Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 70 Public Sector Undertakings (PSUs) comprising 67 Government companies and three Statutory corporations. Of these, there were only 32 working Government companies. The remaining 35 were non-working Government companies as against 34 non-working Government companies as on 31 March 2003. All the three Statutory corporations were working corporations. In addition, there were three companies (one working and two non-working) under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2004.

(Paragraphs 1.1 and 1.36)

The total investment in working PSUs increased from Rs.12,178.55 crore as on 31 March 2003 to Rs.12,294.34 crore as on 31 March 2004. The total investment in non-working PSUs decreased from Rs.216.86 crore in 2002-03 to Rs.122.61 crore in 2003-04.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs decreased from Rs.591.45 crore in 2002-03 to Rs.125.75 crore in 2003-04. The State Government guaranteed loans aggregating Rs.2,172.54 crore during 2003-04. As on 31 March 2004, guarantees of Rs.3,046.11 crore were outstanding.

(Paragraph 1.6)

Only six working Government companies, one Statutory corporation and two non-working Government companies finalised their accounts for the year 2003-04 by September 2004. The accounts of 25 working Government companies and two Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2004. The accounts of 33 non-working Government companies were in arrears for periods ranging from one to 33 years as on 30 September 2004.

(Paragraphs 1.7 and 1.21)

According to latest finalised accounts, 14 working PSUs (12 Government companies and two Statutory corporations) earned aggregate profit of Rs.167.65 crore. Against this, 17 working PSUs (16 Government companies and one Statutory corporation) incurred aggregate loss of Rs.675.84 crore as per the latest finalised accounts. Of the loss incurring working Government companies, eight companies had accumulated losses aggregating Rs.1,921.25 crore which exceeded their paid-up capital of Rs.513.88 crore. One loss incurring Statutory corporation had accumulated loss of Rs.223.49 crore, which exceeded the paid-up capital of Rs.136.50 crore.

(Paragraphs1.8, 1.10 and 1.12)

2. Reviews in respect of Government companies

Aspects relating to activities of the Orissa Mining Corporation Limited, Fund Management in Grid Corporation of Orissa Limited and Project Implementation of Konark Met Coke Limited were reviewed in Audit and some of the main findings are as follows:

2.1 Review on Orissa Mining Corporation Limited

Orissa Mining Corporation Limited was established in May 1956 to undertake commercial exploitation of mineral resources of the State. The Company incurred heavy losses due to delay in repair of primary crusher, under utilisation of crushers, undue concession given to raising contractors, sale of lump ore without conversion into calibrated lump ore and sale of ore below the market price in domestic as well as in export market. Some of the important points noticed in audit are given below:

The Company sustained revenue loss of Rs.75.79 crore during December 2001 to December 2003 due to injudicious decision to repair the old primary crusher instead of replacing the same.

(Paragraph 2.1.13)

Shortfall in production of Calibrated Lump Ore led to loss of revenue of Rs.45.37 crore.

(Paragraph 2.1.14)

Fixation of sale price lower than the prevalent market price resulted in revenue loss of Rs.2.15 crore.

(Paragraph 2.1.29)

The Company, at the behest of State Government, sold ore to Neelachal Ispat Nigam Limited below the market price which led to loss of revenue of Rs.11.28 crore.

(Paragraph 2.1.30)

Investment of Rs.4.26 crore without resolving the key issues for implementation of the Joint Venture project proved wasteful.

(Paragraph 2.1.36)

2.2 Review on Fund Management in Grid Corporation of Orissa Limited

The management of funds in Grid Corporation of Orissa Limited was deficient due to lack of effective control over transactions. Due to lack of control over the realisation of power dues, delay in filing tariff increase proposal before Orissa Electricity Regulatory Commission and delay in raising bills, the Company could not generate funds in time and resorted to huge borrowing of funds at higher interest for meeting capital needs. Some of the important points noticed in audit are given below:

Failure to submit tariff increase proposal in time led to revenue loss of Rs.117.55 crore to the Company.

(Paragraph 2.2.7)

The Company delayed the finalisation of accounts for the year 2000-01 which resulted in delay in raising of bills and consequential loss of interest of Rs.15.30 crore.

(Paragraph 2.2.8)

The Company accepted claim for higher tariff from National Aluminium Company Limited in violation of Orissa Electricity Regulatory Commission tariff which resulted in extra expenditure of Rs.9.76 crore.

(Paragraph 2.2.9)

Delay in swapping high cost borrowings led to additional interest burden of Rs.11.34 crore.

(Paragraphs 2.2.16 and 2.2.17)

2.3 Review on Project Implementation of Konark Met Coke Limited

Konark Met Coke Limited was established in July 1996 with the main objective to produce coal, coking coal and coke besides establishing a generation station. The project implementation of the Company moved at slow pace due to lack of adequate equity arrangements from private promoters and public. This led to revision of project implementation three times. The Company deferred the allotment of shares for more than five years to PSUs despite retaining share money of Rs.69.57 crore received from them. Some of the important points noticed in audit are given below:

Failure to define and freeze the man-month by Board of Directors, the Company incurred extra expenditure of Rs.5.97 crore towards consultancy charges. The Company also failed to raise claim for Rs.6.30 crore on account of the failure on the part of the consultant to provide the know-how.

(Paragraphs 2.3.9 and 2.3.10)

Insistence on specific automation led to procurement from a specified source at an extra expenditure of Rs.2.42 crore.

(Paragraph 2.3.17)

Company had to pay Rs.4.75 crore as penalty due to failure to determine the right time for procurement of third boiler in consultation with MECON.

(Paragraph 2.3.24)

Excess consumption of power for auxiliary purposes and non-recovery of variable cost in full in tariff led to a revenue loss of Rs.12.17 crore.

(Paragraphs 2.3.26 and 2.3.27)

3. Transaction audit observations

Audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Loss of revenue of Rs.35.49 crore in four cases due to incorrect classification of Scotch blended Indian Whisky, acceptance of deliberate downward revision of landing cost, undue favour to purchaser by allowing credit much in excess of the limit and incorrect fixation of contract price.

  (Paragraphs 3.1, 3.2, 3.9 and 3.13)

- Extra avoidable expenses amounting to Rs.11.86 crore in nine cases due to defective agreement, failure to obtain Sales Tax exemption certificate, failure to revise the sale price, failure to clear imported consignments under Duty Entitlement Pass Book, placement of supply order for oversize coke, supply of captive power to colony instead of plant, undue favour to supplier by allowing unilateral alternation of the quality specifications, delay in filing refund claims and failure to avail the interest rebate in PFC loans.

  (Paragraphs 3.4, 3.5, 3.6, 3.7, 3.10, 3.11, 3.12, 3.17 and 3.20)

- Unproductive expenditure/loss of interest of Rs.2.32 crore in three cases due to idle retention of funds, injudicious investment of surplus funds and injudicious decision to construct multi-storeyed corporate office building.

  (Paragraphs 3.3, 3.14 and 3.15)

- Unproductive expenditure of Rs.0.88 crore in two cases due to failure to terminate the contract even after unfavourable test report and injudicious decision for renewal of insurance policies.

  (Paragraphs 3.16 and 3.18)

- Doubtful recovery of Rs.3.94 crore in two cases due to extension of loans in violation of provision of the scheme.

  (Paragraphs 3.8 and 3.21)

- In one case, Generation loss of Rs.1.66 crore on account of indecisiveness of the Management.

(Paragraph 3.19)

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

Collection of Excise/Sales Tax at lower rate by **Orissa State Beverages Corporation Limited** on account of incorrect classification of Scotch blended Indian Whisky led to loss of Rs.31.50 crore to State exchequer.

(Paragraph 3.1)

Acceptance of downward revision of landing cost by **Orissa State Beverages Corporation Limited** contrary to Clause 1.2 A (1) of the Agreement resulted in loss of revenue of Rs.1.98 crore to State Government.

(Paragraph 3.2)

Failure to revise sale price deprived the **Neelachal Ispat Nigam Limited** of earning revenue of Rs.1.60 crore.

(Paragraph 3.6)

Placement of supply order for oversize coke by **IDCOL Kalinga Iron Works Limited** led to avoidable expenditure of Rs.0.79 crore.

(Paragraph 3.10)

Grant of loans in violation of the terms of the guidelines and sanction orders coupled with disbursement against inadequate security and lack of proper follow up by **Orissa State Financial Corporation** led to recovery of Rs.2.94 crore being doubtful.

(Paragraph 3.21)