

## Chapter-I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2005, there were 66\* Government companies (31 working companies and 35\*\* non-working companies) and three working Statutory corporations as against 67 Government companies (32 working companies and 35 non-working companies) and three working Statutory corporations as on 31 March 2004 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

| Sl. No. | Name of the corporation                         | Authority for audit by the CAG                                 | Audit arrangement   |
|---------|---|--|---|
| 1.      | Orissa State Road Transport Corporation (OSRTC) | Section 33 (2) of the Road Transport Corporations Act, 1950    | Sole audit by CAG   |
| 2       | Orissa State Financial Corporation (OSFC)       | Section 37 (6) of the State Financial Corporations Act, 1951   | Audit by the Chartered Accountants and supplementary audit by CAG |
| 3       | Orissa State Warehousing Corporation (OSWC)     | Section 31 (8) of the State Warehousing Corporations Act, 1962 | Audit by the Chartered Accountants and supplementary audit by CAG |

The State Government had formed Orissa State Electricity Regulatory Commission and audit is entrusted to the CAG, under Section 104(2) of the Electricity Act, 2003\*\*\*.

\* During 2004-05, one company (Neelachal Ispat Nigam Limited ) ceased to be State Government company as it became subsidiary of MMTC Limited and its status changed as Central Government company.

\*\* Non-working companies/corporations are those which are under the process of liquidation/closure/merger, etc.

\*\*\* Erstwhile Schedule of the Orissa Electricity Reforms Act, 1995 repealed by the Electricity Act, 2003.

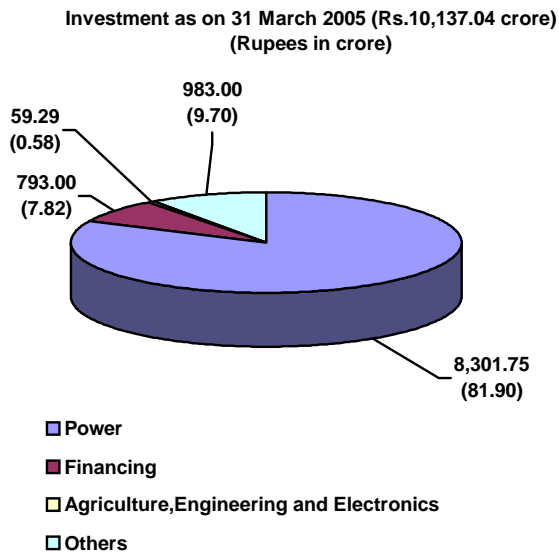
## Working Public Sector Undertakings (PSUs)

### *Investment in working PSUs*

**1.2** As on 31 March 2005, the total investment in 34 working PSUs (31 Government companies and three Statutory corporations) was Rs.10,137.04\* crore (equity Rs.1,970.01 crore, long-term loans\*\* Rs.8,163.55 crore and share application money Rs.3.48\*\*\* crore) as against 35 working PSUs (32 Government companies and three Statutory corporations) with a total investment of Rs.12,294.34 crore (equity Rs.2,149.94 crore, long-term loans Rs.10,093.14 crore and share application money Rs.51.26 crore) as on 31 March 2004. The analysis of investment in working PSUs is given in the following paragraphs.

### *Sector wise investment in working Government companies and Statutory corporations*

**1.3** The investment (equity and long-term loans) in various sectors\*\*\*\* and percentage thereof at the end of 31 March 2005 and 31 March 2004 are indicated below in the pie charts:

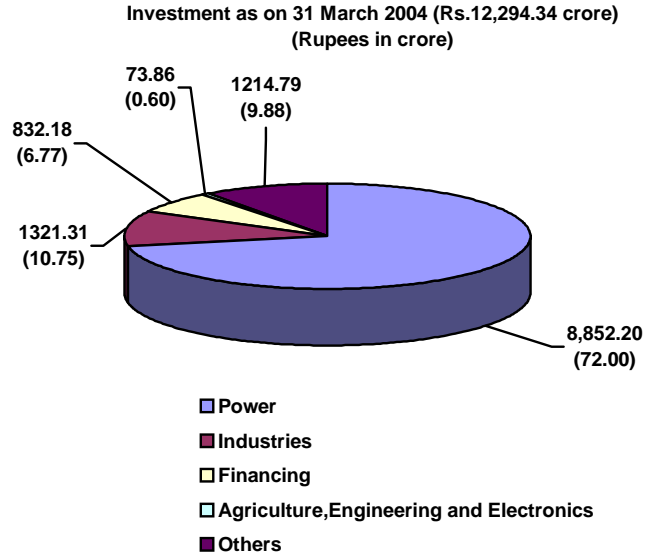


\* State Government's investment was Rs.5,970.76 crore (others: Rs.4,166.28 crore). Figure as per Finance Accounts 2004-05 is Rs.3,296.17 crore. The difference is under reconciliation.

\*\* Long-term loans mentioned in paragraphs 1.2, 1.3 and 1.4 are excluding interest accrued and due on such loans.

\*\*\* Grid Corporation of Orissa Limited and Orissa Rural Housing and Development Corporation Limited (Sl. No.A-17 & 27 of Annexure-I).

\*\*\*\* During the year 2003-04, Industries Sector included only one company i.e. Neelachal Ispat Nigam Limited, which ceased to be State Government company during the year 2004-05.



### Working Government companies

**1.4** Total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

| Year    | No. of companies | Equity   | Share application money | Loans    | Total     |
|---------|------------------|----------|-------------------------|----------|-----------|
| 2003-04 | 32               | 1,922.36 | 51.26                   | 9,444.20 | 11,417.82 |
| 2004-05 | 31               | 1,742.34 | 3.48                    | 7,551.43 | 9,297.25  |

There was decrease in investment during 2004-05 mainly due to change in the status of one company\*.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure-1**.

As on 31 March 2005, the total investment in working Government companies comprised 18.78 per cent of equity capital and 81.22 per cent of loans as compared to 17.29 per cent and 82.71 per cent respectively as on 31 March 2004.

\* Neelachal Ispat Nigam Limited.

**Working Statutory corporations**

**1.5** The total investment in three working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

| Name of corporation                      | 2003-04       |               | 2004-05       |               |
|--|---------------|---------------|---------------|---------------|
|  | Capital       | Loans         | Capital       | Loans         |
| Orissa State Road Transport Corporation* | 136.50        | 36.46         | 136.50        | 37.59         |
| Orissa State Financial Corporation**     | 87.57         | 588.58        | 87.57         | 558.51        |
| Orissa State Warehousing Corporation     | 3.60          | 22.25         | 3.60          | 16.02         |
| <b>Total</b>                             | <b>227.67</b> | <b>647.29</b> | <b>227.67</b> | <b>612.12</b> |

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure-1**.

As on 31 March 2005, the total investment in working Statutory corporations comprised 27.11 per cent of equity capital and 72.89 per cent of loans as compared to 26.02 per cent and 73.98 per cent respectively as on 31 March 2004.

**Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity**

**1.6** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in **Annexures-1 and 3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to 10 working Government companies and three working Statutory corporations for the three years up to 31 March 2005 are given below:

(Rupees in crore)

|                                  | 2002-03   |        |              |        | 2003-04   |        |              |        | 2004-05   |        |              |        |
|----------------------------------|-----------|--------|--------------|--------|-----------|--------|--------------|--------|-----------|--------|--------------|--------|
|                                  | Companies |        | Corporations |        | Companies |        | Corporations |        | Companies |        | Corporations |        |
|                                  | No.       | Amount | No.          | Amount | No.       | Amount | No.          | Amount | No.       | Amount | No.          | Amount |
| Equity capital outgo from budget | 4         | 22.77  | -            | -      | -         | -      | -            | -      | 2         | 3.48   | --           | --     |
| Loans given from budget          | 2         | 438.00 | 1            | 0.25   | 1         | 53.45  | 1            | 13.65  | 1         | 1.42   | 2            | 91.14  |
| Grant                            | 3         | 34.05  | 1            | 6.00   | 2         | 23.11  | 1            | 1.50   | 4         | 0.88   | --           | --     |

\* Figures for 2003-04 and 2004-05 are provisional.

\*\* Figures for 2004-05 are provisional.

|                                   | 2002-03   |        |              |        | 2003-04   |        |              |        | 2004-05   |        |              |        |
|-----------------------------------|-----------|--------|--------------|--------|-----------|--------|--------------|--------|-----------|--------|--------------|--------|
|                                   | Companies |        | Corporations |        | Companies |        | Corporations |        | Companies |        | Corporations |        |
|                                   | No.       | Amount | No.          | Amount | No.       | Amount | No.          | Amount | No.       | Amount | No.          | Amount |
| Subsidy towards                   |           |        |              |        |           |        |              |        |           |        |              |        |
| (i) Projects/ Programmes/ Schemes | --        | --     | --           | --     | --        | --     | --           | --     | --        | --     | --           | --     |
| (ii) Other subsidy                | 3         | 88.38  | 2            | 2.00   | 4         | 32.17  | 2            | 1.87   | 4         | 81.55  | 3            | 2.35   |
| Total outgo                       | 10*       | 583.20 | 3*           | 8.25   | 6*        | 108.73 | 3*           | 17.02  | 7*        | 87.33  | 3*           | 93.49  |

In the last three years, the Government guarantee issued on loans to working PSUs has increased from Rs.816.89 crore in 2002-03 to Rs.2,172.54 crore in 2003-04 and decreased to Rs.889.95 crore in 2004-05. There was no case of conversion of loan to equity and waiver of dues in 2004-05.

During the year 2004-05, the Government had guaranteed loans aggregating Rs.889.95 crore obtained by seven working Government companies. At the end of the year, guarantees of Rs.759.48 crore against five working Government companies (Rs.532.13 crore) and one working Statutory corporation (Rs.227.35 crore) were outstanding. The guarantee commission paid or payable to Government by six working companies (Rs.25.09 crore) and two Statutory corporations (Rs.2.60 crore) during 2004-05 was Rs.27.69 crore.

### ***Finalisation of accounts by working PSUs***

**1.7** The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as noticed from **Annexure-2**, only four working Government companies (IDCOL Software Limited, Orissa Power Generation Corporation Limited, Orissa Hydro Power Corporation Limited and IDCOL Ferrochrome and Alloys Limited)\*\* have finalised their accounts for the year 2004-05 by September 2005. None of the Statutory corporations have finalised their accounts for the year 2004-05 as on 30 September 2005. During this period, 23 working Government companies finalised 30 accounts for previous years. Similarly, during this period, two Statutory corporations finalised four accounts for previous years.

\* Actual number of companies/corporations which received equity/loans/grants/subsidy from State Government during the year.

\*\* SI Nos. A- 8, 15, 16 and 30 of Annexure 2.

The accounts of 27 working Government companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2005 as shown in the following table:

| Sl. No. | Number of working companies/corporations |                        | Year for which accounts are in arrears | Number of years for which accounts are in arrears | Reference to Sl. No. of Annexure-2 |                        |
|---------|--|------------------------|--|---|------------------------------------|------------------------|
|         | Government companies                     | Statutory corporations |  |   | Government companies               | Statutory corporations |
| 1.      | 1  | --                     | 1998-1999 to 2004-05                   | 7   | A-31                               | --                     |
| 2.      | 3  | --                     | 2000-01 to 2004-05                     | 5   | A-1,7,13                           | --                     |
| 3.      | 3  | --                     | 2001-02 to 2004-05                     | 4   | A-6,20,25                          | --                     |
| 4.      | 6  | --                     | 2002-03 to 2004-05                     | 3   | A-2,12,23,24,26, 27                | --                     |
| 5.      | 4  | 1                      | 2003-04 to 2004-05                     | 2   | A-9,11,14,28                       | B-1                    |
| 6.      | 10                                       | 2                      | 2004-05                                | 1   | A-3,4,5,10,17, 18,19,21,22,29      | B-2,3                  |

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in Audit.

***Financial position and working results of working PSUs***

**1.8** The summarised financial position of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in **Annexure-2**. Besides, statement showing financial position and working results of individual working Statutory corporations for the last three years are given in **Annexures-4 and 5** respectively.

According to the latest finalised accounts of 29\* working Government companies and three working Statutory corporations, 13 companies and one Statutory corporation had incurred an aggregate loss of Rs.82.96 crore and Rs.4.68 crore respectively; 14 companies and two Statutory corporations had earned an aggregate profit of Rs.743.69 crore and Rs.0.87 crore respectively. Two companies (Sl.Nos.A-4 and 13) were functioning on “no profit no loss”.

\* Two companies (Sl. No.A-18 and A-31 of Annexure-2) had not finalised their first accounts.

## **Working Government companies**

### ***Profit earning working companies and dividend***

**1.9** The four working Government companies (Sl. Nos. A-8, 15, 16 and 30 of **Annexure-2**) which finalised the accounts for 2004-05 by September 2005, have earned profit of Rs.203.40 crore during the year.

Similarly, out of 25\* working Government companies which finalised their accounts for previous years by September 2005, 10 companies earned an aggregate profit of Rs.540.29 crore out of which five companies earned profit for two or more successive years. Grid Corporation of Orissa Limited (Sl.No.A-17 of **Annexure-2**) though earned a profit of Rs.411.12 crore as per its latest finalised accounts, had an accumulated loss of Rs.1,376.71 crore, which exceeded its paid-up capital of Rs.492.29 crore.

The State Government had accepted (August 1996) the recommendation of the 10<sup>th</sup> Finance Commission that the State must adopt a modest rate of return on the investments made in commercial, commercial and promotional and promotional public enterprises at the rate of six per cent, four per cent and one per cent respectively, as dividend on equity. Out of the 14 profit earning companies, which finalised their accounts by September 2005, only one company i.e., Orissa Power Generation Corporation Limited paid interim dividend of Rs.61.28 crore and proposed further dividend of Rs.56.37 crore for the year 2004-05.

### ***Loss incurring working Government companies***

**1.10** Of the 13 loss incurring working Government companies, eight\*\* companies had accumulated losses aggregating Rs.175.59 crore, which exceeded their aggregate paid-up capital of Rs.39.92 crore. None of these eight companies were extended any financial support by the State Government during the year 2004-05.

## **Working Statutory corporations**

### ***Profit earning Statutory corporations and dividend***

**1.11** None of the Statutory corporations had finalised the accounts for 2004-05 by September 2005.

Out of three working Statutory corporations which finalised their accounts for previous years by September 2005, two corporations (Orissa State Road Transport Corporation and Orissa State Warehousing Corporation) earned an aggregate profit of Rs.0.87 crore. Only one Statutory corporation (Orissa State Warehousing Corporation) earned profit for two or more successive years. The

\* Excluding two companies (Sl.No. A-4,13) which was functioning on 'No profit no loss' and two companies ( Sl No. A-18 and A-31) which had not finalised their first accounts.

\*\* Sl.Nos.A-1,5,7,9,12,22,24 and 25.

other corporation (Orissa State Road Transport Corporation) had an accumulated loss of Rs.218.40 crore, which exceeded its paid-up capital of Rs.136.50 crore.

### ***Loss incurring Statutory corporations***

**1.12** Orissa State Financial Corporation which finalised its accounts for previous years by September 2005 had incurred loss of Rs.4.68 crore and had accumulated loss of Rs.375.76 crore which exceeded its paid-up capital of Rs.87.57 crore. Despite the poor performance and complete erosion of the paid-up capital, the State Government continued to provide financial support to the Corporation by way of subsidy (Rs.0.38 crore) and loan (Rs.88.40 crore).

### ***Operational performance of working Statutory corporations***

**1.13** The operational performance of the working Statutory corporations is given in **Annexure-6**. In case of Orissa State Road Transport Corporation, as against a loss of 74 paise per kilometer in 2002-03, the loss had come down to 68 paise per kilometer in 2003-04 and further declined to 60 paise per kilometer in 2004-05 mainly due to reduction in fleet size, decrease in dead kilometer and number of employees. In respect of Orissa State Warehousing Corporation, profit per tonne was Rs.3.89 in 2002-03 which drastically reduced to Rs.0.88 in 2003-04. This profit per tonne again increased to Rs.5.83 in 2004-05 mainly due to increase in capacity utilisation and decrease in average expenses.

### ***Return on capital employed***

**1.14** The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**. As per the latest finalised accounts of 29\* working Government companies (up to September 2005), the capital employed\*\* worked out to Rs.7,791.47 crore and total return\*\*\* thereon amounted to Rs.1,157.62 crore which was 14.86 per cent as compared to total return of Rs.108.37 crore in the previous year (accounts finalised up to September 2004). The huge variation in the return on capital employed for two years was mainly on account of earning of profit by one of the power sector companies (viz. Grid Corporation of Orissa Limited) as per their latest finalised accounts. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2005) worked out to Rs.663.47 crore and Rs.22.99 crore respectively against the total return of Rs.9.61 crore in the previous year (accounts finalised up to September 2004).

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\* Two companies at Sl.Nos A-18 and 31 had not finalised their first accounts.

\*\* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinancing).

\*\*\* For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss, as disclosed in the profit and loss account.



## Reforms in Power Sector

### *Status of implementation of MOU between the State Government and the Central Government*

**1.15** In pursuance to Chief Ministers' conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 1 June 2001 between the Ministry of Power, Government of India and the Department of Energy, Government of Orissa as a joint commitment for implementation of reforms programme in power sector with identified milestones.

Status of implementation of reform programme against each commitment made in the MOU, as per information received from Government in September 2004, is given below:

| Sl. No. | Commitment as per MOU   | Targeted completion Schedule | Status (as on 31 March 2005) | Remarks  |
|---------|---|------------------------------|------------------------------|--|
|         | <b>Commitments made by the State Government</b>   |                              |                              |  |
| 1.      | 100 per cent electrification of all villages  | March 2007                   | 81 per cent                  | No work was taken up in 2001-02, 2002-03 and 2003-04.  |
| 2.      | Transmission and distribution losses will not exceed 34 per cent, which have to be brought down to 20 per cent. | June 2006                    | --                           | Transmission and Distribution losses during 2003-04 were not furnished by the Government though called for (September 2005). |
| 3.      | 100 per cent metering of all distribution feeders   | December 2002                | 20 per cent                  | --   |
| 4.      | 100 per cent metering of all consumers  | December 2002                | 84 per cent                  | --   |
| 5.      | Agreement for securitising the outstanding dues of CPSUs  | July 2002                    | Executed on 20 March 2003    | --   |
| 6.      | State Electricity Regulatory Commission (SERC)  |                              |                              |  |
|         | i) Establishment of OERC  | April 1996                   | Set up in June 1996          | --   |
|         | ii) Implementation of tariff orders issued by OERC during the year  | Annually                     | Implemented                  | --   |
|         | <b>General</b>  |                              |                              |  |
| 7.      | Monitoring of MOU   | Half yearly                  | Being done                   | --   |

**State Electricity Regulatory Commission**

**1.16** Orissa Electricity Regulatory Commission (Commission) was formed on 12 June 1996 under the Orissa Electricity Reforms Act, 1995\* (Act) with the object of regulation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises three members including a Chairman who are appointed by the State Government. The audit of accounts of the Commission is entrusted to CAG under Section 104(2) of the Electricity Act, 2003\*\*.

**Non-working Public Sector Undertakings (PSUs)**

**Investment in non-working Government companies**

**1.17** As on 31 March 2005, the total investment in 35 non-working Government companies was Rs.108.60 crore\*\*\* (equity Rs.65.33 crore including share application money Rs.23.96 crore and long-term loans Rs.43.27 crore) as against the total investment of Rs.122.61 crore (equity Rs.64.78 crore including share application money Rs.23.96 crore and long-term loans Rs.57.83 crore) as on 31 March 2004.

The summarised statement of Government investment in non-working Government companies in the form of equity and loans is indicated in **Annexure-1**.

The classification of the non-working PSUs was as follows:

| Sl. No. | Status of non-working PSUs | Number of companies | Investment (Rupees in crore) |                 |
|---------|----------------------------|---------------------|------------------------------|-----------------|
|         |                            |                     | Equity                       | Long-term loans |
| (i)     | Closed****                 | 17                  | 25.30                        | 9.76            |
| (ii)    | Under liquidation*****     | 18                  | 40.03                        | 33.51           |
|         | <b>Total</b>               | <b>35</b>           | <b>65.33</b>                 | <b>43.27</b>    |

\* Since replaced with Section 82(1) of the Electricity Act, 2003.

\*\* Erstwhile Schedule of the Orissa Electricity Reforms Act, 1995 repealed by the Electricity Act, 2003.

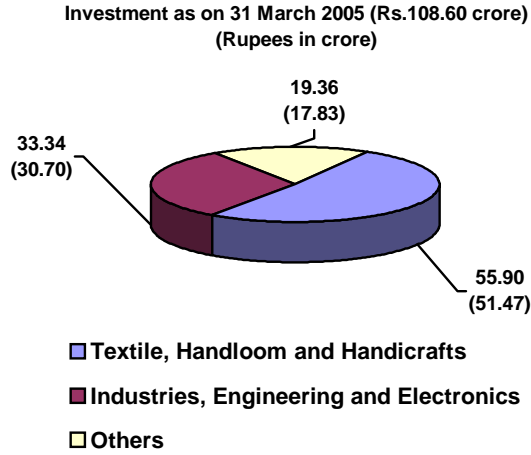
\*\*\* State Government investment was Rs.72.79 crore (others:Rs.35.82 crore). Figure as per Finance Account, 2004-05 is Rs.68.81 crore. The difference is under reconciliation.

\*\*\*\* Companies at Sl Nos.C-2,3,8,11,15,17,19,20,22 ,25,26,27,31,32,33,34 and 35 of Annexure-2.

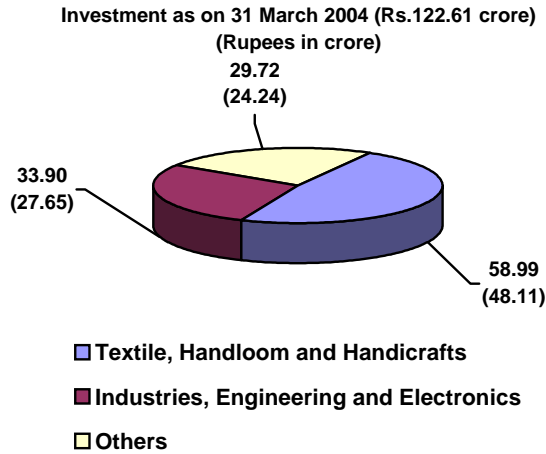
\*\*\*\*\* Companies at Sl Nos.C-1,4,5,6,7,9,10,12,13,14,16,18,21,23,24,28,29 and 30 of Annexure-2.

**Sector wise investment in non-working Government companies**

**1.18** The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2005 and at the end of 31 March 2004 are indicated below in the pie charts:



(Figures in brackets indicate percentage)



(Figures in brackets indicate percentage)

***Budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity of non-working PSUs***

**1.19** During the year 2004-05, Government had guaranteed loans of Rs.0.95 crore obtained by one non-working company viz. ABS Spinning Orissa Limited. There was no budgetary outgo from State Government to non-working companies. There was also no waiver of dues for non-working companies in 2004-05 (**Annexure-3**).

***Total establishment expenditure of non-working PSUs***

**1.20** The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2004-05 are given below:

(Rupees in crore)

| Year         | Number of PSUs (Government companies) | Total establishment expenditure | Sources of financing          |                      |             |             |
|--------------|---------------------------------------|---------------------------------|-------------------------------|----------------------|-------------|-------------|
|              |                                       |                                 | Disposal of investment/assets | Government by way of |             | Others      |
|              |                                       |                                 |                               | Loans                | Grants      |             |
| 2002-03      | 3                                     | 0.14                            |                               | --                   | 0.11        | 0.03        |
| 2003-04      | 3                                     | 0.62                            | 0.25                          | --                   | --          | 0.37        |
| 2004-05      | 3*                                    | 0.33                            | --                            | --                   | --          | 0.33        |
| <b>Total</b> | --                                    | <b>1.09</b>                     | <b>0.25</b>                   | --                   | <b>0.11</b> | <b>0.73</b> |

***Finalisation of accounts by non-working PSUs***

**1.21** Eighteen companies out of total 35 non-working Government companies were under liquidation and remaining 17 companies were defunct. The accounts of 16 out of 17 defunct companies were in arrears for periods ranging from one year to 34 years as could be noticed from **Annexure-2**. During the period October 2004 to September 2005, two non-working companies (Sl.No.C-1 and 3) had finalised their accounts for 2004-05. During the same period, 11 defunct Government companies finalised their 19 previous years' accounts.

***Financial position and working results of non-working PSUs***

**1.22** The summarised financial results of non-working Government companies as per latest finalised accounts are given in **Annexure-2**.

\* Out of 35 non-working companies, only three companies furnished information on establishment expenditure.

The summarised details of paid-up capital, net worth\*, cash loss and accumulated loss of 13\*\* out of 35 non-working PSUs as per their latest finalised accounts are given below:

(Rupees in crore)

| Particulars           | Paid-up capital | Net worth | Cash loss | Accumulated loss |
|-----------------------|-----------------|-----------|-----------|------------------|
| Non-working companies | 43.51           | -92.31    | 24.64     | 185.20           |

### Status of placement of Separate Audit Reports of Statutory corporations in Legislature

**1.23** The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG of India in the State Legislature by the Government:

| Sl. No. | Name of Statutory corporation                   | Years up to which SARs placed in Legislature | Year for which SARs not placed in Legislature |   |   |
|---------|---|--|---|---|---|
|         |   |  | Year of SAR                                   | Date of issue to the Government                 | Reasons for delay in placement in the Legislature                         |
| 1       | Orissa State Warehousing Corporation (OSWC)     | 2003-04                                      | --  | --  | --  |
| 2       | Orissa State Road Transport Corporation (OSRTC) | 1998-99                                      | 1999-00<br>2000-01<br>2001-02                 | 10 August 2004<br>3 March 2005<br>31 March 2005 | Printed SARs submitted by the Corporation to Government on 01 August 2005 |
| 3       | Orissa State Financial Corporation (OSFC)       | 2002-03                                      | 2003-04                                       | 31 March 2005                                   | --  |

### Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

#### *Restructuring Programme of Government of Orissa*

**1.24** The State Cabinet accepted (August 1996) the recommendations of the Cabinet Sub-Committee formed in October 1995 on 36 Public Sector Enterprises (PSEs) and Co-operative Enterprises for disinvestment/privatisation/ restructuring/ liquidation. The private investors, however, did not show much of interest and little progress was made on reforms. As per the record notes of discussion held (15 April 1999) between the Ministry of Finance, Government of India and the Government of Orissa for a fiscal reform programme, the Government of Orissa was to take up a time bound

\* Net worth represents paid-up capital plus free reserves less intangible assets.

\*\* Information in respect of 16 companies was not available; two companies had not started commercial activities and four companies had earned cash profit for their latest year of accounts finalised.

reform programme for disinvestment and restructuring of certain State level Public Sector Enterprises. A task force on Public Enterprises Reform was constituted on 10 October 2000 for framing clear policy frame work on Public Enterprises Reform. In accordance with the recommendations of the task force, the Government of Orissa and the Department of Expenditure, Ministry of Finance, Government of India have signed a Memorandum of Understanding on 11 October 2001 to achieve fiscal sustainability on the medium term in accordance with the Orissa medium term fiscal reform programme for 2001-05 which included Public Sector Restructuring Programme.

The present status of the Reform Programme in respect of the Public Sector Enterprises (September 2005) is given below:

| Name of the enterprise                     | Action to be taken  | Date by which action to be completed | Present status  |
|--|---|--------------------------------------|---|
| IDCOL Rolling Mill Limited                 | Disinvestment through privatisation                                       | October 1999                         | Cabinet Committee on disinvestment approved the offer of Varsha Fabrics Limited for disinvestment of IDCOL's shareholding in IRML. Share purchase agreement will be signed soon.                            |
| IDCOL Piping and Engineering Works Limited | Privatise or close  | October 1999                         | Entire movable assets of Stainless Steel Tube division has been sold. Proposal has been sent to State Government for surrender of land. Sale of other assets would be made with the approval of High Court. |
| IDCOL Ferro Chrome and Alloys Limited      | Partial privatisation   | October 1999                         | IDBI has been appointed as advisor to manage the disinvestment. Qualified interested parties have been short listed. Further process has not yet started.   |
| Orissa State Textile Corporation Limited   | Closure   | March 2000                           | Action for privatisation has been held up as the acquisition of Bhaskar Textile Mills (a unit of the Company) has been challenged by the erstwhile owner and the judgment of the court was awaited.         |
| Orissa State Road Transport Corporation    | Formal closure of the Corporation and restructuring by transfer of assets | Not fixed.                           | Restructuring plan approved by State Government. Action initiated on the restructuring plan. VSS Scheme was in operation to get rid of the surplus staff.   |
| Hirakud Industrial Works Limited           | Disinvestment up to 74 per cent or more                                   | 2002-05                              | Cabinet Committee on Disinvestment has approved disinvestment in favour of Varsha Fabrics Limited . Share purchase agreement would be signed after obtaining grant of leave from High Court.                |
| Kalinga Studios Limited                    | Privatisation   | 2002-05                              | Privatisation process initiated.  |

| Name of the enterprise                     | Action to be taken | Date by which action to be completed | Present status   |
|--|--------------------|--------------------------------------|--|
| Orissa Lift Irrigation Corporation Limited | Restructuring      | 2002-05                              | Restructuring plan approved by Government. VR financial assistance provided for 5,452 employees by the State Government. A total 8,675 Pani Panchayats have been formed and 6,867 Lift Irrigation points have been handed over to Pani Panchayats. |
| Orissa State Financial Corporation         | Restructuring      | 2002-05                              | UTI Bank Limited has been selected as consultant for restructuring of Corporation.   |

It would be observed from the above that none of the milestones have been achieved till date (September 2005).

### Results of audit of accounts of PSUs by Comptroller and Auditor General of India

**1.25** During the period from October 2004 to September 2005, the audit of accounts of 31 Government companies (24 working and 7 non-working) and two working Statutory corporations were selected for review. The net impact of important audit observations as a result of review of the PSUs is as follows:

| Details                              | Number of accounts   |                        | Rupees in crore      |                        |
|--------------------------------------|----------------------|------------------------|----------------------|------------------------|
|                                      | Government companies | Statutory corporations | Government companies | Statutory corporations |
|                                      | Working              | Working                | Working              | Working                |
| (i) Increase in loss                 | 8                    | --                     | 24.84                | --                     |
| (ii) Decrease in loss                | 1                    | 1                      | 0.82                 | 0.50                   |
| (iii) Increase in Profit             | 2                    | --                     | 1.08                 | --                     |
| (iv) Decrease in profit              | 4                    | --                     | 9.80                 | --                     |
| (v) Non-disclosure of material facts | 9                    | 1                      | 143.71               | 30.24                  |

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

#### *Errors and omissions noticed in case of Government companies/ Statutory corporations*

##### *Industrial Promotion & Investment Corporation of Orissa Limited (2003-04)*

**1.26** Investments did not include Rs.7.74 crore being the face value of 77,44,789 shares issued in favour of the Company by Neelachal Ispat Nigam Limited (Rs.3.60 crore) and Konark Met Coke Limited (Rs.4.14 crore) towards entry tax payable to the Government of Orissa and overdue interest of

Rs.32.11 lakh payable by Neelachal Ispat Nigam Limited to the Government on short-term loan availed by it.

***Orissa Mining Corporation Limited (2003-04)***

**1.27** Overstatement of profit by Rs 1.09 crore due to non-provision for cash discounts payable to various parties on lifting of iron ore and Manganese ore in the Barbil Region against advance payments as per the sales policy declared by the Company.

***Industrial Development Corporation of Orissa limited (2003-04)***

**1.28** Understatement of loss by Rs.68.71 lakh due to non-accounting of outstanding royalty dues payable to the State Government up to 31 March 2004 for the Company's Ampavali mines.

***Orissa State Electronics Development Corporation Limited (2000-01)***

**1.29** Understatement of loss by Rs. 20 lakh due to non-provision of liability towards guarantee commission payable to Government of Orissa in respect of guarantee given by the Government for bond issue.

***Orissa State Road Transport Corporation (2001-2002)***

**1.30** Understatement of loss by Rs. 20.96 crore due to account of liability towards Motor Vehicle Tax at Rs.3.92 crore as against the reconciled amount of Rs.24.88 crore for the period between October 1999 and March 2001.

**Recoveries at the instance of audit**

**1.31** Test check of records of Orissa State Beverages Corporation Limited conducted during 2003-04 disclosed incorrect calculation of cash discount, which was to be recovered from the manufactures/suppliers. After audit observation the company recalculated the cash discount for the year 2000-01 to 2003-04 and recovered/realised additional amount of Rs.1.54 crore towards cash discount during 2004-05.

**Internal Audit/Internal control**

**1.32** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including Internal Audit /Internal Control Systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major recommendations/ comments made by Statutory Auditors on possible improvement in the Internal Audit/Internal Control System in respect of State Government companies is indicated in **Annexure-7** comprising of the position in respect of nine



companies. It would be noticed from the Annexure that the comments in respect of these companies were of the following nature:

- ◆ Internal Audit System was not commensurate with the size and nature of business of Government companies.
- ◆ Audit Committee was not properly functioning.
- ◆ The Internal Audit done by most of the companies was not satisfactory.
- ◆ System for monitoring and adjusting of advances was not effective.

### Recommendation for closure of PSUs

**1.33** Even after completion of 25 years of its existence, the turnover of one working Government company viz. Kalinga Studios Limited had been less than Rs.5 crore for each of the preceding five years of latest finalised accounts and had been incurring losses for consecutive five years. In view of the poor turnover and continuous losses, the Government may either improve or consider the closure of the company.

### Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

**1.34** During October 2004 to September 2005, the Committee on Public Undertakings (COPU) held 13 meetings and discussed eight paragraphs of the Audit Reports (Commercial) for the years 2000-2003. The position of Audit Reports (Commercial) pending in COPU for discussion as on September 2005 is detailed below:

| Period of Audit Report | No. of reviews and paragraphs appeared in the Audit Report |             | No. of reviews/paragraphs pending for discussion |             | No. of COPU Reports outstanding |             | No. of reviews paragraphs on which ATNs outstanding* |             |
|------------------------|--|-------------|--|-------------|---------------------------------|-------------|--|-------------|
|                        | Reviews  | Para-graphs | Reviews  | Para-graphs | Reviews                         | Para-graphs | Reviews  | Para-graphs |
| 1993-94                | 4  | 24          | 1  | 18          | 1                               | 4           | --   | --          |
| 1994-95                | 3  | 21          | 1  | 15          | 1                               | --          | 1  | --          |
| 1995-96                | 3  | 20          | 1  | 16          | --                              | 1           | --   | --          |
| 1996-97                | 4  | 23          | 1  | 5           | 1                               | 11          | 2  | 2           |
| 1997-98                | 1  | 14          | 1  | 8           | --                              | 1           | --   | --          |
| 1998-99                | 4  | 22          | 4  | 9           | --                              | 2           | --   | --          |
| 1999-00                | 4  | 25          | 4  | 17          | --                              | 8           | --   | --          |
| 2000-01                | 3  | 22          | 3  | 16          | --                              | 6           | --   | --          |

\* Further to this, ATNs in respect of 9 reviews and 11 paragraphs of Audit Reports for the years from 1987-88 to 1992-93 relating to 11 Reports of COPU were also outstanding.

| Period of Audit Report | No. of reviews and paragraphs appeared in the Audit Report |             | No. of reviews/paragraphs pending for discussion |             | No. of COPU Reports outstanding |             | No. of reviews paragraphs on which ATNs outstanding* |             |
|------------------------|--|-------------|--|-------------|---------------------------------|-------------|--|-------------|
|                        | Reviews  | Para-graphs | Reviews  | Para-graphs | Reviews                         | Para-graphs | Reviews  | Para-graphs |
| 2001-02                | 3  | 14          | 2  | 12          | 1                               | 2           | --   | --          |
| 2002-03                | 3  | 21          | 3  | 17          | --                              | 4           | --   | --          |
| 2003-04                | 3  | 24          | 3  | 24          | --                              | --          | --   | --          |
| <b>TOTAL</b>           | <b>35</b>  | <b>230</b>  | <b>24</b>  | <b>157</b>  | <b>4**</b>                      | <b>39</b>   | <b>3</b>   | <b>2</b>    |

### 619-B Companies

**1.35** There were two companies (both non-working) under the purview of Section 619-B of the Companies Act, 1956. **Annexure-8** indicates the details of paid-up capital, investment by way of equity, loans, grants and summarised working results of these companies based on their latest available accounts. During October 2004 to September 2005, one company (SN Corporation Limited) had finalised its accounts for 2004-05.

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\*\* COPU Report relating to two Reviews on OFDC Limited of Audit Report 1992-93 which were discussed so far was outstanding.