

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 64 Public Sector Undertakings (PSUs) comprising 61 Government companies and three Statutory corporations. Of these, 29 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 2007 which were non-working.

(Paragraphs 1.1 and 1.32)

The total investment in working PSUs decreased from Rs.9,745.21 crore as on 31 March 2006 to Rs.9,398.67 crore as on 31 March 2007. The total investment in non-working PSUs increased from Rs.149.23 crore as on 31 March 2006 to Rs.154.71 crore as on 31 March 2007.

(Paragraphs 1.2 and 1.15)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs increased from Rs.78.47 crore in 2005-06 to Rs.283.38 crore in 2006-07. The State Government guaranteed loans aggregating Rs.46.01 crore during 2006-07. As on 31 March 2007, guarantees of Rs.2,185.30 crore were outstanding against 10 working Government companies and two Statutory corporations.

(Paragraph 1.6)

The accounts of 28 working Government companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2007. The accounts of 14 defunct non-working Government companies were in arrears for periods ranging from three to 36 years as on 30 September 2007. Only one working Government company and one non-working Government company finalised their accounts for the year 2006-07 by September 2007.

(Paragraphs 1.7 and 1.19)

According to the latest finalised accounts, 17 working PSUs (14 Government companies and three Statutory corporations) earned aggregate profit of Rs.462.91 crore. Against this, 13 working Government companies incurred aggregate loss of Rs.65.12 crore. Of the loss incurring working Government companies, eight companies had accumulated losses amounting to Rs.260.69 crore which exceeded their paid-up capital of Rs.31.86 crore.

(Paragraphs 1.8 and 1.10)

2. Performance Audit in respect of Government companies

Performance audit of Construction activities of **Orissa Bridge and Construction Corporation Limited**, Hotel and Transport activities of **Orissa Tourism Development Corporation Limited**, Procurement, Performance, Repairs and Maintenance of Transformers by **Orissa Power Transmission Corporation Limited** and Procurement, processing, storage and distribution of certified seeds by **Orissa State Seeds Corporation Limited** were conducted and some of the main findings are as follows:

Construction activities of Orissa Bridge and Construction Corporation Limited

The Company was incorporated (January 1983) mainly to construct bridges, buildings, roads, irrigation projects, channels and other structures. The Company largely depended upon the works allotted by the Government. However, the value of works secured through open tenders was negligible. The Company executed the works through sub-contractors in violation of the codal provision. The performance of the Company in execution of works suffered mainly due to inappropriate fixation of targets, deficiencies in selection, engagement and deployment of sub-contractors.

The major audit findings are as under:

- The targets for execution of works were fixed disregarding the contracted schedule of completion of works. The gap between the value of works that should have been completed as per commitment and actual work executed ranged between 56.70 to 80.36 *per cent*.
- Out of 75 works obtained (including 47 spill over works), the Company could complete 33 works during five years period ending March 2007. Out of 25 works completed after schedule date of completion, eight works were completed with delay of more than three years. The Company lost Rs.13.04 crore towards overhead charges in respect of 19 works surrendered or withdrawn by the clients due to delay in execution of works.
- Due to absence of enabling clause in agreement with the sub-contractors, the Company could not recover service charges of Rs.2.05 crore.

(Chapter 2.1)

Hotel and Transport activities of Orissa Tourism Development Corporation Limited

The Company was incorporated (September 1979) with the main objective of developing tourism in the State by providing accommodation to the tourists, developing places of tourist interest and promotion of transport services to

tourists. Although the State has immense potential for becoming an important tourist destination, the tourist potential of the State remained largely untapped due to lack of planning and professional approach in the management of the business of the Company. The major audit findings are as follows:

- The Company's share of domestic and foreign tourists was insignificant and ranged between 1.54 to 4.70 *per cent* during 2002-03 to 2006-07 as compared to total tourists who visited the State during the above period.
- The Company could not achieve overall occupancy targets in any of the years during 2002-03 to 2006-07. The overall occupancy never exceeded 49 *per cent* during the period. The low occupancy was due to poor business generation through travel agents, inadequate publicity and absence of essential amenities and standard service norms in the hotels of the Company.
- Despite recommendations of the Committee on Public Undertakings, the Company extended credits to various customers resulting in increase in sundry debtors from Rs.1.04 crore as on 31 March 2002 to Rs.2.47 crore as on 31 March 2006.

(Chapter 2.2)

Procurement, Performance, Repairs and Maintenance of Transformers by Orissa Power Transmission Corporation Limited

The Company was incorporated (March 2004) with the main objectives of effectively operating and maintaining existing transmission lines and substations in the State, undertaking power system improvement by renovation, upgradation and modernisation of the transmission network, wheeling electricity and carrying on the functions of State Load Despatch Centre. The Company did not consider changes in the load data from time to time before assessing the requirement for award/ execution of contracts. Further, there was non-synchronisation of time for procurement of transformers with the construction of substations and connected lines. As a result, huge amounts were locked up. This had a deleterious effect on completion of the ongoing projects. The major audit findings are as under:

- Excess transmission loss over the norms during the last six years up to 2006-07 (except in 2002-03 and 2004-05) resulted in loss of Rs.42.43 crore.
- Construction of substation despite being aware of fall in demand of load led to idle investment and consequential loss of interest of Rs.55.25 crore. Further, non-commissioning of 18 transformers of total capacity of 2830 MVA by seven months to almost nine years of their receipt led to foregoing of revenue of Rs.139.43 crore per annum.
- Due to delay in finalisation of contract, the Company suffered loss of Rs.35.14 crore towards cost overrun, loss of interest and wastage of materials.

- The Company incurred an additional expenditure of Rs.13.78 crore due to re-ordering of auto and power transformers and piece meal placing of purchase order.

(Chapter 2.3)

Procurement, processing, storage and distribution of certified seeds by Orissa State Seeds Corporation Limited

The Company was incorporated (February 1978) with the main objectives of production of certified seeds and marketing it at reasonable price to the farmers. The Company could not achieve the targeted production of certified seeds due to non-distribution of foundation seeds, sowing of less area and failure to ensure procurement of agreed quantity of certified seeds from the growers. The major audit findings are as under:

- The Company could not achieve the targeted production of certified seeds during the period under review. There was shortfall in production of certified seeds by 8.42 lakh quintals valued at Rs.76.28 crore during 2001-02 to 2006-07. The shortfall in production resulted in procurement from outside agencies at a higher cost to meet the demand of the State.
- The Company fixed price at higher rates due to consideration of excess recovery towards dealers' commission, interest, cost of loading and unloading and transportation to the tune of Rs.2.97 crore.
- The Company failed to achieve the targeted sale during 2001-02 to 2005-06 leading to seeds becoming substandard resulting in loss of Rs.4.63 crore on its sale.

(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 17 cases of loss amounting to Rs.206.32 crore on account of:

- faulty planning;
- inadequate provisions in the contracts for safeguarding financial interest;
- undue benefit to buyers and contractors;
- injudicious decisions; and
- poor recovery action.

(Paragraphs 3.1 to 3.3, 3.5 to 3.10, 3.12 to 3.14 and 3.16 to 3.20)

There were instances of avoidable and wasteful expenditure amounting to Rs.2.20 crore in three cases due to:

- excess payment of wages;
- inadequate maintenance; and
- non-acceptance of lowest tender.

(Paragraphs 3.4, 3.11 and 3.15)

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

Orissa Mining Corporation Limited extended undue benefit of Rs.14.82 crore to the contractor due to payment of dewatering charges disregarding the actual deployment of pumps.

(Paragraph 3.1)

Orissa Mining Corporation Limited failed to make timely arrangement for transportation of chrome ore which led to loss of revenue of Rs.2.30 crore.

(Paragraph 3.2)

Non-acceptance of bonds of Rs.250 crore by **Orissa Hydro Power Corporation Limited** led to loss of interest of Rs.127.50 crore.

(Paragraph 3.6)

Shortfall in drawal of power by **Orissa Hydro Power Corporation Limited and Orissa Power Transmission Corporation Limited** resulted in avoidable burden of Rs.36.40 crore towards additional cost of power on the consumers.

(Paragraph 3.12)

Sale of chrome ore by **Industrial Development Corporation of Orissa Limited** at price below the prevailing market price and increase in agreed sales quantity led to loss of revenue of Rs.4.21 crore.

(Paragraphs 3.13 and 3.14)

Injudicious decision of **IDCOL Ferro Chrome and Alloys Limited** to utilise chrome concentrate in the production of High Carbon Ferro Chrome resulted in loss of revenue of Rs.1.67 crore besides unfruitful expenditure of Rs.1.16 crore towards electricity charges.

(Paragraphs 3.16 and 3.17)