

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations established to carry out activities of commercial nature while keeping in view the welfare of the people. In Orissa, the State PSUs occupy an important place in the State economy. The working State PSUs registered a turnover of ₹ 8,573.26 crore for 2009-10 as *per* their latest finalised accounts as of September 2010, which was equal to 5.68 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Orissa State PSUs are concentrated in the power sector. The State working PSUs earned a profit of ₹ 2,175.29 crore in the aggregate for 2009-10 as *per* their latest finalised accounts as on September 2010. They had employed 0.25 lakh¹ employees as of 31 March 2010. The State PSUs do not include one² prominent Departmental Undertaking (DU), which carries out commercial operations but is a part of Government department. Audit findings of this DU are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2010, there were 68 PSUs (including 65 companies) as *per* the details given below. None of these companies was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government companies ⁴	32	33	65
Statutory corporations	03	--	03
Total	35	33	68

1.3 During the year 2009-10, two PSUs namely Lanjigarh Project Area Development Foundation and Mandakini-B Coal Corporation Limited were established. The Companies were registered under Section 25 and 619 B of the Companies Act, 1956.

¹ As per the details provided by 33 working PSUs.

² Principal Chief Conservator of Forest (Kendu Leaf).

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ Includes six 619-B companies of which four are working companies.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Orissa State Road Transport Corporation. In respect of Orissa State Warehousing Corporation and Orissa State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

1.7 As on 31 March 2010, the investment (capital and long-term loans) in 68 PSUs (including 619-B companies) was ₹ 8,014.00 crore as *per* details given below.

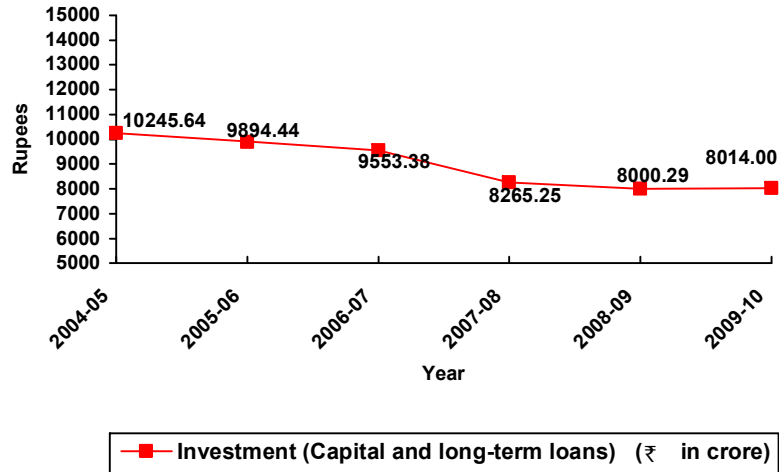
(Amount: ₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1,842.47	5,322.38	7,164.85	536.82	196.64	733.46	7,898.31
Non-working PSUs	85.39	30.30	115.69	--	--	--	115.69
Total	1,927.86	5,352.68	7,280.54	536.82	196.64	733.46	8,014.00

A summarised position of Government investment in State PSUs is detailed in **Annexure 1**.

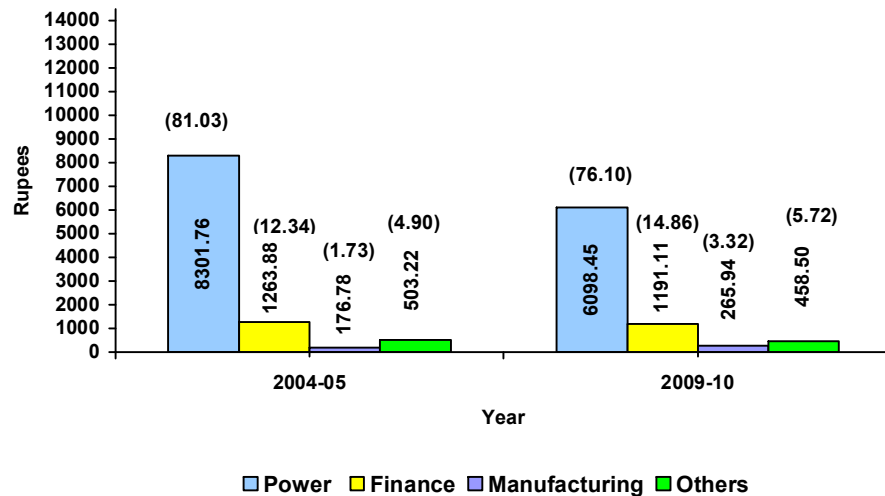
1.8 As on 31 March 2010, of the total investment in State PSUs 98.56 *per cent* was in working PSUs and the remaining 1.44 *per cent* in non-working PSUs. This total investment consisted of 30.75 *per cent* towards capital and 69.25 *per cent* in long-term loans. The investment has decreased by 21.78 *per*

cent from ₹ 10,245.64 crore in 2004-05 to ₹ 8,014 crore in 2009-10 as shown in the graph below.



The decline in investment was mainly due to repayment of loans in power sector.

1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment was mainly in the power sector during the six years ending 31 March 2010 though percentage share of investment in power sector declined from 81.03 in 2004-05 to 76.10 in 2009-10. The Government investment has decreased in all sectors except the manufacturing sector where investment has increased from ₹ 176.78 crore in 2004-05 to ₹ 265.94 crore in 2009-10.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

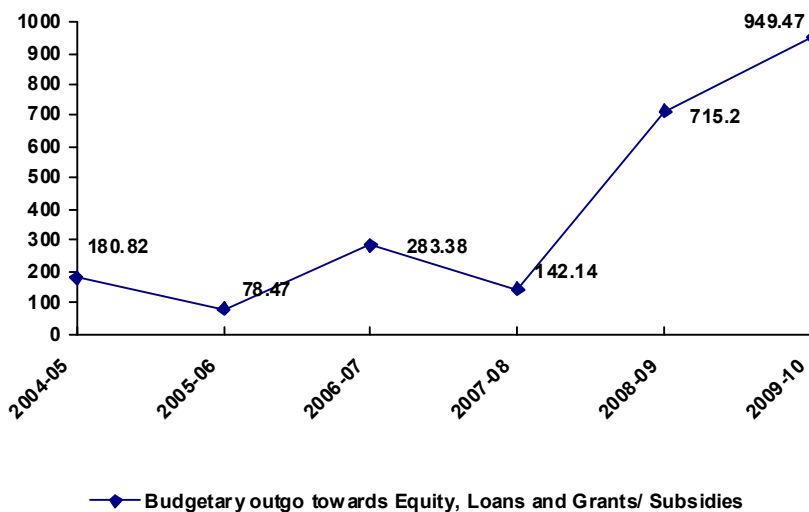
1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and

interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2009-10.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	1	9.95	4	54.22	4	12.56
2.	Loans given from budget	2	75.40	1	52.52	1	47.22
3.	Grants/Subsidy received	7	56.79	15	608.46	12	889.69
4.	Total outgo (1+2+3)	8 ⁵	142.14	17 ⁵	715.20	16 ⁵	949.47
5.	Loans converted into equity	1	271.05	1	1.73	1	0.04
6.	Interest/Penal interest written off	--	--	2	84.98	--	--
7.	Total waiver (6+7)	--	--	2	84.98	--	--
8.	Guarantees issued	--	--	--	--	--	--
9.	Guarantee commitment	10	1,633.23	8	1,131.59	8	795.48

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past six years are given in a graph below.



The budgetary outgo towards equity, loans and grants/ subsidies has increased significantly from ₹ 180.82 crore in 2004-05 to ₹ 949.47 in 2009-10 mainly due to release of subsidy of ₹ 847.85 crore during 2009-10 to Orissa State Civil Supplies Corporation Limited.

1.12 As per the guidelines (November 2002) of Government of Orissa, the State PSUs were liable to pay guarantee commission (GC) at the rate of 0.5 per cent per annum on the maximum of the guarantee sanctioned irrespective of the amount of loan actually availed or outstanding thereagainst. There is no

⁵ Actual number of companies/corporations which received equity/loans/grants/subsidy from the State Government.

instance of issue of fresh guarantee to any of the state PSUs during 2007-08 to 2009-10. The guarantee commitment by the Government at the end of 2009-10 was ₹ 795.48 crore against eight PSUs. During the year 2009-10 four PSUs paid GC of ₹ 1.23 crore to the State Government, while GC of ₹ 11.30 crore was outstanding in respect of three PSUs.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(Amount: ₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1,264.19	2,014.21	750.02
Loans	1,770.89	1,941.91	171.02
Guarantees	651.52	795.48	143.96

1.14 We observed that the differences occurred in respect of 24 PSUs and some of the differences were pending reconciliation since many years. Requests were made in writing to the Principal Secretaries to Government of Orissa in Public Enterprises Department and Finance Department under endorsement to the concerned Administrative Departments of the State PSUs for early reconciliation of the differences. Besides, the issue was also discussed with the Management of three PSUs⁶ and the concerned Administrative Departments in two meetings held between December 2009 to March 2010. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure 2, 5 and 6** respectively. A ratio of working State PSUs turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10.

(Amount: ₹ in crore)

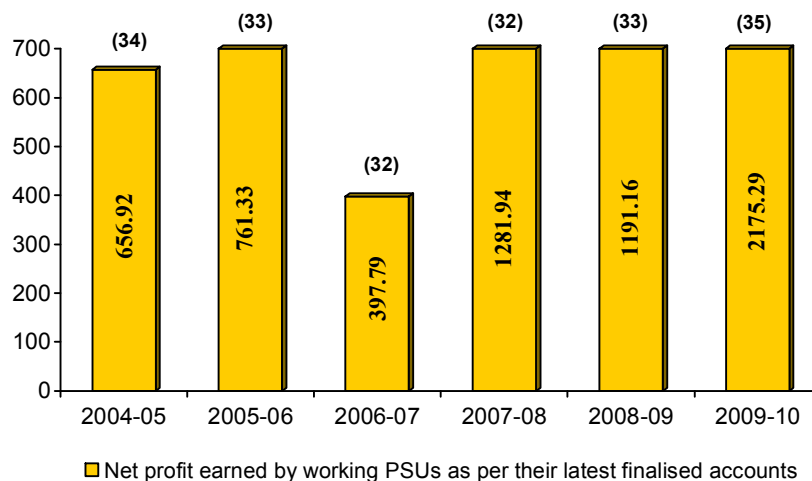
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover ⁷	4,929.01	5,493.67	5,772.26	7,257.81	8,093.78	8,573.26

⁶ Orissa State Police Housing and Welfare Corporation Limited, Orissa Mining Corporation Limited and Orissa Forest Development Corporation Limited.

⁷ Turnover as per the latest finalised accounts as of 30 September.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
State GDP	71,428	78,953	93,374	1,06,466	1,22,165	1,50,946.38
Percentage of turnover to State GDP	6.90	6.96	6.18	6.82	6.63	5.68

1.16 Profit earned by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

From the above it can be seen that the working PSUs earned overall profit in all the years which ranged between ₹ 397.79 crore (2006-07) and ₹ 2,175.29 crore (2009-10). During the year 2009-10, out of 35 working PSUs, 22 PSUs earned profit of ₹ 2,241.30 crore and seven PSUs incurred loss of ₹ 66.01 crore as per their latest finalised accounts as on 30 September 2010. Two working PSUs prepared their accounts on a 'no profit no loss' basis though these companies were not registered under Section 25 of the Companies Act, 1956, two companies have not yet started their operation/commercial production, while two companies have not submitted their first accounts. The major contributors to profit were Orissa Mining Corporation Limited (₹ 1,890.22 crore), Orissa Power Generation Corporation Limited (₹ 126.25 crore), GRIDCO Limited (₹. 98.14 crore) and Orissa Hydro Power Corporation Limited (₹ 32.74⁸ crore). Heavy losses were incurred by IDCOL Kalinga Iron Works Limited (₹ 39.61 crore), Orissa Power Transmission Corporation Limited (₹ 18.30 crore) and Orissa Rural Housing and Development Corporation Limited (₹ 5.45 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the

⁸ Taking into account the aggregate impact of (₹ 39.19 crore) the comments of the Comptroller & Auditor General of India, the profit will turn into loss of ₹ 6.45 crore.

working State PSUs incurred losses to the tune of ₹ 1,787.27 crore and infructuous investment of ₹ 268.56 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(Amount: ₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit	1,281.94	1,191.16	2,175.29	4,648.39
Controllable losses as per CAG's Audit Report	306.94	417.38	1,062.95	1,787.27
Infructuous investment	4.06	259.35	5.15	268.56

1.18 The above controllable losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses could be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant and increase in professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Amount: ₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (Per cent)	15.28	14.80	10.94	18.59	15.14	20.21
Debt	8,206.82	7,828.13	7,495.60	5,929.23	5,573.22	5,549.32
Turnover ⁹	4,929.01	5,493.67	5,772.26	7,257.81	8,093.78	8,573.26
Debt/ Turnover ratio	1.67:1	1.42:1	1.30:1	0.82:1	0.69:1	0.65:1
Interest payment	472.71	650.29	580.45	478.85	402.59	358.19
Accumulated profit/ (loss)	(2,099.43)	(1,541.66)	(1,441.03)	(17.36)	1,269.44	2,135.60

1.20 The above parameters showed a mixed trend in the financial position of the PSUs. Percentage of the return on capital employed showed declining trend upto 2006-07 (10.94 per cent) but improved to 18.59 per cent during 2007-08. After declining to 15.14 per cent during 2008-09, it again improved to 20.21 per cent during 2009-10. The debt turnover ratio has improved from 1.67:1 in 2004-05 to 0.65:1 in 2009-10 due to continuous reduction in debt from ₹ 8,206.82 crore (2004-05) to ₹ 5,549.32 crore (2009-10) and constant increase in the turnover figures during all the years. As against accumulated losses of ₹ 2,099.43 crore in 2004-05, the PSUs registered an accumulated profit of ₹ 2,135.60 crore in 2009-10, which was indicative of improved performance of the State PSUs. However, the working PSUs had accumulated profit of ₹ 2,350.47 crore at the end of 2009-10.

1.21 As per the recommendations of the Tenth Finance Commission the State must adopt a modest rate of return on the investment made in commercial, promotional and commercial & promotional public enterprises at

⁹ Turnover of working PSUs as per the latest finalised accounts as of 30 September.

the rate of six *per cent*, one *per cent* and four *per cent* respectively, as dividend on equity. As per their latest finalised accounts, 22 PSUs earned an aggregate profit of ₹ 2,241.30 crore and only three PSUs viz., Orissa Mining Corporation Limited, Orissa Power Generation Corporation Limited and Orissa Cashew Development Corporation Limited declared interim dividend of ₹ 250.00 crore, ₹ 102.95 crore and ₹ 0.16 crore respectively.

Arrears in finalisation of accounts

1.22 The accounts of the 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. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides details of progress made by working PSUs in finalisation of accounts by August 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	33	32	32	33	35
2.	Number of accounts finalised during the year	36	33	35	34	46
3.	Number of accounts in arrears	67	65 ¹⁰	62	54 ¹¹	43
4.	Average arrears <i>per</i> PSU (3/1)	2.03	2.03	1.94	1.64	1.23
5.	Number of Working PSUs with arrears in accounts	29	31	29	28	27
6.	Extent of arrears	1 to 7 years	1 to 7 years	1 to 7 years	1 to 5 years	1 to 5 years

1.23 From the above table it would be seen that though the companies have been finalising at an average of more than one account per year, concrete steps to clear the arrears completely were not taken. Resultantly, a significant number of 43 accounts relating to 27 working PSUs were still in arrears as on 30 September 2010.

1.24 In addition to the above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 33 non-working PSUs (all companies), 20 had gone into liquidation process. Of the remaining 13 non-working PSUs, all PSUs had arrears of accounts for 1 to 39 years.

1.25 The State Government had invested ₹ 1,754.14 crore (Equity: ₹ 18.56 crore, loans: ₹ 278.82 crore, grants: ₹ 1,456.76 crore) in 16 PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

¹⁰ One company, namely Hirkud Industrial Works Limited with one year arrear was privatised during 2006-07.

¹¹ One company, namely ELMARC Limited became defunct during 2008-09 with seven years accounts in arrear.

1.26 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. Although we informed the concerned administrative departments and officials of the Government every quarter, of the arrears in finalisation of accounts, the desired level of improvement is yet to take place. As a result of this we could not assess the net worth of these PSUs. We had also taken up (December 2009 to April 2010) the matter of arrears in accounts with the Chief Secretary and Commissioner-cum- Secretary, Public Enterprises Department, Government of Orissa to expedite the backlog of arrears in a time bound manner.

1.27 In view of the above state of arrears, it is recommended that:

- **The Government may set the targets for individual companies which should be monitored by the Public Enterprises Department.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise or switch over to the computerised environment.**

Winding up of non-working PSUs

1.28 There were 33 non-working PSUs (all companies) as on 31 March 2010. Of these, 20 PSUs were under liquidation process. The number of non-working companies at the end of each year during the past five years is given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working companies	32	32	31	33	33

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, four¹² non-working PSUs incurred an expenditure of ₹ 0.19 crore towards establishment expenditure, salary etc. This expenditure was financed by the State Government by way of grants.

1.29 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Number of Company
1.	Total number of non-working PSUs	33
2.	Of (1) above, the number under	
(a)	Liquidation by Court	11
(b)	Voluntary winding up	9
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	13

¹² Konark Television Limited, Orissa State Handloom Development Corporation Limited, Orissa State Electronics Development Corporation Limited and Orissa State Textiles Corporation Limited.

1.30 The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from two to 30 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may take a decision regarding winding up of 13 non-working PSUs. The Government may consider setting up a cell to expedite closing down of its non-working companies.

Accounts Comments and Internal Audit

1.31 Twenty nine working companies forwarded 42 audited accounts to the Accountant General during the year 2009-10. Of these, 35 accounts of 26 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	12	25.51	11	38.78	17	161.61
2.	Increase in loss	5	26.22	7	350.72	5	68.53
3.	Non-disclosure of material facts	12	110.83	9	146.55	8	48.00
4.	Errors of classification	8	25.26	7	23.45	5	36.50

1.32 During the year, the Statutory Auditors had given qualified certificates for all the 42 accounts received. The compliance of companies with the Accounting Standards remained poor as there were 29 instances of non-compliance with Accounting Standards (AS) in 14 accounts during the year.

1.33 Some of the important comments in respect of accounts of companies are stated below:

Orissa Forest Development Corporation Limited (2008-09)

- Valuation of inventory of timber at forest included salary, DA, HRA & other allowances of the divisional office staff which were not attributable in bringing the same to the present location and not related to cost. This resulted in overstatement of 'Inventories' and profit for the year (before tax) by ₹ 4.81 crore.

Orissa State Beverages Corporation Limited (2007-08)

- Non accounting of Cheques/bank drafts amounting ₹ 6.61 crore received on 31 March 2008 from the retailers towards sale of India Made Foreign Liquor (IMFL)/Beer and deposited in Bank on 2 April 2008 resulted in understatement of 'cheques/bank drafts in hand/transit' and overstatement of 'Sundry Debtors' by ₹ 6.61 crore.

Orissa Power Transmission Corporation Limited (2008-09)

- Short capitalisation of cost of constructing a 400/220 KV sub-station at Mendhasal, charged at 220 KV side on 21 October 2008 resulted in overstatement of Capital work-in progress by ₹ 17.17 crore, understatement of Fixed Assets (net block) by ₹ 16.79 crore and understatement of depreciation and loss for the year by ₹ 37.78 lakh each.

Orissa Small Industries Corporation Limited (2007-08)

- Non accounting of the stale cheques for ₹ 3.56 crore issued during 1983-84 to 2007-08 (upto September 2007) against cash credit accounts resulted in overstatement of Cash Credits by ₹ 3.56 crore with corresponding understatement of Sundry Creditors and Other Liabilities.
- Bonds 2000 (Guaranteed by the Government of Orissa) matured in 2005 and overdue for payment with interest as of 31 March 2008 had not been transferred to Current Liabilities. This resulted in overstatement of Unsecured Loans and understatement of Current Liabilities by ₹ 34.28 crore.

Orissa State Police Housing & Welfare Corporation Limited (2007-08)

- Non-inclusion of ₹ 5.44 crore recoverable for extra electrification works executed prior to 2007-08 resulted in understatement of Sundry Debtors, Income from operation and Profit for the year by ₹ 5.44 crore.

Orissa State Civil Supplies Corporation Limited (2007-08)

- Non provision of liability of ₹ 15.13 crore towards milling charges (₹ 5.81 crore), gunny bags cost (₹ 6.62 crore) and gunny bags depreciation (₹ 2.70 crore) for custom milled rice (CMR) lying with millers resulted in understatement of Procurement expenses, current liabilities and subsidy (receivable) from Government Account by ₹ 15.13 crore.
- The inclusion of distribution cost for valuation of Closing Stock of rice lying with the custom millers (₹ 12.72 crore) and at Rice Receiving Centres (₹ 7.71 crore) resulted in overstatement of closing stock by ₹ 20.43 crore with consequential understatement of Subsidy (Receivable) from Government Account.

Orissa Hydro Power Corporation Limited (2009-10)

- Short-provision towards proportionate share of dam maintenance cost up to 2008-09 payable to the Department of Water Resources (DOWR) as per the joint reconciliation statement resulted in understatement of Current Liabilities and Provision and overstatement of profit by ₹ 13.84 crore each.
- Non provision of liability of ₹ 16.44 crore payable up to 31 March 2010 towards balance arrear salary and wages of both executive and

non-executive staff of the Company arising out of implementation of 6th Pay Commission resulted in understatement of Current Liabilities and Provisions and overstatement of profit by ₹ 16.44 crore.

1.34 Similarly, three¹³ working statutory corporations forwarded their four accounts to the Accountant General during the year 2009-10. Of these, two accounts of Orissa State Road Transport Corporation pertained to sole audit by CAG, of which, sole audit of one account was completed and the audit of the other account was in progress as on 30 September 2010. Both the remaining accounts of other two Statutory corporations were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	0.29	1	0.74	3	2.47
2.	Non-disclosure of material facts	1	0.60	--	--	2	26.62
3.	Errors of classification	2	17.96	--	--	--	--

1.35 During the year, out of four accounts, three accounts received qualified certificates. There was no instance of non-compliance with AS in those accounts.

1.36 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Orissa State Warehousing Corporation (2007-08)

- The Corporation charged lower rate of depreciation in deviation to the uniform rate of depreciation as per significant Accounting Policy, which resulted in overstatement of profit of the year by ₹ 21.20 lakh.

Orissa State Financial Corporation (2009-10)

- Under-provisioning for Non-Performing Assets (NPA) due to wrong categorisation in contravention of guidelines issued by Small Industries Development Bank of India resulted in overstatement of Profit by ₹ 1.77 crore each.

Orissa State Road Transport Corporation (2006-07)

- An amount of ₹ 50.31 crore receivable by the Corporation from the Government had neither been accounted for nor the fact having substantial impact on the accounts had been disclosed.

¹³ Orissa State Financial Corporation, Orissa State Road Transport Corporation and Orissa State Warehousing Corporation

1.37 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 18 companies¹⁴ for the year 2008-09 and 22 companies¹⁵ for the year 2009-10 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non-fixation of minimum/ maximum limits of store and spares	14	A- 2,3,5,6,7,9,13,14,15,19,21,25, 26 & 31.
2.	Absence of internal audit system commensurate with the nature and size of business of the company	21	A- 1, 2,3,4,5,6,7,9,11,12,13,14,15, 19, 23, 24, 28,30,32, C- 3 and C-6.
3.	Non-maintenance of cost record	4	A- 2,3,4 and 19.
4.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	16	A- 2,3,4,5,6,7,9,11,13,14,15, 19, 30,31 32 & C-3

Recoveries at the instance of audit

1.38 Recoveries of ₹ 18.16 lakh was effected during 2009-10 which was pointed out in earlier years in four¹⁶ cases.

Status of placement of Separate Audit Reports

1.39 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Orissa State Financial Corporation	2008-09	2009-10	11 August 2010.	--

¹⁴ Sl. No.A- 2,3,4,5,6,7,12,13,15,19,23,25,26,30,31,32 and C- 3 & 6 of Annexure 2.

¹⁵ Sl. No.A- 1,2,3,4,5,6,7,9,11,13,14,15,19,21,24,25,26,28,30,31,32 and C- 3 of Annexure 2.

¹⁶ Orissa Mining Corporation Limited, Orissa State Civil Supplies Corporation Limited, Orissa Power Transmission Corporation Limited and Orissa Electricity Regulatory Commission.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
2	Orissa State Warehousing Corporation	2005-06	2006-07	15 September 2009	Delay in sending the printed SAR by the Administrative Department to the Legislature.
			2007-08	15 March 2010	Delay in printing of the SAR.
3.	Orissa State Road Transport Corporation	2005-06	2006-07	23 September 2010	--

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.40 The State Cabinet accepted (August 1996) the recommendations of the Cabinet Sub-Committee formed (October 1995) for disinvestment/ privatisation/ restructuring/ liquidation of 34 Public Sector Enterprises (PSEs). 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 PSEs. 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 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 2008.

The present status (September 2010) 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 to be completed	Present status
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999 ¹⁷	Assets have been sold.
SN Corporation Limited	Privatise	--	Assets have been sold.
Orissa State Seeds Corporation Limited	Privatise	--	Draft memorandum prepared by the Company and after finalisation in consultation with related Departments will be placed before the Cabinet for approval. HR interventions are being considered through a Management consultancy firm.
Orissa State Textile Corporation Limited	Close	March 2000 ¹⁷	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 is awaited.
Kanti Sharma Refractories Limited	Close	--	Compulsory winding up petition has been filed before the Hon'ble High Court on 29 March 2008.
Orissa State Electronic Development Corporation	Close	--	Steps have been initiated to implement the decision of the State Cabinet to close down the Company.
ELMARC Limited	Close	--	All employees have been relieved through VRS. It has been decided to follow the striking off route.
Orissa State Commercial Transport Corporation Limited	Close	--	The land at Baliparbat has been transferred to the Forest Department. Out of 48 lots of movable assets 47 lots have been disposed.
New Mayurbhanj Textiles Limited	Close	--	Assets valuing ₹ 15.65 lakh were sold during 2006-07. It has been decided to dispose of the movable assets at ₹ 1.45 lakh. Steps are being taken to liquidate the Company.
IDCOL Ferro Chrome and Alloys Limited	Privatise	October 1999 ¹⁷	Government is considering the Company for merger with parent company, Industrial Development Corporation of Orissa Limited.
Kalinga Studios Limited	Privatise	2002-05	All regular employees have been retrenched under the provisions of ID Act and the process for transfer of the land in favour of the Company and also the privatisation process is under progress.
Konark Television Limited	Close	--	The Company is under liquidation.
Orissa Textile Mills Limited	Close	--	The Company is under liquidation
Konark Jute Limited	Privatise	--	Road show was organized in Kolkata for good response from the bidders.
Orissa Agro Industries Corporation Limited	Restructure	--	VRS benefit has already been released. Cabinet memorandum is in process of finalization. Human resource interventions are being considered through a Management consultancy firm.

¹⁷ Included in the first phase.

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
Orissa Cashew Development Corporation Limited	Restructure	--	VRS benefit for employees has already been released by the Public Enterprises department. The Cabinet memorandum is in process of finalisation.
Orissa Forest Development Corporation Limited	Restructure	--	Government has approved the restructuring plan. VRS is being implemented to rightsize the manpower. A high power committee under the Chairmanship of the Development Commissioner-cum-Additional Chief Secretary, Orissa is reviewing the implementation of the restructuring plan from time-to-time.
Orissa Lift Irrigation Corporation Limited	Restructure	2002-05	Implementation of the Government approved restructuring plan is in progress.
Orissa Construction Corporation Limited	Restructure	--	Implementation of Government approved restructuring plan is in progress. MOU signed with Water Resources Department in compliance with Corporate Governance Manual.
Orissa Bridge & Construction Corporation Limited	Restructure	--	Restructuring plan is under process to obtain Government approval. More than 200 employees have been relieved through VRS and steps are being taken to make the Company sustainable.
Orissa State Handloom Development Corporation Limited	Close	--	The Company is under liquidation.
Orissa Instruments Company Limited	Close	--	The admitted liabilities are ₹ 57.36 lakh. IDCO has been requested to clear the pending dues.
Orissa State Leather Corporation Limited	Close	--	The AGM for passing winding up resolution will be convened after BoD is reconstituted.
Orissa State Financial Corporation	Restructure	2002-05	The restructuring plan has been approved. VRS is being implemented for surplus employees and organisational restructuring is in progress.

Reforms in Power Sector

1.41 Under the Orissa Electricity Reforms Act, 1995 Orissa Electricity Regulatory Commission (OERC) was formed in August 1996 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2009-10, OERC issued 106 orders (thirty two on annual revenue requirements and Tariff related matters and 74 on others). OERC has submitted its first accounts for the year 2006-07 under section 104 of the Electricity Act, 2003. The audit of the accounts of the Commission has been undertaken by the Comptroller and Auditor General of India under section 19(3) of the Comptroller and Auditor General's Duties, Power and Conditions of Service (DPC) Act, 1971 read with the Section 104(2), of the Electricity Act, 2003.

1.42 Memorandum of Understanding (MoU) was signed in (June 2001) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in the power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Particulars	Milestone	Achievement as at March 2010
1.	Hundred <i>per cent</i> electrification of all villages.	March 2012	62.6 <i>per cent</i> villages were electrified
2.	Hundred <i>per cent</i> metering of all distribution feeders.	March 2009	Metering of 11 KV feeders has been completed up to 82 <i>per cent</i> .
3.	Hundred <i>per cent</i> metering of all consumers.	December 2005	96.20 <i>per cent</i> consumers metered.
4.	Transmission and distribution losses will not exceed 34 <i>per cent</i> , which have to be brought down to 20 <i>per cent</i> .	2009-10	Total T&D losses during 2009-10 was 39.93 <i>per cent</i> .
5.	Establishment of State Electricity Regulatory Commission.	April 1996	Established in August 1996.