



**Report of the  
Comptroller and Auditor General of India  
on Compliance Audit of Public Sector Undertakings  
for the year ended March 2022**



**SUPREME AUDIT INSTITUTION OF INDIA**  
लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest



**Government of Odisha**  
*Report No. 1 of the year 2024*



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## Preface

This Report deals with the results of audit of Public Sector Undertakings, namely, Government Companies and Statutory Corporations of the Government of Odisha for the two years ended March 2022.

The Report on the Public Sector Undertakings for the two years ended March 2022 has been prepared for submission to the Government of Odisha for laying before the State Legislature under provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 139 and 143 of the Companies Act, 2013. The audit arrangements of Statutory Corporations are prescribed under the respective acts through which the corporations are established.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2020-22, as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2020-22 have also been included, wherever pertinent. This Report deals with the performance of 82 Public Sector Undertakings (PSUs) consisting of 64 Government Companies, 15 Government Controlled Other Companies and three Statutory Corporations in the State of Odisha, the audit of which has been entrusted to the Comptroller and Auditor General of India. The Report includes an introductory chapter, 16 Compliance Audit paragraphs including two Detailed Compliance Audits on "Viability of Continuance of Loss making PSUs" and "Implementation of projects under the Smart City Mission in Odisha".

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



# **OVERVIEW**



## OVERVIEW

This Report of the Comptroller and Auditor General of India (CAG) on observations arising from audit of State Public Sector Enterprises (SPSEs) of Government of Odisha covers the period from April 2020 to March 2022. The observations included in this report relate to Detailed Compliance Audit on “Implementation of Projects under Smart City Mission in Odisha”, “Viability of Continuance of Loss Making PSUs” and outcome of Compliance Audit.

The primary purpose of the Report was to bring to the notice of the State Legislature significant results of audit. The audit findings are expected to enable the executive to take timely corrective action. This would help in framing policies and directives that will lead to improved management of the organisations, thus contributing to better governance.

Compliance Audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the applicable Rules, Laws, Regulations, various orders and instructions issued by the competent authorities are being complied with.

### **I. Summary of Financial Performance of State Public Sector Enterprises**

#### ***Mandate***

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 there under. 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.

As on 31 March 2022, there were 82 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the CAG consisting of 64 Government Companies, three Statutory Corporations and 15 Government Controlled Other Companies. Of these, summary of financial performance of 44 SPSEs is covered in this report.

*(Paragraphs 1.1.1 and 1.1.3)*

#### ***Contribution to the GSDP of the State***

The 44 SPSEs registered a turnover of ₹38,504.42 crore in 2021-22. The turnover relative to the Gross State Domestic Product (GSDP) of Odisha was 6.03 per cent.

*(Paragraph 1.1.4)*

#### ***Investment in Government Companies, Corporations and Government Controlled Other Companies***

As on 31 March 2022, the investment (Equity and Long Term Loans) in 32 SPSEs was ₹25,204.22 crore. During 2021-22, the total equity holding at face

value in these 32 SPSEs registered a net increase of ₹3,561.40 crore due to increase in State Government equity share capital in five SPSEs and increase in equity share capital of holding State Government companies in one SPSE. The total long term loans outstanding in 11 SPSEs out of 32 Government Companies and Corporations as on 31 March 2022 was ₹15,903.38 crore. As on 31 March 2022, equity in 12 Government Controlled Other Companies was ₹933.08 crore.

*(Paragraphs 1.2, 1.2.1, 1.2.2.1 and 1.2.3)*

### ***Return from the SPSEs***

The profit earned by 21 Government Companies and Corporations increased to ₹3,289.86 crore in 2021-22 from ₹1,937.72 crore in case of 23 profit earning 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. Eleven Government companies and Corporations incurred loss of ₹2,423.12 crore in 2021-22. Out of 12 Government controlled other companies, six companies earned profit of ₹3.33 crore and five companies incurred losses of ₹30.22 crore during the year 2021-22.

As on 31 March 2022, out of 32, there were 11 Government Companies and Corporations with accumulated losses of ₹8,980.85 crore. Net worth of eight out of 11 SPSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these eight SPSEs was (-) ₹5,256.37 crore against total equity investment of ₹3,443.97 crore in these SPSEs as on 31 March 2022.

*(Paragraphs 1.3.1, 1.3.2 and 1.3.3)*

### **Oversight role of CAG**

#### ***Audit of State Public Sector Enterprises***

Comptroller & 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.

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.

*(Paragraphs 1.5 and 1.8.2)*

### ***Timeliness in preparation of accounts***

Accounts for the year 2021-22 were due from 67 Government SPSEs and 15 Government Controlled Other SPSEs. A total of 13 Government SPSEs and 02 Government Controlled Other SPSEs submitted their accounts for audit by CAG on or before 30 September 2022. Accounts of 54 Government SPSEs and 13 Government Controlled Other SPSEs were in arrears.

Accounts of one Statutory Corporation *i.e.*, Odisha State Warehousing Corporation for the years 2019-20, 2020-21 and 2021-22 and the accounts of the other two Statutory Corporations *i.e.*, Odisha State Financial Corporation and Odisha State Road Transport Corporation for the year 2021-22 were awaited, as on 30 September 2022.

***(Paragraph 1.7.2)***

## **II. Detailed Compliance Audit**

The audit observations noticed during the Detailed Compliance Audit on Viability of Continuance of Loss Making PSUs in Odisha are highlighted in this chapter with their financial implications.

- Performance of certain loss making PSUs operating in different important sectors were analysed in this audit from viability view point. Five loss making PSUs *viz.*, GRIDCO Limited, IDCOL Ferro Chrome and Alloys Limited, IDCOL Kalinga Iron Works Limited, Industrial Development Corporation of Odisha Limited and Odisha Rural Housing and Development Corporation Limited have been identified to be covered in this Detailed Compliance Audit.

***(Paragraph 2.1)***

- GRIDCO incurred loss of ₹1,065.55 crore due to procurement of high cost power from NTPC power stations located outside the State, which were not approved by OERC for determination of its aggregate revenue requirement, as there was in-ordinate dealy in surrender of those high cost power stations despite OERC's earlier direction in this regard.

***(Paragraph 2.5.6.1)***

- GRIDCO incurred loss of ₹3,257.40 crore due to procurement of power from other high cost sources due to consistent shortfall in procurement of low cost power from the IPPs against the entitlement as per PPA.

***(Paragraph 2.5.6.2)***

- GRIDCO could procure 7,134.62 MU out of target of procurement of 12,688.06 MU renewable energy during the period 2017-18 to 2021-22 with shortfall of 5,553.44 MU leading to liability to pay penalty of ₹1,315.73 crore.

***(Paragraph 2.5.6.4)***

- GRIDCO suffered a loss of ₹2,391.54 crore incurring avoidable extra expenditure towards interest on loans during the period from 2015-16

to 2021-22 due to its failure to mobilise its internal resources by way of collection of BSP dues from DISCOMs.

*(Paragraph 2.5.7.1)*

- OERC in its truing up order of October 2021 allowed a revenue gap of ₹971.07 crore only as against claim of ₹3,588.02 crore by GRIDCO as it had in its earlier truing up order of 2016 directed the company to compensate the loss by way of trading of surplus power and budgetary support from the Government of Odisha. Since GRIDCO could not earn any such revenue it suffered the loss of ₹2,616.95 crore due to non-amortisation of regulatory assets.

*(Paragraph 2.5.8)*

- IFCAL suffered a loss of production of 9,421.728 MT of HCFC with consequential loss of contribution of ₹4.83 crore due to stoppage of both the furnaces for 8,520 hours during June to November 2019.

*(Paragraph 2.6.7.3)*

- IDCOL paid compensation and interest for illegal mining with penal consequence of ₹751.74 crore in respect of Talangi Chromite Mines and Roida C Mines for production without/in excess of the Environment Clearance corresponding to the period 2000-01 to 2010-11 under Section 21(5) of MMDR Act, 1957 by arranging an Inter- corporate Loan from OMC and its own source.

*(Paragraph 2.6.8.3)*

- ORHDC had unrecovered amount of ₹2405.11 crore in Project Finance Scheme, Building Centre Scheme, Corporate Loan Scheme, Kalinga Kutira Scheme, Individual Housing Finance Scheme, Credit Linked Housing Scheme as on 31 March 2022.

*(Paragraphs 2.7.6.1, 2.7.6.2, 2.7.6.3, 2.7.6.4, 2.7.6.5 and 2.7.6.6)*

- ORHDC has not prepared its annual accounts since 2009-10 in contravention of provisions of Companies Act, 2013.

*(Paragraph 2.7.7)*

### **III. Detailed Compliance Audit**

The audit observations included in this chapter highlight deficiencies in implementation of projects under the Smart City Mission in Odisha with financial implications.

- Bhubaneswar and Rourkela were selected by the Ministry of Housing and Urban Affairs, Government of India (GoI), to be developed as Smart Cities under the Smart City Mission (SCM) launched by GoI. The objective of the SCM was to promote sustainable and inclusive cities that would provide core infrastructure and ensure a reasonable quality of life to their citizens, as well as a clean and sustainable environment through local area development and application of Smart Solution technology. As per the SCM guidelines, two SPVs *i.e.*, Bhubaneswar Smart City Limited (BSCL) and Rourkela Smart City Limited (RSCL) were incorporated for implementation of the SCM projects.

*(Paragraph 3.1)*



- Both BSCL and RSCL executed only 36 per cent and 37 per cent respectively, of the approved project cost due to poor planning and mobilisation of resources.

*(Paragraphs 3.6.1, 3.6.2 and 3.6.2.4)*

- Delay in award of work orders of SCM projects in the initial period of SCM resulted in excess project expenditure of ₹27.73 crore by RSCL.

*(Paragraph 3.6.2.2)*

- Engagement of consultant without finalising and synchronising the scope of work led to avoidable payment to the consultant.

*(Paragraph 3.6.2.3)*

- Execution of project without adhering to the SCM Guideline and the approved SCM proposal resulted in expenditure from the Mission fund for which no approval was accorded by MoHUA.

*(Paragraph 3.6.3.2)*

- Delay in completion of SCM projects resulted in denying the benefits of the projects to the citizens.

*(Paragraphs 3.6.3.5 and 3.6.3.7)*

- Direct release of funds to the Government departments/agencies for implementation of projects in deviation to the MoHUA advisory resulted in loss of financial control.

*(Paragraphs 3.7.1 and 3.7.2)*

- Non-adherence to SCM guidelines led to excess expenditure from Mission fund towards Administrative and Office Expenses and Operation and Maintenance of handed over projects.

*(Paragraphs 3.7.3 and 3.7.5)*

- Non-adherence to SCM guidelines for framing HR polices, appointment of full time CEO and conduct of Smart City Advisory Forum meeting indicated lack of desired monitoring and control.

*(Paragraphs 3.8.2, 3.8.3 and 3.8.4)*

#### **IV. Compliance Audit Observations**

Compliance audit observations included in this chapter highlight deficiencies in management of PSUs with financial implications. The irregularities pointed out are as briefed below:

- Delay in refund of sale proceeds of DISCOMs by Odisha Electricity Regulatory Commission resulted in avoidable avilment of loan by GRIDCO with consequential interest burden of ₹39.82 crore.

*(Paragraph 4.1)*

- Inclusion of disallowed income tax expenditure in tariff submission by Odisha Hydro Power Corporation Limited led to inadmissible

reimbursement of ₹18.56 crore, resulting in unwarranted burden on the consumers of the State.

**(Paragraph 4.2)**

- Loss of ₹2.36 crore to the State exchequer, due to payment of Electricity Duty at lower rate by Odisha Hydro Power Corporation Limited in deviation from the Odisha Electricity (Duty) Act, 1961.

**(Paragraph 4.3)**

- Delay in submission of Government Guarantee by GRIDCO Limited led to imposition of avoidable penalty to the tune of ₹6.19 crore by Commercial Banks.

**(Paragraph 4.4)**

- Incorrect fixation of rate contract price on the higher side by Odisha Power Transmission Corporation Limited resulted in excess payment of ₹2.44 crore to the contractors.

**(Paragraph 4.5)**

- Avoidable Payment of Penal Net Present Value of ₹47.12 crore by Odisha Mining Corporation Limited for illegal mining operation in the forest land.

**(Paragraph 4.6)**

- Avoidable expenditure of ₹7.40 crore on exploration work by Odisha Mining Corporation Limited.

**(Paragraph 4.7)**

- Improper fixation of floor price of iron ore fines at Gandhamardan region of Odisha Mining Corporation Limited resulted in loss of revenue of ₹2.98 crore.

**(Paragraph 4.8)**

- Under realisation of revenue of ₹1.97 crore due to wrong fixation of floor price by Odisha Mining Corporation Limited for sale of chrome ore.

**(Paragraph 4.9)**

- Loss of ₹3.12 crore due to excess payment of GST by Odisha State Police Housing and Welfare Corporation Limited.

**(Paragraph 4.10)**

- Procurement of On-Board Bus units by Bhubaneswar Smart City Limited without ascertaining technical feasibility resulted in idle expenditure of ₹4.50 crore.

**(Paragraph 4.11)**

- Funding of projects without securing financial interest resulted in wasteful expenditure of ₹1.91 crore by Bhubaneswar Smart City Limited.

**(Paragraph 4.12)**

- Loss of revenue of ₹1.82 crore by Odisha Industrial Infrastructure Development Corporation due to allotment of land for logistic park at lower rate.

*(Paragraph 4.13)*

- Imprudent allotment of land and inadequate monitoring of its utilisation and non-realisation of dues of ₹16.19 crore by Odisha Industrial Infrastructure Development Corporation.

*(Paragraph 4.14)*

