



CHAPTER-I
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Functioning of State Public Sector Undertakings

General

1.1 State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2019, there were 82 PSUs in Odisha, including three¹ Statutory Corporations and 79 Government Companies (including 26 inactive government companies²) under the audit jurisdiction of the Comptroller & Auditor General of India. Of these, GRIDCO Limited has listed its debt security on the Bombay Stock Exchange. During the year 2018-19, one new PSU³ came within the audit jurisdiction of the C&AG of India.

1.2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1.1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period ⁴				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts up to 2018-19	Accounts up to 2017-18	Accounts up to 2016-17	Total	
Working Government Companies	53	17	22	05	44	36 (65)
Statutory Corporations	3	01	01	1	03	02 (03)
Total working PSUs	56	18	23	06	47	38 (68)
Inactive Government Companies	26	0	0	0	0	26 (770)
Total	82	18	23	06	47	64 (838)

(Source: Compiled based on accounts of PSUs received and database of inactive PSUs maintained in the AG Office)

The working PSUs registered an annual turnover of ₹27,103.37 crore as per their latest finalised accounts as on 30 September 2019. This turnover was equal to 5.58 per cent of Gross State Domestic Product (GSDP) for the year 2018-19 (₹4,86,003.80 crore). The working PSUs incurred a profit of ₹832.26 crore as per their latest finalised accounts. As on 31 March 2019, the State PSUs had employed approximately 16,000 employees. There are 26 PSUs which were inactive for last 5 to 53 years with a total investment of ₹95.96 crore (capital ₹65.30 crore) and long-

¹ Odisha State Financial Corporation, Odisha State Road Transport Corporation and Odisha State Warehousing Corporation.

² Inactive PSUs are those which have ceased to carry out their operations.

³ GEDCOL SAIL Power Corporation Limited.

⁴ From October 2018 to September 2019.

term loans (₹30.66 crore)). This is an important area as the investments in inactive PSUs do not contribute to the economic growth of the State.

Accountability framework

1.3 The procedure for audit of Government companies is laid down in Section 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2(45) of the Act, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled other Companies.

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. Section 139(5) of the Companies Act, 2013 provides that the statutory auditors, in case of a Government Company or Government Controlled Other Company, are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139(7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within 60 days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory audit

1.4 The financial statements of the Government Companies (as defined in Section 2(45) of the Act 2013) are audited by statutory auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act 2013. The statutory auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is sole auditor for Odisha State Road Transport Corporation. In respect of Odisha State

Warehousing Corporation and Odisha State Financial Corporation, audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

Submission of accounts by PSUs

1.5 *Need for timely finalisation and submission*

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation tabled in the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every company to hold an AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

1.6 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government. The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies, and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Odisha in State PSUs

1.7 The Government of Odisha (GoO) has high financial stakes in the PSUs. This is mainly of three types:

- **Share capital and loans**– In addition to the share capital contribution, GoO also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support**– GoO provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees**– GoO also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

1.8 The sector-wise summary of investment in the PSUs as on 31 March 2019 is given Table 1.2:

Table 1.2: Sector-wise investment in PSUs

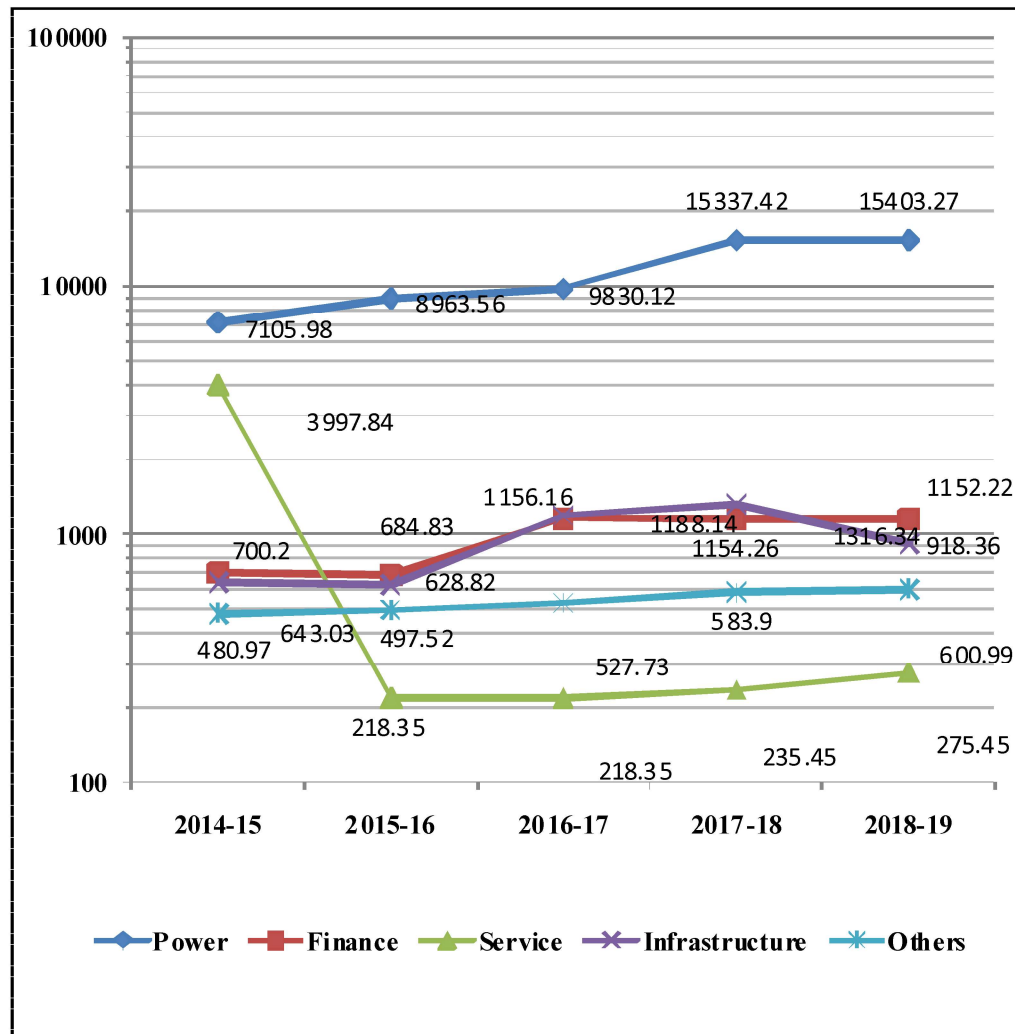
Name of sector	Government Companies		Statutory Corporations		Total	Investment ⁵ (₹ in crore)		
	Working	Inactive	Working	Inactive		Equity	Long Term Loans	Total
Power	09	-	-	-	09	4,048.67	11,354.60	15,403.27
Finance	05	-	01	-	06	582.08	570.14	1152.22
Service	07	04	01	-	12	259.82	15.63	275.45
Infrastructure	12	-	-	-	12	678.31	240.05	918.36
Others	20	22	01	-	43	502.85	98.14	600.99
Total	53	26	03	-	82	6,071.73	12,278.56	18,350.29

(Source: Compiled based on information received from PSUs)

The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investments of ₹6754.77 crore (87.15 per cent) out of total investment of ₹7750.38 crore made during the period from 2014-15 to 2018-19. The investment in various important sectors at the end of 31 March 2015 and 31 March 2019 is indicated in the **Chart 1.1**:

Chart 1.1: Sector-wise investment in PSUs

(₹ in crore)



Keeping in view the high level of investment in power sector, the results of audit of nine power sector PSUs is presented in Part I of this report and of the 73 PSUs (Non- power sector) in Part II of the report.