

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 61 Government companies (29* working companies and 32** non-working companies) and three working Statutory corporations as against 62 Government companies (30 working companies and 32 non-working companies) and three working Statutory corporations as on 31 March 2006 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 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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment in 32 working PSUs (29 Government companies and three Statutory corporations) was Rs.9,398.67*** crore (equity-Rs.1,973.40 crore and long-term

* During the year, one company (Hirakud Industrial works Limited) was privatised.

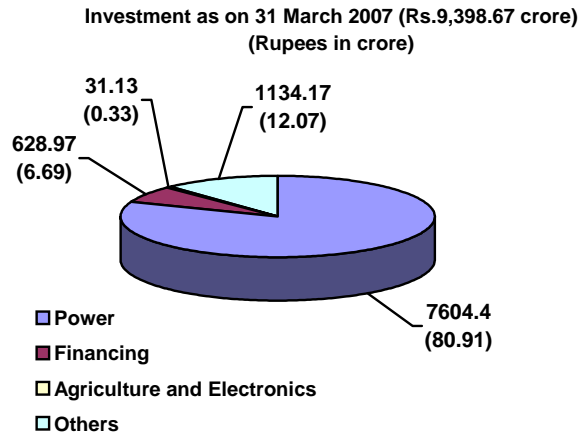
** Non-working companies/corporations are those which are under the process of liquidation/ closure/ merger, etc.

*** State Government's investment was Rs.5,758.38 crore (others: Rs.3,640.29 crore). Figure as per the Finance Accounts, 2006-07 was Rs.3,024.03 crore. The difference is under reconciliation.

loans-Rs.7,425.27* crore) as against 33 working PSUs (30 Government companies and three Statutory corporations) with a total investment of Rs.9,745.21 crore (equity- Rs.1,974.71 crore, long-term loans- Rs.7,763.29 crore and share application money Rs.7.21 crore) as on 31 March 2006. The analysis of investment in working PSUs is given in the following paragraphs.

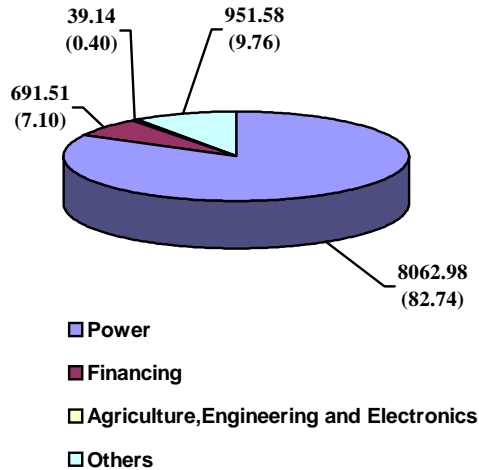
Sector-wise investment in working Government companies and Statutory corporations

1.3 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2007 and 31 March 2006 are indicated below in the pie charts:



(Figures in brackets indicate percentage)

Investment as on 31 March 2006 (Rs.9,745.21 crore)
(Rupees in crore)



(Figures in brackets indicate percentage)

* Long-term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.5 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 2006 and March 2007 was as follows:

(Rupees in crore)

Year	No. of companies	Equity	Share application money	Long-term loans	Total
2005-06	30	1,747.04	7.21	7,230.93	8,985.18
2006-07	29	1,745.74	--	6,952.41	8,698.15

There was decrease in investment during 2006-07 mainly due to privatisation of one company (Hirakud Industrial Works Limited) and decrease in long term loans of 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 2007, the total investment in working Government companies comprised 20.07 per cent of equity capital and 79.93 per cent of loans as compared to 19.52 per cent and 80.48 per cent respectively as on 31 March 2006.

Working Statutory corporations

1.5 The total investment in three working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Name of Corporation	2005-06		2006-07	
	Capital	Loans	Capital	Loans
Orissa State Road Transport Corporation *	136.49	37.47	136.49	37.47
Orissa State Financial Corporation **	87.57	482.00	87.57	429.97
Orissa State Warehousing Corporation **	3.60	9.41	3.60	5.42
Total	227.66	528.88	227.66	472.86

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

As on 31 March 2007, the total investment in working Statutory corporations comprised 32.50 per cent of equity capital and 67.50 per cent of loans as compared to 30.09 per cent and 69.91 per cent respectively as on 31 March 2006.

* Figures for 2005-06 and 2006-07 are provisional.

** Figures for 2006-07 are provisional.

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 six working Government companies and two working Statutory corporations for the three years up to 31 March 2007 are given below:

	(Rupees in crore)											
	2004-05				2005-06				2006-07			
	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	1.42	2	91.14	--	--	1	12.00	1	122.42	1	111.70
Grants	4	0.88	--	--	2	0.25	--	--	2	0.84	--	--
Subsidy towards												
(i) Projects/ Programmes/ Schemes	--	--	--	--	--	--	--	--	--	--	--	--
(ii) Other subsidy	4	81.55	3	2.35	3	57.05	2	1.96	4	46.06	2	2.36
Total outgo	7[#]	87.33	3[#]	93.49	5[#]	64.51	2[#]	13.96	6[#]	169.32	2[#]	114.06

During the year 2006-07, the Government guaranteed loans obtained by the two working Government companies aggregating to Rs.46.01 crore. At the end of the year, guarantees of Rs.2,185.30 crore against 10 working Government companies (Rs.2,138.67 crore) and two working Statutory corporations (Rs.46.63 crore) were outstanding. The guarantee commission paid or payable to the State Government by eight working companies (Rs.11.90 crore) and one Statutory corporation (Rs.4.91 crore) during 2006-07 was Rs.16.81 crore.

Finalisation of accounts by working PSUs

1.7 The accounts of the Government 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 statutes.

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

The position of finalisation of accounts by the working PSUs are given in **Annexure-2**. It will be noticed that only one working Government company (Orissa Hydro Power Corporation Limited) finalised its accounts for the year 2006-07 within the stipulated period. During the period from October 2006 to September 2007, 22 working Government companies finalised 31 accounts for previous years and one Statutory corporation (Orissa State Road Transport Corporation) finalised one account for the previous year.

The accounts of 28 working Government Companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2007 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	--	2000-01 to 2006-07	7	A-29	--
2.	1	--	2001-02 to 2006-07	6	A-6	--
3.	2	--	2003-04 to 2006-07	4	A-1 & A-25	--
4.	5	--	2004-05 to 2006-07	3	A-2,11,18,23 & 26	--
5.	5	2	2005-06 to 2006-07	2	A-9,10, 20, 22 & 24	B-1,3
6.	14	1	2006-07	1	A-3,4,5,7,8,12,13,15, 16,17,19,21,27 & 28	B-2

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 their latest finalised accounts are given in **Annexure-2**. Besides, statements 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 had incurred an aggregate loss of Rs.65.12 crore and 14 companies and three corporations had earned an aggregate profit of Rs.455.00 crore and Rs.7.91 crore respectively. Two companies, namely Agriculture Promotion &

Investment Corporation of Orissa Limited and Orissa State Civil Supplies Corporation Limited were functioning on “no profit and no loss” basis.

Working Government companies

Profit earning working companies and dividend

1.9 Out of the 29 working Government companies, only one company[#] finalised the accounts for 2006-07 by 30 September 2007 and earned profit of Rs.53.93 crore for the year but did not declare any dividend.

In case of remaining 26* companies which finalised their accounts for previous years by 30 September 2007, 13 companies earned an aggregate profit of Rs.401.07 crore. Out of these, 12 companies earned profit for two or more successive years. Although Grid Corporation of Orissa Limited had earned profit of Rs.25.82 crore, it had accumulated loss of Rs.1,002.32 crore which exceeded its paid-up capital of Rs.432.98 crore.

The State Government had accepted (August 1996) the recommendations of the Tenth Finance Commission that the State must adopt a modest rate of return on the investments made in commercial, promotional and commercial and 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, interim dividend of Rs.177.81 crore was declared by three working Government Companies viz. Orissa Mining Corporation Limited (Rs.60.00 crore), Orissa Power Generation Corporation Limited (Rs.117.65 crore) and Orissa State Cashew Development Corporation Limited (Rs.0.16 crore).

Loss incurring working Government companies

1.10 Out of 13 loss incurring working Government companies, 8** companies had accumulated losses aggregating Rs.260.69 crore, which exceeded their aggregate paid-up capital of Rs.31.86 crore. None of these companies was extended any financial support by the State Government during the year 2006-07.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 None of the working Statutory corporations finalised its accounts for 2006-07 by September 2007. The three working Statutory corporations (viz. Orissa State Road Transport Corporation (OSRTC), Orissa State Financial

[#] Orissa Hydro Power Corporation Limited.

* Excluding two companies (Agriculture Promotion & Investment Corporation of Orissa Limited and Orissa State Civil Supplies Corporation Limited) which are functioning on ‘no profit and no loss’ basis.

** Orissa Agro Industries Corporation Limited, ELMARC Limited, Orissa Forest Development Corporation Limited, Orissa Bridge & Construction Corporation Limited, Orissa Power Transmission Corporation Limited, Orissa Small Industries Corporation Limited, Kalinga Studios Limited and Konark Jute Limited.

Corporation (OSFC) and Orissa State Warehousing Corporation (OSWC)) which finalised their accounts for previous years by September 2007 earned an aggregate profit of Rs.7.91 crore as per their latest finalised accounts. Though two working Statutory corporations (viz. OSRTC and OSFC) earned profit of Rs.0.34 crore and Rs.2.22 crore respectively, they had accumulated loss of Rs.234.74 crore and Rs.381.58 crore which exceeded their paid-up capital of Rs.136.49 crore and Rs.87.57 crore respectively.

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 60 paise per kilometre in 2004-05, the loss had decreased to 55 paise per kilometre in 2005-06 and again increased to 60 paise per kilometre in 2006-07 mainly due to decrease in effective kilometre operated. In respect of Orissa State Warehousing Corporation, profit per tonne was Rs.5.83 in 2004-05 which increased to Rs.10.75 in 2005-06 and further increased to Rs.14.82 during 2006-07 mainly due to increase in average capacity utilisation and decrease in other expenses.

Return on capital employed

1.13 As per the latest finalised accounts of 29 working companies (up to 30 September 2007), the capital employed* worked out to Rs.8,199.12 crore and total return** thereon amounted to Rs.952.36 crore which was 11.62 *per cent* as compared to total return of Rs.1,385.10 crore (15.69 *per cent*) in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to 30 September 2007) worked out to Rs.486.44 crore and Rs.19.96 crore (4.10 *per cent*) respectively against the total return of Rs.20.46 crore (4.24 *per cent*) in the previous year (accounts finalised up to September 2006). 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**.

State Electricity Regulatory Commission

1.14 Orissa Electricity Regulatory Commission (Commission) was formed (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 of three members including a Chairman who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to the CAG under

* 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.

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

Section 104(2) of the Electricity Act, 2003*. The Commission, however, had not submitted any of its accounts for audit and the same are in arrears since inception.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working Government companies

1.15 As on 31 March 2007, the total investment in 32 non-working Government companies was Rs.154.71 crore** (equity: Rs.60.43 crore, long-term loans: Rs.70.32 crore and share application money: Rs.23.96 crore) as against the total investment of Rs.149.23 crore (equity: Rs.60.43 crore, long-term loans: Rs.64.84 crore and share application money: Rs.23.96 crore) as on 31 March 2006.

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:

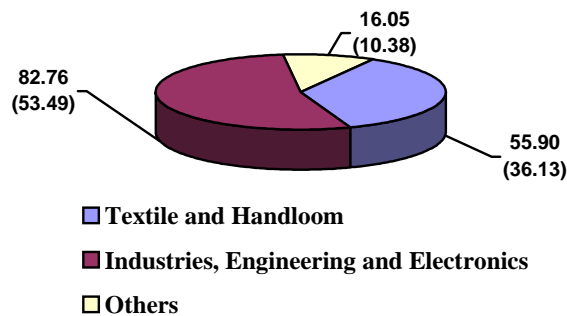
(Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
(i)	Closed [#]	15	48.53	9.25
(ii)	Under liquidation [§]	17	35.86	61.07
	Total	32	84.39	70.32

Sector wise investment in non-working Government companies

1.16 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2007 and 2006 are indicated below in the pie charts:

Investment as on 31 March 2007 (Rs.154.71 crores)
(Rupees in crore)



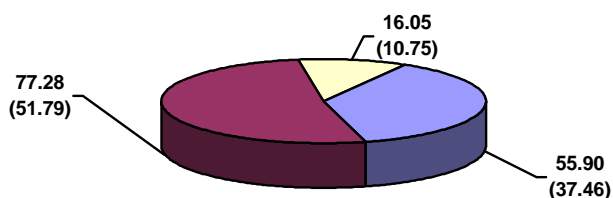
(Figures in brackets indicate percentage)

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

** State Government investment was Rs.93.35 crore (others-Rs.61.36 crore). Figure as per the Finance Accounts, 2006-07 was Rs.88.53 crore. The difference is under reconciliation.

[#] Companies at Sl.Nos.C-2,3,8,11,12,16,19,20,22,24,25,26,30,31 and 32 of Annexure-2.

[§] Companies at Sl.Nos.C-1,4,5,6,7,9,10,13,14,15,17,18,21,23,27,28 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.

Investment as on 31 March 2006 (Rs.149.23 crores)
(Rupees in crore)

■ Textile and Handloom
 ■ Industries, Engineering and Electronics
 □ Others

(Figures in brackets indicate percentage)

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

1.17 During the year 2006-07, 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 2006-07.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total establishment expenditure incurred by non-working PSUs and the sources of its financing during the last three years up to 2006-07 are given below:

(Rupees in crore)

Year	Number of PSUs (Government companies)	Total expenditure	Sources of financing			
			Disposal of investment/assets	Government by way of		Others
				Loans	Grants	
2004-05	3	0.33	--	--	--	0.33
2005-06	5	0.20	--	--	--	0.20
2006-07	2*	0.35	0.35	--	--	--
Total	--	0.88	0.35	--	--	0.53

Finalisation of accounts by non-working PSUs

1.19 Seventeen companies out of 32 non-working Government companies were in the process of liquidation/under liquidation and remaining 15 companies were defunct. The accounts of 14 defunct companies were in arrears for periods ranging from three years to 36 years as could be seen from **Annexure-2**. During the period October 2006 to September 2007, only one defunct company viz. Kalinga Steels (I) Limited had finalised its accounts for the year 2006-07 and four non-working companies finalised six accounts for previous years.

* Out of 32 non-working companies, only two companies (Sl.Nos. C-24 and 25 of Annexure-1) furnished information on establishment expenditure for 2006-07.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their 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	67.51	-138.29	28.79	248.79

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

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of the Statutory corporations as issued by the Comptroller and Auditor General of India in the State Legislature 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)	2003-04	2004-05	19 January 2007
2	Orissa State Financial Corporation (OSFC)	2004-05	2005-06	22 December 2006
3	Orissa State Warehousing Corporation (OSWC)	2003-04	2004-05	22 December 2006

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Restructuring Programme of Government of Orissa

1.22 The State Cabinet accepted (August 1996) the recommendations of the Cabinet Sub-Committee formed (October 1995) for 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 Union Ministry of Finance and the State Government for a fiscal reform programme, the State Government 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 (10 October 2000) for framing a clear policy frame work on Public Enterprises Reform. In accordance with the recommendations of the Task Force, the State Government and the Department of Expenditure, Union Ministry of Finance signed (11 October

* 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.

2001) an MOU to achieve fiscal sustainability in the medium term in accordance with the Orissa Medium Term Fiscal Reform Programme in two phases (first phase 2002-2005 and second phase 2005-2007) which included Public Sector Restructuring Programme. In pursuance to the programme, three State Government companies (viz. IDCOL Cement Limited, IDCOL Rolling Mills Limited and Hirakud Industrial Works Limited) were privatised through disinvestment of shares during the period December 2003 to July 2006.

The present status (September 2007) of the Reform Programme in respect of other Public Sector Enterprises of first phase (2002-2005) is given below:

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999*	Entire moveable assets of Stainless Tube Division has been sold to a 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.
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 of 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.

Necessary action to be taken in respect of the above PSUs in terms of privatisation/ restructuring/ closure has not been completed (September 2007).

* Included in the first phase.

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

1.23 During October 2006 to September 2007, the accounts of 24 Government companies (20 working and 4 non-working) and one working Statutory corporation were selected for audit. The net impact of important audit observations issued as a result of audit of their accounts is as follows:

(Rupees in crore)

Details	Number of accounts		Government companies	Statutory corporations
	Government companies	Statutory corporations		
(i) Increase in loss	5	--	14.85	--
(ii) Decrease in profit	4	1	13.51	0.20

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 (2004-05)

1.24 Understatement of accumulated loss by Rs.10.16 crore due to non-accountal of expenses incurred towards interest, guarantee commission and bank charges in connection with kendu leaf (KL) trade for the years 2000-01 to 2004-05.

Orissa Rural Housing and Development Corporation Limited (2002-03)

1.25 Understatement of loss by Rs.1.75 crore due to non-provision for doubtful investment in non-convertible bonds of Uttar Pradesh State Yarn Company Limited (Rs.1.10 crore) and accountal of interest income on the same (Rs.0.65 crore).

Grid Corporation of Orissa Limited (2005-06)

1.26 Overstatement of profit by Rs.4.83 crore due to non-accountal of demand raised (February 2006) by NTPC towards fixed charges which had already been admitted by the Company.

Orissa Bridge and Construction Corporation Limited (2004-05)

1.27 Understatement of accumulated loss by Rs.1.41 crore due to non-provision of liabilities towards Provident Fund and allied dues for the period from February 1986 to January 2003.

Recoveries at the instance of Audit

1.28 In paragraph 2.13 of the Report of the Comptroller and Auditor General of India (Commercial) for the year 2005-06, Government of Orissa,

non-collection of Entry Tax of Rs.2.35 crore from the buyers of mineral by Orissa Mining Corporation Limited was reported. In compliance to the Audit observation, the Company re-assessed the actual Entry Tax dues at Rs.1.86 crore and recovered Rs.1.64 crore from the buyers during 2006-07.

In paragraph 3.9 of the Report of the Comptroller and Auditor General of India (Commercial) for the year 2003-04, Government of Orissa, undue favour to Rathi Ispat Limited by IDCOL Ferro Chrome and Alloys Limited resulting in outstanding dues of Rs.1.10 crore and non-levy of interest on defaulted amount was reported. As a result thereof, the Company took corrective action and recovered Rs.1.10 crore from the party by the end of 2006-07.

In paragraph 3.6 of the Report of the Comptroller and Auditor General of India (Commercial) for the year 2002-03, Government of Orissa, non-realisation of sale proceeds of Rs.12.62 lakh by Industrial Development Corporation of Orissa Limited from Haryana Steel and Alloys Limited was reported. As a result thereof, the Company took action and recovered the full amount by September 2006.

Internal audit/ Internal control

1.29 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on 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 13 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.
- There was no system of monitoring timely recovery of dues.
- Fixed Assets Register was either not maintained or maintained but not updated.
- There was no specific policy with regard to provision for bad and doubtful debts.
- Stores management system was not adequate and according to the prescribed principles.

Recommendation for closure of PSUs

1.30 Even after completion (January 2007) of 17 years of existence, the turnover of Elmarc Limited remained less than Rs.5 crore for each of the preceding five years. The Company continued to incur losses for the last 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)

1.31 During October 2006 to September 2007, the Committee on Public Undertakings (COPU) held nine meetings and discussed 16 paragraphs and one review (partly) pertaining to the Audit Reports (Commercial) for the years 1993-94 to 2004-05. The year-wise position of reviews/paras appearing in the Audit Reports (Commercial) and discussed by the COPU as on 30 September 2007 is detailed below:

Period of Audit Report	Number of reviews and paragraphs			
	Appeared in the Audit Report		Discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	4	24	4	21
1994-95	3	21	2	19
1995-96	3	20	3	15
1996-97	4	23	3	19
1997-98	1	14	1	6
1998-99	4	22	--	14
1999-00	4	25	--	13
2000-01	3	22	--	9
2001-02	3	14	1	6
2002-03	3	21	--	6
2003-04	3	24	--	4
2004-05	3	14	2	1
2005-06	4	17	--	--
TOTAL	42	261	16	133

619-B Companies

1.32 There were two companies (both non-working) within the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2007. 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**.