

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2006, the State had 65 Public Sector Undertakings (PSUs) comprising 62 Government companies and three Statutory corporations. Of these, 30 Government companies and three Statutory corporations were working and the remaining 32 were non-working Government companies. In addition, there were two companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2006 which were non-working.

(Paragraphs 1.1 and 1.35)

The total investment in working PSUs decreased from Rs.10,137.04 crore as on 31 March 2005 to Rs.9,745.21 crore as on 31 March 2006. The total investment in non-working PSUs increased from Rs.108.60 crore as on 31 March 2005 to Rs.149.23 crore as on 31 March 2006.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs decreased from Rs.180.82 crore in 2004-05 to Rs.78.47 crore in 2005-06. The State Government guaranteed loans aggregating Rs.251.37 crore during 2005-06. As on 31 March 2006, guarantees of Rs.1679.80 crore were outstanding against seven working Government companies and two Statutory corporations.

(Paragraph 1.6)

The accounts of 27 working Government companies and two Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2006. The accounts of 13 defunct non-working Government companies were in arrears for periods ranging from four to 35 years as on 30 September 2006. Only three working Government companies, one Statutory corporation and two non-working Government companies finalised their accounts for the year 2005-06 by September 2006.

(Paragraphs 1.7 and 1.20)

According to the latest finalised accounts, 17 working PSUs (14 Government companies and three Statutory corporations) earned aggregate profit of Rs.838.28 crore. Against this, 13 working Government companies incurred aggregate loss of Rs.76.94 crore. Of the loss incurring working Government companies, seven companies had accumulated losses amounting to Rs.187.52 crore which exceeded their paid-up capital of Rs.34.43 crore.

(Paragraphs 1.8 and 1.10)

2. Performance Reviews in respect of Government companies

Performance review on Construction activities of **Orissa Construction Corporation Limited**, Raising, maintenance and auctioning of cashew plantations by **Orissa State Cashew Development Corporation Limited**, Information Technology Audit on Loan Accounting System in **Orissa Rural Housing and Development Corporation Limited** and **Action taken with regard to winding up of non-working companies in Orissa** were conducted and some of the main findings are as follows:

Construction activities of Orissa Construction Corporation Limited

Orissa Construction Corporation Limited was incorporated mainly to construct, execute, carry out, improve, works like dams, barrages, reservoirs, powerhouses, etc. The Company largely depended on works allotted by the State Government and the value of works secured through negotiation/tender was negligible. Besides, the Company's performance suffered from delayed execution of works due to inappropriate fixation of target coupled with improper and delayed engagement of job workers. The major audit findings are as under:

- The targets for execution of works were fixed disregarding the contracted schedule of completion of works. The achievements fell short of targets except during 2001-02 and the shortfall ranged from 11 to 41 *per cent* during the period 2002-03 to 2005-06.
- The Company completed only nine works within the scheduled time, 56 works were completed with delays ranging from one to 38 months and 43 works were in progress beyond the scheduled dates of completion, which caused delay in realisation of full value of overhead charges of Rs.26.66 crore.
- The Company accepted value of works without providing for reimbursement of overhead charges, sales tax, submitted rates based on incorrect lead distance and without assessment of site conditions leading to loss of contract income of Rs.22.22 crore.

(Chapter 2.1)

Raising, maintenance and auctioning of cashew plantations by Orissa State Cashew Development Corporation Limited

The Orissa State Cashew Development Corporation Limited was incorporated with the main objectives to develop land, raise cashew plantations, implement cashew development programmes in the State of Orissa. The Company failed to replant trees fully in the vacant patches, damaged area caused by the super cyclone and also failed to replace old and senile trees. Despite availability of

funds, the Company failed to take up maintenance activities. Some of the major audits findings are:

- The Company lost revenue of Rs.9.52 crore per annum and employment generation opportunities to the extent of 21.25 lakh mandays due to non-replantation of trees in vacant patches and in plantations damaged by the super cyclone.
- The Company did not take any action towards removal of old and senile trees till 2004-05 thereby denying itself revenue generating potential of Rs.4.31 crore from the first yield onwards.
- Loss of yield due to low productivity computed with reference to the norms worked out to Rs.47.85 crore.
- The Company auctioned rights of collection of nuts from certain plantations below the upset price resulting in lower sales realisation by Rs.3.33 crore. The Company failed to take remedial measures to check controllable problems for enhancing the auction value.

(Chapter 2.2)

Information Technology Audit on Loan Accounting System in Orissa Rural Housing and Development Corporation Limited

The Orissa Rural Housing and Development Corporation Limited incorporated in August 1994 is in the business of financing, promoting and developing rural and urban housing finance related activities. The Company has floated different loan schemes in rural and urban housing sector and computerised all these loan schemes except the scheme related to project finance. The computerised loan accounting system was studied and analysed in audit applying interrogating software Interactive Data Extraction and Analysis at Head office. Some of the major audit findings are as follows:

- The system did not generate a system log in the absence of which it was difficult to fix responsibility for manipulation of data.
- There were deficiencies in data validation and input controls which led to many irregularities like undue benefit to loanees as well as non-recovery/ delayed recovery of loans.
- Lack of proper process controls resulted in irregular sanction and disbursement of loans as well as incorrect calculation of interest.
- Weak control mechanism in the system made it unreliable and completely vulnerable to misuse.

(Chapter 2.3)

Action taken with regard to winding up of non-working companies in Orissa

Of the 32 non-working companies as on 31 March 2006, 12 companies were under winding up either by Courts/Tribunal (eight) or voluntary winding up (four). In respect of 19 companies, either decisions to wind up were not taken by Government/ Management or filing of petitions for winding up were pending and the winding up petition filed by one company was dismissed. The benefits of various Schemes introduced by the Department of Company Affairs from time to time for striking off their names could not be availed mainly on account of non-clearance of backlog of the accounts and delay in disposal of their assets. Substantial expenditure was incurred on maintaining idle establishments by number of companies. The major audit findings are as follows:

- The Management of Konark Televisions Limited did not declare the Company as closed under the Industrial Disputes Act even after suspension of production in May 1999 which resulted in avoidable liability of Rs.2.16 crore towards idle wages.
- Delay in replacement of Liquidator delayed the winding up of four companies under voluntary liquidation.
- Despite the decision of the Government, 14 companies did not file petitions for winding up. Further, delay in liquidation of three out of 14 companies resulted in avoidable expenditure of Rs.1.17 crore towards idle establishment.

(Chapter 2.4)

3. Transaction audit observations

Audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications as category-wise listed below:

There were 13 cases of loss amounting to Rs.73.47 crore on account of:

- faulty planning;
- inadequate provisions in the contract for safeguarding financial interest;
- undue benefit to buyers, sellers and contractors;
- failure to discharge contractual obligations;
- Non-collection of Entry Tax and effecting unauthorised sales; and
- Poor recovery action

(Paragraphs 3.1, 3.2, 3.4 to 3.9, 3.12 to 3.16)

There were instances of avoidable and wasteful expenditure amounting to Rs.5.41 crore in three cases due to:

- injudicious procurement of iron ore, conductors and vacuum interrupters;
- avoidable payment of interest.

(Paragraphs 3.3, 3.10 and 3.11)

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

Failure of the **Industrial Development Corporation of Orissa Limited** to increase the crushing capacity of lump ore deprived the Company of earning additional revenue of Rs.7.67 crore.

(Paragraph 3.1)

Procurement of iron ore at higher rates from private parties by **IDCOL Kalinga Iron Works Limited** resulted in avoidable extra expenditure of Rs.1.82 crore.

(Paragraph 3.3)

Failure of **IDCOL Ferro Chrome & Alloys Limited** in effecting sales in time resulted in revenue loss of Rs.1.89 crore.

(Paragraph 3.7)

Grid Corporation of Orissa Limited, though aware of the scenario of shortfall in availability of power, entered into power supply agreement, which led to failure in fulfilling the commitment and payment of penalty of Rs.5.69 crore.

(Paragraph 3.8)

Failure of **Orissa Hydro Power Corporation Limited** to take timely remedial measures resulted in loss of revenue of Rs.22.12 crore.

(Paragraph 3.12)

Failure of **Orissa Mining Corporation Limited** in collecting Entry Tax from the buyers at the time of sale resulted in avoidable burden of Rs.2.35 crore and consequent extension of undue favour to the buyers.

(Paragraph 3.13)

Poor follow up for recovery of dues coupled with inadequate punitive measures for seizure of financed assets by **Orissa State Financial Corporation** led to doubtful recovery of Rs.28.71 crore.

(Paragraph 3.16)