

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 62 Government companies (30* working companies and 32** non-working companies) and three working Statutory corporations as against 66 Government companies (31 working companies and 35 non-working companies) and three working Statutory corporations as on 31 March 2005 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 the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of the 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 (12 June 1996) Orissa State Electricity Regulatory Commission and audit is entrusted to the CAG, under Section 104(2) of the Electricity Act, 2003***.

* During the year, one company (Orissa State Electronics Development Corporation Limited) became defunct and was categorised under non-working company.

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

During the year, two non-working companies (viz. IDCOL Rolling Mills Limited and Orissa Timber and Engineering Works Limited) were privatised and two non-working companies (viz. Orissa State Export Development Corporation Limited and Elco Phones Limited) were struck off from the records of Registrar of Companies.

*** Erstwhile Schedule of the Orissa Electricity Reform Act, 1995 repealed by the Electricity Act, 2003.

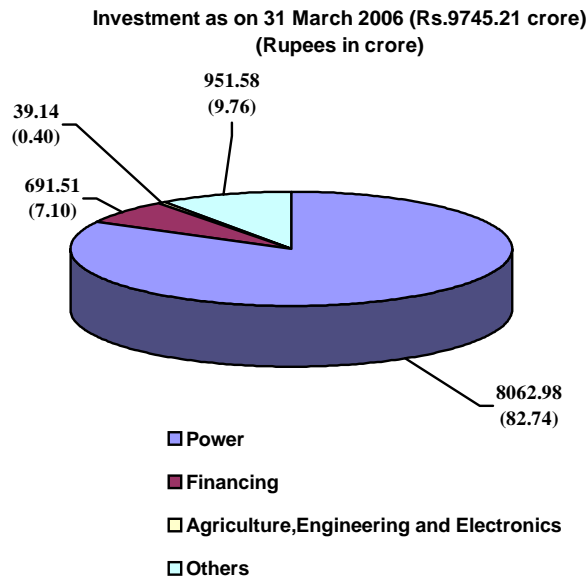
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2006, the total investment in 33 working PSUs (30 Government companies and three Statutory corporations) was Rs.9,745.21* crore (equity - Rs.1,974.71 crore, share application money-Rs.7.21** crore and long-term loans-Rs.7,763.29*** crore) as against 34 working PSUs (31 Government companies and three Statutory corporations) with a total investment of 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 on 31 March 2005. 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 2006 and 31 March 2005 are indicated below in the pie charts:

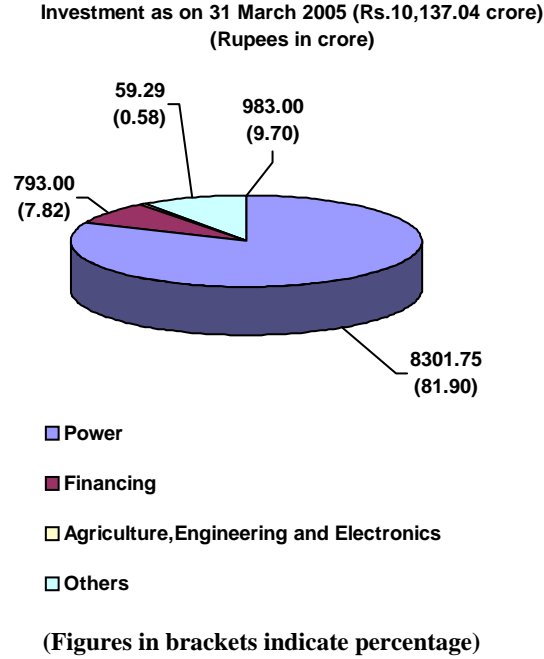


(Figures in brackets indicate percentage)

* State Government's investment was Rs.4,817.22 crore (others: Rs.4927.99 crore). Figure as per Finance Accounts, 2005-06 was Rs.3,108.91 crore. The difference is under reconciliation.

** Orissa Rural Housing and Development Corporation Limited (Sl.No.A- 26 of Annexure-1).

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



Working Government companies

1.4 Total investment in working Government companies at the end of March 2005 and March 2006 was as follows:

(Rupees in crore)

Year	No. of companies	Equity	Share application money	Loans	Total
2004-05	31	1,742.34	3.48	7,551.43	9,297.25
2005-06	30	1,747.04	7.21	7,230.93	8,985.18

There was decrease in investment during 2005-06 mainly due to decrease in loans given to PSUs in Power and Finance sectors.

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

As on 31 March 2006, the total investment in working Government companies comprised 19.52 per cent of equity capital and 80.48 per cent of loans as compared to 18.78 per cent and 81.22 per cent respectively as on 31 March 2005.

Working Statutory corporations

1.5 The total investment in three working Statutory corporations at the end of March 2005 and March 2006 was as follows:

Name of Corporation	(Rupees in crore)			
	2004-05		2005-06	
	Capital	Loans	Capital	Loans
Orissa State Road Transport Corporation*	136.50	37.59	136.50	37.47
Orissa State Financial Corporation	87.57	558.51	87.57	485.48
Orissa State Warehousing Corporation**	3.60	16.39	3.60	9.41
Total	227.67	612.49	227.67	532.36

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 2006, the total investment in working Statutory corporations comprised 29.96 per cent of equity capital and 70.04 per cent of loans as compared to 27.10 per cent and 72.90 per cent respectively as on 31 March 2005.

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 the 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 seven working Government companies and three working Statutory corporations for the three years up to 31 March 2006 are given below:

	(Rupees in crore)											
	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	-	-	-	-	2	3.48	--	--	1	7.21	-	-
Loans given from budget	1	53.45	1	13.65	1	1.42	2	91.14	--	--	1	12.00
Grants	2	23.11	1	1.50	4	0.88	--	--	2	0.25	-	-
Subsidy towards												
(i) Projects/ Programmes/ Schemes	--	--	--	--	--	--	--	--	-	-	-	-
(ii) Other subsidy	4	32.17	2	1.87	4	81.55	3	2.35	3	57.05	2	1.96
Total outgo	6***	108.73	3***	17.02	7***	87.33	3***	93.49	5***	64.51	2***	13.96

* Figures for 2004-05 and 2005-06 are provisional.

** Figures for 2005-06 are provisional.

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

In the last three years, the Government guarantee issued on loans to working PSUs has decreased from Rs.2172.54 crore in 2003-04 to Rs.889.95 crore in 2004-05 and further decreased to Rs.251.37 crore in 2005-06. There was no case of conversion of loan to equity and waiver of dues in 2005-06.

During the year 2005-06, the Government had guaranteed loans aggregating Rs.251.37 crore obtained by four working Government companies. At the end of the year, guarantees of Rs.1679.80 crore against seven working Government companies (Rs.1501.57 crore) and two working Statutory corporations (Rs.178.23 crore) were outstanding. The guarantee commission paid or payable to the Government by five working companies (Rs.17.89 crore) and two Statutory corporations (Rs.2.60 crore) during 2005-06 was Rs.20.49 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. These 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.

The position of finalisation of accounts by the working PSUs are given in **Annexure-2**. It can be seen from the annexure that only three working Government companies (Orissa Power Generation Corporation Limited, Orissa Hydro Power Corporation Limited and IDCOL Ferro Chrome and Alloys Limited) and one Statutory corporation (Orissa State Financial Corporation) have finalised their accounts for the year 2005-06 by 30 September 2006. During the period October 2005 to September 2006, 24 working Government companies finalised 29 accounts for previous years and two Statutory corporations finalised three accounts for previous year.

The accounts of 27 working Government companies and two Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2006 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	--	1999-2000 to 2005-06	7	A-30	--
2.	1	--	2001-02 to 2005-06	5	A-7	--
3.	5	--	2002-03 to 2005-06	4	A-1,2,12,19,26	--
4.	4	--	2003-04 to 2005-06	3	A-22,23,24, 25	--
5.	4	1	2004-05 & 2005-06	2	A-8,11,13, 27	B-1
6.	12	1	2005-06	1	A-3,4, 5, 6, 9, 10,16, 17, 18, 20,21 28	B-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 had 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, statements showing financial position and working results of each working Statutory corporation 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 had incurred an aggregate loss of Rs.76.94 crore; 14 companies and three corporations had earned an aggregate profit of Rs.830.05 crore and Rs.8.23 crore respectively. Two companies (Sl.Nos.A-4 and 12 of **Annexure-2**) were functioning on “no profit and no loss”.

Working Government companies

Profit earning working companies and dividend

1.9 Out of the three working Government companies (Sl. Nos. A-14, 15 and 29 of **Annexure-2**) which finalised the accounts for 2005-06 by 30 September 2006, only one company i.e. Orissa Power Generation Corporation Limited (Sl No.14) earned profit of Rs.147.85 crore during the year.

In case of remaining 27** working Government companies which finalised their accounts for previous years by 30 September 2006, 13 companies earned an aggregate profit of Rs.682.20 crore out of which 10 companies earned profit for two or more successive years. Grid Corporation of Orissa Limited and Konark Jute Limited (Sl.No.16 and 24 of **Annexure-2**) though earned profit of Rs.348.56 crore and Rs.0.73 crore respectively had accumulated loss of Rs.1,028.14 crore and Rs.17.55 crore respectively which exceeded their respective paid-up capital of Rs.492.98 crore and Rs.5.94 crore.

The State Government had accepted (August 1996) the recommendation of the 10th Finance Commission that the State must adopt a modest rate of return on the investments made in commercial, promotional and commercial & promotional public enterprises at the rate of six *per cent*, one *per cent* and four *per cent* respectively, as dividend on equity. As per the latest finalised accounts of 14 profit earning companies, Orissa Mining Corporation Limited and Orissa Power Generation

* Orissa Power Transmission Corporation Limited (Sl.No.A-17) had not started its commercial activities and therefore had not prepared any Profit and Loss accounts for its first year accounts.

** Excluding two companies (Sl.Nos.A-4 and 12) which are functioning on ‘no profit and no loss’.

Corporation Limited declared interim dividend of Rs.60 crore (2004-05) and Rs.76.31 crore (2005-06) respectively.

Loss incurring working Government companies

1.10 Orissa Hydro Power Corporation Limited and IDCOL Ferro Chrome and Alloys Limited (Sl.Nos. A-15 and 29 of **Annexure-2**) which finalised the accounts for 2005-06 by September 2006 incurred a loss of Rs.24.17 crore and Rs.7.13 crore respectively. Out of the remaining 11 loss incurring working Government companies, seven* companies had accumulated losses aggregating Rs.187.52 crore, which exceeded their aggregate paid-up capital of Rs.34.43 crore. None of these seven companies was extended any financial support by the State Government during the year 2005-06.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 Only one Statutory corporation i.e. Orissa State Financial Corporation had finalised its accounts for 2005-06 by September 2006 and earned a profit of Rs.2.22 crore. The other two working Statutory corporations viz. Orissa State Road Transport Corporation and Orissa State Warehousing Corporation earned an aggregate profit of Rs.6.01 crore as per their latest finalised accounts and these Corporations also earned profit for two or more successive years. Orissa State Road Transport Corporation though earned profit of Rs.0.65 crore as per its latest finalised accounts, its accumulated loss of Rs.233.92 crore exceeded the paid-up capital of Rs.136.50 crore. Orissa State Warehousing Corporation earned a profit of Rs.5.36 crore as per its latest finalised accounts for 2004-05 and declared dividend of Rs.72 lakh.

Operational performance of working Statutory corporations

1.12 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 68 paise per kilometer in 2003-04, the loss had decreased to 60 paise per kilometer in 2004-05 and further decreased to 55 paise per kilometer in 2005-06 mainly due to reduction in number of employees and increase in effective kilometre operated. In respect of Orissa State Warehousing Corporation, profit per tonne was Rs.0.88 in 2003-04 which increased to Rs.5.83 in 2004-05 and Rs.10.75 in 2005-06 mainly due to increase in capacity utilisation and decrease in establishment expenses.

Return on capital employed

1.13 The details of capital employed and total return on capital employed of working Government companies and Statutory corporations are given in **Annexure-2**. As per the latest finalised accounts of 30 working companies (up to 30 September

* Sl. Nos. A 1,5,7,8,11,21 and 23 of Annexure-2.

2006), the capital employed* worked out to Rs.8,827.33 crore and total return** thereon amounted to Rs.1,385.10 crore which was 15.69 *per cent* as compared to total return of Rs.1,157.62 crore in the previous year. The variation in the return on capital employed for two years was mainly on account of earning of profit by more Government companies and increase in their profit as compared to previous years 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 30 September 2006) worked out to Rs.482.06 crore and Rs.20.46 crore respectively against the total return of Rs.22.99 crore in the previous year.

Reforms in Power Sector

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

1.14 In pursuance of the decisions taken at 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 the Government in December 2005 is given below:

Sl. No.	Commitment as per MOU	Targeted completion Schedule***	Status (as on 31 March 2005)	Remarks
	Commitments made by the State Government			
1.	100 <i>per cent</i> electrification of all villages	March 2012	80.32 <i>per cent</i> electrified	Out of 46989 villages, 37744 number of villages have been electrified.
2.	Transmission and distribution losses will not exceed 34 <i>per cent</i> , which have to be brought down to 20 <i>per cent</i>	2010	Transmission loss 4.27 <i>per cent</i> , distribution loss 37.15 <i>per cent</i> .	Steps are being taken for targeted reduction of T & D loss.
3.	100 <i>per cent</i> metering of all distribution feeders	December 2005	91.75 <i>per cent</i>	--
4.	100 <i>per cent</i> metering of all consumers	By December 2005	97.48 <i>per cent</i>	Some of the meters installed have become defective and replacements were done accordingly.

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

** 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 accounts.

*** Revised target as intimated (December 2005) by Government.

Sl. No.	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2005)	Remarks
	Commitments made by the State Government			
5.	Agreement for securitising the outstanding dues of Central Power Sector Undertakings	July 2002	Executed on 20 March 2003	--
6.	State Electricity Regulatory Commission (SERC)			
	i) Establishment of OERC	April 1996	Established in June 1996	--
	ii) Implementation of tariff orders issued by OERC during the year	Annually	Implemented	--
General				
7.	Monitoring of MOU	Half-yearly	Being done.	--

State Electricity Regulatory Commission

1.15 Orissa Electricity Regulatory Commission (Commission) was formed on 12 June 1996 under the Orissa Electricity Reform Act, 1995* 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

1.16 As on 31 March 2006, the total investment in 32*** non-working Government companies was Rs.149.23 crore[∇] (equity: Rs.84.39 crore including share application money: Rs.23.96 crore and long-term loans: Rs.64.84 crore) as against the total investment of 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 on 31 March 2005.

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

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

** Erstwhile Schedule of the Orissa Electricity Reform Act, 1995 repealed by the Electricity Act, 2003

*** Names of two non-working companies were struck off from the records of Registrar of Companies with effect from 28 February 2006. Other two companies were privatised from 3 May 2005 and 8 January 2006 respectively.

[∇] State Government investment was Rs.102.34 crore (others-Rs.46.89 crore). Figure as per Finance Accounts, 2005-06 is Rs.88.53 crore. The difference is under reconciliation.

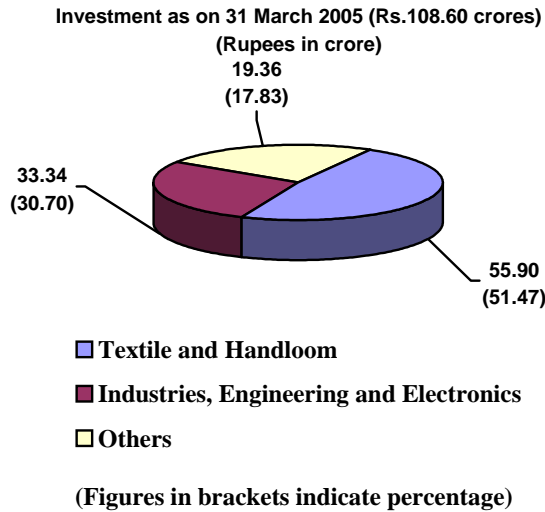
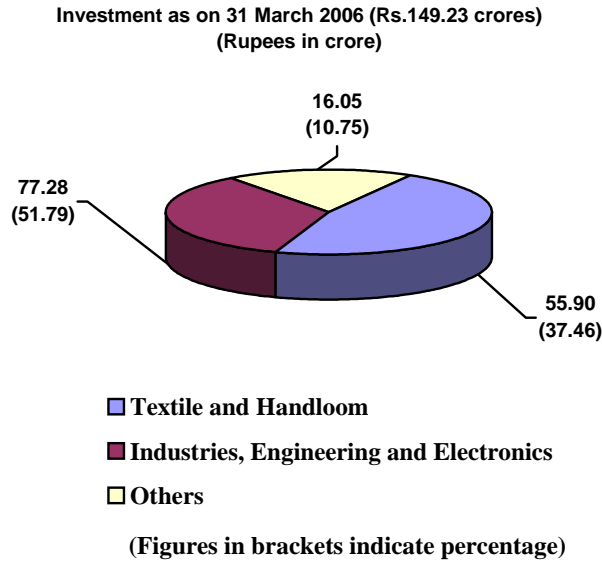
The classification of the non-working PSUs was as follows:

(Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
(i)	Closed*	14	44.36	7.67
(ii)	Under liquidation**	18	40.03	57.17
	Total	32	84.39	64.84

Sector wise investment in non-working Government companies

1.17 The investment (equity and long-term loans) in PSUs in various sectors and percentage thereof at the end of 31 March 2005 and 2006 are indicated below in the pie charts:



* Companies at Sl Nos.C-2,3,8,11,12,16,19,20,22,25,26,30,31 and 32 of Annexure-2.

** Companies at Sl.Nos.C-1,4,5,6,7,9,10,13,14,15,17,18 ,21,23,24,27,28 and 29 of Annexure-2. In respect of Sl.Nos.C-6,13,14,28 and 29 though Government has decided for liquidation, no liquidators have been appointed.

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

1.18 During the year 2005-06, the Government had not given any grant/subsidy to any non-working company. There was no budgetary outgo from the State Government to non-working companies. There was also no waiver of dues for non-working companies in 2005-06 (**Annexure-3**).

Total establishment expenditure of non-working PSUs

1.19 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2005-06 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	
2003-04	3	0.62	0.25	--	--	0.37
2004-05	3	0.33	--	--	--	0.33
2005-06	5*	0.20	--	--	--	0.20
Total	--	1.15	0.25	--	--	0.90

Finalisation of accounts by non-working PSUs

1.20 Eighteen companies out of total 32 non-working Government companies were under liquidation and remaining 14 companies were defunct. The accounts of 13 defunct companies were in arrears for periods ranging from four years to 35 years as could be seen from **Annexure-2**. During the period October 2005 to September 2006, one defunct company viz. Kalinga Steels (India) Limited and one company under liquidation viz. ORICHEM Limited finalised the accounts for the year 2005-06 and seven non-working companies finalised their nine accounts for previous years.

Financial position and working results of non-working PSUs

1.21 The summarised financial results of non-working Government companies as per latest finalised accounts are given in **Annexure-2**. The summarised details of paid-up capital, net worth**, cash loss and accumulated loss of 15*** out of 32 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	68.53	-122.54	24.88	235.03

* Out of 32 non-working companies, only five companies (Sl.Nos. C-1, 8, 25, 30 and 32 of Annexure-1) furnished information on establishment expenditure for 2005-06.

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

*** Information in respect of 14 companies was not available and three companies had not started commercial activities.

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

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

Sl. No.	Names of Statutory corporations	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1	Orissa State Road Transport Corporation (OSRTC)	2002-03	2003-04	2 May 2006
2	Orissa State Financial Corporation (OSFC)	2003-04	2004-05	28 April 2006
3	Orissa State Warehousing Corporation (OSWC)	2003-04	--	--

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Restructuring Programme of Government of Orissa

1.23 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 interest and little progress was made on reforms. As per the record notes of discussions 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 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 in 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 (September 2006) of the Reform Programme in respect of the Public Sector Enterprises is given below:

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
IDCOL Rolling Mills Limited	Disinvestment through privatisation	October 1999	IDCOL's shareholding disinvested in favour of private entrepreneur in January 2006.
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999	Entire moveable assets of Stainless Tube Division has been sold to private entrepreneur with the approval of Hon'ble High Court. Steps are being taken for sale of other assets with the approval of Hon'ble High Court.
IDCOL Ferro Chrome and Alloys Limited	Partial privatisation	October 1999	The Government has decided to divest at least 51 <i>per cent</i> of the IDCOL's shareholding in the Company without mining right, in favour of a central PSU. The proposal has been sent to the concerned central PSU.
Orissa State Textile Corporation Limited	Closure	March 2000	Action for privatisation was held up as the acquisition of Bhaskar Textile Mills (a unit of the Company) was 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 the State Government. Action initiated on the restructuring plan. Voluntary Separation Scheme was in operation to get rid of the surplus staff.
Hirakud Industrial Works Limited	Disinvestment up to 74 <i>per cent</i> or more	2002-05	Entire shareholding of Company was disinvested and transferred to Varsa Fabrics (P) Limited on 10 July 2006.
Kalinga Studios Limited	Privatisation	2002-05	Privatisation process in progress.
Orissa Lift Irrigation Corporation Limited	Restructuring	2002-05	Restructuring plan approved by the 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 the Corporation.

It would be observed from the above that during October 2005 to September 2006, two companies (IDCOL Rolling Mills Limited and Hirakud Industrial Works Limited) were privatised through disinvestment of shares in January 2006 and July 2006 respectively. Except these two, none of the milestones in respect of other PSUs have been achieved till date (September 2006).

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

1.24 During the period October 2005 to September 2006, the accounts of 24 Government companies (20 working and 4 non-working) and three working Statutory corporations were selected for audit. The net impact of important audit observations issued as a result of audit of the working PSUs is as follows:

Details	Number of accounts of working		Working Government companies	Working Statutory corporations
	Government companies	Statutory corporations	<i>(Rupees in crore)</i>	
(i) Increase in loss	8	2	11.38	8.64
(ii) Decrease in loss	2	--	3.24	--
(iii) Increase in Profit	2	--	5.00	--
(iv) Decrease in profit	4	--	244.64	--

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

Errors and omissions noticed in case of Government companies and Statutory corporations

Orissa Forest Development Corporation Limited (2003-04)

1.25 Understatement of loss by Rs.3.20 crore due to non-accountal of outstanding amount towards interest and compensation on belated payment of royalty for the period prior to 2002-03 claimed by 13 Forest Divisions.

Grid Corporation of Orissa Limited (2004-05)

1.26 Overstatement of profit by Rs.151.83 crore due to adjustment of entire amount refundable by NTPC Limited against purchase of power as against 50 *per cent* in compliance to the order of Hon'ble Supreme Court, non-accountal of delayed payment of surcharge payable to OPGC and non-accountal of transmission charges payable to PGCIL.

Orissa State Beverages Corporation Limited (2003-04)

1.27 Understatement of profit by Rs.1.54 crore due to non-accounting of excess cash discounts allowed despite the decision of Board of Directors to recover the same.

Industrial Promotion and Investment Corporation of Orissa Limited (2004-05)

1.28 Understatement of profit by Rs.3.46 crore due to non-writing back of the interest accrued and due on IDBI loan for the year 2003-04 which has already been settled (Negotiated Settlement) on principal basis.

IDCOL Kalinga Iron Works Limited (2004-05)

1.29 The Custom Authorities demanded Rs.7.09 crore for non-fulfillment of export obligation against which the company paid Rs.2.46 crore and the Company disputed the balance demand of Rs.4.63 crore. The contingent liability on this account should have been shown at Rs.4.63 crore instead of Rs.1.87 crore. Despite the comments of the C & AG of India on the accounts for the year 2003-04, the same was not corrected.

Orissa Power Generation Corporation Limited (2005-06)

1.30 Overstatement of profit by Rs.78.68 crore due to billing of power sold to GRIDCO during 2005-06 at higher rates than tariff notified by OERC.

Recoveries at the instance of Audit

1.31 In paragraph 3A.12 of the Report of the Comptroller and Auditor General of India (Commercial), for the year 2000-01, Government of Orissa, non-realisation of sale proceeds of Rs.48.25 lakh by Orissa Mining Corporation Limited from Mideast Integrated Steels Limited was reported. As a result thereof, the Company initiated (April 2001) legal action and recovered (April 2005) Rs.45 lakh as full and final settlement.

Internal audit/ Internal control

1.32 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which need improvement. An illustrative resume of major recommendations/ comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of eight State Government companies is indicated in **Annexure-7**. 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 and adequate with the size and nature of business of Government Companies.
- Audit Committee was not functioning properly.
- Stores management system was not adequate and according to prescribed principles.

Recommendation for closure of PSUs

1.33 Even after completion of 16 years of its existence, the turnover of ELMARC Limited has been less than Rs.5 crore for each of the preceding five years and had

been incurring losses for consecutive five years. In view of the poor turnover and continuous losses, the Government may either take steps to improve the working of the Company or consider its closure.

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

1.34 During October 2005 to September 2006, the Committee on Public Undertakings (COPU) held 14 meetings and discussed 41 paragraphs and four reviews of the Audit Reports (Commercial) for the years 1993-94 to 2004-05. The position of Audit Reports (Commercial) pending in COPU for discussion as on 30 September 2006 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	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	4	24	-	6	1	15	1	1
1994-95	3	21	1	3	1	12	-	--
1995-96	3	20	-	5	1	11	--	1
1996-97	4	23	1	5	1	11	2	2
1997-98	1	14	-	8	1	1	--	--
1998-99	4	22	4	9	--	1	--	--
1999-00	4	25	4	17	--	3	--	1
2000-01	3	22	3	16	--	4	--	--
2001-02	3	14	2	12	1	--	--	--
2002-03	3	21	3	15	--	2	--	--
2003-04	3	24	3	20	--	4	--	--
2004-05	3	14	2	14	1	--	--	--
TOTAL	38	244	23	130	7*	64	3**	5**

619-B Companies

1.35 There were two companies (both non-working) under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2006. None of these companies have finalised their accounts for 2005-06. 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 are indicated in **Annexure-8**.

* Including one Report of COPU remained outstanding in respect of two reviews on Orissa Forest Development Corporation Limited of Report of the Comptroller and Auditor General of India (Commercial) for the year 1992-93, Government of Orissa, which have already been discussed.

** Further to this, ATNs in respect of 7 reviews and 9 paragraphs of Audit Reports for the years from 1987-88 to 1992-93 relating to 8 Reports of COPU were also outstanding.