

## Chapter I

### 1. Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2008, there were 60 Government companies (29 working companies and 31 non-working companies\*) and three working Statutory corporations as against 61 Government companies (29 working companies and 32 non-working companies) and three working Statutory corporations as on 31 March 2007 under the control of the State Government. During the year one company i.e. ORICHEM Limited was privatised. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Orissa State Road Transport Corporation (OSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	sole audit by CAG
2.	Orissa State Financial Corporation (OSFC)	Section 37(6) of the State Financial Corporations Act, 1951	audit by Chartered Accountants and supplementary audit by CAG
3.	Orissa State Warehousing Corporation (OSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	audit by Chartered Accountants and supplementary audit by CAG

#### Working Public Sector Undertakings (PSUs)

##### *Investment in working PSUs*

**1.2** As on 31 March 2008, the total investment in 32 working PSUs (29 Government companies and three Statutory corporations) was Rs. 8,124.56<sup>#</sup> crore (equity - Rs. 2,254.39 crore and long-term loans -

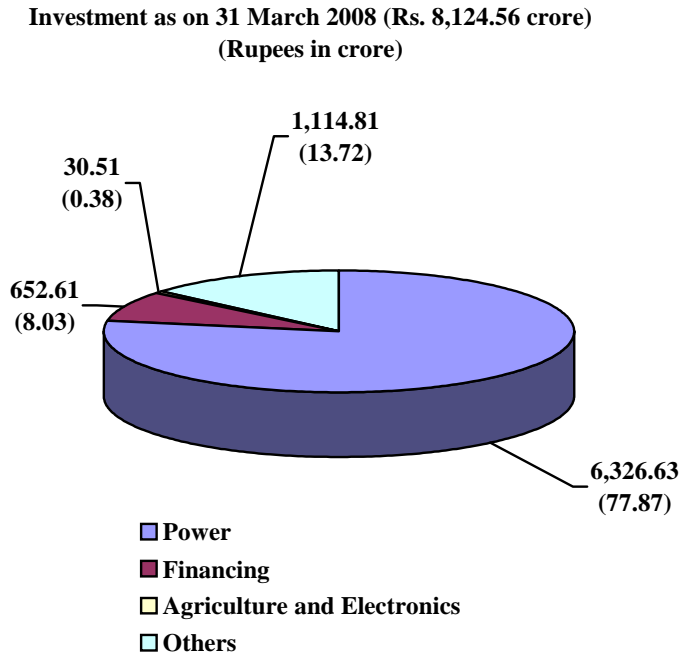
\* Non-working companies/corporations are those which are under the process of liquidation/closure/merger, etc.

<sup>#</sup> State Government's investment was Rs. 4,640.02 crore (others: Rs. 3,484.54 crore). Figure as per the Finance Accounts, 2007-08 was Rs. 3,205.97 crore. The difference is under reconciliation.

Rs. 5,870.17\* crore) as against 32 working PSUs (29 Government companies and three Statutory corporations) with a total investment of Rs. 9,398.67 crore (equity- Rs. 1,973.40 crore and long-term loans- Rs. 7,425.27 crore) as on 31 March 2007. The analysis of investment in working PSUs is given in the following paragraphs.

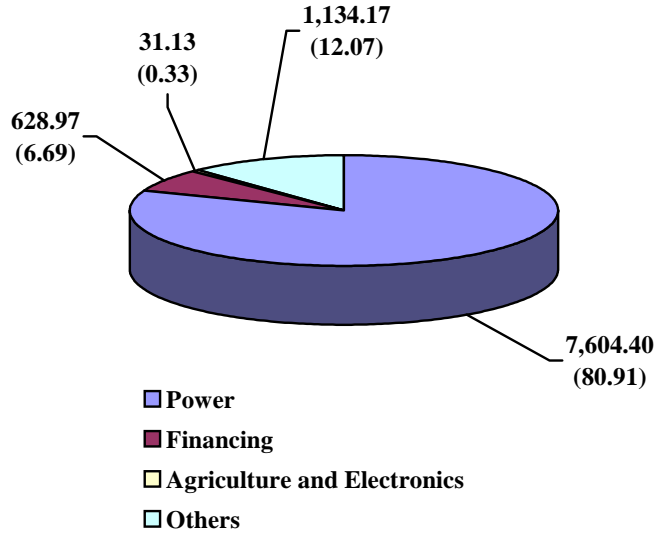
***Sector-wise investment in working Government companies and Statutory corporations***

**1.3** The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated below in the pie charts:



\* Long-term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.5 are excluding interest accrued and due on such loans.

Investment as on 31 March 2007 (Rs. 9,398.67 crore)  
(Rupees in crore)



(Figures in brackets indicate percentage)

#### Working Government companies

1.4 Total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)					
Year	No. of companies	Equity	Share application money	Long-term loans	Total
2006-07	29	1,745.74	--	6,952.41	8,698.15
2007-08	29	1,745.74	--	5,646.85	7,392.59

There was decrease in investment during 2007-08 mainly due to decrease in long-term loans of PSUs in power sector, financial sector and in Industrial Development Corporation of Orissa Limited.

The summarised statement of investments in working Government companies in the form of equity and loans is detailed in **Annexure 1**.

As on 31 March 2008, the total investment in working Government companies comprised 23.61 per cent of equity capital and 76.39 per cent of loans as compared to 20.07 per cent and 79.93 per cent respectively as on 31 March 2007.

**Working Statutory corporations**

**1.5** The total investment in three working Statutory corporations at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Name of Corporations	2006-07		2007-08	
	Capital	Loans	Capital	Loans
Orissa State Road Transport Corporation <sup>ψ</sup>	136.49	37.47	146.44	24.86
Orissa State Financial Corporation	87.57	486.03	358.62	193.04
Orissa State Warehousing Corporation <sup>ψ</sup>	3.60	5.42	3.60	5.42
<b>Total</b>	<b>227.66</b>	<b>528.92</b>	<b>508.66</b>	<b>223.32</b>

The summarised statement of the Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure 1**.

As on 31 March 2008, the total investment in working Statutory corporations comprised 69.49 per cent of equity capital and 30.51 per cent of loans as compared to 30.09 per cent and 69.91 per cent respectively as on 31 March 2007.

**Budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity**

**1.6** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in **Annexures 1 and 3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations during 2005-08 are given below:

(Amount: Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	1	7.21	--	--	--	--	--	--	--	--	1	9.95
Loans given from budget	--	--	1	12.00	1	122.42	1	111.70	1	56.66	1	18.74
Grants	2	0.25	--	--	2	0.84	--	--	1	0.50	--	--
<b>Subsidy towards</b>												
(i) Projects/ Programmes/ Schemes	--	--	--	--	--	--	--	--	--	--	--	--
(ii) Other subsidy	3	57.05	2	1.96	4	46.06	2	2.36	4	47.81	2	8.37
<b>Total outgo</b>	<b>5<sup>#</sup></b>	<b>64.51</b>	<b>2<sup>#</sup></b>	<b>13.96</b>	<b>6<sup>#</sup></b>	<b>169.32</b>	<b>2<sup>#</sup></b>	<b>114.06</b>	<b>6<sup>#</sup></b>	<b>104.97</b>	<b>2<sup>#</sup></b>	<b>37.06</b>

<sup>ψ</sup> Figures for 2007-08 are provisional.

<sup>#</sup> Actual number of companies/corporations which received equity/loan/grants/subsidy from the State Government.

At the end of the year, guarantees amounting to Rs. 1,633.23 crore against nine working Government companies (Rs. 1,606.26 crore) and one working Statutory corporation (Rs. 26.97 crore) were outstanding. The guarantee commission paid or payable to the State Government by seven<sup>s</sup> working companies during the year 2007-08 was Rs. 18.26 crore.

**Finalisation of accounts by working PSUs**

**1.7** The accounts of the Government companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

Out of 32 working PSUs (29 Government companies and three Statutory corporations), only two companies (GRIDCO Limited and Orissa Hydro Power Corporation Limited) and one Statutory corporation (Orissa State Financial Corporation) finalised their accounts for the year 2007-08 by 30 September 2008. During the period from October 2007 to September 2008, 25 working Government companies finalised 29 accounts for previous years and three Statutory corporations finalised three accounts for the previous years.

The accounts of 27 working Government companies and two Statutory corporations involving 62 accounts were in arrears for periods ranging from one to seven years as on 30 September 2008 as shown in the following table:

Sl. No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	--	2001-02 to 2007-08	7	A-6	--
2.	1	--	2002-03 to 2007-08	6	A-29	
3.	1	--	2003-04 to 2007-08	5	A-25	--
4.	1	--	2004-05 to 2007-08	4	A-1	--
5.	4	--	2005-06 to 2007-08	3	A-18, 22, 23 & 26	--
6.	5	2	2006-07 and 2007-08	2	A-2,10,11,20 & 21	B-1 & 3
7.	14	--	2007-08	1	A-3,4,5,7,8,9,12,13, 16,17,19,24,27 & 28	--

<sup>s</sup> Two companies (Sl. No.A-1 and 15 of Annexure 1) did not furnish the information while in the case of one Statutory corporation (Sl. No.B-2 of Annexure 1) guarantee fee was waived by the State Government.

***Investment made by State Government in PSUs whose accounts are in arrear***

**1.7.1** The State Government had invested Rs. 331.52 crore (Equity: Rs. 24.71 crore; loans : Rs. 179.07 crore and grants/ subsidy: Rs. 127.74 crore) in six working companies, one statutory corporation and two non-working companies during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised each quarter by the Audit of arrears in finalisation of accounts, no remedial measures had been taken, as a result of which the net worth of these PSUs could not be assessed in Audit.

***Financial position and working results of working PSUs***

**1.8** The summarised financial position of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years are given in **Annexures 5** and **6** respectively.

According to the latest finalised accounts of 29 working Government companies and three working Statutory corporations, 11 companies had incurred an aggregate loss of Rs. 35.81 crore and 16 companies and three corporations had earned an aggregate profit of Rs. 1,313.22 crore and Rs. 4.53 crore respectively. Two companies, namely Agriculture Promotion and Investment Corporation of Orissa Limited and Orissa State Civil Supplies Corporation Limited were functioning on "no profit and no loss" basis.

**Working Government companies**

***Profit earning working companies and dividend***

**1.9** Out of the 29 working Government companies, only two companies<sup>#</sup> finalised the accounts for 2007-08 by 30 September 2008 and earned profit of Rs. 566.05 crore and Rs. 121.39 crore respectively for the year but did not declare any dividend.

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<sup>#</sup> GRIDCO Limited (formerly Grid Corporation of Orissa Limited) and Orissa Hydro Power Corporation Limited.

Out of 25 companies which finalised their accounts for previous years by 30 September 2008, 13 companies earned an aggregate profit of Rs. 625.74 crore including 11 companies which earned profit for two or more successive years.

The State Government had accepted (August 1996) the recommendations of the Tenth Finance Commission that the State must adopt a modest rate of return on the investments made in commercial, promotional and commercial and promotional public enterprises at the rate of six *per cent*, one *per cent* and four *per cent* respectively, as dividend on equity. As per the latest finalised accounts of 16 profit earning companies, interim dividend of Rs. 100 crore was declared by Orissa Mining Corporation Limited for the year 2006-07 which worked out to 6.99 *per cent* of total equity investment of Rs. 1,430.38 crore by the State Government in working companies.

### ***Loss incurring working Government companies***

**1.10** Out of 11 loss incurring working Government companies, eight<sup>#</sup> companies had accumulated losses aggregating to Rs. 263.34 crore, which exceeded their aggregate paid-up capital of Rs. 33.97 crore by seven times. None of these companies was extended any financial support by the State Government during the year 2007-08.

### **Working Statutory corporations**

#### ***Profit earning Statutory corporations and dividend***

**1.11** Out of three working Statutory corporations only Orissa State Financial Corporation (OSFC) finalised its accounts for 2007-08 by September 2008 and earned profit of Rs. 1.53 crore. Orissa State Road Transport Corporation (OSRTC) and Orissa State Warehousing Corporation (OSWC) which finalised their accounts for previous years by September 2008, earned an aggregate profit of Rs. 3 crore as per their latest finalised accounts. Though two working Statutory corporations (viz. OSRTC and OSFC) earned profit of Rs. 2.99 crore and Rs. 1.53 crore respectively, they had accumulated loss of Rs. 231.75 crore and Rs. 379.38 crore which exceeded their paid-up capital of Rs. 136.49 crore and Rs. 358.62 crore.

#### ***Operational performance of working Statutory corporations***

**1.12** The operational performance of the working Statutory corporations is given in **Annexure 7**. In case of OSRTC, as against a loss of 42 paise per kilometre in 2005-06, the loss had increased to 60 paise per kilometre in 2006-07 and again decreased to 17 paise per kilometre in 2007-08 mainly due to increase in effective kilometre operated. In respect of OSWC, profit per tonne was Rs. 10.75 in 2005-06 which increased to Rs. 14.82 in 2006-07 and decreased to Rs. 11.97 during 2007-08 mainly due to increase in average capacity utilisation and decrease in other expenses during 2006-07 and increase in average expenditure during 2007-08.

<sup>#</sup> Sl. No.A-1,6,7,10,20,22,23 and 29 of Annexure 2.

### ***Return on capital employed***

**1.13** As per the latest finalised accounts of 29 working companies (up to 30 September 2008), the capital employed\* worked out to Rs. 8,884.16 crore and total return<sup>¶</sup> thereon amounted to Rs. 1,731.76 crore which was 19.49 *per cent* as compared to total return of Rs. 952.36 crore (11.62 *per cent*) in the previous year (accounts finalised up to September 2007). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to 30 September 2008) worked out to Rs. 550.77 crore and Rs. 22.68 crore (4.12 *per cent*) respectively against the total return of Rs. 19.96 crore (4.10 *per cent*) in the previous year (accounts finalised up to September 2007). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure 2**.

### **State Electricity Regulatory Commission**

**1.14** Orissa Electricity Regulatory Commission (Commission) was formed (12 June 1996) under the Orissa Electricity Reform Act, 1995<sup>#</sup> with the object of regulation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises of three members including a Chairman who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to the CAG under Section 104(2) of the Electricity Act, 2003<sup>§</sup>. The Commission, however, had not submitted any of its accounts for audit and the same are in arrears since inception.

### **Non-working Public Sector Undertakings (PSUs)**

#### ***Investment in non-working Government companies***

**1.15** As on 31 March 2008, the total investment in 31 non-working Government companies was Rs. 140.69 crore<sup>§§</sup> (equity: Rs. 57.66 crore, long-term loans: Rs. 59.07 crore and share application money: Rs. 23.96 crore) as against the total investment of Rs. 154.71 crore (equity: Rs. 60.43 crore, long-term loans: Rs. 70.32 crore and share application money: Rs. 23.96 crore) in 32 non-working companies as on 31 March 2007. The summarised statement of Government investment in non-working Government companies in the form of equity and loans is indicated in **Annexure 1**.

\* Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in finance companies/corporations where it represents a mean of aggregate of opening and closing balance of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

¶ For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from the loss, as disclosed in the profit and loss accounts.

# Since replaced with Section 82(1) of the Electricity Act, 2003.

§ Erstwhile Schedule of the Orissa Electricity Reform Act, 1995 repealed by the Electricity Act, 2003.

§§ State Government investment was Rs. 91.04 crore (others-Rs. 49.65 crore). Figure as per the Finance Accounts, 2007-08 was Rs. 88.52 crore. The difference is under reconciliation.



The classification of the non-working PSUs was as follows:

(Amount: Rupees in crore)

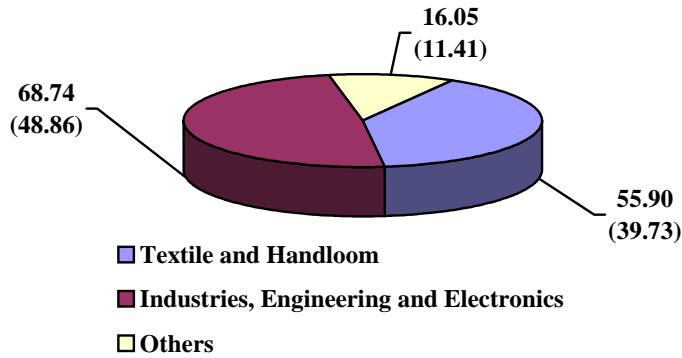
Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
1.	Closed <sup>#</sup>	11	17.50	5.47
2.	Under liquidation <sup>§</sup>	20	64.12	53.60
	<b>Total</b>	<b>31</b>	<b>81.62</b>	<b>59.07</b>

Of the 15 closed companies as on 31 March 2007, four companies viz. Orissa State Electronics Development Corporation Limited, Konark Television Limited, Orissa State Handloom Development Corporation Limited and Kanti Sharma Refractories Limited filed petition for liquidation during 2007-08. ORICHEM Limited (which was under liquidation) was privatised during 2007-08.

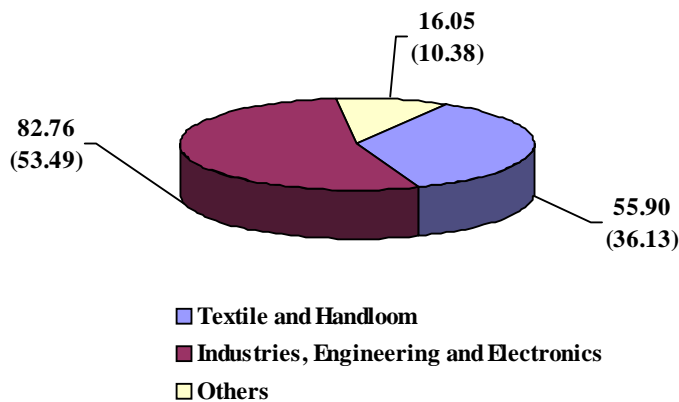
**Sector wise investment in non-working Government companies**

**1.16** The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated below in the pie charts:

Investment as on 31 March 2008 (Rs. 140.69 crore)  
(Rupees in crore)



Investment as on 31 March 2007 (Rs. 154.71 crore)  
(Rupees in crore)



(Figures in brackets indicate percentage)

<sup>#</sup> Sl. No.C-1,2,7,10,18,19,21,24,25,29 and 30 of Annexure 2.

<sup>§</sup> Sl.No.C-3,4,5,6,8,9,11,12,13,14,15,16,17,20,22,23,26,27,28 and 31 of Annexure 2. In respect of Sl.No.C-5,12,13,27 and 28 of Annexure 2 though Government has decided for liquidation, no liquidator has been appointed.

***Budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity of non-working PSUs***

**1.17** During the year 2007-08, the Government had given grants of Rs. 11.46 lakh to two non-working companies and the Government had not given any subsidy to any non-working company. There was also no waiver of dues for non-working companies during 2007-08.

***Total establishment expenditure of non-working PSUs***

**1.18** The year-wise details of total establishment expenditure incurred by non-working PSUs and the sources of its financing during the last three years up to 2007-08 are given below:

(Amount: Rupees in crore)

Year	Number of PSUs (Government companies)	Total expenditure	Sources of financing			
			Disposal of investment/assets	Government by way of		Others
				Loans	Grants	
2005-06	5 <sup>¥</sup>	0.20	--	--	--	0.20
2006-07	2 <sup>*</sup>	0.35	0.35	--	--	--
2007-08	3 <sup>¥</sup>	0.68	0.11	--	0.11	0.46
<b>Total</b>	--	<b>1.23</b>	<b>0.46</b>	--	<b>0.11</b>	<b>0.66</b>

***Finalisation of accounts by non-working PSUs***

**1.19** Twenty companies out of 31 non-working Government companies were in the process of liquidation/under liquidation and remaining 11 companies were defunct. The accounts of 11 defunct companies were in arrears for periods ranging from one year to 37 years as could be seen from **Annexure 2**. During the period October 2007 to September 2008, only one defunct company viz. Kalinga Steels (I) Limited finalised its accounts for the year 2007-08 and six<sup>#</sup> non-working companies finalised seven accounts for previous years.

The State Government had invested Rs. 11.46 lakh in two non-working companies by way of grant during the year for which accounts have not been finalised as detailed in **Annexure 4**.

***Financial position and working results of non-working PSUs***

**1.20** The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure 2**.

<sup>¥</sup> Sl. No.C-1,8,25,30 and 32 of Annexure 2.

<sup>\*</sup> Sl.No.C-24 and 25 of Annexure 2.

<sup>¥</sup> Sl.No.C-21,23 and 24 of Annexure 2.

<sup>#</sup> Sl.No.C-9,10,22,23,24 and 31 of Annexure 2.

The summarised details of paid-up capital, net worth<sup>§</sup>, cash loss and accumulated loss of 14<sup>@</sup> out of 31 non-working PSUs as per their latest finalised accounts are given below.

(Amount: Rupees in crore)

Particulars	Paid-up capital	Net worth	Cash loss	Accumulated loss
Non-working Companies	64.74	98.10	25.65	228.02

### Status of placement of Separate Audit Reports of Statutory corporations in Legislature

**1.21** The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of the Statutory corporations as issued by the Comptroller and Auditor General of India in the State Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SAR not placed in Legislature	
			Year of SAR	Date of issue to the Government
1	Orissa State Road Transport Corporation (OSRTC)	2005-06	--	--
2	Orissa State Financial Corporation (OSFC)	2006-07	SAR for 2007-08 is under process.	
3	Orissa State Warehousing Corporation (OSWC)	2004-05	2005-06	28 March 2008

### Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

#### *Restructuring Programme of Government of Orissa*

**1.22** The State Cabinet accepted (August 1996) the recommendations of the Cabinet Sub-Committee formed (October 1995) for 34 Public Sector Enterprises (PSEs) for disinvestment/ privatisation/ restructuring/ liquidation. The private investors, however, did not show much interest and little progress was made on reforms. As per the record notes of discussions held (15 April 1999) between the Union Ministry of Finance and the State Government for a fiscal reform programme, the State Government was to take up a time bound reform programme for disinvestment and restructuring of certain State level Public Sector Enterprises. A Task Force on Public Enterprises Reform was constituted (10 October 2000) for framing a clear policy framework on Public Enterprises Reform. In accordance with the recommendations of the Task Force, the State Government and the Department of Expenditure, Union Ministry of Finance signed (11 October 2001) an MOU to achieve fiscal sustainability in the medium term in accordance with the Orissa Medium Term Fiscal Reform Programme in two phases (first phase 2002-2005 and second

<sup>§</sup> Net worth represents paid-up capital plus free reserves less intangible assets.

<sup>@</sup> Information in respect of 14 companies was not available and three companies had not started commercial activities.

phase 2005-2007) which included Public Sector Restructuring Programme. In pursuance of the programme, four State Government companies (viz. IDCOL Cement Limited, IDCOL Rolling Mills Limited, Hirakud Industrial Works Limited and ORICHEM Limited) were privatised through disinvestment of shares during the period December 2003 to May 2007.

The present status (July 2008) of the Reform Programme in respect of other Public Sector Enterprises of second phase (2005-2007) is given below:

Name of the enterprise	Action to be taken	Date by which action was to be completed	Present status
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999*	Entire moveable assets of Stainless Tube Division have been sold to a private entrepreneur with the approval of Hon'ble High Court. Steps are being taken for sale of other assets with the approval of Hon'ble High Court.
IDCOL Ferro Chrome and Alloys Limited (IFCAL)	Partial privatisation	October 1999*	A concrete analysis is to be made to determine the comparative gain if IFCAL is disinvested and not disinvested.
Orissa State Textile Corporation Limited	Closure	March 2000*	Action for privatisation was held up as the acquisition of Bhaskar Textile Mills (a unit of the Company) was challenged by the erstwhile owner and the judgment of the Court was awaited.
Kalinga Studios Limited	Privatisation	2002-05	Privatisation process is in progress.
Konark Jute Limited	Privatisation	--	Bids have been received for privatisation. However, the transaction has been stalled due to a legal challenge.
Orissa State Electronics Development Corporation Limited	Privatisation	--	Steps have been initiated to implement the decision.
ELMARC Limited	Privatisation	--	Twenty employees have been relieved under VRS. Decided to follow the striking-off route.
Orissa Irrigation Corporation Limited	Restructuring	2002-05	Restructuring plan has been approved by the Government. VR financial assistance has been provided for 5,452 employees by the State Government. A total of 8,675 Pani Panchayats have been formed and 6,867 lift irrigation points have been handed over to Pani Panchayats. Implementation of restructuring plan is in progress.
Orissa Construction Corporation Limited	Restructuring	--	Implementation of Government approved restructuring plan is in progress.

\* Though the restructuring process started earlier they were included in the first phase (2002-05).

Name of the enterprise	Action to be taken	Date by which action was to be completed	Present status
Orissa Forest Development Corporation Limited	Restructuring	--	Government has approved the restructuring plan. VRS is being implemented to right size the manpower. A high power committee under the chairmanship of the Development Commissioner-cum-Additional Chief Secretary, Orissa has been formed to oversee the implementation of the restructuring plan.
Orissa Agro Industries Corporation Limited	Restructuring	--	VRS benefit to 206 employees has already been released and reform option report prepared and placed for further action.
Orissa State Cashew Development Corporation Limited	Restructuring	--	VRS benefit for 132 employees has already been released by Department of Public Enterprises. The restructuring plan is in the process of finalisation.
Orissa Bridge and Construction Corporation Limited	Restructuring	--	Restructuring plan is under process to obtain Government approval. Instruction has been issued to notify VRS immediately for 200 identified surplus manpower as per restructuring report prepared by National Productivity Council.
Orissa State Seeds Corporation Limited	Restructuring	--	Draft memorandum prepared by the Company will be placed before the Cabinet for approval after finalisation in consultation with related departments.
Orissa State Road Transport Corporation	Formal closure of the Corporation and restructuring by transfer of assets	--	Restructuring plan approved by the State Government. Action initiated on the restructuring plan. Voluntary Separation Scheme was in operation to get rid of the surplus staff and 2,337 staff had taken VRS/VSS from 1999-2000 to 2007-08.
Orissa State Financial Corporation	Restructuring	2002-05	The financial and organisational restructuring of the Corporation had been approved by the State Cabinet in December 2006. The Corporation had adopted VRS/VSS Scheme thereby reducing the staff from 913 to 330 during the year 2005-06. Organisation restructuring is in progress.

Government had also identified Orissa Mining Corporation Limited and Orissa State Civil Supplies Corporation Limited for restructuring. Necessary action is to be taken in respect of the above PSUs in terms of the MOU with the Central Government since privatisation/ restructuring/ closure was not completed (September 2008).

### **Results of audit of accounts of PSUs by the Comptroller and Auditor General of India**

**1.23** During October 2007 to September 2008, the accounts of 21 Government companies (working) and three working Statutory corporations

were selected for audit. The net impact of important audit observations issued as a result of audit of their accounts is as follows:

**(Amount: Rupees in crore)**

Details	Number of accounts		Government companies	Statutory corporations
	Government companies	Statutory corporations		
(i) Increase in loss	4	--	45.73	--
(ii) Increase in profit	3	2	18.56	12.46
(iii) Decrease in profit	11	1	18.94	0.25

Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above companies and corporations are mentioned below:

***Errors and omissions in case of Government companies***

***Comments by the Statutory auditors***

***Orissa Power Generation Corporation Limited (2006-07)***

**1.24** Non-provision of liabilities of Rs. 6.01 crore towards land premium (Rs. 3.37 crore) and interest (Rs. 2.64 crore) up to 31 March 2007 resulted in understatement of liabilities by Rs. 6.01 crore, fixed assets by Rs. 3.37 crore and overstatement of accumulated profit by Rs. 2.64 crore and profit for the current year by Rs. 50.59 lakh.

***Orissa Construction Corporation Limited (2005-06)***

**1.25** Non-provision of shortage of stores at site and workshop had resulted in overstatement of cumulative profit by Rs. 90.63 lakh.

***Orissa Power Transmission Corporation Limited (2006-07)***

**1.26** Non-accountal of penalty of Rs. 1.13 crore from industries as per terms of agreement, as income in the books of account resulted in overstatement of loss by the said amount.

***Orissa State Civil Supplies Corporation Limited (2004-05)***

**1.27** Non-capitalisation of cost of 34 godowns completed and put to use by the Company as on 31 March 2005 resulted in overstatement of Loans and Advances (Advance for construction of Godowns) and understatement of Fixed Assets - Godown by Rs. 7.17 crore. Consequently, depreciation for current year was understated by Rs. 35.85 lakh.

***Comments during supplementary audit***

***Orissa Power Generation Corporation Limited (2006-07)***

**1.28** Non-disclosure of contingent liability of Rs. 69.24 lakh towards disputed amount of license fee claimed by Bhubaneswar Development Authority for Alok Bharati Office Complex.

***Orissa Small Industries Corporation Limited (2005-06)***

**1.29** Understatement of loss by Rs. 9.20 crore due to non-provision for doubtful investments/debts.

***Orissa Construction Corporation Limited (2005-06)***

**1.30** Overstatement of profit by Rs. 1.77 crore due to non-provision for arrear wages payable to employees for the period from January 1996 to December 2004 owing to wage revision.

***Orissa Power Transmission Corporation Limited (2006-07)***

**1.31** Overstatement of loss by Rs. 3.93 crore due to non-accountal of wheeling charges recoverable from GRIDCO Limited as per order of OERC.

***Errors and omissions in case of Statutory corporation***

***Comments during supplementary audit***

***Orissa State Financial Corporation (2006-07)***

**1.32** Understatement of profit by Rs. 2.44 crore due to treatment of interest received for rephasing of loan as current liabilities instead of income.

**Recoveries at the instance of Audit**

**1.33** As mentioned in paragraph 3.19, Orissa Mining Corporation Limited recovered a sum of Rs. 91.61 lakh<sup>#</sup> from a raising contractor towards over payment of service tax.

**Internal audit/ Internal control**

**1.34** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which need improvement. An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 14 State Government companies is indicated in **Annexure 8**. It would be noticed from the Annexure that the comments in respect of these companies were of the following nature:

- Internal Audit System was not commensurate and adequate with the size and nature of business of Government companies.
- Audit Committee had not functioned during the year.

<sup>#</sup> Out of Rs. 91.61 lakh recovered, Rs. 50.41 lakh has been mentioned in paragraph 3.19.

- There was no system of monitoring timely recovery of dues.
- Computerisation of functional areas and activities either not done or inadequate.
- Fixed Assets Register was either not maintained or maintained but not updated.
- There was no specific policy with regard to provision for bad and doubtful debts.
- Stores management system was not adequate and according to the prescribed principles.
- Accounting Standard for retirement benefit (AS-15) was not complied.

**Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)**

**1.35** During October 2007 to September 2008, the Committee on Public Undertakings (COPU) held 15 meetings and discussed 30 paragraphs and seven reviews pertaining to the Audit Reports (Commercial) for the years 1993-94 to 2006-07. The year-wise position of reviews/paras appearing in the Audit Reports (Commercial) and discussed by the COPU as on 30 September 2008 is detailed below:

Period of Audit Report	Number of reviews and paragraphs			
	Appeared in the Audit Report		Discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	4	24	4	24
1994-95	3	21	3	20
1995-96	3	20	3	19
1996-97	4	23	3	23
1997-98	1	14	1	6
1998-99	4	22	--	14
1999-00	4	25	1	18
2000-01	3	22	1	11
2001-02	3	14	1	7
2002-03	3	21	2	9
2003-04	3	24	1	9
2004-05	3	14	2	2
2005-06	4	17	1	--
2006-07	4	21	--	1
<b>TOTAL</b>	<b>46</b>	<b>282</b>	<b>23</b>	<b>163</b>



**619-B Companies**

**1.36** There were three companies (one working<sup>‡</sup> and two non-working) within the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2008. The details of paid-up capital, investment by way of equity, loans, grants and summarised working results of these companies based on their latest available accounts are indicated in **Annexure 9**. During the period from October 2007 to September 2008 two companies viz. Orissa Thermal Power Corporation Limited and SN Corporation Limited finalised their accounts for the period 29 January 2007 to 31 March 2008 and for the year 2006-07 respectively.

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<sup>‡</sup> Orissa Thermal Power Corporation Limited (Joint venture of Orissa Hydro Power Corporation Limited and Orissa Mining Corporation Limited) was incorporated on 29 January 2007.