

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 67* Government companies (32 working companies and 35** non-working companies) and three working Statutory corporations as against 67 companies (33 working companies and 34 non-working companies) and three working Statutory corporations as on 31 March 2003 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 2003-04, one company (IDCOL Cement Limited) was privatised and gone out of the purview of Sections 617/619 of the Companies Act, 1956 and a new company viz., Orissa Power Transmission Corporation Limited was incorporated in March 2004.

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

*** Erstwhile Schedule of the Orissa Electricity Reform Act, 1995 repealed by the Electricity Act, 2003.

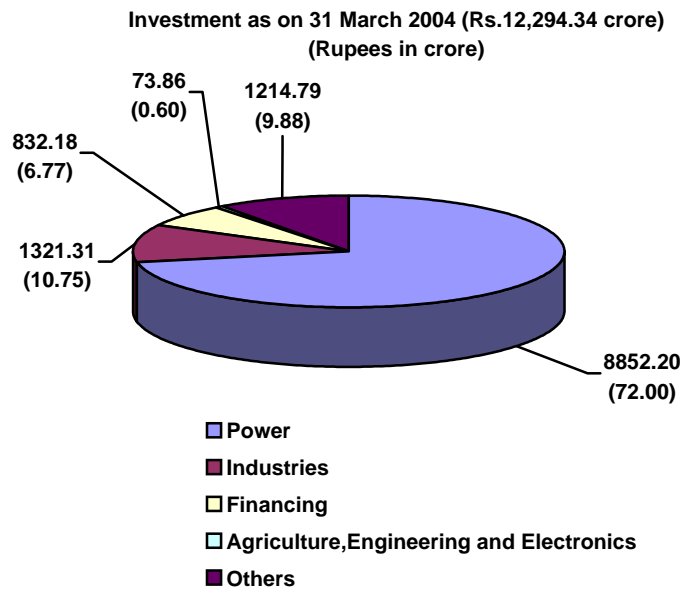
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2004, the total investment in 35 working PSUs (32 Government companies and three Statutory corporations) was 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 against 36 working PSUs (33 Government companies and three Statutory corporations) with a total investment of Rs.12,178.55 crore (equity Rs.2,360.59 crore, long-term loans Rs.9,759.96 crore and share application money Rs.58.00 crore) as on 31 March 2003. 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 2004 and 31 March 2003 are indicated below in the pie charts:

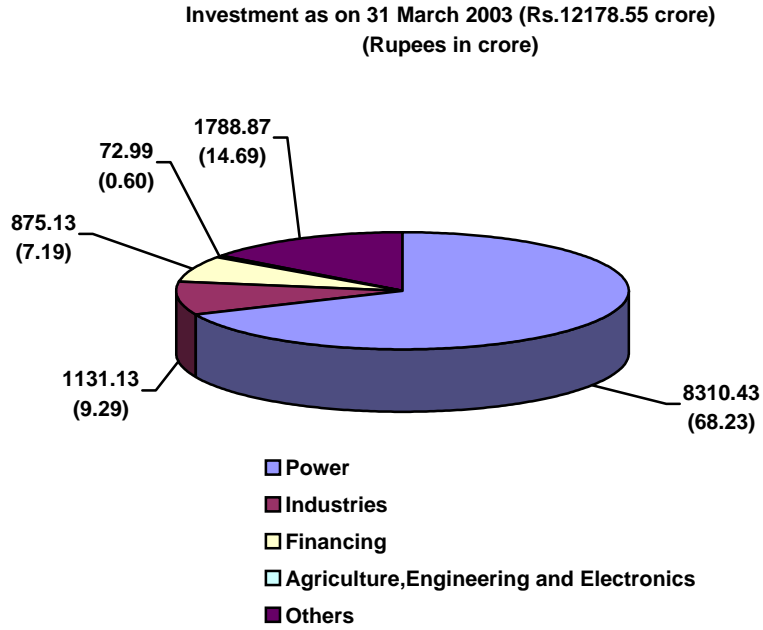


(Figures in brackets indicate percentage)

* State Government's investment was Rs.6,114.41 crore (others:Rs.6,179.93 crore). Figure as per Finance Accounts, 2003-04 is Rs.3,417.78 crore. The difference, which is under reconciliation is mainly due to non-accountal of equity and long-term loans invested in Power Sector Companies by virtue of transfer of Assets and Liabilities of erstwhile OSEB in April 1996 and disinvestment of shares in February 1999.

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

*** Neelachal Ispat Nigam Limited (Sl.No.A.5 of Annexure-1).



(Figures in brackets indicate percentage)

Working Government companies

1.4. Total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	No. of companies	Equity	Share application money	Loans	Total
2002-03	33	2,133.00	58.00	9,056.78	11,247.78
2003-04	32	1,922.36	51.26	9,444.20	11,417.82

There was increase in investment during the year mainly due to increase in loan in Power Sector (Grid Corporation of Orissa Limited:Rs.615.06 crore*).

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 2004, the total investment in working Government companies comprised 17.29 per cent of equity capital and 82.71 per cent of loans as compared to 19.48 per cent and 80.52 per cent respectively as on 31 March 2003.

* Loans outstanding were Rs.4,729.96 crore as on 31 March 2003 and Rs.5,345.02 crore as on 31 March 2004.

Working Statutory corporations

1.5 The total investment in three working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of corporation	2002-03		2003-04	
	Capital	Loans	Capital	Loans
Orissa State Road Transport Corporation *	136.41	54.26	136.41	38.23
Orissa State Financial Corporation **	87.57	621.87	87.57	588.46
Orissa State Warehousing Corporation	3.60	22.25	3.60	22.25
Total	227.58	698.38	227.58	648.94

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 2004, the total investment in working Statutory corporations comprised 25.96 per cent of equity capital and 74.04 per cent of loans as compared to 24.58 per cent and 75.42 per cent respectively as on 31 March 2003.

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 14 working Government companies and three working Statutory corporations for the three years up to 31 March 2004 are given below:

(Rupees in crore)

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	1	10.00	--	--	4	22.77	-	-	-	-	-	-
Loans given from budget	--	--	1	0.81	2	438.00	1	0.25	1	53.45	1	13.65
Grant	1	0.20	--	--	3	34.05	1	6.00	2	23.11	1	1.50
Subsidy towards												

* Figures for 2002-03 and 2003-04 are provisional.

** Figures for 2003-04 are provisional.

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(i) Projects/ Programmes/ Schemes	--	--	--	--	--	--	--	--	--	--	--	--
(ii) Other subsidy	3	55.98	2	1.80	3	88.38	2	2.00	4	32.17	2	1.87
Total outgo	3*	66.18	2*	2.61	10	583.20	3*	8.25	6*	108.73	3*	17.02

In the last three years, the Government guarantee issued on loans to working PSUs has increased from Rs.423.45 crore in 2001-02 to Rs.816.89 crore in 2002-03 and further increased to Rs.2,172.54 crore in 2003-04. There was no case of conversion of loan to equity and waiver of dues in 2003-04.

During the year 2003-04, the Government had guaranteed loans aggregating Rs.2,177.04 crore obtained by seven working Government companies (Rs.2,172.54 crore) and one non-working company (Rs.4.49 crore). At the end of the year, guarantees of Rs.3,046.11 crore against seven working Government companies (Rs.2,677.44 crore), two working Statutory corporations (Rs.368.60 crore) and one non-working Government company (Rs.0.07 crore) were outstanding. The guarantee commission paid or payable to Government by six working companies (Rs.36.10 crore), one non-working company (Rs.0.08 crore) and two Statutory corporations (Rs.5.48 crore) during 2003-04 was Rs.41.66 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 six working Government companies (APICOL, NINL, IDCOL Software, OPGC, OHPC and IDCOL Ferrochrome)** have finalised their accounts for the year 2003-04 between October 2003 to September 2004. Only one Statutory corporation (OSWC) finalised the accounts for the year 2003-04 during the above period. During this period, 24 working Government companies finalised 37 accounts for previous years and one working Government company (IDCOL Cement Limited) subsequently privatised, had finalised its accounts for the year 2002-03. Similarly, during this period, three Statutory corporations finalised six accounts for previous years.

* Actual number of companies/corporations which received equity/loan/grants/subsidy from State Government during the respective years.

** SI Nos A-4,5,9,16,17 and 31 of Annexure 2.

The accounts of 25* working Government companies and two Statutory corporations were in arrears for periods ranging from one year to six years as on 30 September 2004 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.	2	--	1998-99 to 2003-04	6	A-1,32	--
2.	2	--	1999-2000 to 2003-04	5	A-8,14	--
3.	3	1	2000-01 to 2003-04	4	A-7, 21, 24	B-1
4.	9	--	2001-02 to 2003-04	3	A-2,3,13,15,25,26,27, 28,29	--
5.	3	--	2002-03 to 2003-04	2	A-10,12,23	--
6.	6	1	2003-04	1	A-6,11,18,20, 22, 30,	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 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 for which accounts are finalised, are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 30 working Government companies and three working Statutory corporations, 16 companies and one corporation had incurred an aggregate loss of Rs.664.45 crore and Rs.11.39 crore respectively; 12 companies and two corporations had earned an aggregate profit of Rs.166.03 crore and Rs.1.62 crore respectively. Two companies (Sl.Nos.A-4 and 14) were functioning on “no profit no loss” and two companies (Sl. No. A-19** and 32) had not finalised their first accounts (September 2004).

* Excluding Orissa Power Transmission Corporation Limited (Sl.No.A-19 of Annexure-2), which was incorporated in March 2004.

** Accounts are not due.

Working Government companies

Profit earning working companies and dividend

1.9 The five* working Government companies (Sl. Nos. A-5,9,16,17 and 31 of **Annexure-2**) which finalised their accounts for 2003-04 by 30 September 2004, have earned profit of Rs.144.63 crore during the year.

Similarly out of 23** working Government companies which finalised their accounts for previous years by 30 September 2004, seven companies earned an aggregate profit of Rs.21.40 crore out of which five companies earned profit for two or more successive years.

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, 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 12 profit earning companies, which finalised their accounts by 30 September 2004, only one company i.e., Orissa Power Generation Corporation Limited declared interim dividend of Rs.61.28 crore for the year 2003-04.

Loss incurring working Government companies

1.10 Of the 16 loss incurring working Government companies, eight*** companies had accumulated losses aggregating Rs.1,921.25 crore, which exceeded their aggregate paid-up capital of Rs.513.88 crore. Despite poor performance and complete erosion of paid-up capital, the State Government had provided financial support of Rs.76.35 crore to one (Grid Corporation of Orissa Limited) of these eight companies, by way of loan (Rs.53.44 crore) and grants (Rs.22.91 crore) during the year 2003-04.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 Only one Statutory corporation i.e., Orissa State Warehousing Corporation (OSWC) which finalised its accounts for 2003-04 and earned profit of Rs.32.54 lakh had declared dividend of Rs.6.53 lakh for the year 2003-04. The Corporation also earned profit successively for two or more years.

Similarly, one Statutory corporation (Orissa State Financial Corporation) which finalised its accounts for previous year by 30 September 2004 earned

* Excluding APICOL (Sl.No.A-4) which was functioning on 'No profit no loss'.

** Excluding one company (Sl.No.A-14) which was functioning on 'No profit no loss' and two companies (Sl.No.A-19 and A-32) which had not finalised their first accounts.

*** Sl.Nos.A-1,8,10,13,18,25,26 and 30.

profit of Rs.1.30 crore and the Corporation earned the profit for two or more successive years.

Loss incurring Statutory corporations

1.12 Orissa State Road Transport Corporation which had finalised its accounts for previous years by 30 September 2004 had incurred an aggregate loss of Rs.11.39 crore and had accumulated loss of Rs.223.49 crore which exceeded its paid-up capital of Rs.136.50 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 66 paise per kilometer in 2001-02, a profit of 14 paise per kilometer was registered in 2002-03. This profit, however, turned into a loss of 66 paise per kilometer in 2003-04 mainly due to reduction in fleet size, effective kilometers operated and increase in average operating expenditure per kilometer. In respect of Orissa State Warehousing Corporation, profit per tonne continued to show a reducing trend from Rs.12.84 in 2001-02 to Rs.3.78 in 2002-03 and to Re.0.88 in 2003-04 due to lower percentage of capacity utilisation and reduction of average revenue per tonne in 2003-04.

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 30* working companies (up to 30 September 2004), the capital employed** worked out to Rs.7662.66 crore and total return*** thereon amounted to Rs.108.37 crore which was 1.41 per cent as compared to total return of Rs.6184.22 crore in the previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to 30 September 2004) worked out to Rs.775.68 crore and Rs.9.61 crore respectively against the total return of (-)Rs.72.19 crore in the previous year (accounts finalised up to September 2003).

* Two companies at Sl.Nos A-19 and 32 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 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 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 is given below:

Sl. No.	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2004)	Remarks
	Commitments made by the State Government			
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 2004).
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	--
	General			
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 2004, the total investment in 35 non-working Government companies was 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 against the total investment of Rs.216.86 crore (equity Rs.64.44 crore including share application money Rs.23.96 crore and long-term loans Rs.152.42 crore) as on 31 March 2003.

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***	22	36.75	38.76
(ii)	Under liquidation****	13	28.03	19.07
	Total	35	64.78	57.83

Sector wise investment in non-working Government companies

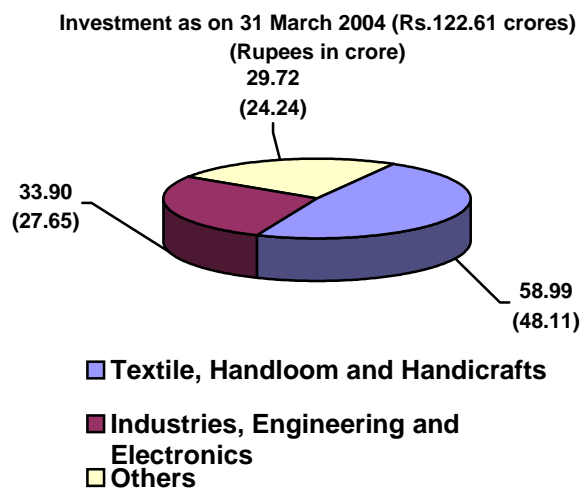
1.18 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 2003 are indicated below in the pie charts:

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

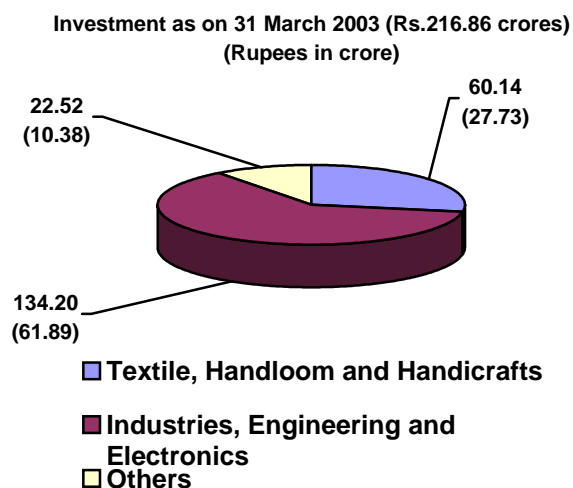
** Erstwhile Schedule of the Orissa Electricity Reform Act, 1995 repealed by the Electricity Act, 2003

*** Companies at Sl Nos.C-1,2,3,8,9,10,11,15,17,19,20,22,23,24,25,26,27,31,32,33, 34 and 35 of Annexure-2

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



(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 2003-04 State Government has written off loan of Rs.5.05 crore and waived penal interest of Rs.16.95 crore for ABS Spinning Orissa Limited (**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 2003-04 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	
2001-02	4	0.19	0.11	--	0.04	0.04

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
Total	--	0.95	0.36	--	0.15	0.44

Finalisation of accounts by non-working PSUs

1.21 The accounts of 33 non-working companies were in arrears for periods ranging from one year to 33 years as could be noticed from **Annexure-2**. During the period October 2003 to September 2004, two non-working Government companies (Sl. No.C-1 and C-3 of Annexure) finalised their accounts for the year 2003-04. During this period three non-working Government companies (Sl.Nos.C-14, 16 and 34 of Annexure) finalised two accounts each for previous years and two non-working Government companies (Sl.No. C-11 and 18 of Annexure) finalised three accounts each for previous years.

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 the total 35 non-working companies, information regarding net worth **, cash loss and accumulated loss in respect of 14*** companies was not available. The net worth of remaining 21 non-working companies against their paid up capital of Rs.47.31 crore was (-)Rs.199.15 crore. These**** companies suffered cash loss of Rs.87.39 crore and their accumulated loss worked out to Rs.299.94 crore.

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:

* Out of 35 non-working companies, six companies furnished the information out of which establishment expenditure in case of three companies were 'Nil'.

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

*** Fourteen companies (at Sl.Nos.C-4,5,6,7,9,12,13,17,19,26,28,29,30 and 32 of Annexure-2) are defunct/closed since long and their accounts are not available.

**** Except New Mayurbhanj Textiles Limited (Sl. No.C-20 of Annexure-2) which had accumulated profit.

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)*	2002-03	--	--	--
2	Orissa State Road Transport Corporation (OSRTC)	1995-96	1996-1997 1997-1998 1998-1999 1999-2000	09 January 2004 13 February 2004 23 July 2004 10 August 2004	--
3	Orissa State Financial Corporation (OSFC)	SARs for the years 1997-98, 1998-99 and 1999-2000 were placed in the Orissa Legislative Assembly on 23 July 2004 as per commitment by Government/Corporation in the meeting of the Committee on papers laid on the table held on 14 August 2003. SARs for 2000-01 and 2001-02 were placed along with Annual Reports of the Corporation for the years 2001-02 and 2002-03 respectively. SAR for the year 2002-03 issued on 13 April 2004 was yet to be placed.			

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 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.

* Supplementary Audit of accounts for the year 2003-04 was in progress as on 30 September 2004. The SAR was issued to Government on 20 October 2004.

The present status of the Reform Programme in respect of the Public Sector Enterprises (September 2004) is given below:

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
IDCOL Rolling Mill (Unit of IDCOL)	Disinvestment through privatisation	October 1999	Incorporated as a separate company named "IDCOL Rolling Mills Limited" on 22 March 2002. Unit Trust of India appointed as the advisor to undertake the disinvestment. Negotiations with the highest bidder was done and decision awaited.
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999	Winding up order issued by BIFR on 29 October 1999 and the decision was pending in the High Court.
Ferro Chrome Plant and Kalinga Iron Works, (Units of IDCOL)	Partial privatisation	October 1999	Incorporated as two separate companies named as "IDCOL Ferro Chrome and Alloys Limited" (IFCAL) and "IDCOL Kalinga Iron Works Limited" (IKIWL) on 26 March 1999. An advisor has been appointed to undertake the disinvestment of IFCAL. In case of IKIWL, valuation of assets was in progress. In respect of IFCAL qualified interested parties have been shortlisted. Further process has not yet started.
IDCOL Cement Limited	Revival/ Closure	31 March 2000	Transfer of ownership to ACC Limited with effect from 23 December 2003.
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	Public and Co-operative Enterprises has recommended for approval of Cabinet Committee on disinvestment.
Kalinga Studios Limited	Privatisation	2002-05	Asset valuation with title scrutiny of title completed
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 except in case of IDCOL Cement Limited none of the milestones have been achieved till date (September 2004).

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

1.25 During the period from October 2003 to September 2004, the audit of accounts of 36 Government companies (25 working and 11 non-working) and three 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	10	1	11.98	2.02
(ii) Decrease in loss	3	--	35.85	--
(iii) Decrease in profit	5	2	2.30	6.01
(iv) Non-disclosure of material facts	1	--	0.10	--

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

Grid Corporation of Orissa Limited (2002-03)

1.26 Overstatement of loss for the year by Rs.66.17 crore due to non-accountal of cash incentive received on bonds issued to NTPC.

Industrial Development Corporation of Orissa Limited (2002-03)

1.27 Understatement of loss by Rs.22.41 crore due to accounting of (i) corporate charges on the subsidiaries as Miscellaneous receipts without any agreement/Memorandum of Understanding (Rs.21.96 crore) and (ii) inclusion of profit margin on export sales of chrome ore in April 2003 (Rs.0.45 crore)

Orissa Small Industries Corporation Limited (2001-02)

1.28 Non provision of doubtful debt resulted in understatement of cumulative loss by Rs.1.15 crore.

Orissa Mining Corporation Limited (2001-02)

1.29 Understatement of loss by Rs.0.82 crore due to non writing-off the capital expenditure incurred in a Joint Venture Company, decided to be wound up.

Orissa Construction Corporation Limited (2001-02)

1.30 Understatement of cumulative loss by Rs.0.68 crore due to non-provision of interest on the outstanding EPF dues not deposited with the RPF Commissioner.

IDCOL Kalinga Iron Works Limited (2002-03)

1.31 Non-provision of interest payable to the supplier of coke due to delay in retirement of documents beyond 60 days of Bill of Lading resulted in understatement of loss for the year by Rs.0.56 crore.

Orissa State Financial Corporation (2002-03)

1.32 Overstatement of profit for the year by Rs.3.35 crore due to (i) short provision for non-performing asset in respect of 20 cases where industrial or collateral security was not available (Rs.2.98 crore) (ii) short provision for non-performing assets against the loan disbursed on 'No Lien' Account in respect of one case where neither assets were created nor any collateral security was obtained (Rs.0.37 crore).

Recoveries at the instance of audit

1.33 Test check of records of Power Sector Companies and other PSUs conducted during 2002-04 disclosed incorrect application of tariff/short levy of Excise Duty/non-availing of Industrial Policy Resolution benefits/extension of credit beyond limit aggregating Rs.47.03 crore in four cases. In three cases, the companies accepted the observations which had been pointed out by audit and in one case, Rs.30 lakh relating to extension of credit beyond limit was recovered at the instance of audit.

Internal audit/internal control

1.34 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 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 12 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 set up by five companies.
- ◆ The internal audit done by 10 companies was not satisfactory.

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

1.35 During October 2003 to September 2004, the Committee on Public Undertakings (COPU) held eight meetings and discussed two reviews and five paragraphs of the Audit Reports (Commercial) for the years 1993-2002. The position of Audit Reports (Commercial) pending in COPU for discussion as on 30 September 2004 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	1	18	1	4	1	1
1994-95	3	21	1	15	1	--	1	6
1995-96	3	20	1	16	--	1	2	3
1996-97	4	23	1	5	1	11	2	4
1997-98	1	14	1	8	--	1	--	2
1998-99	4	22	4	9	--	2	--	8
1999-2000	4	25	4	17	--	8	--	--
2000-01	3	22	3	18	--	4	--	--
2001-02	3	14	2	14	1	--	--	--
2002-03	3	21	3	21	--	--	--	--
TOTAL	32	206	21	141	4	31	6	24

619-B Companies

1.36 There were three companies coming under Section 619-B of the Companies Act, 1956, of which only one was working company. Two 619-B companies viz. S.N. Corporation Limited and Konark Met Coke Limited have finalised their accounts for the year 2003-04 during the period between October 2003 and September 2004. **Annexure-8** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.