REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

COMMERCIAL

GOVERNMENT OF ORISSA

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Preface

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

2. This report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Orissa under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) - Government of Orissa.

3. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Orissa State Road Transport Corporation, which is a Statutory corporation, the Comptroller and Auditor General of India is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of the Orissa State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of the Orissa State Warehousing Corporation, he has the right to conduct the audit of its accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. In respect of Orissa State Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2004-05 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2004-05 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 69 Public Sector Undertakings (PSUs) comprising 66 Government companies and three Statutory corporations. Of these, there were only 31 working Government companies and the remaining 35 were non-working Government companies. All the three Statutory corporations were working corporations. In addition, there were two companies under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2005.

(Paragraphs 1.1 and 1.35)

The total investment in working PSUs decreased from Rs.12,294.34 crore as on 31 March 2004 to Rs.10,137.04 crore as on 31 March 2005. The total investment in non-working PSUs decreased from Rs.122.61 crore as on 31 March 2004 to Rs.108.60 crore as on 31 March 2005.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs increased from Rs.125.75 crore in 2003-04 to Rs.180.82 crore in 2004-05. The State Government guaranteed loans aggregating Rs.889.95 crore during 2004-05. As on 31 March 2005, guarantees of Rs.759.48 crore were outstanding against five working Government companies and one Statutory corporation.

(Paragraph 1.6)

The accounts of 27 working Government companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2005. The accounts of 16 defunct non-working Government companies were in arrears for periods ranging from one to 34 years as on 30 September 2005. Only four working Government companies and two non-working Government companies finalised their accounts for the year 2004-05 by September 2005.

(Paragraphs 1.7 and 1.21)

According to latest finalised accounts, 16 working PSUs (14 Government companies and two Statutory corporations) earned aggregate profit of Rs.744.56 crore. Against this, 14 working PSUs (13 working Government companies and one Statutory corporation) incurred aggregate loss of Rs.87.64 crore. Of the loss incurring working Government companies, eight companies had accumulated losses aggregating Rs.175.59 crore which exceeded their paid-up capital of Rs.39.92 crore. One loss incurring Statutory corporation had accumulated loss of Rs.375.76 crore, which exceeded the paid-up capital of Rs.87.57 crore.

(Paragraphs 1.8, 1.10 and 1.12)

2. Reviews in respect of Government companies

Reviews relating to Construction Activities of **Orissa State Police Housing and Welfare Corporation Limited**, Procurement and Distribution of rice by **Orissa State Civil Supplies Corporation Limited** and Internal Control System and Internal Audit in State Financial Sector Undertakings - **Industrial Promotion and Investment Corporation of Orissa Limited** and **Orissa State Financial Corporation** were conducted and some of the main findings are as follows:

Construction Activities of Orissa State Police Housing and Welfare Corporation Limited

Orissa State Police Housing and Welfare Corporation Limited is a wholly owned State Government Company set up with the main objective of formulating and executing housing schemes for both residential and non-residential purposes for the Police, Vigilance and Fire Service Departments of Government of Orissa (GoO) as well as Government of India (GoI). The Company could not obtain any work through participation of tender and mainly depended on the work allotted by the Government.

The Company did not prepare any Action Plan for utilisation of funds as a result there was under utilisation of funds (52.81 per cent) and shortfall in achievement of targets (46.38 per cent).

Implementation of projects was tardy with instances of delays and deviation from estimates, designs and basic procedures leading to avoidable expenditure/ loss (Rs.3.32 crore) besides being deprived of Central assistance of Rs.48.62 crore from Government of India.

(Chapter 2.1)

Procurement and Distribution of rice by Orissa State Civil Supplies Corporation Limited

Orissa State Civil Supplies Corporation Limited (OSCSC) is a wholly owned Government Company set up with the objective of procurement and distribution of rice and other essential commodities so as to ensure their availability to the beneficiaries at reasonable prices. The Company could not fulfil its objectives as distribution of allotted stock to the beneficiaries within the same month was not ensured and the beneficiaries were deprived of the benefit of the scheme.

There were instances of excess lifting and distribution of rice costing Rs.3.37 crore due to non-reduction of Antyodaya Anna Yojana cards from the BPL card strength and not accounting for death and migration cases.

The Company failed to analyse the reasons for persistent low off-take of rice under the schemes and consequently could not take remedial action.

(Chapter 2.2)

Internal Control System and Internal Audit in State Financial Sector Undertakings – Industrial Promotion and Investment Corporation of Orissa Limited and Orissa State Financial Corporation

Orissa State Financial Corporation (OSFC) was established with a view to provide financial assistance to medium and small industries. Industrial Promotion and Investment Corporation of Orissa Limited was incorporated with the main objective of ensuring rapid industrialisation of the State by providing financial and technical assistance to develop medium and large industries.

Some of the important points noticed in audit are given below:

Budget was not finalised before commencement of the year. The reasons for variations between budgeted and actual figures under different heads were not analysed by both the organisations.

Internal Audit in both the organisations was inadequate. Compliance to the observations of Internal Audit were not ensured. Internal Audit has, therefore, not been able to monitor or ensure strengthening of Internal Control System.

Internal Control System in respect of appraisal, sanction, disbursement and monitoring of term loans was inadequate in both the organisations.

The percentage of recovery in OSFC declined from 13.87 in 2001-02 to 5.09 in 2003-04 which resulted in increase in Non-Performing Assets (NPA) from 74.60 per cent in 2000-01 to 86.44 per cent in 2003-04. Demand notices were not sent to the loanees at regular interval, wilful defaulters were not identified and stringent recovery measures were not taken to reduce the NPA.

(Chapter 2.3)

3. Transaction audit observations

Audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications, which are listed below category-wise:

There were seven cases of loss amounting to Rs.25.48 crore on account of:

- faulty planning;
- injudicious investments;
- non surrender/non closure of Government guarantees on loans;
- undue benefit to contractors; and
- failure to discharge contractual obligations.

(Paragraphs 3.1 and 3.7 to 3.12)

Instances of avoidable and wasteful expenditure due to:

- injudicious procurement;
- non commissioning of equipment; and
- avoidable payment of interest amounted to Rs. 1.98 crore while faulty computation of storage charges and failure to make proper metering arrangements led to loss of revenue of Rs. 3.02 crore.

(Paragraphs 3.2 to 3.4, 3.6 and 3.13)

Gist of some of the important audit observations is given below:

Orissa Mining Corporation Limited extended undue benefit of Rs.15.52 crore to a contractor due to payment of higher wage component.

(Paragraph 3.7)

Production of certified seeds by **Orissa State Seeds Corporation Limited** without assessing the demand resulted in loss of Rs.5.40 crore.

(Paragraph 3.8)

Orissa Power Generation Corporation Limited extended undue benefit of Rs.1.82 crore to the contractors by paying compensation in violation of the agreed settlement.

(Paragraph 3.1)

Grid Corporation of Orissa Limited failed to commission Dissolved Gas Analysis equipment which resulted in wasteful expenditure of Rs.1.12 crore.

(Paragraph 3.3)

Non-surrender of Government Guarantee on unavailed/ repaid loans in time by **Orissa State Financial Corporation** resulted in avoidable expenditure of Rs.1.03 crore towards guarantee commission.

(Paragraph 3.12)

Chapter-I

Overview of Government companies and Statutory corporations

Introduction

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

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

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

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

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

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

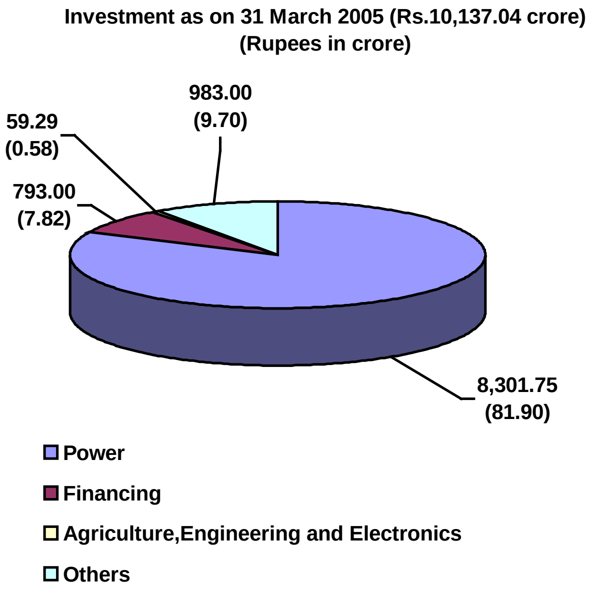
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

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

Sector wise investment in working Government companies and Statutory corporations

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



(Figures in brackets indicate percentage)

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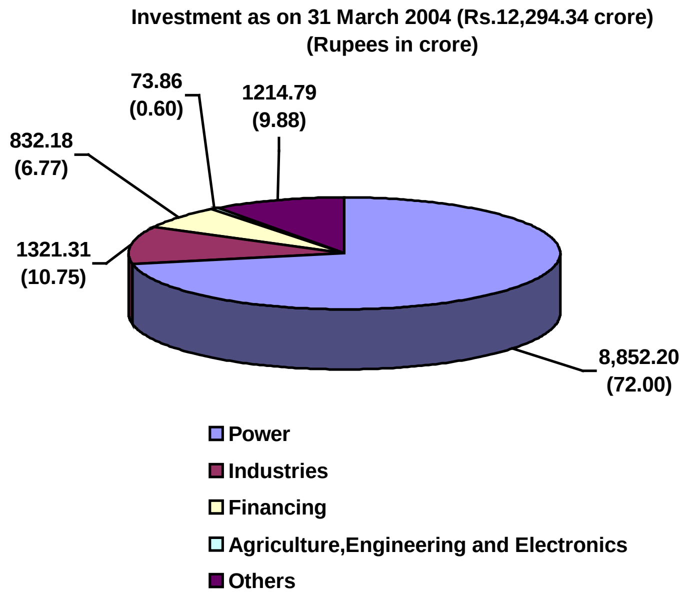
* State Government's investment was Rs.5,970.76 crore (others: Rs.4,166.28 crore). Figure as per Finance Accounts 2004-05 is Rs.3,296.17 crore. The difference is under reconciliation.
** Long-term loans mentioned in paragraphs 1.2,1.3 and 1.4 are excluding interest accrued and due on such loans.
*** Grid Corporation of Orissa Limited and Orissa Rural Housing and Development Corporation Limited (Sl. No.A-17 & 27 of Annexure-I).
**** During the year 2003-04, Industries Sector included only one company i.e. Neelachal Ispat Nigam Limited, which ceased to be State Government company during the year 2004-05.



(Figures in brackets indicate percentage)

Working Government companies

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

(Rupees in crore)

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

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

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

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

* Neelachal Ispat Nigam Limited.

Working Statutory corporations

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

(Rupees in crore)

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

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

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

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

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

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

(Rupees in crore)

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

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

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

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

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

Finalisation of accounts by working PSUs

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

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

[*] Actual number of companies/corporations which received equity/loans/grants/subsidy from State Government during the year.
[**] Sl Nos. A- 8, 15, 16 and 30 of Annexure 2.

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

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

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

Financial position and working results of working PSUs

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

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

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

Working Government companies

Profit earning working companies and dividend

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

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

The State Government had accepted (August 1996) the recommendation of the 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 14 profit earning companies, which finalised their accounts by September 2005, only one company i.e., Orissa Power Generation Corporation Limited paid interim dividend of Rs.61.28 crore and proposed further dividend of Rs.56.37 crore for the year 2004-05.

Loss incurring working Government companies

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

Working Statutory corporations

Profit earning Statutory corporations and dividend

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

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

[*] Excluding two companies (Sl.No. A-4,13) which was functioning on ‘ No profit no loss’ and two companies (Sl No. A-18 and A-31) which had not finalised their first accounts.
[**] Sl.Nos.A-1,5,7,9,12,22,24 and 25.

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

Loss incurring Statutory corporations

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

Operational performance of working Statutory corporations

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

Return on capital employed

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

[*] Two companies at Sl.Nos A-18 and 31 had not finalised their first accounts.
[**] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including 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, as per information received from Government in September 2004, is given below:

Sl. No.	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2005)	Remarks
	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 2005).
3.	100 per cent metering of all distribution feeders	December 2002	20 per cent	--
4.	100 per cent metering of all consumers	December 2002	84 per cent	--
5.	Agreement for securitising the outstanding dues of CPSUs	July 2002	Executed on 20 March 2003	--
6.	State Electricity Regulatory Commission (SERC) i) Establishment of OERC	April 1996	Set up in June 1996	--
	ii) Implementation of tariff orders issued by OERC during the year	Annually	Implemented	--
	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 2005, the total investment in 35 non-working Government companies was Rs.108.60 crore*** (equity Rs.65.33 crore including share application money Rs.23.96 crore and long-term loans Rs.43.27 crore) as against the total investment of Rs.122.61 crore (equity Rs.64.78 crore including share application money Rs.23.96 crore and long-term loans Rs.57.83 crore) as on 31 March 2004.

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

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

(Rupees in crore)

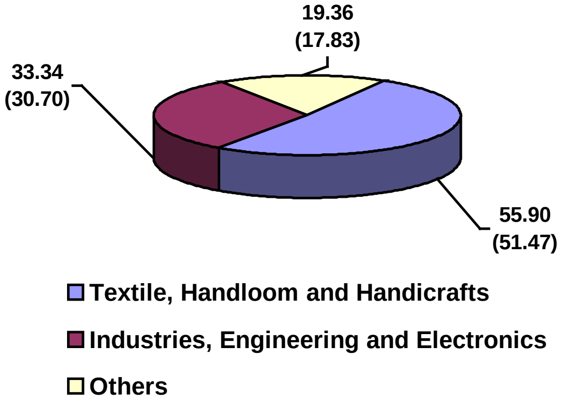
Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
(i)	Closed****	17	25.30	9.76
(ii)	Under liquidation*****	18	40.03	33.51
	Total	**35**	**65.33**	**43.27**

* Since replaced with Section 82(1) of the Electricity Act, 2003.
** Erstwhile Schedule of the Orissa Electricity Reforms Act, 1995 repealed by the Electricity Act, 2003.
*** State Government investment was Rs.72.79 crore (others:Rs.35.82 crore). Figure as per Finance Account, 2004-05 is Rs.68.81 crore. The difference is under reconciliation.
**** Companies at Sl Nos.C-2,3,8,11,15,17,19,20,22 ,25,26,27,31,32,33,34 and 35 of Annexure-2.
***** Companies at Sl Nos.C-1,4,5,6,7,9,10,12,13,14,16,18,21,23,24,28,29 and 30 of Annexure-2.

Sector wise investment in non-working Government companies

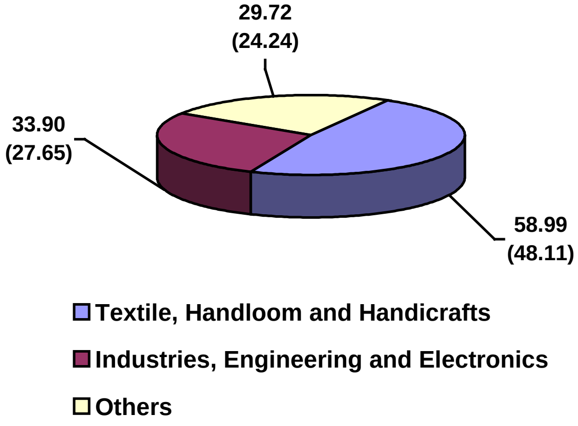
1.18 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2005 and at the end of 31 March 2004 are indicated below in the pie charts:

Investment as on 31 March 2005 (Rs.108.60 crore)
(Rupees in crore)



(Figures in brackets indicate percentage)

Investment as on 31 March 2004 (Rs.122.61 crore)
(Rupees in crore)



(Figures in brackets indicate percentage)

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

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

Total establishment expenditure of non-working PSUs

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

(Rupees in crore)

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

Finalisation of accounts by non-working PSUs

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

Financial position and working results of non-working PSUs

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

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

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

(Rupees in crore)

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

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

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

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

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Restructuring Programme of Government of Orissa

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Orissa Mining Corporation Limited (2003-04)

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

Industrial Development Corporation of Orissa limited (2003-04)

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

Orissa State Electronics Development Corporation Limited (2000-01)

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

Orissa State Road Transport Corporation (2001-2002)

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

Recoveries at the instance of audit

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

Internal Audit/Internal control

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

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

Recommendation for closure of PSUs

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

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

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

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

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

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

619–B Companies

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

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

CHAPTER-II

Reviews relating to Government companies

2.1 Construction Activities of **Orissa State Police Housing and Welfare Corporation Limited**

2.2 Procurement and Distribution of rice by **Orissa State Civil Supplies Corporation Limited**

2.3 Internal Control System and Internal Audit in State Financial Sector Undertakings - **Industrial Promotion and Investment Corporation of Orissa Limited** and **Orissa State Financial Corporation**

2.1 CONSTRUCTION ACTIVITIES OF ORISSA STATE POLICE HOUSING AND WELFARE CORPORATION LIMITED

Highlights

Orissa State Police Housing and Welfare Corporation Limited, incorporated in May 1980, mainly to execute housing schemes for Police, Vigilance and Fire Service Departments of Government of Orissa as well as Government of India. No action plans were prepared for utilisation of funds as a result the Company executed works valued at Rs.91.65 crore only against Rs.191.59 crore, received for implementation of various housing schemes during the five years ending 31 March 2005.

(Paragraphs 2.1.1, 2.1.7 and 2.1.9)

Delay in execution of projects deprived the Company of Central assistance/ funds from Government of India amounting to Rs.48.62 crore while execution of the projects not in the Action Plan entailed a loss of Rs.1.16 crore.

(Paragraphs 2.1.10 and 2.1.12)

The Company undertook the deposit works of Utkal University without receipt of funds which led to non-realisation of Rs.1.76 crore.

(Paragraph 2.1.17)

Payment of higher rates to job workers and incurring excess expenditure on external electrification works resulted in loss of Rs.2.16 crore.

(Paragraphs 2.1.20 and 2.1.21)

Introduction

2.1.1 Orissa State Police Housing and Welfare Corporation Limited was incorporated in May 1980 as a wholly owned State Government Company with the main objective of:

- formulating and executing housing schemes for both residential and non-residential purposes for the Police, Vigilance and Fire Service Departments of Government of Orissa (GoO) as well as Government of India (GoI);

- taking up construction, repair, maintenance, modification and renovation of roads, buildings and other civil structures through competitive tender or on the basis of direct placement of works.

In pursuance of the objectives, the Company had undertaken allotted works of the GoO since inception and deposit works of State Universities and other bodies since 1989.

The Management of the Company vests in a Board of Directors consisting of nine Directors including the Chairman-cum-Managing Director (CMD). The CMD, being the Chief Executive of the Company, was assisted by General Manager (Engineering), Financial Advisor, Company Secretary-cum-Manager (Finance), Manager (Administration), four Deputy Project Managers (DPM) at Head office and eight DPMs for execution of work at eight zones. The post of General Manager (Engineering) was upgraded to Chief Engineer (Civil) with effect from February 2004. The post has been lying vacant since December 2004.

Scope of Audit

2.1.2 The working of the Company was last reviewed and the results were commented upon in the Report of the Comptroller and Auditor General of India (Commercial) for the year ending 31 March 1992, Government of Orissa.

The present review conducted during September 2004 to December 2004 and February 2005 to March 2005 covers the construction activities of the Company for the five years ending 31 March 2005.

2.1.3 Audit findings as a result of review on the performance and working of the Company were reported to Management/Government in May 2005 with a specific request to attend the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that the view point of Management/Government was taken into account before finalising the review. The meeting of ARCPSE was held on 15 July 2005 and attended by the

Chairman-cum-Managing Director of the Company and Additional Secretary, Home Department, Government of Orissa. The views expressed by the members have been taken into account during finalisation of the review.

Audit Objectives

2.1.4 Performance audit of construction activities of the Company was conducted with a view to assess whether the Company executed different categories of works undertaken by it economically, efficiently and effectively.

The achievement of the Company in implementation of the construction of buildings under various schemes was examined during Audit. Audit analysed the matters like preparation of estimates, selection of job workers, procurement of material by the Company, etc. Internal Control system of the Company relating to cash and inventories, maintenance of records and the matters connected with the construction activities were also examined.

Audit criteria

2.1.5 The main audit objective being to verify whether the different categories of works have been executed on schedule and within the estimated cost, Audit adopted the following criteria with a view to see whether:

- estimates of works were prepared by adopting Current Schedule of Rate (CSR) ;
- materials were procured and contractors were selected by adopting the tender system;
- the provisions of the Orissa Public Works Department (OPWD) Code of the Works Department of Government of Orissa were considered for works/activities where no other provision was applicable;
- the decisions of the Board of Directors, circulars and office orders of the Chief Executive as well as other Executives, instructions of the GoO and GoI were considered by the Company while executing the projects/works.

Audit Methodology

2.1.6 Audit examined the records maintained at the corporate office as well as at all eight zonal offices. The correspondence made with GoO and GoI and other allottees of works, instructions issued from corporate office, Monthly Progress Reports containing up to date activities of the Company relating to different categories of works under various schemes were also examined during Audit for the purpose of collection of data and gathering evidence.

Audit Findings

Financial management of works

2.1.7 During the five years ending 31 March 2005, the Company executed allotted works (all by GoO) and deposit works valued at Rs.91.65 crore only as against receipt of funds worth Rs.191.59 crore. The schemes of the works, being undertaken by the Company, stipulate the completion of projects and utilisation of the funds within the year of their receipt.

The year-wise receipt and expenditure of funds by the Company for the last five years ending 2004-05 were as follows:

Year	Opening Balance	Receipt during the year	Total Funds	Expenditure during the year	Closing Balance	Percentage of expenditure to funds
	(Rupees in crore)					
2000-01	2.64	3.95	6.59	5.03	1.56	76
2001-02	1.56	16.90	18.46	7.22	11.24	39
2002-03	11.24	20.77	32.01	12.81	19.20	40
2003-04	19.20	60.97	80.17	27.39	52.78	34
2004-05	52.78	89.00	141.78	39.20	102.58	28
Total		**191.59**		**91.65**		

It would be observed from the above table that the percentage of expenditure to total funds ranged from 28 to 40 except in 2000-01. The poor utilisation of funds was due to non-execution of works by the Company within the time schedule, delay in execution by job workers and engagement of same job workers for different works at the same time. Audit also observed that the Company was not preparing working plan for utilisation of funds as per budget.

The Management/Government stated (July/August 2005) that funds of Rs.32.93 crore were received in the last quarter of 2004-05. Further, quality, safety and durability of the buildings were given more importance while executing the works. It was also stated that the works were executed as per work plan and reviewed from time to time at management and Government level.

The fact, however, remains that execution of projects was not done in time and works valued at Rs.102.58 crore were pending for completion as on 31 March 2005.

Execution of works

2.1.8 In respect of works allotted by GoO, the Company prepared the drawings, designs and estimates, etc. and submitted the same to the Technical Committee (TC) constituted by the GoO for according Technical Sanction (TS). Consequent upon the abolition of TC (November 2004), the TS was to be accorded by the Chief Engineer of the Company. The estimates were then sent to GoO for obtaining Administrative Approval (AA).

The post of Chief Engineer (CE) was lying vacant since December 2004. The Manager (Administration) of the Company though being non-technical, was entrusted in June 2005 the charge of the CE with power to sign the estimates. In absence of CE (Civil), no technical sanction was accorded for taking up the works from December 2004. Audit noticed that 116 works approved by CE (Civil) in November 2004 were submitted to Government after a delay of one month to four months for Administrative Approval.

In respect of Deposit Works, the clients are required to deposit the necessary funds before taking up works by the Company. The Company, thereafter, issues work order to the Zonal DPMs for execution of works of different categories.

Allotted Works

2.1.9 The Company had undertaken works mainly under the three categories viz. Modernisation Grants (MG), Centrally Sponsored Non-plan Scheme (CSNPS) for Prison Reforms and Eleventh Finance Commission Awards.

The works were executed either departmentally by engaging labourers or through job workers (i.e. contractors) under supervision of Company's technical staff. Scheme-wise details of works undertaken, completed and works in progress during the currency of each scheme from beginning of the respective schemes till end of 2004-05 were as under:

	Year	**Spill over from previous year**	**No. of works undertaken during the year**	**Total**	**No. of works completed**	**Spill over to next year**
A	**Modernisation Grants**					
	2000-01*	0	368	368	317	51
	2001-02	51	110	161	46	115
	2002-03	115	40	155	6	149
	2003-04	149	84	233	0	233
	2004-05	233	58	291	0	291

* Being the first year of respective schemes.

	Year	Spill over from previous year	No. of works undertaken during the year	Total	No. of works completed	Spill over to next year
B	**Centrally Sponsored Non-plan Scheme**					
	2002-03*	0	62	62	12	50
	2003-04	50	93	143	5	138
	2004-05	138	88	226	0	226
C	**Eleventh Finance Commission Award Works**					
	2000-01*	0	95	95	93	2
	2001-02	2	61	63	55	8
	2002-03	8	89	97	72	25
	2003-04	25	27	52	24	28

The Company did not prepare any scheme-wise action plan of its own. The scheme-wise lapses of the Company noticed in Audit are discussed in succeeding paragraphs.

Modernisation Grants (MG)

2.1.10 The GoI approved (February 2001) a five year perspective Action Plan of GoO on Modernisation of Police Force (MPF) from 2000-01 to 2004-05. GoO was to receive 50 per cent of the expenditure as central assistance up to 2002-03 and 60 per cent thereafter. The MG assistance was to be utilised during the year of receipt against the specified projects. Any diversion of funds without approval of GoI would result in corresponding reduction in allocation for the next year.

The Company could not utilise funds of Rs.25.81 crore out of Rs.100.37 crore.

The status of the funds released for each project and the details of year-wise amount received, projects allotted, projects completed and unutilised balance with the Company for five years from 2000-01 to 2004-05 are summarised in **Annexure-9**. It would be seen from the Annexure that funds of Rs.25.81 crore out of Rs.100.37 crore remained unutilised as on 31 March 2005.

In this regard, following also deserve mention:

- In respect of execution of non-residential works relating to 2000-01, the Company issued (July/August 2001) work orders for 121 Out Post (OP) and 142 Restroom-cum-Toilet (RT) buildings to be completed within four months. Five buildings only were completed in time and three buildings (RT) were lying incomplete (July 2005) excluding two buildings blown up by naxalities. Other 255 buildings were completed with delays ranging from one month to 43 months.

* Being the first year of respective schemes.

- In respect of works of Police Stations (PS), the Company issued work orders for 34 PS buildings in April/September 2002, to be completed within ten months. Only four building were completed in time and two were lying incomplete (July 2005). Others were completed with delays ranging from one month to 27 months.

- As regards residential works, the Company was entrusted (April 2002) with construction of 84 E type quarters at Third Orissa State Armed Police, Koraput at an estimated cost of Rs.3.91 crore pertaining to the year 2000-01 and 12 E type quarters at Sunabeda at an estimated cost of Rs.55.87 lakh pertaining to 2001-02. The Company issued work orders in November 2002 (84 E type) and April 2003 (12 E type) to the Deputy Project Managers (DPMs) for construction of the projects. The construction of the projects scheduled for completion within one year was still incomplete (July 2005). Audit scrutiny further revealed that against provision for normal brick foundation in the approved plan, the Company executed the work for frame structure on account of site condition without prior approval of the State Government. This deviation in structure resulted in expenditure of Rs.46.43 lakh beyond the approved cost which had to be borne by the Company. This indicated that the estimate was prepared without inspection of site.

  Management/ Government replied (July/ August 2005) that due to non-availability of kiln burnt bricks, frame structure was adopted for safety of the buildings. The reply is not acceptable as the Company should have obtained prior approval of the State Government.

Execution of projects not in Action Plan resulted in loss of Rs.1.16 crore.

- The Company had undertaken construction of 54 E type Residential buildings at 6* places during 2002-03 even though these were not included in the Action Plan for 2002-03. In spite of non-availability of Administrative Approval (AA) against these projects, the Company incurred expenditure of Rs.1.16 crore as on 31 March 2005. The State Government refused (November 2003) to release money against these projects which resulted in loss of Rs.1.16 crore to the Company.

  Management/Government replied (July/August 2005) that the execution of projects was taken up in anticipation of AA. The reply is not acceptable as the AA was not obtained as required under the laid down procedure.

Delay in execution of projects deprived the Company of Government of India assistance of Rs.41.72 crore.

- In five years' approved Action Plan there was provision of Rs.35.60 crore and Rs.37.63 crore for construction of buildings during 2002-03 and 2003-04 respectively. As against this, GoI actually considered (January 2005) projects for only Rs.8.34 crore and Rs.23.17 crore respectively on the ground that during the preceding two years (2000-01 and 2001-02) projects were not implemented in time by the Company. The delay in execution of the projects by the

* Bhubaneswar, Jagatsinghpur, Malkanagiri, Nayagarh, Nuapada and Rayagada.

Company, thus, caused reduction in receipt of funds from GoI. The expected benefit could also not be achieved due to non-implementation of the scheme fully.

- Though the Management was aware (May 2002) of the fact that delay in execution of work was due to slow progress of work by the job workers and engagement of same job workers for different works, no remedial measure was taken for completion of works in time. Since the Company did not prepare action plan or flow chart for execution of the works, the stage-wise deviation in this regard could not be analysed in audit.

  Management/Government stated (July/August 2005) that at least 8 to 12 months were normally required for completion of projects. Further, the Company was executing projects in naxalite prone areas and inaccessible areas with various problems and difficulties. The reply is not tenable since out of 666 projects (306 incomplete and 360 completed with delay) only 88 projects were in difficult areas. The fact remains that the Company could not complete in time even those projects which were not situated in difficult areas.

State Police Academy (SPA)

2.1.11 For construction of boundary wall, approach road and site development at the SPA complex, Bhubaneswar, the Company submitted (January 2002) estimates amounting to Rs.42.44 lakh to the Police authorities. Home Department accorded (May 2002) AA for Rs.42.08 lakh. The Company issued work order to DPM, Puri for execution of the work within the approved cost of Rs.42.08 lakh. The DPM, Puri intimated (January 2003) the Head Office the need for revising the estimate of the said project for Rs.7.57 crore due to certain additional items of work. Though the proposed revised estimates were at huge variance to the approved cost estimates, the Company did not send the same to the Police authorities for AA so far (March 2005). The Company, meanwhile, spent Rs.70 lakh (up to March 2005) for construction of the boundary wall, etc. thereby exceeding the approved cost estimates by Rs.27.92 lakh. As the Home Department of GoO had clearly specified (December 2001) that no further amount under MG would be available above the AA amount, there was least likelihood of receipt of excess funds incurred. The work relating to boundary wall, approach road, etc. also remained incomplete due to non-revision of estimate.

Failure to obtain Administrative Approval on the revised estimate resulted in loss of Rs.27.92 lakh.

Centrally Sponsored Non-Plan Scheme for Prison Reforms

2.1.12 The GoI introduced (November 2002) a Non Plan Scheme for Prison Reforms viz. construction of sub-jails with staff quarters, upgradation of sub-jails to the status of district jails, repair and renovation of existing jails, improvement of sanitation and water supply and living accommodation of prison staff. The scheme was to be implemented over a period of five years from 2002-03 to 2006-07 on cost sharing basis in the ratio of 75:25 between the Central and State Government respectively. The five year plan 2002-07 for Rs.107.40 crore with annual allocation of Rs.21.48 crore with effect from

2002-03 were approved (November 2002) by the State Level Empowered Committee (SLEC) and the Central Empowered Committee (February 2004).

The Central and GoO's share, out of the total amount of Rs.107.40 crore for the five years, was Rs.80.55 crore and Rs.26.85 crore respectively. Government of Orissa allotted works of Rs.19.62 crore (July 2003) for the year 2002-03, Rs.22.93 crore (June 2004) for the year 2003-04 and Rs.21.47 crore (October 2004) for the year 2004-05. The table below indicates the year-wise details of allotment of projects, receipt of funds and utilisation of funds, etc., for three years up to 2004-05.

Year	No. of Projects	Estimated cost	Funds received	No. of projects completed	Total expenditure incurred	Unspent balance
		(Rupees in crore)				
2002-03	62	19.62	19.62	12	17.27	2.35
2003-04	93	22.93	19.51	5	16.70	2.81
2004-05	88	21.47	11.59	0	11.22	0.37
Total	**243**	**64.02**	**50.72**	**17**	**45.19**	**5.53**

The GoO intimated (July 2003) the Company that a part of approved estimate cost would be released in advance and subsequent release of funds would be decided by mutual consultation. The GoO asked the Company (August 2003) to submit the plan and estimates for obtaining AA and go ahead with construction works pending AA. The GoO again directed (September 2003) the Company to complete the works of Rs.18.37 crore by March 2004 since land and required infrastructure were available with the Company. Accordingly, the Company issued (October 2003) work orders to the DPMs to commence the works immediately. The detailed cost estimates were, however, submitted by the Company only in March 2004.

Delay in execution of works deprived the Company of Government of India assistance of Rs.6.90 crore.

The GoI again reviewed (November 2004) the progress of the works under the scheme and on finding the progress unsatisfactory, indicated that mechanism for resuming the unutilised funds may be evolved if the progress continued to lag behind the schedule. GoI clarified (February 2005) to the GoO that balance central assistance for Rs.6.90 crore pertaining to the year 2004-05 would not be released. Audit observed the following:

- Out of 243 projects, work orders for 63 projects were issued (October 2003) to the DPMs with stipulation to complete within 12 to 18 months. Seventeen projects valued at Rs.0.85 crore were actually completed by the end of March 2005. Though the Company received Rs.49.37 crore against the balance 226 ongoing projects (estimated at Rs.63.17 crore) scheduled to be completed by March 2005, the expenditure incurred was only Rs.44.34 crore as of March 2005. Even work orders for 17 projects valued at Rs.8.94 crore pertaining to the year 2004-05 were not issued (March 2005).

- The execution of work was delayed due to delay in submission of estimates.

Eleventh Finance Commission Award

2.1.13 For upgradation of standards of administration and special problems, hundred per cent grants were to be released to the State under the Eleventh Finance Commission (EFC) scheme. The amount was to be spent as per the guidelines formulated (November 2000) by GoI.

In this connection, the following observations are made:

Fire Station buildings

Despite availability of fund, the Company could complete only 17 against 32 fire station buildings.

2.1.14 The Company was entrusted (June 2001) with the construction of 32 Fire Station (FS) buildings, which were to be completed by March 2004. The deadline for completion of work was further extended to March 2005. The Company received the entire estimated cost of Rs.5.86 crore between April 2002 and January 2004. The technical approval for the works was accorded in December 2001 (11), June 2002 (13) and July 2003 (8). Work orders were issued to the DPMs in April 2002 (11) July 2003 (21) with stipulation to complete the projects within 18 months from the date of work orders. Thus, all the FS buildings were to be completed latest by December 2004. At the end of 31 March 2005, only 17 FS buildings were completed and handed over to the user department.

Audit observed that the reasons for delay in projects were mainly due to:

- delay in preparation of estimates by 6 to 25 months as well as issue of work order to the DPMs for construction of 24 out of 32 FS buildings pertaining to the years 2000-01 and 2002-03.

- lack of co-ordination between the DPMs and field staff and delay in execution of works by the job workers.

- non-preparation of action plan by the DPMs.

- poor follow-up action by the Company.

Further, the estimates of 23 out of 32 projects had provision of Rs.4.46 lakh towards construction of approach road and site development. At the time of execution of the works, there was an upward revision of the estimated cost to Rs.40.85 lakh. The Company decided (January 2004) to bear the excess expenditure of Rs.36.39 lakh in public interest.

Fast Track Court

2.1.15 Eleventh Finance Commission Scheme (EFC) award envisaged (June 2001) establishment of 72 Fast Track Court (FTC) buildings in the State at an estimated cost of Rs.2.95 crore during the years 2000-04. The GoO entrusted execution of 59 works to the Company in October 2003/February 2004 (48) and in February/July 2004 (11) at finally approved estimated cost of Rs.4.17 crore. These works were to be completed by March 2005. Accordingly, the Company issued work orders to DPMs in November 2003

(42), March 2004 (8) and October 2004 (9) with instruction to complete the buildings within six months and latest by March 2005. Audit observed that the Company, despite specific assurance for completion of 40 FTC buildings by March 2004, could complete only 19 out of 59 FTC buildings; 40 FTC buildings remained incomplete (July 2005) even after expiry of deadline of March 2005.

Deposit Works

2.1.16 The Company undertook the building and other projects of the Universities and other bodies on deposit work basis from the year 1989 onwards. In case of deposit works, the Company was to execute the works only to the extent of deposits received from the clients. The Board of Directors of the Company directed (May 2001) not to execute the works in absence of advance deposits. In this regard following deserve mention:

Utkal University Works

The Company undertook the deposit works of Utkal University without receipt of funds which led to non-realisation of Rs.1.76 crore.

2.1.17 The Company undertook 12 deposit works of Rs.4.73 crore from Utkal University (UU) and six works of Directorate of Distance and Continuing Education (DDCE) of Rs.2.32 crore during 1999-2000 to 2004-05. The Company received Rs.2.14 crore and Rs.1.70 crore respectively being deposits towards the said works. The Company completed (July 2000 to May 2004) nine works of UU at a cost of Rs.2.75 crore and completed all works of DDCE at an expenditure of Rs.2.33 crore. The Company, however, was yet to recover an amount of Rs.1.24 crore (July 2005) against the above works in addition to previous unrecovered balance of Rs.52.32 lakh for the works executed during 1989 to 1999.

Audit observed that:

- the Company accepted the deposit works from UU in spite of the fact that a sum of Rs.52.32 lakh was outstanding against UU for the works executed up to 31 March 1999.

- the Company executed extra items of work for DDCE valued at Rs.26.93 lakh on verbal instruction of the client without receipt of deposit. The extra expenditure so incurred was pending for realisation (July 2005).

- the Company started the work of repair of seven hostels damaged in super cyclone (October 1999) without sanction of estimates and spent Rs.30.26 lakh against initial receipt of Rs.8.85 lakh. The balance amount of Rs.21.41 lakh was yet to be recovered (July 2005).

District Rural Development Agencies

2.1.18 The Company executed deposit works of District Rural Development Agencies (DRDA) in different districts and incurred expenditure in excess of the amount deposited by them to the extent of Rs.20.45 lakh on works in four districts. The works were though completed and final bills submitted between January 2000 and August 2003, the Company did not take up the matter with higher authorities for realisation of the dues.

Preparation of estimate

2.1.19 The Company did not have any Accounting Manual of its own (March 2005). A proposal was placed (April 1996) before the Board to adopt the procedure of the Orissa Bridge and Construction Corporation Limited* (OBCC). The Board of Directors, however, decided (April 1996) that the estimates should be prepared by taking into account the prevalent market rates. Audit observed that in the absence of any defined procedure for assessing the market rates, the Company had been submitting estimates of works on the basis of market rates as obtained by respective DPMs.

The State Government issued (March 1999) common directives to the Company and OBCC for preparing the estimates taking into account Current Schedule of Rate (CSR). Besides, the Company was entitled to 15 per cent Supervision Charges (SC) on works. The Company complied with the directive only in respect of works related to "Prison Reforms". In other cases (viz. works relating to Modernisation Grants, etc.), the estimates were prepared strictly in accordance with the above directives.

Payment of higher wages

2.1.20 The Company supplied material and executed the works through the job workers at rates fixed by the Company. In respect of certain items like filling of sand, plastering work (12 mm and 16 mm), washing and painting of the walls rates were higher than the CSR. The payment at higher rate to job workers was met out of Supervision Charges (SC) of the Company. The amount of such excess payment was Rs.1.16 crore during the period of five years ending 2004-05.

Payment of higher rate to job workers than the CSR amounting to Rs.1.16 crore.

Adoption of lump sum provision for preparing estimates

2.1.21 Lump sum provisions for the works relating to external electrification had resulted in excess expenditure of Rs.1.41 crore on account of external electrification and escalation, etc. in executing the works relating to Ninth Finance Commission Grants. Keeping this aspect in view, the Board of Directors emphasised (December 2000) the need for preparation of estimate for external electrification on realistic basis.

The Company incurred excess expenditure on external electrification works resulting in loss of Rs.1 crore.

Audit scrutiny revealed that the Company made lump sum provisions for external electrification works relating to 57 projects executed during the five years ending March 2005. The Company incurred expenditure of Rs.1.49 crore against estimated cost of Rs.0.49 crore and suffered a loss of

* Another PSU of the State engaged in the construction activities.

Rs.1 crore. The Board of Directors decided (January 2004) to bear the excess expenditure on external electrification in the interest of public. After being pointed out by Audit, the Company claimed (February 2005) the differential cost of Rs.1 crore from the GoO, the decision thereon was, however, awaited (July 2005).

Undue benefit to contractors

2.1.22 Audit further observed that the Company awarded the work of external electrification of 46 projects out of 57 projects, during five years ending 2004-05 at an estimated cost of Rs.1.32 crore to eight contractors on the basis of estimates prepared by the four power distribution companies (DISTCOs). DISTCOs prepared estimates considering the current rates except CESCO[*] which worked out the estimates on the basis of rates for 1997-98 after allowing annual escalation of five per cent. This resulted in an extra benefit of Rs.16.96 lakh to the contractors on 20 projects. The Company did not take up the matter with CESCO.

Management/Government stated (July/August 2005) that CESCO prepared estimates based on rates of 1997-98 with five per cent escalation for subsequent years whereas other DISTCOs prepared estimates on the up to date rate and thereby the estimated costs of DISTCOs were at par.

The reply is not tenable in view of the fact that the rate charged by CESCO was higher than the rates charged by other DISTCOs.

Public Health (PH) works

2.1.23 The Board of Directors issued (December 2000) instruction for preparation of realistic estimates. The Company, however, makes lump sum provision against the external works relating to Public Health (PH) and water supply to the projects while preparing the detailed estimates for obtaining AA of the projects. Comparison of estimated cost with actual expenditure in respect of 25 projects revealed that in case of 21 projects, the actual expenditure was higher resulting in extra expenditure of Rs.19.36 lakh.

Management/Government, while accepting the facts, stated (July/August 2005) that the zonal DPMs had been instructed to minimise expenditure in other areas to accommodate project cost within the estimated provision.

Selection of Job Workers

2.1.24 The Company decided (September 1990) to adopt labour contract system for better and quicker execution of works. The Company, however, had not formalised any procedure for selection of contractors. The zonal DPMs, therefore, selected the job workers by adopting such procedure as were

[*] Central Electricity Supply Company of Orissa Limited – a power distribution company.

deemed fit by them. It was noticed that holding of valid contractor's licence, labour licence, Income Tax (IT) and Sales Tax (ST) clearance certificates, availability of manpower/machinery with the contractors were not verified before award of the work. Further, the Company did not enforce the terms of contract for realisation of penalty in the event of delay in execution of work.

Excess expenditure due to higher rate of labour payment

2.1.25 The Company decided (February 2003) for execution of boring of tubewells at Zonal level under the direct control and supervision of the DPM of respective zone by engaging locally available parties. The following deviations were noticed:

- Only in three, out of the eight zones, the concerned DPMs executed the work under their direct supervision and control.

- In five zones, the DPM (PH) at head office did not invite open tenders for selection of boring party from different zones.

- In three zones (Puri, Berhampur and Bhawanipatna), the concerned DPMs executed the boring of tube well depth of each metre with diameter of 5”X4” or 5”X4½”, 6”X4” or 6”X4½” and 8”X6” @ Rs.328, Rs.410 and Rs.690 respectively. The DPM (PH), however, executed works of boring of same diameter @ Rs.550, Rs.650 and Rs.950 in the same region. The Company, thus, incurred extra expenditure of Rs.11.15 lakh during October 2003 to February 2005 on 64 tube wells executed by DPM (PH).

The Management/Government stated (July/August 2005) that the difference in cost was due to soil condition and adoption of rotary method of drilling. The reply is not tenable since other zonal DPMs executed the works at the same locality at lower rates.

Procurement and Inventory Management

2.1.26 The Company had not been adopting the tender system till July 2003 in procurement of steel, cement and Public Health (PH) materials. The following irregularities on procurement of materials were noticed:

Purchase of steel- Non-execution of agreement with suppliers

2.1.27 The Company invited (July 2003) tenders for purchase of steel as per orders of CMD in June 2003. In response to the tender call notice, three parties[*] participated in which rates offered by IPISTEEL Limited (IL) were the lowest. The Company placed (September 2003) orders on IL for supply of steel to the Company for a period of one year at the rate of Rs.19,030 to Rs.20,600 per MT (including transportation charges) for different destinations

[*] IPISTEEL Limited, Aditya Steel Industries and Purvi Bharati Steel Limited.

but no agreement was executed with the party (IL) specifying the terms and conditions of supply.

Failure of the Company to enter into agreement with the supplier resulted in extra expenditure of Rs.41.39 lakh.

The rates of steel in the market increased substantially after January 2004. The supplier also increased its rate as the Company did not have any agreement. Thus, non-execution of agreement with IL resulted in extra expenditure of Rs.41.39 lakh during September 2003 to August 2004.

The Management/Government stated (July/August 2005) that the steel manufacturing companies normally do not enter into long term agreements like one year. The reply is not acceptable in view of the fact that the supplier had shown willingness for supplying steel at constant rate for the whole year.

Purchase of Public Health materials

2.1.28 The Head Office of the Company, based on tenders for purchase of Public Health (PH) materials, empanelled (September 2001) five suppliers for supply of PH materials for a period of one year only. The Company, however, did not resort to fresh tender process on expiry of this period and continued to purchase PH materials from the empanelled suppliers (March 2005) at the rates as increased from time to time.

DPM (PH) at Head Office was procuring PH materials and supplying to zonal DPMs. The CMD of the Company directed (November 2003) the zonal DPMs to purchase PH and electrical materials at their level as per the approved rate from reputed dealers. In violation of instruction of November 2003, Head Office continued the centralised procurements of PH material even without any indent from the zonal offices. The zonal DPMs were instructed by the CMD (February 2004) that PH material for on-going projects were available at Head Office which would be sent to them on demand. This led to unplanned purchase of PH materials by the DPM (PH) without inviting tender.

This resulted in blockage of PH materials for Rs.3.15 crore as detailed below:

Year	Opening balance	Purchased during the year	Consumption during the year	Closing Balance
		(Rupees in lakh)		
2000-01	3.25	30.08	25.72	7.61
2001-02	7.61	16.73	10.47	13.87
2002-03	13.87	53.50	51.50	15.87
2003-04	15.87	177.73	93.92	99.68
2004-05	99.68	229.08	13.96	314.80

From the above table, it would be seen that further purchases were made particularly during 2003-04 and 2004-05, though huge balances of PH material were available in the store.

The Management/Government stated (July/August 2005) that as the branded materials used by the Company were not available at all the work sites, bulk purchase was made at Head Office and the rates were revised considering the hike in market price. It was further stated that materials were procured as per site requirement and despatched to the respective sites, but adjustment was delayed due to non-return of challans from those sites. The fact, however, remains that the materials were not purchased through tender procedure and without any demand from the zones. Moreover, the adjustments were not based on proper documents.

Improper Accounting System

2.1.29 The Company has not yet prepared an accounting manual. Mention was made in Paragraph 2D.9 of the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1992 that:

- important records such as works registers, works abstract and contractors ledgers, etc. were not maintained by the Company;
- project-wise amounts advanced, expenditure incurred and balances were not worked out at zonal Offices;
- the Company did not maintain any record to ascertain the project-wise working results and profitability due to which the Company was unaware of the up to date expenditure in respect of each works till completion.

Such irregularities, however, still persisted in the Company.

Improper maintenance of Measurement Books (MB)

2.1.30 Payments for all works done and supplies received in respect of a work should be made on the basis of measurements recorded in the MB as per Appendix-II of the OPWD code. Audit noticed that provisions of OPWD code were not complied with in maintenance of MBs like watching of return of MBs by the Assistant Project Managers APMs/DPMs in the Register of MBs in the Head Office, maintenance of registers of MBs in the DPMs office, use of more than one MB relating to a particular work and filling the index in the MBs, etc.

Internal Control

2.1.31 The following Internal Control weaknesses were noticed in the system:

Budgeting

The Company's annual budget placed before the Board for approval contained huge variation between the budget estimates and actuals. Against approved capital expenditure of Rs.8.24 crore, Rs.19.56 crore, Rs.40.05 crore, Rs.42.77 crore and Rs.80.83 crore during the five years 2000-05, the actual expenditure was Rs.5.03 crore, Rs.7.22 crore, Rs.12.81 crore, Rs.27.39 crore and Rs.39.20 crore respectively. There was, however, no analysis of this variation.

Release of project advances

In the DPMs conference (December 2002), it was decided that no subsequent advance would be released to a specific project, unless previous advance was fully utilised or voucher furnished. Following instances of violation of these decisions were noticed.

- In one of the zones, Angul, one APM was sanctioned advance of Rs.36 lakh in the year 2003-04 even though the applications were neither forwarded by the concerned DPM nor the previous outstanding advances (Rs.7.91 lakh) adjusted before sanctioning further advances.

- DPM (PH) was sanctioned total advances of Rs.43.50 lakh in six occasions between August 2003 and September 2004, out of which Rs.30.83 lakh was adjusted against vouchers submitted, leaving a balance of Rs.12.67 lakh as on March 2005. Though the stipulation was to submit the paid vouchers within three months, the same was not followed and further advances were released without watching the adjustment of earlier advances.

- DPM (PH) withdrew up to Rs.3 lakh in a day through self cheques and on certain occasions even without taking the amount to the Cash Book maintained by him. Management neither insisted for timely submission of vouchers in support of utilisation of advances nor recovered the outstanding amount.

Other lapses

- Neither cases involving finance nor the running and final bills of job workers, etc. passed through the Financial Advisor violating Government instruction of July 1994. The bills of the job workers and bills against works expenditure incurred by the DPMs were not checked independently by any other technical person since October 2003 after relief of General Manager (Engineering).

- The physical progress report (indicating completion of work up to certain level) was not based on check measurement.

- The Zonal DPMs did not submit the accounts of the projects to Head Office even after four years of their completion though they were required to render accounts after one month of the completion of the work.

- No purchase committee was formed. Data base of rates of steel and other materials of various manufacturers were not maintained.

- The Company did not physically verify the stock and stores available in different stores during the period under review.

Conclusion

The Company, incorporated to execute housing schemes for police authorities of GoO and GoI, could not fulfill its objectives as it could not obtain any work through competitive tender during the period of review and had to restrict itself to execution of works allotted by GoO and deposit works of Universities as well as DRDA.

The Company delayed the completion of projects and could utilise only 28 to 40 per cent of funds received during the last four years ending 31 March 2005, which was caused due to absence of a working plan, slow progress of works by job workers and shortage of field supervisory staff. Deviations from the approved estimates/plans, execution of works without Administrative Approval and receipt of funds as well as increasing the capital cost of the works beyond the approved scope of work led to avoidable expenditure. Project accounts were not finalised in time after completion of projects. The accounting system and maintenance of Measurement Books as well as other records were found to be deficient. The Company's internal control systems in areas like budgetary control, checking of work bills and inventory management were weak.

Recommendations

- **The Company should try to obtain works through participation in tenders instead of depending on allotted or deposit works of Government.**
- **The Company should prepare Annual Action Plans to ensure optimum utilisation of funds and achievement of targets.**
- **The post of Chief Engineer (Civil) needs to be filled up for obtaining timely Technical Sanction of the works to ensure its timely completion.**
- **The Company should strictly follow the State Government's directives for preparation of estimates of works.**
- **The Company should execute works only after obtaining Administrative Approval and receipt of funds in respect of deposit works.**
- **System of execution of projects with maintenance of proper records needs to be strengthened.**
- **Project accounts need to be closed expeditiously on completion of the projects.**
- **Internal Control Systems particularly budgetary control, cash and inventory management are weak and needs to be toned up.**

2.2 PROCUREMENT AND DISTRIBUTION OF RICE BY ORISSA STATE CIVIL SUPPLIES CORPORATION LIMITED.

Highlights

Orissa State Civil Supplies Corporation Limited set up to ensure availability of subsidised rice under different schemes could not fulfil its objectives as distribution of allotted stock to the beneficiaries within the same month was not ensured. Audit further observed that:

- **allotment of rice under different schemes was not realistic in view of low lifting and off-take;**
- **the Company failed to surrender the excess quota allotted; and**
- **beneficiaries were deprived of the benefit of the scheme.**

(Paragraphs 2.2.1. 2.2.8 and 2.2.11)

The Company failed to analyse the persistence low off take of rice under BPL specially subsidised and BPL scheme. Further the reasons for low off-take were not ascertained even when the open market rate of rice was higher.

(Paragraph 2.2.10)

The Company lifted BPL rice costing Rs.34.90 crore on the last day of the month and in the next month which defeated the objective of distribution of stock in the same month.

(Paragraph 2.2.11)

There were instances of excess lifting and distribution of rice costing Rs.3.37 crore due to non-reduction of AAY cards from the BPL card strength and not accounting for death and migration cases.

(Paragraphs 2.2.12 and 2.2.13)

Improper maintenance of accounts at district offices and submission of incorrect monthly returns led to non-settlement in release of subsidy claims of Rs.118.19 crore up to March 2001 by State Government.

(Paragraph 2.2.19)

Introduction

2.2.1 Orissa State Civil Supplies Corporation Limited (OSCSC) was incorporated in September 1980 as a wholly owned Government Company, with the object of procurement and distribution of rice and other essential commodities so as to ensure their availability to the beneficiaries at reasonable prices. The State Government has entrusted the Public Distribution of rice to the Company.

The activities presently undertaken by the Company inter alia are:

- Procurement of rice and wheat from Food Corporation of India (FCI) and distribution thereof to retail fair price shops through Storage Agents (SA).
- Procurement of paddy under Decentralised Procurement Scheme (DPS) and supply of custom milled rice direct to Public Distribution System (PDS) channel.
- Distribution of essential commodities through Model Fair Price Shops (MFPS) and Mobile Vans (MV).
- Direct procurement of levy sugar from millers and distribution to retail Fair Price Shop (FPS) through Storage Agents.
- Distribution of LPG gas.
- Construction and operation of godowns out of financial assistance from GoI in form of loans/subsidy at 50:50 ratio.

Managing Director is the Chief Executive of the Company who is assisted by the General Manager (PDS) in overall management of lifting and distribution of rice under different schemes. At the district level (30 revenue districts), distribution of rice is carried out by the Civil Supplies Officer-cum-District Manager (CSO-cum-DM).

Scope of Audit

2.2.2 A review on PDS covering the period from 1992-93 to 1998-99 was included in the Report of the Comptroller and Auditor General of India for the year 1998-99 (Civil)-Government of Orissa. The review has not been discussed by Public Accounts Committee as yet (October 2005).

In the present review, the activities of the Company covering transactions relating to procurement and distribution of rice at Head Office and in 10[*] out of 30 district offices of the Company for the period from 2000-01 to 2004-05 were reviewed during January to May 2005.

2.2.3 Audit findings as a result of review on the performance and working of the Company were reported to Management/Government in June 2005 and at the specific request of Audit the Audit Review Committee for State Public Sector Enterprises (ARCPSE) was held on 14 July 2005 and attended by the Managing Director of the Company and Financial Advisor and Chief Accounts Officer, Food Supplies and Consumer Welfare Department, Government of Orissa. The views expressed by the members have been taken into account during finalisation of the review.

Audit Objectives

2.2.4 The performance audit of procurement and distribution of rice under Public Distribution/Targeted Public Distribution system was conducted with a view to ascertain whether:

- procurement of rice from FCI and distribution to Retail Fair Price Shops was done economically, efficiently and effectively;
- procurement of paddy under Decentralised Procurement Scheme (DPS) introduced from Khariff Marketing Season (KMS)[**] 2003-04 has achieved the objectives;
- the Company has a system of quality control for quality assurance of the rice distributed by it; and
- internal control and accountability within the Company provided sufficient assurance for safeguarding the financial interest of the organisation.

Audit Criteria

2.2.5 The audit criteria considered for assessing the achievement of audit objectives were to ensure whether:

- Rice was procured and distributed as per instructions of Government.
- Intended benefits to the farmers were ensured under DPS for procurement of paddy.

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[*] Balasore, Bhadrak, Bolangir, Cuttack, Deogarh, Gajapati, Ganjam, Keonjhar, Mayurbhanj and Sundergarh.
[**] October to September.

- Quality control measures were apt, adequate and properly implemented/executed.

- Internal control measures in respect of verification of stock at different points and control of cash etc., were in vogue and effective.

Audit Methodology

2.2.6 The audit examined the methodology adopted in the implementation of the schemes and collected data/evidence on allotment, lifting[*] and off-take[**] of rice under different schemes and on other related matters. The minutes and agenda papers of meetings of Board of Directors for the period under audit, the guidelines issued for different schemes, records relating to allotment of rice were studied and monthly stock returns, minutes of monthly conference of DM-cum-CSO were examined.

Audit Findings

Audit observations on the basis of audit scrutiny of procurement and distribution of rice and other related matters are discussed in succeeding paragraphs.

Process of procurement and distribution of rice

2.2.7 Government of India (GoI) allot every month rice stock to Government of Orissa (GoO) under Public Distribution System (PDS). The allotment is made for PDS under different schemes on the basis of the total number of beneficiaries identified by the State Government under Above Poverty Line (APL) and Below Poverty Line (BPL). The Regional office of Food Corporation of India (FCI), Orissa makes available stock (except Custom Milled rice under DPS) to the State Government. The State Government through Food Supplies and Consumer Welfare (FS & CW) Department, in turn, makes district-wise re-allocation of GoI allotment, on the basis of ration cards issued to the beneficiaries of the districts.

The Company through District Managers deposits the cost of rice with the FCI and obtains Release Orders (RO). The Storage Agents (SAs) appointed by the Company deposit the cost of rice (excluding SAs and Retailers margin from consumer price) with the Company and obtain Delivery Orders (DO) for lifting the stock against the RO of FCI. The District Collectors appoint the private persons, Non-Governmental Organisations (NGOs), Government agencies or Gram Panchayats (GP) to run the retail outlets. The retailers lift the stock from the SAs for distribution to consumers.

[*] Indicates lifting of stock by Storage Agents from FCI.
[**] Indicates lifting of stock by retailers from Storage Agents.

The retailer wise allotment is made by Block Development Officer (BDO) in rural areas and by Executive Officer (EO) in urban areas taking into account the number of ration cards under various schemes (APL, BPL, Antyodaya Anna Yojana (AAY) and Annapurna).

Distribution of rice

2.2.8 The State Government fixes the consumer price and scale of ration under Public Distribution System (PDS) and Targeted Public Distribution System (TPDS)*. The enhancement in monthly ration or consumer price is decided by State Government in line with the instructions issued by Government of India from time to time.

The position of allotment, lifting and off-take of rice under all the schemes for the five years ended 31 March 2005 is shown in **Annexure-10**. It would be observed from the Annexure that off-take of rice under all the schemes was less than allotment ranging between 1 and 97 per cent except Annapurna (where there is marginal excess in three out of five years). Audit observed that the State Government had given combined allocation for BPL rice and BPL specially subsidised rice without segregation from 2003-04 and as a result the off-take percentage under the two schemes could not be ascertained individually.

Audit further observed that:

- allotment of rice under different schemes was not realistic in view of low lifting and off-take;
- the Company failed to surrender the excess quota allotted; and
- beneficiaries were deprived of the benefits of the schemes.

The Scheme wise analysis of procurement and distribution of rice is discussed in the succeeding paragraphs.

BPL Scheme

2.2.9 GoI introduced the Targeted Public Distribution System (TPDS) in June 1997 under which rice at subsidised rates is being supplied to the identified families living below poverty line. The State Government with a view to streamline the scheme instructed (February 2001) all the CSO-cum-DMs to lift and distribute the stock starting from first week of the month and complete distribution by end of the month.

* Streamlining and restructuring the PDS with the provision of subsidised rice to the poor.

Low lifting and off-take of rice

2.2.10 During 2000-01 to 2002-03 the shortfall in off-take ranged from 1 to 52 (six districts*) per cent and 11 to 99.90 per cent (10 districts) of allotment in case of BPL specially subsidised and BPL rice. In 2003-04 and 2004-05, the shortfall varied from 24 to 68 per cent and 5 to 41 per cent respectively of combined allotment. Audit observed the following:

- District Managers did not attempt to ascertain the reason for low off-take even when the open market rate of rice was more than the rate of rice issued under BPL schemes between April 2002 and March 2005 in Bhadrak and Balasore districts.

The Company had not ascertained the reason for persistent low off-take of rice under BPL Scheme and BPL Specially Subsidised Scheme.

- The Company brought to the notice (September 2001) of State Government the directives of Central Government calling for complete distribution of allotted stock and requested to verify the low demand and focus PDS accordingly. The State Government, however, did not take any action in this regard. Further, the Company also failed to pursue the matter with State Government.

- MIS report of Gajapati District revealed that 69 Gram Panchayats working as retail outlets had not at all lifted the allotted monthly quota during January 2003 to March 2005; thus depriving the benefits of the Scheme to the beneficiaries.

Delay in lifting

Lifting of BPL rice costing Rs.34.90 crore on the last day of the month and in the next month defeated the objective of distribution of stock in the same month.

2.2.11 The monthly distribution/allotment are to be made in such time frame so that the Company starts distribution to retail FPS in the first week of the allotted month and distribution to the beneficiaries is done during the month. Audit observed that in nine districts**, 11 to 94 per cent of total monthly lifting was made in second fortnight of the month of allotment during 2000-01 to
2004-05. Further analysis revealed that the storage agents lifted 31,067 MT of BPL rice stock costing Rs.19.57 crore on the last day of the month in these districts; 24,339 MT of rice costing Rs.15.33 crore was lifted even in the next month. Certificates of distribution of such stock, costing Rs.34.90 crore, to the beneficiaries during the month itself were not made available to audit. Thus, the very objective of distribution of stock in the same month was not achieved.

Excess lifting of BPL Rice

2.2.12 Despite low off-take of BPL rice, instances of excess lifting and distribution of rice resulting in claim of excess subsidy were noticed. A few cases are discussed as follows.

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* Balasore, Bolangir, Gajapati, Keonjhar, Mayurbhanj and Sundergarh.
** Balasore, Bhadrak, Bolangir, Cuttack, Deogarh, Gajapati, Ganjam, Keonjhar and Mayurbhanj

Non-reduction of BPL card strength to the extent of cards issued out of it to AAY beneficiaries led to excess allotment/lifting of rice costing Rs.1.39 crore.

- Records of CSO-cum-DM of four districts* revealed that State Government had allotted BPL rice against 4,43,524 cards though the actual card holders were 3,92,363, after excluding the beneficiaries under Antyodaya Anna Yojana (AAY). This resulted in excess allotment and consequent excess lifting of 2,214.094 MT of specially subsidised BPL rice costing Rs.1.39 crore during the period from September to December 2001. The subsidy claim on the excess quantity lifted under BPL scheme worked out to Rs.33.87 lakh. In reply, the CSO-cum-DM (Keonjhar) stated (February 2005) that the stock had already been passed on to the ultimate consumers and utilisation certificates of the stock lifted and distributed were sent to the Corporate Office. The reply is not acceptable in view of the fact that the distribution was in excess of the requirement; further whether the excess stock lifted was distributed to the entitled consumers could not be vouchsafed in audit.

- In Sundergarh District, as against 1,73,115 BPL beneficiaries identified in Integrated Tribal Development Programme blocks, the actual cards in circulation were 1,70,347. The balance 2,768 cards were not distributed to the beneficiaries. Audit noticed that during April 2002 to March 2004 the State Government allotted rice on the basis of BPL beneficiaries identified without considering the cards in circulation. This resulted in excess allotment/lifting of 737.544 MT of rice costing Rs.46.46 lakh** and the subsidy element on such excess quantity was Rs.11.28 lakh.

Excess lifting and distribution of rice costing Rs.26.80 lakh due to issue of stock to non-entitled BPL card holders.

- Lephripada Block (Sundergarh district) had been receiving allotment of 2,257 quintals of rice every month against the actual requirement of 2,119.75 quintals. The excess allotment of 137.25 quintals was being lifted and distributed each month to old BPL card holders who were not entitled for BPL rice on issue of new series of cards. The excess lifting and distribution of rice during the period September 2002 to March 2005 was 4,254.75 quintals costing Rs.26.80 lakh (@ Rs.630 per quintal).

In ARCPSE meeting (14 July 2005), the Management while accepting the audit observations stated that the matter would be looked into.

Antyodaya Anna Yojana (AAY)

2.2.13 Antyodaya Anna Yojana (AAY) was launched on 25 December 2000 by Government of India to ensure food security to poorest of the poor. The State Government implemented the scheme with effect from September 2001. The scheme initially covered 5,05,500 poorest of the poor BPL families of the State and was later extended to 4,90,549 more beneficiary families by 31 March 2005 in pursuance to Government of India decision (June 2003).

* Balasore, Gajapati, Keonjhar and Sundergarh
** Total excess lifting was 737.544 MT @ Rs.6300 per MT.

The Company issued (March 2005) 4,84,545 ration cards under expanded AAY scheme. Thus, 6004 beneficiaries remained deprived of the benefit. Audit observed that:

Complete distribution of allotted stock to the AAY beneficiaries was not ensured due to lifting of rice stock on last day of the month.

- In six districts* 9 to 84 per cent of stock was lifted in the second fortnight during the period 2002-03 to 2004-05; of these, two districts (Bhadrak and Balasore) lifted 1,447.470 MT of rice costing Rs.50.66 lakh on the last day of the month. Thus, complete distribution of allotted stock to beneficiaries within the same month was not ensured.

- In three districts,** release orders from FCI were also obtained in second fortnight during 2003-04 and 2004-05 and delivery orders were issued at the fag end of the month. Thus, the process of distribution was delayed and timely availability of rice to the poorest beneficiaries could not be made.

Excess off-take of rice costing Rs.1.98 crore as cases of death and migration of beneficiaries were not taken into account while lifting stock.

- District Collector of each district sends every month MIS data to State Government showing the number of beneficiaries not lifting the entitled ration during the month on the ground of death and migration. Audit scrutiny of records of seven districts*** revealed that the cases of death and migration of 57,433 beneficiaries as reported in MIS data were not taken into account while going for lifting the stock under the scheme during January 2003 to March 2005. This resulted in excess off-take of 3,147.22 MT of rice costing Rs.1.98 crore.

Beneficiaries were deprived of entitled ration as rice stock was not lifted against deposit of cost with FCI.

- The Company made financial arrangements with FCI for lifting 41,739.13 MT of rice allotted for three months (January to March 2005) under expanded AAY. Against this, 20,691.225 MT of rice was lifted by 31 March 2005. Five district offices**** had not lifted any stock under the scheme (April 2005), thereby 58,855 beneficiaries were deprived of the entitled ration.

Procurement of Paddy under Decentralised Procurement Scheme

2.2.14 The State Government introduced (October 2003) the Decentralised Procurement Scheme (DPS) effective from Khariff Marketing Season (KMS) 2003-04. Under DPS, the Company started purchase of paddy directly from the farmers and supplied Custom Milled (CM) rice at determined output ratio in PDS channel through Storage Agents and retail outlets. Processed paddy was not delivered to FCI. The Scheme aimed at ensuring Minimum Support Price (MSP) to the farmers so that the farmers would not go for distress sale*****. In the execution of Scheme, following irregularities were noticed in audit:

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* Balasore, Bhadrak, Bolangir, Gajapati, Ganjam and Keonjhar.
** Bolangir, Ganjam and Keonjhar.
*** Balasore, Bolangir, Cuttack, Deogarh, Gajapati, Ganjam and Mayurbhanj.
**** Bhadrak, Dhenkanal, Jagatsinghpur, Jharsuguda and Rayagada
***** Sale at a less rate under compulsion due to poverty.

Identification of Genuine Farmers

2.2.15 To ensure that the benefit of DPS is extended to genuine farmers, the guidelines envisaged purchase of paddy on the basis of Farmers Identity Cards (FIC)/Kissan Credit Cards (KCC)/Certificates from Tehsildar/Revenue authority. Audit observed that:

- Out of seven* Paddy Purchase Centres (PPCs) test checked (one in each test checked district), four PPCs retained photocopies of FIC/KCC whereas three PPCs** did not retain photocopies of FIC/KCC. In Bhadrak district, purchases were made on FICs without photographs of farmers whereas in other districts, FICs with photographs were kept in support of purchases.

Company purchased paddy from farmers without keeping reference to identity cards' numbers.

- In violation of guidelines District Manager, Ganjam, purchased 5445.35 quintals of paddy costing Rs.28.75 lakh at PPC, Kanisi during 2003-04 from different farmers without any reference of FIC and KCC number in the paddy procurement registers.

- In Basudevpur PPC (Bhadrak district), the Company purchased 675.95 quintals of paddy during March to May 2004 from a single farmer having no Identity card. Similarly, 572 quintals of paddy was purchased (April and May 2004) from one person who had possessed a number of cards as against one card to be issued to one farmer.

Poor Infrastructure at Paddy Purchase Centres

2.2.16 Government instructed (October 2003) the Company to open Paddy Purchase Centres (PPC) in suitable areas. The Company deployed its own staff for paddy purchase operation in each PPC under supervision of a Purchasing Officer. Audit noticed that the infrastructure available at PPCs were not adequate (Digital weighing scale of 300 kg. capacity were not installed and moisture meters had no printers to record the test results).

Infrastructure available at PPC were not adequate.

Audit further observed that despite instruction (February 2004) from Company to go round all the procurement centres at least twice a week for supervision and submission of report on functioning of the purchase centres, no regular inspection of PPCs was being conducted by the District Managers.

Appointment of Storage Agents

2.2.17 In the Public Distribution System, Storage Agents (SAs) ensure lifting of stock from FCI depots and their availability in different rural/urban areas. They are appointed by the Company on the basis of recommendation of District Collectors. On being appointed, SAs execute agreement with the

* Balasore (Balasore), Basudevpur (Bhadrak), G.B. Nagar (Mayurbhanj), Kanisi (Ganjam), Patnagarh (Bolangir), Salipur (Cuttack) and Uppalada (Gajapati).
** Balasore, Kanisi (Ganjam) and Patnagarh (Bolangir)

Company and deposit security money as prescribed. Audit observed the following on test check of 10 districts:

- In violation of the guidelines, in two districts* eight storage agents were appointed for more than one block. Similarly, in Mayurbhanj district, family members of two millers were appointed as SAs for Baripada, Saraskana, Suliapada and Bijitak block though Miller Agent or his family members having commercial link were not to be appointed as SAs.

- Submission of solvency certificate for Rs.10 lakh alongwith application by prospective SAs was a pre-requisite. These were, however, furnished by 61 SAs in Ganjam and Mayurbhanj belatedly, ranging from 26 to 266 days. Solvency certificates were not insisted in four districts** in respect of 92 SAs for the period of extension of agency beyond 2003-04.

- As per the agreement, the Company has right to verify the stock in the godown of SAs at any time. The incidence of surprise physical verification of stock of SAs at regular intervals, however, was not on record.

Loss of interest of Rs.25.20 lakh due to locking of funds with FCI on account of non-lifting/ short-lifting stock by storage agents.

- The agreement provided for forfeiture of security money and suspension of storage agency in case the SAs fail to lift PDS/TPDS stock from FCI godowns by the end of the allotted month. In four districts*** the SAs either failed to lift or short-lifted the quantity of rice against release orders of FCI. No action against the SAs was taken in terms of the agreement. The cost of unlifted/shortlifted stock deposited with FCI were either refunded or adjusted against subsequent release orders belatedly, ranging from 2 to 717 days (beyond permissible 15 days). Non-lifting of stock not only affected PDS but also led to locking up of Company's fund. The loss of interest to the Company due to locking up of funds worked out to Rs.25.20 lakh in the four district offices of the Company for the period from April 2001 to March 2005.

In ARCPSE meeting (14 July 2005), the management assured that action would be taken against the defaulting SAs.

Quality control of PDS rice

2.2.18 The Supreme Court guidelines and Public Distribution System control order issued by Government of India (August 2001) made it mandatory for issue of Fair Average Quality (FAQ) standard rice by FCI. As per Government instruction, stack-wise joint sampling at the FCI depot should be made prior to

* Bolangir and Mayurbhanj.
** Bolangir, Deogarh, Gajapati and Ganjam
*** Bolangir, Cuttack, Ganjam and Rayagada

issue of stock to the SAs. Audit scrutiny revealed that the pre-sampling was not conducted despite specific instruction of the Government of Orissa as evident from the following:

Distribution of Fair Average Quality rice was not ensured in absence of pre-sampling of rice stock lifted from FCI.

- Samples were being taken out from the stack at the time of lifting of rice. The sample reports were received only after two to three months after the samples were drawn. Thus, the very objective of ensuring the quality aspects of rice distributed was defeated.
- The DM-cum-CSO of Keonjhar and Balasore did not send samples for quality analysis from December 2003 and November 2004 onwards respectively.
- In the district of Bolangir, neither samples had been drawn nor was quality test being done as the post of Assistant Analyst (quality control) was vacant since April 2002.

Thus, the system of not taking sample before the date of lifting and non-receipt of sample analysis report did not ensure distribution of FAQ standard of rice as per Supreme Court guidelines.

Internal Control

2.2.19 Internal Control System is an essential part of the Management activity. An efficient and effective Internal Control System helps the management to achieve the objectives. Audit observed the following deficiencies in Internal Control System:

Company has not prepared Audit and Accounts Manuals.

- The Company has not prepared the Audit Manual and Accounts Manual.
- The Company formed the Audit Committee under Section 292A of the Companies (Amendment) Act, 2000 only on 30 March 2005.
- Surprise verification of stock at different storage points i.e. Storage Agent/MFPS/ Departmental Storage Centre (DSC)/Custom Miller was not done in any of the ten districts test checked.
- Non-reconciliation of quantity issued to SAs against delivery orders with the demand draft received at the district office in each month.
- The Supervising Officers (SO) like Inspector of Supplies (IS), Marketing Inspectors (MI) and Assistant Civil Supplies Officers were not submitting the monthly certificate to the CSO-cum-DM indicating that “the stock meant for PDS has reached the ultimate beneficiaries”
- The MIs, ISs were also not submitting tour details/tour diaries to the concerned CSO/District Collector for appraisal of the enforcement activities and shortfall in performance of the scheme.

- The annual accounts of the Company were in arrears since 2000-01. The delay resulted in non-settlement of subsidy claims under AAY scheme.

Improper maint-enance of records at district level led to non-realisation of subsidy claim of Rs.118.19 crore.

- Improper maintenance of books of accounts by the District offices led to submission of incorrect monthly returns which led to non-release of subsidy claim of Rs.118.19 crore up to March 2001 by Government so far (July 2005).

- The Company had not obtained fidelity insurance in respect of Departmental Storage Agents handling stock in DSCs and Storage Assistant-cum-Godown Assistant handling stock and cash in Model Fair Price Shops as a safeguard against future risk.

Surplus fund of Rs.1.94 crore was retained by district offices after completion of paddy procurement operation.

- In 11 out of 20 paddy procurement districts, surplus funds amounting to Rs.1.94 crore (ranging from Rs.0.50 lakh to Rs.36.50 lakh) were retained by DM/PPCs in-charge for 1 to 11 months during December 2003 to January 2005 after completion of paddy procurement operation during KMS 2003-04. This indicated lack of financial control over the units.

Conclusion

The Company, incorporated to ensure availability of subsidised rice under different schemes, could not fulfil its objectives as distribution of allotted stock to the beneficiaries within the same month was not ensured. Low off-take is an area of concern particularly in respect of BPL and BPL specially subsidised scheme. Significant shortfall in off-take of rice was noticed in all the five years. The Company and State Government failed to ascertain the reasons for continuous shortfall in off-take. Instances of distribution being made in excess of requirement were also observed. Deficiencies were noticed in the working of Paddy Purchase Centres (PPCs) and appointment and performance of storage agents. The prevalent quality checking system of rice before distribution to the beneficiaries was far from satisfactory. The Internal Control System in the company was found to be deficient in many areas especially in compilation and maintenance of accounts, monitoring the performance of PDS and ensuring safeguards against risk in handling cash and stock, etc.

Recommendations

- **The Government and Management should analyse the reasons for low off-take of rice and take remedial measures.**

- **The District offices should ensure that the rice is lifted in time so as to facilitate timely distribution to beneficiaries.**

- **Adequate infrastructure facility should be provided at all the PPCs to cope up with the paddy procurement activities.**

- **The system of quality analysis needs toning up.**

- **Internal control should be strengthened in areas like conducting physical verification of stock, maintenance of district level records for claim of subsidy, etc.**

- **The compilation and maintenance of accounts needs to be strengthened.**

2.3 INDUSTRIAL PROMOTION AND INVESTMENT CORPORATION OF ORISSA LIMITED AND ORISSA STATE FINANCIAL CORPORATION

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT IN STATE FINANCIAL SECTOR UNDERTAKINGS

Highlights

Orissa State Financial Corporation (OSFC) and Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) did not prepare the budget before the commencement of the year. The reasons for variations between budgeted and actual figures under different heads were not analysed by both the organisations. Budget, therefore, did not serve as an instrument of Internal Control.

(Paragraphs 2.3.1 and 2.3.9)

The objective of Audit Committee in IPICOL was not fulfilled as it reviewed only annual accounts and never discussed any other matter or gave recommendations.

(Paragraph 2.3.11)

Internal Audit in both the Organisations was inadequate. Compliance to the observations of Internal Audit were not ensured. Internal Audit has, therefore, not been able to monitor or ensure strengthening of Internal Control System.

(Paragraph 2.3.12)

Internal control system in respect of appraisal, sanction, disbursement and monitoring of term loans was inadequate in both the organisations.

(Paragraphs 2.3.14 to 2.3.19)

The percentage of recovery in OSFC declined from 13.87 in 2001-02 to 5.09 in 2003-04 which resulted in increase in Non-Performing Assets from 74.60 per cent in 2000-01 to 86.44 per cent in 2003-04. Demand notices were not sent to the loanees at regular interval, wilful defaulters were not identified and stringent recovery measures were not taken to reduce the NPAs.

(Paragraphs 2.3.20 and 2.3.22)

Introduction

2.3.1 Internal Control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient, effective and adequate manner. A good system of Internal Control should comprise, inter alia, proper allocation of functional responsibilities within the organisation, proper accounting data, efficiency in operations and safeguarding of assets, quality of personnel commensurate with their responsibilities and duties and review the work of one individual by another whereby possibility of fraud or error in the absence of collusion is minimised.

Internal Control in the Government financial institutions assumes more significance in view of the fact that these institutions are to appraise properly all loan applications submitted so as to minimise the risk of default by the borrowers.

There is one Government company i.e. Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) and a Statutory Corporation i.e. Orissa State Financial Corporation (OSFC) under financial sector which were selected for review. OSFC was established in March 1956 under State Financial Corporations Act, 1951 (SFC Act) with a view to provide financial assistance to medium and small industries. IPICOL was incorporated under Companies Act, 1956 in April 1973 with the main objective of ensuring rapid industrialisation of the State by providing financial and technical assistance to develop medium and large industries.

Scope of Audit

2.3.2 A sectoral review on Recovery Performance of OSFC and IPICOL was included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2000. The Report has not been discussed by COPU so far (October 2005).

The present review conducted during January to April 2005, examines the mechanism of Internal Control Systems prevalent in these two organisations during 2000-01 to 2004-05.

2.3.3 Audit findings as a result of review on the performance and working of the organisations were reported to Management/Government in June 2005 with a specific request to attend the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that the view point of Management/Government was taken into account before finalising the review. The meeting of ARCPSE was held on 14 July 2005 and attended by the Joint Secretary, Industries Department, Government of Orissa, OSFC was represented by Managing Director and IPICOL was represented by its Company Secretary and two General Managers. The views expressed by the members have been taken into account during finalisation of the review.

Audit objectives

2.3.4 Performance audit of Internal Control in respect of lending activities of IPICOL and OSFC was conducted with a view to assess whether;

- the institutions executed different term lending activities in a prudent manner.
- the Internal Control System of the institutions were adequate and effective in the matters relating to appraisal and sanction, disbursement and monitoring, demand and recovery and management of Non-Performing Assets (NPA) and other related activities.

Audit criteria

2.3.5 Audit adopted the following criteria for examination of above audit objectives with a view to see whether:

- appraisals were made properly before sanction of loans and sanction orders included standard terms and conditions.
- documentation was made before disbursement and also as per terms and conditions of sanction order.
- timely issue of demand notices, collection and accounting of monthly/quarterly instalments.
- adoption of appropriate recovery measures in case of default cases.
- identification of wilful defaulters and analysis of default cases.
- the decision of Board of Directors, executive instructions and circulars issued from time to time in respect of the above activities were considered as criteria for assessing the performance with reference to relevant issues/activities.

Audit methodology

2.3.6 The activities/transactions of IPICOL (Head Office) and OSFC (Head Office and eight out of 18 branches) were covered.

- Transactions of 68 cases out of 151 cases were examined in respect of IPICOL.
- The audit coverage in respect of OSFC was 10 per cent of the sanctions of each year besides other cases at random.
- The correspondence made with SIDBI/IDBI, Government of Orissa and other agencies, instructions as well as communications issued from Head Office were examined.
- Collection of data and gathering evidence was made from minutes of monthly returns of Default and Disposal Advisory Committee (DDAC) meetings, proceedings of Branch Officers' meetings, Annual Accounts, different statistics relating to loanees, etc.
- The minutes and agenda papers of meetings of Board of Directors for the period under audit were also examined.

Audit findings

2.3.7 The mechanism of Internal Control System prevalent in the IPICOL and OSFC were reviewed and irregularities noticed are discussed in succeeding paragraphs.

Tools of Internal Control and their role

Budgetary Control

2.3.8 Budget is a quantitative financial expression of a programme of measure planned for a given period. The Annual Budget is drawn up with a view to plan future operations and to make ex-post-facto checks on the results obtained. Timely preparation of Budget and analysis of the variations noticed in the actual execution serve the purpose of Internal Control.

2.3.9 IPICOL and OSFC prepared Annual Budget for each financial year. Besides, OSFC prepared Business Plan and Resource Forecasting (BPRF) for submission to SIDBI; based on which it borrowed funds from financial institutions, banks, and issued bonds through inter-corporate deposits, depending on the requirement.

Following deficiencies in regard to preparation and analysis of budget were noticed in Audit:

- There had been delay in preparation of annual budget between three and six months in respect of IPICOL and from one to six months in respect of OSFC.

  IPICOL attributed (July 2005) the reasons for delay in preparation of budget to delay in approval of restructuring proposal by IDBI/SIDBI. The reply is not tenable because budget could have been prepared well in advance based on the previous year's cash flow. Delay in preparation of budget for want of approval of restructuring proposal was, therefore, not an acceptable reason.

- Major variations were noticed between the budgeted and actual figures of IPICOL in respect of items like recovery of outstanding loans (interest from 10 to 45 per cent), disinvestment of shares (from (-)180 to 100 per cent), capital expenditure (from 71 to 95 per cent), investment in loans (from 4 to 65 per cent), etc. in the five years ending 2004-05. IPICOL, however, did not analyse the reasons for such variations.

  Similarly, major variations were also noticed between the budgeted and actual figures of revenue budget of OSFC in respect of items like salary (from 6 to 14 per cent), leave encashment (from (-)7 to 95 per cent), gratuity (from (-)4 to 94 per cent), professional fees and expenses (from (-)1 to 460 per cent), ex-gratia (from (-)9 to 94 per cent), etc. in the four years ending 2004-05. OSFC, however, did not analyse the reasons of such variations.

  Thus, there was no mechanism for analysis of variations in both the organisations. This further indicated that the projections in the budget were not realistic and both IPICOL and OSFC were not properly using the budgets as a tool of Internal Control.

Functional Manuals

Functional Manuals lost their relevance as these were not updated for the last 11 – 20 years.

2.3.10 Functional manuals provide guidance to the personnel in-charge of appraisal, disbursement and recovery of loans and also to proceed for legal action as per terms and conditions. The manuals prepared by IPICOL and OSFC in 1984-85 and 1993-94 respectively have not been updated (June 2005). The activities were, however, managed on executive instructions and circulars issued from time to time. Thus, Functional Manuals lost their relevance as these were not updated for the last 11 – 20 years.

Audit Committee

2.3.11 As required under Section 292-A of the Companies (Amendment) Act, 2000, every public company having paid-up capital of not less than Rs.5 crore shall form an Audit Committee. The Audit Committee should discuss with the Auditors periodically about Internal Control Systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and also ensure compliance of Internal Control Systems.

Audit observed that:

The objective of Audit Committee was not fulfilled as it reviewed only annual accounts and never discussed any other matter or gave recommendations.

- IPICOL constituted an Audit Committee in March 2001. The Audit Committee meetings were held only twice since its constitution. In none of the meetings, Internal Control prevailing in the organisation, its adequacy and compliance were discussed. Neither statutory auditor nor internal auditor participated in both the meetings. The objectives of Audit Committee was, thus, not fulfilled as the Committee reviewed only Annual Accounts and had not discussed any other matter nor given recommendations for consideration of the Board.

- OSFC, however, had not formed an Audit Committee. The management in ARCPSE meeting agreed to constitute the Audit Committee.

Internal Audit

2.3.12 Internal Audit is an appraisal activity established in an entity as a service to the entity. Its functions, inter alia, include examining, evaluating and monitoring the adequacy and effectiveness of the accounting and Internal Control System. Audit observed that Internal Audit which is an important part of Internal Control System was inadequate in both the entities.

Following further irregularities were noticed:

- IPICOL has no internal audit department. Internal Audit was being conducted by a firm of Chartered Accountants. Further, there was no direction to the Chartered Accountants for the areas of audit scrutiny. The Company has also not prepared any Internal Audit Manual.

Coverage of Internal Audit in both the Institutions were not adequate. Moreover, there was no proper system to monitor the Internal Audit Reports.

- OSFC compiled its Internal Audit Manual in August 1994 which was, however, not updated. Audit noticed that only branch offices were audited by the Internal Audit Wing. The transaction of Head Office had not been audited by the Internal Audit Wing since 1987-88 though high value sanctions (above Rs.10 lakh) were made at Head Office and the percentage of sanction of loan by Head Office during the period 2000-01 to 2003-04 ranged between 60 and 79 per cent.

- Compliance to Internal Audit reports were not furnished by concerned branches/departments in both the organisations.

- Internal Audit reports were not placed before the Board of Directors.

  Other irregularities noticed on Internal Control in IPICOL and OSFC are given in **Annexure-11**.

OSFC replied (July 2005) that the Corporation was seriously contemplating to strengthen Internal Audit Department by infusing professionally qualified personnel and re-evaluate the adequacy and efficacy of Internal Control System and posted one DGM in charge of Internal Audit Wing.

IPICOL replied (July 2005) that steps were being taken to obtain written reply from the concerned divisional heads and to place before Audit Committee. The fact, however, remains that the Company has not taken any action in this regard till date (July 2005).

Internal Control in major activities

2.3.13 The lending function involves following three major activities;

- Appraisal and sanction.
- Disbursement (obtaining security and documentation) and monitoring.
- Demand and recovery.

Internal Control in respect of these functions are discussed in the succeeding paragraphs.

Term Loans

Appraisal and Sanction

2.3.14 Appraisal is the critical examination of technical, financial and commercial feasibility of a project and judging the managerial competence of promoters to implement and run the project successfully. Appraisal of projects is necessary to determine whether it would be worthwhile to make investment in those projects. The quality of appraisal depends on the degree of accuracy of estimates on which the project is based.

IPICOL

- The Company instead of preparing its own project appraisal report at the time of sanctioning of a loan relied on the feasibility report and information submitted by the promoters.
- Credit risk analysis ensures objective appraisal of the project risks and minimises the level of subjectivity involved in lending decisions. The Company, however, did not analyse credit risk for appraisal of project.
- The assumptions of the entrepreneurs, viz. projections of market demand, cost of production, cash flow, etc. based on which the financial assistance was sanctioned, were not subjected to critical evaluation with reference to reliable external data.

During the period covered under review, in a test check of 19 cases out of 57 cases, the following deficiencies were noticed in appraisal system.

Sl. No	Nature of deficiencies in appraisal system	No. of cases of deficiency/ total checked	Percen-tage to cases checked
1.	Credit worthiness of applicant was not ascertained from banks/financial institutions	18/19	95
2.	Projections in the applications were accepted without critical scrutiny	10/19	53
3.	Missing critical/vital information in appraisal format	9/19	47
4.	Promoters' background/track record not evaluated properly	8/19	42
5.	Improper technical appraisal	6/19	32
6.	Improper commercial/marketing appraisal	11/19	58
7.	Appraisal containing plain statements without adequate supporting documents	11/19	58
8.	Strength, Weakness, Opportunities and Threat (SWOT) analysis not done properly	19/19	100
9.	Audited accounts of existing units not verified	9/19	47
10.	Ineligible loanee	7/19	37
11.	Sanction of term loan beyond the schematic provisions	5/19	26

From the table, it would be observed that the project appraisal system in IPICOL was not effective and needs improvement.

Internal Control system in respect of appraisal, sanction, disbursement, monitoring, demand and recovery of term loans was inadequate and needs improvement.

IPICOL replied (July 2005) that new proposals were cleared by Internal Advisory Committee (IAC) which examined credit worthiness of the applicants. The reply is not tenable as irrespective of the promoters whether new or old credit worthiness of the promoters was to be assessed to ensure the safety of loan. The proposals examined by Audit comprises both old and new cases. Neither any reference regarding examination by IAC nor any sensitivity analysis was made in the appraisal memorandum of these cases. It is relevant to mention that in 12 of the above cases, there were overdue loan installments. This indicated that credit worthiness needs re-examination for existing loanees and the policy of the Company needs revision.

On sanction of term loan beyond schematic provision, IPICOL replied that the comments were unrealistic. This is, however, not a fact as Audit had pointed out only the cases (26 per cent) where deviations were made.

OSFC

2.3.15 Several instances of failure in area of appraisal, follow-up and recovery in the Internal Control System were pointed out in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2000 on which action was yet to be taken by the Corporation.

During the period covered under review, in a test check of 46 cases the following deficiencies were noticed in appraisal system:

Sl. No.	Nature of deficiencies	No. of cases of deficiencies
1.	Credit worthiness of the applicant was not ascertained from banks/financial institution.	14
2.	Suppression of facts in appraisal memorandum	4
3.	Promoters' background/track record not evaluated properly.	14
4.	Improper technical/commercial appraisal	6
5.	Audited Accounts of existing units not verified	1
6.	Statutory clearance not obtained at the time of appraisal	2
7.	Release of subsidy on false certification of the Branch Manager	2
8.	Violation of Government/SIDBI guidelines	4
9.	Inadequate pre-sanction inspection	10
10.	Sanction of loan without /inadequate collateral and over-valuation of collateral at the time of sanction of loan	12
11.	Absence of co-ordination between IPICOL and OSFC resulted in undue benefit to the loanees	2
12.	Sanction of cyclone loan more than the assets damaged/loanees' requirement	4

OSFC replied (July 2005) that there had been continuous effort to improve all the areas of appraisal for better effectiveness.

Disbursement and Monitoring of Term Loans

Loan Disbursement

IPICOL

2.3.16 The following deficiencies were noticed in the disbursement.

Sl. No.	Nature of deficiency	No. of cases of deficiency/ total checked	Percentage to cases checked
1.	Non-fulfillment of terms of sanction before first disbursement	12/19	63
2.	Non-submission of documents for expenditure made by the loanee	12/19	63
3.	Deviation from approved plan without prior sanction/ diversion of funds	11/19	58
4.	Non-preparation of Project Completion Report	19/19	100
5.	Non-verification of audited accounts during implementation and moratorium period	9/19	47
6.	Adjustment of earlier loan	9/19	47

Sl. No.	Nature of deficiency	No. of cases of deficiency/ total checked	Percentage to cases checked
7.	Inconsistent invoice/bills	10/19	53
8.	Disbursement at one stretch in violation of sanction	2/19	11
9.	More repayment period than the norm	4/19	21

IPICOL stated (July 2005) that disbursements were made on reimbursement basis and certified by Chartered Accountants. The reply is not tenable in view of the fact that the supporting documents of expenditure on procurement of plant and machinery, raw materials, inventories, etc. were not enclosed to the Chartered Accountants' certificate.

OSFC

The following deficiencies were noticed in loan disbursement in 46 cases:

Sl. No.	Nature of deficiencies	No. of cases of deficiencies	Percentage to cases checked
1.	Non fulfillment of terms of sanction before first disbursement	11	24
2.	Diversion of fund	2	4
3.	Non-insurance of assets financed in the joint names of the loanees and the Corporation	40	87
4.	Project not implemented	4	9
5.	No periodical inspection resulted in shifting of machineries by the loanee	10	22

In respect of Sl. No.1, OSFC stated (July 2005) that in order to support speedy implementation of the project, conditions were waived/relaxed in some cases. The reply is not tenable as in all the cases of relaxation/waiver, projects were not completed in time and the loanees were defaulters; the relaxation made, therefore, was detrimental to the interest of the Corporation. Management accepted other observations of Audit.

Monitoring System

The scrutiny of system of monitoring revealed the following deficiencies.

Non-preparation of project completion reports (IPICOL and OSFC)

2.3.17 A monitoring system requiring Project Completion Report after the final disbursement of term loan contains vital information on whether the assets created are as stipulated at the time of sanction and serves as an important evidence for creation of assets. The institutions do not have such a monitoring system.

Improper Inspection reports (IPICOL and OSFC)

2.3.18 Following deficiencies were noticed:

- There was no standard format or written guidelines in IPICOL for preparation of Inspection Report at different stages during implementation of project.
- Inspection Reports did not contain the vital details about actual progress of work at each stage such as land acquisition and development, the building plans, progress of construction, procurement of machinery and commissioning before disbursement.
- Register for inspection of the assisted units was not maintained. Even a check list was not designed for use of inspecting officers visiting assisted units.

Non-obtaining of audited accounts

2.3.19 In IPICOL, the details of production, sales and audited accounts were not obtained each year to ascertain the health of the assisted units and to take action against the defaulters. Even a condition regarding furnishing of annual financial statement was not existing in the sanction letter/loan agreement. The Company sought for latest financial statements only when the borrowing unit turned defaulter or asked for fresh loan.

In respect of OSFC, though a clause to this effect existed in loan agreement/sanction letter, the audited accounts were not obtained.

Demand and Recovery

2.3.20 Recovery of loans and advances is one of the important operations in order to plough back the funds for recycling it for development of industrial activity in the State.

OSFC

OSFC raised demands for Rs.4796.18 crore (principal Rs.1590.71 crore and interest Rs.3205.47 crore) and recovered Rs.457.43 crore (principal: Rs.216.67 crore and interest: Rs.240.76 crore) during the last five years ending March 2005. The percentage of recovery declined from 13.87 in 2001-02 to 5.09 in 2003-04. This increased to 20.28 per cent in 2004-05.

Due to poor recovery, OSFC could not repay the dues of Rs.470.11 crore (including current dues of Rs.170.16 crore) in respect of loans/bonds raised from RBI, IDBI, SIDBI and others outstanding as on 31 March 2005.

Due to decline in recovery, refinance from SIDBI was reduced and thereby lending business of OSFC was reduced from Rs.117.36 crore in 2000-01 to Rs.3.64 crore in 2004-05.

SIDBI circulated a guideline to all SFCs in May 2002 to categorise the SFCs into three viz. A*, B** and C*** (others) for refinance and prescribed the criteria for availment of refinance loan. OSFC was placed in category 'C', thereby the Corporation failed to get the refinance from SIDBI for 2003-04 which adversely affected the inflow of fund. As a result, lending business was reduced from Rs.117.36 crore in 2000-01 to Rs.3.64 crore in 2004-05.

Following deficiencies were noticed in OSFC in demand and recovery procedure in respect of 89 cases test checked in audit:

Sl. No.	Nature of deficiencies	No. of cases of deficiencies
1.	Quarterly interest demand notice not served	89
2.	No periodical inspection of assisted units to assess the status of the unit	6
3.	Not invoking collateral/ personal guarantee	2
4.	Delay in seizure of the unit	77
5.	Delay in realisation of dues through Court of law	18
6.	Subsidy not recovered	2
7.	Non seizure of closed unit resulted in delay in realisation of dues through Court of law	36
8.	Non-collection of Sales Tax dues from the hire purchase loanees where last instalment has been paid	9
9.	Non-realisation of dues from the political persons	27
10.	Non-realisation of dues sanctioned and disbursed against service guarantee	5
11.	Despite default in repayment of loan dues, recommendation for Industrial Policy Resolution benefit	5
12.	Extension of undue benefit	5

Audit further observed the following irregularities:

- Confirmation of balances outstanding against the loanees has not been obtained so far (March 2005).
- The Corporation failed to furnish the list of units closed and dues outstanding against them as on 31 March 2004, as no data base was maintained.
- Out of 350 cases (Cuttack, Berhampur, Balasore and Bhubaneswar branches) where outstanding in each case was more than Rs.50 lakh, in 93 cases the units were closed and an amount of Rs.133.82 crore

* A Category: Regular in payment of SIDBI/IDBI dues, achieving the target fixed under business plan, improving overall performance and able to generate plough back of at least 25 per cent of their annual requirement.
** B Category: No overdue to SIDBI/IDBI but not achieved the target under business plan.
*** C Category: Default of SIDBI/IDBI and require financial restructuring.

remained outstanding against them. The recovery measures under Section 31 and 32 (G) of SFC Act, 1951 have not been initiated by the Corporation.

- As per SIDBI guidelines, the maximum limit of loan assistance to a unit was Rs.1.20 crore. The Corporation, however, extended loans amounting to Rs.33.73 crore to 19 units between Rs.1.23 crore and Rs.3.26 crore. All these units defaulted towards payment of dues of Rs.66.51 crore;

- As per the system followed by the Corporation, the Branch Officer was required to inspect the vehicles/units once in a month to verify the assets of the unit. Test check of records of six branches* revealed that due to lack of control in periodical inspection, 424 vehicles against whom an amount of Rs.26.51 crore remained outstanding, were reported missing as on 31 March 2005. Further, 392 units/industries were missing against whom an amount of Rs.18.42 crore remained outstanding. It was further noticed that the Inspecting Officers were certifying that the vehicles were missing without any enquiry from Regional Transport Offices.

Reconciliation of loan ledgers of OSFC

2.3.21 The accounts department is required to update the Loan accounts and send Demand Notices to the loanees monthly/quarterly as the case may be. The loan ledgers, however, were not updated and demand notices were not issued in time.

Audit observed that:

- out of 432 units at Cuttack, Balasore, Bhubaneswar and Rourkela branches in 223 cases interest calculation was not done and posted in the Loan Ledger and Demand Notices were not issued. The delay ranged between three months and more than 10 years.

- an amount of Rs.312.71 lakh received from Deposit Insurance & Credit Guarantee Corporation (DICGC) awaiting adjustment in the respective loanee accounts since 1997-98 due to lack of reconciliation (June 2005).

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* Balasore, Berhampur, Bhubaneswar, Cuttack, Paradeep and Rourkela.

One Time Settlement (OTS)

OSFC

OSFC did not identify wilful default, fraud and malfeasance cases before finalising OTS cases.

2.3.22 As a result of weak Internal Control System, the percentage of Non-Performing Assets (NPA) in OSFC increased from 74.60 in 2000-01 to 86.44 in 2003-04. The high percentage of NPA was due to reasons like inadequate appraisal, non-review and non-monitoring of assets. Audit scrutiny revealed that the demand notices (principal and interest) were not sent to the loanees at regular interval, wilful defaulters were not identified and stringent recovery measures were not taken to reduce the NPA. OSFC failed to take effective action for recovery of its dues either from the loanees or from the guarantors which resulted in increase of NPA.

In order to bring down the huge NPA, the Corporation introduced One Time Settlement/Loan Settlement Scheme from 1992-93 onwards and the schemes were modified from time to time. Audit scrutiny of OTS-03 and OTS-04 revealed the following:

- Before finalisation of cases under OTS, OSFC was to identify the wilful defaulter, fraud and malfeasance cases. This was, however, not done. Audit scrutiny of eight OTS cases (out of 103 cases) under Berhampur unit revealed that while finalising the cases the Inspecting Officers certified that the cases were not covered under wilful defaulter, fraud and malfeasance. The certificates were, however, given without supporting documents, financial statements, etc. The waived amount was Rs.87.20 lakh.

- In respect of 44 cases under Balasore (13 out of 105) and Bhubaneswar (31 out of 117) branch, OSFC waived an amount of Rs.29.30 lakh towards principal amount contrary to provisions under OTS-04. The reasons for such relaxation of scheme were not on record.

OSFC stated (July 2005) that there was provision for waiver of principal to the extent of 25 to 50 per cent in cases related to outstanding below Rs.25,000. The reply is not tenable as the audit pointed out cases of principal amount outstanding exceeding Rs.25,000 which was in violation of the scheme.

Management of assets taken over

OSFC

2.3.23 The Corporation constituted (December 1978) the Default Advisory Committee (DAC) {subsequently named as Default and Disposal Advisory Committee (DDAC)} under Section 21 of SFC Act, 1951 to dispose the seized assets to recover the defaulted dues from the loanee.

Audit observed that:

- The business was transacted without quorum in 23 DDAC meetings during the period from March 2000 to February 2004 and the decisions were taken by single member.
- The proceedings of committee were not placed before the Board for the year 2000-01 to 2004-05 as provided in the Orissa State Financial Corporation General Regulations.

Recovery under Section 29 of SFC Act, 1951

IPICOL

2.3.24 The provisions of Section 29 of the SFC Act regarding seizure of assets of defaulting units were extended to IPICOL by Central Government in December 1986. In exercise of such powers, IPICOL seized 16 units during five years period ending 31 March 2005. Nine of these units were sold, four units were partially sold and other three units were yet to be disposed (June 2005). Audit observed that:

- IPICOL had not maintained any register/list of units seized and security available against them.
- In case of two units, assets were partially seized on the request of the unit. Action was, however, not taken for realisation of balance loan of Rs.6.95 crore.
- In case of one unit, only partial seizure of collateral security was made in June 2004. At the time of seizure, the Company observed that as against the actual value of Rs.14.40 lakh, the security was overvalued by Rs.37.44 lakh at the time of sanction of loan. Responsibility for the lapses in sanction was not fixed.

Delay in initiating action for recovery of balance dues of Rs.3.92 crore by IPICOL in respect of a unit after seizure by OSFC (jointly financed by OSFC and IPICOL).

- In case of a unit seized and sold in 1998 by OSFC, the balance outstanding remained at Rs.3.92 crore after apportionment of sale proceeds. IPICOL initiated seizure of the collateral security only after four years i.e. in 2002. The value of the land was only Rs.1.11 lakh. Thus, the prospect of recovery appears remote.
- Loan Ledger of seized units were not updated.

OSFC

2.3.25 Audit observed that:

- Test check of 31 seized and released units of OSFC between July 2001 and August 2003 revealed that an amount of Rs.2.35 crore was overdue against those 31 loanees since release of the units. It was observed that due to absence of any detailed investigation and background of the promoters from the Banks/Financial Institutions and inadequate monitoring, the position did not improve and those new loanees also became defaulter.

- Neither Head Office nor Branches, however, filed cases under Section 31 of SFC Act, 1951 from June 2002 to March 2005. Thus, this recovery measure was not put to use since June 2002.

Cash Management Control

Cash and Bank

2.3.26 As per the procedure followed by OSFC, cash and cheques received from the loanees are to be deposited into the bank on the same day or the next day. The Zonal Officer is not authorised to spend from the collections. The officer in-charge receiving the cash from loanees was not depositing cash in full in the bank either on the same day or the next day in Paradeep Zonal Office. Scrutiny of records for the period from April 2002 to March 2005 (up to 7 March 2005) revealed that on 331 occasions part deposits were made in the bank and balance amount was retained. The retention of cash ranged between Rs.2000 to Rs.2,40,000 with retention period varied from one day to 186 days.

The irregularities/omissions in cash books of Berhampur, Kendrapara, Paradeep and Chandikhol branches recovery cell noticed were as given in **Annexure-12**.

Cash Insurance

2.3.27 In order to prevent loss of cash on account of theft, fire, flood, embezzlement etc., insurance of cash is required. IPICOL and OSFC have not made any approved policy for cash insurance. The following deficiencies were noticed:

- Inadequate insurance policy was made for cash in safe and cash in transit.

- Insurance policies were not renewed timely.

- Fidelity insurance meant to safeguard the interest of the Corporation was not taken in OSFC and not renewed in time in IPICOL.

Money Receipt Books

2.3.28 Test check of Money Receipt Books of Berhampur and Balasore branches of OSFC for five years ending 31 March 2005 revealed that:

- Money Receipt Books were not issued serially.

- All the columns of MR issue register were not filled up.
- Old damaged money receipt books, partially used old money receipt book were not cancelled.
- MR Books No.3991, 0993, 0586, 7760, 5814, 5815, 5811 and MR No.352799 and 352800 of Book No.3528 were missing from Balasore branch.

Conclusion

Budgets of both the organisations have not been prepared before the commencement of the financial year, besides no analysis of the variation between budgeted and actual figures under different heads was done at the time of preparation of budget as a result future operations could not be projected. Budget, therefore, did not serve as an instrument of Internal Control. Functional Manuals lost their relevance as these have not been updated for the last 11-20 years.

The objective of the Audit Committee of IPICOL has not been fulfilled, as other than review of Annual Accounts, it has not reviewed and given recommendations on any other matter for consideration of the Board. Internal Audit in both the organisations was inadequate and compliance to the observations of the Internal Audit were not ensured. Internal Audit, has therefore, not been able to monitor or ensure strengthening of Internal Control Systems.

Internal Control in respect of appraisal, sanction, disbursement, monitoring, demand and recovery of term loans was weak which resulted in increase in NPA and accumulation of dues. Deficiencies were also noticed in Internal Control System in maintenance of cash book and bank accounts including instances of temporary misappropriation of cash and non-reconciliation of Bank accounts.

Recommendations

- **Both the organisations should prepare their budgets before commencement of the financial year and after analysing the variations between budgeted and actual figures under various heads;**
- **Functional Manuals need to be updated to ensure adoption of the latest best practices in respect of their organisations;**
- **In case of IPICOL, Audit Committee meetings should be conducted periodically and the committee should discuss with the auditor, Internal Control Systems, scope of audit including the**

observations of auditors in addition to review of half-yearly and Annual Financial Statements before submission to Board;

- **In respect of IPICOL, scope of Internal Audit should be clearly defined and compliance to the Internal Audit Reports should be ensured and placed before the Board.**

- **In OSFC, transactions of Head Office should be audited by Internal Audit in addition to branches. Compliance to the Internal Audit Reports should be ensured and the Internal Audit Reports should be placed before the Board.**

- **Both the organisations should critically examine technical, financial and commercial feasibility of the projects and ensure creditworthiness of the promoters before sanctioning of loans.**

- **Both the organisations should make disbursement as per the terms of the sanction order and prepare project completion reports to ensure that assets have been created.**

- **The system of handling of cash and bank in OSFC should be strengthened by periodical physical verification of cash, timely transfer of cash balance to Head Office, reconciliation of Bank accounts, adequate cash insurance and timely renewal of cash insurance policy.**

Chapter-III

Transaction Audit Observations

Government companies

Orissa Power Generation Corporation Limited

3.1 Undue benefit to contractors

The Company extended undue benefit of Rs.1.82 crore to the contractors by paying compensation in violation of the settlement.

The operation and maintenance of various units of Ib Thermal Power Station (ITPS) of the Company was entrusted (July 1996) to the contractors who employed contract labourers for these activities. The Government of Orissa abolished (April 2002) contract labour system in six* process areas. Workers of these contractors went on indefinite strike (November 2002) demanding continuance of uninterrupted service. A Memorandum of Settlement (MoS) was signed (5 September 2003) by the Company (principal employer), the contractors (employer) and Ib Thermal Labour Union in the presence of the District Collector-cum-Magistrate and Superintendent of Police of Jharsuguda. As per the MoS, the contractors (employer) were to pay one-time ex-gratia to the labourers depending on their length of service. Clause 6 of the MoS further envisaged that under the settlement, the contractors would not have any subsisting cause of action against the principal employer.

Audit scrutiny revealed that the Company paid Rs.1.82 crore to the contractors between September and December 2003 as compensation for payment of ex-gratia to the labourers contrary to the provisions of MoS on the ground of commercial understanding with the contractors though there was no documentary evidence in support of it. Even if, there was any understanding with the contractors, it was against the provision of Clause-6 of MoS.

Company/ Government in reply admitted (April/August 2005) that the Company was not legally bound to pay any compensation; the same was, however, paid on humanitarian ground after judging the prevalent situation. The reply is not tenable in view of the fact that the MoS was reached to the conclusion by all concerned after taking into account peculiarity of the situation and humanitarian consideration.

* Ash Handling Plant, Boiler & T.G, Coal Handling Plant, Mechanical and Electrical maintenance of ITPS and Water Treatment Plant.

Thus, payment of compensation to the contractors in violation of the settlement resulted in undue benefit to the contractors amounting to Rs.1.82 crore.

3.2 Avoidable expenditure

Unplanned procurement of materials resulted in avoidable expenditure of Rs.56.96 lakh.

The Company has a 220 KV switch yard at Ib Thermal Power Station (ITPS) with 11 Bays for evacuation of power to Grid Corporation of Orissa Limited (GRIDCO) from the existing unit-1 and 2 and the proposed unit-3 and 4, feeding back for operation of generators and for bus transfer and bus coupler. The Bays were constructed as common facility for both existing unit-1, 2 and proposed unit-3 and 4. These Bays include one Bay i.e. Bay no.8 meant for supplying power to colony and Ash Water Recycling Plant and four Bays (viz. 1,3,7 and 12) meant for evacuation of power to GRIDCO.

Audit scrutiny revealed that:

- Out of four Bays meant for supply of power to GRIDCO, only two Bays (viz. 1 and 3) were used to evacuate power from unit-1 and 2 since unit-3 and 4 were pending construction (June 2005). As a result, two Bays (viz. 7 and 12) constructed during October 1994 at a cost of Rs.1.65 crore were not used for supply of power to GRIDCO.

- Pending charging of Bay no.8, Bay no.7 was being used for supplying power to colony and Ash Water Recycling Plant since April 2001. Bay no.12 continues to remain idle. Even though Bay no.7 was catering to the colony and Ash Water Recycling Plant and Bay no.12 remaining idle, the Company procured material worth Rs.56.96 lakh during 2001-2003 to make Bay no.8 operational.

As Orissa Electricity Regulatory Commission was not convinced about customers for power from unit-3 and 4, the construction of these units was yet to be decided (July 2005). The Company should have continued to utilise the Bay no.7 for supplying power to colony and expenditure of Rs.56.96 lakh, incurred for making Bay no.8 operational, could have been avoided.

Management/Government stated (February/August 2005) that Bay no.7 and 12 were the stand-by Bays. The reply is not tenable as the Bay no.7 and 12 were proposed to be connected to GRIDCO for evacuation of power and not as stand-by Bays. The Company was managing supply of power to the colony by utilising Bay no.7, which otherwise was remaining idle.

Thus, unnecessary procurement of materials resulted in avoidable expenditure of Rs.56.96 lakh.

Grid Corporation of Orissa Limited

3.3 Wasteful expenditure

The Company failed to commission DGA equipment which resulted in wasteful expenditure of Rs.1.12 crore.

The Company placed (May 2000) purchase order (PO) with Varian India Private Limited for design, manufacture, testing and supply of four Dissolved Gas Analysis (DGA) Test Equipment with four sets Gas Generators at a cost of Rs.1.23 crore including all taxes and duties.

The supplier submitted (November 2000) a composite bank guarantee (BG) of Rs.12.27 lakh valid up to 31 March 2002 towards full payment, performance guarantee and security deposit. The equipment were delivered, installed and commissioned in September, October and December 2001 respectively. Defects were noticed (January 2002) in the equipment and the supplier attended the complaints between June and October 2002 but failed to rectify the same. In a joint meeting (October 2002), the supplier though agreed to replace/modify certain parts of the equipment and also attended the complaints (between September 2003 and February 2004) yet again failed to rectify the defects. Meanwhile, between May 2001 and April 2002, the Company released the payment of Rs.1.09 crore (including taxes and duties) to the supplier. In April 2004, the supplier disowned his responsibility in discharging the contractual obligation. The Company issued (July 2003) a legal notice and also filed money suit (February 2005) for recovery of loss.

In this regard following deserve mention:

- As per the terms of PO, the Company was entitled to withhold 25 per cent of the cost of material (Rs.28.36 lakh) till successful commissioning of the equipment. The Company, however, released the payment between February and April 2002 despite the fact that defects noticed in January 2002 were persisting.

- The Company did not invoke the BG of Rs.12.27 lakh within the validity period (March 2002) and also failed to get the BG extended.

- The Company incurred idle expenditure of Rs.14 lakh (up to January 2005) towards salary and wages of the staff engaged on operation and maintenance of the equipment.

Management/Government stated (June 2005) that balance 25 per cent of the cost of the materials was released after commissioning of the equipment as per the terms of the purchase order. It further added that in order to get support from the supplier for rectification of the equipment, extension of BG was not insisted. The reply is not tenable since the terms of the purchase order stipulate release of balance amount only after successful commissioning of the equipment. Since the BG was the only security available with the Company, there was no commercial prudence in non-insistence of BG.

Thus, failure to provide adequate safeguards for protecting its interest, the Company was saddled with uncommissioned DGA equipment resulting in wasteful expenditure of Rs.1.12 crore coupled with idle establishment expenditure of Rs.14 lakh. Further, the absence of equipment would not only affect the upkeep of the transformers but the risk of frequent breakdown of transformers also can not be ruled out. The loss could have been reduced by Rs.40.63 lakh had the Corporation not favoured the supplier by releasing Rs.28.36 lakh before successful commissioning and non-invocation of BG for Rs.12.27 lakh.

3.4 Avoidable expenditure towards interest

Injudicious decision of the Company to convert interest free advance to interest bearing advance resulted in avoidable expenditure of Rs.29 lakh.

In order to cater to the increased demand for power supply to the upcoming industries in Duburi and Balasore, the Company felt the necessity of early completion of 400 KV DC Meramundali-Duburi (cost: Rs.40 crore) and 220 KV DC Kalabadia-Balasore (cost: Rs.35 crore) transmission lines to meet the demand. The Company felt that it was difficult to mobilise the required fund from its own sources. The Company, therefore, arranged a meeting (16 April 2004) with the representatives of the upcoming industries, NESCO[*] and others which was presided by the Principal Secretary, Energy Department. The Chairman-cum-Managing Director (CMD) of the Company proposed the upcoming industries to deposit Rs.10 lakh per mega watt with the Company as interest-free advance adjustable in 60 equal monthly instalments from the energy bills of NESCO. All the representatives agreed to the proposal.

The matter for securing deposits was placed for approval of the Board of Directors in August 2004. The Board was informed (August 2004) that in pursuance to a decision taken in a subsequent meeting of Chief Secretary with CMDs of the Company and IPICOL[**], the deposits by the upcoming industries would bear simple interest of six per cent per annum and the accrued interest would be repaid after full repayment of principal amount (the minutes and date of the said meeting were, however, not available with the Company). The Board approved (August 2004) the proposal of six per cent per annum interest bearing loan of Rs.10 lakh per MW. The Company had received Rs.15 crore between November 2004 and June 2005 from two[***] industries as against requirement of Rs.75 crore.

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[*] North Eastern Electricity Supply Company of Orissa Limited, which is a power distribution company under private management.
[**] Industrial Promotion and Investment Corporation of Orissa Limited.
[***] Jindal Stainless Limited and Rohit Ferro Tech Limited.

The Audit scrutiny revealed the following:

- Representatives of six industries had specifically agreed (April 2004), in principle, for payment of interest free advance to the Company and none of the industries disputed the agreement subsequently. This fact was not brought to the notice of the Board while submitting proposal to pay interest on the said advances.

- The CMD of the Company initially ordered (August 2004) for obtaining minutes of the meeting before signing the agreement. However, the agreements with two[*] parties were subsequently signed (November 2004 and March 2005) without the minutes.

Thus, the decision of the Company to go ahead with interest bearing advance despite the fact that industries agreed to extend interest-free advance lacked justification. The Company had already incurred avoidable expenditure of Rs.29 lakh (up to June 2005) towards interest on the advances received. The annual interest liability on deposit already received worked out to Rs.90 lakh. As it would be difficult to mobilise interest-free advance, annual interest liability of Rs.4.50 crore may have to be borne when entire deposit of Rs.75 crore was mobilised.

The above matter was reported to the Management (March 2005) and Government (April 2005); their replies have not been received (October 2005).

3.5 Implementation of Information Technology System

Introduction

3.5.1 Grid Corporation of Orissa Limited (GRIDCO) was formed on 1 April 1996. Implementation of IT applications in the areas of Finance, Human Resources Department, Inventory, Payroll, BST billing, etc., commenced from September 1997, to provide right information at the right time to the management for decision making. Though the IT functions are looked after in IT Department, the functional directors of the Company decide the priority areas for implementing Information Systems at different levels. The IT Department is headed by a Senior General Manager, who is assisted by two Managers, one Deputy Manager, three Assistant Managers, four Junior Managers and three non-IT officers.

Audit analysed the system already developed in the areas of inventory control, financial control, human resources control, etc. to examine the effectiveness vis-à-vis actual requirement of the application and the change management controls. The analysis of data furnished by the management with respect to

[*] Jindal Stainless Limited and Rohit Ferro Tech Limited.

Corporate Payroll Information System (CPIS) and Human Resource (HR) Information System was made using IDEA* software.

Procurement and Maintenance

Procurement

3.5.2 The Company did not have an IT procurement policy. No needs analysis for procurement of hardware and software was undertaken. A few instances are as below:

- The Purchase Committee of GRIDCO decided (August 2002) to procure hardware and software items on Director General of Supply and Disposal (DGS&D) rate contract basis from HCL Info systems. Scrutiny in audit revealed that DGS&D contract with HCL expired (13 September 2002) at the time of placing order with HCL (16 September 2002). The scrutiny of new rate contract entered with HCL by DGS&D (9 January 2003) revealed that rate of hardware and software was lower than the earlier rate contract. Audit observed that due to delay in placing purchase order the price reduction clause in the rate contract became inoperative and the Company could not avail of the reduction in market price to the extent of Rs.2.19 lakh.

  The Management stated (September 2004) that the purchase order was signed within the validity period of the rate contract (13 September 2002), but it was actually issued after the validity period was over which was beyond the control of IT Department. The reply is not tenable in view of the fact that the DGS&D rate contract valid till 13 September 2002 contained the provision of passing on future reduction in prices to the purchaser, but as the order was dated 16 September 2002, this clause became inoperative as the DGS&D rate contract lapsed on 13 September 2002.

- The Company procured seven hardware items valued Rs.8 lakh on limited tender basis (February, 2003). Scrutiny in audit revealed that out of seven items procured, three items were available at DGS&D contract at a lower price. Thus, due to non-procurement at DGS&D rate the Company incurred loss of Rs.1.20 lakh.

  Management stated (September 2004) that purchase order was placed (February 2003) much before the Company could get a copy of DGS&D rate contract. The reply is not tenable as DGS&D rate contract was issued in January 2003. Management also stated that the server configuration available in DGS&D rate contract did not provide requisite connectivity, ports and security provisions. The reply of the management is not acceptable in view of the fact that all these server system configurations were available in the DGS&D rate contract.

* Interactive Data Extraction and Analysis, software developed by CASEWARE IDEA INC. as a computer assisted auditing tool.

Maintenance

3.5.3 The Company had been re-entering into Annual Maintenance Contract (AMC) on the same terms and conditions with the same firm continuously for the last four years without inviting tenders. In order to get a competitive price and reduce the number of parties, the Purchase Committee decided (January 2003) to rationalise the AMC with effect from July 2003. The actual agreements, however, were entered into only in August and October 2003. The delay in implementation of decision of the Committee had resulted in avoidable payment of Rs.1.26 lakh as the new AMC charges were lower than the previous contract.

Management stated (September 2004) that as the officer in charge proceeded on leave, the tendering process was delayed. The reply is not acceptable in view of the fact that the Management should have tendered in time to safeguard the interest of the Company.

System Audit

3.5.4 The Company had developed five application software in-house in different areas of operation namely Stores Accounting, Payroll, GRIDCO Financial, HR Database and Cash Management. Price Waterhouse Coopers (PWC) developed Energy Billing Software. The deficiencies in some of the application software are discussed below:

Stores Accounting and Valuation Information system.

3.5.5 Software for valuation of closing stock in respect of Extra High Tension (EHT) materials for construction, stores and maintenance wing was developed. The software has been in operation since 1998-99. Each wing has been divided into divisions, which were further divided into sub-divisions. The end user of the system is basically the finance department as software has been mainly used to find out the value of closing stock of stores at the end of the year. The valuation of stores has been done on the basis of weighted average (WA) rate method.

A review of general controls and application level risks of the software on the basis of test check of stores price Ledger in respect of six work/site/project of construction and maintenance wing for the year 2002-03 revealed the followings:

- Though provision for separation of scrap/obsolete stores has been included in the software, separate accounting of scrap/obsolete was not being done. As observed, in case of L705 EHT (M), Burla section, scrap tower material was valued at Rs.1.14 lakh and taken into closing stock as on 31 March 2002. Similarly, empty barrels, old/used transformer oil, etc., those were scrap materials, were also taken into account as standard stores.

- Non-inventory items like items in the nature of fixed assets, furniture and fixtures were included in the stores. Since the valuation of stores was done on the basis of WA method, these items were also valued subject to valuation as per WA method, which was contrary to accepted accounting principles. This indicates the software was not designed considering the accepted accounting principles. As financial accounts were prepared on the basis of price stores ledger (prepared as per the software), the above inclusions of non-inventory items resulted in understatement of fixed assets and overstatement of stores and spares by Rs.80.88 lakh. Depreciation was understated with corresponding overstatement of profit for the year 2002-03 by Rs.16.12 lakh*.

- The software was developed as web enabled so that all units can access to the server available in main computer center. Accordingly, all units are provided with computers and modems. It was, however, found that the software is yet to be used in field units and the units networked with the central server at headquarter.
- In case of L705 SEC. EHT (M) BURLA, the opening balance of 2.875 KM of ACSR Panther Cable as on 1 April 2001 was valued at Rs.8.63 lakh having unit rate of Rs.3 lakh. Subsequently, during September 2001, 1 KM of cable was issued whereas 0.1 KM was shown as issued in computerized store price ledger. This resulted in undercharging of repair and maintenance by Rs.2.70 lakh and overstatement of closing balance of stores and spares as well as profit for the year 2001-02 by Rs.2.70 lakh.

Thus, the stores accounting and valuation information system was completely input dependant for the accuracy of outputs. However, validation controls were not present in the application to automatically detect input errors and impart reliability and integrity to the system.

Improper validation control in the Human Resources software

3.5.6 To ensure better Human Resource (HR) planning and development, the Company had developed a HR information system in October 2001. Even after a lapse of four years, the integrity and reliability of the software is questionable. Audit observed the following:

- As per rule, the retirement age of employees in the category** of A01, A02, T01 and T02 grade is 60 years and for others it is 58 years. Scrutiny of database revealed that status of 28 employees in A01, 6 employees in A02, 39 employees in T01 and 21 employees in T02, who had already retired as on 1 September 2004, was indicated as INSERVICE. Similarly, in case of other employees whose retirement age was 58 years, and who had already retired as on 1 September 2004, the status of 203 employees has been shown as INSERVICE. Proper

* Year of purchase, receipt and issue over the year has not been considered due to non-availability of specific informations.

** **A01**-Attendant, Peon, Watchman, etc. **A02**-Daftary, Diarist, Record Supplier, Zamadar, etc. **A03**-Helper. **A04**- Carpenter, Khansama, Junior Artisan, Mason, etc.

validation control can ensure exclusion of retired employees from the current database.

The above matters were reported (August 2005) to Management/Government; their replies have not been received (October 2005).

Orissa Hydro Power Corporation Limited

3.6 Loss of Revenue due to defective meter

Company's failure in making proper metering arrangements as per PPA led to loss of revenue of Rs.2.38 crore due to under-billing of energy sold.

The Company executed (August 1998) a Power Purchase Agreement (PPA) with GRIDCO for transmitting the energy generated from its Upper Indravati Hydro Electric Project (UIHEP). As per Clause 8 of the PPA, two sets of recording type electronic tri-vector meters were to be installed by the Company to measure the energy generated and the energy delivered. One set of such meters was to be designated as Main Meter and the other set as Check Meter. Each set shall consist of export and import meters. These meters shall be static meters of class of accuracy of 0.2 per cent. The first Unit of UIHEP was commissioned in September 1999.

Audit scrutiny revealed that the reading of Check Meter was more than that of Main Meter. The Main Meter, therefore, was retested (October 1999) by State Testing Laboratory (STL). This showed an error of (+) 0.41 per cent which was more than the specification (i.e. 0.2 per cent) of PPA. GRIDCO did not accept (May 2000) the request of the Company to consider the billing as per the meter installed at the delivery point (PGCIL) by treating it the Check Meter on the ground that the same was not installed in the Power House premises. The billing of sale of power to GRIDCO was, therefore, being done as per readings of Main Meter at power house end despite its lower reading and erroneous status.

The Company installed a new Main Meter in March 2001 and a Check Meter in September 2001 at Power Station in Indravati PGCIL 400 kV feeder. The joint reading of the Check Meter, however, was not taken for comparison with the reading of Main Meter. As this Check Meter showed erroneous reading, GRIDCO requested (July 2002) the Company to install a Check Meter at the Power Station to avoid confusion in measurement of energy.

It was further observed (May 2004) in Audit that meetings were held between GRIDCO and the Company on reconciliation of energy at UIHEP on different dates in January and October 2001 and in May and July 2002. It was finally decided (April 2003) that the meter readings of the old Main Meter should be considered for billing purpose from September 1999 to February 2001 without applying the correction factor of 0.41 per cent and from March 2001 to April 2003 on the basis of new Main Meter (installed in March 2001).

Considering the differential energy (38.516 MU) between the exportable energy (6090.157 MU*) as per provisions of PPA and energy actually billed (6051.641 MU), the Company suffered a loss of revenue of Rs.2.38 crore between September 1999 and April 2003 (at rates ranging from 59.07 paise to 64.96 paise per unit from time to time). Management has also suggested for this method of computation in the meeting held with GRIDCO in July 2002.

Management/Government replied (April/May 2005) that the energy reconciled from March 2001 to April 2003 as per Main Meter installed in March 2001 is correct and there is no loss to OHPC. The reply is not tenable as the Company was incurring continuous losses for under-billing of energy due to its failure in making proper metering arrangements, as envisaged in the PPA for more than five years.

Orissa Mining Corporation Limited

3.7 Undue benefit to a contractor

Company extended undue benefit of Rs.15.52 crore to a contractor due to payment of higher wage component.

The Company awarded (April 1998) excavation of ore at South Kaliapani D quarry to Arvind Construction Company Limited (ACC), New Delhi. The rate for excavation was fixed at Rs.64.10 per cubic metre (cum) with an escalation clause for five years effective from 1 January 2000. As stipulated in the escalation clause, 20 per cent of the excavation rate fixed represents the wage component.

The contractor excavated 75.97 lakh cum between January 2000 and March 2005. Payment to the contractor included Rs.22.96 crore towards estimated wage component of 20 per cent of the excavation rate (including escalation charges of Rs.13.22 crore).

Scrutiny of monthly returns, furnished by the Company to Steel and Mines Department of the State, revealed that to excavate 75.97 lakh cum, the contractor actually paid (January 2000 to March 2005) wages of Rs.7.44 crore only to the workers. The Company, however, failed to revise the excavation rate and continued to make payments to contractor at fixed labour component rate (20 per cent of the excavation rate) despite knowing the fact of huge difference in the labour component as fixed and that actually incurred by the contractor. This had resulted in excess payment of Rs.15.52 crore to the contractor towards wage expenditure.

* Gross generation (6151.674 MU) less 1 per cent (61.517MU) towards auxiliary consumption and transformation loss

Management/Government stated (July 2005) that wage component was not 20 per cent of the basic rate but the same was to be used as weightage of labour component for working out the escalation. The reply is not tenable since it was mutually agreed that the basic rate would constitute 80 per cent for variable components including 20 per cent wage component.

Thus, due to allowing higher rate in regard to wage component in the rates, the contractor was extended undue benefit of Rs.15.52 crore.

Orissa State Seeds Corporation Limited

3.8 Loss due to improper production planning

Production of certified seeds without assessing the demand resulted in loss of Rs.5.40 crore.

The Company supplies foundation seeds of paddy to the registered growers by an agreement for production and supply of certified seeds. Certified seeds so procured by the Company are provided to the small and marginal farmers through the Agriculture Department, Government of Orissa. The Company submits its production programme to the Government through Agriculture Department for approval. The Company procures the required quantity of the certified seeds on the basis of the approved programme. The Government places indent with the Company for lifting of the seeds on the basis of the demand from the beneficiaries. The Company, however, did not execute any formal agreement with the Government of Orissa regarding off-take of the certified seeds indicated in the approved programme. Since, the certified seeds of paddy become sub-standard on expiry of 9 to 15 months from the date of certification, the Company was required to prepare the production programme by properly assessing the demand position of certified seeds by the farmers.

Audit scrutiny revealed the following:

- The Company did not maintain the data bank of the number and requirements of small and marginal farmers so as to assess the actual demand. The proposals of production programme, therefore, were submitted without proper assessment of demand for arriving at the proposed quantity of production.

- Audit noticed that during the four years ending 31 March 2004, against procurement of 6,75,096 quintals, the State Government lifted only 5,36,017 quintals rendering 1,39,079 quintals surplus which became sub-standard subsequently (i.e. after expiry of 9 to 15 months).

- Due to excess procurement, 1,75,301.12 quintals of certified seeds of paddy valued at Rs.15.60 crore had become sub-standard as on 31 March 2004; out of which 1,39,621 quintals of seeds valued at Rs.12.44 crore were disposed of at Rs.7.04 crore resulting in loss of

Rs.5.41 crore. The balance 35,680 quintals, valued at Rs.3.16 crore, were yet to be disposed off (May 2005).

The Management stated (May 2005) that they followed the approved programme for production and were proposing to Government some corrective measures including permission to sell the certified seeds in open market. The reply is not tenable as the Government approved the programme on the basis of proposal of the Company which should have been prepared after assessing the actual demands. Further, the Company's intention of taking corrective measures substantiates the audit observations. Thus, production of certified seeds without assessing the demand resulted in loss of Rs.5.40 crore.

The above matter was reported to the Government (June 2005); their replies have not been received (October 2005).

Orissa Small Industries Corporation Limited

3.9 Undue favour to a sub-contractor

Undue favour to a sub-contractor and failure of the Company to take action to recover the dues led to loss of Rs.63.73 lakh.

Ranjeeta Steelex Industry (RSI) signed (August 1997) a Memorandum of Understanding (MOU) with the Company to execute the work of South Eastern Railway (SER), as a sub-contractor, with a clear margin of five per cent to the Company. SER issued (September 1997) Letter of Acceptance (LOA) to the Company at Rs.1.85 crore with stipulation to complete the work within 12 months from the date of issue of LOA. Accordingly, the Company issued (October 1997) Letter of Intent (LOI) to RSI for commencement of work by November 1997.

The sub-contractor could not complete the work in time and SER granted extension up to March 2002 with token penalty of Rs.5,000 per month. RSI left the site in October 2002 without completing the work. SER passed (February 2003) payment of Rs.1.80 crore for total works executed up to 14th RA bill and withheld Rs.6.02 lakh against the balance incomplete work (estimated at Rs.0.73 lakh).

Audit scrutiny revealed the following:

- The Company neither executed any agreement with RSI nor issued any work order for execution of the work in terms of LOI.

- The Company supplied materials worth Rs.1.44 crore[*] and extended interest bearing advances of Rs.50.40 lakh to RSI between November

[*] Including statutory levies to be borne by sub-contractor.

1997 and September 2002 without agreement and without any security. The Company could adjust only Rs.1.70 lakh against interest of Rs.42.10 lakh, leaving un-recovered balance of Rs.40.40 lakh.

- The Company paid cash/material advances more than the value of the work executed up to the 14th RA bill resulting in excess payment of Rs.23.33 lakh after considering the margin of the Company (Rs.9.01 lakh).

The Company had not taken any remedial steps to recover either the excess payments or the interest on advances though Audit pointed it out in March 2002.

The Management/Government stated (March 2005) that the execution of the project was the responsibility of the Company for which interim advance payments were made and materials were issued progressively. It was further stated that RSI had completed the balance work and passing of the final bill was underway. The reply is not tenable since the amount of advances were more than the value of work done. This indicated that the advances were extended without evaluating the value of the work done. Further, the possibility of recovering excess advances (Rs.23.33 lakh) was remote since the amount of the bill pending for clearance by SER was estimated at Rs.6.02 lakh only.

Thus, extension of undue favour to the sub-contractor and failure of the Company to take protective action for the dues resulted in loss of Rs.63.73 lakh towards excess payment (Rs.23.33 lakh) and outstanding interest (Rs.40.40 lakh).

Hirakud Industrial Works Limited

3.10 Loss due to delayed and short delivery of conductors

The Company paid liquidated damages of Rs.32.01 lakh due to non-adherence to the delivery schedule and failure to supply the ordered quantity.

The Company received (May 2001) a supply order from Madhya Pradesh State Electricity Board (MPSEB) for supply of 700 KMs of Aluminum Conductor Steel Reinforced (ACSR) Moose Conductor at Rs.1.53 lakh per KM. Though the party made frequent references for intimating dates of testing of conductors, the Company did not respond. The MPSEB later restricted (April 2003) the order for supply of 300 KMs by May 2003.

The Company manufactured and kept ready first lot of 100 KMs and the second lot of 101.313 KMs by 15 April 2003 and 25 May 2003 respectively. The MPSEB inspected (10 to 13 May 2003) the first lot and requested

(20 May 2003) supply of the second lot also. The Company, however, supplied only 99.810 KMs of first lot in June 2003. The second lot of 101.503 KMs was supplied between November 2003 and December 2003 i.e. after expiry of scheduled delivery date of May 2003. The Company attributed the delay to non-receipt of payment in time against supply of first lot. MPSEB cancelled (May 2004) the order for the balance quantity of 98.687 KMs conductor stating that they were not in a position to keep alive the contract for unexecuted portion of supply. The MPSEB also recovered liquidated damage of Rs.16.91 lakh towards delay in supply and Rs.15.10 lakh towards failure in supply from the bills of the Company (February/ May 2004).

As regards delay in supply of materials of second lot, the Management stated (April 2005) that there was scarcity of funds to meet statutory liabilities due to delay in payment against the first lot. The contention of the Management was not acceptable since it received payments against first lot in July 2003 (Rs.82.36 lakh) and September 2003 (Rs.1.23 crore) and delivery of second lot was started only after 15 November 2003. Further, the Company accepted the purchase order without insisting for a suitable clause for timely payment of dues.

Thus, due to non-adherence to the manufacturing and the delivery schedule of supply order without valid reasons, the Company not only lost the order for supply of 400 KMs of conductor worth Rs.6.12 crore but defaulted in regard to completion of supply of truncated order of 300 KMs resulting in further loss of order of 98.687 KMs valued at Rs.1.51 crore besides paying liquidated damage of Rs.32.01 lakh.

The above matter was reported to Government (June 2005); their replies have not been received (October 2005).

Orissa State Police Housing and Welfare Corporation Limited

3.11 Injudicious investment of surplus funds

Non-compliance of Government instructions by the Company led to loss of interest of Rs.75.40 lakh.

The Government of Orissa (Finance Department) in September 1997 instructed all the Public Sector undertakings to invest adequately their surplus funds in the Orissa State Co-operative Bank (OSCB), which was a scheduled bank. The Government reiterated (September 1999) that any deviation from investing in the OSCB without Government approval would be dealt with severely.

Audit scrutiny revealed that the Company did not make any investment of surplus funds in OSCB for the period between February 1999 and September 2004. In violation of Government instructions, the Company parked the surplus funds in fixed deposits with other commercial banks without approval of the Government for the periods ranging between 21 and 919 days. A comparison of the rates of interest of the fixed deposits made in other banks with the rate of interest offered by OSCB in the corresponding period revealed that interest offered by OSCB was higher by 0.5 to 5.5 per cent. As a result, the Company sustained loss of interest of Rs.75.40 lakh.

The Management stated (April 2005) that investments were being made considering all the aspects like safety, liquidity, convenience, etc.; hence, there was no loss to the Company. The reply of the Management is not tenable in view of the fact that the investments in commercial banks were made in violation of Government's directives and ignoring the opportunity of earning higher interest.

The non-compliance of the Government instructions by the Company and failure to take advantage of higher rate of interest led to loss of interest of Rs.75.40 lakh.

The above matter was reported to the Government (April 2005); their replies have not been received (October 2005).

Statutory corporations

Orissa State Financial Corporation

3.12 Non-surrender/non-closure of Government Guarantee

Non-surrender of Government Guarantee on unavailed/ repaid loans resulted in avoidable expenditure of Rs.1.03 crore towards guarantee commission.

Government of Orissa sanctioned Government Guarantee to the extent of Rs.120.28 crore to the Corporation for availing ad hoc borrowing from Reserve Bank of India (Rs.22.95 crore) and refinance from financial institutions (Rs 97.33 crore). The Corporation availed loan of Rs.115.71 crore against the guarantee and balance guarantee of Rs.4.57 crore remained unavailed as on 31 March 2005. The Corporation repaid (up to February 2004) Rs.72.23 crore to the lenders against the availed loan of Rs.115.71 crore.

The Company was liable to pay guarantee commission @ 0.5 per cent per annum to State Government on the entire value of guarantee sanctioned unless the unavailed/ repaid portion of loan is duly surrendered/ closed. The proposal for surrender/closure of the Government Guarantee was to be submitted to Finance Department alongwith the documents as prescribed in Finance Department circular of November 2002.

Scrutiny of the records revealed (April 2005) that the Corporation did not take any action to surrender; but forwarded (February 2004) a proposal to the State Government for waiver of outstanding guarantee commission against unavailed/ repaid portion of loan without fulfilling the requirements of the Finance Department circular of November 2002. No response was received from the Government (June 2005) against the proposal. As a result, the guarantee of Rs.76.80 crore (unavailed loan: Rs.4.57 crore and repaid loan: Rs.72.23 crore) remained outstanding against which the Corporation was liable to pay guarantee commission of Rs.38.40 lakh per annum.

The guarantee commission paid/ payable by the Corporation for the period from 1999-2000 to 2004-05 stood at Rs.1.03 crore on unavailed loan (Rs.0.13 crore) and repaid portion of loan (Rs.0.90 crore). On being pointed out in audit, the Corporation submitted (June 2005) the proposal for the surrender of guarantee on unavailed/ repaid portion of loan on which Government's response was awaited.

The Corporation while accepting the views of the Audit stated (September 2005) that it was taking corrective measures for surrender of Government Guarantees on unavailed/ loan repaid.

Thus, due to non-surrender of Government Guarantees on unavailed/ loan repaid, the Corporation incurred avoidable expenditure of Rs.1.03 crore.

The above matter was reported to Government (June 2005); their replies have not been received (October 2005).

Orissa State Warehousing Corporation

3.13 Loss due to adoption of incorrect method of calculation for Storage charges

Adoption of incorrect method for computation of warehouse reservation charges led to loss of Rs.64.05 lakh.

The Corporation has been accepting the Food Corporation of India (FCI) stocks at various godowns in consideration of storage charges notified by them. Such storage charges payable by FCI with effect from 1 April 2001 were fixed by Government of India at Rs.3.02 and Rs.2.49 per month per bag of 95 Kg of foodgrains for reservation of Par* and non-Par* godowns respectively.

Audit scrutiny revealed that the reservation was made by FCI for Corporation's godowns (both Par and non-Par) in terms of metric tonne and the Corporation was converting the aforesaid rate of per bag to rate per

* The facilities of the godowns which conforms to the CWC standards are Par godowns and others are non-Par godowns.

metric tonne. It was noticed that in absence of a uniform method, the units of the Corporation adopted two different methods for billing the storage charges:

(i) Reservation charge of one MT was adopted at 10 times of the rate fixed for each bag of 95 Kg i.e. Rs.30.20 per month in Par godowns (Rs.3.02 X 10) and Rs 24.90 (Rs. 2.49 X 10) per month in non-Par godowns.

(ii) One MT was converted into numbers of bags of 95 Kg (1000/95=10.53) and bills were being raised @ Rs.3.02 and Rs.2.49 per bag of 95 Kg per month for Par and non-Par godowns respectively (as fixed by the Government of India). The monthly reservation charges per MT worked out to Rs.31.80 and Rs.26.20 for Par and non-Par godowns respectively.

It was observed in audit that the method of calculation under (ii) above was in conformity with the rate fixed by the Government of India. While the Jagatpur Unit of the Corporation had raised bills under method (ii) above during the period between 1 April 2001 and 31 March 2004 and claims were accepted by FCI, other Unit offices were raising the bills under the calculation method (i) above which was incorrect. As a result, there was a loss of Rs.1.60 and Rs.1.30 respectively per MT per month.

During the period from 1 April 2001 to 31 March 2004, 38,15,095 MT in Par godowns and 2,31,620 MT in non-Par godowns were reserved in respect of which the storage charges were billed at Rs.30.20 per MT and Rs.24.90 per MT respectively by different Units (other than Jagatpur). The claim at the lower rate resulted in a loss of Rs.64.05[*] lakh to the Corporation.

Management while accepting the fact that the Jagatpur Unit had obtained higher rate from FCI, stated (May 2005) that such rate was at variance with the rates as per the circular dated 17 July 2003 of FCI. Therefore, the recovery of higher rate by FCI might not be ruled out. The reply is not tenable in view of the fact that Jagatpur Unit was raising the bills continuously for three years (1 April 2001 to 31 March 2004) under the same method which were passed by the FCI without any objection. As the space was reserved in MT and the rate was circulated in terms of bags, there was a necessity for conversion of rates in correct manner. Further, the Bhubaneswar Unit of Central Warehousing Corporation, to whom the tariff is also applicable, claimed storage charges during 2001-02 by adopting the method (ii) stated above.

Thus, due to not following the correct method for computation of reservation charges, the Corporation sustained a loss of Rs.64.05 lakh.

The above matter was reported to the Government (April 2005); their reply has not been received (October 2005).

[*] (38,15,095 MT X Rs.1.60) + (2,31,620 MT X Rs.1.30)

General

3.14 Corporate Governance in State Government companies

Introduction

3.14.1 Corporate Governance is the system by which companies are directed and controlled by the management in the best interest of the shareholders and others ensuring greater transparency and better and timely financial reporting. The Board of Directors are responsible for governance of their companies.

3.14.2 The Companies Act, 1956 was amended in December 2000 by providing, inter alia, Directors' Responsibility Statement (Section 217) to be attached to the Directors' Report to the Shareholders. According to Section 217 (2AA) of the Act, the Board of Directors has to report to the shareholders that they have taken proper and sufficient care for the maintenance of accounting records; for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

Further, according to Section 292A of the Companies Act, 1956, notified in December 2000, every public limited company having paid-up capital of not less than Rs.5 crore shall constitute an Audit Committee, at the Board level. The Act also provides that the Statutory Auditors, Internal Auditors, if any, and the Director in charge of Finance should attend and participate in the meetings of the Audit Committee.

3.14.3 The main components of the Corporate Governance are:

- Matters relating to the Board of Directors;
- Directors' Report; and
- Constitution of the Audit Committee.

3.14.4 Out of 31 working State Government Companies, Audit reviewed 26[*] Companies (**all Unlisted**) as detailed in the **Annexure-13.**

Board of Directors

3.14.5 The responsibility for good governance rests on the Corporate Board who has the primary duty of ensuring that principles of Corporate Governance both as imbibed in law and regulation and those expected by stakeholders are voluntarily complied with and the stakeholders' interests are kept at utmost high level. For this purpose, every company should hold the meetings of the Board of Directors at regular intervals. Every Director should attend these

[*] Four Companies viz. Kalinga Studios Ltd., Orissa State Electronics Development Corporation Ltd., ELMARC Ltd. and Orissa Power Generation Corporation Ltd. did not furnish the required records/data. One company (Orissa Power Transmission Corporation Ltd.) was established only on 29 March 2004; hence excluded for the purpose of this study.

Board meetings to share the expertise and knowledge and to guide the affairs of the company.

Meeting of Board of Directors

3.14.6 Section 285 of the Companies Act, 1956, provides that "in the case of every company, a meeting of its Board of Directors shall be held at least once in every three months and at least four such meetings shall be held every year."

Board meetings were not held regularly.

Audit revealed that 13 out of 26 companies (as detailed in **Annexure-14**) had violated the provisions of this section. During the period from April 2000 to January 2005, these companies had violated the provisions of Section 285 for one to seven times and there was a maximum gap of up to 14 months and 4 days between two meetings in case of Orissa Lift Irrigation Corporation Limited (OLIC). This indicated that managements of companies failed to comply with the legal provisions.

Attendance of Directors in the meetings of the Board

Directors' participation in Board meetings was absent.

3.14.7 During the period April 2000 to January 2005, 62 Directors of 20 companies did not attend any Board meeting during their tenure while 18 Directors attended only one to three meetings of the Board, out of 6 to 32 meetings of the Board held during their tenure (detailed in **Annexure-15**). This indicated that the Directors did not actively participate in the management of affairs of the companies and in the decision-making processes to safeguard the interests of the company.

Frequent changes of Managing Directors and vacancies of Directors

Cases of frequent changes in incumbency of Managing Director and Directors noticed

3.14.8 Frequent changes of the top executives always adversely affect smooth functioning of the company. Audit noticed that during the period of nearly five years from April 2000 to January 2005, 10 companies (Sl. Nos.1, 2, 3, 4, 7, 9, 10, 17, 18 and 19 of **Annexure-13**) had five or more Managing Directors (tenures ranging from one day to two years three months). Vacancy position of Directors in PSUs, as indicated in **Annexure-16**, further indicates that in case of seven companies, posts of 1 to 10 Directors were lying vacant for two to 50 months during the period of study.

Directors' Report to shareholders

Directors' Responsibility Statement not included in the Annual Report.

3.14.9 The Companies Act, 1956 {Section 217 (2AA)} requires that a report of the Board of Directors including a Directors' Responsibility Statement is to be attached to every balance sheet laid before a company in Annual General Meeting. Scrutiny of records revealed that five companies (OTDC, ISL, OSSC, OSCDC and OPGC) out of 19 companies, which finalised their accounts for 2000-01 and subsequent years, did not comply with the above requirement of the Act.

Audit Committee

Role and functions

3.14.10 The main functions of the Audit Committee are to assess and review the financial reporting system, to ensure that the financial statements are correct, sufficient and credible. It follows up on all issues and interacts with the statutory auditors before finalisation of Annual Accounts. The Committee also reviews the adequacy of Internal Control System and holds discussion with Internal Auditors on any significant finding and follow up action thereon. It also reviews the financial and risk management and evaluates the findings of internal investigation where there is any suspected fraud or irregularities or failure of Internal Control System of material nature and reports to the Board.

Composition of Audit Committee

3.14.11 Out of 26 companies reviewed by Audit, Section 292A of the Companies Act was applicable to only 14 companies (Sl. No. 1 to 14 of **Annexure-13**). Following deficiencies were observed in the composition of Audit Committees.

Constitution of Audit Committee delayed in many cases.

- Out of 14 companies, four companies (Sl. Nos. 1, 2, 3 and 5 of **Annexure-13**) did not constitute the "Audit Committee" even after a lapse of more than four years from the date (December 2000) the provision of the Act came into force.

- Two companies (Sl. Nos.8 and 9 of **Annexure-13**) constituted the Committee after a lapse of 24 and eight months respectively.

- As the number of members of the Committee of OSIC fell below (December 2001) the minimum requirement (three numbers), the Committee was required to be re-constituted. The Audit Committee, however, was yet to be reconstituted (March 2005).

- The Chairmen of IKIW and IFCAL though not members of the Committee were invited to attend the Audit Committee meeting and elected as the Chairman of the Committee and presided over the meetings in contravention of the provisions of the Act.

Terms of reference

3.14.12 The Board of three companies (OHPC, IPICOL and HIW) failed to specify the terms of reference of Audit Committee in writing, except mentioning the words "as provided under the Companies Act, 1956." The terms of reference of remaining seven companies did not specifically empower the Audit Committee to deal with fraud and fraud related risks. Thus, it could not be ensured that the committees had specifically dealt with frauds and fraud related risks. It was further noticed that two cases of fraud detected by the Internal Auditor of OSIC were not brought to the notice of the Audit Committee.

Meetings of Audit Committee

3.14.13 Following observations are made:

- One company (ORHDC) held no meeting of the Audit Committee since its constitution,
- Audit Committee of three companies (IDCOL, IPICOL and OSIC) held two meetings during the period of four years,
- In spite of the resolution by the Board of Directors of OAIC that at least one meeting of Audit Committee should be held in each quarter, the Company held only one meeting of the Audit Committee in three and half years,
- One company (HIW) held only one meeting in two years,
- In six companies where quorum was not spelt out by the Board, Audit Committee meetings were held in the absence of one or more members of the Committee as detailed in the **Annexure-17**,
- HIW, OAIC, OSIC, IPICOL, IKIW and IDCOL did not invite the statutory auditors to attend the meetings of Audit Committee. GRIDCO, OHPC and IFCAL invited their statutory auditors to only one, two and one meeting out of five, eleven and two meetings respectively,
- None of the above nine companies invited the internal auditors to the Audit Committee Meetings.

Discussion by the Audit Committee

3.14.14 The Act (Section 292A (6)) requires that the Audit Committee should have discussions with the auditors periodically about the Internal Control Systems, the scope of audit including the observations of the auditors and review the half-yearly and Annual Financial Statements before submission to the Board and also ensure compliance of Internal Control Systems.

Audit scrutiny revealed that:

Audit Committee did not discuss the Internal Control System.

- The Audit Committees of IKIW, OAIC, OSIC, IPICOL, HIW and IDCOL did not hold any discussion with the statutory auditors regarding the Internal Control System or the Audit observations.
- Committees of OHPC and GRIDCO did not discuss the aspects relating to Internal Control System with statutory auditors.

Even accounts not reviewed by Audit Committee before submission to Board.

- Annual Financial Statements of IKIW, HIW, OAIC, OSIC and IDCOL were never reviewed by the Audit Committee before submission to the Board.

- Annual Financial Statements of IPICOL for the years 2000-01 and 2001-02 were not reviewed by the Audit Committee before submission to the Board.

Non-implementation of recommendations of Audit Committee

Recommendations of Audit Committee were not considered by the Board.

3.14.15 According to sub-section (8) of Section 292A of the Act, the recommendations of the Audit Committee on any matter relating to financial management including the Audit Report shall be binding on the Board. Audit observed that the Audit Committees of IPICOL, OAIC and HIW did not make any recommendations to the management/ Board. In case of OSIC, none of the following recommendations of the Audit Committee were implemented nor brought to the notice of the Board, reasons for which were not on record:

- Suitable computerisation of transactions at Head Office alongwith raw materials depot through networking to improve the Management Information System in the Company.

- Preparation of Accounts and Systems Manual.

- Implementation of daily reporting system of stock movement, cash collection, debtors' collection, credit sales, and bank remittances from the existing fortnightly reporting system.

No reasons were ever communicated to the shareholders for non-implementation of said recommendations by OSIC, as required under sub-section 9 of section 292A of the Act.

General

3.14.16 As per Section 383(A) of Companies Act, 1956, all companies having paid-up capital of not less than Rs.2 crore shall have a whole time Company Secretary. Six[*] companies did not comply with these provisions. In case of OSCSC, OSIC, HIW, and OTDC, the post of Company Secretary was vacant since February 1999, April 2002, June 2003 and June 2003 respectively.

Attendance of Directors in the Annual General Meetings (AGMs)

3.14.17 The attendance of Directors in AGMs of the companies under review was negligible. Scrutiny revealed that during the period from April 2000 to January 2005, 20 Directors of eight[**] companies did not attend any of the AGMs while 15 Directors of four[***] companies attended only one to two AGMs out of 4 to 19 AGMs held during their tenure.

[*] Sl.No.1,2,3,6,8 and 16 of **Annexure-13.**
[**] Sl. No.1, 9, 10, 11, 15, 24, 25 and 26 of **Annexure-13.**
[***] Sl. No.9, 10, 11 and 22 of **Annexure-13.**

Sum up

- Board meetings were not held regularly in most of the companies in violation of the provisions of the Companies Act, 1956.

- Directors' Responsibility Statements were not annexed to the Annual Reports of the companies in several cases.

- Delays were noticed in constitution of Audit Committees. In several cases where Audit Committees were constituted, the aspects relating to Internal Control System were not discussed and even the annual accounts of companies were not reviewed before submission to the Boards. The committees either did not make any recommendations or wherever recommendations made, the same were not implemented.

3.15 Follow-up action on Audit Reports

Explanatory Notes outstanding

3.15.1 The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Orissa issued instructions (December 1993) to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 1993-94 to 2003-04 were presented to the State Legislature, 14 out of 17 departments which were commented upon did not submit explanatory notes on 69 out of 265 paragraphs/reviews as on 30 September 2005, as indicated below.

Year of the Audit Report (Commercial)	Date of Presentation	Total Paragraphs/ Reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
1993-94	September 1995	28	2
1994-95	March 1996	24	3
1995-96	March 1997	23	2
1996-97	July 1998	27	3
1997-98	July 1999	15	Nil
1998-99	July 2000	26	11
1999-2000	August 2001	29	5
2000-01	March 2002	25	2
2001-02	March 2003	17	8
2002-03	December 2003	24	10

Year of the Audit Report (Commercial)	Date of Presentation	Total Paragraphs/ Reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
2003-04	March 2005	27	23
Total		**265**	**69**

Department-wise analysis is given in **Annexure-18**. Energy, Industries, Information Technology and Steel & Mines Departments were largely responsible for non-submission of explanatory notes. Government did not respond to even reviews highlighting important issues like system failures, mismanagement, non-adherence to extant provisions and poor implementation of Power Sector Reconstruction Project.

Compliance to Reports of Committee on Public Undertakings (COPU) outstanding

3.15.2 Action Taken Notes (ATNs) to 146 recommendations pertaining to 12 Reports of the COPU presented to the State Legislature between April 1993 and March 2002 had not been received as on 30 September 2005 as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of recommendations where ATNs not received
1993-94	3	4
1997-98	1	2
1999-2000	3	45
2000-01	3	81
2001-02	2	14
Total	**12**	**146**

The replies to 146 recommendations were required to be furnished within six months from the presentation of the Reports.

Response to Inspection Reports, Draft Paragraphs and Reviews

3.15.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2005 pertaining to 40 PSUs disclosed that 4,213 paragraphs relating to 817 Inspection Reports remained outstanding at the end of September 2005. Of these, 471 Inspection Reports containing 2,450 paragraphs had not been replied to for one year to five years. Department-wise break-up of Inspection Reports and Audit observations outstanding at the end of September 2005 is given in **Annexure-19**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of 22 draft paragraphs and three draft reviews forwarded to the various departments between February and August 2005, as per details in **Annexure-20**, replies to two reviews and 12 draft paragraphs were awaited (October 2005). The reviews were, however, finalised after discussion with the Management and the Government in the Audit Review Committee for Public Sector Enterprises Meetings held on 14 and 15 July 2005.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/ draft paragraphs/reviews and ATNs to recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/ overpayments in a time bound schedule, and (c) the system of responding to the audit observations is revamped.

Bhubaneswar	**(Nand Kishore)**
The	**Accountant General**
	(Commercial, Works & Receipt Audit), Orissa

Countersigned

New Delhi	**(Vijayendra N. Kaul)**
The	**Comptroller and Auditor General of India**

ANNEXURES

ANNEXURE-1

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2005 in respect of Government companies and Statutory corporations
(Referred to in Paragraphs 1.4, 1.5, 1.6 and 1.17)
(Figures in column 3(a) to 4(f) are Rupees in lakh)

		Paid-up capital as at the end of the 2004-05					Equity/loans received out of Budget during the year		Other loans received during the year	Loans* outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous years) 4(f)/3(e)
Sl. No.	Sector and Name of the company	State Government	Central Government	Holding companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A.	**WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED												
1.	Orissa Agro Industries Corporation Limited	609.28	105.27	--	0.60	715.15	--	--	--	1535.82		1535.82	2.15:1 (2.45:1)
2.	Orissa State Seeds Corporation Limited	211.49	--	--	47.60	259.09	--	--	--	--	--	--	-- (--)
3.	Orissa State Cashew Development Corporation Limited	155.04	--	--	--	155.04	--	--	--	--	14.00	14.00	0.09:1 (0.09:1)
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	110.00	--	--	--	110.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***1085.81***	***105.27***		***48.20***	***1239.28***	**--**	**--**	**--**	***1535.82***	***14.00***	***1549.82***	***1.25:1 (1.43:1)***
	ENGINEERING												
5.	Hirakud Industrial Works Limited (Subsidiary of Sl. No.21 of working Company)	--	--	858.14	--	858.14	--	--	--	--	--	--	-- (1.23:1)
	Sector wise total	**--**	**--**	***858.14***	**--**	***858.14***	**--**	**--**	**--**	**--**	**--**	**-**	-- ***(1.23:1)***
	ELECTRONICS												
6.	Orissa State Electronics Development Corporation Limited	2003.50	--	--	--	2003.50	--	--	--	--	19.69	19.69	0.01:1 (--)
7.	ELMARC Limited(Subsidiary of Sl. No.6)	--	--	101.57	--	101.57	--	--	--	56.92	--	56.92	0.56:1 (2.56:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
8.	IDCOL Software Limited (Subsidiary of Sl. No.A- 21 of WC)	--	--	60.05	40.02	100.07	--	--	--	--	--	--	-- (--)
	Sector wise total	***2003.50***	**--**	***161.62***	***40.02***	***2205.14***	**--**	**--**	**--**	***56.92***	***19.69***	***76.61***	*0.03:1 (0.12:1)*
	FOREST												
9..	Orissa Forest Development Corporation Limited	128.00	--	--	--	128.00	--	--	--	--	3355.00	3355.00	26.21:1 (19.53:1)
	Sector wise total	***128.00***	**--**	**--**	**--**	***128.00***	**--**	**--**	**--**	**--**	***3355.00***	***3355.00***	*26.21:1 (19.53:1)*
	MINING												
10..	Orissa Mining Corporation Limited	3145.48	--	--	--	3145.48	--	--	--	--	174.54	174.54	0.06:1 (0.51:1)
	Sector wise total	***3145.48***	**--**	**--**	**--**	***3145.48***	**--**	**--**	**--**	**--**	***174.54***	***174.54***	***0.06:1 (0.51:1)***
	CONSTRUCTION												
11..	Orissa Construction Corporation Limited	1150.00	--	--	--	1150.00	--	--	--	--	--	--	-- (--)
12..	Orissa Bridge and Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***1650.00***	**--**	**--**	**--**	***1650.00***	**---**	**--**	**--**	**--**	**--**	**--**	***-- (--)***
	PUBLIC DISTRIBUTION												
13.	Orissa State Civil Supplies Corporation Limited	978.32	--	--	--	978.32	--	--	--	132.66	--	132.66	0.13:1 (0.32:1)
	Sector wise total	***978.32***	**--**	**--**	**--**	***978.32***	**--**	**--**	**--**	***132.66***	**--**	***132.66***	***0.13:1 (0.32:1)***
	TOURISM												
14.	Orissa Tourism Development Corporation Limited	962.16	--	--	--	962.16		--	--	--	--	--	-- (--)
	Sector wise total	***962.16***	**--**	**--**	**--**	***962.16***		**--**	**--**	**--**	**--**	**--**	--
	POWER												
15.	Orissa Power Generation Corporation Limited	25001.09	--	--	24020.65	49021.74	--	--	--	--	12625.92	12625.92	0.26:1 (0.26:1)
16.	Orissa Hydro Power Corporation Limited	32080.07	--	--	--	32080.07	--	--	--	180160.40	25208.64	205369.04	6.40:1 (6.47:1)
17.	Grid Corporation of Orissa Limited	49298.14	--	--	--	49298.14**	69.25	142.30		235938.48	245835.19	481773.67	9.77:1 (10.84:1)
18.	Orissa Power Transmission Corporation Limited	7.00	--	--	--	7.00	--	--	–	--	--	--	-- (--)
	Sector wise total	***106386.30***	**--**	**--**	***24020.65***	***130406.95***	***69.25***	***142.30***		***416098.88***	***283669.75***	***699768.63***	***5.37:1 (5.79:1)***
	FINANCING	**--**											
19.	Industrial Promotion and Investment Corporation of Orissa Limited	8314.29	--	--	--	8314.29	--	--	--	1558.74	4818.57	6377.31	0.77:1 (0.88:1)
	Sector wise total	***8314.29***	**--**	**--**	**--**	***8314.29***	**--**	**--**	**--**	***1558.74***	***4818.57***	***6377.31***	***0.77:1 (0.88:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS												
20.	Orissa State Police Housing and Welfare Corporation Limited	563.01	--	--	--	563.01	--	--	--	--	--	--	-- (--)
21.	Industrial Development Corporation of Orissa Limited	5711.79	--	--	--	5711.79	--	--	--				-- (3.72:1)
22.	Orissa Small Industries Corporation Limited	965.86	--	--	--	965.86	--			173.00	196.06	369.06	0.38:1 (0.46:1)
23.	Orissa Film Development Corporation Limited	540.05	--	--	--	540.05	--	--	--	66.55	--	66.55	0.12:1 (0.16:1)
24.	Kalinga Studios Limited (Subsidiary of Sl. No. 23 of WC)	--	--	174.50	--	174.50	---	--		--	10.64	10.64	0.06:1 (0.06:1)
25.	Konark Jute Limited (Subsidiary of Sl. No. 21of WC)	--	--	413.00	180.99	593.99	--	--	--	876.80	43.49	920.29	1.55:1 (1.55:1)
26.	Orissa Lift Irrigation Corporation Limited	7473.25	--	--	--	7473.25	--	--	--	6.62	393.24	399.86	0.05:1 (0.05:1)
27.	Orissa Rural Housing and Development Corporation Limited	3619.12	--	--	--	3619.12**	279.12	--	–	--	41528.86	41528.86	11.47:1 (12.65:1)
28.	Orissa State Beverages Corporation Limited	100.00	--	--	--	100.00	--	--	–	100.00	--	100.00	1:1 (1:1)
29.	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. 21 of WC)	--		3010.00		3010.00	--	--	–	--	--	--	-- (--)
30.	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. 21of WC)	--	--	1510.00	--	1510.00	--	--	–	--	--	--	-- (--)
31.	Orissa Pisciculture Development Corporation Limited	432.58	--	--	--	432.58	--	--	--	290.65	22.15	312.80	0.72:1 (0.28:1)
	Sector wise total	***19405.66***	***--***	***5107.50***	***180.99***	***24694.15***	***279.12***	***--***		***1513.62***	***42194.44***	***43708.06***	***1.77:1 (3.01:1)***
	TOTAL (A) WORKING GOVERNMENT COMPANIES	**144059.52**	**105.27**	**6127.26**	**24289.86**	**174581.91**	**348.37**	**142.30**		**420896.64**	**334245.99**	**755142.63**	**4.33:1 (4.79:1)**
B.	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT												
1.	Orissa State Road Transport Corporation	12056.60	1592.27	--	0.80	13649.67	--	274.00	--	3621.05	138.20	3759.25	0.28:1 (0.28:1)
	Sector wise total	***12056.60***	***1592.27***	***--***	***0.80***	***13649.67***	***--***	***274.00***	***--***	***3621.05***	***138.20***	***3759.25***	**0.28:1 (0.28:1)**
	FINANCING												
2.	Orissa State Financial Corporation	4852.50	--	--	3904.81	8757.31	--	8840.00	--	11409.41	44441.40	55850.81	6.38:1 (6.72:1)
	Sector wise total	***4852.50***	***--***	***--***	***3904.81***	***8757.31***	***--***	***8840.00***	***--***	***11409.41***	***44441.40***	***55850.81***	***6.38:1 (6.72:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	CO-OPERATION												
3.	Orissa State Warehousing Corporation	180.00	--	--	180.00	360.00	--	--	--	--	1602.20	1602.20	4.45:1 (6.18:1)
	Sector wise total	***180.00***	***--***	***--***	***180.00***	***360.00***	***--***	***--***	***--***	***--***	***1602.20***	***1602.20***	4.45:1 (6.18:1)
	TOTAL (B) ALL WORKING STATUTORY CORPORATIONS	***17089.10***	***1592.27***	***--***	***4085.61***	***22766.98***	***--***	***9114.00***	***–***	***15030.46***	***46181.80***	***61212.26***	***2.69:1 (2.85:1)***
	TOTAL (A) + (B)	***161148.62******	***1697.54***	***6127.26***	***28375.47***	***197348.89***	***348.37***	***9256.30***		***435927.10******	***380427.79***	***816354.89***	***4.14:1 (4.59:1***
C.	**NON WORKING GOVERNMENT COMPANIES**												
	INDUSTRY												
1.	ORICHEM Limited (Subsidiary of Sl.No.21 of Working Company) Under process of liquidation	--	--	229.12	47.53	276.65	--	--	--	242.85	901.96	1144.81	4.14:1 (0.88:1)
2.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-22)	--	--	9.32	--	9.32	--	--	--	--	--	--	-- (--)
3.	Kalinga Steels (India) Limited (Subsidiary of Sl.No.A-19)	--	--	0.08	--	0.08	--	--	--	--	--	--	-- (--)
	Sector wise total	***--***	***--***	***238.52***	***47.53***	***286.05***	***--***	***--***	***--***	***242.85***	***901.96***	***1144.81***	***4.00:1 (0.85:1)***
	ENGINEERING												
4.	Orissa Electrical Manufacturing Company Limited (Company closed since 1968. Under voluntary liquidation since 30 August 1976)	4.34	--	--	0.20	4.54	--	--	--	--	--	--	-- (--)
5.	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	3.78	--	--	0.22	4.00	--	--	--	--	--	--	-- (--)
6.	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	1.46	--	--	0.82	2.28	--	--	--	--	--	--	-- (--)
7.	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	3.70	--	--	0.50	4.20	--	--	--	--	--	--	-- (--)
8.	Orissa Instruments Company Limited	96.79	--	--	--	96.79	--	--	--	--	--	--	-- (--)
9.	Hira Steel and Alloys Limited (Subsidiary of Sl. No.A-21. Under liquidation.)	--	--	12.28	--	12.28	--	--	--	--	--	--	-- (--)
10.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl. No.21 of WC)	--	--	193.16	--	193.16	--		--	--			-- (5.11:1)
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl. No.A-22)	--	--	30.00	--	30.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***110.07***	***--***	***235.44***	***1.74***	***347.25***	***--***	***--***	***--***	***--***	***--***	***--***	***-- (3.11:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	ELECTRONICS												
12.	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	0.36	--	--	0.10	0.46	--	--	--	--	--	--	-- (--)
13.	Modern Electronics Limited (Under process of liquidation)	4.27	--	--	0.10	4.37	--	--	--	--	--	--	-- (--)
14.	IPITRON Times Limited (Subsidiary of Sl.No.6 of WC. Under liquidation since 1998)	--	--	80.83	--	80.83	--	--	--	168.33	--	168.33	2.08:1 (2.08:1)
15.	Konark Television Limited (Defunct since 1999-2000)	606.97	--	--	--	606.97		--	--	200.75	--	200.75	0.33:1 (0.33:1)
16.	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. 6 of WC)	--	--	158.51	--	158.51	--	--	--	200.00	--	200.00	1.26:1 (1.26:1)
17.	ELCOPHONES Limited (Subsidiary of Sl. No. 6 of WC. Under liquidation since 1989)	--	--	0.01	--	0.01	--	--	--	--	--	--	-- (--)
18.	ELCO Communication and Systems Limited (Subsidiary of Sl.No.6 of WC. Under liquidation since 1998)	--	--	63.80	--	63.80	--	--	--	72.00	--	72.00	1.13:1 (1.13:1)
	Sector wise total	***611.60***	***--***	***303.15***	***0.20***	***914.95***	***--***	***--***	***--***	***641.08***	***-***	***641.08***	***0.70:1 (0.70:1)***
	TEXTILES												
19.	Mayurbhanj Textiles Limited	3.79	--	--	--	3.79	--	--	--	--	--	--	-- (--)
20.	New Mayurbhanj Textiles Limited	17.22	--	--	--	17.22	--	--	--	--	--	--	-- (--)
21.	Orissa Textile Mills Limited (Under liquidation since 2001)	2104.28	--	3.21	362.74	2470.23**	--	--	--	1468.14	--	1468.14	0.59:1 (0.59:1)
22.	Orissa State Textile Corporation Limited	452.92	--	--	--	452.92	--	--	--	162.00	--	162.00	0.36:1 (0.36:1)
23.	ABS Spinning Orissa Limited (Subsidiary of Sl. No. 22 of WC. Under liquidation)	--	--	300.00	--	300.00	--	--	--	--	140.01	140.01	0.46:1 (1.50:1)
	Sector wise total	***2578.21***	***--***	***303.21***	***362.74***	***3244.16***	***--***	***--***	***--***	***1630.14***	***140.01***	***1770.15***	***0.55:1 (0.64:1)***
	HANDLOOM AND HANDICRAFTS												
24.	Orissa State Handloom Development Corporation Limited (under liquidation)	363.37	--	--	54.37	417.74	--	--	--	158.08	--	158.08	0.38:1 (0.38:1)
	Sector wise total	***363.37***	***--***	***--***	***54.37***	***417.74***	***--***	***--***	***--***	***158.08***	***--***	***158.08***	***0.38:1 (0.38:1)***
	MISCELLANEOUS												
25.	Orissa State Commercial Transport Corporation Limited	234.00	--	--	376.00	610.00	--	--	--	51.21	119.63	170.84	0.28:1 (1.32:1)
26.	Orissa Fisheries Development Corporation Limited	35.00	--	--	--	35.00	--	--	--	--	--	--	-- (--)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
27.	Orissa State Export Development Corporation Limited	4.00	--	--	--	4.00	--	--	--	--	--	--	-- (--)
28.	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	0.53	--	--	0.08	0.61	--	--	--	--	--	--	-- (--)
29.	Orissa Boat Builders Limited (under liquidation)	4.72	--	--	0.51	5.23	--	--	--	--	--	--	-- (--)
30.	Orissa Board Mills Limited (under liquidation)	3.67	--	--	0.41	4.08	--	--	--	--	--	--	-- (--)
31.	Orissa State Leather Corporation Limited (closed since 18 June 1998)	396.63	--	--	28.41	425.04	--	--	--	37.00	--	37.00	0.09:1 (0.09:1)
32.	Orissa Leather Industries Limited (Subsidiary of Sl.No.31 of NWC)	--	--	64.99	0.01	65.00	--	--	--	176.96	--	176.96	2.72:1 (2.72:1)
33.	Kanti Sharma Refractories Limited (Subsidiary of Sl. No. 22 of WC. Closed since 5 December 1998)	--	--	75.00	--	75.00	--	--	--	--	--	--	-- (--)
34.	Orissa Timber and Engineering Works Limited (Subsidiary of Sl.No.22 of WC. Closed since July 2000)	--	--	25.00	--	25.00	--	--	--	--	--	--	-- (--)
35.	IDCOL Rolling Mills Limited (Subsidiary of Sl. No. 21 of WC)	--	--	73.78	--	73.78	--	--	–	--	228.61	228.61	3.10:1 (8.90:1)
	Sector wise total	***678.55***	***--***	***238.77***	***405.42***	***1322.74***	***--***	***--***	***--***	***265.17***	***348.24***	***613.41***	***0.46:1 (1.29:1)***
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES	***4341.80***	***--***	***1319.09***	***872.00***	***6532.89***	***--***	***--***	***--***	***2937.32***	***1390.21***	***4327.53***	***0.66:1 (0.89:1)***
	GRAND TOTAL (A)+(B)+(C)	**165490.42**	**1697.54**	**7446.35**	**29247.47**	**203881.78**	**348.37**	**9256.30**	**--**	**438864.42**	**381818.00**	**820682.42**	**4.02:1 (4.48:1)**

Note: Except in respect of Sl. No.A-8, 15, 16, 30 & C-1 & 3, which finalised the accounts for 2004-05, figures are provisional and as given by the companies/corporations

* Loans outstanding at the close of 2004-05 represent long-term loans only.

** Includes share application money Rs.2,744.37 lakh (Sl. No. A-17: Rs.69.25 lakh, A-27:Rs.279.12 lakh and C-21:Rs.2,396.00 lakh).

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

ANNEXURE-2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised
(Referred to Paragraphs 1.7, 1.8, 1.9, 1.14, 1.21 and 1.22)

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No	Sector and name of the company	Name of the Department	Date of incor-poration	Period of accounts	Year in which accounts finalised	Net Profit / Loss -	Net impact of audit com-ments	Paid-up capital	Accumu-lated Profit/ Loss -	Capital employed*	Total Return on capital employ-ed	Percen-tage of total return on capital employed	Arrears of accou-nts in terms of years	Turn over***	Man-power***
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A.	**WORKING GOVERNMENT COMPANIES**														
	AGRICULTURE AND ALLIED														
1.	Orissa Agro Industries Corporation Limited	Agriculture	20 December 1961	1998-99 1999-00	2004-05 2004-05	-326.63 -414.78	Increase in loss 50.00	715.15 715.15	-3349.07 -3763.85	- 580.75 -965.81	-134.04 -206.32	--	5	8312.76	546
2.	Orissa State Seeds Corporation Limited	Agriculture	24 February 1978	2001-02@	2005-06	66.52	--	259.09	726.24	3314.49	167.27	5.05	3	2193.28	193
3.	Orissa State Cashew Development Corporation Limited	Agriculture	06 April 1979	2001-02 2002-03 2003-04@	2004-05 2005-06 2005-06	216.28 103.70 153.73	--	155.04 155.04 155.04	662.56 704.24 857.98	876.26 936.65 1090.39	216.28 103.70 153.73	24.68 11.07 14.10	1	572.49	591
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	Agriculture	01 March 1996	2003-04	2004-05	No profit and no loss**		110.00	--	122.73	--	--	1	--	11
	Sector wise total					***-194.53***	**--**	***1239.28***	***-2179.63***	***3561.80***	***114.68***	***3.22***	**--**	**--**	**--**
	ENGINEERING														
5.	Hirakud Industrial Works Limited (Subsidiary of Sl.No.21 of WC)	Industries	18 January 1993	2003-04	2004-05	-333.56	Increase in loss 86.13	858.14	-1105.86	-242.03	-204.83	--	1	896.75	514
	Sector wise total					***-333.56***	**--**	***858.14***	***-1105.86***	***-242.03***	***-204.83***	**--**	**--**	**--**	**--**
	ELECTRONICS														
6.	Orissa State Electronics Development Corporation Limited	Information and Technology	30 September 1981	2000-01	2004-05	-38.81	Increase in loss 48.37. Non-disclosre 20.04	2003.50	-230.31	2800.64	-38.81	--	4	---	91

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
7.	ELMARC Limited (Subsidiary of Sl.No.6)	Information and Technology	23 January 1990	1999-00	2004-05	-27.09	Increase in loss-1.93; Non-disclosure-5.63	101.57	-217.48	-49.21	-27.09	--	5	--	25
8.	IDCOL Software Limited (Subsidiary of Company at Sl. No. 21 of WC)	Industry	26 November 1998	2004-05	2005-06	2.56	--	100.07	-39.28	90.44	2.56	2.83	--	83.12	13
	Sector wise total					***-63.34***	***--***	***2205.14***	***-487.07***	***2841.87***	***-63.34***	--	--	--	--
	FOREST														
9.	Orissa Forest Development Corporation Limited	Forest and Environment	28 September 1962	2002-03	2005-06	-2260.10	Increase in loss by 1234. 00	128.00	-8498.14	-4733.02	-2247.26	-	2	17506.75	4408
	Sector wise total					***-2260.10***	***--***	***128.00***	***-8498.14***	***-4733.02***	***-2247.26***	--	--	--	--
	MINING														
10.	Orissa Mining Corporation Limited	Steel and Mines	16 May 1956	2003-04	2005-06	12123.33	Decrease in profit 67.00	3145.48	13581.98	17867.23	12532.29	70.14	1	72500.00	5391
	Sector wise total					***12123.33***	--	***3145.48***	***13581.98***	***17867.23***	***12532.29***	***70.14***	--	--	--
	CONSTRUCTION														
11	Orissa Construction Corporation Limited	Water Resources	22 May 1962	2002-03	2004-05	13.04	Non-disclosure 91.90	1150.00	183.78	5810.87	40.84	0.70	2	5517.88	836
12.	Orissa Bridge and Construction Corporation Limited	Works	01 January 1983	2001-02	2004-05	-96.90	--	500.00	-893.77	90.87	-95.12	-- --	3	--	---
	Sector wise total					***-83.86***	***--***	***1650.00***	***-709.99***	***5901.74***	***-54.28***	--	--	--	--
	PUBLIC DISTRIBUTION														
13.	Orissa State Civil Supplies Corporation Limited	Food Supplies and Consumer Welfare	03 September 1980	1999-00	2005-06	No profit; and no loss**	Decrease in loss 81.76 Non-disclosure 1981.00	978.32	-- --	1420.08	-11512.82	-- --	5	34055	1409
	Sector wise total						***--***	***978.32***	***--***	***1420.08***	***-11512.82***	--	--	--	--
	TOURISM														
14.	Orissa Tourism Development Corporation Limited	Tourism	03 September 1979	2001-02 2002-03@	2004-05 2005-06	-27.87 -8.96	--	962.16#	-706.75 -715.71	248.20 250.23	-27.71 -8.65	--	2	710.47	465
	Sector wise total					***-8.96***		***962.16***	***-715.71***	***250.23***	***-8.65***	--	--	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	POWER														
15.	Orissa Power Generation Corporation Limited	Energy	14 November 1984	2004-05@	2005-06	14338.74	--	49021.74	378.07	74217.72	15582.22	20.99	--	41150.00	617
16.	Orissa Hydro Power Corporation Limited	Energy	21 April 1995	2004-05@	2005-06	5905.34	--	32080.07	24473.44	261112.78	9335.45	3.58	--	27494.37	3603
17.	Grid Corporation of Orissa Limited	Energy	20 November 1995	2003-04	2005-06	41112.26	Decrease in profit 783.34 Non-disclosure 7853.00	49228.89	-137670.63	341219.22	86755.70	25.43	1	279574.68	5022
18.	Orissa Power Transmission Corporation Limited	Energy	29 March 2004	First account not yet finalised									1		
	Sector wise total					***61356.34***	--	***130330.70***	***-112819.12***	***676549.72***	***111673.37***	***16.50***	--	--	--
	FINANCING														
19.	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12 April 1973	2003-04	2004-05	75.60	Decrease in profit 8.60 Non disclosure Rs.3454.00	8314.29	-5995.04	10552.25	861.99	8.17	1	1100.48	138
	Sector wise total					***75.60***	--	***8314.29***	***-5995.04***	***10552.25***	***861.99***	***8.17***	--	--	--
	MISCELLANEOUS														
20	Orissa State Police Housing and Welfare Corporation Limited	Home	24 May 1980	2000-01	2005-06	-5.72	Increase in loss Rs.51.51	563.01	-69.34	493.67	-5.72	--	4	2351.39	203
21.	Industrial Development Corporation of Orissa Limited	Industries	29 March 1962	2003-04	2004-05	-4642.82	Increase in loss 434.69. Non-disclosure-764.51	5711.79	-4943.04	14772.90	-1158.65	--	1	5132.74	NF
22.	Orissa Small Industries Corporation Limited	Industries	03 April 1972	2002-03 2003-04	2004-05 2005-06	-309.82 -197.72	Increase in loss 577.81	965.86 965..86	-980.97 -1178.69	4244.36 3582.24	260.86 329.95	6.15 9.21	1	8653.99	246
23.	Orissa Film Development Corporation Limited	Industries	22 April 1976	2000-01 2001-02	2004-05 2005-06	24.24 4.06	---	540.05 540.05	32.09 36.15	575.81 590.60	29.90 8.89	5.19 1.51	3	39.80	27
24.	Kalinga Studios Limited (subsidiary of company at Sl. No. 23 of WC)	Industries	20 July 1980.	2001-02	2005-06	-7.32	Non-disclosure 76.40	129.50	-232.97	65.83	-5.83	--	3	--	NF
25.	Konark Jute Limited (subsidiary of Company at Sl. No 21of WC)	Industries	27 January 1975	2000-01	2004-05	-253.47	--	594.00	-1668.21	150.11	-189.57	--	4	N.F	N.F
26.	Orissa Lift Irrigation Corporation Limited	Water Resources	1 October 19973	2001-02	2004-05	-8.88	--	7473.25	-535.14	27580.79	41.83	0.15	3	N.F	3600

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
27.	Orissa Rural Housing and Development Corporation Limited	Housing and Urban Development	19 August 1994	2001-02	2005-06	51.67	Increase in profit 55.44	1940.00	244.70	2850.24	4824.38	169.26	3	--	122
28.	Orissa State Beverages Corporation Limited	Excise	16 November 2000	2001-02 2002-03@	2004-05 2005-06	130.97 38.25	Increase in profit 52.44 Non disclosure 125.00	100.00# 100.00	140.91 179.16	338.71 482.13	155.04 62.58	45.77 12.98	2	2225.49	--
29.	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. 21 of WC)	Industries	26 March 1999	2003-04	2004-05	390.07	Decrease in profit Rs.121.04	3010.00	-979.73	11437.18	589.22	5.15	1	17488.85	1146
30.	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. 21 of WC)	Industries	26 March 1999	2004-05@	2005-06	93.73	--	1510.00	-817.16	3171.37	173.72	5.48	--	--	--
31.	Orissa Pisciculture Development Corporation Limited	Fisheries and Animal Resources Development	5 May 1998	First accounts not yet finalised									7	--	278
	Sector wise total					***-4538.15***	--	***22537.46***	***-9964.27***	***65177.06***	***4670.80***	***7.16***	--	--	--
	TOTAL (A) WORKING GOVERNMENT COMPANIES					**66072.77**	--	**172348.97**	**-128892.85**	**779146.93**	**115761.95**	**14.86**			
B.	**WORKING STATUTORY CORPORATIONS**														
	TRANSPORT														
1.	Orissa State Road Transport Corporation	Commerce and Transport	15 May 1974	2000-01 2001-02 2002-03@	2004-05 2004-05 2005-06	-738.80 -213.32 54.58	Decrease in loss by 49.60	13649.67 13649.67 13649.67	-22329.00 -21896.00 -21840.20	-1541.58 -2287.26 -4892.15	-549.73 -40.63 209.45	-- -- --	2	3407.15	1336
	Sector wise total					***54.58***	--	***13649.67***	***-21840.20***	***-4892.15***	***209.45***	-	--	--	--
	FINANCING														
2.	Orissa State Financial Corporation	Industries	20 March 1956	2003-04	2004-05	-467.60	Non-disclosure 3024.00	8757.31	-37575.75	67351.00	2056.68	3.05	1	3156.00	913
	Sector wise total					***-467.60***	--	***8757.31***	***-37575.75***	***67351.00***	***2056.68***	***3.05***	--	--	--
	CO-OPERATION														
3.	Orissa State Warehousing Corporation.	Co-operation	21 March 1958	2003-04	2004-05	32.54	--	360.00	0.07	3888.00	32.54	0.84	1	2228.00	439
	Sector wise total					***32.54***	--	***360.00***	***0.07***	***3888.00***	***32.54***	***0.80***	--	--	--
	TOTAL (B) STATUTORY CORPORATIONS					**-380.48**	--	**22766.98**	**-59415.88**	**66346.85**	**2298.67**	**3.46**			
	TOTAL OF (A) + (B)					**65692.29**		**195115.95**	**-188308.73**	**845493.78**	**118060.62**	**13.96**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
C.	**NON WORKING GOVERNMENT COMPANIES**														
	INDUSTRY														
1.	ORICHEM Limited (Subsidiary of Sl.No.21 of WC)	Industries	29 July 1974	2004-05@	2005-06	-5.53	--	276.65	-1508.44	218.34	-5.53	--	Under process of liqudation.	NIL	03
2.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.22 of WC)	Industries	29 August 1978	1981-82	1996-97	-0.60	--	5.79	-0.96	5.09	-0.60	--	23	--	--
3.	Kalinga Steel (India) Limited (Subsidiary of Sl.No.19 of WC)	Industries	09 January 1991	2004-05	2005-06	Commercial production not started	--	0.08	-	582.92	--	--	--	NIL	NIL
	Sector wise total					***6.13***		***282.52***	***-1509.40***	***806.35***	***-6.13***	--	--	--	--
	ENGINEERING														
4.	Orissa Electrical Manufacturing Company Limited	Industries	31 March 1958	1966-67	1973-74	-0.46	--	4.54	--	4.72	-0.34	--	Under voluntary liquidation since 30 August 1976	--	--
5.	Gajapati Steel Industries Limited	Industries	15 February 1959	1968-69	1974-75	-0.44	--	4.00	--	2.25	-0.42	--	Under liquidation since 1974	--	--
6.	Premiere Bolts and Nuts Limited	Industries	4 August 1959	1966	1973-74	-0.27	--	2.28	--	0.44	-0.27	--	Under voluntary liquidation since 1 May 1974	--	--
7.	Modern Malleable Casting Company Limited	Industries	22 September 1960	1972-73	1975-76	-0.36	--	4.20	--	3.08	-0.07	--	Under voluntary liquidation since 9 March 1976	--	--
8.	Orissa Instruments Company Limited	Industries	14 March 1961	1987-88	2000-01	-6.22	--	8.79	-0.79	35.80	-3.74	--	17	--	--
9.	Hira Steel and Alloys Limited (Subsidiary of Sl.No.21 of WC)	Industries	23 August 1974	1975-76	1976-77	Commercial production not started	--	12.28	--	27.39	1.57	5.73	Under process of liquidation	--	--
10.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl.No.21 of WC)	Industries	26 March 1993	2003-04	2004-05	11130.67	NRC	193.16	-1611.04	-479.36	13054.79	--	Under process of liquidation	---	30

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl.No.22 of WC)	Industries	11 January 1994	1997-98	2005-06	-3.08	--	30.00	-3.14	32.13	-3.08	-	7	NS	NS
	Sector wise total					***11119.84***		***259.25***	***-1614.97***	***-373.55***	***13048.44***	--	--	--	--
	ELECTRONICS														
12.	Manufacture Electro Limited	Industries	24 September 1959	1965-66	1982-83	-0.08	--	0.46	--	--	-0.08	--	Under process of liquidation and assets have been sold	--	--
13.	Modern Electronics Limited	Industries	22 March 1960	1965-66	1982-83	0.23	--	4.37	--	2.77	0.26	9.39	-do-	--	--
14.	IPITRON Times Limited (Subsidiary of Sl.No.6 of WC)	Information and Technology	11 December 1981	1993-94 1994-95 1995-96 1996-97	2004-05 2004-05 2005-06 2005-06	-221.88 -49.11 -90.84 -64.19	Disclaimer of opinion on the accounts	80.83 80.83 80.83 80.83	-644.17 -693.28 -784.12 -848.13	49.83 60.36 -76.96 -180.31	-221.88 -49.11 -90.84 -64.19	--	Under liquidation since 1998.	NIL	NIL
15.	Konark Television Limited (Defunct since 1999-2000)	Information and Technology	26 June 1982	1991-92	1998-99	-94.96	--	120.00	-603.52	600.04	46.15	7.69	13	---	--
16.	ELCOSMOS Electronics Limited (Subsidiary of Sl.No.6 of WC)	Information and Technology	12 January 1987	1994-95 1995-96 1996-97	2004-05 2004-05 2005-06	-86.23 -92.05 -34.64	--	158.51 158.51 158.51	-510..04 -602.09 -636.73	146.47 60.55 31.78	-58.84 -55.06 -34.64	--	Under liquidation since 1998.	NIL	NIL
17.	ELCOPHONES Limited (Subsidiary of Sl.No.6 of WC)	Information and Technology	10 December 1987	1st	account	not	yet	received.					18	NIL	NIL
18.	ELCO Communication and Systems Limited (Subsidiary of Sl.No.6 of WC)	Information and Technology	8 March 1989	1994-95 1995-96	2004-05 2004-05	--	Commercial production not started	0.007 0.007	--	52.21 41.14		-- --	Under liquidation since 1998.	NIL	NIL
	Sector wise total					***-193.64***	--	***364.17***	***-2088.38***	***495.42***	***-52.50***	--	--	--	--
	TEXTILE														
19.	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	-0.82	--	3.79	--	-0.62	-0.71	--	34	--	--
20.	New Mayurbhanj Textiles Limited	Industries	1988	1981-82	2003-04	2.51	--	1.50	3.17	4.65	2.51	53.98	23	--	--
21.	Orissa Textile Mills Limited (Defunct since 2000-01)	Textile and Handlooms	25 January 1946	1997-98	1998-99	-1023.74	--	2470.23	-5340.61	516.81	-766.10	--	Under liquidation since 2001	---	--
22.	Orissa State Textile Corporation Limited	Textile and Handlooms	10 September 1981	1993-94	2003-04	-309.69	--	262.00	-1595.30	-545.14	-180.26	--	11	---	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
23.	ABS Spinning Orissa Limited (Subsidiary of Sl.No.21 of WC)	Industries	1 April 1990	1996-97 1997-98	2004-05 2004-05	-1059.94 -613.51	--	300.00 300.00	-5531.77 -6145.29	-1160.52 -1732.03	-511.07 -609.22	--	Under process of liquidation .	NIL	213
	Sector wise total					***-1945.25***	**-**	***3037.52***	***-13078.03***	***-1756.33***	***-1553.78***	**--**	**--**	**--**	**--**
	HANDLOOM														
24.	Orissa Handloom Development Corporation Limited (Defunct since 1997-98)	Industries	01 February 1977	1998-99	2005-06	-139.41	--	353.37	-1495.38	161.85	-103.81	-- --	Under process of liquidation	--	57
	Sector wise total					***-139.41***	**--**	***353.37***	***-1495.38***	***161.85***	***-103.81***	**--**	**--**	**--**	**--**
	MISCELLANEOUS														
25.	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	7 January 1964	1995-96@	2005-06	-97.88		234.00	-1226.35	270.41	-50.28	--	9	NIL	NIL
26.	Orissa Fisheries Development Corporation Limited	Fisheries and Animal Resources Development	8 August 1962	1982-83	1983-84	-3.75	--	35.00	--	19.78	-2.53	--	22	--	--
27.	Orissa State Export Development Corporation Limited	Industries	27 July 1990	1990-91	1995-96	--	--	0.85	--	-0.06	--	--	14	--.	--
28.	Eastern Aquatic Products Limited	Industries	06 May 1959	1972-73	1975-76	--	--	0.61	--	0.31	--	--	Under liquidation since 22 February 1978	--	--
29.	Orissa Boat Builders Limited (Company closed since 1987)	Industries	18 March 1958	1970-71	1977-78	-0.32	--	5.23	--	1.30	-0.30	--	Under process of liquidation. Assets sold	--	--
30.	Orissa Board Mills Limited	Industries	04 April 1960	1967-68	1976-77	-1.04	--	4.08	--	4.69	-0.53	--	Under process of liquidation. Assets sold	--	--
31.	Orissa State Leather Corporation Limited (Closed under ID Act w.e.f 18 June 1998)	Industries	19 April 1976	1988-89	2004-05	-23.06	--	184.91	-246.42	171.18	-16.73	--	16	---	--
32.	Orissa Leather Industries Limited (subsidiary of Company at Sl.No.30 of NWC)	Industries	26 July 1986	1991-92	1995-96	--	--	65.00	--	192.02	--	--	13	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
33.	Kanti Sharma Refractories Limited (subsidiary of company at Sl.No.22 of WC) (Closed under ID Act w.e.f 5 December 1998)	Industries	11 January 1994	1995-96	2005-06	-40.04	--	75.00	-45.18	262.11	-24.59	--	9	NS	NS
34.	Orissa Timber and Engineering Works Limited (subsidiary of company at Sl. No. 22 of WC) (Closed since July 2000)	Industries	11 January 1994.	1997-98	2005-06	4.01	--	25.00	3.70	53.30	4.01	7.52	7	--	---
35	IDCOL Rolling Mills Limited (Subsidiary of Sl. No. 21 of WC)	Industries	22 March 2002	2003-04	2004-05	-173.89	Decrease in loss by 54.02	73.78	-333.65	30.43	-89.29	-	1	--	--
	Sector wise total					***-335.97***		***703.46***	***-1847.90***	***1005.47***	***-131.06***	--	--	--	--
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES					**8499.44**		**5000.29**	**-21634.06**	**339.21**	**11201.16**	**3402.13**			
	TOTAL OF (A) + (B) + (C)					**74191.73**		**200116.24**	**-209942.79**	**545832.99**	**129261.78**	**15.28**			

* Capital employed represents net fixed assets (including capital work-in progress) plus working capital except in case of finance companies/corporation where the capital employed is worked out as a mean of aggregate of the opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowing (including refinance).

** Loss is compensated by Government (Companies at Sl Nos.A-4 and A-13).

*** Figures in Col.15 and 16 relates to the year 2004-05

**** Return on capital employed represents interest on borrowed fund plus net profit/ loss.

@ Supplementary audit is in progress

\# Includes share application money pending allotment Rs.10.00 lakh (Sl. No.A-14) and Rs.99.99 lakh (Sl. No.A-28).

ANNEXURE-3

Statement showing grants/subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2005
(Referred to in Paragraph 1.6 and 1.19)

(Figures in Columns 3(a) to 7 are Rupees in lakh)

		Grants/Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year$^{\otimes}$					Waiver of dues during the year					
Sl. No.	**Name of the Public Sector Undertaking**	**Central Govern-ment**	**State Govern-ment**	**Others**	**Total**	**Cash credit from banks**	**Loans from other sources**	**Letters of credit opened by bank in respect of imports**	**Payment of obligation under agreements with foreign consultants or contracts**	**Total**	**Loans repay-ment written off**	**Interest waived**	**Penal interest waived**	**Total**	**Loans on which morato-rium allowed**	**Loans conve-rted into equity during the year**
(1)	**(2)**	**3(a)**	**3(b)**	**3(c)**	**3(d)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**4(e)**	**5(a)**	**5(b)**	**5(c)**	**5(d)**	**(6)**	**(7)**
A.	**WORKING GOVERNMENT COMPANIES**															
1.	Orissa Lift Irrigation Corporation Limited	--	1400.00	-	1400.00	--	--	--	--	--	--	--	--	--	--	--
2.	Orissa Rural Housing and Development Corporation Limited	--	--	13.75	13.75	--	(39708.86)	--	--	(39708.86)	--	--	--	--	--	--
3	Orissa Film Development Corporation Limited	--	25.70 5.00 #	--	25.70 5.00 #	--	--	--	--	--	--	--	--	--	--	--
4	Orissa Agro Industries Corporation Limited	--	--	--	--	150.00	--	--	--	150.00	--	--	--	--	--	--
5	Orissa State Civil Supplies Corporation Limited	4095.85	5754.59	--	9850.44	--	--	--	--	--	--	--	--	--	--	--
6.	Orissa Small Industries Corporation Limited	--	--	--	--	--	-- (3050.00)	--	--	-- (3050.00)	--	--	--	--	--	--
7	Orissa State Seeds Corporation Limited.	2.17	--	--	2.17	--	--	--	--	--	--	--	--	--	--	--
8	Agricultural Promotion and Investment Corporation of Orissa Limited	--	20.00 #	--	20.00 #	--	--	--	--	--	--	--	--	--	--	--
9	Grid Corporation of Orissa Limited	--	975.00 60.98 #	--	975.00 60.98 #	--	60500.00	--	--	60500.00	--	--	--	--	--	--
10.	Orissa Construction Corporation Limited	--	--	--	--	200.00 (200.00)	--	--	--	200.00 (200.00)	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
11.	Orissa State Electronics Development Corporation Limited	--	1.98#	--	1.98 #	--	--	--	--	--	--	--	--	--	--	--
12.	Orissa Power Generation Corporation Limited	--	--	--	--	--	(10128.69)	--	--	(10128.69)	--	--	--	--	--	--
13.	Orissa Hydro Power Corporation Limited	--	--	39.88 #	39.88#	--	25208.64	--	--	25208.64	--	--	--	--	--	--
14.	ELMARC Limited	--	--	--	--	--	125.00 (125.00)	--	--	125.00 (125.00)	--	--	--	--	--	--
15.	Orissa Forest Development Corporation Limited	--	--	--	--	--	2800.00	--	--	2800.00	--	--	--	--	--	--
16.	IDCOL Ferro Chrome and Alloys Limited	--	--	--	--	10.95	--	--	--	10.95	--	--	--	--	--	--
Total (A) Working Government Companies		**4098.02**	**8155.29 87.96 #**	**13.75 39.88 #**	**12267.06 127.84 #**	**360.95 (200.00)**	**88633.64 (53012.55)**	--	**--**	**88994.59 (53212.55)**	**--**	--	--	--	--	--
B.	**WORKING STATUTORY CORPORATIONS**															
1.	Orissa State Financial Corporation	--	37.96	--	37.96	--	(22735.25)	--	--	(22735.25)	--	--	--	--	--	--
2	Orissa State Warehousing Corporation	--	37.19	--	37.19	--	--	--	--	--	--	--	--	--	--	--
3.	Orissa State Road Transport Corporation	--	160.00	--	160.00	--	--	--	--	--	--	--	--	--	--	--
Total (B) Working Statutory Corporations		--	**235.15**		**235.15**		**-- (22735.25)**	--	--	**-- (22735.25)**	--	--	--	--	--	--
	TOTAL (A) + (B)	**4098.02**	**8390.44 87.96 #**	**13.75 39.88 #**	**12502.21 127.84 #**	**360.95 (200.00)**	**88633.64 (75747.80)**	--	--	**88994.59 (75947.80)**	--	--	--	--	--	--
C.	**NON WORKING GOVERNMENT COMPANIES**															
1.	ABS Spinning Orissa Limited	--	--	--	--	83.42	12.00	--	--	95.42	--	--	--	--	--	--
TOTAL (C)		**--**	**--**	**--**	**--**	**83.42**	**12.00**	**--**	**--**	**95.42**	**--**	**--**	**--**	**--**	**--**	**--**
TOTAL (A)+(B)+(C)		**4098.02**	**8390.44 87.96 #**	**13.75 39.88 #**	**12502.21 127.84 #**	**444.37 (200.00)**	**88645.64 (75747.80)**	--	--	**89090.01 (75947.80)**	--	--	--	--	--	--

Note: Except in respect of Sl. No.A-13 & 16, which finalised the accounts for 2004-05, figures are provisional and as given by the companies/corporations

⊗ Figures in brackets indicate guarantee outstanding at the end of the year.

#.Grants received during the year.

ANNEXURE-4

Statement showing financial position of Statutory corporations
(Referred to in Paragraph 1.8)

(Rupees in crore)

1. ORISSA STATE ROAD TRANSPORT CORPORATION			
Particulars	**2002-03**	**2003-04**	**2004-05**
A. LIABILITIES		**(P R O V I S I O N A L)**	
Capital (including loan capital and equity capital)	136.50	136.50	136.50
Borrowings (Government)	31.59	32.32	36.21
(Others)	5.04	4.14	1.38
Funds*	1.32	1.31	1.32
Trade dues and other current liabilities (including provisions)	81.69	81.11	78.67
Total (A)	**256.14**	**255.38**	**254.08**
B. ASSETS			
Gross Block	21.61	22.45	23.23
Less : Depreciation	2.10	2.38	2.59
Net fixed assets	19.51	20.07	20.64
Capital works-in-progress (including cost of chassis)			
Investment	4.96	4.96	3.86
Current assets, loans and advances	13.27	12.60	12.39
Accumulated losses	218.40	217.75	217.19
Total (B)	**256.14**	**255.38**	**254.08**
C. CAPITAL EMPLOYED**	**(-)48.92**	**(-)48.43**	**(-)41.78**

2. ORISSA STATE FINANCIAL CORPORATION			
Particulars	**2002-03**	**2003-04**	**2004-05**
A. LIABILITIES			**(Provisional)**
Paid-up capital	87.57	87.57	87.57
Reserve fund and other reserves and surplus	1.37	1.37	1.37
Borrowings:			
(i) Bonds and debentures	334.66	317.20	213.60
(ii) Fixed Deposits	7.90	7.00	5.35
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	279.56	264.38	339.56
(iv) Reserve Bank of India	--	--	--
(v) Loans in lieu of share capital:			
(a) State Government	6.23	6.23	6.23
(b) Industrial Development Bank of India	6.22	6.22	6.22
(vi) Others (subvention from State Government)	14.22	14.22	14.22
Other liabilities and provisions	329.89	334.45	341.00
Total (A)	**1067.62**	**1038.64**	**1015.12**
B. ASSETS			
Cash and Bank balance	22.74	19.98	22.30
Investments	**0.34**	0.00	--
Loans and Advances	617.60	586.56	553.92
Net fixed assets	4.19	3.74	3.69
Other assets	51.67	52.60	51.41
Miscellaneous expenditure (Loss)	371.08	375.76	383.80
Total (B)	**1067.62**	**1038.64**	**1015.12**
C. CAPITAL EMPLOYED***	**736.77**	**673.51**	**658.60**

* Excluding depreciation funds

** Capital employed represents net fixed assets (including capital work-in-progress) plus working capital

*** Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, free reserves, loans in lieu of capital, seed money, debentures (other than those which have been funded specially and backed by investment outside), bonds, deposits and borrowings (including refinance).

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**2002-03**	**2003-04**	**2004-05**
A. LIABILITIES			**(Provisional)**
Paid-up capital	3.60	3.60	3.60
Reserves and surplus	12.77	13.03	13.70
Borrowings	22.25	22.25	16.02
Trade dues and other current liabilities (including provisions)	26.47	18.67	24.05
Total (A)	**65.09**	**57.55**	**57.37**
B. ASSETS			
Gross Block	37.39	36.42	37.76
Less : Depreciation	3.07	3.81	4.84
Net fixed assets	34.32	32.61	32.92
Capital works-in-progress	3.89	0.02	0.02
Current assets, loans and advances	26.88	24.92	24.43
Total (B)	**65.09**	**57.55**	**57.37**
C. CAPITAL EMPLOYED*	**38.62**	**38.90**	**33.32**

* Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

ANNEXURE-5

Statement showing working results of Statutory corporations
(Referred to in Paragraph 1.8)

(Rupees in crore)

1.	**ORISSA STATE ROAD TRANSPORT CORPORATION**			
Particulars		**2002-03**	**2003-04**	**2004-05**
OPERATING			**Provisional**	
a)	Revenue	28.63	27.78	30.61
b)	Expenditure	30.61	29.50	32.16
c)	Surplus / Deficit -	(-)1.98	(-)1.72	(-)1.55
NON-OPERATING				
a)	Revenue	4.06	3.90	3.46
b)	Expenditure	1.53	1.53	1.35
c)	Surplus / Deficit -	2.53	2.37	2.11
TOTAL				
a)	Revenue	32.69	31.68	34.07
b)	Expenditure	32.14	31.02	33.51
c)	Surplus / Deficit -	0.55	0.65	0.56
Interest on capital and loans		1.54	1.53	1.35
Total return on Capital employed*		**2.09**	**2.18**	**1.91**
Percentage of return on Capital employed		--	--	

2.	**ORISSA STATE FINANCIAL CORPORATION**			
Particulars		**2002-03**	**2003-04**	**2004-05**
1.	**INCOME**			**(Provisional)**
(a)	Interest on Loans	50.04	34.31	31.56
(b)	Other Income	1.13	1.47	1.25
TOTAL - 1		**51.17**	**35.78**	**32.81**
2.	**EXPENSES**			
(a)	Interest on long-term and short-term loans	16.43	25.24	3.05
(b)	Provision for non-performing assets	18.54	2.12	10.72
(c)	Other expenses	14.90	13.10	21.40
TOTAL - 2		**49.87**	**40.46**	**35.17**
3.	Profit before tax (1-2)	1.30	-4.68	-2.36
4.	Provision for tax	--	--	--
5.	Profit (+) / Loss - after tax	1.30	-4.68	-2.36
6.	Other appropriations	--	--	--
7.	Amount available for dividend	--	--	--
8.	Dividend	--	--	--
9.	**Total return on Capital employed***	**17.73**	**20.56**	**0.69**
10.	Percentage of return on Capital employed	2.41	3.05	0.11

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised)

3. ORISSA STATE WAREHOUSING CORPORATION			(Rupees in crores)
Particulars	**2002-03**	**2003-04**	**2004-05**
1. INCOME			**(Provisional)**
Warehousing Charges	15.56	17.61	22.28
Other income	0.24	0.17	0.20
TOTAL – 1	**15.80**	**17.78**	**22.48**
2. EXPENSES			
(a) Establishment charges	4.46	4.97	5.19
(b) Other expenses	9.85	12.35	12.91
TOTAL - 2	**14.31**	**17.32**	**18.10**
3. Profit / Loss - before tax	1.49	0.46	4.38
4. Provision for tax	0.37	0.13	1.53
5. Prior period adjustment	0.03	0.05@	--
6. Profit / Loss - after tax	1.15	0.38	2.85
7. Other appropriations	0.83	0.30	2.00
8. Amount available for dividend	0.32	0.08	0.85
9. Dividend for the year	0.28	0.07	0.57
10. Total return on Capital employed*	**1.15**	**0.33**	**2.85**
11. Percentage of return on Capital employed	2.98	0.84	8.55

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised)

@ Includes accumulated profit of Rs.0.04 crore.

ANNEXURE-6

Statement showing operational performance of Statutory corporations
(Referred to in Paragraph 1.13)

1. ORISSA STATE ROAD TRANSPORT CORPORATION

(Rupees in crore)

Particulars	2002-03	2003-04	2004-05
		(Provisional)	(Provisional)
Average number of vehicles held	267	259	258
Average number of vehicles on road	241	233	230
Percentage of utilisation of vehicles	90	90	89
Number of employees	1602	1387	1336
Employee-vehicle ratio	6.65:1	5.95:1	5.8:1
Number of routes operated at the end of the year	127	117	109
Route Kilometres	42398	37172	38572
Kilometres operated (in lakh)			
(a) Gross	269.28	256.93	258.71
(b) Effective	266.09	253.03	255.82
(c) Dead	3.19	3. 90	2.89
Percentage of dead kilometres to gross kilometres	1.18	1. 52	1.12
Average kilometres covered per bus per day	302	298	305
Average operating revenue per kilometre (Paise)	1076	1098	1197
Increase in operating revenue per kilometre (Paise) over previous year's income (per cent)	6.32	2.04	9.02
Average operating expenditure per kilometre (Paise)	1150	1166	1257
Increase /(-) Decrease in operating expenditure per kilometre (Paise) over previous year's expenditure (per cent)	6.67	1.39	7.80
Loss per kilometre (Paise)	-74	-68	-60
Number of operating depots	14	15	14
Average number of break downs per lakh kilometre	4.1	3.8	3.4
Average number of accidents per lakh kilometre	0.14	0. 17	0.11
Passenger kilometres operated (in crore)	88.13	79.68	82.96
Occupancy ratio (percentage)	69	67	69
Kilometres obtained per litre of :			
(a) Diesel Oil	NA		
(b) Engine Oil	NA	NA	NA

2. ORISSA STATE FINANCIAL CORPORATION

(Rupees in crore)

Particulars	2002-03		2003-04		2004-05 (Provisional)	
	Number	Amount	Number	Amount	Number	Amount
Application pending at the beginning of the year	69	14.81	32	5 .65	28	4.84
Application received	229	20.99	148	18. 27	85	8.25
Total	**298**	**35.80**	**180**	**23.92**	**113**	**13.09**
Application sanctioned	180	15.25	80	10. 93	32	2.62
Application cancelled/withdrawn/ rejected/reduced	86	14.90	72	8. 15	44	1.37
Application pending at the close of the year	32	5.65	28	4. 84	37	9.10
Loans disbursed	345	29.06	79	9. 81		3.64
Loan outstanding at the close of the year	19764	617.60	NA	586.55	NA	559.70
Amount overdue for recovery at the close of the year						
(a) Principal	00	294.86	19511	321. 23	NA	506.15
(b) Interest	00	640.98		1021.27	NA	1150.40
Total		**935.84**		**1342.50**		**1656.57**
Amount involved in recovery certificate cases	--					
Total						
Percentage of default to total loans outstanding		47.74		54.77		90.43

3. ORISSA STATE WAREHOUSING CORPORATION

(Rupees in crore)

Particulars	2002-03	2003-04	2004-05 (Provisional)
Number of stations covered	51	74	60
Storage capacity created up to the end of the year (tonne in lakh)			
(a) Owned	1.85	3. 96	3.96
(b) Hired	0.17	0. 11	0.08
Total	**2.02**	**4. 07**	**4.04**
Average capacity utilised during the year (in lakh tonne)	2.46	3. 10	4.07
Percentage of utilisation	122	76	101
Average revenue per tonne per year (Rupees)	53.52	47. 80	46.04
Average expenses per metric tonne per year (Rupees)	49.63	46. 92	40.21
Profit / Loss per MT (Rupees)	3.89	0. 88	5.83

ANNEXURE-7

Statement showing the comments made by the Statutory Auditors on Internal Audit/Internal Control Systems.
(Referred to in Paragraph 1.32)

Sl. No.	Name of the Company	Year of Accounts	Supplementary Report under section 619(3)(a)
1.	Orissa Agro Industries Corporation Limited	1999-2000	The Internal Audit is not commensurate with the size and volume of business. Compliance mechanisms are not adequate. Default in payment of unsecured loans availed from Government of Orissa at the end of each year.
2	Orissa Small Industries Corporation Limited	2003-04	Bank Reconciliation Statements are not regularly prepared and if prepared there are unexplained debits and credits which needs adjustment No proper system of monitoring and adjustment of advances to suppliers/contractors. Audit Committee is not functioning properly.
3	Orissa State Beverages Corporation Limited	2001-02	Property and Assets Register are not posted up-to-date and not reconciled properly. No efficient system of monitoring and adjusting advances to suppliers/ contractors The Company has no Audit Committee.
4	Orissa Lift Irrigation Corporation Limited.	2001-02	The Internal Audit System is not adequate and commensurate with the size of the Company. The Company has no Audit Committee. No efficient system for monitoring and adjusting advances. The Company is not maintaining maximum/minimum/EOQ methods for stores and spares.
5	Orissa Tourism Development Corporation Limited	2001-02	Property and Assets Registers have not been reconciled with financial records. The management has not been maintaining unit wise Profit/Loss Account. No Cost Accounts are maintained. No overall Internal Audit Report is prepared in a consolidated form.
6	Orissa Rural Housing and Development Corporation Limited	2001-02	The Company does not have an Audit Committee. Internal Audit requires improvement. There is no system of preparing segment-wise accounting. No system of monitoring outstanding dues. The Company has huge receivable. Bank Reconciliation Statement has not been made periodically but only annually.
7	Hirakud Industrial Works Limited	2003-04	No efficient system of monitoring and adjustment of outstanding dues and advance to suppliers /contractors. Maximum, Minimum and EOQ methods are not followed by the Company. Internal Audit has not been done and there is no Audit Committee of the Company.
8	Orissa Forest Development Corporation Limited	2002-03	Internal Audit is not adequate and there is no Audit Committee of the Company Control Accounts, Subsidiary Accounts, Property and Assets Registers are not up to date.
9	Orissa Bridge & Construction Corporation Limited	2001-02	Physical verification of stock and stores is not done regularly. Internal Audit is not conducted in time and not satisfactory. There is no Audit Committee.

ANNEXURE-8

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts
(Referred to in Paragraph 1.35)

(Figures in column 5 to 19 are in Rupees in lakh)

Sl. No.	Name of company	Status (working/ non-working	Year of account	Paid-up capital	Equity				Loans				Grants by				Total investment by way of equity, loans and grants				Profit / loss-	Accumulated profit/ accumulated loss-
					State Govt	State Govt. companies	Central Govt. and their companies	Others	State Govt	State Govt. companies	Central Govt. and their companies	Oth-ers	State Govt	State Govt. companies	Central Govt. and their companies	Oth-ers	State Govt	State Govt. companies	Central Govt. and their companies	Oth-ers		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(20)	(21)	(22)
1.	Orissa Tools and Engineering Company Limited	Under closure	1982-83	44.00		44.00 (100)												44.00				-43.00
2.	S.N. Corporation Limited	Under closure	2004-05	305.00		305.00 (100)						595.00						305.00		595.00	(-)21.00	(-)2586.00

Note: Figures in the bracket are in percentage.

ANNEXURE-9

Statement showing year-wise funds received, works executed under Modernisation Grants by OSPHWC Limited as on 31 March 2005
(Referred to in Paragraph No 2.1.10)

(Rupees in crore)

Sl. No.	Particulars	2000-01			2001-02			2002-03		2003-04		2004-05		Total		
		PS*	NRB**	RB***	PS	NRB	RB	PS/ NRB	RB	PS/ NRB	RB	PS/ NRB	RB	PS	NRB	RB
1	Total no. of projects	34	280	54	18	31	60	1	39	79	5	59	15	52	450	173
2	Project cost	4.08	13.40	18.74	2.16	10.67	15.80	0.80	7.63	22.45	0.71	16.28	4.30	6.24	63.60	47.18
3	Funds received	4.03	13.40	18.74	2.16	10.67	15.80	0.80	7.63	13.75	0.00	9.09	4.30	6.19	47.71	46.47
4	Total funds received	36.17			28.63			8.43		13.75		13.39		100.37		
5	Total no. of projects completed	30	261	26	15	6	25	0	6	0	0	0	0	45	267	57
6	Percentage of completion	88	93	48	83	19	42	0	15	0	0	0	0	87	59	33
7	Expenditure including on-going projects	4.03	13.35	18.16	2.13	7.34	15.25	0.71	6.41	6.12	0.26	0.80	0.00	6.16	28.32	40.08
8	Percentage of expenditure to project cost	99	100	97	99	69	97	89	84	27	37	5	0	99	45	85
9	Unspent balance	0.00	0.05	0.58	0.03	3.33	0.55	0.09	1.22	7.63	-0.26	8.29	4.30	0.03	19.39	6.39
10	**Total unspent balance**	**0.63**			**3.91**			**1.31**		**7.37**		**12.59**		**25.81**		

* **PS:** Police Station
** **NRB:** Non-residential Building
*** **RB:** Residential Building

ANNEXURE-10

Statement showing scheme-wise allotment, lifting and off-take of rice in different schemes by OSCSC Limited

(Referred to in Paragraph 2.2.8)

(Figures in MT)

Commodity		2000-01	2001-02	2002-03	2003-04	2004-05
BPL (Rs.4.75) Specially subsidised	Allotment	349422	350461	348698	1288886*	1250400*
	Lifting	337644	308274	294123	327264	341772
	Off-take	310602	297098	286836	323535	334355
	Shortfall	38820	53363	61862	657915	390907
	Percentage of shortfall	11	15	18	51**	31**
BPL (Rs.6.30)	Allotment	415090	436722	757800	NA	NA
	Lifting	338550	179426	63677	308633	528291
	Off-take	334698	183534	64019	307436	525138
	Shortfall	80392	253188	693781	NA	NA
	Percentage of shortfall	19	58	92	NA	NA
BPL Rice for APL Families (@6.30)	Allotment	No Scheme	No Scheme	116983	137628	137628
	Lifting	No Scheme	No Scheme	4239	9641	22620
	Off-take	No Scheme	No Scheme	3848	9193	21250
	Shortfall	No Scheme	No Scheme	113135	128435	116378
	Percentage of shortfall	No Scheme	No Scheme	97	93	85
AAY (@ Rs.3/-)	Allotment	No Scheme	88466	181986	212315	258923
	Lifting	No Scheme	88072	181685	212646	234416
	Off-take	No Scheme	81493	180942	216233	216786
	Shortfall	No Scheme	6973	1044	-3918	42138
	Percentage of shortfall	No Scheme	8	1	-2	16
Annapurna (Free of cost)	Allotment	5044	7793	7776	7773	7771
	Lifting	4983	7744	7590	8979	7732
	Off-take	3916	8769	7527	7859	7844
	Shortfall	1128	-976	249	-86	-73
	Percentage of shortfall	22	-13	3	-1	-1

N.B.: (-) figures indicate excess off-take due to distribution of carry over stock from previous period.

* Allotment includes BPL @Rs.4.75 and @Rs.6.30
** Percentage of shortfall is based on off-take of combined figures of BPL Rs.4.75 and Rs.6.30.

ANNEXURE-11

Statement showing details of irregularities noticed in Internal Audit System of IPICOL and OSFC

(Referred to in Paragraph 2.3.12)

I. IPICOL

Sl. No.	Nature of irregularities
1.	Due to lack of direction on the areas of audit, inadequacy of Internal Audit was observed in areas of sanction, disbursement and recovery of loan.
2.	No target dates for Internal Audit, submission of report, compliance by respective divisions were fixed.
3.	Six Internal Audit Reports were submitted during the period between 2000-01 and 2003-04. Compliance was not generally submitted by the respective divisions against the observations of Internal Audit Reports. None of the reports were placed before the Board/Audit Committee.

II. OSFC

Sl. No.	Nature of irregularities
1.	The manual stipulated that the Internal Audit needs a team approach comprising the management, financial and technical experts. Internal Audit Wing of the Corporation, however, was headed by a Manager assisted by two Deputy Managers and one Senior Assistant all from finance wing.
2.	The Statutory Auditors also stated in his report for 2002-03 and 2003-04 that the Internal Control System in disbursement of various advances, advances to others and sanction/ disbursement and repayment of various types of loans were weak and the Internal Audit System was also not commensurate with the size and the nature of its business.
3.	Internal Audit Manual though prescribes selective and detail checks in strong and weak areas respectively, the basis of selection of weak and strong area and quantum of audit were, however, not spelt out.
4.	During the year 2001-02, no Internal Audit was conducted. The reasons for not conducting Audit were also not on record.
5.	No system existed to monitor the compliance to the Internal Audit Reports.

ANNEXURE-12

Statement showing the irregularities noticed in maintenance of Cash Book of OSFC

(Referred to in Paragraph 2.3.26)

Sl. No.	Nature of irregularities
1.	Pages contained in the Cash book were not certified by the Branch Manager/DGM in Berhampur branch before put to use.
2.	Cash book page No.32 and 33 kept blank (March 2002 to October 2002) and not cancelled
3.	Over-writings were not attested by the Branch Manager.
4.	Closing balance certificate has not been given by the BM at the end of each month.
5.	Periodical physical verification of cash was not done either by the BM or by the I.A. Department of the Corporation.
6.	Heavy cash balance was retained in chest without depositing in the bank (Chandikhol, Kendrapara and Paradeep).
7.	Totalling of the cash book was not done by a person other than the writer of cash book.
8.	Most of the figures in the cash book and totalling were written in pencil (Paradeep Recovery Cell).
9.	The Statutory Auditors, though verified the cash book in March 2004, irregularities in the cash book were not pointed out by them.
10.	Cash book of Kendrapara Recovery Cell revealed that though the actual cash balance on 5 June 2002 was Rs.14,284, during physical cash verification it was certified by Internal Audit for Rs.4,284 without considering Rs.10,000 received. Similarly, as against the actual cash balance of Rs.3,174 the physical balance as on 20 December 2003 was certified for Rs.174 by the Internal Auditor.
11.	43 Bank Accounts opened during the period between 1988-89 and 2002-03 remained inoperative. Therefore, an amount of Rs.22.76 lakh was blocked for which the Corporation lost interest of Rs.2.73 lakh (computed @ 12 per cent per annum.).
12.	Test check of records of three branches (Rourkela, Cuttack and Paradeep) of OSFC revealed that eight Bank Accounts remained unreconciled from 1986-87 to October 1992 onwards.
13.	Though State Bank of India offered interest on short term deposit even for seven days, OSFC management kept huge cash balances in the 17 Current Accounts of different banks at Head Office during the year 2002-03 and 2003-04. Funds lying in Current Accounts ranging between Rs.34.32 lakh and Rs.27.07 lakh for a month from August 2002 to March 2004 had resulted in loss of interest of Rs.46.48 lakh based on the minimum rate of interest of four per cent per annum offered by SBI for seven days.
14.	Non transfer of cash balances to Head Office led to huge idle fund.

ANNEXURE-13

List of companies covered in the study of Corporate Governance

(Referred to in Paragraphs 3.14.4, 3.14.8 and 3.14.11)

Sl. No.	Name of the Company	Paid-up capital as on 31 March 2004 (Rupees in crore)
1.	Orissa Bridge and Construction Corporation Limited (OBCC)	5.00
2.	Konark Jute Limited (KJL)	5.94
3.	The Orissa Film Development Corporation Limited (TOFDC)	5.40
4.	IDCOL Kalinga Iron Works Limited (IKIW)	30.10
5.	Orissa State Civil Supplies Corporation Limited (OSCSC)	9.78
6.	IDCOL Ferrochrome and Alloys Limited (IFCAL)	15.10
7.	Hirakud Industrial Works Limited (HIW)	8.58
8.	Orissa Agro Industries Corporation Limited (OAIC)	7.15
9.	Orissa Rural Housing & Development Corporation Limited (ORHDC)	33.40
10.	Orissa Small Industries Corporation Limited (OSIC)	9.66
11.	Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL)	83.14
12.	Industrial Development Corporation of Orissa Limited (IDCOL)	57.12
13.	Grid Corporation of Orissa Limited (GRIDCO)	492.98
14.	Orissa Hydro Power Corporation Limited (OHPC)	320.80
15.	Orissa Mining Corporation Limited (OMC)	31.45
16.	Orissa Pisciculture Development Corporation Limited (OPDC)	11.29
17.	Orissa State Cashew Development Corporation Limited (OSCDC)	1.55
18.	Orissa State Seeds Corporation Limited (OSSC)	2.59
19.	Orissa Lift Irrigation Corporation Limited (OLIC)	74.73
20.	IDCOL Software Limited (ISL)	1.00
21.	Orissa State Police Housing and Welfare Corporation Limited (OSPHWC)	5.36
22.	Orissa State Beverages Corporation Limited (OSBC)	1.00
23.	Agricultural Promotion and Investment Corporation of Orissa Limited (APICOL)	1.10
24.	Orissa Tourism Development Corporation Limited (OTDC)	9.62
25.	Orissa Construction Corporation Limited (OCC)	11.50
26.	Orissa Forest Development Corporation Limited (OFDC)	1.28

ANNEXURE-14

Details of violations of Section 285 of Companies Act, 1956 by the companies during April 2000 to January 2005

(Referred to in Paragraph 3.14.6)

Sl. No.	Name of the company	Period during which no meeting of Board of Directors was held	Number of times Sec.285 was violated	Maximum time gap
1.	OBCC	27-03-04 to 23-07-04	1	3 months and 27 days
2.	TOFDC	30-09-2000 to 13-06-01; 15-06-01 to 16-11-01; 18-11-01 to 13-05-02; 15-05-02 to 06-01-03; 21-09-03 to 03-02-04; 05-02-04 to 26-09-04.	6	8 months and 23 days
3.	OSCSC	01-04-2000 to 23-03-01; 26-06-01 to 22-03-02; 24-03-02 to 02-03-03; 27-03-03 to 28-10-03; 31-12-03 to 07-09-04.	5	11 months and 23 days
4.	OAIC	08-06-2000 to 20-11-2000; 31-03-01 to 07-08-01.	2	5 months and 13 days
5.	ORHDC	24-12-2000 to 05-04-01; 23-03-02 to 14-07-02; 28-09-02 to 16-01-03; 01-10-03 to 26-03-04; 28-03-04 to 06-09-04.	5	5 months and 26 days
6.	OSIC	30-06-02 to 25-10-02; 30-03-03 to 13-08-03; 21-03-04 to 30-12-04.	3	9 months and 10 days
7.	OPDC	21-05-2000 to 23-10-2000; 25-10-2000 to 20-08-01; 21-09-01 to 27-02-02; 08-06-02 to 21-10-02; 01-04-03 to 10-08-03; 01-04-04 to 26-11-04.	6	9 months and 27 days
8.	OSCDC	24-05-02 to 29-11-02; 02-03-04 to 14-07-04.	2	6 months and 6 days
9.	OSSC	01-04-2000 to 04-07-2000; 19-09-2000 to 09-01-01.	2	5 months and 10 days

Sl. No.	Name of the company	Period during which no meeting of Board of Directors was held	Number of times Sec.285 was violated	Maximum time gap
10.	OLIC	01-04-2000 to 30-11-2000; 02-12-2000 to 10-07-01; 12-07-01 to 15-09-02; 26-11-02 to 07-04-03; 22-05-04 to 26-11-04.	5	14 months 4 days
11.	OSPHWC	01-04-2000 to 29-08-2000; 28-12-2000 to 24-05-01; 26-05-01 to 18-10-01; 20-10-01 to 23-04-02; 30-11-02 to 11-05-03; 04-09-03 to 27-01-04; 13-7-04 to 31-01-05.	7	6 months and 19 days
12.	APICOL	20-11-99 to 09-08-2000; 25-03-03 to 25-07-03.	2	8 months and 21 days
13.	OTDC	13-09-2000 to 30-04-01; 31-03-02 to 01-09-02; 30-12-02 to 21-05-03; 23-05-03 to 21-11-03	4	7 months and 18 days

ANNEXURE-15

Details of Directors who did not attend any Board meetings or attended very few number of Board meetings during their tenure

(Referred to in Paragraph 3.14.7)

Sl. No.	Name of the company	Name of the Director	Number of meetings		Tenure of the meetings
			Held during his tenure	Attended	
1.	OBCC	Sri D.K.Das Sri Sidhartha Pradhan Sri Bijay Kumar Pattnaik	21 4 22	1 Nil Nil	05-04-2000 to 26-03-04 05-04-2000 to 31-08-2000 11-08-2000 to 28-12-04
2.	KJL	Sri Priyadarshi Thakur Sri A.K.Kapas Sri Mostafa Sardar	9 4 3	1 Nil Nil	27-06-2000 to 26-06-02 30-06-01 to 25-03-02 28-12-01 to 26-06-02
3.	TOFDC	Sri A.Ramesh Prasad Sri Nalini Mohan Mohanty Sri Subrata Nag	11 4 3	1 Nil Nil	31-05-2000 to 31-12-04 14-06-01 to 07-01-03 14-05-02 to 30-04-03
4.	OSCSC	Sri P.K.Mohapatra Smt. Alka Panda	6 4	1 Nil	03-03-03 to 22-11-04 03-03-03 to 30-12-03
5.	HIW	Sri R.N.Nayak Sri R.K.Singh	10 6	Nil Nil	28-06-2000 to 25-06-02 21-09-03 to 02-12-04
6.	OAIC	Sri R.S.Dohary Sri K.M.Chaddha Mrs Netanguha Biswas Sri P.K.Jena Sri C.S.Kumar Sri P.K.Mishra Sri A.K.Goyal Sri Lokanath Nanda	4 4 4 16 16 16 12 11	Nil Nil Nil 2 1 Nil Nil 2	29-05-2000 to 30-03-01 29-05-2000 to 30-03-01 29-05-2000 to 30-03-01 08-08-01 to 30-11-04 08-08-01 to 30-11-04 08-08-01 to 30-11-04 08-08-01 to 17-02-04 29-08-02 to 30-11-04
7.	ORHDC	Sri S.D.Singh Sri R.K.Sahoo Sri H.Kutty Sri P.K.Jena	5 5 5 4	Nil Nil Nil Nil	22-03-02 to 17-01-03 22-03-02 to 17-01-03 22-03-02 to 17-01-03 22-03-02 to 27-09-02
8.	OSIC	Sri K.C.Badu Sri Sidhartha Pradhan Sri Bijay Kumar Dhal Sri P.K.Mishra Sri L.N.Gupta Sri H. Tirky	10 3 6 5 3 3	1 Nil Nil Nil Nil Nil	27-05-2000 to 26-10-02 27-05-2000 to 19-12-2000 20-03-01 to 29-06-02 29-03-03 to 31-12-04 29-03-03 to 29-12-03 29-12-03 to 31-12-04

Sl. No.	**Name of the company**	**Name of the Director**	**Number of meetings**		**Tenure of the meetings**
			Held during his tenure	**Attended**	
9.	IPICOL	Sri B.C.Patra	8	1	19-06-2000 to 17-10-01
		Sri D.Goswami	12	2	02-12-2000 to 25-02-03
		Sri U.P.Sarma	10	Nil	08-05-01 to 11-03-03
		Sri Pravat Pattnaik	6	Nil	08-05-01 to 27-06-02
		Sri M.N.Dastur	5	Nil	28-09-02 to 27-06-03
		Dr.Sanak Mishra	8	Nil	27-06-03 to 24-01-05
		Sri Jogandra Patra	3	Nil	20-02-04 to 28-09-04
10.	IDCOL	Sri A.S.Sarangi	3	Nil	26-06-2000 to 15-12-2000
		Sri A.K.Mohapatra	3	Nil	26-06-2000 to 15-12-2000
		Sri P.K.Mohapatra	3	Nil	26-06-2000 to 15-12-2000
		Sri Rajiv Kaul	3	Nil	26-06-2000 to 15-12-2000
		Sri R.G.Nirmal	8	Nil	29-09-2000 to 23-03-02
		Sri T.K.Ray	12	Nil	20-06-02 to 26-08-04
11.	OMC	Sri A.S.Sarngi	5	Nil	27-06-2000 to 22-09-2000
		Sri R.C.Behera	5	Nil	27-06-2000 to 22-09-2000
		Sri S.D.Kapoor	5	Nil	27-06-2000 to 22-09-2000
		Sri P.Singh	3	Nil	25-06-02 to 03-12-02
12.	OFDC	Sri A.S.Sarangi	14	Nil	27-03-01 to 26-09-03
		Sri A.K.Tripathy	3	Nil	27-11-2000 to 27-03-01
		Sri A.K Samantray	8	2	27-11-2000 to 03-05-02
		Smt.Alka Panda	12	Nil	09-12-03 to 05-01-05
		Sri A.K.Mishra	6	1	27-11-2000 to 24-12-01
		Sri U.S.Bhatia	5	Nil	02-09-03 to 29-01-04
		Sri A.K.Tripathy	6	Nil	27-03-04 to 25-08-04
		Sri B.K.Mishra	3	Nil	27-03-01 to 31-08-01
		Sri Niranjan Pujari	8	1	02-09-03 to 15-04-04
13.	OSCDC	Sri Pravat Tripathy	32	3	30-11-2000 to 01-03-04
		Sri Dharmendra Pradhan	32	3	30-11-2000 to 01-03-04
		Sri S.K.Das	7	Nil	08-01-01 to 30-03-01
		Sri P.P.Balasubramanium	26	1	28-06-01 to 18-12-04
14.	OSSC	Mrs.Dolly Chakrovorty	19	1	05-07-2000 to 10-11-04
		Sri Badri Prasad	3	Nil	18-09-2000 to 21-06-01
		Sri Kumar Bhatia	14	Nil	22-09-01 to 08-07-04
15.	OLIC	Sri K.C.Badu	4	Nil	01-12-2000 to 25-11-02
		Sri C.J.Venugopal	4	Nil	16-09-02 to 16-05-03
16.	ISL	Sri A.Tripathy	10	Nil	23-09-02 to 02-12-04

Sl. No.	Name of the company	Name of the Director	Number of meetings		Tenure of the meetings
			Held during his tenure	Attended	
17.	OSBC	Sri U.Sarat Chandran	3	Nil	29-12-03 to 26-06-04
18.	APICOL	Sri Prafulla Ch.Mishra Sri Parag Gupta Sri B.K.Dhal Sri A.K.Tripathy Sri Priyabrata Pattnaik	4 9 6 3 5	Nil Nil 1 Nil Nil	22-11-2000 to 25-09-01 22-11-2000 to 21-12-02 22-11-2000 to 30-03-02 24-03-03 to 07-11-03 31-03-04 to 06-01-05
19.	OTDC	Sri Goutam Ku.Khanna Sri Parag Gupta Sri D.P.Bagchi Sri A.S.Sarangi Ms Rashmi Burma	7 5 5 4 3	Nil Nil Nil Nil Nil	09-05-2000 to 29-12-02 12-09-2000 to 30-03-02 01-05-01 to 02-09-02 01-05-01 to 30-03-02 22-05-03 to 31-12-04
20.	OCC	Sri P.K.Quanungo Sri A.Behera	4 6	Nil Nil	28-09-2000 to 30-06-01 29-09-03 to 20-05-04

ANNEXURE-16

Statement showing vacancies of Directors in State PSUs

(Referred to in Paragraph 3.14.8)

<table>
<tr><th>Sl. No.</th><th>Name of the Company</th><th colspan="2">Particulars</th></tr>
<tr><td>1.</td><td>TOFDC</td><td colspan="2">Out of 15 numbers of Directors, 10 posts of Directors were lying vacant since 14 May 2004.</td></tr>
<tr><td>2.</td><td>OSIC</td><td colspan="2">Seven posts of Directors out of 14 were vacant during 14 May 2004 to 5 October 2004.</td></tr>
<tr><td>3.</td><td>GRIDCO</td><td colspan="2">Three posts of functional Directors i.e. Director (Engineering), Director (Commercial) and Director (HRD) were lying vacant since 31 July 2001, 31 October 2000 and 3 November 2004 respectively.</td></tr>
<tr><td>4.</td><td>OHPC</td><td colspan="2">The post of Director (HRD) was vacant since 8 July 2004 and the Director (Finance) was holding additional charge of Director (HRD).</td></tr>
<tr><td>5.</td><td>OPDC</td><td colspan="2">Five posts of Directors out of nine have been vacant since 26 May 2004.</td></tr>
<tr><td>6.</td><td>OCC</td><td colspan="2">The posts of Directors from the Department of Finance was vacant from 1 August 2001 to 9 January 2002 and 1 December 2004 to 13 January 2005 and from the Department of Public Enterprises was vacant from 5 July 2000 to 26 February 2002.</td></tr>
<tr><td rowspan="7">7.</td><td rowspan="7">OFDC</td><td colspan="2">The following posts of Directors were vacant for the periods mentioned against them:</td></tr>
<tr><td>Director from the Department of Public Enterprise</td><td>6 July 2000 to 30 November 2000 and 29 June 2004 onwards</td></tr>
<tr><td>Director (Finance)</td><td>1 October 2000 to 16 January 2001, 1 April 2002 to 6 June 2002 and 21 December 2003 onwards</td></tr>
<tr><td>Director (Commercial)</td><td>20 February 2001 to 4 July 2001</td></tr>
<tr><td>Director (Operation)</td><td>29 September 2004 to 27 January 2005</td></tr>
<tr><td>3 Non-official Directors</td><td>28 June 2004 to 24 August 2004</td></tr>
<tr><td>1 Non-official Director</td><td>25 August 2004 onwards</td></tr>
</table>

ANNEXURE-17

Attendance of members in the Audit Committee

(Referred to in Paragraph 3.14.13)

Sl. No.	Name of the Company	Total number of Audit Committee meetings held	No. of meetings held in the absence of one or more members	No. of meetings held with quorum
1.	IFCAL	2	2	NIL
2.	HIW	1	1	NIL
3.	OAIC	1	1	NIL
4.	IDCOL	2	1	1
5.	GRIDCO	5	3	2
6.	OHPC	11	4	7

ANNEXURE-18

Statement showing department-wise paragraphs/reviews for which explanatory notes were not received (Referred to in Paragraph 3.15.1)

Sl. No.	Name of the Department	1993-94	1994-95	1995-96	1996-97	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
1	Energy	--	--	--	--	11	3	--	4	4	4	26
2	Industries	1	--	--	--	--	1	1	2	1	6	12
3	Forest and Environment	--	--	--	--	--	--	1	1	--	--	2
4	Food Supplies and Consumer Welfare	--	--	--	--	--	--	--	--	2	1	3
5	Information Technology	--	2	1	3	--	--	--	--	1	--	7
6	Handloom and Textiles	1	--	1	--	--	--	--	--	--	--	2
7	Steel and Mines	--	--	--	--	--	--	--	--	1	6	7
8	Co-operation	--	--	--	--	--	--	--	--	1	--	1
9	Agriculture	--	--	--	--	--	--	--	1	--	--	1
10	Home	--	1	--	--	--	--	--	--	--	--	1
11	Commerce and Transport	--	--	--	--	--	1	--	--	--	--	1
12	Excise										3	3
13	Water Resources										1	1
14	Public Enterprises										2	2
	Total	**2**	**3**	**2**	**3**	**11**	**5**	**2**	**8**	**10**	**23**	**69**

ANNEXURE-19

Statement showing the department-wise outstanding Inspection Reports (Referred to in Paragraph 3.15.3)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of Outstanding Paragraphs	Year from which Paragraphs outstanding
1.	Industries	17	68	521	1993-94
2.	Steel and Mines	1	7	142	1996-97
3.	Information Technology	2	11	39	1993-94
4.	Home	1	6	67	1994-95
5.	Housing and Urban Development	1	4	32	1997-98
6.	Excise	1	2	20	2002-03
7.	Commerce and Transport	2	66	288	1995-96
8.	Tourism	1	6	41	1999-2000
9.	Energy	3	345	1320	1990-91
10.	Water Resources	2	65	350	1995-96
11.	Fisheries and Animal Resources Development	1	9	31	1994-95
12.	Agriculture	4	24	157	1995-96
13.	Works	1	46	247	1993-94
14.	Co-operation	1	6	35	1997-98
15.	Food Supplies and Consumer Welfare	1	116	622	1996-97
16.	Forest and Environment	1	36	301	1997-98
	TOTAL	**40**	**817**	**4213**	

ANNEXURE-20

Statement showing the department-wise draft paragraphs/reviews replies to which are awaited

(Referred to in Paragraph 3.15.3)

Sl No.	Name of the Department	No. of draft paragraphs	No. of reviews	Period of issues
1.	Energy	2	--	February to August 2005
2.	Food Supplies and Consumer Welfare	--	1	June 2005
3.	Industries	4	1	February to July 2005
4.	Public Enterprises	1	--	May and June 2005
5.	Agriculture	3	--	February 2005
6.	Home	1	--	April 2005
7.	Excise	1	--	February 2005
	Total	**12**	**2**	

GLOSSARY

Words	Stand for
AA	Administrative Approval
AAY	Antyodaya Anna Yojana
ACC	Arvind Construction Company Limited
ACSR	Aluminum Conductor Steel Reinforced
AGM	Annual General Meeting
AML	Annual Maintenance Contract
ANPP	Anti-Naxalite Picketing Post
APL	Above Poverty Line
APM	Assistant Project Manager
ARCPSE	Audit Review Committee of Public Enterprises
ATN	Action Taken Note
BDO	Block Development Officer
BG	Bank Guarantee
BIFR	Board of Industrial Finance and Reconstruction
BPL	Below Poverty Line
BPRF	Business Plan and Resource Forecasting
BST	Bulk Supply Tariff
CAG	Comptroller and Auditor General of India
CCD	Cabinet Committee on Disinvestment
CE	Chief Engineer
CESCO	Central Electricity Supply Company Limited
CM	Custom Milled
CMD	Chairman-cum-Managing Director
COPU	Committee on Public Undertakings
CPIS	Corporate Payroll Information System
CPSU	Central Public Sector Undertakings
CSNPS	Centrally Sponsored Non-Plan Scheme
CSO-cum-DM	Civil Supplies Officer-cum-District Manager
CSR	Current Schedule of Rate
CWC	Central Warehousing Corporation
DAC	Default Advisory Committee

Words	Stand for
DC	Disinvestment Committee
DC	Direct Current
DDAC	Default and Disposal Advisory Committee
DDCE	Directorate of Distance and Confirming Education
DGA	Dissolved Gas Analysis
DGM	Deputy General Manager
DGS&D	Director General of Supply and Disposal
DICGC	Deposit Insurance & Credit Guarantee Corporation of India
DISTCO	Distribution Company
DO	Delivery Order
DPM	Deputy Project Manager
DPS	Decentralised Procurement Scheme
DRDA	District Rural Development Agencies
DSC	Departmental Storage Centre
EFC	Eleventh Finance Commission
EHT	Extra High Tension
ELMARC Ltd.	Name of a company
EO	Executive Officer
FAQ	Fair Average Quality
FCI	Food Corporation of India
FIC	Farmers' Identity Cards
FPS	Fair Price Shop
FS	Fire Station
FS&CW	Food Supplies and Consumer Welfare
FTC	Fast Track Court
GoI	Government of India
GoO	Government of Orissa
GP	Gram Panchayat
GRIDCO	Grid Corporation of Orissa Limited
HIW	Hirakud Industrial Works Limited
HR	Human Resource
IAC	Internal Advisory Committee
IBM	International Business Machine

Words	Stand for
IDBI	Industrial Development Bank of India
IDCOL	Industrial Development Corporation of Orissa Limited
IDEA	Interactive Data Extraction and Analysis
IFCAL	IDCOL Ferro Chrome and Alloys Limited
IKIW	IDCOL Kalinga Iron Works Limited
IL	IPISTEEL Limited
IPICOL	Industrial Promotion and Investment Corporation of Orissa Limited
IPISTEEL Limited	Name of a company
IRML	IDCOL Rolling Mill
IS	Inspector of Supplies
ISL	IDCOL Software Limited
IT	Income Tax
IT	Information Technology
ITDP	Integrated Tribal Development Project
ITPS	Ib Thermal Power Station
JE	Junior Engineer
KCC	Kissan Credit Cards
KJL	Konark Jute Limited
KM	Killo Metre
KMS	Khariff Marketing Season
KV	Killo Volt
LOA	Letter of Acceptance
LOI	Letter of Intent
LPG	Liquefied Petroleum Gas
MAB	Member Audit Board
MB	Measurement Book
MD	Managing Director
MFPS	Model Fair Price Shop
MG	Modernisation Grant
MI	Marketing Inspector
MIS	Management Information System
MMTC	Mineral and Metals Trading Corporation Limited

Words	Stand for
MOS	Memorandum of Settlement
MOU	Memorandum of Understanding
MPSEB	Madhya Pradesh State Electricity Board
MR	Money Receipt
MSP	Minimum Support Price
MT	Metric Tonne
MU	Million Units
MV	Mobile Van
MVT	Motor Vehicle Tax
NESCO	Northern Electricity Supply Company Limited
NGO	Non-Government Organisation
NPA	Non-Performing Assets
OAIC	Orissa Agro Industries Corporation Limited
OBCC	Orissa Bridge and Construction Corporation Limited
OERC	Orissa Electricity Regulatory Commission
OHPC	Orissa Hydro Power Corporation Limited
OLIC	Orissa Lift Irrigation Corporation Limited
OP	Out Post
OPDC	Orissa Pisciculture Development Corporation Limited
OPGC	Orissa Power Generation Corporation Limited
OPWD	Orissa Public Works Code
ORHDC	Orissa Rural Housing and Development Corporation Limited
OSCB	Orissa State Co-operative Bank
OSCDC	Orissa State Cashew Development Corporation Limited
OSFC	Orissa State Financial Corporation
OSIC	Orissa Small Industries Corporation Limited
OSPHWC	Orissa State Police Housing and Welfare Corporation Limited
OSRTC	Orissa State Road Transport Corporation
OSSC	Orissa State Seeds Corporation Limited
OSWC	Orissa State Warehousing Corporation
OTDC	Orissa Tourism Development Corporation Limited
OTS	One Time Settlement
PDS	Public Distribution System

Words	Stand for
PGCIL	Power Grid Corporation of India Limited
PO	Purchase Order
PPA	Power Purchase Agreement
PPC	Paddy Purchase Centre
PS	Police Station
PSE	Public Sector Enterprises
PSU	Public Sector Undertaking
PWC	Price Waterhouse Coopers
RA	Running Account
RBI	Reserve Bank of India
RO	Release Order
RSI	Ranjeeta Steelex Industry
RT	Rest room-cum-Toilet
RTO	Regional Transport Officer
SA	Storage Agent
SAR	Separate Audit Report
SC	Supervision Charges
SEC.EHT(M) BURLA	Name and code of the site
SER	South Eastern Railway
SERC	State Electricity Regulatory Commission
SFC	State Financial Corporations
SIDBI	Small Industries Development Bank of India
SLEC	State Level Empowered Committee
SN Corporation	Name of a company
SO	Supervisory Officer
SPA	State Police Academy
SPAA Straw Board	Name of a company
ST	Sales Tax
STL	State Testing Laboratory
SWOT	Strength, Weakness and Opportunities and Threat
TC	Technical Committee
TG	Turbo Generator
TOFDC	The Orissa Film Development Corporation Limited

Words	Stand for
TPDS	Targeted Public Distribution System
TS	Technical Sanction
UTI	Unit Trust of India
UU	Utkal University
VIHEP	Upper Indravati Hydro Electricity Project
VR	Voluntary Retirement
VSS	Voluntary Separation Scheme
WA	Weighted Average

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