

CHAPTER-I

Introduction

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Summary of Financial Performance of State Public Sector Enterprises

1.1 Introduction

This Chapter presents the summary of financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies. The term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and the subsidiaries of such Government companies. The Statutory Corporations set up under Statutes enacted by the Legislature and other companies owned or controlled, directly or indirectly by the State Government have also been categorised as SPSEs.

A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a Company in which not less than fifty-one *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.

1.1.1 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit. The statutes governing some of the Statutory Corporations require their accounts to be audited only by the CAG.

1.1.2 What this Chapter contains

This Chapter gives an overall picture of the financial performance of the State Government Companies, Government Controlled Other Companies and Corporations of Odisha as revealed from their accounts.

Impact on revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the PSUs conducted by the CAG for the year 2021-22 is given in this chapter. This chapter also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporation.

1.1.3 Number of SPSEs

As on 31 March 2022, there were 82¹ SPSEs under the audit jurisdiction of the CAG as detailed in *Appendix 1*. These include 64 Government Companies, 03 Statutory Corporations and 15 Government Controlled Other Companies. Out of 64 Government Companies, 8 were power sector companies and 56 were non-power sector companies. Out of 56 non-power sector companies, 26 were inactive. Of these, summary of financial performance of 44 SPSEs is covered in this report and the nature of these SPSEs is indicated in the table below:

Table 1.1: Coverage and nature of SPSEs covered in this report

Nature of the SPSE	Total number of SPSEs	Number of SPSEs covered in the Report Accounts up to				Number of SPSEs not covered in the Report
		2021-22	2020-21	2019-20	Total	
Government Companies	64	13	14	3	30	34
Statutory Corporations	3	0	2	0	2	1
Total Companies/ Corporations	67	13	16	3	32	35
Government Controlled other Companies	15	2	9	1	12	3
Total	82	15	25	4	44	38

(Source: Compiled based on the accounts received from PSUs during the respective years)

No Government Companies/Government Controlled Other Companies came under/went out from the purview of CAG's audit during 2021-22.

This Chapter does not include 38 SPSEs (including 03 Government Controlled Other Companies and 01 Statutory Corporation) whose accounts were in arrears for three years or more, whose first-year account is not due or not yet received or were defunct/ under liquidation as indicated in *Appendix 2* and *Appendix 3*.

It is recommended that the process of voluntary winding up of inactive companies under the Companies Act needs to be pursued vigorously.

1.1.4 Contribution to the GSDP of the State

A ratio of turnover of the Government Companies and Corporations to the Gross State Domestic Product (GSDP) shows the extent of their activities in the State economy. The Compounded Annual Growth Rate (CAGR) is a useful method to measure growth rate over multiple time periods. The table below provides the details of turnover of 32 Government SPSEs and 12 Government Controlled other SPSEs and GSDP of Odisha for a period of three years ending March 2022:

¹ Two Government Companies viz., Startup Odisha and World Skill Centre came under the purview of CAG's audit during 2020-21

Table 1.2: Details of turnover of State PSEs vis-a-vis GSDP of Odisha

(₹ in crore)

Particulars	2019-20	2020-21	2021-22
Turnover	21,149.69	23,876.47	38,504.42
Percentage change of Turnover over Previous Year	0.97	12.89	61.27
GSDP of Odisha at current price	5,46,413	5,42,889	6,38,342
Percentage change of GSDP of Odisha	9.59	-0.64	17.58
Percentage of Turnover to GSDP of Odisha	3.87	4.40	6.03

(Source: Turnover reported in the latest finalised accounts of Government Companies and Corporations till 30 September 2022 and GSDP figures as per the Financial Attest Wing.)

In 2021-22, the turnover of the SPSEs relative to GSDP was 6.03 per cent and had increased from 4.40 per cent in the previous year. The growth rate of GSDP increased to 17.58 per cent during 2021-22 as compared to 2020-21 and the growth rate of turnover of Government Companies and Corporations has also increased to 61.27 per cent during the same period. The compounded annual growth² of GSDP was 8.59 per cent during last three years, while during the same period the compounded annual growth of turnover was 22.50 per cent. This has resulted in increase in the share of turnover of these State PSEs to the GSDP from 3.87 per cent in 2019-20 to 6.03 per cent in 2021-22. The department-wise position has been given in **Appendix 4**. The turnover of Power Public Sector Enterprises and Non-Power Public Sector Enterprises recorded compounded annual growth of 16.80 per cent and 26.97 per cent respectively during the same period.

1.1.5 Budgetary Support to State PSEs

The Government of Odisha (GoO) provides financial support to State PSEs in various forms through annual budget. During 2021-22 there was budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity by GoO in respect of 16 Government SPSEs out of 41 Government SPSEs and 03 Government Controlled Other SPSEs out of 15 Government Controlled Other SPSEs. The summarised details for the last three years ending March 2022 are as follows:

² Rate of Compounded Annual Growth $\left[\left\{ \left(\frac{\text{Value of 2021-22}}{\text{Value of 2018-19}} \right)^{\frac{1}{3}} - 1 \right\} * 100 \right]$ where turnover and GSDP for the year 2018-19 were ₹20,947.39 crore and ₹4,98,576.00 crore respectively

Table 1.3: Details regarding budgetary support to State PSEs

(₹ in crore)

Particulars ³	2019-20		2020-21		2021-22	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	2	118.70	2	32.54	4	572.80
Loans given (ii)	1	100.05	0	0	2	118.40
Grants/Subsidy provided (iii)	8	1,136.03	9	758.19	16	1,436.14
Total Outgo (i+ii+iii)	8#	1,354.76	9*	790.73	19\$	2,127.34
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	2	2,439.69
Guarantees issued	1@	600.00	1@	2,000.00	1@	600.00
Guarantee ⁴ Commitment	1@	913.50	1@	6,233.90	1@	8,277.50

(Source: Compiled based on information received from SPSEs)

One Government SPSE *i.e.*, Odisha Power Transmission Corporation Limited received equity, loans and grants in 2019-20 and One Government SPSE *i.e.*, Odisha Hydro Power Corporation Limited received both equity and grants in 2019-20.

* One Government SPSE *i.e.*, Odisha Hydro Power Corporation Limited received equity and grants in 2020-21.

\$ One Government SPSE *i.e.*, Industrial Development Corporation of Odisha Limited received equity and grants in 2021-22, One Government SPSE *i.e.*, Odisha Power Transmission Corporation Limited received both equity and loan in 2021-22 and One Government SPSE *i.e.*, Odisha Pisciculture Development Corporation Limited received both loans and grants in 2021-22.

@ GRIDCO Limited.

The budgetary assistance of ₹2,127.34 crore given during the year 2021-22 was in the form of equity, loan and grants/ subsidy. During the year 2021-22, maximum grants/subsidy was provided to Odisha State Civil Supplies Corporation Limited (₹584.30 crore) and Odisha Lift Irrigation Corporation Limited (₹170.99 crore). These two SPSEs have not furnished their annual accounts for the financial year 2021-22 as on 30 September 2022.

GoO provides guarantee in accordance with the criteria and guidelines issued (November 2002) by the Government subject to the limits prescribed by the Constitution of India. A guarantee commission is charged at the rate of 0.50 *per cent* on the maximum of the guarantee sanctioned. Outstanding guarantee commitments of GoO increased during the financial year by 32.78 *per cent* from ₹6,233.90 crore in 2020-21 to ₹8,277.55 crore in 2021-22. This increase was because GRIDCO Limited sought additional guarantee commitment from GoO to avail loans from banks/financial institutions. GRIDCO Limited paid guarantee commission of ₹33.12 crore during 2021-22.

³ Amount represents outgo from State Budget only

⁴ Closing balance of Government guarantee in respect of SPSEs at the end of a particular year

The overall summary position of financial performance of SPSEs (Government Companies & Statutory Corporations) covered in this Report, is summarised in table below.

**Table 1.4: Financial performance of SPSEs for 2021-22 covered in this Report
(Government Companies and Statutory Corporations)**

Number of SPSEs	67
SPSEs covered	32
Paid up capital (32 SPSEs)	₹9,300.84 crore
Long term loans (32 SPSEs)	₹15,903.38 crore
Net profit (21 SPSEs)	₹3,289.86 crore
Net loss (11 SPSEs)	₹2,423.12 crore
Dividend declared (11 SPSEs)	₹565.10 crore
Total assets (32 SPSEs)	₹75,237.61 crore
Value of production (15 SPSEs)	₹8,070.01 crore
Net worth (32 SPSEs)	₹12,598.72 crore

(Source: Compiled on the basis of latest finalised accounts of SPSEs and information received from SPSEs)

1.2 Investment in Government Companies and Corporations and Government Controlled Other Companies

The amount of equity and loans in 32⁵ Government Companies and Corporations as on 31 March 2022, is given in the table below:

Table 1.5: Equity and loans in Government Companies and Corporations

(₹in crore)

Sources of investment	As on 31.03.2022			As on 31.03.2021		
	Equity	Long term loans	Total	Equity	Long term loans	Total
1. State Government	7,629.47	1,495.68	9,125.15	4,108.87	1,243.93	5,352.80
2. State Government Companies/ Corporations/ Autonomous Bodies	1,549.14	722.83	2,271.97	616.59	596.35	1,212.94
3. Central Governments/ Central Government Companies/Corporations	44.95	6,760.81	6,805.76	44.95	7,241.53	7,286.48
4. Financial Institutions and Others	77.28	6,924.06	7,001.34	969.03	6,912.09	7,881.12
Total	9,300.84	15,903.38	25,204.22	5,739.44	15,993.90	21,733.34
Percentage of investment of State Government to total investment	82.03	9.40	36.20	71.59	7.78	24.63

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

⁵ (67-35) Government Companies and Corporations whose accounts were in arrears for more than or equal to three years, whose first year accounts have not been received or not due or were defunct/under liquidation

The amount of equity and loans in 12 Government Controlled Other Companies as on 31 March 2022 is given in the table below:

Table 1.6: Equity and loans in Government Controlled Other Companies
(₹ in crore)

Sources of investment	As on 31.03.2022			As on 31.03.2021		
	Equity	Long term loans	Total	Equity	Long term loans	Total
State Government	235.01	0	235.01	235.01	0	235.01

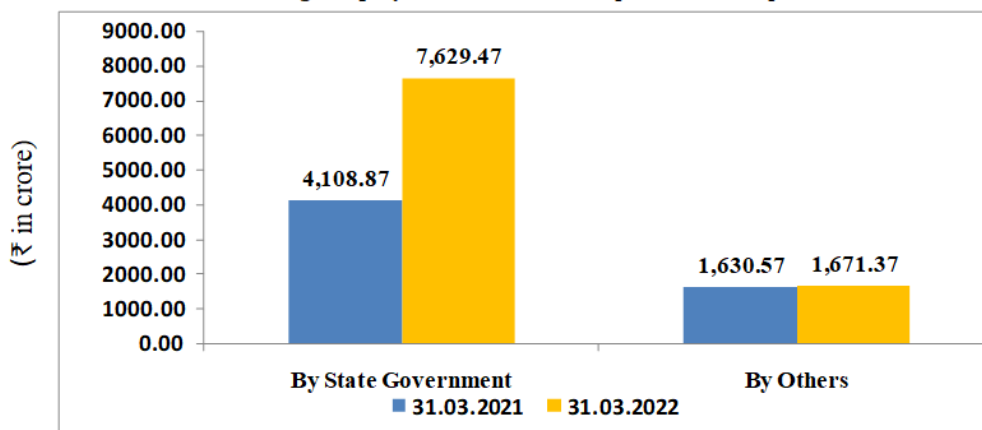
(Source: Compiled on the basis of latest finalised accounts of SPSEs)

1.2.1 Equity holding

During 2021-22, the total equity holding at face value in the 32 SPSEs covered in this Report registered a net increase of ₹3,561.40 crore. This is mainly due to increase in State Government equity share capital of ₹50.00 crore in Odisha State Road Transport Corporation, ₹2,214.51 crore in GRIDCO Limited, ₹22.54 crore in Odisha Hydro Power Corporation Limited, ₹207.00 crore in Odisha Power Generation Corporation Limited, ₹1,026.94 crore in Odisha Power Transmission Corporation Limited and increase in equity share capital of holding State Government companies of ₹39.95 crore in Odisha Coal and Power Limited.

Holding in equity by State Government and others during two years ended 31 March 2022 in Government Companies and Corporations is depicted in the Chart below:

Chart 1.1: Holding in equity in Government Companies and Corporations



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Details of significant holding (holding of more than ₹200 crore) of the State Government during 2021-22 in the paid-up capital of the SPSEs is given in the table below:

Table 1.7: Significant holding of the State Government

(₹ in crore)

Name of the SPSE	Name of the Department	Amount	Percentage of State Government holding in this individual SPSE with the total holding of the State Government
Statutory Corporation			
Odisha State Financial Corporation	Micro, Small & Medium Enterprise	342.72	4.69
Odisha State Road Transport Corporation	Commerce and Transport	328.54	4.49
Government Companies			
Odisha Power Generation Corporation Limited	Energy	1,136.47	14.90
Odisha Power Transmission Corporation Limited	Energy	1,886.71	24.73
Odisha Hydro Power Corporation Limited	Energy	833.19	10.92
GRIDCO Limited	Energy	2,791.22	36.58

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

1.2.2 Loans given to Government Companies and Corporations

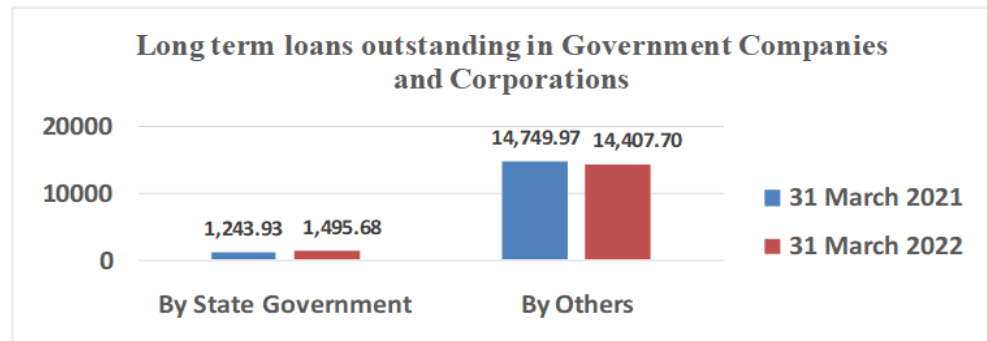
1.2.2.1 Computation of long-term loans outstanding as on 31 March 2022

Out of the 32 Government Companies and Corporations covered in this report, 11 SPSEs had outstanding long term loans amounting to ₹15,903.38 crore from all sources as on 31 March 2022. During 2021-22, the long-term loans of Government Companies and Corporations registered a decrease of ₹90.52 crore.

Year wise details of outstanding long-term loans of Government Companies and Corporations is depicted in the chart below:

Chart 1.2: Long term loans outstanding in Government Companies and Corporations

(₹ in crore)



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

1.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of

long-term loans by value of total assets in 11 Government SPSEs which had outstanding loans as on 31 March 2022 is given in **Appendix 5**. A gist of the same is given in the table below:

Table 1.8: Coverage of long term loans with total assets

	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term loans	Assets	%age of assets to loans	No. of SPSEs	Long term loans	Assets	%age of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	2	107.33	1,129.86	1,052.70	-	-	-	-
Government Companies	9	15,796.05	34,345.10	217.43	-	-	-	-
Total	11	15,903.38	35,474.96		-	-	-	-

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

From the above table and **Appendix 5**, it is revealed that all the 11 Government Companies and Corporations have positive coverage ratio, which indicates that all the Companies and Corporations possess adequate assets to meet their loan liabilities.

1.2.2.3 Interest Coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of SPSEs, which had outstanding loans during the period from 2019-20 to 2021-22 are given in the table below:

Table 1.9: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and taxes (EBIT) (₹ in crore)	No. of SPSEs	No. of SPSEs having positive ICR	No. of SPSEs having negative ICR
Statutory Corporations					
2019-20	0.47	5.73	1	1	-
2020-21	0.47	-1.59	1	-	1
2021-22	0.47	-0.45	1	-	1
Government Companies					
2019-20	662.75	911.48	6	4	2
2020-21	1,640.31	70.61	7	5	2
2021-22	1,760.18	1,675.28	9	8	1

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that the number of SPSEs with positive ICR has increased in case of Government Companies and decreased in case of Statutory Corporations during 2021-22 as compared to the previous years.

1.2.2.4 Age-wise Analysis of interest outstanding on State Government loans

As on 31 March 2022, interest amounting to ₹956.09 crore was outstanding on long term loans of four SPSEs provided by State Government. The age-wise analysis of interest outstanding on State Government loans in SPSEs is depicted in the table below:

Table 1.10: Interest outstanding on State Government Loans

(₹ in crore)

Sl. No.	Name of the SPSE	Outstanding interest on State Government loans	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years
1	Odisha Hydro Power Corporation Limited	842.27	66.94	140.23	635.10
2	Odisha State Seeds Corporation Limited	0.98	-	-	0.98
3	Industrial Development Corporation of Odisha Limited	56.53	1.66	6.04	48.83
4	Odisha Power Transmission Corporation Limited	56.31	21.58	0	34.73
Total		956.09	90.18	146.27	719.64

(Source: Compiled on the basis of information received from SPSEs)

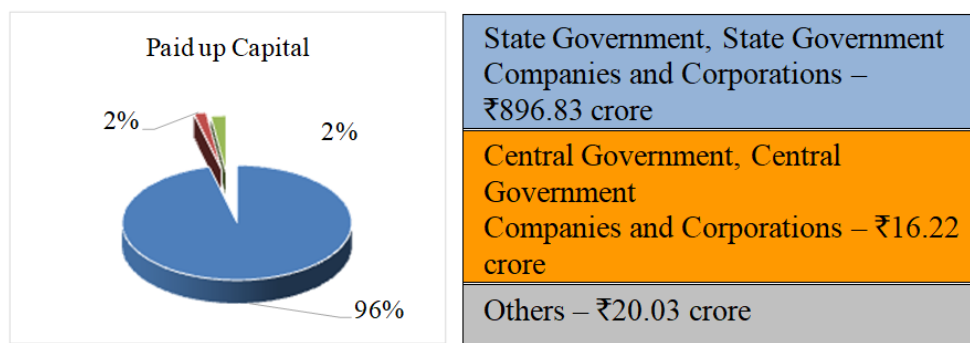
It is revealed from the above table that the companies failed to pay the interest liabilities which should have been paid within one year, resulting in accumulation of interest on State Government loans year after year.

1.2.3 Investment in Government Controlled Other Companies

The capital invested by the State Government, Central Government and by Companies and Corporations controlled by them in 12⁶ Government Controlled Other Companies during the year 2021-22 is depicted in the chart below:

⁶ 15 minus 3 Government Controlled Other Companies whose accounts were in arrears for three years or more or were defunct/under liquidation

Chart 1.3: Composition of share capital in Government Controlled Other Companies



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

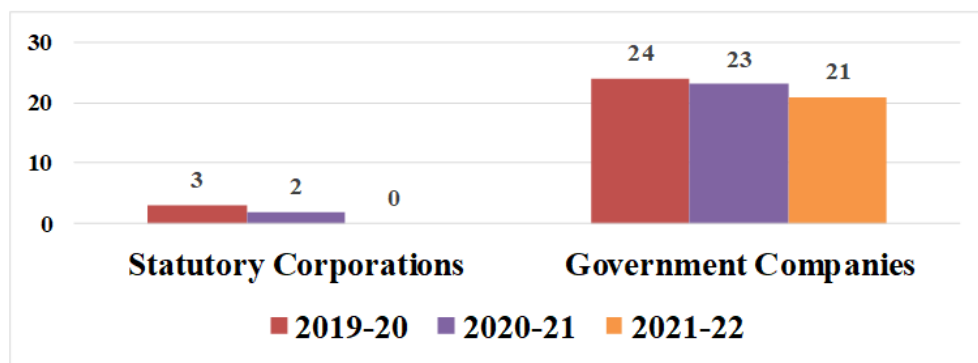
As on 31 March 2022, equity in these Government Controlled Other Companies has remained same as it was in 2020-21.

1.3 Returns from SPSEs

1.3.1 Profit earned by SPSEs

Out of the 32 Government Companies and Corporations covered in this report, profit earned by SPSEs increased to ₹3,289.86 crore in case of 21 profit earned SPSEs in 2021-22 from ₹1,937.72 crore in case of 23 profit earned SPSEs in 2020-21. The Return on Equity (ROE) of the 21 SPSEs was 22.37 per cent in 2021-22 as compared to 20.04 per cent in 23 SPSEs in 2020-21. Number of SPSEs that earned profit during the period from 2019-20 to 2021-22 is depicted in the chart below:

Chart 1.4: Number of Profit Earning SPSEs



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

The details of top three departments, which contributed maximum profit during 2021-22, are summarised in the table below:

Table 1.11: Top three departments which contributed maximum profit during the years 2020-21 and 2021-22

Name of the Department	2021-22			2020-21		
	No. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit	No. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit
Steel & Mines						
Government Companies	1	906.12	104.57	1	-234.42	-
Water Resources						
Government Companies	1	49.05	5.66	1	49.88	-
Home						
Government Companies	1	20.95	2.42	1	20.06	-
Total	3	976.12	112.66	3	100.95	-

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

The list of Government Companies which earned profit of more than ₹50 crore during the year 2021-22 is given in the table below:

Table 1.12: List of SPSEs which earned profit of more than ₹50 crore

Sl. No.	Name of the SPSE	Net Profit (₹ in crore)
1	Odisha Mining Corporation Limited	2,731.72
2	Odisha Hydro Power Corporation Limited	180.64
3	Odisha Power Transmission Corporation Limited	61.97
4	Odisha Coal and Power Limited	158.27
Total		3,132.60

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It can be seen that these four SPSEs contributed 95.22 per cent of the total profit earned by 21 SPSEs during 2021-22.

Of the 12 Government Controlled Other Companies, six companies earned profit of ₹3.33 crore during the year ended 31 March 2022.

1.3.2 Loss incurred by SPSEs

There were 11 Government Companies and Corporations that incurred losses during the year 2021-22. In these SPSEs loss has reduced to ₹2,423.12 crore in 2021-22 as compared to loss of ₹3,414.86 crore incurred by these SPSEs during 2020-21 as given in *Appendix 6*. The details of SPSEs that incurred loss from 2019-20 to 2021-22 is given in the table below:

Table 1.13: Number of SPSEs that incurred losses during 2019-20 to 2021-22

Year	No. of SPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net worth ⁷ (₹ in crore)
Government Company				
2019-20	7	304.52	4,982.95	-3,873.27
2020-21	10	3,568.19	7,453.93	-2,936.07
2021-22	11	2,423.12	8,035.66	-2,106.83

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

⁷ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Out of total loss of ₹2,423.12 crore incurred by 11 Government SPSEs, loss of ₹2,361.39 crore was mainly contributed by three SPSEs (GRIDCO Limited, Odisha Power Generation Corporation Limited and Odisha Mineral Bearing Areas Development Corporation) which function in Energy and Steel & Mines sectors respectively. Five companies which incurred major loss during 2021-22 are as follows:

- (i) **GRIDCO Limited:** Loss of ₹440.18 crore during 2021-22 was mainly due to the high cost of purchase of power and expenditure towards finance costs.
- (ii) **Odisha Power Generation Corporation Limited (OPGC):** The loss of ₹102.83 crore during 2021-22 was mainly due to expenditure towards cost of material consumed and finance cost.
- (iii) **Odisha Mineral Bearing Areas Development Corporation (OMBADC):** The loss of ₹1,818.38 crore during 2020-21, OMBADC was mainly due to expenditure towards project expenses.
- (iv) **IDCOL Kalinga Iron Works Limited (IKIWL):** The loss of ₹37.64 crore during 2021-22 was due to nil Revenue from Operations in the year.
- (v) **Odisha State Road Transport Corporation (OSRTC):** The loss of ₹10.59 crore during 2020-21 was due to high expenditure towards Operation and Employee benefits as compared to Revenue from Operations.

1.3.3 Erosion of capital in Government Companies and Corporations

As on 31 March 2022, out of 32 there were 11 Government Companies and Corporations with accumulated losses of ₹8,980.85 crore. Of the 11 SPSEs, six SPSEs incurred losses in the year 2021-22 amounting to ₹497.70 crore, five SPSEs had not incurred loss in the year 2021-22, even though they had accumulated loss of ₹240.31 crore.

Net worth of eight out of 11 SPSEs had been completely eroded by accumulated loss and was negative. The net worth of these eight was (-) ₹5,256.37 crore against total equity investment of ₹3,443.97 crore in these SPSEs as on 31 March 2022. Out of eight SPSEs, whose capital had been eroded (negative net worth), three SPSEs had earned profit of ₹29.58 crore during 2021-22 (*Appendix 7*).

Net worth was less than half of their paid up capital in respect of two⁸ out of 21 SPSEs whose net worth was positive at the end of 31 March 2022, indicating their potential financial sickness. Overall, net worth of all the 32 Government Companies and Corporations was ₹12,598.72 crore against their total paid up capital of ₹9,300.84 crore.

⁸ Odisha State Road Transport Corporation and Water Corporation of Odisha Limited

1.3.4 Dividend pay-out by SPSEs

The State Government had formulated (December 2011) dividend policy under which all profit-making PSUs are required to pay annual dividend of 20 *per cent* of the State Government equity or 20 *per cent* of the profit after tax (PAT), whichever is higher. The minimum dividend pay-out in respect of PSUs in power generation sector should be 30 *per cent* of profit after tax. Subsequently, GoO issued revised (February 2016) guidelines for payment of dividend at the rate of 30 *per cent* for all PSUs. However, seven SPSEs had not declared dividend prescribed by the Government as given in **Appendix 8**. The total shortfall on this account was ₹558.25 crore in 2021-22.

The details of profit earned and dividend declared/paid by Government Companies and Corporations is given in the table below:

Table 1.14: Profit earned and dividend declared/paid

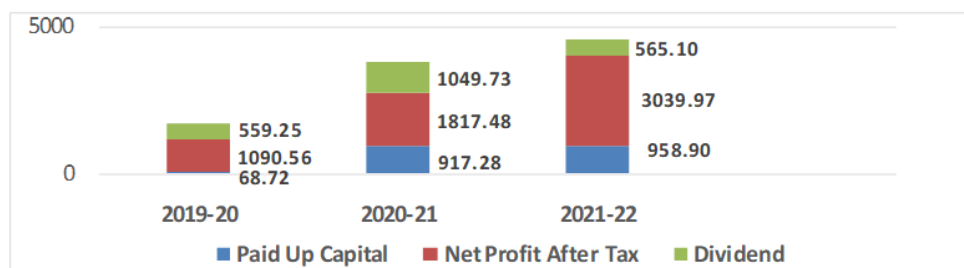
Category	No. of SPSEs	Total Paid up capital (₹ in crore)	Net profit (₹ in crore)	Dividend declared (₹ in crore)
Government Company	11	958.90	3,039.97	565.10

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Out of 32 Government Companies and Corporations, 11 SPSEs declared dividend in 2021-22. Out of eight SPSEs, which had declared/paid dividend during 2020-21, one SPSE *i.e.*, Odisha State Warehousing Corporation has been excluded in 2021-22 as it has not submitted its annual accounts from 2019-20 to 2021-22. The dividend declared as a percentage of net profit decreased to 18.59 *per cent* in 2021-22 from 57.76 *per cent* in 2020-21. In absolute terms, the dividend declared by the SPSEs in 2021-22 decreased by ₹484.63 crore compared to previous year. The chart below depicts the dividend declared *vis-a-vis* net profit earned and paid-up capital of SPSEs which declared dividend during the last three years.

Chart 1.5: Dividend declared vis-a-vis net profit earned and paid up capital

(₹ in crore)



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Out of total dividend of ₹565.10 crore declared by 11 SPSEs for the year 2021-22, dividend received/ receivable by State Government was ₹564.81 crore (99.95 *per cent* of total dividend declared) in all the 11 SPSEs having total equity investment of ₹958.90 crore (State Government equity investment ₹956.97 crore).

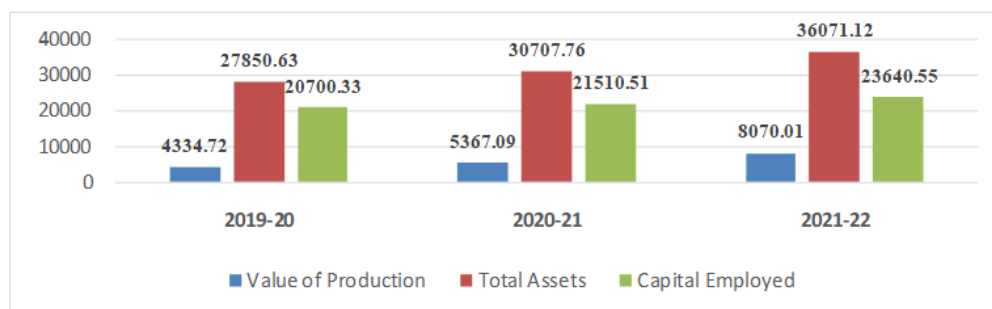
Of the 12 Government Controlled Other Companies, six companies earned profit of ₹3.33 crore during the year ended 31 March 2022. However, none of these companies declared dividend during 2021-22.

Operating efficiency of Government Companies and Corporations

1.4 Value of production

The summary indicating value of production, total assets and capital employed in Government Companies and Corporations related to 15 SPSEs over a period of three years is depicted in the chart below:

Chart 1.6: Value of Production, Assets and Capital Employed (₹ in crore)



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

There was an increase in the value of production, total assets and capital employed in the year 2021-22 compared to the previous year. The SPSE wise details of value of production, total assets and capital employed is given in **Appendix 9**.

1.4.1 Return on Capital Employed (ROCE)

ROCE is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁹. The SPSE wise details of ROCE are given in **Appendix 10**. The consolidated ROCE of 32 Government Companies and Corporations during the period from 2019-20 to 2021-22 is given in table below:

Table 1.15: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in percentage)
2019-20	2,754.36	22,762.61	12.10
2020-21	898.44	22,908.04	3.92
2021-22	3,921.16	28,502.10	13.76

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that ROCE of 32 Government Companies and Corporations was higher during the year 2021-22 in comparison to that for the year 2020-21.

⁹ Capital Employed = Paid up share capital + Free reserves and surplus + Long term loans
– Accumulated losses – Deferred revenue expenditure

1.4.2 Return on Equity (ROE) of SPSEs

ROE¹⁰ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The SPSE wise details of ROE are given in *Appendix 11*. The consolidated ROE of 32 Government Companies and Corporations during the period from 2019-20 to 2021-22 is given in the table below:

Table 1.16: Return on Equity

Year	Net Profit after Tax and Preference Dividend (₹ in crore)	Equity (₹ in crore)	ROE (in %age)
2019-20	1,381.20	9,594.64	14.40
2020-21	-1,651.19	6,914.22	-23.88
2021-22	866.78	12,598.70	6.88

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that ROE of 32 Government Companies and Corporations had increased and turned positive during the year 2021-22 in comparison to that of negative ROE for the year 2020-21. Sector-wise ROE of Government Companies and Corporations where total equity of the sector is more than ₹50 crore during 2019-20 to 2021-22 is depicted in the table below:

Table 1.17: ROE of sectors with total equity of ₹50 crore and more
(₹ in crore)

Sl. No.	Name of the Department	2019-20	2020-21	2021-22
1	Industries	-15.42	-9.58	0.77
2	Commerce and Transport	2.57	2.57	-6.26
3	Energy	3.64	-194.59	-4.77
4	Steel and Mines	18.00	-3.57	10.20
5	Home	13.82	14.57	13.75
6	Water Resources	33.30	33.30	27.19
7	Excise	9.37	9.37	6.07
8	Health & Family Welfare	15.59	15.59	2.97
9	Agriculture & Farmers' Empowerment	15.81	18.67	6.43

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

From the above table, it can be seen that the ROE has increased in Industries sector during the year 2021-22.

1.4.3 Rate of Real Return on Government Investment (RORR)

RORR measures the profitability and efficiency with which equity and similar non-interest bearing capitals have been employed, after adjusting them for their time value and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the PAT by the sum of all such investments, counted on historical cost basis.

Out of 44 SPSEs covered in this Report, the State Government has direct investment in 27 SPSEs.

¹⁰ Return on Equity = (Net profit after tax and preference dividend/equity) *100 where Equity = Paid up capital + Free reserves & surplus – Accumulated loss – Deferred revenue expenditure

The RORR of the State Government investment in these SPSEs was computed on the basis of following assumptions:

- In addition to actual infusion by the State Government in the SPSEs in the form of equity, interest free loans and grants/subsidy for operational and administrative expenses given by the State Government to the SPSEs have been considered as investment infusion by the State Government.
- In the cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The weighted average interest rate on State Government securities for the concerned financial year¹¹ was adopted as compounded rate for arriving at Present Value (PV) since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.
- For the purpose of RORR calculation of State Government investment, the period beginning 2002-03 till 2021-22 has been taken considering the investment of State Government in these 27 SPSEs as on 31 March 2002 as PV of State Government investment in the beginning of 2002-03.
- Calculation of RORR has been done in respect of 27 SPSEs which is detailed in **Appendix 12**.

As may be observed from the analysis made vide **Appendix 12**, RORR has shown a fluctuating trend during 2002-03 to 2021-22 which ranged between -6.63 per cent and 17.93 per cent.

Table 1.18: Consolidated RORR on State Government investment for the year 2021-22

Total Earnings/Loss in 2021-22 (₹ in crore)	Investment by the State Government since inception till 2021-22 (₹ in crore)	Return on State Government investment on the basis of historical value (in percentage)	Present value of State Government investment at the end of 2021-22 (₹ in crore)	RORR on State Government investment considering the present value of investments (in percentage)
A	B	C	D	E
Value of column M of Appendix 12	Total of the column H of Appendix 12 + Government investment in the beginning of 2002-03	$A*100/B$	Value of column K of Appendix 12	$A*100/D$
711.22	14,572.83 (8,636.02 + 5,936.81)	4.88	38,054.65	1.87

¹¹ The weighted average interest rate on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Odisha) for the concerned year wherein the average rate of interest paid = Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) / 2] * 100

1.4.4 Sales and Marketing

During 2021-22, the total sales of 26 out of 32 Government Companies was ₹39,963.81 crore as compared to ₹23,253.96 crore in 2020-21. Out of 26 SPSEs, 10 SPSEs sold goods/rendered services worth ₹4,138.75 crore to the Government sector in 2021-22. The overall percentage of sales of these 10 SPSEs to the Government sector with reference to their total sales worked out to 10.36 *per cent*. No SPSEs exported or imported goods/services during the period.

The details of total sales, sales to Government sector and others thereon in respect of 26 SPSEs for three years are given in the table below:

Table 1.19: Sales details of 26 SPSEs

(₹ in crore)

Year	Total Sales	Sales to Government sector	Sales to others
2019-20	20,895.88	3,014.59	17,881.51
2020-21	23,253.96	3,765.63	19,488.33
2021-22	39,963.81	4,138.75	35,825.06

(Source: Compiled on the basis of information furnished by SPSEs)

1.5 Audit of State Public Sector Enterprises

Comptroller and Auditor General of India (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. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

1.6 Appointment of statutory auditors of State Public Sector Enterprises by CAG

Sections 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.

The statutory auditors of the SPSEs for the year 2021-22 were appointed by the CAG during August 2021.

1.7 Submission of accounts by SPSEs

1.7.1 Need for timely submission

According to Section 394 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). As soon as may be after such preparation, the Annual Report shall be laid before State Legislature, together with a copy of the Audit Report and comments of the C&AG upon or as

supplement to the Audit Report. 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 State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It also states 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 have to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of a company for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2022, as detailed in the following paragraph.

1.7.2 Timeliness in preparation of accounts by Government SPSEs and Government Controlled Other SPSEs

As of 31 March 2022, there were 67 Government SPSEs and 15 Government Controlled Other SPSEs under purview of CAG's audit. Out of these 67 Government SPSEs, three are Statutory Corporations.

Accounts for the year 2021-22 were due from all 67 Government SPSEs and 15 Government Controlled Other SPSEs. The details of accounts which are in arrears are indicated in *Appendix 2* and *Appendix 3* for Government Companies and Government Controlled Other Companies separately. The number of accounts in arrears for the aforesaid two groups is given below:

Table 1.20: Details of submission of accounts of Government Companies

Particulars	Government SPSEs/Government Controlled Other SPSEs		
	Government SPSEs	Government Controlled Other SPSEs	Total
Total number of SPSEs under the purview of CAG's audit as on 31.03.2022	67	15	82
Unlisted	67	15	82
Less: New SPSEs from which accounts for 2021-22 were not due	-	-	-
Number of SPSEs from which accounts for 2021-22 were due	67	15	82
Number of SPSEs which presented the accounts for CAG's audit by 30 September 2022 for FY 2021-22	13	2	15

Number of SPSEs whose accounts are in arrears				
Break- up of SPSEs whose accounts are in Arrears	(i) Under Liquidation	16	0	16
	(ii) Defunct	10	0	10
	(iii) First Accounts not submitted	2	0	2
	(iv) Others	26	13	39
	Total	54	13	67
Number of accounts in arrears				
Age-wise analysis of arrears	One year (2021-22)	16*	9	25
	Two years (2020-21 and 2021-22)	06	2	08
	Three years and more	942**	16	958
	Total	964	27	991

* Includes two Statutory Corporations viz., Odisha State Financial Corporation and Odisha State Road Transport Corporation

** Includes one Statutory Corporation viz., Odisha State Warehousing Corporation.

Delay in finalisation of accounts carries the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2021-22 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature. Hence, the Administrative Departments should strictly monitor and issue necessary directions to clear the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

1.8 CAG's oversight- Audit of Accounts and Supplementary Audit

1.8.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

1.8.2 Audit of accounts of SPSEs by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall

objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the statutory auditors' report under Section 143 (6) of the Companies Act, 2013.

1.8.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

1.9 Results of CAG's oversight role

1.9.1 Audit of accounts of Government Companies/Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Financial statements for the year 2021-22 were received from 13 Government Companies and 02 Government Controlled Other Companies by 30 September 2022. Of these, financial statements of 09 Government Companies and 02 Government Controlled Other Companies were reviewed in audit by the CAG.

1.9.1.1 Revision of Auditors Report

As a result of supplementary audit of the financial statements for the year ended 31 March 2022 conducted by the CAG, there was no revision of statutory auditors' report of any SPSEs before laying of the financial statements of the Company in its Annual General Meeting.

1.9.1.2 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies/Government Controlled Other Companies

Subsequent to the audit of the financial statements by statutory auditors which were received during the period from 01 October 2021 to 30 September 2022, the CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government Controlled Other

Companies. The list of SPSEs in respect of whom comments were issued is given in **Appendix 13**. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹2.40 crore increase in profit and ₹56.93 crore increase in loss as also, increase in assets (₹51.01 crore) and increase in liabilities (₹109.07 crore). These are detailed in Tables 1.21 to 1.24 below:

Table 1.21: Significant comments on profitability of Government Companies

Sl. No.	Name of the Company	Comments
1	Odisha Hydro Power Corporation Limited (Standalone Financial Statement)	Financial Liabilities (Liability to Others) was understated by ₹9.96 crore with overstatement of Other Income by ₹9.96 crore due to adjustment of revenue from Water Resource Department (DoWR) which is pending for confirmation in violation to OHPC's own Significant Accounting Policies. This also resulted in overstatement of profit by same extent. Though this was pointed out in C&AG Comment No. A(2) for the year ended 31 March 2020, no corrective action has been taken by the Management.
2	GRIDCO Limited	<p>I. Expenses (Cost of Power) was understated by ₹25.25 crore due to non-accounting of claims of Central Transmission Utility of India Limited (CTUIL) for the period of October 2021 to February 2022 by ₹20.75 crore, deferred tax liability of Power Grid Corporation of India Limited (PGCIL) amounting to ₹0.70 crore materialised during 2020-21 and non-consideration of ₹3.80 crore towards Electricity Duty payable on Auxiliary Power Consumption and Regional Load Dispatch Center charges for Talcher & Darlipali super Thermal Power Station. This has also resulted in understatement of loss by ₹25.25 crore with corresponding understatement of Current Liabilities to the same extent.</p> <p>II. Finance Cost does not include ₹52.93 crore towards interest payable on the securitised dues of Odisha Hydro Power Corporation (OHPC) amounting to ₹152.93 crore as on 31 March 2021, which was agreed for payment in 12-18 monthly equated instalments. However, the company placed a proposal before OHPC (15 March 2022), for full and final settlement of the total amount by payment of lump sum amount of ₹100 crore instead of payment of ₹152.93 crore in instalments and unilaterally made provision for the same in the accounts and shown the balance amount of ₹52.93 crore under contingent liabilities, which is yet to be agreed by OHPC. This has resulted in</p>

Sl. No.	Name of the Company	Comments
		<p>understatement of finance cost by ₹52.93 crore and current liabilities with corresponding understatement of loss to the same extent. This has resulted in overstatement of Contingent Liabilities of ₹52.93 crore.</p> <p>III. Finance Cost does not include ₹6.25 crore towards the Guarantee Fee demand of Government of Odisha on the amount of guarantee provided to the company. This has resulted in understatement of finance cost by ₹6.25 crore with corresponding understatement of loss to the same extent. This has also resulted in understatement of Current Liabilities by ₹6.25 crore.</p>
3	Odisha Power Transmission Corporation Limited	<p>I. Other expenses is understated by ₹3.66 crore due to non-provisioning of 112 number of repair and maintenance works completed under Civil Works division, Bhubaneswar with corresponding overstatement of profit by same amount. This has also resulted in understatement of current liability by ₹3.66 crore.</p> <p>II. Depreciation and amortisation expense is understated by ₹1.66 crore due to delay in capitalisation of works of 132/33 KV grid substation at Pratapsasan. Though the work has been completed on 30 October 2020, it was capitalised on 31 March 2021. This has also resulted in overstatement of profit for the year by ₹1.66 crore.</p>
4	Water Corporation of Odisha Limited	<p>I. Other Income (Rent recovery) is understated by ₹0.14 crore due to non-accounting of ₹0.80 crore towards non receipt of license fee and ₹0.60 crore towards delayed payment interest. This has also resulted in understatement of Surplus and Current Assets to the same extent.</p> <p>II. Short Term Provision (Employee benefit expense) is understated by ₹0.92 crore due to short accounting of Pension Contribution towards employees working in WATCO on deputation on accrual basis. This has also resulted in overstatement of Surplus and understatement of Short term Provision to the same extent.</p> <p>III. Other Expense (Capital Reserve) is overstated due to booking of capital expenditure of ₹0.56 crore on Construction of new Chlorine leak Absorption System (Capital Assets) in Other Expenses. This has also resulted in understatement of Surplus to the same extent.</p>

Sl. No.	Name of the Company	Comments
5	Industrial Promotion and Investment Corporation of Odisha Limited	<p>Other Expenses (District Investment Promotion Agency (DIPA) Expenses) does not include ₹0.65 crore being the DIPA consultancy fees for the month of February and March-2022 payable to M/s Price Waterhouse Coopers Private Limited (PWCPL).</p> <p>As per the decision taken by Government of Odisha (GoO) on 28 June 2021, a DIPA was setup for creation of infrastructure in various districts of the State as an extended wing of Odisha Industrial Infrastructure Development Corporation (IDCO) and the company. An agreement had been signed wherein M/s PWCPL (executing agency) had to provide human resources and infrastructure and raise monthly bills on the company for their expenses, which, in turn had to be passed on to M/s IDCO. As such, the company had to book the amount payable to M/s PWCPL as other expenses, and the same had to be booked as receivable from M/s IDCO as other income. During the year 2021-22, against the receipt of bill amount of ₹1.92 crore, the company has booked only ₹0.62 crore as other income and ₹1.27 crore as other expenses leaving an amount of ₹0.02 crore unaccounted. Whereas ₹1.92 crore was to be booked to income and expenses both.</p> <p>This has resulted in understatement of other income by ₹1.30 crore (₹1.92 crore - ₹0.62 crore) as well as understatement of other expenses by ₹0.65 crore (₹1.92 crore - ₹1.27 crore). As a result, profit has been understated by ₹0.65 crore.</p>
6	Odisha Mining Corporation Limited	<p>Other Income is understated by ₹19.82 crore due to non-inclusion of interest U/s 244A of the Income Tax Act, 1961 on Income Tax Refundable for the years 2006-07 and 2007-08 assessed during the financial year 2021-22. The Corporation had received the assessment order from the office of the Asst. Commissioner of Income Tax for the year 2006-07 and 2007-08 under section 254/147/143(3) of the I.T. Act, 1961, in which interest on income tax refund receivable u/s 244A was assessed as ₹14.35 crore and ₹5.47 crore respectively. Non-inclusion of interest amount in the accounts has resulted in understatement of Current Assets as well as understatement of Profit for the year by ₹19.82 crore.</p>
7	Odisha Bridge & Construction Corporation Limited	<p>I. Revenue from operation is overstated by ₹0.97 crore due to wrong accounting of Quality control and Contingencies as revenue instead of liability. This has also resulted in understatement of liability (Quality control & Contingency) and overstatement of profit to the same extent.</p> <p>II. Employee Benefit Expenses is understated by ₹0.97</p>

Sl. No.	Name of the Company	Comments
		crore due to non accounting of Leave Salary and Pension Contribution as demanded by AG(A&E), Odisha. This has also resulted in understatement of provision as well as overstatement of profit by ₹0.97 crore.
8	Odisha Construction Corporation Limited	Employee Benefit expenses include ₹1.36 crore towards payment of premium (paid on 12.06.2020) on group gratuity scheme to Life Insurance Corporation by the company for the year 2020-21. As the payment was for the year 2020-21, it should have not been shown in the annual accounts of 2019-20. This resulted in overstatement of 'Employee benefit expenses' by ₹1.36 crore with corresponding understatement of profit to the same extent.

Table 1.22: Significant comments on Financial Position of Government Companies

Sl. No.	Name of the Company	Comments
1	Odisha Hydro Power Corporation Limited (Standalone Financial Statement)	<p>I. Current Liabilities (Payable to APGENCO on Machhakund A/C) was understated by ₹1.66 crore due to non-payment of bill of APGENCO <i>i.e.</i>, 30 <i>per cent</i> cost towards construction of E-type and F-type blocks in respect of Machhakund Project with corresponding understatement of PPE by same amount.</p> <p>II. Current Liabilities (Payable to APGENCO on Machhakund A/C) was understated by an amount of ₹4.98 crore due to non-accounting of the differential amount of operation & maintenance expenditure share of Machhakund Project which was revised from 30 to 50 <i>per cent</i>. This has also resulted in understatement of 'Receivable from GRIDCO' by the same amount as per the Power Purchase Agreement.</p> <p>III. Non-current Assets (Investment) does not include ₹27.42 crore being the amount invested in Machhakund Project for acquisition of additional 20 <i>per cent</i> share. As it is a capital expenditure, it should have been accounted as Non-current Assets. Further, the company has wrongly booked it as receivable from GRIDCO. Thus, it resulted in understatement of Non-current Assets (Investment) and overstatement of Current Assets (Receivables from GRIDCO) by ₹27.42 crore each.</p>
2	Odisha Power Transmission Corporation Limited	Equity (Other Equity) was overstated by ₹15.00 crore with corresponding understatement of loan to the same extent due to wrong accounting of Government loan as

Sl. No.	Name of the Company	Comments
		other equity without approval of the Government.
3	Odisha Pisciculture Development Corporation Limited	<p>I. The Capital work-in-progress includes various abandoned work-in-progress valuing ₹6.33 lakh which are more than 20 years old. Since there is no further scope for completion of the work, the total expenditure of ₹6.33 lakh incurred on the works should have been treated as expenditure and fully charged to profit & loss account but which has not been done by the management. This has resulted in overstatement of the fixed assets (Capital work-in-progress) and profit by ₹6.33 lakh with corresponding understatement of expenditure to the same extent.</p> <p>II. The company maintains an account at HDFC life for payment of gratuity to its employees. As per HDFC life, the closing balance under OPDC Employee Gratuity Trust as on 31.03.2018 was ₹1.14 lakh whereas management has considered the balance as ₹5.61 lakh. This has resulted in overstatement of current investment and profit by ₹4.47 lakh (₹5.61 lakh - ₹1.14 lakh) and corresponding understatement of expenditure to the same extent.</p>
4	Rourkela Smart City Limited	<p>I. Other Current Liabilities is understated by ₹2.08 crore due to non accounting of price adjustment bills paid prior to the approval of the Accounts by the Board.</p> <p>II. Other Current Liabilities is overstated by ₹0.56 crore due to accounting of operation and maintenance expenses of the revenue projects in contradiction to the Ministry of Housing and Urban Affairs direction.</p>
5	Bhubaneswar Smart City Limited	<p>I. Other Equity is overstated by ₹9.96 crore (₹4.15 crore for FY 2020-21 and ₹5.81 crore for the FY 2019-20) due to accounting of interest earned on grant received from GoI in violation to the terms & conditions of Provisions of GFR 2017. This has also resulted in understatement of Current Liabilities to the same extent.</p> <p>II. Capital work-in-progress is understated by ₹27.50 crore due to accounting of consultancy charges paid to three Programme Management Consultants (PgMCs) viz., Smart Solution Projects, Area Based Development Projects and Project initiation and conceptualisation, procurement of DPR consultants, contractors <i>etc.</i> as revenue expenditure. This has</p>

Sl. No.	Name of the Company	Comments
		also resulted in overstatement of other expenses and loss by ₹27.50 crore (₹3.66 crore relates to 2020-21 and ₹23.84 crore for prior period).
6	Odisha Bridge and Construction Corporation Limited	<p>I. Current Assets is overstated by ₹3.39 crore due to wrong accounting of Income Tax deducted at source (ITDS) receivable. This has also resulted in understatement of Other Current Assets to the same extent.</p> <p>II. Short Term loans and Advances include an amount of ₹0.62 crore including advance given to different suppliers (₹0.27 crore) and contractors (₹0.35 crore) which are rolling or more than 18 years in case of suppliers and more than 7 years in case of contractors. As the possibility of recovery of these advances is remote, necessary provision should have been made. Non-provision of the same has resulted in understatement of other expenses and overstatement of the short-term loans and advances as well profit by ₹0.62 crore.</p> <p>III. Other Current Assets include an amount of ₹0.16 crore towards refund receivable from Income tax department for the year 2013-14 and 2014-15. As the refund has already become time barred and the possibility of getting refund is remote, necessary provision should have been made. Non provision of the same has resulted in understatement of short-term provision and overstatement of other current assets and profit to the same extent.</p>
7	Odisha Construction Corporation Limited	Long Term Loans & Advances include ₹1.11 crore towards advances to suppliers pertaining to eight defunct projects lying un-recovered and unadjusted for past several years. As the projects were defunct the chances of collection is very remote, so it should have been fully provided as bad and doubtful advance. Thus due to non-provision, long term loans and advances is overstated by ₹1.11 crore with consequent overstatement of profit to that extent.

Table 1.23: Significant comments on Disclosure

Sl. No.	Name of the Company	Comments
1	Odisha Forest Development Corporation Limited	The Company has not disclosed the balance of Insurance Reserve Fund amounting to ₹6.01 crore as on 31 March 2021 against which there is a damage claim of ₹18.34 lakh which should have been suitably disclosed in the notes to accounts.
2	Odisha State Civil	In the FPS automation process, the Point of Sale (PoS)

Sl. No.	Name of the Company	Comments
	Supplies Corporation Limited	devices were installed to digitise all the transactions of essential commodities. An amount of ₹36.43 crore received from the GoO was utilised by the Odisha State Civil Supplies Corporation Limited for installation of hardware to automate the FPS transactions. As per para 13(a) of Master Service Agreement for FPS automation under PDS system on 'Title to equipment & software' state that title to all equipment procured, developed, enhanced, prepared by the vendor (2nd party) shall rest with OSCSCL/GoO in perpetuity. However, the tangible assets <i>i.e.</i> , PoS devices installed for FPS automation amounting to ₹36.43 crore were not taken into the accounts of OSCSCL. This fact of non accountal of the assets should have been suitably disclosed along with the reasons for such non accountal in the Notes on Accounts, forming part of financial statements. The Notes on Accounts is deficient to that extent.
3	Odisha Agro Industries Corporation Limited	The management of the company has maintained separate bank account for Jalanidhi-II, Escrow accounts, RKVY & BKVY scheme funds and has shown the interest earned on the scheme funds under liability side of the balance sheet. Besides that, a sum of ₹10.21 crore (<i>i.e.</i> , 40 <i>per cent</i> of the total interest earned of ₹25.53 crore) has also been shown under other long term liabilities towards interest earned from other scheme fund deposits. The practice of taking 40 <i>per cent</i> of interest in the liability side has been considered by the management due to release of funds out of its own surplus working fund for those schemes which the Government reimburses after release of advance to fixed units. However, the practice of 40 <i>per cent</i> of interest taken in the liability side of the Balance Sheet with proper justification for the same has not been suitably disclosed under the significant accounting policies. Hence, the disclosure is deficient to that extent.
4	Industrial Promotion and Investment Corporation of Odisha Limited	Contingent Liability [Note 20 (2.7)] does not include ₹0.30 crore demand received (14-12-2021) from the Office of the Principal Commissioner (Audit), Central GST & CE, Bhubaneswar as payment of tax/interest/penalty payable by IPICOL under section 73(5) of GST Rules. As the Company has appealed the payment against above notice, the fact should have been disclosed suitably in the account.
5	Odisha Mining Corporation Limited	The Corporation had obtained lease of Baitarani West Coal Mine from GoI by making payment of ₹101.33 crore (Fixed amount: ₹31.99 crore + Upfront fee:

Sl. No.	Name of the Company	Comments
		₹69.34 crore) in August 2016. The mine could not be operated till date. Consequent to announcement of a scheme by GoI (09 May 2022) to surrender non-operating mines without penalty, the Corporation passed a resolution (19 May 2022) and with the approval of Government of Odisha submitted an application (June 2022) to surrender the Baitarani West Coal Mine under the scheme and forego the amount of ₹101.33 crore. The Corporation failed to disclose the impending impact of the event.
6	Rourkela Smart City Limited	As per the Smart City Mission Statement and guidelines, the smart city mission will be operated as a Centrally Sponsored Scheme (CSS) with matching contribution from both State and Centre. Out of ₹500 crore sanctioned, Central Government contributed an amount of ₹245 crore after deducting 2 per cent (i.e., ₹5 crore) towards MoHUA A&OE expenses. Against the total matching contribution of ₹250 crore, State Government have paid ₹249 crore resulting in short receipt of ₹1.00 crore till 31 March 2022 which should have been disclosed in the financial statement. As such Notes to Accounts is deficient to that extent.
7	Industrial Development Corporation of Odisha Limited	Intangible Assets (Mining Rights) is understated by ₹17.02 crore on account of writing off mining rights in respect of Talangi A mines as per the decision of the Board of Directors on 9 June 2021. The operation of mine was temporarily discontinued, as per the notice submitted by the Managing Director, IDCOL Ferro Chrome & Alloys Limited (IFCAL), w.e.f. 26 June 2020, for a period of two years, due to its unsafe and uneconomic operations. The decision of the Board was not in order, as the mining lease had neither been surrendered nor approved by Government prior to writing off unamortised amount in respect of the mine. Thus, improper amortisation of mining rights in one year, resulted in understatement of “Mining rights” and overstatement of “Depreciation and Amortisations”, alongwith consequential understatement of “Profit” by ₹17.02 crore.
8	Odisha Construction Corporation Limited	As per AS-15, in case the liability for retirement benefits is funded through a scheme administered by an insurer, the company should disclose the information with respect to the financial effects of changes in those plans during the period, a reconciliation statement of opening and closing balance of the present value of defined obligation showing separately under each specified head, the funded status of defined benefit obligation, the fair value of the plan assets and

Sl. No.	Name of the Company	Comments
		liabilities recognised in the balance sheet showing at least the past service cost. This was not disclosed. Thus, the disclosure is deficient to that extent.
9	Odisha State Beverages Corporation Limited	<p>I. Accounting of income tax paid for assessment year 2014-15 under protest for an amount of ₹38.07 crore only as Contingent Liability instead of the full demand of ₹54.25 crore resulted in understatement of Contingent Liability by ₹16.18 crore.</p> <p>II. The Company has paid/payable an amount of ₹1,329.41 crore and ₹57.72 crore to Government of Odisha towards VAT(Value Added tax) and TCS(Tax collected at source) respectively on sale of liquor during the year 2020-21. Since the amount involved in VAT and TCS is significant and is also an integral part of operation of the company, this should have been disclosed in the Accounts for the year 2020-21.</p> <p>III. The Company had paid/payable an amount of ₹570.77 crore towards special Covid fee levied by Government of Odisha on sale of IMFL and Beer during the year 2020-21. This also should have been disclosed in the Accounts for the year 2020-21.</p> <p>IV. As per Independent Auditors Report, the advances amounting to ₹15.59 crore are pending for more than 365 days. However, as per Audit, advances amounting to ₹7.53 crore were outstanding for more than 365 days.</p>

Table 1.24: Significant comments on Auditors' Report

Sl. No.	Name of the Company	Comments
1	Odisha State Beverages Corporation Limited	<p>I. As per Sub-direction 1 issued to Statutory Auditor under Companies Act 2013, the independent Auditor was required to comment on the accounting implication of insurance coverage expenses borne by the Company during the year. However, the Independent Auditor was silent about the accounting implication of insurance coverage expenses of ₹0.89 crore paid by the Company towards insurance premium even though the Company does not account for the stock insured as its inventory.</p> <p>II. As per Sub-direction 2 issued to Statutory Auditor under Companies Act 2013, the Independent Auditor was required to comment on the</p>

Sl. No.	Name of the Company	Comments
		<p>completeness of accounting entries made by the Corporation towards differential excise duty between two licensee periods as required under Odisha Excise Act, 2008. However, the report of the Independent auditor is silent about the quantification of differential excise duty. As per Audit, the estimated differential excise duty that should have been collected from the suppliers during 2020-21 was ₹26.62 crore.</p> <p>III. As per sub-direction 4 issued to Statutory Auditor under Companies Act 2013, the Independent Auditor was required to ensure the correctness of stock holding charges being accounted for during the year. However, the Independent Auditor was silent about the correctness of the figures of stock holding charges of consumable stocks. The comment of the Auditor is deficient in this aspect.</p>
2	Industrial Development Corporation of Odisha Limited	The amortisation of unexpired mining right of ₹17.55 crore has been qualified based on the provision of AS-28 <i>i.e.</i> , “Impairment of Assets” which is not proper. As the company has written off the unexpired mining right, the operation of which was discontinued temporarily, this should have been properly qualified by the Statutory Auditor.

1.10 Statutory corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of statutory corporations where CAG is the sole auditor are detailed below:

Odisha State Road Transport Corporation (OSRTC)

- (i) Employee Benefit Expenses does not include an amount of ₹0.44 crore being payable to the contractual employees towards revised minimum wages during the financial year 2019-20. Non-accounting of revised minimum wages payable to contractual workers also resulted in understatement of short term provision and loss by ₹0.44 crore.
- (ii) Tangible Assets is understated by ₹2.45 crore due to non-accounting of the completed works of bus terminal at Angul and Cuttack. This has also resulted in overstatement of Grants and Assistance (State Government Capital Outlay) by ₹2.45 crore and understatement of depreciation and loss by ₹0.06 crore.
- (iii) Capital work-in-progress is understated by ₹6.78 crore due to non-accounting of the demand to release fund (₹6.78 crore) towards ongoing projects *viz.*, bus terminal at Jeypore and Bolangir in order to

complete the same. This has also resulted in understatement of Other Liabilities by an equal amount.

- (iv) The corporation has not disclosed ₹25.61 crore being the amount demanded by M/s ARSS Bus Terminals Pvt. Ltd. from OSRTC out of arbitration proceeding No. 68/2019 and orders passed by the Hon'ble Supreme Court of India in SLP(C) Dy. No. 10086/2020 for maintainability of the arbitration proceedings, it should have been suitably disclosed as contingent liability (Note-21.15) in notes forming part of the accounts as per AS 29.

1.11 Non-compliance with provisions of Accounting Standards/Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The statutory auditors reported that 11 companies as detailed in *Appendix 14* did not comply with mandatory Accounting Standards/Ind AS.

During the course of supplementary audit, the CAG observed that the following companies had also not complied with the Accounting Standards/Ind AS which was not reported by their statutory auditors as detailed in Table 1.25.

Table 1.25: Non-compliance to Accounting Standards/Ind AS observed during supplementary audit

Accounting Standard/Ind AS		Name of the Company	Deviation
AS-15	Non-disclosure of financial effects of changes made in the insurance plan towards retirement benefits	Odisha Construction Corporation Limited	As per AS-15, in case the liability for retirement benefits is funded through a scheme administered by an insurer, the company should disclose the information with respect to the financial effects of changes in those plans during the period. This was not disclosed by the company.

1.12 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSEs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the

financial reports or in the reporting process were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to:

- application and interpretation of accounting policies and practices;
- adjustments arising out of audit that could have a significant effect on the financial statements; and
- inadequate or non-disclosure of certain information on which management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 'Management Letters' to 26 SPSEs as listed in *Appendix 15*.

1.13 Recommendation

State Government may ensure timely submission of Financial Statements of SPSEs, as in the absence of finalisation of accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature.