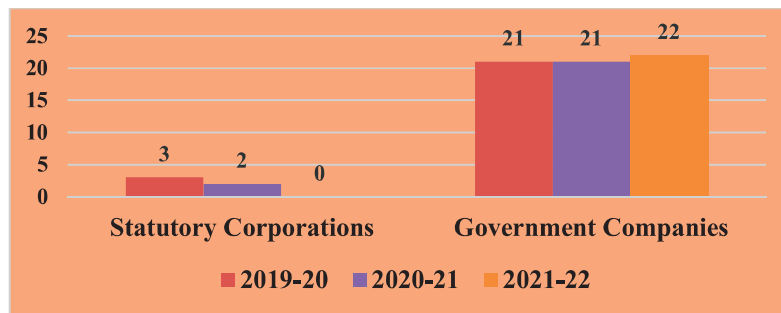
⁴¹ 15 minus 4 Government controlled other companies whose accounts were in arrears for three years or more or were defunct/under liquidation.

5.3 Returns from the Government Companies and Corporations

5.3.1 Profit earned by Government companies and Corporations

Out of the 32 Government Companies and Corporations covered in this report, 22 SPSEs earned profit of ₹3,289.58 crore during 2021-22, as against profit of ₹1,937.72 crore earned by 23 SPSEs in 2020-21. The Return on Equity (ROE) of the 22 SPSEs was 22.92 *per cent* in 2021-22 as compared to 20.04 *per cent* in 21 SPSEs in 2020-21. Number of SPSEs that earned profit during the period from 2019-20 to 2021-22 is depicted in the Chart below:

Chart 5.4: Number of Profit Earning SPSEs



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

The details of top three departments, which contributed maximum profit during 2021-22 are summarised in **Table 5.10**.

Table 5.10: Top three departments which contributed maximum profit during the year 2021-22

Name of the Department	No. of profit earning SPSEs (Government Companies)	Net profit earned (₹ in crore)	Net profit earned by 32 SPSEs (22 profit making and 10 loss making) (₹ in crore)	Percentage of profit to total SPSE profit
Steels and Mines	1	906.12	866.48	104.57
Water Resources	1	49.05		5.66
Home	1	20.95		2.42

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

The list of Government companies which earned profit of more than ₹50 crore during the year 2021-22, is given in the table below:

Table 5.11: List of SPSEs which earned profit of more than ₹ 50 crore

Sl. No.	Name of the SPSE	(₹ in crore)
		Net Profit
1	Odisha Mining Corporation Limited	2,731.72
2	Odisha Hydro Power Corporation Limited	180.64
3	Odisha Power Transmission Corporation Limited	61.67
4	Odisha Coal and Power Limited	158.27
Total		

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

5.3.2 Loss incurred by Government companies and Corporations

There were 10 Government companies that incurred losses during the year 2021-22. In these SPSEs loss had reduced to ₹2,423.10 crore in 2021-22 as compared to loss of ₹3,414.88 crore incurred during 2020-21, as given in *Appendix 5.4*. The details of SPSEs that incurred loss from 2019-20 to 2021-22, are given in the table below:

Table 5.12: Number of SPSEs that incurred losses during 2019-20 to 2021-22

Year	No of SPSEs incurred loss	Net loss for the year (in crore)	Accumulated loss (in crore)	Net worth ⁴² (in crore)
Government Company				
2019-20	7	304.52	4,982.95	-3,873.27
2020-21	10	3,568.19	7,453.93	-2,936.07
2021-22	10	2,423.10	8,035.72	-2,116.89

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Out of total loss of ₹2,423.10 crore incurred by 10 Government SPSEs, loss of ₹2,361.39 crore was contributed by three SPSEs (GRIDCO Limited, Odisha Power Generation Corporation Limited and Odisha Mineral Bearing Area Development Corporation Limited) which function in Energy and Steel & Mines sectors respectively. Three companies which incurred major loss during 2021-22, are as follows:

- GRIDCO Limited:** Loss of ₹440.18 crore during 2021-22 was mainly due to the high cost of purchase of Power and expenditure towards finance costs.
- Odisha Power Generation Corporation Limited (OPGC):** The loss of ₹102.83 crore during 2021-22 was mainly due to expenditure towards Cost of material consumed and Finance cost.
- Odisha Mineral Bearing Areas Development Corporation (OMBADC) Limited:** The loss of ₹1,818.38 crore during 2021-22 in OMBADC was mainly due to expenditure towards Project expenses.

5.3.3 Erosion of capital in Government Companies and Corporations

As on 31 March 2022, there were 11 Government companies and corporations with accumulated losses of ₹9,020.65 crore. Of the 11 SPSEs, six SPSEs incurred losses in the year 2021-22, amounting to ₹497.70 crore, five SPSEs had not incurred loss in the year 2021-22, even though they had accumulated losses of ₹240.31 crore.

Net worth of eight out of 11 SPSEs had been completely eroded by accumulated loss and was negative. The net worth of these eight SPSEs was ₹(-) 5,770.91 crore as on 31 March 2022.

⁴² Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Details of SPSEs whose Net Worth had been eroded, as per their latest finalised accounts

(₹ in crore)

Sl. No.	Name of SPSE	Latest year of finalised accounts	Total paid up capital	Net Profit (+) / Loss (-) after interest, tax and dividend	Accumulated Losses	Net Worth	State Government Equity as on 31 March 2022	State Government Loans as on 31 March 2022
1	GRIDCO Limited	2021-22	2791.22	(-) 440.18	(-) 7886.18	(-) 5094.96	2791.22	0
2	Odisha Forest Development Corporation Limited	2020-21	5.00	20.04	(-) 66.82	(-) 42.63	5.00	0
3	IDCOL Kalinga Iron Works Limited	2021-22	150.10	(-) 37.64	(-) 188.38	(-) 38.28	0	0
4	Odisha State Financial Corporation	2020-21	419.54	(-) 0.92	(-) 474.85	(-) 48.97	342.72	0
5	IDCOL Ferro Chrome and Alloys Limited	2021-22	18.81	(-) 1.15	(-) 33.89	(-) 15.08	0	0
6	The Industrial Development Corporation of Odisha Limited	2021-22	107.12	(-) 564.54	(-) 623.38	(-) 516.26	107.12	91.82
7	Odisha Mineral Exploration Corporation Limited	2021-22	0.43	(-) 7.22	(-) 13.48	(-) 13.05	0.43	0
8	Kalinga Studios Limited	2019-20	1.75	0.01	(-) 3.43	(-) 1.68	0	0
	Total					(-) 5,770.91		

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Odisha Forest Development Corporation Limited (Sl. No. 2), Odisha State Financial Corporation (Sl. No. 4) and Kalinga Studios Limited (Sl. No. 8) have not furnished their annual accounts for 2021-22. Their data relating to State Government Equity as on 31 March 2022 and State Government Loans as on 31 March 2022, as mentioned in the above table are provisional, which were furnished by the management of the respective SPSEs.

5.3.4 Dividend pay-out by SPSEs

The State Government had formulated (December 2011) dividend policy under which all profit-making PSUs are required to pay annual dividend of 20 per cent of the State government equity or 20 per cent of the profit after tax, whichever is higher. The minimum dividend pay-out in respect of PSUs in power generation sector should be 30 per cent of profit after tax. Subsequently, GoO issued revised (February 2016) guidelines for payment of dividend at the rate of 30 per cent for all PSUs. However, seven SPSEs had not declared the dividend prescribed by the Government, as detailed in **Appendix 5.5**. The total shortfall on this account was ₹558.25 crore in 2021-22.

The details of profit earned and dividend declared/paid by Government companies and corporations are given in the table below:

Table 5.13: Profit earned and dividend declared/paid

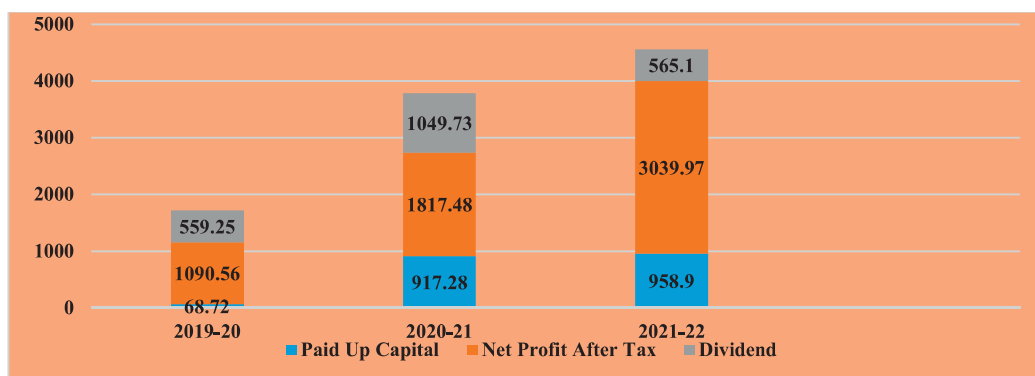
Category	No. of SPSEs	Total Paid up capital (₹ in crore)	Net profit (₹ in crore)	Dividend declared (₹ in crore)
Government Companies	11	958.90	3,039.97	565.10

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Out of the 32 Government companies and Corporations, 11 SPSEs declared dividend in 2021-22. The dividend declared as a percentage of net profit decreased to 18.59 per cent in 2021-22 from 57.76 per cent in 2020-21. In absolute terms, the dividend declared by the

SPSEs in 2021-22 decreased by ₹484.63 crore compared to previous year. The chart below depicts the dividend declared *vis-a-vis* net profit earned and paid-up capital of SPSEs which declared dividend during the last three years.

Chart 5.5: Dividend declared vis-a-vis net profit earned and paid up capital (₹ in crore)



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

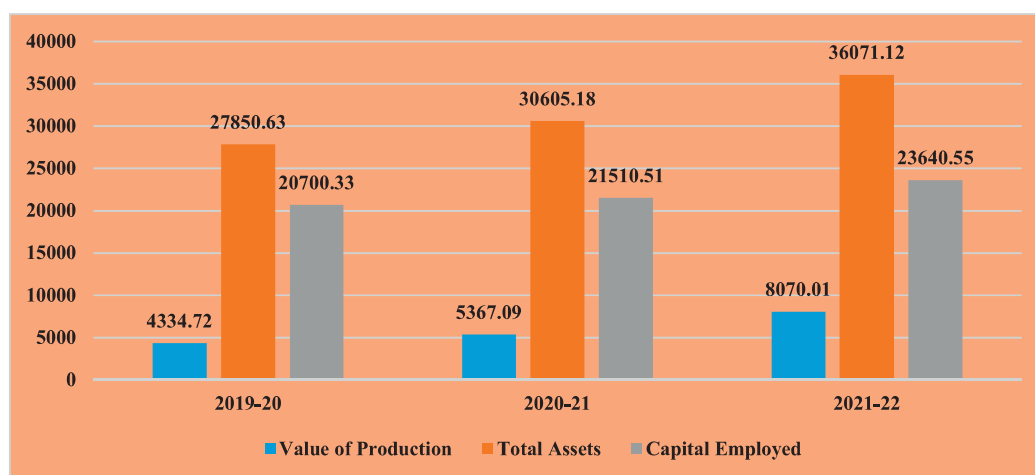
Of the 11 Government Controlled Other Companies, six companies earned profit of ₹3.33 crore during the year ended 31 March 2022. However, none of these companies declared dividend during 2021-22.

Operating efficiency of Government Companies and Corporations

5.4. Value of production

The summary indicating value of production, total assets and capital employed in Government companies and corporations related to 15 SPSEs over a period of three years is depicted in the chart below:

Chart 5.6: Value of Production, Assets and Capital Employed (₹ in crore)



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

There was an increase in the value of production, total assets and capital employed in the year 2021-22 compared to the previous year. The SPSE-wise details of value of production, total assets and capital employed are given in *Appendix 5.6*.

5.4.1 Return on Capital Employed

Return on Capital employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁴³. The SPSE wise details of ROCE are given in *Appendix 5.7*. The consolidated ROCE of 32 Government companies and corporations during the period from 2019-20 to 2021-22 is given in Table below.

Table 5.14: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in percentage)
2019-20	2,755.96	22,763.33	12.11
2020-21	898.68	22,908.97	3.92
2021-22	3793.25	27,624.31	13.73

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that ROCE of 32 Government companies and corporations was higher by 9.81 per cent during the year 2021-22 in comparison to the year 2020-21.

5.4.2 Return on Equity of SPSEs

Return on Equity (ROE⁴⁴) is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The SPSE-wise detail of ROE is given in *Appendix 5.8*. The consolidated ROE of 32 Government Companies and Corporations during the period from 2019-20 to 2021-22, is given in the table below:

Table 5.15: Return on Equity

Year	Net Profit after Tax and Preference Dividend (₹ in crore)	Equity (₹ in crore)	ROE (in percentage)
2019-20	1,381.20	9,594.64	14.40
2020-21	-1,651.19	6,914.22	-23.88
2021-22	866.48	8,985.19	9.65

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that ROE of 32 Government companies and corporations had increased and turned positive during the year 2021-22 in comparison to that of negative ROE for the year 2020-21. Sector-wise detail of ROE of Government companies and corporations, where total equity of the sector was more than ₹ 50 crore during 2019-20 to 2021-22, is depicted in the table below:

⁴³ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

⁴⁴ Return on Equity = (Net Profit after Tax and preference Dividend/Equity) *100 where Equity = Paid up Capital + Free Reserves & Surplus – Accumulated Loss – Deferred Revenue Expenditure

Table 5.16: RoE of sectors with total equity of ₹ 50 crore and more**(In per cent)**

Sl. No.	Name of the Department	2019-20	2020-21	2021-22
1	Industries	-15.42	-9.58	0.77
2	Commerce and Transport	2.57	2.57	-6.26
3	Energy	3.64	-194.59	-5.46
4	Micro, Small & Medium Enterprise	13.82	14.57	1.88

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

From the above table, it can be seen that the RoE has increased in Industries sector during the year 2021-22.

5.4.3 Return on Investment

Return on Investment (RoI) is used to evaluate the efficiency of an investment and is calculated by dividing net income by investment. The consolidated RoI of 32 Government Companies and Corporations, during the period from 2019-20 to 2021-22, is given in the table below:

Table 5.17: Return on Investment

Year	Net Profit after Tax (₹ in crore)	Investment (₹ in crore)	RoI (in percentage)
2019-20	1,381.20	21,407.33	6.45
2020-21	-1,651.19	24,402.63	-6.77
2021-22	866.48	27,031.97	3.21

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that RoI of 32 Government companies and corporations was higher by 9.98 per cent during the year 2021-22, in comparison to the year 2020-21.

5.4.4 Sales and Marketing

During 2021-22, the total sales of 26 out of 32 Government Companies were ₹39,963.81 crore as compared to ₹23,253.96 crore in 2020-21. Out of 26 SPSEs, 10 SPSEs sold goods/rendered services worth ₹4,138.75 crore to the Government sector in 2021-22, which worked out to 10.36 per cent of their total sales. No SPSEs exported or imported goods/services during the period.

The details of total sales, sales to Government sector and others thereon in regard to 26 SPSEs for three years are given in the table below:

Table 5.18: Sales details of 26 SPSEs**(₹ in crore)**

Year	Total Sales	Sales to Government sector	Sales to others
2019-20	20,895.88	3,014.59	17,881.51
2020-21	23,253.96	3,765.63	19,488.33
2021-22	39,963.81	4,138.75	35,825.06

(Source: Compiled on the basis of information furnished by SPSEs)

5.5 Audit of State Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the statutory auditors for a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.6 Appointment of statutory auditors of State Public Sector Enterprises by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

The statutory auditors of the SPSEs for the year 2021-22 were appointed by the CAG during August 2021.

5.7 Submission of accounts by SPSEs

5.7.1 Need for timely submission

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report shall be laid before State Legislature, together with a copy of the Audit Report and comments of the C&AG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilization of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold Annual General Meeting (AGM) of the shareholders once in every calendar year. It also states that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year have to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons, including directors of a company for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite the above, annual accounts of various SPSEs were pending as on 15 September 2022, as detailed in the following paragraph.

5.7.2 Timeliness in preparation of accounts by Government SPSEs and Government Controlled Other SPSEs

As of 31 March 2022, there were 67 Government SPSEs and 15 Government Controlled Other SPSEs under purview of CAG's audit. Out of these 67 Government SPSEs, three are Statutory Corporations.

Accounts for the year 2021-22 were due from all 67 Government SPSEs and 15 Government Controlled Other SPSEs. The details of accounts which were in arrears are indicated in **Appendix 5.2 A and 5.2 B** for government companies and government controlled other companies, separately. The number of accounts in arrears for the aforesaid two groups are given below:

Table 5.19: Details of submission of accounts of Government Companies

Particulars		Government SPSEs/Government Controlled Other SPSEs		
		Government SPSEs	Government Controlled Other SPSEs	Total
Total number of SPSEs under the purview of CAG's audit as on 31.03.2022		67	15	82
Unlisted		67	15	82
Less: New SPSEs from which accounts for 2021-22 were not due		-	-	-
Number of SPSEs from which accounts for 2021-22 were due		67	15	82
Number of SPSEs which presented the accounts for CAG's audit by 15 September 2022 for F Y 2021-22		11	2	13
Number of SPSEs whose accounts are in arrears		56	13	69
Break-up of SPSEs whose accounts are in Arrears	(i) Under Liquidation	16	0	16
	(ii) Defunct	10	0	10
	(iii) First Accounts not submitted	2	0	2
	(iv) Others	28	13	41
Number of accounts in arrears		966	28	994
Age-wise analysis of arrears	One year (2021-22)	18*	9	27
	Two years (2020-21 and 2021-22)	06	0	06
	Three years and more	942**	19	961

* Includes two Statutory Corporations viz., Odisha State Financial Corporation and Odisha State Road Transport Corporation

** Includes one Statutory Corporation i.e., Odisha State Warehousing Corporation.

Delay in finalisation of accounts carries the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2021-22 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature. Hence, the Administrative Departments should strictly monitor and issue necessary directions to clear the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

5.8 CAG's oversight- Audit of Accounts and Supplementary Audit

5.8.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

5.8.2 Audit of accounts of SPSEs by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.8.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions

given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013, to be placed before the Annual General Meeting.

5.9 Results of CAG's oversight role

5.9.1 Audit of accounts of Government Companies/ Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Financial statements for the year 2021-22 were received from 11 Government Companies and two Government Controlled Other Companies by 15 September 2022. Of these, financial statements of three Government Companies and one Government Controlled Other Companies were reviewed in audit by the CAG. Financial statements of six Government Companies and one Government Controlled Other Company were not finalized by 15 September 2022.

5.9.1.1 Revision of Auditors Report

As a result of supplementary audit of the financial statements for the year ended 31 March 2022 conducted by the CAG, there was no revision of statutory auditor's report of any SPSEs, before laying of the financial statements of the Company in its Annual General Meeting.

5.9.1.2 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies/Government Controlled Other Companies

Subsequent to the audit of the financial statements by statutory auditors which were received during the period from 01 October 2021 to 15 September 2022, the CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government Controlled Other Companies. The list of SPSEs, in respect of which comments were issued, is given in *Appendix 5.9*. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was, ₹ 2.40 crore increase in profit and ₹ 56.93 crore increase in loss, as also decrease in assets (₹23.51 crore) and increase in liabilities (₹ 109.07 crore), are detailed in **Tables 5.20 to 5.23**.

Table 5.20: Significant comments on profitability of Government Companies

Sl. No.	Name of the Company	Comments
1	Odisha Hydro Power Corporation Limited	Financial Liabilities (Liability to Others) was understated by ₹ 9.96 crore with overstatement of Other Income by ₹9.96 crore due to adjustment of revenue from Department of Water Resource, which is pending for confirmation, in violation to OHPC's own Significant Accounting Policies. This also resulted in overstatement of profit by same extent. Though this was pointed out in C&AG Comments for the year ended 31 March 2020, no corrective action has been taken by the Management.
2	GRIDCO Limited	I. Expenses (Cost of Power) were understated by ₹25.25 crore due to non-accounting of claims of Central Transmission Utility of India Limited (CTUIL) for the period of October 2021 to February 2022 by ₹20.75 crore, deferred tax liability of Power Grid Corporation of India Limited (PGCIL) amounting to ₹0.70 crore materialized during 2020-21 and non-consideration of ₹3.80 crore towards Electricity Duty payable on Auxiliary Power Consumption and Regional Load Dispatch Center charges for Talcher & Darlipali super Thermal Power Station. This has also resulted in understatement of loss by ₹25.25 crore with corresponding understatement of Current Liabilities to the same extent. II. Finance Cost did not include ₹6.25 crore towards the Guarantee Fee demand of Government of Odisha on the amount of guarantee provided to the company. This had resulted in understatement of finance cost by ₹6.25 crore with corresponding understatement of loss to the same extent. This also resulted in understatement of Current Liabilities by ₹6.25 crore.
3	Odisha Power Transmission Corporation Limited	I. Other expenses were understated by ₹3.66 crore due to non-provisioning of 112 number of repair and maintenance works completed under Civil Works division, Bhubaneswar with corresponding overstatement of profit by same amount. This also resulted in understatement of current liability by ₹3.66 crore. II. Depreciation and amortisation expense was understated by ₹1.66 crore due to delay in capitalisation of works of 132/33 KV grid substation at Pratapsasan. Though the work had been completed on 30 October 2020, it was capitalised on 31 March 2021. This resulted in overstatement of profit for the year by ₹1.66 crore.
4	Water Corporation of Odisha (WATCO) Limited	I. Other Income (Rent recovery) was understated by ₹0.14 crore due to non-accounting of ₹0.80 crore towards non receipt of license fee and ₹0.60 crore towards delayed payment of interest. This resulted in understatement of Surplus and Current Assets to the same extent. II. Short Term Provision (Employee benefit expense) was understated by ₹0.92 crore due to short accounting of Pension Contribution towards employees working in WATCO on deputation on accrual basis. This also resulted in overstatement of Surplus and understatement of Short term Provision to the same extent. III. Other Expenses (Capital Reserve) were overstated due to booking of capital expenditure of ₹0.56 crore on Construction of new Chlorine leak Absorption System (Capital Assets) in Other Expenses. This also resulted in understatement of Surplus to the same extent.

Sl. No.	Name of the Company	Comments
5	Industrial Promotion and Investment Corporation of Odisha Limited	<p>Other Expenses (District Investment Promotion Agency (DIPA) Expenses) did not include ₹0.65 crore being the DIPA consultancy fees for the month of February and March 2022 payable to M/s Price Waterhouse Coopers Private Limited (PWCPL).</p> <p>As per the decision taken by Government of Odisha on 28th June 2021, a DIPA was setup for creation of infrastructure in various districts of the State as an extended wing of Odisha Industrial Infrastructure Development Corporation (IDCO) and the company. An agreement had been signed wherein M/s PWCPL (executing agency) had to provide human resources and infrastructure and raise monthly bills on the company for their expenses, which, in turn had to be passed on to M/s IDCO. As such, the company had to book the amount payable to M/s PWCPL as other expenses, and the same had to be booked as receivable from M/s IDCO as other income. During the year 2021-22, against the receipt of bill amount of ₹1.92 crore, the company had booked only ₹0.62 crore as other income and ₹1.27 crore as other expenses, leaving an amount of ₹0.02 crore unaccounted, whereas ₹1.92 crore was to be booked to income and expenses both.</p> <p>This had resulted in understatement of other income by ₹1.30 crore (₹1.92 crore - ₹0.62 crore) as well as understatement of other expenses by ₹0.65 crore (₹1.92 crore - ₹1.27 crore). As a result, profit had been understated by ₹0.65 crore.</p>
6	Odisha Mining Corporation Limited	<p>Other Income was understated by ₹19.82 crore due to non-inclusion of interest U/s 244A of the Income Tax Act, 1961 on Income Tax Refundable for the years 2006-07 and 2007-08 assessed during the financial year 2021-22. The Corporation had received the assessment order from the office of the Asst. Commissioner of Income Tax for the year 2006-07 and 2007-08, in which interest on income tax refund receivable u/s 244A was assessed as ₹14.35 crore and ₹5.47 crore respectively. Non-inclusion of interest amount in the accounts had resulted in understatement of Current Assets as well as understatement of Profit for the years by ₹19.82 crore.</p>
7	Odisha Bridge & Construction Corporation Limited	<p>I. Revenue from operations was overstated by ₹0.97 crore due to wrong accounting of Quality control and Contingencies as revenue instead of liability. This had also resulted in understatement of liability (Quality control and Contingency) and overstatement of profit to the same extent.</p> <p>II. Employee Benefit Expenses were understated by ₹0.97 crore due to non-accounting of Leave Salary and Pension Contribution as demanded by AG(A&E), Odisha. This had also resulted in understatement of provision as well as overstatement of profit by ₹0.97 crore.</p>
8	Odisha Construction Corporation Limited	<p>Employee Benefit expenses included ₹1.36 crore towards payment of premium (paid on 12.06.2020) on group gratuity scheme to Life Insurance Corporation by the company for the year 2020-21. As the payment was for the year 2020-21, it should have not been shown in the annual accounts of 2019-20. This resulted in overstatement of 'Employee benefit expenses' by ₹1.36 crore with corresponding understatement of profit to the same extent.</p>

Table 5.21: Significant comments on Financial Position of Government Companies

Sl. No.	Name of the Company	Comments
1	Odisha Hydro Power Corporation Limited	<p>I. Current Liabilities (Payable to APGENCO on Machhakund A/C) was understated by ₹1.66 crore due to non-payment of bill of APGENCO <i>i.e.</i> 30 <i>per cent</i> cost towards construction of E-type and F-type blocks in respect of Machhakund Project with corresponding understatement of PPE by same amount.</p> <p>II. Current Liabilities (Payable to APGENCO on Machhakund A/C) was understated by an amount of ₹4.98 crore due to non-accounting of the differential amount of operation & maintenance expenditure share of Machhakund Project which was revised from 30 <i>per cent</i> to 50 <i>per cent</i>. This had also resulted in understatement of 'Receivable from GRIDCO' by the same amount as per the Power Purchase Agreement.</p> <p>III. Non-current Assets (Investment) did not include ₹27.42 crore being the amount invested in Machhakund Project for acquisition of additional 20 <i>per cent</i> share. As it was a capital expenditure, it should have been accounted as Non-current Assets. Further, the company had wrongly booked it as receivable from GRIDCO. Thus, it resulted in understatement of Non-current Assets (Investment) and overstatement of Current Assets (Receivables from GRIDCO) by ₹27.42 crore each.</p>
2	Odisha Power Transmission Corporation Limited	Equity (Other Equity) was overstated by ₹15 crore with corresponding understatement of loan to the same extent due to wrong accounting of Government loan as other equity without approval of the Government.
3	Odisha Pisciculture Development Corporation Limited	<p>I. The capital work-in-progress included various abandoned work-in-progress valuing ₹6.33 lakh which are more than 20 years old. Since there was no further scope for completion of the work, the total expenditure of ₹6.33 lakh incurred on the works should have been treated as expenditure and fully charged to profit and loss account, but this had been done by the management. This had resulted in overstatement of the fixed assets (Capital work in progress) and profit by ₹6.33 lakh with corresponding understatement of expenditure to the same extent.</p> <p>II. The company maintained an account at HDFC life for payment of gratuity to its employees. As per HDFC life, the closing balance under OPDC Employee Gratuity Trust as on 31.03.2018 was ₹1.14 lakh, whereas management has considered the balance as ₹5.61 lakh. This had resulted in overstatement of current investment and profit by ₹4.47 lakh (₹5.61 lakh - ₹1.14 lakh) and corresponding understatement of expenditure to the same extent.</p>
4	Rourkela Smart City Limited	<p>I. Other Current Liabilities were understated by ₹2.08 crore due to non-accounting of price adjustment bills paid prior to the approval of the Accounts by the Board.</p> <p>II. Other Current Liabilities were overstated by ₹0.56 crore due to accounting of operation and maintenance expenses of the revenue projects in contradiction to the Ministry of Housing and Urban Affairs direction.</p>
5	Bhubaneswar Smart City Limited	I. Other equity was overstated by ₹9.96 crore (₹4.15 crore for FY 2020-21 and ₹5.81 crore for the FY 2019-20) due to accounting of interest earned on grant received from GoI in violation to the terms & conditions of Provisions

Sl. No.	Name of the Company	Comments
		of GFR 2017. This also resulted in understatement of Current Liabilities to the same extent. II. Capital Work-in-Progress was understated by ₹27.50 crore due to accounting of consultancy charges paid to three Programme Management Consultants (PgMCs) viz. Smart Solution Projects, Area Based Development Projects and Project initiation and conceptualization, procurement of DPR consultants, contractors <i>etc.</i> as revenue expenditure. This also resulted in overstatement of other expenses and loss by ₹27.50 crore (₹3.66 crore relates to 2020-21 and ₹23.84 crore for prior period).
6	Odisha Bridge & Construction Corporation Limited	I. Current Assets were overstated by ₹ 3.39 crore due to wrong accounting of Income Tax deducted at source (ITDS) receivable. This had resulted in understatement of Other Current Assets to the same extent. II. Short Term loans and Advances included an amount of ₹0.62 crore including advance given to different suppliers (₹0.27 crore) and contractors (₹0.35 crore) which were rolling for more than 18 years in case of suppliers and more than 7 years in case of contractors. As the possibility of recovery of these advances was remote, necessary provision should have been made. Non-provision of the same resulted in understatement of other expenses and overstatement of the short-term loans and advances as well profit by ₹0.62 crore. III. Other Current Assets included an amount of ₹0.16 crore towards refund receivable from Income tax department for the year 2013-14 and 2014-15. As the refund had already become time barred and the possibility of getting refund was remote, necessary provision should have been made. Non provision of the same resulted in understatement of short-term provision and overstatement of other current assets and profit to the same extent.
7	Odisha Construction Corporation Limited	Long Term Loans and Advances included ₹1.11 crore towards advances to suppliers pertaining to eight defunct projects lying un-recovered and unadjusted for past several years. As the projects were defunct the chances of collection was very remote, so it should have been fully provided as bad and doubtful advance. Thus due to non-provision, long term loans and advances were overstated by ₹1.11 crore with consequent overstatement of profit to that extent.

Table 5.22: Significant comments on Disclosure

Sl. No.	Name of the Company	Comments
1	Odisha Forest Development Corporation Limited	The Company had not disclosed the balance of Insurance Reserve Fund amounting to ₹6.01 crore as on 31.03.2021, against which there was a damage claim of ₹18.34 lakh, which should have been suitably disclosed in the notes to accounts.
2	Odisha State Civil Supplies Corporation Limited	In the FPS automation process, the Point of Sale (PoS) devices were installed to digitize all the transactions of essential commodities. An amount of ₹36.43 crore received from the GoO was utilized by the Odisha State Civil Supplies Corporation Limited for installation of hardware to automate the FPS transactions. Para 13(a) of Master Service Agreement for

Sl. No.	Name of the Company	Comments
		FPS automation under PDS system on 'Title to equipment and software' stated that title to all equipment procured, developed, enhanced, prepared by the vendor (2 nd party) shall rest with OSCS/GoO in perpetuity. However, the tangible assets <i>i.e.</i> PoS devices installed for FPS automation amounting to ₹36.43 crore were not taken into the accounts of OSCSCL. This fact of non accountal of the assets should have been suitably disclosed along with the reasons for such non accountal in the Notes on Accounts, forming part of financial statements. The Notes on Accounts were deficient to that extent.
3	Odisha Agro Industries Corporation Limited	The management of the company had maintained separate bank accounts for Jananidhi-II, Escrow accounts, RKVY & BKVY scheme funds and had shown the interest earned on the scheme funds under liability side of the balance sheet. Besides, a sum of ₹10.21 crore (<i>i.e.</i> 40 <i>per cent</i> of the total interest earned of ₹25.53 crore) had also been shown under other long term liabilities towards interest earned from other scheme fund deposits. The practice of taking 40 <i>per cent</i> of interest in the liability side had been considered by the management due to release of funds out of its own surplus working fund for those schemes which the Government reimburses after release of advance to fixed units. However, the practice of 40 <i>per cent</i> of interest taken in the liability side of the Balance Sheet with proper justification for the same had not been suitably disclosed under the significant accounting policies. Hence, the disclosure was deficient to that extent.
4	Odisha Mining Corporation Limited	The Corporation had obtained lease of Baitarani West Coal Mine from GoI by making payment of ₹101.33 crore (Fixed amount - ₹31.99 crore + Upfront fee - ₹69.34 crore) in August 2016. The mine could not be operated till date. Consequent to announcement of a scheme by GoI (9th May 2022) to surrender non-operating mines without penalty, the Corporation passed a resolution (19th May 2022) and with the approval of Government of Odisha submitted an application (June 2022) to surrender the Baitarani West Coal Mine under the scheme and forego the amount of ₹101.33 crore. The Corporation failed to disclose the impending impact of the event.
5	Rourkela Smart City Limited	As per the Smart City Mission Statement and guidelines, the smart city mission would be operated as a Centrally Sponsored Scheme (CSS) with matching contribution from both State and Centre. Out of ₹500 crore sanctioned, Central Government contributed an amount of ₹245 crore after deducting 2 <i>per cent</i> (<i>i.e.</i> ₹ 5 crore) towards MoHUA, A and OE expenses. Against the total matching contribution of ₹250 crore, State Government had paid ₹249 crore, resulting in short receipt of ₹1.00 crore till 31 March 2022, which should have been disclosed in the financial statement. As such, Notes to Accounts were deficient to that extent.
6	Industrial Development Corporation of Limited	Intangible Assets (Mining Rights) were understated by ₹17.02 crore on account of writing off mining rights in respect of Talangi A mines as per the decision of the Board of Directors on 9 June 2021. The operation of mine was temporarily discounted as per the notice submitted by the Managing Director, IDCOL Ferro Chrome & Alloys Limited (IFCAL) w.e.f. 26 June 2020 for a period of two years, due to its unsafe and uneconomic operations. The decision of the Board was not in order as the mining lease has neither been surrendered nor approved by government prior to writing off unamortized amount in respect of the mine. Thus, improper amortization of mining rights in one year had resulted in

Sl. No.	Name of the Company	Comments
		understatement of “Mining rights”, overstatement of “Depreciation and Amortization” along with consequential understatement of “Profit” by ₹17.02 crore.
7	Odisha Construction Corporation Limited	As per AS-15, in case the liability for retirement benefits was funded through a scheme administered by an insurer, the company should disclose the information with respect to the financial effects of changes in those plans during the period, a reconciliation statement of opening and closing balance of the present value of defined obligation showing separately under each specified head, the funded status of defined benefit obligation, the fair value of the plan assets and liabilities recognized in the balance sheet showing at least the past service cost. This was not disclosed. Thus, the disclosure was deficient to that extent.
8	Odisha State Beverages Corporation Limited	<p>I. Accounting of Income tax paid for Assessment year 2014-15 under protest for an amount of ₹38.07 crore only as Contingent Liability instead of the full demand of ₹54.25 crore resulted in understatement of Contingent Liability by ₹16.18 crore.</p> <p>II. The Company had paid/ payable an amount of ₹1329.41 crore and ₹57.72 crore to Government of Odisha towards VAT (Value Added tax) and TCS (Tax collected at source) respectively on sale of Liquor during the year 2020-21. Since the amount involved in VAT and TCS was significant and was also an integral part of operation of the company, this should have been disclosed in the Accounts for the year 2020-21, which was not done.</p> <p>III. The company had paid/ payable an amount of ₹570.77 crores towards special Covid fee levied by Government of Odisha on sale of IMFL and Beer during the year 2020-21. This also should have been disclosed in the Accounts for the year 2020-21, which was not done.</p> <p>IV. As per Independent Auditors Report, the advances amounting to ₹15.59 crore are pending for more than 365 days. However, as per Audit, advances amounting to ₹7.53 crore were outstanding for more than 365 days.</p>

Table 5.23: Significant comments on Auditor’s Report

Sl. No.	Name of the Company	Comments
1	Odisha State Beverages Corporation Limited	<p>I. As per Sub-direction 1 issued to Statutory Auditor under Companies Act 2013, the independent Auditor was required to comment on the accounting implication of insurance coverage expenses borne by the Company during the year. However, the Independent Auditor was silent about the accounting implication of insurance coverage expenses of ₹ 0.89 crore paid by the Company toward insurance premium, even though the Company did not account for the stock insured as its inventory.</p> <p>II. As per Sub-direction 2 issued to Statutory Auditor under Companies Act 2013, the Independent Auditor was required to comment on the completeness of accounting entries made by the Corporation towards differential excise duty between two licensee periods, as required under Odisha Excise Act. 2008. However, the report of the Independent auditor was silent about the quantification of differential excise duty.</p>

Sl. No.	Name of the Company	Comments
		As per Audit, the estimated differential excise duty that should have been collected from the suppliers during 2020-21 was ₹ 26.62 crore. III. As per sub-direction 4 issued to Statutory Auditor under Companies Act 2013, the Independent Auditor was required to ensure the correctness of stock holding charges being accounted for during the year. However, the Independent Auditor was silent about the correctness of the figures of stock holding charges of consumable stocks. The comment of the Auditor was deficient in this aspect.
2	Industrial Development Corporation of Odisha Limited	The amortization of unexpired mining right of ₹ 17.55 crore had been qualified based on the provision of AS-28, i.e. "Impairment of Assets" which was not proper. As the company had written off the unexpired mining right, the operation of which was discontinued temporarily, this should have been properly qualified by the Statutory Auditor.

5.10 Statutory corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of statutory corporations where CAG is the sole auditor are detailed below:

Odisha State Road Transport Corporation (OSRTC)

- (i) Employee Benefit Expenses did not include an amount of ₹0.44 crore being payable to the contractual employees towards revised minimum wages during the financial year 2019-20. Non-accounting of revised minimum wages payable to contractual workers also resulted in understatement of short-term provision and loss by ₹0.44 crore.
- (ii) Tangible Assets were understated by ₹2.45 crore, due to non-accounting of the completed works of Bus terminal at Angul and Cuttack. This had also resulted in overstatement of Grants and Assistance (State Government Capital Outlay) by ₹2.45 crore and understatement of depreciation and loss by ₹0.06 crore.
- (iii) Capital Work in Progress was understated by ₹6.78 crore, due to non-accounting of the demand to release fund (₹6.78 crore) towards ongoing projects viz. bus terminal at Jeypore and Bolangir, in order to complete the same. This had also resulted in understatement of Other Liabilities by an equal amount.
- (iv) The corporation had not disclosed ₹25.61 crore, being the amount demanded by M/s ARSS Bus Terminals Pvt. Ltd. from OSRTC out of arbitration proceeding No. 68/2019 and orders passed by the Hon'ble Supreme Court of India in SLP(C) Dy. No. 10086/2020 for maintaining the arbitration proceedings. This amount should have been suitably disclosed as contingent liability (Note-21.15), in notes forming part of the accounts, as per AS 29.

5.11 Non Compliance with provisions of Accounting Standards/IND AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government

prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The statutory auditors reported that 11 companies as detailed in *Appendix 5.10* did not comply with mandatory Accounting Standards/Ind AS.

During the course of supplementary audit, the CAG observed that the following companies had also not complied with the Accounting Standards/Ind AS which were not reported by their statutory auditors as detailed in **Table 5.24**.

Table 5.24: Non-compliance to Accounting Standards/Ind AS observed during supplementary audit

Accounting Standard/Ind AS		Name of the Company	Deviation
AS-15	Non-disclosure of financial effects of changes made in the insurance plan towards retirement benefits	Odisha Construction Corporation Limited	As per AS-15, in case the liability for retirement benefits is funded through a scheme administered by an insurer, the company should disclose the information with respect to the financial effects of changes in those plans during the period. This was not disclosed by the company.

5.12 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSEs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to:

- application and interpretation of accounting policies and practices;
- adjustments arising out of audit that could have a significant effect on the financial statements; and
- inadequate or non-disclosure of certain information on which management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 'Management Letters' to 26 SPSEs, as listed in *Appendix 5.11*.

5.13 Recommendations

1. It is recommended that the process of voluntary winding up of inactive companies under the Companies Act needs to be pursued vigorously.

2. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.
3. The State Government may ensure timely submission of Financial Statements of SPSEs, as in the absence of finalisation of accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature.



Bhubaneswar

(RAJ KUMAR)

The 21 MAR 2023

Principal Accountant General (Audit-I), Odisha

COUNTERSIGNED



New Delhi

(GIRISH CHANDRA MURMU)

The 23 MAR 2023

Comptroller & Auditor General of India