

OVERVIEW

PART-A

Functioning of Public Sector Undertakings (Power Sector and Non-Power Sector)

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These financial statements are also subject to supplementary audit by the CAG. As on 31 March 2018, Odisha had 82 State Public Sector Undertakings (PSUs) consisting of three Statutory Corporations and 79 Government Companies (including 26 inactive Government Companies) under the audit jurisdiction of the Comptroller & Auditor General of India. The working PSUs registered a turnover of ₹25,123.06 crore during 2017-18 as per their latest finalised accounts. The turnover relative to the Gross State Domestic Product (GSDP) of Odisha was 6.04 *per cent*. As on 31 March 2018, the investment (Capital and Long Term Loans) in 82 PSUs was ₹18,627.37 crore. The Power Sector received (₹6,688.92 crore) 83.33 *per cent* of total investment (₹8,027.47 crore) made during the period from 2013-14 to 2017-18.

1. Functioning of Power Sector PSUs

Formation of Power Sector PSUs

Odisha became the first State in India to reform its electricity sector. Odisha Electricity Reform Act setting out the basic framework of the reform came into force from 1 April 1996. Consequently, the Assets and Liabilities belonging to Odisha State Electricity Board (OSEB) were vested in State Government as on 01 April, 1996. OSEB was restructured and corporatised into Grid Corporation of Odisha Limited (GRIDCO) and Odisha Hydro Power Corporation Limited (OHPC). GRIDCO took over transmission and distribution business while OHPC took charge of hydel generation business. The only thermal power company i.e. Odisha Power Generation Corporation Limited established in November 1984, (outside the purview of OSEB) with 49 *per cent* shareholding of Government of Odisha was disinvested in January, 1999. Subsequently, Government of Odisha transferred the distribution assets and properties along with personnel of GRIDCO to four distribution companies namely Central Electricity Supply Company of Odisha Limited, North Eastern Electricity Supply Company of Odisha Limited, Western Electricity Supply Company of Odisha Limited and Southern Electricity Supply Company of Odisha Limited with effect from 26 November, 1998 established as wholly owned subsidiaries of GRIDCO. They were subsequently privatised in April 1999/ September 1999 with disinvestment of 51 *per cent* shareholding of GRIDCO. They now function under the distribution and retail supply licence obtained from Odisha Electricity Regulatory Commission (OERC). They are not under the purview of C&AG Audit., The transmission business of the State was transferred to a newly incorporated company i.e., Odisha Power Transmission Corporation Limited (OPTCL) from 01 April, 2005. Besides the four public sector companies namely GRIDCO Limited, Odisha Hydro Power Corporation Limited, Odisha Power

Generation Corporation Limited and Odisha Power Transmission Corporation Limited, four other power sector PSUs were incorporated (January 2007 to January 2015) as subsidiary/ joint venture companies namely Odisha Thermal Power Corporation Limited, Kalinga Bidyut Prasaran Nigam Private Limited, Green Energy Development Corporation of Odisha Limited and Odisha Coal and Power Limited.

Thus, the State had eight Power Sector PSUs as on 31 March 2018. Audit of these power sector PSUs is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of these PSUs are audited by the Statutory Auditors appointed by the CAG and are subject to Supplementary Audit by the CAG.

Of these eight PSUs, one PSU (Kalinga Bidyut Prasaran Nigam Private Limited), incorporated in the year 2012-13 did not commence any commercial activity till 2017-18 defeating the purpose of its incorporation.

The Power Sector PSUs as per their latest finalised accounts registered a turnover of ₹9,601.63 crore during 2017-18. The turnover relative to the GSDP of Odisha was 2.31 *per cent* indicating a fairly important role played by the Power Sector PSUs in the economy of the State.

Stake of Government of Odisha

As on 31 March 2018, the total investment (equity and long term loans) in eight power sector undertakings was ₹15,337.42 crore. The investment consisted of ₹3,948.67 crore (25.75 *per cent*) towards equity and ₹11,388 crore (75.25 *per cent*) in long-term loans. Out of the total long term loans of ₹11,388.75 crore, ₹1,606.54 crore (14.11 *per cent*) was availed from the State Government and balance ₹9,782.21 crore (85.89 *per cent*) was availed from financial institutions.

Performance of Power Sector Undertakings

The overall loss incurred by the eight power sector PSUs was (-) ₹75.81 crore in 2017-18 against profit of ₹187.44 crore earned in 2013-14. According to the accounts of the Power Sector PSUs for the year 2017-18, five PSUs together earned profit of ₹124.75 crore while two PSUs incurred loss of ₹200.56 crore. The top three profit making PSUs were Odisha Hydro Power Corporation Limited (₹98.70 crore), Odisha Power Transmission Corporation Limited (₹17.97 crore), and Odisha Power Generation Corporation Limited (₹4.79 crore). The loss making PSUs were, GRIDCO Limited which incurred substantial loss of ₹197.50 crore and Odisha Coal and Power Limited which incurred a loss of ₹3.06 crore.

At the aggregate level the accumulated losses of the eight power sector PSUs was ₹2,541.91 crore as against the capital investment of ₹3,948.67 crore as on 31 March 2018. Of the eight Power Sector PSUs, the net worth was eroded mainly in GRIDCO Limited ((-) ₹3,853.75 crore), while the remaining seven power sector PSUs had positive net worth of ₹5,616.47 crore.

Quality of accounts

The quality of accounts of power sector PSUs needs improvement. Twelve accounts for the year 2017-18 and 2016-17 relating to the eight PSUs were finalised during 01

October 2017 to 30 September 2018. The Statutory Auditors issued Certification with qualifications in respect of all the accounts. There were seven instances of non-compliance with Accounting Standards by the Power Sector PSUs.

Coverage of this Report

This Report contains six compliance audit paragraphs involving financial impact of ₹83.79 crore of the Power Sector PSUs.

2. Compliance Audit Observations

Compliance audit observations included in this chapter highlight deficiencies in management of Power Sector PSUs with financial implications. The irregularities pointed out are broadly of the following nature:

Delayed action on the part of GRIDCO Limited to re-phase bank loans resulted in avoidable payment of interest to banks ₹16.76 crore.

(Paragraphs 2.1)

Failure to enforce supply of State entitled power as per MoU and Power Purchase Agreement by GRIDCO Limited from Vedanta Limited led to short supply of 3,527.99 MU of power.

(Paragraphs 2.2)

Failure to enforce supply of infirm power as per agreed terms by GRIDCO Limited from Jindal India Thermal Power Limited resulted in loss of revenue worth ₹56.73 crore.

(Paragraph 2.3)

Failure to submit appropriate shutdown period to OERC resulted in short recovery of capacity charges of ₹4.42 crore by Odisha Hydro Power Corporation Limited.

(Paragraphs 2.4)

Belated action on the part of Odisha Hydro Power Corporation Limited to replace Generator Transformer resulted in loss of ₹4.05 crore.

(Paragraphs 2.5)

Improper submission of rephasing application for drawing of water for the expansion of power project by Odisha Power Generation Corporation Limited led to avoidable payment of ₹1.83 crore towards water charges.

(Paragraph 2.6)

3. Functioning of State Public Sector Undertakings (Non-Power Sector)

As on 31 March 2018, Odisha had 74 State Public Sector Undertakings in the Non-Power Sector, including three Statutory Corporations. Of these, 45 were working Companies and 26 inactive Companies. The working PSUs as per their latest finalised accounts, registered a turnover of ₹15,521.43 crore during 2017-18. The turnover relative to the GSDP of Odisha was 3.73 per cent.

Stake of Government of Odisha

As on 31 March 2018, the total investment (equity and long term loans) in these 74

PSUs was ₹3,289.95 crore. The equity investment was in the order of 58.09 per cent (₹1,911.22 crore) while 41.91 per cent (₹1,378.73 crore) constituted long-term loans. Out of the total long-term loans of ₹1,378.73 crore, ₹420.26 crore (30.48 per cent) was availed from the State Government and balance ₹958.47 crore (69.52 per cent) was availed from financial institutions.

Performance of State PSUs (Non-Power Sector)

Owing to substantial losses of Odisha Mining Corporation Limited and Bhubaneswar Smart City Limited the profit of ₹979.06 crore, at the aggregate level earned by working PSUs in 2013-14, had turned into loss of ₹280.59 crore in 2017-18. According to latest finalised accounts of the 48 working State PSUs (45 Government Companies plus 3 Statutory Corporations), 31 PSUs had together earned profit of ₹237.92 crore and 11 PSUs had incurred losses of ₹518.51 crore in 2017-18. One PSU had break-even status while three PSUs had not yet started their operation/commercial production. Two PSUs had posted nil profit.

The top three profit making Companies were Odisha Mineral Bearing Areas Development Corporation Limited (₹47.64 crore), Odisha Construction Corporation Limited (₹35.45 crore) and Odisha Agro Industries Corporation Limited (₹22.23 crore) while Odisha Mining Corporation Limited (₹463.48 crore), Odisha Rural Housing and Development Corporation Limited (₹42.93 crore) and Bhubaneswar Smart City Limited (₹9.06 crore) incurred heavy losses.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 37 accounts finalised during 01 October 2017 to 30 September 2018, the Statutory Auditors issued Certification with Qualifications in respect of all the accounts. There were 26 instances of non-compliance with Accounting Standards by the PSUs.

Arrears in accounts and winding up

Particulars	Number of PSUs	Number of PSUs with accounts in arrears	Number of accounts in arrears	Period of arrears
Working PSUs	48	37	63	1 to 9 years
Inactive PSUs	26	26	747	5 to 52 years

The Government requires to get the accounts prepared expeditiously and need to take a decision regarding winding up of the inactive PSUs

4. Performance Audit relating to State PSU (Non-Power Sector)

Odisha State Seeds Corporation Limited

The Performance Audit of Odisha State Seeds Corporation Limited cover the period from 2013-14 to 2017-18.

Introduction

Odisha State Seeds Corporation Limited (OSSC) was incorporated (24 February 1978) with the objectives of production, processing, storage and distribution of certified seeds to the farmers at reasonable price. The share of OSSC in seed production in the State was 66 per cent during 2013-18.

(Paragraph 4.1 and 4.10)

OSSC did not adhere to Seed Rolling Plan

In order to achieve the food production targets of the future, enhancement of the Seed Replacement Rates (SRR)² of various crops was required. Government of India had approved a Seed Rolling Plan (SRP) for Odisha for the period 2013-17. The SRP was to be prepared considering the minimum SRR or SRR already achieved whichever is higher. The Government of Odisha had directed (May 2013) all seeds producing agencies including OSSC to carry out production as per the SRP. OSSC, however, failed to fix its production target as per the Seed Rolling Plan approved by Government of India. OSSC carried out its production programme as per the annual plan, which was lower than what was envisaged in the SRP during 2013-14 and 2016-18 and failed to achieve its own target.

(Paragraph 4.7)

Seed Replacement Rate

Shortfall in production and distribution of certified seeds by OSSC affected the Seed Replacement Rate (SRR) of the State. SRR of major crops produced in the State was below the normative level (33 per cent) as well as national average during all the years of 2013-18. In case of paddy, though the SRR increased to 36.01 per cent in 2015-16, it again decreased below the normative level during 2016-18.

(Paragraph 4.8)

Shortfall in the production of certified seeds

Against its own target of 35.80 lakh quintals of seeds, actual production of certified seeds by OSSC was 20.35 lakh quintals during 2013-18. The reasons for shortfall in production were, (i) actual utilised area for sowing of seeds by growers was less than the targeted area, (ii) growers participating in the production programme of OSSC had not supplied all the seeds produced by them to OSSC due to the delay in release of seeds cost and incentive to growers and non-enforcement of agreement with them to supply their entire produce. (iii) OSSC did not have adequate technical manpower to carry out the production programme (iv) OSSC failed to distribute all its produced seeds within the validity period of nine months, forcing it to reduce its production targets.

(Paragraphs 4.11 and 4.11.1 to 4.11.4)

Procurement of seeds from outside agencies

As OSSC could not produce seeds within the State, OSSC had procured 1.43 lakh quintals of seeds from outside agencies during 2013-18. As the procurement price was higher than the cost of production through growers, OSSC incurred avoidable expenditure of ₹13.03 crore in the procurement of these seeds.

(Paragraph 4.12)

Underutilisation of seed processing plants

Due to insufficient production, there was underutilisation of the processing plants as compared to installed capacity during all the years. Underutilisation resulted in

² SRR is the percentage of area sown out of total area of crop planted in a season by using certified quality seeds other than farm saved seeds

increase in operational cost. Since the processing cost was higher than the rate fixed by Government of Odisha it resulted in loss of ₹4.39 crore³ in the processing of 17.47 lakh quintal of seed over a period of five years.

(Paragraph 4.13.1)

Shortfall in storage capacity

OSSC was in need of creation of storage facility for safe storage of seeds. There was, however, shortfall in storage capacity which ranged between 35.14 per cent and 52.40 per cent during 2013-16.

(Paragraph 4.13.2)

Quality Control of Seeds

To ensure quality of seeds, OSSC was required to set up quality control laboratories, engage technical manpower, imparting training to the field level officials, prepare quality control manual etc. OSSC did not have any quality control department to look into the quality aspects of the seeds. It had also not framed any quality control policy/manual for the purpose.

(Paragraph 4.14)

Shortfall in distribution of seeds

One of the main objectives of OSSC was to distribute certified seeds to farmers at reasonable price and sufficient quantities to support agricultural production programme of the State. The shortfall in distribution against the indent of Agriculture Department ranged between 39.25 per cent and 53.82 per cent during 2013-18. The reasons for shortfall in distribution were (i) Agriculture Department failed to ensure distribution of the seeds as per their indent and (ii) inadequate marketing efforts by OSSC.

(Paragraph 4.16)

Accumulation and disposal of substandard seeds

As per the approved norm, the validity of the seed certification is only for a period of nine months. OSSC had incurred a loss of ₹41.60 crore in the disposal of 4.24 lakh quintals of sub-standard seeds during 2013-18, as it failed to distribute the seeds within the validity period.

(Paragraph 4.17)

Accounts not finalised in time

The Annual account of OSSC was in arrears since 2015-16. Non finalisation of accounts in time resulted in non availability of authenticated financial position and working results of the Company to the stakeholders.

(Paragraph 4.19)

Internal Control and Monitoring

There were deficiencies in functioning of Board of Directors and Audit Committee. The Internal Audit System was inadequate and there were deficiencies in manpower management and other controls.

(Paragraphs 4.20 and 4.20.1 to 4.20.3)

³ Expenditure incurred (₹17.22 crore) – expenditure recovered (₹12.83 crore)

PART-B

Departments and Entities (Other than Public Sector Undertakings) under Economic Sector

1. Introduction

There are 39 Departments in the State headed by Additional Chief Secretaries/Principal Secretaries/Commissioner-cum-Secretaries at the Secretariat level. Directors and Sub-ordinate Officers assist them. Out of 39, 12 Departments dealt with the Economic Sector. The expenditure of Government of Odisha on departments under Economic Sector in 2017-18 was ₹22,333.77 crore and constituted 25.29 *per cent* of the total expenditure of ₹88,325 crore incurred during the year. This Report includes the results of audit of three Departments.

2. Compliance Audit

Execution of project without ensuring availability of water led to unfruitful expenditure of ₹33.22 crore

It was observed (March 2018) from the status report of Gohira Irrigation Project that just before the works were taken up, no water was available for Rabi crop during 2009-11. Further, during 2011-15, the supply of water to command area ranged from 550 to 4,309 ha against the projected 5,700 ha (70 *per cent* of 8100 ha) indicating scarcity of water in the dam. Again, the dam was dry during 2016-18. Thus, execution of project without pre-construction survey and investigation for availability of water led to unfruitful expenditure of ₹33.22 crore.

(Paragraph 2.3)