REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR

ENDED 31 MARCH 1992

No. 2

PREFACE

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

- Government companies ,
- Statutory corporations; and
- Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations, including Orissa State Electricity Board, and has been prepared for submission to the Government of Orissa for being laid before the Legislature under Section-19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of audit relating to departmentally managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil) - Government of Orissa.

3. There are, however, certain companies which in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India, as Government or Government owned/controlled companies/corporations hold less than 51 *per cent* of the shares. Particulars of such undertaking in which Government investment was more than Rs.10 lakhs as

on 31st March 1992 is given below :

Name of Company	Total investment (Rupees in lakhs)	Percentage of Government investment to the total paid-up capital
Orissa Cements Limited	40.00	12.9

4. In respect of the Orissa State Electricity Board and the Orissa State Road Transport Corporation which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Orissa State Financial Corporation and Orissa State Warehousing Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The Audit Reports on the annual accounts of all these Corporations are forwarded separately to the Government of Orissa.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1991-92 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 1991-92 have also been included, wherever considered necessary.

91-92

OVERVIEW

The State had 72 Government companies (including 17 subsidiaries), 5 companies under the purview of Section - 619B of the Companies Act, 1956 and 4 Statutory corporations as on 31st March 1992. Out of 72 companies, 31 companies involving capital investment of Rs.1.33 crores by the State Government were defunct, of which 26 companies involving capital investment of Rs.0.98 crore were in the process of liquidation while two companies with capital investment of Rs.0.05 crore were under revival.

(Paragraphs : 1.2.1, 1.2.5 and 1.3.1)

The aggregate paid-up capital of the Government companies was Rs.570.22 crores of which Rs.557.77 crores were invested by the State Government, Rs.0.85 crore by the Central Government and Rs.11.60 crores by others. The balance of loans of State Government outstanding in respect of 33 companies was Rs.63.11 crores as on 31st March 1992. The State Government had guaranteed the repayment of loans raised by 21 companies and payment of interest thereon; the amounts guaranteed and outstanding thereagainst as on 31st March 1992 were Rs.260.70 crores and Rs.230.59 crores respectively. The payment of guarantee commission was in arrear to the extent of Rs.0.67 crore in case of 11 companies.

(Paragraph : 1.2.2)

Two companies had finalised their accounts for the year 1991-92. The accounts of 42 companies (other than defunct companies) were in arrears ranging from 1 to 11 years. Out of 31 defunct companies, the accounts of 27 companies were in arrears ranging from 16 to 30 years. The accounts of three companies were in arrear for 5 to 11 years whereas one company had cleared accounts up to the date of its closure.

(Paragraph : 1.2.3)

According to the latest available accounts, the accumulated loss of Rs.88.98 crores sustained by 10 companies had far exceeded their paid-up capital of Rs.13.45 crores.

(Paragraph : 1.2.4)

The accounts of Orissa State Electricity Board for the year 1990-91 showed a net surplus of Rs.32.78 crores.

(Paragraph : 1.4.3)

As per provisional accounts of Orissa State Road Transport Corporation and Orissa State Financial Corporation for the year 1991-92, both the Statutory corporations incurred losses of Rs.11.77 crores and Rs.2.27 crores respectively.

(Paragraphs : 1.5.3 and 1.6.3)

2.1 Ferrochrome Plant, a unit of Industrial Development Corporation of Orissa Limited, was set up in 1969 for production of low carbon ferrochrome (LCFC). Although the licenced and installed capacity was for the production of 10000 tonnes of LCFC per annum, the estimated rated capacity of the Plant was 8000 tonnes only.

(Paragraph : 2A.1)

Excess consumption of raw materials with reference to the norms fixed by the Company resulted in additional expenditure of Rs.1.85 crores during the period from 1987-88 to 1991-92.

(Paragraph : 2A.7)

The acceptance of supply of chrome to the extent of 11,520.08 MTs containing more percentage of fines over the prescribed percentage resulted in a loss of Rs.0.44 crore to the Company during the period from 1987-88 to 1988-89 and 1990-91 to 1991-92. In the process of breaking of lumpy grade of chrome ore, fines to the extent of 10 *per cent* were generated which resulted in the loss of Rs.0.28 crore to the Company on account of the difference in value between lumpy and fine ores on 666.39 MTs.

(Paragraph : 2A.8.1)

The sub-standardard rejected material (350 MT) of the value of Rs.0.55 crore could not be disposed of due to high phosphorus contents.

(Paragraph : 2A.9.1)

Due to delay in installation of EOT crane, the Company failed to get its replacement as the guarantee period had in the meantime expired with the result that the crane had been lying idle since September 1982. This has consequently, resulted in the blockage of funds of Rs.0.48 crore and also involving loss of interest of Rs.0.78 crore at the rate of 16.5 *per cent* during the period from September 1982 to December 1992.

(Paragraph : 2A.10)

2.2 Orissa Agro industries Corporation Limited came into being in April 1974 with a view to promote mechanised farming and assisting the agro based industries.

(Paragraph : 2B.1)

As per provisional accounts the accumulated loss of Rs.10.91 crores as on 31st March 1992 had eroded paid-up capital of Rs.4.21 crores.

(Paragraph :2B.6)

Out of the 5717 bore wells installed during the period from 1988-89 to 1991-92, only 2813 were energised leaving a balance of 2904 bore wells unenergised. The expenditure of Rs.3.19 crores incurred on the installation of these bore wells was unproductive due to inability of the Company to ascertain the technical soundness of these bore wells for energisation.

The Company furnished utilisation certificates to the State Government indicating that 2733 bore wells had been energised for the benefit of scheduled caste small and marginal farmers as against 2050 bore wells actually energised which resulted in excess adjustment of subsidy of State Government by Rs.1.34 crores. Similarly, in respect of Dug well projects, there was an excess adjustment of subsidy to the extent of Rs.0.68 crore.

(Paragraphs : 2B.9.1 and 2B.9.2)

2.3 Orissa Small Industries Corporation Limited introduced the Sub-contracting agency scheme during 1976-77 with a view to provide marketing assistance to SSI units. Uner the scheme the Company is supposed to procure orders from various institutions and off load them to SSI units. The Company's endeavours in this context, however, remained confined to procuring orders mainly for structural and fabrication works from National Aluminium Company Limited (NALCO), State Government and other agencies.

(Paragraph : 2C.1)

The Company's claim for Rs.0.67 crore with NALCO remained unsettled since July 1989 due to non-maintenance of proper and adequate store and stock accounts. Similarly in regard to a work

completed in June 1987, bank guarantee of Rs.0.46 crore was not released by NALCO due to non accountal of issued materials.

(Paragraph : 2C.5.1)

Failure of the Company in executing additional order of NALCO for fabrication and supply of pot-shells as per terms and conditions of work order resulted in a liability of Rs.0.14 crore on account of risk purchase claim lodged by NALCO. The Company had also a clear liability of Rs.0.39 crore to NALCO being the value of excess steel material drawn and issued to the sub-contractor (including other material retained by him after completion of work).

(Paragraph : 2C.5.2)

2.4 The Orissa State Police Housing and Welfare Corporation Limited was incorporated in May 1980 with the main objective of construction of residential and non-residential buildings for the benefit of police personnel and to undertake other civil works of State/Central Government departments and other bodies either through competative tenders or on the basis of direct placement of works.

(Paragraph : 2D.1)

Due to non-levy of establishment charges on the works executed prior to 1987-88, the Company sustained a loss of Rs.0.80 crore.

(Paragraph : 2D.6.2)

The Company incurred an excess expenditure of Rs.3.21 crores in execution of allotted works under 8th and 9th Finance Commission grants by providing the basic amenities not originally covered in the estimate. Efforts to get reimbursement of the above amount from the State Government proved futile (May 1992).

(Paragraph : 2D.6.4)

There was an excess expenditure over estimates on 401 works worth Rs.0.38 crore due to escalation in the materials and labour charges.

(Paragraph : 2D.6.5)

2.5 The Financial Adviser and Chief Accounts Officer (FA & CAO) exercises overall control over the Cash Management of the Orissa State Road Transport Corporation.

(Paragraph : 3A.1)

Though the State Government released the funds exclusively for repayment of instalments of loans availed from the financial institutions, yet the Corporation diverted Rs.7.61 crores from the loans availed from financial institutions during the period from 1988-89 to 1989-90 towards repayment of instalments of loans. Despite this, an amount of Rs.15.97 crores as principal and interest was overdue for repayment (March 1992). Besides, due to delay in repayment of instalment and interest thereon, there was an additional expenditure of Rs.1.67 crores on account of penal/compound interest (March 1992).

(Paragraph : 3A.7)

2.6 The Orissa State Road Transport Corporation is having two Central Workshops at Sambalpur and Berhampur which undertake the work relating to bus body building, major repairs, reconditioning of engines, caliberation of fuel injection pumps and tyre retreading,

etc. In addition, the garages attached to 42 depots/zones attend to the routine repair and maintenance of buses.

(Paragraph : 3B.1)

Notwithstanding that there was underutilisation of capacity in the fabrication of bus bodies in both the Central Workshops, 149 buses were got fabricated through private agencies in contravention of COPU's advice, thereby resulting in non-absorption of labour and overhead charges to the extent of Rs.0.60 crore during the period from 1989-90 to 1991-92. The Corporation had also to pay Sales Tax of Rs.0.43 crore by not getting the work executed in its own Workshops.

(Paragraph : 3B.4.1)

Delay at various stages in fabrication of bus bodies through private agencies resulted in a loss of revenue to the extent of Rs.1.63 crores during the period from 1989-90 to 1991-92. Similarly delay in bus body buildings/renovation by Corporation's Central Workshops deprived the Corporation of an expected revenue of Rs.2.82 crores from the period from 1989-90 to 1991-92.

(Paragraphs : 3B.4.2 and 3B.4.3)

3. Besides the reviews as mentioned, other major irregularities noticed during the test check of records of Government companies and Statutory corporations were as under :-

Boiler Piping and Accessories works of Industrial Development Corporation of Orissa Limited incurred an avoidable expenditure of Rs.0.62 crore due to delay in getting customs clearance of imported goods.

(Paragraph : 4A.1.1)

The Orissa Composite Boards Limited sustained a loss of Rs.0.55 crore up to the end of 31st March 1990 due to their efforts to take over and run a sick and unviable unit.

(Paragraph : 4A.5)

The Orissa State Electricity Board sustained a loss of Rs.0.93 crore due to unsatisfactory cash management.

(Paragraph : 4B.1.4)

CHAPTER - I

1. GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introductory

This Chapter contains particulars about the investment and state of accounts etc. of the State Government companies and Statutory corporations.

Paragraph 1.2 gives a general view of Government companies, Paragraph 1.3 deals with general aspects relating to Statutory corporations and Paragraphs 1.4 to 1.7 give more details about each Statutory corporation including its financial and operational performance.

1.2 Government companies - General view

1.2.1 There were 72 Government companies (including 17 subsidiaries) as on 31st March 1992 as against 73 Government companies (including 19 subsidiaries) as on 31st March 1991. The change in the number of companies was due to merger of two subsidiaries with their holding companies and formation of a wholly owned Government company viz; the Orissa State Export Development Corporation Limited (incorporated on 27th July 1990). The details of merged companies were as under :

Name of the Company	Month of merger	With whom merged
1. OMC Alloys Limited	April 1986 Ex-post-facto merger	Orissa Mining Corporation Limited
2. Orissa Composite Boards Limited	April 1991	Orissa Forest Development Corporation Limited

Of the 72 companies 31 companies (serial numbers 1, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 33, 36, 42, 49 and 65 of Annexure-I) involving capital investment of Rs.1.33 crores by the State Government were defunct. 26 out of these 31 defunct companies mentioned at serial numbrs 1, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, 23, 24, 25, 26, 27, 28, 33 and 42 of Annexure - I involving capital investment of Rs.0.98 crore were under various stages of liquidation. Two of the defunct companies (serial numbers 13 and 22 of Annexure-I) involving capital investment of Rs.0.05 crore were under revival stage and two of these companies at serial number 36 and 65 were though defunct yet no liquidation proceeding had been started (December 1992). In addition the Company at serial number 49 ceased to operate with effect from October 1985 pursuant to Board's decision. The Company had applied (March 1990) to the Registrar of the Companies for removal of its name. Further developments in this regard were awaited (February 1993)

1.2.2 The statement in Annexure-I gives the particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees given and outstanding thereagainst working results etc. The position is summarised as under :

(a) As against the aggregate paid-up capital of Rs.487.53 crores in 73 companies (including 19 subsidiaries) as on 31st March 1991, the aggregate paid-up capital as on 31st March 1992 stood at Rs.570.22 crores in 72 companies including 17 subsidiary) as per the details given below :

[Statement

SL. No.	Particulars	Number of compa-nies	Investment by State Govern-ment	Investment by Central Govern-ment	Investment by Others	Total invest-ment
			(Rupees	in	crores	)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Companies wholly owned by the State Government	26	548.54	-	-	548.54
2.	Companies jointly owned with Central Government/ Others					
	(a) Pilot Project	25	0.45	-	0.07	0.52
	(b) Others	4	8.45	0.85	0.59	9.89
	(c) Subsidiaries	17	0.33	-	10.94	11.27
		72	557.77*	0.85	11.60	570.22

(b) The balance of loans outstanding in respect of 33 companies (including 10 subsidiaries as on 31st March 1992 was Rs.354.74 crores (State Government Rs.63.11 crores and Others Rs.291.63 crores) as against Rs.340.51 crores (State Government Rs.42.48 crores and Others Rs.298.03 crores) as on 31st March 1991 in respect 36 companies (including 14 subsidiaries).

(c) The State Government had guaranteed the payment of loans raised by 21 companies and payment

* Figures as per Finance Accounts were Rs.625.38 crores, the difference of Rs.67.61 crores was under reconciliation (December 1992).

of interest thereon. The amount guaranteed and outstanding thereagainst as on 31st March 1992 was Rs.260.70 crores and Rs.230.59 crores respectively.

The companies had to pay guarantee commission in consideration of the guarantees given by the State Government. The payment of guarantee commission was in arrear to the extent of Rs.0.67 crore in case of 11 companies.

1.2.3 A synoptic statement showing the financial result of 77* companies (inclusive of five merged) based on the latest available accounts is given in Annexure-II.

Two companies had finalised their accounts for the year 1991-92. Thirty six companies had finalised their accounts for some earlier years since the previous Report (serial numbers 2, 3, 30, 31, 32, 33, 35, 36, 38, 39, 40, 41, 44, 45, 47, 48, 49, 52, 53, 54, 55, 56, 57, 58, 59, 61, 62, 63, 66, 68, 69, 70, 71, 72, 74 and 76 of Annexure-II.

---

* The difference in the number of companies 77 and 72 is due to inclusion of 5 companies (serial number 3, 54, 64, 67 and 69 in Annexure-II) whcih were merged with other companies according to the information received (December 1992). Information regarding removal of name of those five companies from the register of the companies is awaited. Hence, the name of these companies has been shown in Annexure-II. The detailed information as to transfer of assets and liabilities in view of merger of those five companies were still awaited (December 1992).

It will be observed from Annexure-II that accounts of 72* companies (including 30** defunct companies) were in arrears. The position of arrears is summarised below :

Extent of arrears	Number of years involved	Number of: Companies	Number of: Subsidiaries	Investment: Government companies Capital	Investment: Government companies Loan	Investment: Holding companies Capital	Investment: Holding companies Loan	Reference to serial numbers at Annexure.II
				(Rupees in crores)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1962-63 to 1991-92	16 to 30	26	1	0.49	--	0.19	-	1,5 to 29, 43.
1981-82 to 1991-92	11	1	1	0.13	-	0.09	0.04	46, 50.
1982-83 to 1991-92	10	-	1	-	-	0.12	0.19	51
1983-84 to 1991-92	9	3	-	3.31	2.60	-	-	30,34,36.
1984-85 to 1991-92	8	1	-	7.48	0.65	-	-	39
1985-86 to 1991-92	7	4	-	22.57	1.45	-	-	44, 47 53 & 59
1986-87 to 1991-92	6	5	-	104.26	12.37	-	-	4, 31,35 41 & 54

* Out of 77 companies shown in Annexure-II (including 5 merged companies) accounts of 72 companies were in arrears. The accounts of remaining 3 companies at Sl.no. 3,37 & 64 which are defunct due to merger/closure have since been finalised.

**Out of 31 defunct companies one company at Sl.no.37 had cleared its accounts till the date of closure.

Extent of arrears	Number of years involved	Number of		Investment				Reference to serial numbers at Annexure.II
		Companies	Subsidiaries	Government companies		Holding companies		
				Capital	Loan	Capital	Loan	
				(Rupees		in	crores)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1987-88 to 1991-91	5	3	1	7.75	11.30	-	-	48, 63, 65 & 73
1988-89 to 1991-92	4	3	2	12.26	3.30	0.50	1.93	49,57,60, 62 & 67
1989-90 to 1991-92	3	3	1	23.07	9.51	0.35	-	33, 55, 61 & 75
1990-91 to 1991-92	2	4	5	287.97	4.44	6.39	2.29	32,38,42, 56,66,68, 69,72,77.
1991-92	1	2	5	5.64	0.20	3.16	-	45,52,58, 70 , 71, 74 & 76
		55	17	474.93	45.82	10.80	4.45	

In the absence of finalisation of accounts of these companies, the investment of Rs.520.75 crores (Capital : Rs.474.93 crores and Loans : Rs.45.82 crores) by the State Government in these companies and Rs.15.25 crores (Capital : Rs.10.80 crores and Loans : Rs.4.45 crores) by the holding companies in subsidiaries could not be conclusively vouchsafed.

Apart from the above, there were Pilot project comapnies which ceased to be Government companies in view of sale of Government shares but

the accounts prior to the date of such sales were in arrears as shown in Annexure-II(a).

The position of arrears in finalisation of accounts was last brought to the notice of the State Government in February 1993.

1.2.4 In regard to working results of the companies, the following further points were noticed:

(i) No company declared dividend during the year.

(iii) As shown in Annexure-I, the accumulated losses in respect of the following 10 companies as reflected in the accounts up to the period noted against each, had exceeded their paid up capital at the close of that year:

Sl. No.	Name of the Company	Year up to which accounts were finalised	Paid-up capital at the close the year	Accumulated loss up to the close of that year	Serial number of Annexure-I
			(Rupees in	crores)	
(1)	(2)	(3)	(4)	(5)	(6)
1.	Orissa Agro Industries Corporation Limited	1985-86	2.78	3.85	30
2.	Orissa Textile Mills Limited	1991-92	0.74	51.55	32
3.	Orissa Fisheries Development Corporation Limited	1982-83	0.35	0.65	33
4.	Orissa State Commercial Transport Corporation Limited	1982-83	2.34	3.97	35

SL. No.	Name of the Company	Year up to which accounts were finalised	Paid-up capital at the close the year	Accumulated loss up to the close of that year	Serial number of Annexure-II
			(Rupees in crores)		
(1)	(2)	(3)	(4)	(5)	(6)
5.	East Coast Breweries and Distilleries Limited	1989-90	1.10	7.12	37
6.	ORICHEM Limited	1989-90	1.26	7.13	41
7.	Orissa State Cashew Development Corporation Limited	1990-91	1.53	1.68	51
8.	ABS Spinning Orissa Limited	1989-90	3.00	9.34	54
9.	Orissa State Textile Corporation Limited	1987-88	0.25	3.50	58
10.	Orissa Pump and Engineering Company Limited	1987-88	0.10	0.19	60
			13.45	88.98	

1.2.5 In addition, there were 5 companies covered under section 619-B of the Companies Act, 1956 as on 31st March 1992. The accounts of all these companies were in arrears for periods ranging from 1 to 9 years as detailed below :

Serial number	Name of the Company	Years from which accounts are in arrears
1.	Konark Jute Limited	1987-88
2.	Orissa Tool and Engineering Company Limited	1983-84

Serial number	Name of the Company	Years from which accounts are in arrears
3.	IPITRON Times Limited	1989-90
4.	Mamata Drinks and Industries Limited	Year ending December 1987
5.	SN.Corporation Limited	1991-92

The paid-up capital and accumulated losses of these companies up to the years for which accounts were finalised are given below:

SL. No.	Name of the Company	Latest year of accounts	Paid-up capital	Investment State Government	Investment Central Government	Investment Others	Accumulated loss at the end of the latest year of accounts
			(Rupees	in	crores	)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Konark June Limited	1986-87	2.74	-	-	2.74	5.91
2.	Orissa Tool and Engineering Company Limited	1982-83	0.44	-	-	0.44	0.43
3.	IPITRON Times Limited	Year ending June 1989	0.81	-	-	0.81	0.71
4.	Mamata Drinks and Industries Limited	Year ending December 1985	0.29	-	-	0.29	0.76
5.	SN.Corporation Limited	1989-90	3.05	-	-	3.05	17.67

1.2.6(i) The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directives to the Auditors of Government Companies in regard to the performance of their functions. In pursuance of the directives so issued in respect of 5 Government companies two reports were received between September 1991 and January 1993. The important points noticed in the report are summarised below :

SL. No.	Nature of defect	Number of companies	Serial number of Annexure-II
1.	Absence of internal Audit Manual	1	41
2.	Absence of system of reconciliation of bank accounts and books of accounts and physical verification of Inventory	1	41
3.	Non-reconciliation of bank accounts and books of accounts	1	68

(ii) Under Section 619(4) of the Companies Act, 1956 the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the Statutory Auditors. Under this provision, review of annual accounts of the Government Companies is conducted in selected cases. During September 1991 to January 1993, 37 accounts were selected for review. The net effect of the comments issued under Section 619(4) of the Companies Act, 1956 was as follows :

SL. No.	Particulars	Number of accounts	Monetary effect (Rupees in crores)
1.	Increase in profit	1	0.01
	Decrease in profit	2	0.44

Sl. no.	Particulars	Number of accounts	Monetary effect (Rupees in crores)
3.	Increase in loss	5	0.24
4.	Decrease in loss	1	0.01
5.	Effect on Balance sheet items	9	4.69
6.	Non-disclosure of material facts	4	0.59

Major errors and omissions noticed during the supplementary audit of annual accounts of some of these companies, not brought out by the Statutory Auditors were as follows : -

(a) *Industrial Development Corporation of Orissa Limited (Accounts for the year 1988-89)*

Net profit was overstated by Rs.36.18 lakhs on account of understatement of expenses and overstatement of sales etc.

(b) *Orissa State Commercial Transport Corporation Limited (Accounts for the year 1982-83)*

Profit of Rs.8.01 lakhs for the year would turn into loss of Rs.10.90 lakhs due to overvaluation of closing stock, non-provision of liability etc.

1.3 Statutory corporations

1.3.1 *General aspects*

There were four Statutory Corporations in the State as on 31st March 1992 :

- Orissa State Electricity Board,
- Orissa State Road Transport Corporation,
- Orissa State Financial Corporation; and
- Orissa State Warehousing Corporation.

1.3.2 Orissa State Electricity Board was constituted in March 1961 under Section-5(i) of the Electricity (Supply) Act, 1948 and Orissa State Road Transport Corporation was constituted in May 1974 under Section 3 of the Road Transport Corporation Act, 1950.

Under the respective Acts, the audit of these organisations vests solely with the Comptroller and Auditor General of India. Separate Audit Reports mainly incorporating the comments on the annual accounts of each year are issued separately to Government and the respective organisations.

The accounts of the Board for the year 1991-92 were in arrears. The separate Audit Report on the accounts for the year 1989-90 and 1990-91 issued to the Government in October 1991 and May 1992 respectively were yet to be presented to the State Legislature (December 1992).

The accounts of Orissa State Road Transport Corporation had been finalised up to 1989-90 and the separate Audit Report thereon was issued to the Government in July 1992. The separate Audit Report was not presented to Legislature (December 1992).

1.3.3 The Orissa State Financial Corporation was constituted in March 1956 under Section-3(i) of the

State Financial Corporation Act, 1951, and the Orissa State Warehousing Corporation was constituted in March 1958 under the Agriculture Produce (Development and Warehousing) Act, 1956, subsequently replaced by State Warehousing Corporation Act, 1962. Under the respective Acts, the accounts of these Corporations are audited by the Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India and the latter may also undertake audit of these corporations separately. Separate Audit Reports in respect of these corporations are also issued by the Comptroller and Auditor General of India.

The accounts of the State Financial Corporation for the year 1991-92 had been certified by the Chartered Accountants and separate Audit Report thereon was under finalisation (December 1992). The separate Audit Reports on the accounts for the years 1989-90 and 1990-91 issued to the Government in July 1991 and April 1992 were yet to be presented to the State Legislature (February 1993). The annual accounts of Orissa State Warehousing Corporation from the year 1990-91 onwards were in arrears.

The working results of these four Statutory Corporations for the latest years for which accounts have been finalised are summarised in Annexure-III. Salient points about the accounts and physical performance of these corporations are given in Paragraphs-1.4 to 1.7.

1.4 Orissa State Electricity Board

1.4.1 The capital requirement of the Board are met by way of loans from Government, banks, public and other financial institutions. The aggregate of long term loans obtained by the Board and outstanding as on 31st March 1991 was Rs.968.91 crores and represented an increase of Rs.174.56 crores (22 per cent) over the long term loans of Rs.794.36 crores outstanding at the end of the previous year. Particulars of loans obtained from different sources and outstanding as on 31st March 1990 and 31st March 1991 were as follows : -

Source	Amount outstanding as on 31 st March 1990	1991	Percentage of increase
	(Rupees	in crores)	
State Government	345.07	475.48	37.2
Other sources	449.29	495.42	10.0
Total	**794.36**	**968.90**	**22.0**

Government has guaranteed the repayment of loans raised by the Board to the extent of Rs.166.82 crores and payment of interest thereon. The amount of principal outstanding thereagainst as on 31st March 1991 was Rs.124.10 crores.

1.4.2 The financial position of the Board at the close of the three years up to March 1991 is given below :

	1988-89	1989-90	1990-91
	(Rupees	in	crores)
A. Liabilities			
1. Loans from Government	230.23	345.07	473.48
2. Other long term loans (including bonds)	414.20	449.29	495.42
3. Reserves and surplus	98.09	109.12	123.54
4. Current liabilities	270.20	337.58	368.68
Total (A) :	1012.72	1241.06	1461.12
B. Assets			
1. Gross fixed assets	780.21	965.48	1187.19
2. Less Depreciation	194.62	222.36	255.45
3. Net fixed assets	585.59	743.12	931.74
4. Capital Works-in-progress	102.11	116.75	113.86
5. Current assets	325.02	381.19	415.52
6. Miscellaneous expenses	-	-	-
Total (B):	**1012.72**	**1241.06**	**1461.12**
C: Capital employed*	**640.41**	**777.79**	**978.58**
D. Capital invested**	**644.46**	**794.36**	**968.90**

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

** Capital invested represents paid-up capital *plus* long term loans *plus* free reserves.

1.4.3 The working results of the Board for the three years up to 1990-91 on comparative commercial basis are summarised below :

	1988-89	1989-90	1990-91
	(Rupees	in	crores)
1. Revenue Receipts	267.45	303.44	360.89
2. Subsidy from State Government	21.20	26.03	12.05
Total :	288.65	329.47	372.94
3. Revenue expenditure (excluding deprecia-tion and interest)	253.83	202.56	213.14
4. Gross surplus for the year	34.82	126.91	159.80
5. (a) Depreciation	22.41	27.73	33.10
(b) Interest on Government loans	15.31	27.50	38.64
(c) Interest on other loans and bonds	46.40	54.30	55.28
(d) Total interest on loans	61.71	81.80	93.92
6. Net deficit(-)/ surplus(+)	(-)49.30	(+)17.38	(+)32.78
7. Return on :			
Capital employed	12.41	99.18	126.70
Capital invested	12.41	99.18	126.70
8. Percentage of return:			
Capital employed	1.9	12.7	12.9
Capital invested	1.9	12.5	13.1

1.4.4 The following table indicates the operational performance of the Board during the three years up to 1990-91 :

Particulars	1988-89	1989-90	1990-91
1. Installed capacity(MW)			
Thermal	470.000	470.000	460.000
Hydel	664.425	1104.430	1104.425
Total (1) :	1134.425	1574.430	1564.425
2. Power Generated (MKWH)			
Thermal	1272.000	1458.372	1369.152
Hydel	1494.000	3213.736	4156.630
Total (2):	2766.000	4672.108	5525.782
3. Auxiliary consump-tion (MKWH)	152.00	169.425	171.169
4. Net power gene-rated (MKWH) (2 - 3)	2614.000	4502.683	5354.613
5. Power purchased (MKWH)	2923.000	1202.148	1089.405
6. Total power availa-ble for sale (MKWH) (4 + 5)	5537.000	5704.831	6444.018
7. Normal maximum demand (MW)	961.5	963.4	1073.0
8. Power sold (MKWH)	4180.435	4337.557	4901.982
9. Transmission and distribution loss (MKWH)	1356.565	1367.274	1542.036
10. Load factor *(Per cent)*	NA	NA	NA

	Particulars	1988-89	1989-90	1990-91
11.	Percentage of transmission and distribution loss to power available for sale	22.6	24.0	24.0
12.	Number of units generated per KW of installed capacity	2783.30	2967.49	3532.15
13.	Number of villages/ towns electrified at the end of the year	29186	30386	34156
14.	Number of pump sets/ wells energised at the end of the year	45922	50690	61608
15.	Number of sub-stations (33 KV and above)	NA	NA	NA
16.	Transmission and distribution lines(kms)			
	(i) High/Medium Voltage	NA	NA	NA
	(ii) Low voltage	NA	NA	NA
17.	Connected Load(MW) at the end of the year	2140.413	2223.412	2396.484
18.	Number of consumers	845154	916919	956160
19.	Number of employees at the end of the year	34154	34223	34455

	Particulars	1988-89	1989-90	1990-91
20.	Total expenditure on staff (Rupes in lakhs)	8697.00	9603.00	10735.00
21.	Percentage of expenditure on staff to total revenue expenditure	24.5	28.1	31.5
22.	Break-up of sale of energy according to categories of consumers (MKWH)			
	(i) Agriculture	112.806	163.188	229.186
	(ii) Industrial	2955.020	2662.043	2837.188
	(iii) Commercial	107.988	134.848	180.725
	(iv) Domestic	488.371	672.917	825.040
	(v) Others	516.250	704.561	829.843
	Total (22):	4180.435	4337.557	4901.982
		(In	paise	)
23.	(a) Total operating revenue per KWH sold	60.11	65.78	67.89
	(b) Expenditure per KWH (including depreciation and interest)	80.90	71.95	69.39
	(c) Profit(+)/ loss(-)	(-)20.79	(-) 6.17	(-) 1.50

1.5 Orissa State Road Transport Corporation

1.5.1 Under Section 23(1) of the Road Transport Corporations Act, 1950, the State Government and the Central Government had agreed to contribute the capital in the ratio of 2:1. In October 1982 the provisions of the Road Transport Corporations Act, 1950 were amended (Amendment Act, 1982) whereby the Corporation is eligible to raise share capital by issue of shares and share holders are eligible for the dividend out of profits. The State Government has not so far (November 1992) fixed the authorised share capital, the number of shares to be subscribed by State Government and by Central Government, as required under Section 23(3) of the said Act. The State Government alone contributed Rs.47.85 crores towards capital by the end of 31st March 1992. No dividend could be paid to the State Government on the share capital so contributed as the corporation has been sustaining losses since its inception. The Orissa Road Transport Company Limited has been merged with Orissa State Road Transport Corporation with effect from August 1990. The merged accounts of the Corporation from the year 1990-91 have been prepared provisionally taking into accounts the provisional figures relating to erstwhile Orissa Road Transport Company Limited.

The total investment inclusive of erstwhile ORTC Limited by way of share capital as on 31st March 1992 was Rs.83.58 crores (Rs.71.21 crores contributed by the State Government and Rs.12.36 crores contributed by the Central Government and Rs.0.01 crore by private parties) as against Rs.78.45 crores as on 31st March1991 (Rs.66.08 crores contributed by the State Government and Rs.12.36 crores contributed by the Central Government and Rs.0.01 crore by private parties).

As on 31st March 1992 interest amounting to Rs.8.84 crores was payable on capital. The State Government had also given guarantee for repayment of loans raised by the Corporation from other sources and payment of interest thereon. As on 31st March 1992 the amount of guarantee given was Rs.44.16 crores and the amount of guarantee outstanding was Rs.17.91 crores.

1.5.2 The financial position of the corporation at the close of each of the three years up to 1991-92 is given below. As the merged accounts for the years 1990-91 and 1991-92 has not been finalised, the figures for 1990-91 and 1991-92 are provisional:

	1989-90	1990-91	1991-92
	(Rupees	in	crores)
		(Provisional	)
A. Liabilities			
1. Capital	52.58	78.45	83.58
2. Reserve and surplus excluding depreciation reserve	0.40	0.79	0.92
3. Borrowings	16.01	30.62	33.70
4. Trade dues and current liabilities	18.89	25.17	29.35
Total (A):	87.88	135.03	147.55
B. Assets			
1. Gross Block	30.91	41.24	45.98
2. Less : Depreciation	13.91	18.09	21.46
3. Net fixed assets	17.00	23.15	24.52

	1989-90	1990-91	1991-92
	(Rupees	in	crores)
		(Provisional	)
B. Assets			
4. Capital work-in-progress and vehicle chassis	-	-	-
5. Current Assets, Loan and Advances	8.98	13.51	12.89
6. Accumulated loss	61.90	98.37	110.14
Total (B) :	87.88	135.03	147.55
C. Capital employed*	7.09	11.49	8.06
D. Capital invested**	68.59	109.07	117.29

1.5.3 The working results of the Corporation for the three years up to 1991-92 are summarised below :

Particulars	1989-90	1990-91	1991-92
	(Rupees	in	crores)
		(Provisional	)
1. Total revenue	18.50	27.38	35.33
2. Total expenditure:			
(a) Other than interest	21.59	35.48	42.15
(b) Interest	3.01	3.99	4.95
Total (2):	24.60	39.47	47.10
3. Net loss (2 - 1)	6.10	12.09	11.77
4. Total return on :			
Capital employed	-	8.10	6.82
Capital invested	-	109.07	177.28

* Capital employed represents net fixed assets excluding capital work-in-progress **plus** working capital.

** Capital invested represents capital contribution by the State and Central Government and secured and unsecured loans.

1.5.4 The table below indicates the physical performance of the Corporation for the three years up to 1991-92:

	1989-90	1990-91	1991-92
1. Average number of vehicles held	643	922	932
2. Average number of vehicles on road	518	712	733
3. Percentage of utilisation	81	77	79
4. Kilometers covered (in lakhs)			
(a) Gross	447.56	614.53	738.47
(b) Effective	438.97	599.83	715.80
(c) Dead	8.59	14.70	22.67
5. Percentage of dead kms. to gross kms.	1.91	2.39	3.17
6. Average kms. covered per vehicle per day	266	264	267
7. Average revenue per kilometer **(in paise)**	418	436	494
8. Average expenditure per kilometer **(in paise)**	557	658	658
9. Loss per kilometer (in paise)	139	202	164
10. Total route (kms)	68559	107224	111196
11. Number of operating depots	24	39	42

	1989-90	1990-91	1991-92
12. Average number of breakdowns per lakh kms	0.71	0.85	0.71
13. Average number of accidents per lakh kms	0.23	0.27	0.19
14. Passenger kms. scheduled (in lakh kms)	21948.50	29991.50	35790.00
15. Passenger kms operated (in lakh kms)	15802.92	21893.79	24337.90
16. Occupancy ratio (*Per cent*)	72	73	68

1.6 Orissa State Financial Corporation

1.6.1 As against the authorised capital of Rs.100 crores, the paid-up capital of the corporation was Rs.75.18 crores (State Government : Rs.41.14 crores, Industrial Development Bank of India : Rs.33.88 crores and others Rs.0.14 crore).

Under Section 6(i) of the Act, the State Government had guaranteed repayment of paid-up share capital of Rs.72.18 crores and payment of minimum dividend at 3.5 *per cent* on Rs.12.16 crores and at 4 *per cent* on Rs.0.50 crore and 7.5 *per cent* on Rs.59.52 crores.

Besides, the Corporation had also received Rs.22.41 crores (from State Government : Rs.11.205 crores and from IDBI : Rs.11.205 crores) as on 31st

March 1992 as loan in lieu of share capital carrying interest of 3.5 *per cent* per annum up to 31st March 1983 and of 7.5 *per cent* thereafter.

The Corporation's borrowings as on 31st March 1992 amounted to Rs.289.94 crores comprising of bonds of Rs.142.70 crores and borrowings from the financial institutions Rs.147.24 crores.

1.6.2 The table below summarises the financial position of the Corporation under the broad headings at the end of the three years up to 1991-92:

	1989-90	1990-91	1991-92
A. Liabilities	(**Rupees**	**in**	**crores**)
1. Paid-up capital	50.60	63.96	75.18
2. Reserve Funds, Other reserves and surplus	1.52	1.52	1.51
3. Borrowings :			
i) Bonds and debentures	111.60	127.85	142.70
ii) Others (loans in lieu of share capital)	25.56	24.90	22.41
iii) Borrowings from Financial Institutions	128.55	138.85	147.24
iv) Other liabilities and provisions	19.73	26.00	24.71
Total (A):	337.56	383.08	413.75
B. Assets			
1. Cash and bank balance	9.41	14.82	17.10
2. Investments	0.08	0.06	0.06

B. Assets	1989-90	1990-91	1991-92
	(Rupees	in	crores)
3. Loans and Advances	301.64	332.48	358.34
4. Net fixed assets	0.78	0.65	0.60
5. Dividend deficit account	1.06	3.06	3.31
6. Other assets	12.73	12.84	12.90
7. Provision for taxation	0.32	0.32	0.32
8. Accumulated loss	11.54	18.85	21.12
Total (B):	337.56	383.08	413.75
C. Capital employed*	297.52	337.45	373.06
D. Capital invested**	316.33	355.58	387.55

The Corporation has switched over to cash system of accounting from merchantile system of accounting with effect from 1st April 1983.

1.6.3 The following table gives details of working results of the Corporation for the three years up to 1991-92 :

Particulars	1989-90	1990-91	1991-92
	(Rupees	in	crores)
1. Income			
(a) On loans and advances	24.25	22.70	29.27
(b) Other income	0.33	0.48	0.53
Total (1):	24.58	23.18	29.80
2. Expenditure			
(a) Interest on long term loans	28.68	26.24	27.85
(b) Other expenditure	5.28	4.25	4.22
Total (2):	33.96	30.49	32.07

* Capital employed represents the mean of the aggregates of opening and closing balances of paid-up capital, reserves, bonds, deposits and borrowings.

** Capital invested represents paid-up capital plus long term loans plus free reserves.

Particulars	1989-90	1990-91	1991-92
	(Rupees	in	crores)
3. Profit (+)/Loss(-) before tax	(-)9.38	(-)7.31	(-)2.27
4. Provision for tax	-	-	-
5. Profit(+)/Loss(-) after tax	(-)9.38	(-)7.31	(-)2.27
6. Total return on :			
(a) Capital employed	19.29	18.92	25.57
(b) Capital invested	19.29	18.92	25.57
7. Perecentage of return on :			
(a) Capital employed	6.5	5.6	6.9
(b) Capital invested	6.1	5.3	6.6

1.6.4 The following table indicates the position regarding receipts and disposal of application of loans for the three years up to 1991-92 :

Particulars of applications	1989-90		1990-91		1991-92	
	Number	Amount (Rupees in crores)	Number	Amount (Rupees in crores)	Number	Amount (Rupees in crores)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
A. Pending at the beginning of the year	191	16.62	235	19.10	681	45.59
B. Received during the year	1788	67.03	1285	62.94	1193	60.35
C. Total (A+B)	1979	83.65	1520	82.04	1874	105.94
D. Sanctioned	1527	58.38	1167	49.70	1042	49.42

Particulars of applications	1989-90 Number	1989-90 Amount (Rupees in crores)	1990-91 Number	1990-91 Amount (Rupees in crores)	1991-92 Number	1991-92 Amount (Rupees in crores)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
E. Lapsed/ withdrawal/ closed/ rejected	217	6.17	189	9.65	225	12.00
F. Pending	235	19.10	164	22.69	607	44.52
G. Loans disbursed	631	56.12	725	49.69	974	50.78
H. Total loans sanctioned (cumulative)	38863	568.09	40030	617.79	41072	667.21
I. Less sanctioned/ cancelled/ reduced	2421	78.57	2582	88.09	2724	103.25
J. Effective sanction	36442	489.52	37448	529.70	38348	563.99
K. Less : Disbursement (cumulative)	18106	412.50	18831	462.19	19805	512.98
L. Loan commitment	18336	77.02	18677	67.51	18343	51.01
M. Amount outstanding as on 31st March 1992 (including interest)	-	-	-	-	18021	459.87
N. Amount overdue (31st March 1992)	-	-	-	-	17353	230.23
O. Percentage of overdue to outstanding	-	-	-	-	-	50.06

1.7 Orissa State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31st March 1992 was Rs.2.43 crores contributed by State Government and the Central Warehousing Corporation in equal proportion as against Rs.2.33 crores as on 31st March 1991.

1.7.2 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1991-92 :

Particulars	1989-90	1990-91	1991-92
	(Rupees	in	crores)
		(Provisional	)
A. Liabilities			
1. Paid-up capital	2.11	2.33	2.43
2. Reserves and surplus	1.69	1.41	1.12
3. Borrowings	2.03	1.96	1.78
4. Trade dues and current liabilities	6.20	9.01	9.32
Total (A) :	12.03	14.71	14.65
B. Assets			
1. Gross Block	5.30	5.69	6.17
2. Less Depreciation	0.67	0.80	0.94
3. Net fixed assets	4.63	4.89	5.23
4. Capital Works-in-progress	0.38	0.47	0.30
5. Investment	0.0002	0.0002	0.0002
6. Current assets, loans and advances	7.02	9.35	9.12
Total (B) :	12.03	14.71	14.65

Particulars	1989-90	1990-91	1991-92
	(Rupees	in	crores)
		(Provisional	)
C. Capital employed	5.45	5.23	5.03
D. Capital invested	5.45	5.60	5.52

1.7.3 The following table gives details of the working results of the Corporation for the three years up to 1991-92 :

	1989-90	1990-91	1991-92
	(Rupees	in	crores)
1. Income			
i) Warehousing charges	3.92	4.35	4.17
ii) Other receipts	0.02	0.03	0.03
	3.94	4.38	4.20
2. Expenditure			
i) Establishment charges	0.76	0.90	1.06
ii) Interest	0.27	0.27	0.28
iii) Other expenses	2.64	3.49	3.13
3. Profit(+)/Loss(-) before tax	(+)0.27	(-)0.28	(-)0.28
4. Provision for tax	0.002	0.001	0.005
5. Other appropriations	0.15	-	-
6. Amount available for dividend	0.12	-	-
7. Dividend paid/ proposed	0.12	-	-
8. Total return on: Capital employed	0.05	-	-
9. Percentage of return on: Capital employed	10.5	-	-

1.7.4 The following table gives details about the operational performance of the Corporation during the three years up to 1991-92 :

Particulars	1989-90	1990-91	1991-92
1. Number of stations covered	67	67	71
	(In	lakh	tonnes)
2. Storage capacity created up to the end of the year :			
(a) Owned	1.28	1.30	1.39
(b) Hired	0.63	0.55	0.52
Total :	1.91	1.85	1.91
3. (a) Average storage capacity	1.88	1.89	1.91
(b) Capacity utilised during the year	1.63	1.56	1.63
4. Percentage of utilisation	87	82	85
	(Rupees	per	tonne)
5. (a) Average revenue	209.63	232.07	219.71
(b) Average expenditure	195.41	247.17	234.48
(c) Average earnings	14.22	(-)15.10	(-)14.77

CHAPTER II

2. Reviews in respect of Government companies

This Chapter contains four reviews as below :

Section 2A - Industrial Development Corporation of Orissa Limited (Ferrochrome Plant)

Section 2B - Orissa Agro Industries Corporation Limited

Section 2C - Orissa Small Industries Corporation Limited (Sub-contracting Agency)

Section 2D - Orissa State Police Housing and Welfare Corporation Limited

SECTION 2A

INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED

FERROCHROME PLANT

Highlights

Ferrochrome Plant, a unit of Industrial Development Corporation of Orissa Limited, was set up in 1969 for production of low carbon ferrochrome (LCFC). Although the licenced and installed capacity was for the production of 10000 tonnes of LCFC per annum the estimated rated capacity of the Plant was 8000 tonnes only.

Excess consumption of raw materials with reference to the norms fixed by the Company resulted in additional expenditure of Rs.184.77 lakhs to the Company during the period from 1987-88 to 1991-92.

The acceptance of supply of chrome to the extent of 11,520.08 MTs containing more percentage of fines over the prescribed percentage resulted in a loss of Rs.43.52 lakhs to the Company during the period from 1987-88 to 1988-89 and 1990-91 to 1991-92.

In the process of breaking of lumpy grade of chrome ore, fines to the extent of 10 *per cent* were generated which resulted in the loss of Rs.27.72 lakhs to the Company on account of the difference in value between lumpy and fine ores on 666.39 MTs.

The supply of sub-standard, HCFC to M/s. Alloy Steel Plan, Durgapur resulted in blocking of a sum of Rs.38.09 lakhs since December 1991.

The sub-standard rejected material (350 MT) of the value of Rs.55.13 lakhs could not be disposed of due to high phosphorus contents.

Due to delay in installation of EOT crane, the Company failed to get its replacement as the guarantee period laid in the meantime lapsed with the result the crane had been lying idle since September 1982. This has, consequently, resulted in the blockage of funds of Rs.47.56 lakhs and also involving of interest of Rs.78.47 lakhs at the rate of 16.5 *per cent* per annum during the period from September 1982 to December 1992.

2A.1 Introduction

Ferrochrome Plant, a unit of Industrial Development Corporation of Orissa Limited, was set up in 1969 for Production of low carbon Ferrochrome (LCFC). Although the licenced and installed capacity was for the production of 10000 tonnes of LCFC per annum, the estimated rated capacity of the Plant was 8000 tonnes only. Ferrochrome with a carbon content of 0.025 to 0.01 *per cent* is graded as low carbon ferrochrome according to Indian standard specification. It is normally used in the manufacture of stainless steel, heat resistent steel, high speed steel, die blocks and tools, alloy and die steel.

2A.2 Organisational set-up

The day to day affairs of the plant are managed by Executive Director/ General Manager who is assisted by two Deputy General Managers and eleven Senior Managers/Managers. The Executive Director/ General Manager reports to the Chairman-cum-Managing Director who is the Chief executive of the Company.

2A.3 Scope of audit

The performance of the plant was included in Para 2.2 of the Report of the Comptroller and Auditor General of India for the year 1979-80(Commercial). The report was discussed by the Committee on Public Undertakings (COPU) during October 1985 and its recommendations (4th Report - 9th Assembly) were placed before the Legislature in 7th February 1986. Action taken report of the Government was awaited (February 1993).

The overall working of the plant covering the period for last five years up to 1991-92 was reviewed in audit between March to June 1992 and the findings thereof are set out in the succeeding paragraphs.

2A.4 Working results

The table below indicates the working results of the unit for the five years up to 1991-92.

		1987-88	1988-89	1989-90	1990-91	1991-92
		(	Rupees	in	lakhs	)
					(Provisional)	
Income						
i)	Sales	2289.71	970.52	2341.93	2701.44	3412.52
ii)	Export Sales	-	507.31	-	-	-
iii)	Other income	10.00	69.15	84.62	23.25	20.76
iv)	Accretion(+)/ Decretion(-) of stock	(-) 350.48	96.97	547.36	(-)157.70	0.69
	Total-	1949.23	1643.95	2973.91	2566.99	3433.97

	1987-88	1988-89	1989-90	1990-91	1991-92
	(	Rupees	in	lakhs	)
				(Provisional	)
Expenditure					
i) Cost of manufacture	1372.07	1156.24	2198.37	2148.29	-
ii) Administrative selling and general expenses	193.53	213.65	399.40	299.82	-
iii) Interest	50.84	50.64	116.35	177.21	-
iv) Depreciation	17.22	17.41	18.84	19.36	-
Total -	1633.66	1437.94	2732.96	2644.68	3550.58
v) Net profit(+)/ Loss(-)	315.57	206.01	240.95	(-)77.69	(-)116.61

The losses during 1990-91 and 1991-92 were attributed by the Management to higher cost of production and less sales realisation. Further the interest on loan obtained for installation of captive power plant coupled with slump in the market further added to the loss.

2A.5 Production performance

The plant has two furnaces, one reduction furnace to produce high carbon ferrochrome or silicochrome and the other slag-furnace to produce only low carbon ferrochrome using silicochrome produced in the former furnace as one of its raw materials. The licenced and installed capacity of the plant for production of low carbon ferrochrome was 10000 tonnes per annum, the estimated rated capacity as determined by the Management was 8000 tonnes per year. The production of high carbon ferrochrome was not envisaged in the project summary. The management had assessed

the estimated rated capacity of high carbon ferrochrome as 12000 tonnes per year. The capacity for production of silicochrome was not assessed as it was an intermediary product.

The details of actual production in the plant as against the rated capacity for the last five years ending 31st March 1992 were as follows :

Year	Production of high carbon ferrochrome	Equivalent production in terms of low carbon ferrochrome	Production of low carbon ferrochrome	Total	Under utilisation of capacity as computed to rated capacity
	(	In	tonnes		)
1987-88	5791	3861	3202	7063	(-) 937
1988-89	7704	5136	709	5845	(-)2155
1989-90	104	69	5469	5538	(-)2462
1990-91	8230	5487	1707	7194	(-) 806
1991-92	7833	5222	4892	10114	(+)2114

The Management stated that the volume of production was hampered mainly due to unsteady operations chiefly because of power cuts and power restrictions.

2A.6 Plant utilisation

The details of plant utilisation during the five years ending 31st March 1992 is indicated below :

	1987-88		1988-89		1989-90		1990-91		1991-92	
	RF	SF	RF	SF	RF	SF	RF	SF	RF	SF
1. Available working hours	8784	8784	8760	8760	8760	8760	8760	8760	8784	8784
2. Actual working hours	7571	4045	5685	607	8202	6245	7972	1668	8004	6319
3. Idle hours uncontrollable										
-Shut down for maintenance/repair	751	3475	2593	8016	69	1747	161	147	48	30
-Power restriction/Power failure	89	480	47	45	309	418	161	82	325	567

	1987-88		1988-89		1989-90		1990-91		1991-92	
	RF	SF	RF	SF	RF	SF	RF	SF	RF	SF
Controllable										
-Want of Raw-materials							265		26	285
-Electrical maintenance trouble	167	32	13	15	83	54	57	57	87	167
-Other Misc. reasons	206	752	422	77	97	296	144	206	294	1416
4. Loss of avoidable production hours	373	784	435	92	180	350	466	263	407	1868
5. Percentage of avoidable production hours to available working hours	86	46	64	6	94	71	91	77	91	72
6. Loss of Production (in tonnes)										
HCFC	381.28		655.98		159.84		689.70		558.57	
LCFC	125.92		17.05		197.10		71.99		947.85	

		1987-88	1988-89	1989-90	1990-91	1991-92
		RF SF	RF SF	RF SF	RF SF	RF SF
		(	Rupees	in	lakhs	)
7. Sale Value	HCFC	60.91	116.17	31.48	129.33	118.44
	LCFC	36.91	5.65	92.19	32.11	422.81

The total loss in production due to hours lost within control of the plant as tabulated above was to the extent of 2365.17 tonnes in terms of high carbon ferrochrome (sale value Rs.456.33 lakhs) and 1359.91 tonnes of low carbon ferrochrome (sale value of which was Rs.589.67 lakhs).

2A.7 Consumption of raw-materials in production

The Company prepared the project summary in December 1965 in which the norms for requirement of raw material per tonne production of silicochrome and low carbon ferrochrome were fixed. The Plant management had revised the norms for the consumption of different raw materials from time to time based upon the quality of the raw materials available.

Since production of high carbon ferrochrome was not envisaged in the project summary, no standards for it were prescribed therein. The management fixed the norms from time to time for the consumption of raw materials for the production of one tonne of high carbon ferrochrome.

Excess consumption of raw material with reference to the norms fixed by the Company resulted in additional expenditure of Rs.184.77 lakhs to the Company during the period from 1987-88 to 1991-92.

Note : RF means Reduction Furnace whereas SF denotes Slag Furnace

The Management stated (November 1992) that the consumption of raw materials in excess of norms fixed from time to time was due to the fact that the plant normally prepared an optimistic budget taking for granted better availability of raw materials and operating conditions but in actual practice the conditions grew worse from time to time. The contention of Management is not acceptable as these parameters were fixed by the Management keeping in view the conditions prevalent and past performance. Either the consumption of raw-materials in excess of these norms was not justifical or the norms fixed were unrealistic.

2A.8 Purchase

2A.8.1 Purchase of chrome ore

(i) Chrome ores of lumpy as well as lime grade, which were the main raw-materials of the plant, were supplied by Orissa Mining Corporation Limited during the years from 1987-88 to 1991-92 on the basis of the rates fixed by the State Government from time to time. In terms of purchase order placed with the aforesaid Corporation supply of lumpy ores with maximum 10 *per cent* fines were acceptable. A test check of records revealed that the Corporation supplied lumpy ores with more than the acceptable percentage of fines which varied from 1.10 to 25.44 *per cent* during the period from 1987-88 to 1990-91. The price of lumpy ore ranged from Rs.1896 to Rs.2456 per MT, while the cost of fines varied from Rs.1504 to Rs.2119 per MT. Thus, the acceptance of chrome ore to the extent of 11,520.08 MTs with more percentage of fines over the norms resulted in a loss of Rs.43.52 lakhs.

The Management in their reply stated that chrome ore was being purchased mainly from Orissa Mining Corporation Limited and ore contained on an average 20 *per cent* fines as against the normal presence of 10 *per cent* fines in the ore due to subsequent handling operation. Hence the presence of 20 *percent* fines in the ore received was considered as normal. In emergency, however, the Management was forced to accept ores with more fines. The reply is not tenable because the purchase order allowed fines up to 10 *per cent* only.

It was seen during test check that the plant received 666.39 MTs of lumpy ore during the period of 1987-88 to 1991-92 (barring 1989-90). According to the purchase orders the lumpy ores with sizes varying from 50 mm to 125 mm were to be supplied by the Orissa Mining Corporation Limited whereas the oversized lumpy ores of 150 mm and above were actually received.

Thus, due to receiving of oversized lumpy ores the plant had incurred an extra expenditure of Rs.7.87 lakhs towards labour charges for obtaining the required size.

In addition, in the process of breaking, fines to the extent of 10 *per cent* of the ores broken were generated which resulted in loss of Rs.27.72 lakhs being the difference in value between lumpy and fine ores on 666.39 MT of fines.

The Management stated (November 1992) that Orissa Mining Corporation Limited can not be forced to break the ores to the required size. The reply of the Management was not tenable because as per the contract the plant was to get the supplies of Ore from Orissa Mining Corporation Limited at required sizes.

2A.8.2 *Supply of defective C.I. Mould*

The Plant had been purchasing CI Mould, a consumable item, for use in slag furnace for fitting

purposes. To meet the requirement of CI Mould for the year 1988-89, purchase order was placed on Firm 'B' (a Calcutta based firm) for supply of 11 numbers sets at the rate of Rs.89,165 per set with the condition that minimum weight per set would be 8.5 MT. Accordingly 11 sets of Mould were received between July 1989 and March 1990. The actual weight of the Mould varied from 4.24 MT to 7.95 MT as against the required weight of 8.5 MT as per purchase order.

It was observed that the payment was made to the supplier on the basis of sets without considering the actual weight of the mould which resulted in an extra payment of Rs.1.14 lakhs on the differential weight of 10.9 MT (at the rate of Rs.10.49 per Kg.). While agreeing to the audit observation the Management stated (November 1992) that purchase on weight basis was beneficial and subsequent purchases were being made on weight basis.

2A.9 Sales Policy

The Company was selling material under negotiations price varying from customer to customer depending on the terms and conditions of sale, quantity offtake etc., as the price of ferrochrome is determined by the forces of demand and supply operating in the market. The sale policy of the Company includes :

i) allowing credit facilities ranging from 30 days to 90 days;

ii) allowing cash discount either lump sum per MT basis or on percentage on cash sales (Maximum 2 *per cent*);

iii) accepting or finalising the sales orders on spot under spot marketing scheme (introduced with effect from 1991-92); and

iv) accepting liberal/unsecured securities against credit sales.

Some points noticed in audit regarding the sales of the Company are discussed in succeeding paragraphs.

2A.9.1 *Supply of sub-standard High Carbon Ferro-chrome*

(i) Against the order of M/s. Alloy Steel Plant, Durgapur the Company supplied 1197.176 MT of HCFC at the rate of Rs.25,000 per MT ex-factory between September and December 1991 out of which 368 MT HCFC were found defective/sub-standard by the buyer due to more phosphorus contents which ranged between 0.09 and 0.11 *per cent* as against the maximum limit of 0.05 *per cent* stipulated in the purchase order. Consequently M/s. Alloy Steel Plant withheld a sum of Rs.113.77 lakhs. The plant management accepted the supplies of high phosphorus contents and agreed (April 1992) that they would supply 975 MT low phosphorus material at the same price of Rs.25,000 per MT having 0.03 *per cent* phosphorus so that such material could be mixed with the existing stock of high phosphorus material (368 MT) lying with the purchaser to get the average phosphorus within the limit (0.05 *per cent*). After receipt of the confirmation (April 1992) from the plant for supply of additional low phosphorus material of 975 MT the purchaser released Rs.75.68 lakhs in June 1992 out of the withheld amount of Rs.113.77 lakhs. The balance amount of Rs.38.09 lakhs was still pending (November 1992) for realisation due to non-supply of additional 975 MT of low phosphorus as per mutual agreement with the purchaser.

Thus, due to supply of sub-standard materials, a sum of Rs.38.09 lakhs was blocked since December 1991.

(ii) The Company agreed (November 1992) to sell 1,000 MT HCFC at the rate of Rs.15,750 per MT ex-factory to M/s. Mukund Limited, Bombay on credit for 60 days against Hundi. The Company despatched 887 MT of MCFC valued at Rs.175.75 lakhs (including CST, excise and packing charges) during the period between November 1991 and February 1992. M/s. Mukund Limited withheld the payment due to high phosphorus content ranging from 0.07 *per cent* to 0.18 *per cent* against maximum 0.05 *per cent* as stipulated in the purchase order. After consuming 537 MT of HCFC the buyer informed (March 1992) the Company that their finished product got rejected because of supply of sub-standard materials and accordingly preferred a claim for Rs.200.00 lakhs. The Company accepted (February 1992) the high phosphorus content and agreed to replace the un-used stock of 350 MT lying at buyer's site at free of cost. After protracted correspondence, the buyer informed (April 1992) that they would release part payment of Rs.75 lakhs provided the plant would supply 100 MT having 0.03 *per cent* phosphorus by April 1992 in first phase and also asked the Company to lift the rejected and unused stock of 350 MT. Accordingly, the Company supplied 27 MT at the rate of Rs.15,750 per MT ex-works having 0.03 *per cent* phosphorus so far (November 1992) against the commitment to supply of 100 MT. M/s. Mukund Limited released payment of Rs.72.25 lakhs in April 1992 against total dues of Rs.94.25 lalkhs representing cost of material consumed by the buyer leaving a balance of Rs.22 lakhs (December 1992).

The sub-standard rejected material (350 MT) of the value of Rs.55.13 lakhs could not be disposed of so far due to high phosphorus content.

2A.10 Idle investment in purchase of EOT crane

A purchase order was placed on M/s. Mukund Iron and Steel Works, Bombay in April 1991 for supply of one EOT crane at a cost of Rs.51.51 lakhs (inclusive of Rs.0.50 lakhs towards design, erection and commissioning). The firm completed the supply of the materials of the crane in September 1982. The actual date of erection of the crane was not available. The supplier was paid a sum of Rs.47.56 lakhs (including taxes) in March 1983 to the extent of 90 *per cent* value of the crane. Although it was commissioned in January 1986, trial run was conducted only in June 1986 and due to defect noticed in operation of electronic portion and on account of defective main hoist, the crane could not be operated. In the meanwhile due to expiry of the guarantee period (18 months from the date of delivery i.e. 30.9.1992), the Company failed to get its replacement by invoking guarantee clause and the crane was lying idle since September 1982 due to inherent defects, which resulted not only in blocking of funds of Rs.47.56 lakhs but also loss of interest to the extent of Rs.78.47 lakhs up to December 1992 at the rate of 16.5 *per cent* per annum.

The Management stated (november 1992) that EOT crane was used whenever the other crane was out of order. The reply of the Management is not convincing as there was nothing on record to show that this crane was ever used.

2A.11 Cash Management

2A.11.1 *Delay in collection of bank drafts*

The unit was availing cash credit facilities from Allahabad Bank, Jajpur Road Branch for meeting its working capital requirements. In order to reduce

the interest burden on cash credit loan it was envisaged in the sale orders that payment of the sale value of the products should be made in shape of bank drafts drawn in favour of IDCOL on Allahabad Bank, Jajpur Road Branch and all bank charges and delayed interest which was to be charged would be on the buyer's account. In spite of such terms of payments, the unit accepted bank drafts drawn on other banks (other than Allahabad Bank, Jajpur Road) as a result of which there was delay in collection of the bank drafts received between June 1987 and November 1991.

It was, noticed in audit (June 1992) that the unit received 34 bank drafts aggregating to Rs.1259.98 lakhs in which there was delay ranging from 5 to 164 days in arranging collection from the other banks. The loss of interest on account of delay in collection of bank drafts in contravention of the terms of sale orders worked out to Rs.3.84 lakhs computed at the rate of interest 18 *per cent* per annum.

In reply to the audit observation the Management stated (July 1992) that the terms of payment included in the offer of sale was a standard term. However, depending on the market condition different terms and conditions of payment had been agreed with the different parties.

The reply of the Management is not tenable as there was (i) no such term for getting the bank drafts drawn on other banks in the sale order, (ii) extension of such facilities involved substantial burden. Besides, for deviation from the agreed terms and conditions, approval of the appropriate authority was also not obtained.

2A.11.2 *Industrial Finance Corporation of India Loan - Avoidable payment of interest*

The unit obtained sanction (March 1989) for a term loan of Rs.288 lakhs from Industrial Finance Corporation of India (IFCI) under equipment finance scheme for payment of import duty in connection with procurement of a captive power plant for ferrochrome plant carying interest at rate of 14 *per cent* per annum plus one *per cent* commitment charges after expiry of 365 days from the date of first disbursement.

As per the terms of purchase order placed in February 1989 the equipment was scheduled to be received by 31st October 1989.

The unit availed the loan of Rs.250 lakhs in March 1989, Rs.33 lakhs in December 1989 and Rs.5 lakhs in February 1990 before actual requirement for payment of import duty for which loan was sanctioned.

Out of the total amount of Rs.288 lakhs drawn, the unit kept Rs.200 lakhs (March 1989) in current account and later on (May 1989) this amount was invested in short term deposits. In March 1990 the Company further invested Rs.50 lakhs in short term deposit. Both the investments were for a period of 16 days to 46 days respectively and were renewed for a further period ranging between 46 days and 91 days at the rate of 3 to 8 *per cent* interest per annum. The unit received Rs.4.49 lakhs by way of interest on these investments. On the other side the Company had to pay the interest of Rs.20.16 lakhs for the period from March 1989 to September 1989 to the Industrial Finance Corporation of India (IFCI).

The consignment was despatched by foreign supplier in August 1989 and reached Calcutta Port

on 3.11.89 and the import duty amounting to Rs.342.18 lakhs was paid on 24.10.89 before reaching of consignment.

Had this loan amount been drawn after the despatch of consignment and paid prior to receipt of materials, the entire loss towards payment of interest on IFCI loan amounting to Rs.15.67 lakhs for the period from March to September 1989 could have been avoided.

The Management in reply stated (November 1992) that to reduce the interest burden of the loan amount a part was purposely kept in short term deposit to earn some interest. The reply is not tenable as the objective of the drawal of loan was towards the payment of import duty and its drawal prior to actual need was indicative of lack of proper financial planning resulting in a loss of Rs.15.67 lakhs to the Company.

2A.12 Inventory

(i) The table below indicates the position of inventory at the close of each year for the preceding 5 years up to 1991-92.

Period	Raw-materials and other stocks			Finished stock including silicochrome and intermediary product		
	Consumption during the year	Stock at the close of the year	Stock in terms of months' consumption	Turn-over during the year	Stock at the close of the year	Stock in terms of months' turnover
	(Rupees in lakhs)			(Rupees in lakhs)		
1987-88						
Raw-materials	634.74	207.08	8	2289.71	170.14	0.9
Stores & Spares	187.81	147.45	9.42			

Period	Raw-materials and other stocks			Finished stock including silicochrome and inter-mediary product		
	Consumption during the year	Stock at the close of the year	stock in terms of months' consumption	Turnover during the year	Stock at the close of the year	Stock in terms of months' turnover
	(Rupees in lakhs	)		(Rupees in lakhs	)	
1988-89						
Raw-materials	570.29	282.43	6	1477.83	267.11	2
Stores & Spares	154.20	131.46	10.96			
1989-90						
Raw-materials	804.80	355.40	5	2341.93	814.47	4
Stores & Spares	248.65	179.29	8.65			
1990-91						
Raw-materials	892.77	162.05	2	2701.44	656.78	3
Stores & Spares	215.14	143.45	8.00			
1991-92						
Raw-materials		126.08	1	2935.00	695.31	3
Stores & Spares	202.55	162.00	9.59			

From the above it would be observed that the inventory of raw material and stores and spares represented 1 to 6 months and 8 to 11 months consumption respectively, whereas the finished stock represented

turnover of material ranging from 0.05 months to 4 months.

The Management stated (November 1992) that for a metallurgical industry, the inventory was considered normal. The reply is not tenable in absence of fixing any maximum, minimum and re-ording levels, there was every possibility of unnecessary blocking of scarce funds.

(ii) It was seen that the inventory of the finished stock which increased from Rs.170.14 lakhs in 1987-88 to Rs.814.47 lakhs in 1989-90 was reduced to Rs.695.31 lakhs in 1991-92.

Incidentally it was also seen from records that finished stock of Rs.695.31 lakhs as on 31st March 1992 includes ferrochrome worth Rs.515.81 lakhs (3406 MT) of high carbon contents lying undisposed of since August 1991 due to sub-standard quality.

The Management stated (November 1992) that steps were being taken to dispose of the stock.

(iii) *Shortage of Raw-materials*

Scrutiny of physical verification reports during the period from 1987-88 to 1991-92 revealed the shortage in respect of furnace oil (Rs.19.74 lakhs), wood chips (Rs.6.45 lakhs) and chrome ore (fines) : (Rs.7.08 lakhs). No action was taken to investigate the reasons for shortages.

The Management stated (November 1992) that the net shortage and excess during the 5 years period was 0.63 *per cent* of the total consumption.

On verification of the reply it was noticed by Audit that such percentage ranged from 0.09 *per cent* (Rs.1.25 lakhs) to 2.88 *per cent* (Rs.19.99 lakhs) (making overall percentage of 0.63 *per cent)* even then no action was taken by the Management to investigate the reasons of shortage.

2A.13 Obsolete spares

It was also observed that obsolete spares of the value of Rs.7.32 lakhs were lying undisposed of for the period ranging from 3 to 7 years. The Management had not taken any action to dispose it of (December 1992).

2A.14 Internal audit

There is an internal audit wing at Head Office which is required to conduct internal audit of the units functioning under its control. The internal audit conducted audit for the year 1990-91 of the Ferro-chrome Plant without conducting audit of earlier years for the period from 1987-88 to 1989-90. A scrutiny of internal audit reports revealed that except making observations on advance to staff/contractors/suppliers, stores, sundry debtors and purchase, there were no observations pertaining to system deficiencies, sales, production performance, consumption of raw-materials, maintenance of accounts, investment decision and execution of civil works.

The Management stated (November 1992) that the internal audit for production/sales performance, budgetory control etc., was not considered necessary as these aspects were being discussed in the quarterly Review meetings.

The reply is not tenable in view of the fact that sizable amount had been involved in these areas which were not being subject to internal audit.

These matters were reported to the Government in September 1992; their replies had not been received (February 1993).

SECTION 2B

ORISSA AGRO INDUSTRIES CORPORATION LIMITED

Highlights

The Company came into being in April 1974 with a view to promote mechanised farming and assisting the agro based industries.

As per provisional accounts the accumulated loss of Rs.1090.79 lakhs as on 31st March 1992 had eroded its paid-up capital of Rs.421.05 lakhs.

Out of the 5717 bore wells installed during the period from 1988-89 to 1991-92, only 2813 were energised leaving a balance of 2904 bore wells un-energised. The expenditure of Rs.319.44 lakhs incurred on the installation of these bore wells was unproductive due to inability of the Company to ascertain the technical soundness of these bore wells for energisation.

The Company furnished utilisation certificates to the State Government indicating that 2733 bore wells had been energised for the benefit of Scheduled Caste small and marginal farmers as against 2050 bore wells actually energised which resulted in excess adjustment of subsidy of State Government by Rs.134.28 lakhs.

Similarly in respect of Dug well projects, there was an excess adjustment of subsidy to the extent of Rs.68.28 lakhs.

2B.1 Introduction

The erstwhile Orissa Small Industries Corporation Limited which was entrusted with the activities relating to mechanisation of agriculture was renamed

as Orissa Agro and Small Industries Corporation in February 1968. In April 1972 the activities of small industries wing with all its assets and liabilities were entrusted to a separate Company viz. Orissa Small Industries Corporation. The parent Company was renamed as Orissa Agro Industries Corporation Limited in April 1974.

2B.2 Objects

The main objects of the Company are :

- to aid, assist, promote, develop and manufacture agricultural implements and machinery required for fishery, poultry and dairy development;
- to aid, counsel, assist, finance and promote the agro based industries and to provide them with material resources, technical and managerial assistance and to develop and improve their methods of manufacturing, marketing and technique of production; and
- to promote, establish, execute and operate projects and schemes relating to agro industries.

In pursuance of the above objectives the Company has undertaken the following activities :

(i) Sinking and excavation of shallow tube-wells and dug wells and energisation of shallow tube wells, dug wells, reiver lift projects etc;

(ii) Trading in fertilisers, pesticides, tractors, power tillers, sprayers etc;

(iii) Hiring of agricultural machinery; and

(iv) Manufacturing and selling of cattle and poultry feed, bio-fertiliser, agriculture implements, storage bins etc.

2B.3 Organisation set up

The Management of the Company vests in a Board of Directors comprising of 15 directors including a Chairman and a Managing Director all are appointed by the State Government. The Managing Director functions as the Chief Executive of the Company. During the last ten years, ten Managing Directors were appointed for the periods ranging from 7 days to 20 months. Frequent changes in the incumbency of managing directors hampered the decision making process and follow up action at top management level.

The activities of the Company are carried out through a network of three divisional offices, 13 district offices, 27 project/regional offices, 68 sales centres, three implement factories, one Rizobium Plant, two cattle and poultry feed mixing plants and one fertiliser mixing plant.

2B.4 Scope of Audit

The working of the Company covering the period from 1978-79 to 1982-83 was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) for the year 1982-83. The recommendations of the Committee on Public Undertakings are contained in its 24th Report presented to the Legislature on 15th September 1989. Action taken on these recommendations was awaited (February 1993).

The present review conducted during March 1992 to June 1992 covers the activities taken up by the Company from 1987-88 to 1991-92.

2B.5 Capital structure

The initial authorised share capital of the Company was Rs.5 crores which was enhanced to Rs.10 crores during 1991-92. The paid-up capital of the Company as on 31st March 1992 was Rs.421.05 lakhs contributed by the State Government (Rs.335.18 lakhs), Central Government (Rs.85.27 lakhs) and by others (Rs.0.60 lakh).

In addition, as on 31st March 1992 the Company had outstanding term loan of Rs.7.70 lakhs from Andhra Bank and short term loan of Rs.940.06 lakhs from the State Government. The Company also availed Cash credit from Banks the balance of which amounting to Rs.159.88 lakhs was outstanding as on 31st March 1992.

2B.6 Financial position

The Company had finalised its accounts up to 1985-86. Based on provisional accounts the financial position of the Company at the end of each of the five years up to 1991-92 is as under :

	1987-88	1988-89	1989-90	1990-91	1991-92
	(	Rupees	in	lakhs	)
A. Liabilities					
(a) Paid-up Capital	310.05	355.05	372.55	402.55	421.05
(b) Reserves and surplus	0.52	0.52	0.52	0.52	0.52
(c) Grants-in-aid	-	-	-	-	-

	1987-88	1988-89	1989-90	1990-91	1991-92
	(Rupees		in	lakhs	)
(d) Borrowings:					
i) Long term and short term loans	608.76	671.48	742.20	1040.60	1431.82
ii) Cash Credit	61.68	132.91	197.92	170.54	118.82
(e) Trade dues and other liabilities including provisions	753.66	1159.32	916.62	664.52	554.51
Total:A	1734.67	2319.28	2229.81	2278.73	2526.72
B. Assets					
(a) Gross block	101.92	96.56	NA	NA	NA
(b) Less : depreciation	73.37	65.99	NA	NA	NA
(c) Net fixed assets	28.55	30.57	57.75	73.92	54.40
(d) Current assets	1049.52	1550.48	1346.78	1269.80	1381.09
(e) Intangible assets :					
i) Miscellaneous expenditure	0.44	0.44	0.44	0.44	0.44
ii) Accumulated losses	656.16	737.79	824.84	934.57	1090.79
Total-B	1734.67	2319.28	2229.81	2278.73	2526.72

Note : NA represents not available.

	1987-88	1988-89	1989-90	1990-91	1991-92
	(	Rupees	in	lakhs	)
Capital employed *	324.41	421.73	487.91	679.20	880.98
Net worth **	(-) 346.55	(-)383.18	(-)452.73	(-)533.02	(-)688.68

In the absence of final accounts, the analysis of financial position has not been given.

Based on provisional accounts the accumulated loss of 1090.79 lakhs as on 31st March 1992 had completely eroded the capital base which was Rs.421.05 lakhs on that date.

2B.7 Working Results

The working results of the Comapny based on provisional accounts for the five years up to 1991-92 were as follows :

	1987-88	1988-89	1989-90	1990-91	1991-92
	(	Rupees	in	lakhs	)
i) Income	1121.74	2210.57	2130.78	2536.60	2716.45
ii) Expenditure (including accretion/ decretion to closing stock and other adjustments)	1258.51	2292.20	2217.83	2645.33	2873.65
iii) Profit(+)/ loss(-)	(-) 136.77	(-) 81.63	(-) 87.05	(-) 108.73	(-) 157.20

* Capital employed represents net fixed assets *plus* working capital.

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

The Company had not worked out the deta of income and expenditure.

These losses were attributed by the Manag ment to the following :

(i) blocking-up of funds with sundry debto on account of sale of fertilisers on cred and non-realisation/inordinate delay realisation thereof.

(ii) execution of lift irrigation points withou advance/with inadequate advance.

The reasons put forth by the Managemer were not the valid reasons for incurring losses.

2B.8 Trading in fertilisers

The Company started trading in fertiliser from 1979-80 through its district offices and sale outlets. The Company procured Government quota o fertilisers from different manufacturers for distributio to farmers. Points noticed on trading in fertiliser are discussed in the subsequent paragraphs.

2B.8.1 *Incorrect claims for Institutional Margi*

Government of India allowed Institutiona Margin of Rs.10 to 20 per tonne besides existing norma margin to enable the Company to distribute fertilisers through its outlets to the farmers at controlled rates by eliminating middlemen. Institutional margin was to be reimbursed by the manufacturers on the basis of claims preferred by the Company at the end of each financial year. During the period from 1987-88 to 1991-92, though the Company sold 1.49 lakh tonnes an institutional margin of Rs.32 lakhs was due on

such sale. It would claim only Rs.19.91 lakhs and the remaining amount of Rs.12.09 lakhs could not be claimed due to inadequate maintenance of records. Even out of the amount claimed, the Company received an amount of Rs.4.87 lakhs leaving a balance of Rs.15.04 lakhs.

The Management stated (July 1992) that the shortfall, would be claimed. Further developments were awaited (February 1993).

2B.8.2 *Sale of fertilisers under Special Rice Production Programme*

The State Government during the year 1989-90 advanced an amount of Rs.102.47 lakhs to the Company being 50 *per cent* subsidy for sale of fertilisers, pesticides, plant protection implements etc., to small and marginal farmers under Special Rice Production Programme(SRPP).

The scheme was discontinued from April 1991.

The Company submitted utilisation certificates of Rs.92.47 lakhs towards adjustment of subsidy which includes Rs.4.37 lakhs utilised during 1991-92 i.e. after discontinuance of the scheme which was not admitted by the State Government. Therefore, it directed (April 1991) the Company to deposit the balance amount of Rs.14.37 lakhs which has not been deposited so far.

2B.8.3 *Loss due to unscientific storage of fertilisers*

The Company procures and sells fertilisers separately for *rabi* and *khariff* seasons. The Company had not developed Management Information Systems for ascertaining the stocks held at the end of each season to ensure the sale of fertilisers before bei damaged. The Company, in November 1989, instruct the units to furnish the details of damaged and no standard fertiliser stock. On receipt of informati the Managing Director sent a team of officers to un to dispose of the damaged and substandard/non-standa fertilisers.

The team identified 349.32 tonnes of dam ged/non-standard stock of fertilisers relating to t years from 1983-84 to 1990-91. After standardisatio 68.53 MT of fertilisers were salvaged and balance 240. tonnes fertilisers of the value of Rs.5.12 lakhs we treated as loss.

Thus the inability of Company in sellin the fertiliser within a reasonable time, bad and unscien tific storage coupled with inadequate information syste resulted in a loss of Rs.5.12 lakhs.

2B.9 Sinking and energisation of tube-wel and dug-wells

The Company had been executing sinc 1973-74 sinking/installation and energisation of shallo filter tube-wells, dug-wells, direct lift points etc for the benefit of small and marginal farmers unde poverty alleviation programme of the State Governmen since 1973-74.

During the period from 1987-88 to 1991-9 the Company received from the State Governmen Rs.556.12 lakhs for the benefit of scheduled caste small and marginal farmers as subsidy for sinking o tube wells and dug wells. The subsidy for each projec was 75 *per cent* of the total cost if beneficiaries wer three or more and 50 *per cent* if beneficiaries were les than three. The State Government fixed the norm

of expenditure for each project from time to time as indicated below :

Project	Unit cost Prior to 1989-90	Unit cost From 1989-90
	(Rupees	in lakhs)
i) Shallow tube well up to 150' depth fitted with 3 HP electric pump set with a provision of pump house	0.21	0.26
ii) Composite dug well 3 meters X 10.5 meters fitted with 2 HP/3 HP electric pump set with a provision of pump house	0.15	0.25
iii) Energisation of dug well	0.08	0.13

2B.9.1 *Shallow tube well scheme*

During 1988-89 Government of India introduced a new scheme called Free Bore well scheme under Special Food Production Programme (SFPP) for the benefit of small and marginal farmers. The scheme envisaged installation of 328 minor irrigation units of tube wells and dug wells in each Block of the selected districts (Cuttack, Puri, Balasore, Ganjam and Sambalpur) with central subsidy of Rs.10 lakhs for each block. To start with the scheme was executed by the Company in three districts (Cuttack, Puri and Balasore). The unit cost of each bore well was estimated to be Rs.3000 and it was to be borne by the State Government as subsidy. In case of increase in the cost, the beneficiary was to bear the excess cost over Rs.3000 either out of his own resources or through bank loans.

In view of the poor economic conditio[n] of small and marginal Scheduled Caste farmers, th[e] State Government in February 1989 tagged the SFP[P] with its normal schemes under Tribal and Rural Welfar[e] (TRW) Department of State Government to meet exces[s] expenditure over the Central subsidy for each bor[e] well.

It was observed in audit that Governmen[t] of India constituted a committee consisting of Join[t] Secretary, Ministry of Agriculture, Deputy Advisor, Planning Commission and Desk Officer, Departmen[t] of Power to review the process of installation an[d] utilisation of irrigation potential under SFPP in Balasore, Puri and Cuttack districts. The Committee reviewed the position in January 1989 and some of their observations were as under :

(i) There should not be any time lag between the installation and energisation of pump set as investment in bore well would become infructuous till energised and leaving bore well without energisation months together would be technically unsound.

(ii) Most of the bore wells installed in Puri and Balasore districts were not of proper sizes and specifications.

In view of the observations of the Committee the Audit observed that out of 5717 bore wells installed during the year from 1988-89 to 1991-92, 2813 were energised leaving a balance of 2904 bore wells (1988-89 : 721, 1989-90: 858 and 1990-91: 1325). The expenditure incurred on the installation of bore wells not energised worked out to Rs.319.44 lakhs at an average installation cost of Rs.11,000 per bore well. Despite Committee's

observation that investment on bore wells without energisation would be infructuous, the Company had not made any attempt (December 1992) to ascertain the number of un-energised bore wells with regard to technical soundness for energisation. As a result, the intended small and marginal farmers were being deprived of the benefit.

The following further points were noticed :

(i) The Company furnished utilisation certificates to the State Government for Rs.537.30 lakhs indicating that 2733 bore wells were energised for the benefit of Scheduled Caste small and marginal farmers as against 2050 bore wells actually energised for the purpose. This had resulted in furnishing of utilisation certificates for an excess amount of Rs.134.28 lakhs.

(ii) State Government accepted in December 1987, the proposal to use 2'-6" dia ASTEM PVC pipes in the bore well scheme and directed the Company to obtain advice from the Director (Ground Water) of Orissa Lift Irrigation Corporation Limited for its technical suitability. The Company without consulting the Director, (Ground Water) procured during November 1988 to February 1989, PVC pipes of 5470 metres at a cost of Rs.3.35 lakhs and utilised 2697 metres thereof. The balance stock of 2773 metres of the value of Rs.1.70 lakhs was not utilised due to adverse comment of the Committee stating that use of under-size pipes might not serve the purpose of irrigation wells. The Company had not ascertained (December 1992) whether the under size pipes utilised served the intended purpose.

The Management stated (July 1992) that efforts were being made either to utilise the balance PVC pipes in the on-going projects or otherwise to dispose of the same. Further developments were awaited (February 1993).

(iii) To suit 2'-6" dia ASTEM PVC pipes, the Company also procured 8398 metres of 3" UPVC ribbed filters from March 1990 to January 1991 at the rate of Rs.175 per metre. Of this 5077 metres were utilised and then stopped utilisation of these ribbed filters in view of Committee's adverse remarks. As on 31st March 1992, ribbed filters of 3321 metres of the value of Rs.5.46 lakhs were lying idle after use of only 200 metres on other on-going projects during 1991-92.

2B.9.2 *Dug well projects*

A test check of the rocords relating to dug well projects revealed that as per the subsidy registers against execution of 403 dug wells Rs.26.16 lakhs, the Company adjusted an amount of Rs.94.44 lakhs for 722 dug wells during the period from 1987-88 to 1991-92. Thus, there was an excess adjustment of subsidy to the extent of Rs.68.28 lakhs.

The following further points were noticed:

(i) As per Government norm 75/50 *per cent* of the expenditure was to be subsidised and the balance 50/25 *per cent* was to be borne by beneficiaries. It was seen that in Ganjam and Puri districts 83 dug wells (73 and 10 respectively) at a cost of Rs.8.09 lakhs were executed and the entire amount was adjusted against subsidy resulting in an excess adjustment of subsidy by Rs.2.03 lakhs.

(ii) Sinking and energisation of tube wells and dug wells were to be executed by the Company and handed over to the intended beneficiaries. It was seen in audit that the Company adjusted against subsidy an amount of Rs.0.41 lakh on the plea that this amount was given in cash to 10 beneficiaries for construction

of dug wells and pump house. There was no acknowledgement from the beneficiaries in respect of tnis disbursement.

(iii) 55 dug well projects involving subsidy of Rs.5.06 lakhs were accounted for in the subsidy Register twice. The actual number of projects executed from 1987-88 to 1991-92 were 353 in place of 403.

2B.10 Rhizobium Plant

Rhizobium is a type of micro-organism, the use of which in cultivation of pulses, groundnut, soyabean, etc., reduce the use of chemical fertilisers by 50 *per cent*. Keeping in view the State Government programme of cultivation of these products, the Company established in November 1989 at a capital cost of Rs.17.26 lakhs a Rhizobium plant with an annual capacity of 75 tonnes. The plant started commercial production after installation in November 1990.

During the year 1991-92 29.678 tonnes of Rhizobium was produced. The production of 1990-91 could not be disposed of timely and therefore lost its utility. Out of the quantity produced during 1991-92 the Company supplied 23.491 tonnes to the Director of Agriculture and Food Production, Bhubaneswar against an order for 37.264 tonnes. The disposition of remaining 6.187 tonnes was not on record. Of the quantity supplied to the Director of Agriculture and Food Production, bills were preferred for 13.833 tonnes and for the balance quantity of 3.708 tonnes (value: Rs.0.98 lakh) bills were not preferred for reasons not on record (December 1992).

It was further seen in audit that before commencement of commercial production, the Company procured in June 1989, 10 tonnes of Rhizobium Culture from National Agricultural Co-operative Marketing Federation of India Limited (NAFED) for Rs.2.15 lakhs at the fag end of 1989-90 *khariff* season. Out of 10 tonnes Rhizobium Culture, the Company could dispose of only 0.756 tonnes and the balance quantity of 9.244 tonnes (Value: Rs.1.99 lakhs) could not be disposed of subsequently as the *khariff* season was over and the validity period of the product expired in the meantime. Purchase of Rhizobium in disregard to the ground realities and requirement resulted in avoidable loss of Rs.1.99 lakhs.

2B.11 Inventory

The inventory holding of the Company for the five years up to 1991-92 ranged between Rs.291.9 lakhs and Rs.469.07 lakhs.

The adequacy or otherwise for holding inventory of Rs.469.07 lakhs as 31st March 1992 could not be checked in audit in the absence of perpetual inventory system of identifying stores items as fast moving, slow moving, non-moving and obsolete items.

A general review of stores ledgers at Central Stores, Cuttack revealed the following points :

(i) Pump sets being the highest value item were issued to units without assessing the requirement based on works on hand with the units. As and when further indents received from other units, the Company was procuring them and supplying to the units, as mentioned in para 2B.12.1 *infra*.

(ii) There was no system of submitting monthly returns by the units to the head office indicating stock of various items in hand for better monitoring of inventory holding.

(iii) The Company, at the instance of audit conducted (May 1992) physical verification of pump sets. As a result of physical verification it transpired that out of the stock of pump sets of the value of Rs.68.31 lakhs, there was shortage of pump sets worth Rs.6.32 lakhs and stock amounting to Rs.17.25 lakhs was defective.

The Management while accepting the audit observations stated (July 1992) that steps had already been taken from May 1992 to maintain the stores record properly.

2B.12 Other topics of interest

2B.12.1 Injudicious purchase

The Company after finalising the rates, placed purchase orders during 1991-92 for supply of 1221 electric pump sets of different horse powers at a total cost of Rs.56.01 lakhs without considering the stock of pump sets available at central stores and at its unit offices. The lead time required for procurement of pump sets was one month. As a result of indiscriminate purchase, stock of pump sets of different horse powers available as on 31st March 1992 were 1413. After deducting average one month requirement of 253 pump sets of different horse power based on the annual consumption during 1991-92 excess stock held was 1160 of the value of Rs.61.38 lakhs at the average procurement rate of pump sets of different horse power. This could have been avoided had the company been vigilant in assessment of its requirement.

It was further seen that in addition to the above excess stock of 1160 pump sets, 180 pump sets valuing Rs.9.00 lakhs purchased prior to 1987-88 were not inspected within the validity period of one year from the date of supply and subsequently th were found to be defective. The Company had n taken any action to fix responsibility for not inspect the pumps within the guarantee period.

The Management stated (June 1992) th steps were being taken to lodge claims for defect pump sets. The reply of the Management is not tenab since these pump sets were purchased prior to 1987- and guarantee period was already over.

2B.12.2 *Excess payment to a firm*

The Company placed an order on 12 January 1987 on Utkal Agro Industries, Balasore, SSI Unit for supply of 4888 metres PVC pipe at EP rate of Rs.91.03 per metre subject to payment of differ ential price after finalisation of new EPM rate contrac The firm completed supply of 4885 metres on 22nd Janu 1987 and full payment of Rs.4.45 lakhs was made o 31st March 1987.

In the meantime EPM rate contract wa finalised at Rs.110.47 per metre with effect from 31st J nuary 1987 to 30th January 1988. The Company, howeve paid to the firm Rs.1.10 lakhs in July 1987 being th differential rate on 4885 metres of PVC pipe supplied Though the firm completed the supplies before th revised rate was effective, the Company, had not take steps to recover from the firm the excess paymen of Rs.1.10 lakhs.

2B.12.3 *Expired pesticides*

In view of short life of the pesticides the Company advised the units from time to time not to procure them in large quantities.

A test check of records revealed that during 1987-88 to 1989-90, 8 units of the Company purchased pesticides in excess of demand and ultimately the prescribed life time of pesticides of the value of Rs.0.92 lakh also expired.

In November 1989 the Managing Director of the Company directed that responsibility should be fixed. However, no action in this regard had been taken so far (December 1992).

2B.12.4 *Inoperative bank accounts*

The Company operated 53 current accounts in different Commercial Banks up to the year 1988-89, of which 36 accounts with a closing balance of Rs.16.75 lakhs were not in operation from 1977-78 to 1991-92. These accounts had not been closed yet (December 1992). Reasons for keeping such inoperative bank accounts were not on record.

The Management stated (July 1992) that steps were being taken to reconcile the outstanding debits and credits and to close the non-operating account. Further developments were awaited (December 1992).

2B.13 Accounting manual

Though the Company was incorporated in December 1961, it had not prepared the accounting manual laying down the procedure for recording various transactions.

2B.14 Internal audit

The Company's Internal Audit Wing was headed by Deputy General Manager (Audit) up to December 1991 and thereafter the wing was brought under the control of Executive Director (Finance). There was no manual to regulate its working. Internal Audit Wing(IAW) had not maintained any record to ascertain the number of units to be audited in each year, the number of units audited and the position of arrears. In the absence of adequate records, efficacy of the internal audit system could not be reviewed in audit.

These matters were reported to the Management/Government in September 1992; their replies had not been received (February 1993).

SECTION 2C

ORISSA SMALL INDUSTRIES CORPORATION LIMITED SUB-CONTRACTING AGENCY

Highlights

The Company introduced the sub-contracting agency scheme during 1976-77 with a view to provide marketing assistance to SSI units. Under the scheme the Company is supposed to procure orders from various institutions and off load them to SSI units. The Company's endeavours in this context, however, remained confined to procuring of orders mainly for structural and fabrication works awarded by National Aluminium Company Limited (NALCO), State Government and other agencies.

The Company's claim for Rs.66.52 lakhs with NALCO remained unsettled since July 1989 due to non-maintenance of proper and adequate store and stock accounts. Similarly in regard to a work completed in June 1987, bank guarantee of Rs.45.66 lakhs was not released by NALCO due to non accountal of issued materials.

Failure of the Company in executing additional order of NALCO for fabrication and supply of pot shells as per terms and conditions of work order resulted in a liability of Rs.14.10 lakhs on account of risk purchase claim lodged by NALCO. The Company had also a clear liability of Rs.39.01 lakhs to NALCO being the value of excess steel material drawn and issued to the sub-contractor (including other material retained by him after completion of work).

The Company supplied 460 steel almirah amounting to Rs.12.88 lakhs to Director, Secondary

Education, Bhubaneswar in 1989 which were got manu-factured by SSI units. Though the Company released 90 *per cent* payment to these units from March to May 1990, it had not yet received the payment (December 1992) from the indentor.

2C.1 Introduction

The Orissa Small Industries Corporation Limited introduced the sub-contracting agency scheme during 1976-77 with a view to provide marketing assistance to SSI Units. Under the scheme the Company is supposed to procure orders from various institutions and off load them to SSI Units and market the products of such units. The Company's endeavours in this context, however, remained confined to procuring of orders mainly for structural and fabrication works awarded by National Aluminium Company Limited (NALCO), State Government and other agencies.

2C.2 Organisational set-up

The Company has three project offices at Angul, Rourkela and Saintala and each project office is under the charge of a Project Manager. The General Manager monitors the works at Head Office level.

2C.3 Financial arrangement

For execution of works under sub-contracting, the Company had availed of financial support of Rs.190.96 lakhs as on 31st March 1992 from State Government in the shape of share capital.

The Company had no specific cash credit arrangement with Bank for sub-contracting scheme. The Company availed cash credit of Rs.3.16 crores

up to March 1992 and diverted the funds, as and when required, for execution of sub-contracting works.

2C.4 Scope of audit

The scope of audit was to review various works got executed through sub-contractors and also the role played by the Company in imporving marketing of the products of SSI Units in the State and to review how far the Company had been able to achieve the objective of sub-contracting agency.

Accordingly, 18 works of the value of Rs.7.91 crores executed and completed during the 5 years ended 31st March 1992, were reviewed in Audit during the period from April 1992 to June 1992 and the points noticed are discussed in succeeding paragraphs.

2C.5 Execution of works

The Company executed, mainly, structural and allied fabrication works awarded by National Aluminium Company Limited, State Government Undertakings and other agencies through SSI Units. In the absence of separate accounts, profit/loss on this sub-contracting could not be ascertained in Audit.

2C.5.1 *Execution of Civil and Structural work*

National Aluminium Company Limited (NALCO) entrusted to the Company the execution of civil and structural work in cast house and allied structurals in aluminium smelter plant in July 1993 at a cost of Rs.316.63 lakhs, after deducting rebate of 5 *per cent* from the quoted price of the Company. The work was to be completed within 17 months from the date of work order.

The Company, in turn entrusted the wor to ten sub-contractors and it was completed in Ju 1987 i.e. after a delay in 31 months. A review of executi of the aforesaid work revealed that the final bill submi tted by the Company in May 1989 for a net amoun of Rs.66.52 lakhs was not finalised by the NALCO autho rities as the Company could not render proper account in respect of materials issued free, which was mainl due to transfer of materials by the Company fro one work to another and from one sub-contractor t another sub-conctractor without proper accountin of such transfers.

In April 1992 NALCO agreed to pay Rs.1947 lakhs after deducting expenditure towards cost of steel, additional claims for built up crane girders, sales tax, defective work, escalation claims etc. Even for this amount NALCO agreed to pay only subject to settlement of stock and stores accounts. Thus, due to improper and inadequate maintenance of stock and stores accounts and resultant delay in reconciliation of accounts, Company's claims could not be settled so far (December 1992). For the same reason, bank guarantee for Rs.45.66 lakhs furnished by the Company had not been released by NALCO resulting in extra liability of Rs.2.28 lakhs towards bank commission at 1 *per cent* on the amount of Rs.45.66 lakhs guaranteed for the period from July 1987 to June 1992 with further annual liability of Rs.0.46 lakh on this account.

The Management stated (June 1992) that the decision of NALCO could be known only after reconciliation of accounts. The reply is not convincing as the Company should have maintained proper and adequate stock and stores accounts as a Commercial undertaking and there is no justification for submission of final bill after a delay of about 2 years after completion of the work. The other points noticed were as follows :

(a) Despite the stipulation in the contract that scrap and not good steel was to be used for packing plates, the sub-contractors used 53.77 tonnes of prime plates instead of scrap plates. Though use of good steel in place of scrap by sub-contractors was known to the Company, no attempt was made either to rectify or to take up the matter with NALCO. It was only after completion, the Company represented, in January 1989 to NALCO that scrap plates could not be generated as the plates were under sized which NALCO did not accept and recovered Rs.2.94 lakhs from the Company towards the cost of 53.7 tonnes prime plates.

(b) NALCO deducted Rs.1.88 lakhs as penalty towards shortage of steel resulting from higher percentage of burning loss and scrap generation. The Company could not recover this amount from the sub-contractor due to the fact that, while accepting the offer of the Company, the sub-contractors did not agree to absorb burning loss and scrap generation.

The Management stated (November 1992) that NALCO had been requested to allow some relief which would be considered subject to return of surplus materials lying with Eskay Machinery (Private) Limited, a sub-contractor. Further developments were awaited (December 1992).

2C.5.2 *Design, manufacture and supply of pot shells*

National Aluminium Company Limited awarded, in May 1993, the work of fabrication and supply of pot shells to the Company and placed an order in September 1983 for supply of 60 pot shells valuing Rs.72 lakhs at the rate of Rs.1.20 lakhs subject to the conditions that :

> Responsibility for safe custody of plates and sections issued free, for fabrication of pot shells devolved on the Company and NALCO was to be compensated for any loss, whatsoever, on this account by the Company;
>
> The Company was to furnish indemnity bond equal to the value of materials issued free, which was to remain valid till finalisation of the material accounts; and
>
> NALCO reserved the right to place repeat orders at the same price and at the same terms and conditions.

Incorporating all the terms and conditions included in the NALCO order, except the one relating to bank guarantee, the Company offered the work to Easkay Machinery(Private) Limited, Bhubaneswar in December 1983 at the rate of Rs.1 lakh per pot shell. In reply to an audit query, the Management stated (July 1992) that the intention behind non-insistance of bank guarantee was to give relief to SSI Units.

In the meantime, NALCO through a Telex Message intimated in December 1983 its decision to increase the order from 60 to 120 pot shells. Accordingly, NALCO placed a revised order for 120 pot shells in March 1984 at the same rate i.e. Rs.1.20 lakhs each. The Company, in January 1984, requested NALCO to increase the rate to Rs.1.45 lakhs each in view of increase in the cost of inputs as assessed by the Company.

NALCO did not accept the plea of the Company and cancelled (July 1985) the order for 60 additional pot shells with the condition that the same would be got executed through some other agency and that the extra cost, if any, on this count would be charged to the account of the Company since it had violated the condition stipulated in NALCO order of May 1983.

As against 1879.71 tonnes of materials required for 60 pot shells fabrication NALCO delivered during the period from July 1983 to February - March 1986, 2122.913 tonnes of steel materials to the sub-contractor on the advice of the Company. The Company had allowed the sub-contractor to draw materials for 120 pot shells keeping in view of additional order. The Company did not make any attempt to restrict the drawal of materials required for 60 pot shells and for returning the excess materials drawn by that time. As a result, after completion of work in April 1988, 466.188 tonnes of materials including off cuts and scrap 222.985 tonnes of the value of Rs.39.01 lakhs remained outstanding with the sub-contractors. The materials in question were, however, not found available on physical verification.

After cancellation of order, NALCO entrusted the job of additional 60 pot shells to Easkay Machinery(Private) Limited (the same sub-contractor of the Company) at the rate of Rs.1.43 lakhs and preferred risk purchase claim of Rs.14.10 lakhs on the Company as it had violated the terms of work order.

Thus, besides the risk purchase claim of Rs.14.10 lakhs, the Company had a clear liability of Rs.39.01 lakhs to NALCO being the value of excess materials drawn and issued to the sub-contractor (including other material retained by him after completion of work).

The Management stated (June 1992) tha NALCO supplied excess materials without knowi the actual requirement. The reply of the Manageme is not tenable as it was the duty of the Company t restrict the drawal of materials required for 60 p shells and to ensure timely return of the excess materia drawn.

2C.5.3 *Non-receipt of payment for supplies*

The Director of Secondary Education Bhuba neswar placed an order in November 1989 for suppl of 470 steel almirahs at the rate of Rs.2800 each fo supply to various destination points. Under the term of the order, 95 *per cent* payment was to be mad on presentation of bills. The Company accepted th order in November 1989 and entrusted the work t 16 SSI Units in December 1989 at varying rates, dependin on the destination points. The SSI units supplied 46 steel almirahs during the period from March 1990 t January 1991. The value of the almirahs at the rat allowed to SSI Units worked out to Rs.12.88 lakhs

Though the Company preferred bills durin the period from March 1990 to January 1991 for Rs.12.8 lakhs the Director, Secondary Education did not releas the payments. The Company took up the matter i July 1991 at Government level and found that the Director had not obtained prior approval of Government and the scheme was closed in 1990-91. The Company was yet to receive payment (December 1992).

2C.5.4 *Non-recovery of dues*

S.N. Corporation Limited (Firm 'S') entrusted in November 1982 the work relating to erection of its factory building to the Company, which comprised of the following three itsms :

(i) Fabrication and erection of factory building;

(ii) AC sheeting work; and

(iii) Supply of steel materials for the above work.

The Company in turn entrusted the item (i) above to Corrugation and Corrugation (Firm 'C'), an SSI Unit. Under the terms of payment, the Firm'S' was to make 100 *per cent* payment within 7 days of receipt of invoices from the Company. The agreement was silent as to penal provision, in case payments were not made by the Firm 'S' strictly as per the terms.

The work relating to fabrication and erection of factory building was completed in March/April 1984. The Company received Rs.14.30 lakhs as against Rs.17.87 lakhs due towards fabrication and erection (Rs.4.01 lakhs) and the value of steel material (Rs.13.86 lakhs). Thus, net amount receivable from the Firm 'S' since April 1984 was Rs.3.57 lakhs. Though, the work was completed in March/April 1984, the Company never intimated the Firm 'S' till August 1988 that Rs.3.57 lakhs were due from the latter. Interest burden to the Company on this amount at cash credit rate of 16.5 *per cent* from April 1984 to March 1992 worked out to Rs.4.72 lakhs with an annual interest burden of Rs.0.59 lakh.

The Management stated (July 1992), that there were discrepancies in the figure of the amount due from S.N. Corporation as the information relating to the noticing of material issued was received late. The Management further stated that the matter would be pursued for early recovery. The reply is not tenable since there was delay of over 4 years in informing the Firm 'S' about the dues.

2C.5.5 *Delay in receipt of payment*

In February 1991 orders were receiv from Implement Factory, Bhubaneswar for supply 1000 low lift hand pumps and various agricultural impl ments. These orders were off loaded by the Compa to 8 SSI Units. While off loading the works to SSI Unit the Company retained a margin ranging from 5.6 *per ce* to 8.2 *per cent* to cover interest burden on 90 *per ce* payment to SSI Units and marginal profit. The Compa executed orders during the period from March to Septem ber 1991. The Company received payments to the exte of Rs.17.05 lakhs during the period from Decemb 1991 to April 1992 against bills for Rs.24.31 lakh The payment of balance amount of Rs.7.26 lakhs wa yet to be received (June 1992). The period of dela in receiving payments from Implements Factory range from 121 to 285 days from the date of submission o bills to the date of receipt of payment. Interest burde to the Company on 90 *per cent* payment released to th sub-contractors till the date of receipt of paymen and on the balance amount (Rs.7.26 lakhs) up to Marc 1992 at the borrowing rate of 16.5 *per cent* per annur aggregated to Rs.2.27 lakhs.

The Management stated (June 1992), that action wa being taken to collect the balance amount.

These matters were reported to the Manage ment/Government in August 1992; their replies ha not been received (February 1993).

SECTION 2D

ORISSA STATE POLICE HOUSING AND WELFARE CORPORATION LIMITED

Highlights

The Company was incorporated in May 1980 with the main objective of construction of residential and non-residential buildings for the benefit of police personnel and to undertake other civil works of State/Central Government departments and other bodies either through competitive tenders or on the basis of direct placement of works.

Due to non-levy of establishment charges on the works executed prior to 1987-88, the Company sustained a loss of Rs.79.56 lakhs.

The Company incurred an excess expenditure of Rs.321.12 lakhs in execution of allotted works under 8th and 9th Finance Commission grants by providing the basic amenities not originally covered in the estimate. Efforts to get reimbursement of the above amount from the State Government proved futile (May 1992).

There was an excess expenditure over estimates on 401 works worth Rs.38.22 lakhs due to escalation in the materials and labour charges.

2D.1 Introduction

Orissa State Police Housing and Welfare Corporation Limited was incorporated in May 1980 as a wholly owned Government Company with the main objective of formulating and excuting housing schemes both residential and non-residential, construction of buildings for Hospitals, Schools and Clubs, etc., for the benefit of Police personnel of the State Government and to undertake other civil works of State/Central Government departments and local or autonomous bodies through competitive tenders or on the basis of direct placement of works.

2D.2 Organisational set-up

The Management of the Company vests in a Board of Directors consisting of ten Directors appointed by the State Government including Chairman-cum-Managing Director. The Chairman-cum-Managing Director being the Chief Executive of the Company looks after day to day work with the assistance of General Manager (Engineering), Company Secretary-cum-Manager(Finance) Additional Manager(Finance) and Manager (Administration). The Company was having 6 Zonal Offices each headed by Deputy Project Manager for undertaking the works of civil construction as on 31st March 1992.

2D.3 Scope of Audit

The activities of the Company from 1987-88 to 1991-92 were reviewed during the period from March 1992 to June 1992 and the findings thereof are set out in the succeeding paragraphs.

2D.4 Capital structure

As on 31st March 1992, against the authorised share capital of Rs.10 crores, the paid-up capital on that date was Rs.5.63 crores wholly contributed by the State Government.

The Company's sources of funds comprises of share capital and loans from the State Government,

awards received from Finance Commission through State Government, deposits from Government Departments, autonomous bodies and private parties. The table below indicates the yearly break-up of funds received up to 1991-92.

Year	Share capital	loans from State Government	Awards from finance commission	Deposits	Total
	(	Rupees	in	lakhs	)
Up to 1986-87	406.88	-	313.00	75.71	795.59
1987-88	67.87	-	139.03	8.73	215.63
1988-89	15.00	-	341.41	4.58	360.99
1989-90	73.26	-	524.34	154.31	751.91
1990-91	-	51.25	252.62	105.21	409.08
1991-92	-	8.08	-	121.70	129.78
Total	563.01	59.33	1570.40	470.24	2662.98

The release of funds from Government was minimised from 1991-92 onwards and the Comapny had to depend mainly on deposits for meeting its capital requirements.

2D.5 Financial position and working results

2D.5.1 Financial position

The Company's accounts were audited by the statutory auditors up to the year ending 31st March

1988. The accounts from 1988-89 to 1991-92 were i[n] arrear (December 1992). The table below indicate[s] the financial position of the Company for the las[t] four years up to 1990-91 :

	1987-88	1988-89	1989-90	1990-91
	(Rupees	in	lakhs	)
		(Provisional		)
A. Liabilities				
(a) Paid up capital	406.88	489.75	489.75	563.01
(b) Reserve and surplus	-	-	-	-
(c) Government of India upgradation grant	452.03	793.44	1317.78	1570.40
(d) Deposits	91.46	97.12	252.85	356.78
(e) Other liabilities and provisions	16.14	34.00	34.91	19.97
(f) Borrowings(loans)	-	-	39.85	51.25
Total (A) :	966.51	1414.31	2135.14	2561.41
B. Asset				
(a) Gross Block	437.52	438.29	463.23	458.81
Less depreciation	16.91	5.26	12.72	12.39
(b) Net fixed assets	420.61	433.03	450.51	446.42
(c) Government of India Upgradation grant	250.82	713.20	1319.92	1486.44
(d) Deposit Works	63.28	74.74	138.58	209.72
(e) Current Assets	190.73	78.87	116.40	272.06

	1987-88	1988-89	1989-90	1990-91
	(	Rupees	in lakhs	)
		(Provisional		)
(f) Loans and Advances	36.05	72.04	60.16	56.28
(g) Preliminary expenses	0.92	1.23	1.07	0.92
Net loss as per Balance Sheet	4.10	41.20	48.50	89.57
Total (B) :	966.51	1414.31	2135.14	2561.41
C. Capital employed*		375.65	342.36	426.54
D. Net worth**		447.32	440.18	472.52

2D.5.2 *Working results*

The table below summarises the working results of the Company for the four years up to 1990-91 :

	1987-88	1988-89	1989-90	1990-91
	(	Rupees	in lakhs	)
A. Income:				
Interest on term deposits, rent and overheads	48.77	57.97	68.86	30.34

---

* Capital employed represents net fixed assets (excluding capital works in progress) *plus* working capital.

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

*** The Provisional accounts for 1991-92 have not yet been prepared.

	1987-88	1988-89	1989-90	1990-
	(Rupees	in	lakhs	)
B. Expenditure:				
Establishment and Administrative expenditure	44.03	58.70	76.16	71.
C. Profit(+) Loss(-) before depreciation	4.74	4.53	0.50	(-)28.
D. Depreciation	10.71	5.26	7.80	12.3
E. Net Profit(+) Loss(-)	(-) 5.97	(-) 0.73	(-) 7.30	(-) 41.0

2D.6 Execution of works

The Company since its incorporation in May 1980 to March 1992 undertook execution of 3,240 works worth Rs.2662.58 lakhs against which 3,046 works with an initial estimated cost of Rs.2063.72 lakhs were completed. The works undertaken and completed alongwith sources of funds were as under:

Sources of fund	Number of works taken up up to 31.3.92	Estimated value of the works taken up (Rupees in lakhs)	Number of works completed as on 31.3.92	Estimated value of completed works (Rupees in lakhs)
i) Share capital	910	622.34	906	475.24
ii) Government of India Award 8th Finance Commission	1661	1104.83	1631	1050.36

Sources of fund	Number of works taken up up to 31.3.92	Estimated value of the works taken up (Rupees in lakhs)	Number of works completed as on 31.3.92	Estimated value of completed works (Rupees in lakhs)
iii) Government of india Award 9th Finance Commission	480	465.57	378	334.88
iv) Deposit works	189	470.24	131	203.24
	3240	2662.98	3046	2063.72

2D.6.1 *Delay in execution of works*

A review of completed works revealed that there was abnormal delays ranging from 21 to 76 months in completion of 927 works as indicated below:

Particulars	Allotted works	Deposit works
a) Number of works in which delay occurred	894	33
b) Estimated value (Rupees in lakhs)	1860.48	203.24
c) Scheduled year for commencement as per estimated and working plan	1982-83 to 1991-92	1982-83 to 1991-92

Particulars	Allotted works	Depos works
d) Actual year for commencement of work	1983-84 to 1991-92	1984-8 to 1991-9
e) Delay in months		
(i) in execution	3 to 12	3 to 12
(ii) in completion	21 to 76	24 to 6

The main reasons for the delay in executio and completion of the works were (i) delay in arrangin land, labour and material components (ii) delay in acqu sition of machines required for works due to lack o infrastructure (iii) lack of proper recruitment policy deployment of inexperienced technical and supervisor staff and their frequent transfer. In the absence o proper maintenance of records the reasons ascribe by the Management could not be verified by Audit

2D.6.2 *Loss of revenue due to non-levy of super vision charges*

The Company did not levy establishmen charges till 1986-87 with a view to prove its bonafides as a Welfare Organisation. Subsequently in pursuance of the decision taken by the Board in its 24th and 33rd Board meetings to charge 10 to 15 *per cent* of the estimated works expenditure towards establishment charges on execution of works, the practice of charging establishment charges on works executed with effect from 28th November 1987 at the rate of 10 *per cent* was started. This was raised to 15 *per cent* with effect from 15th January 1990. Due to non-levy of establishment charges on the works executed prior to 1987-88, the Company sustained a loss of Rs.79.56 lakhs.

The Management stated in June 1992 that it decided not to levy supervision charges in the initial years as the main thrust was given on providing of buildings to Police personnel and hence profit motive was not given the first priority but later on to overcome the stiff competition from the private contractors and Orissa Public Works Department, the Company started charging supervision charges at a lower rate than the Public Works Department. The reply of the Management was not tenable in as much as the Company was brought into in existance as a Commercial venture for which non-absorption of the overhead expenses while fixing the rates was detrimental to the financial interests of the Company.

2D.6.3 *Establishment expenditure on works executed*

On the works executed the Company got 10 *per cent* to 15 *per cent* of works expenditure to meet its establishment cost, but in actual practice the Company's establishment expenditure exceeded the prescribed limit of 10 to 15 *per cent* of total works expenditure to the extent indicated in the following table:

Year	No. of zonal Offices	Works expenditure	Establishment expenditure	Percentage of establishment expenditure to works expenditure	Admissible expenditure at 10% to 15% on works expenditure	Excess establishment expenditure over 10% to 15%
		(Rupees in lakhs)				(Rupees in lakhs)
1987-88	3	241.69	40.83	16.9	24.2 (10%)	16.67
1988-89 (Provisional)	9	498.58	58.70	11.8	49.8 (10%)	8.85

Year	No. of zonal Offices	Works expenditure	Establishment expenditure	Percentage of establishment expenditure to works expenditure	Admissible expenditure at 10% to 15% on works expenditure	Excess establishment expenditure over ... to 1...
		(Rupees in lakhs)				(Rupees in lakhs)
1989-90 (Provisional)	9	689.08	76.16	11.1	103.4 (15%)	(-)27...
1990-91 (Provisional)	5	237.65	71.42	30.1	35.6 (15%)	35...
1991-92 (Provisional)	6	165.38	61.54	37.2	24.8 (15%)	36...
		1832.38	308.65			70...

The Management stated (August 19... that excess establishment expenditure was mainly d... to reduced turnover as a result of discontinuance ... Government grants and there was no scope for sudd... reduction of staff. It was also stated that steps we... taken to bring down the establishment expenditu... such as sending of technical personnel to other simil... organisations on deputation and disengagement of dai... wages/temporary work men etc.

2D.6.4 *Execution of works under 8th and 9th Financ... Commission*

The Company received phase-wise grants-i... aid from Government of India in the shape of awar... for upgradation of schemes such as construction o...

Police Stations, residential quarters etc., under 8th and 9th Finance Commission during the period from 1985-86 to 1990-91. The total funds received, expenditure incurred and excess expenditure thereunder were as follows:

Name of the award	Year	Category of construction	Total amount received	Expenditure incurred	Excess expenditure incurred
			(Rupees	in	lakhs)
8th Finance Commission	1985-86 to 1989-90	PS - 84 nos. E Type- 596 nos. F Type-1018 nos.	1104.83	1284.83	180.00
9th Finance Commission	1989-90 to 1990-91	PS - 24 nos. E Type- 122 nos. F Type- 370 nos.	465.57	606.69	141.12
		Total=	1570.40	1891.52	321.12

The excess expenditure of Rs.321.12 lakhs was incurred due to escalation in labour and material cost and also for providing external electrification and water supply which was not originally provided in the estimates. The entire excess expenditure was incurred by the Company partly from share Capital and also by diversion from other deposits received from Police and other departments.

The Board decided (December 1990) to get re-imbursement of the excess expenditure of Rs.141.12 lakhs incurred on 9th Finance Commission award projects from the State Government. At the instance of Audit similar action was taken by the Board in respect of excess expenditure of Rs.180 lakhs incurred by the Company on 8th Finance Commission award projects (May 1992). Response from the State Government was awaited (June 1992).

2D.6.5 *Execution of other works*

Scrutiny of 401 selected works with estimated value Rs.179.25 lakhs revealed that th was excess expenditure of Rs.38.22 lakhs as deta below:

Particulars of works	Number of works	Estimated value	Actual expen-diture	Perc tage exce expe ditur
		(Rupees	in	lakhs
i) A-Type PS	5	15.65	18.34	17.2
ii) F-Type	388	143.32	175.63	22.5
iii) Deposit works	8	20.28	23.50	15.8
	401	179.25	217.47	

The excess expenditure was due to t escalation in estimates of material and labour. Revis estimates were not prepared and got approved fr the Board of Directors to regularise the excess expe diture which was apparently met by diverting the fun from other sources.

2D.6.6 *Delay in handing over completed projec*

There had been inordinate delay in handi over of the projects to the Police authorities aft these were completed. Test check of 15 projects reveale that such delays ranged from 3 to 26 months as th Company failed to provide the basic amenities fo the buildings such as external electrification and wat supply. The Company had to incur an extra expenditu

of Rs.2.96 lakhs on these projects. The extra expenditure could have been avoided had the Company provided for the basic amenities after completion of the projects to obviate inordinate delay in handing over the projects to the concerned authorities.

2D.7 **Budgetary control and cash management**

(i) The capital and revenue vis-a-vis the budgeted and actual expenditure during the last five years ending 31st March 1992 are indicated below:

Year	Capital		Revenue	
	Budget	Actual	Budget	Actual
	(Rupees	in	lakhs	)
	(Provisional)		(Provisional)	
1987-88	949.38	276.49	48.69	27.75
1988-89	769.68	443.02	71.98	59.53
1989-90	1484.90	504.18	84.02	78.51
1990-91	583.95	356.89	69.17	87.07
1991-92	667.11	165.38	71.68	61.54

From the above it would be seen that the actuals of capital as well as revenue expenditure had absolutely no correlation to the budgetary provision and the expenditure was far below the budgetary provision except in the year 1990-91, when the budget provision (Revenue) of Rs.69.17 lakhs was exceeded by Rs.17.90 lakhs i.e. 25.9 *per cent*. This is indicative of the fact that the budgetary anticipations were unrealistic.

(ii) The Company did not have any mechanis to ascertain the availability of funds either central or at various Zonal Offices. This resulted in sanctio of works advances to Assistant Engineers/Others witho adjustment of previous advances. As on 31st Marc 1992 an amount of Rs.18.91 lakhs remained unadjuste unrecovered from the staff, of which an amount c Rs.6.18 lakhs was found by the Management to be irre coverable from 108 numbers of ex-explovees due t their resignation or discharge from the Company' service and death.

The year-wise break-up of advances outstanding, amount found irrecoverable etc., were as follows

Year	Amount of advance outstanding	Amount found to be irre-coverable	Number of staff involved
	(Rupees	in lakhs	)
1987-88	0.86	0.42	60
1988-89	3.31	2.11	22
1989-90	5.80	2.34	17
1990-91	2.88	0.56	5
1991-92	6.06	0.75	4
	18.91	6.18	108

In reply to audit observation, the Management stated (August 1992) that the schedule of advance was in progress. Further developments were awaited.

2D.8 Shortage of stores

The Company has not laid down any store accounting procedure since its inception and annual physical verification was never conducted. The handing over and taking over of stores report of September 1991 revealed that the stock and stores valued Rs.2.49 lakhs covering 192 items were found short at the Central Store, Cuttack. The shortages were brought to the notice of the Head Office on 6th September 1991 but action was not initiated for investigation and fixation of responsibility for recovery of the cost of materials.

Management stated (August 1992) that the matter was being examined for fixing responsibility for recovery.

2D.9 Deficiencies in the maintenance of Books of accounts

The Company took up execution of allotted works of State Government and also deposit works of the other organisations and private bodies. The Company did not formulate any procedure of its own or adopt any procedure laid down in the Public Works Code for the construction of the projects. Test check of the records maintained in various zonal offices and in head office revealed the following deficiencies :

2D.9.1 *Zonal Offices*

(i) There was no record to show the target date and actual date of completion, date of commencement of work and date of handing over of the Projects. Important records such as Works Registers, Work abstract and construction ledgers etc., were not maintained on account of which the actual expenditure incurred for the Projects could not be ascertained.

(ii) The works completion reports were not prepared at Zonal office level.

(iii) Project-wise amounts advanced, expenditur incurred and the balances were not worked out at zon office level.

2D.9.2 *Head Office*

The Company did not maintain any recor to ascertain the project-wise working results and profi tability due to which the Company was un-aware o the up-to-date expenditure in respect of each wor till completion.

The Management stated in May 1992 tha in the initial stages of the formation of the Company no stress was given on the modalities of operatio and maintenance of accounts records and that bein a Government Company formed under the Companie Act, 1956, double entry system of Book keeping wa being followed by it without any room for adoptin accounting procedure as per PWD Code. The contentio of the management is not accepted as it is a wor executing agency for civil constructions and the basi records such as work Register, work abstract, contractor ledger, Project-wise working results and profitabilit were required to be maintained in addition to the prepa ration of monthly trial balance by Zonal Offices.

2D.10 Accounting Manual

The Company had not prepared any Accoun ting Manual laying down the accounting and procedur to be followed.

2D.11 Internal Audit

The Company did not have its own internal audit wing for conducting the internal audit.

These matters were reported to Company/ Government in August 1992; their replies had not been received (February 1993).

CHAPTER III
SECTION 3

REVIEW IN RESPECT OF STATURORY CORPORATIO

ORISSA STATE ROAD TRANSPORT CORPORATION

(A) CASH MANAGEMENT

Highlights

The Financial Adviser and Chief A coun Officer (FA & CAO) exercises overall control ov the Cash Management of the Corporation. The u offices (Depots/Sub-Depots/Zones) function as bas accounts units and render monthly accounts to FA&CA who prepares the annual consolidated accounts of t Corporation.

The capital receipts of the Corporati consist of capital contribution from the State and Centr Government, loans from the financial institutions a credits under the bills rediscounting scheme of Industri Development Bank of India(IDBI). The revenue recei constitute mainly the income from traffic operation

Though the State Government release funds exclusively for repayment of instalments of loa availed from the financial institutions, yet the Corpor tion, diverted Rs.761.10 lakhs from the loans avail from financial institutions during the period from 1988-8 to 1989-90 towards repayment of instalments of loan Despite this, an amount of Rs.1596.79 lakhs as princip and interest was overdue for repayment (March 1992 Besides, the delay in repayment of instalment and interes thereon, there was an additional expenditure of Rs.166.1 lakhs on account of penal/compound interest (March 1992

In spite of the weak financial positio of the Corporation, the amounts outstanding from differe agencies were not realised in time due to which due

outstanding from the sundry debtors amounted from Rs.36.58 lakhs in 1986-87 to Rs.176.40 lakhs (March 1991). An amount of Rs.178 lakhs (March 1992) was also recoverable from the State Government towards the proportionate pension and gratuity paid by the Corporation to the retired staff of earstwhile State Transport Service who were taken over on the formation of the Corporation in May 1974.

3A.1 Introduction

The Financial Adviser and Chief Accounts Officer (FA & CAO) who heads the Accounts and Finance Wing of the Corporation, exercises overall control over the cash management of the Corporation. The Corporation has 42 units offices (depots/sub-depots/zones) each of which function as a basic accounting unit under the charge of a District Transport Manager(DTM)/ Assistant Transport Manager(ATM). The unit offices rendered monthly accounts (Trial Balance) to the FA and CAO for preparation of the consolidated accounts of the Corporation.

The Capital receipts consists of capital contribution from the State and the Central Government, loans from financial institutions and credits under the bills rediscounting scheme of the Industrial Development Bank of India (IDBI). The revenue receipts of the Corporation are mainly from passenger fares.

3A.2 Scope of audit

Cash Management of the Corporation was reviewed in Audit during March 1992 to August 1992 and findings thereof are set out in the succeeding paragraphs.

3A.3 Budgetory control

The Corporation had no system for cash management through monthly or quarterly cash flow statements for cash budgets and for watching actual receipts and expenditure with reference to the estimated receipts and expenditure. Under the Orissa State Road Transport Corporation Rules 1975, the Corporation is required to prepare each year two sets of budgets i.e., one for capital and the other for revenue. The budgets were required to be prepared and approved by Board for succeeding financial year before 31st December and got approved by Government before 15th January of the ensuing year.

The following table indicates the approval of budgets for the last three years ending 31st March 1992 by Board and Government.

Budget for the year	Date of Board's approval	Date of Government's approval
1989-90	14th February 1989	8th December 1989
1990-91	18th April 1990	22nd June 1990
1991-92	24th July 1991	10 June 1992

The revised budgets were got approved during September - October generally in each financial year. It was observed in Audit that the revised budget for the year 1989-90 was got approved by Board as well as by Government after completion of the financial year i.e., in April 1990 and June 1990 respectively, whereas the revised budgets for the period 1990-91 and 1991-92 were approved by the Board in July 1991 and June 1992 respectively but the Government approval was still awaited (August 1992).

Non-adherence to the prescribed scheduled dates was indicative of lack of budgetory control and defeated the very purpose for which the revised estimates were intended.

The Management stated (August 1992) that due to delay in receipt of necessary data from the concerned unit offices, the budgets could not be got approved in time. The reason ascribed by the Management for delay in obtaining of information from Zonal/Unit Offices proved that there was absence of internal control.

3A.4 Capital Budgeting

The Capital budget prepared by the Corporation covered acquisition of new vehicles, purchase of plant and machinery, construction of bus stands and passenger resting sheds etc. The funds requirement for capital expenditure were mainly to be met out of the revenue of the Corporation. As the Corporation was not in a position to generate surplus revenue even for the repayment of loans and was continuously incurring cash losses, it had to take recourse to the capital contribution and loans from the State/Central Government, as also loans from different financial institutions for the purpose of meeting its capital expenditure.

Table below indicates the capital receipt and expenditure thereof for the last three years up to 1991-92 :

Particular	1989-90 B.E	1989-90 Actual receipts	1990-91 B.E	1990-91 Actual receipts	1991-92 B.E	1991-92 Actual receipts
	(	Rupees	in	lakhs		)
Receipt						
Capital contribution:						
- State	450.00	352.00	510.00	1468.19	975.00	513.00
- Central	225.00	-	-	-	-	-
Loan from State	-	556.00	200.00	-	300.00	-
Loan from IDBI	359.00	456.91	718.00	853.54	1500.00	299.94
	1034.00	1364.91	1428.00	2321.73	2775.00	812.94
Expenditure						
Land and building	75.00	15.72	61.00	2.00	80.00	13.91
Vehicles	359.00	456.91	718.00	853.54	1800.00	450.45
Tools and Plant	41.00	0.12	20.00	0.32	20.00	6.50
Repayment of loan	486.00	828.00	606.49	1111.50	872.27	246.44
	961.00	1300.75	1405.49	1967.36	2772.27	717.30

As against capital receipt of Rs.4499.58 lakhs during the last three years ended 31st March 1992 by way of loan/capital contribution from State/ Central Government and borrowings from IDBI the

capital expenditure was Rs.3985.61 lakhs and the balance amount was diverted towards working capital. Few such instances of diversion of funds are discussed in the succeeding paragraphs.

3A.5 Diversion of funds

Based on the budgetory proposals, the State Government released funds each year for repayment of loan/construction of body building, repairs of off road vehicles etc. The Corporation diverted the relevant funds for other purposes as indicated below for which no specific reasons were on record.

Year	Amount of share capital released	Amount spent for the - Purpose for which received	Other capital expenditure	Revenue expenditure
	(Rupees	in	lakhs	)
1988-89	380.13	101.22	178.57	100.34
1990-91	884.19 25.00	699.77 2.46	3.51 0.78	180.91 21.76
1991-92	513.00	180.95	244.43	87.62
	1802.32	884.40	427.29	390.63

It would thus be seen from the table given above that out of the capital contribution of Rs.1802.32 lakhs released for the years 1988-89, 1990-91 and 1991-92, the Corporation diverted Rs.390.63 lakhs towards revenue expenditure. As a result of diversion the Corporation could not repay the over due instalments of loans which attracted penal interest of Rs.166.77 lakhs as discussed in para 3A.7 *infra*.

The Management stated (August 19 that the revenue which was being earned was qu insufficient to meet the expenditure on salary, H oil and lubricant, spare parts, tyres, tax and bon etc. Therefore, the Corporation was compelled to spe some amount from the capital contribution to me the above expenditure to keep the buses on the ro

3A.6 Revenue Budgeting

The revenue budget of the Corporati covered collection of revenue from fare, freight, misc llaneous receipt and expenditure under different reven heads. The table below gives details of the annu revenue receipts and expenditure and the losses incurre during each of the three years ended 31st March 199

	1989-90	1990-91	1991-92
	(Rupees	in	lakhs)
1. Receipts	1758.38	3098.56	3534.79
2. Expenditure:			
(a) Variable	969.34	1765.93	2046.91
(b) Fixed	1374.42	2411.82	2539.08
(c) Total expenditure	2343.76	4177.75	4585.99
Net results	(-) 585.58	1079.19	(-)1051.20

Source: Agenda papers submitted to the Board for for approval of budget

The reasons for profit in 1990-91 was mainly due to upward revision of bus fare from 1st November 1990. The reasons for losses were attributed by the Management to unhealthy competition with the private bus operators, employees strike and leakage of revenue etc.

The main reasons for losses as analysed in audit were lack of monitoring of units with regard to financial control for avoiding leakage of revenue and failure of the Corporation to control operational expenses within the prescribed norms.

3A.7 Borrowings

The Corporation availed loans from LIC, IDBI, Commercial banks and State Government for purchase of buses and ensuring smooth financial management. The following table indicates the position of loans and interest thereon as at the end of 31st March 1992.

Particulars	Government	Others	Total
	(Rupees in	lakhs	)
Amount of loan availed	681	4371.11	5052.11
Amount oustanding:			
- Principal	681	2251.59	2932.59
- Interest	137.16	528.81	665.97
Amount overdue :			
- Principal	311	712.76	1023.76
- Interest	137.16	435.87	573.03

An analysis of loans availed of by th Corporation revealed that an amount of Rs.761.10 lak obtained from commercial banks and State Governme during the years 1988-89 and 1989-90 was utilised f repayment of loan instalments due to IDBI, LIC a Commercial banks. This was in addition to the capit contribution released by the State Government exclusive for the said purpose. Despite this the amount of overd principal and interest aggregated to Rs.1596.79 lak as at the end of 31st March 1992. Besides, due to dela in repayment of instalments and interest thereon, ther was an additional burden on account of penal/compoun interest to the tune of Rs.166.77 lakhs as at the en of 31st March 1992.

3A.8 Overdraft

Besides availment of term loans mentione above, the Corporation also availed of cash credi by way of overdraft to the extent of Rs.195 lakh up to 31st March 1992.

There was no system to reconcile monthl the figures in the books of the Corporation with thos of the bank pass book.

3A.9 Guarantees

The following table indicates the detail of guarantees given by the State Government for repay ment of loans raised by the Corporation and payment of commission thereon.

Particulars	OSRTC	Erstwhile ORT Company	Total
Period of guarantee	1981-82 to 1991-92	1983-84 to 1988-89	
	(Rupees	in	lakhs)
Amount guaranted	3426.74	989.23	4415.97
Guarantee commission due	58.83	23.73	82.56
Guarantee commission paid	11.80	0.32	12.12
Outstanding guarantee commission	47.03	23.41	70.44

As the Corporation could not generate the revenue to discharge the liabilities towards repayment of outstanding loans in time, the State Government did not extend guarantee for availing further loans under bills rediscounting scheme (BRS) beyond Rupees 3 crores during 1991-92 and also in case of LIC the funding opportunity of Rs.5 crores could not be availed of as the Corporation's request for sanction of soft loan to repay loan instalment due amounting to Rs.1.41 crores to LIC was not accepted by Government.

3A.10 Short Term Deposits

Eventhough the Corporation was availing of loans from different financial institutions and was not in a position to repay instalments which had becom overdue and attracting penal interest, the Corporatio deposited certain amounts intermittently in short ter deposits (STD). The periods of STDs, interest earne thereon and the avoidable interest on over-due insta ments to IDBI are indicated below:

Particulars	1987-88	1988-89	1991-9
	(Rupees	in	lakhs)
1. Amount invested	15.00	70.00	5.00
	(In	days	)
2. Period of deposit	48 to 182	37 to 84	51 to 144
	(Rupees	in	lakhs)
3. Interest received	0.36	0.47	0.19
4. Interest paid on IDBI loans	1.09	2.13	0.35
5. Difference	0.73	1.66	0.16

It would be seen from the above table that the Corporation could have avoided the additional interest burden to the tune of Rs.2.55 lakhs if it discharged the liability on account of overdue instalments instead of investing in the STDs.

It was also noticed that some zones were investing in STDs intermittently out of surplus revenues without transferring the same to head office and even without obtaining prior approval. In the absence of detailed information at Head Office about the amounts and periods of investment, the avoidable loss on account of payment of penal interest could not be worked out

in audit. This was a pointer towards lack of control of Head Office over the financial transactions at zonal level.

3A.11 Improper operation of Bank Accounts

With the establishment of the Corporation (OSRTC) on 1st May 1974, current accounts were opened with State Bank of India(SBI)and other nationalised banks in different places of the State for remittance of revenues as well as for withdrawal of the amounts required for meeting day to day expenses.

As per procedure outlined by the Corporation the Zones had to operate two accounts Viz No.I for meeting the expenses and account No.II for depositing the revenue. The Zonal authorities were to deposit the entire revenue collection into Account No.II which was to be operated by Head Office only. For enabling the Zones to meet their expenditure the head office was to either instruct the bankers for transferring of funds from Account No.II to account No.I or place the funds in account No.II as per the budget provision.

The Corporation issued instructions in January 1990 to the zonal bankers to transfer the surplus funds to the Head Office account at Cuttack, every week after retaining a minimum balance to keep alive the Account No.II. As such, the zonal banks were transferring the amounts to Head Office account intermittently.

Though the procedure outlined above was supposed to be in vogue, in practice none of the zonal offices deposited the entire revenue collected into Account No.II, instead, they were spending the revenue collected towards their day to day operational expenses. The table below indicates that amounts transferred to Head Office by zones were negligible as compa to the revenue collected and the amounts transferr by Head Office to the zones to meet the expens

Year	No.of Zones	Total revenue collected by Zones	Amount transferred to head office	Percentage of transfer	Amount transferred by head office to Zo
		(Rupees	in	lakhs	)
1987-88	18	1867.43	311.76	16.7	597.14
1988-89	18	1788.54	310.61	17.4	146.99
1989-90	18	1538.57	347.05	22.6	26.84
1990-91	20	2506.80	359.16	14.3	235.88
1991-92	21	3086.66	998.04	32.3	367.0

Though the Zones failed to transfer enti revenue collected into Account No.II yet the Hea Office allowed the zones to spend out of the revenue so collected and further, released funds to meet the regular expenses.

3A.12 Leakage of revenue

The Corporation created a Traffic Survey Cell (TSC) in October 1985 which report the aspects relating to (a) the actual income (b) operational deficiencies and (c) the traffic behaviour.

The number of routes surveyed, revenue per kilometer earned prior to survey and that earned

during survey period for the three years ending 1991-92 were as follows :

Year	No.of routes surveyed	Range of PKI earned: Prior to survey	Range of PKI earned: During survey period	Additional revenue earned during survey period over the period prior to survey
		(Rupees	in	lakhs)
1989-90	158	2.36 to 6.93	1.97 to 6.13	1.33
1990-91	88	1.58 to 7.76	1.50 to 7.76	0.66
1991-92	57	1.87 to 5.22	1.85 to 6.69	0.59

It is seen from the table that though the survey wing was a tool to check the leakage of revenue, the extent of such checks went down over the years with the resultant decrease of revenue due to reduction in staff. The Corporation had neither indicated the reasons for reduction in staff nor taken the remedial measures for checking the leakage of revenue.

3A.13 Sundry debtors

In spite of weak financial position of the Corporation the amounts outstanding from different agencies were not realised in time, due to which dues outstanding from the sundry debtors mounted from

Rs.36.58 lakhs in 1986-87 to Rs.176.40 lakhs by Ma 1991. The year-wise break-up for the last five ye up to 1990-91 was as follows :

Year	Bus warrant	Postal subsidy	Government department	Private party	Students concession	Tota
	(	Rupees		in	lakhs	)
Up to						
1986-87	5.78	9.69	2.69	18.42	-	36.5
1987-88	0.86	2.86	0.17	0.01	-	3.9
1988-89	0.54	3.62	0.13	0.01	34.87	39.1
1989-90	1.54.	3.87	0.73	0.01	134.15	140.3
1990-91	5.49	3.69	0.30	-	166.92	176.4

Of these debts amounting to Rs.82.86 lak were outstanding for more than five years includin Rs.6.56 lakhs pertaining to period prior to incorporatio the chances of its recovery were dismal.

In addition to the above outstanding due the Corporation has to receive an amount of Rs.17 lakhs as on 31st March 1992 from the State Governme towards the proportionate pension and gratuity pa by the Corporation to the retired staff of earstwhil State Transport Service, who were taken over on forma tion of the Corporation in May 1974. Due to non-produ ction of the related records, the actual claims lodge by the Corporation, amounts received and year-wis break-up of outstanding amount of Rs.178 lakhs coul not be analysed. When the Corporation was strugglin

for its working capital requirements, the non-recovery/ delay in recovery of dues seemed unjustifiable.

3A.14 System lapses

The Corporation has prescribed the following returns which are required to be submitted by the zones to the head office.

- Daily conductor-wise/route-wise performance statistics,
- Daily operational report of the unit/zone and
- Monthly statements on breakdown, delay,
- tyre performance, engine performance, battery performance, performance of new vehicles, accident, fuel/engine oil performance, return on counter booking of tickets, review reports, trial balance etc.

Thus, although the system exist regarding submission of returns, the effectiveness of the same was nominal as either zones did not fed the information in time or the Head Office did not compile the information bringing out the factual position and placed before the Management so as to evolve time-bound programme for taking remedial action.

In the absence of receipt of returns from zones in time and non-compilation of the same by the head office the Management was even not in a position to know the cash in hand or at banks of the Corporation as a whole on a particular date.

It was also noticed in audit that the Corporation was not even preparing the monthly bank reconciliation statement. In this system there was scope for cash misappropriation. Further in number of zones even physical verification of cash was not done regularly by any of the responsible officers of the Corporation.

3A.15 Misappropriation of cash/disciplinary cases thereof

The Corporation had an Internal Audit Wing for pre-auditing of the payments of Zone/Depot level. The way bill of conductors were also audited before remittance of revenue to the cashier of the Zone/Depot. Any lapses noticed were generally made good on spot and in the event of major misappropriation of cash/stores, the cases were being brought out in their Inspection Reports.

A test check of disciplinary proceedings register revealed that there were ten cases of cash misappropriation amounting to Rs.5.66 lakhs from July 1986 to December 1991. Out of these cases, departmental proceedings were finalised in respect of two cases and accused persons were found guilty of charge, but misappropriated amounts of Rs.0.62 lakh could not be recovered so far (August 1992).

In one case due to non-exercising of internal audit checks of the way bills, one conductor mis-appropriated cash to the tune of Rs.0.70 lakh. The case was under finalisation (August 1992).

There was also temporary mis-appropriation of Rs.3.70 lakhs by one Assistant Cashier. Disciplinary action/departmental proceedings against the delinquent cashier and for other cases were yet to be taken (August 1992).

These matters were reported to Management/ Government in September 1992; their replies had not been received (February 1993).

(A) PERFORMANCE OF WORKSHOPS

Highlights

The Corporation is having two Central workshops at Sambalpur and Berhampur which undertake the work relating to bus body building, major repairs, reconditioning of engines, caliberation of fuel injection pumps and tyre retreading, etc. In addition, the garages attached to 42 depots/zones attend to the routine repair and maintenance of buses.

Notwithstanding that there was under-utilisation of capacity in the fabrication of bus bodies in both the Central workshops, 149 buses were got fabricated through private agencies in contravention of COPU's advice, thereby resulting in non-absorption of labour and overhead charges to the extent of Rs.60.42 lakhs during the period from 1989-90 to 1991-92. The Corporation had also to pay Sales Tax of Rs.42.74 lakhs by not getting the work executed in its own workshops.

Delay at various stages in fabrication of bus bodies through private agencies resulted in a loss of revenue to the extent of Rs.162.88 lakhs during the period from 1989-90 to 1991-92. Similarly delay in bus body building/renovation by Corporation's Central Workshops deprived the Corporation of an expected revenue of Rs.282.12 lakhs from the period from 1989-90 to 1991-92.

3B.1 Introduction

The Orissa State Road Transport Corporation (OSRTC) had one Central Workshop at Sambalpur since January 1962. Consequent upon merger of Orissa Road Transport Company (ORTC) with OSRTC in August 1990, there are two Central Workshops at present - one at

Sambalpur and the other at Berhampur. The Central Workshops undertake the works relating to bus body building, major repairs, reconditioning of engine, calibration of fuel injection pump and tyre-retreading etc. The Central Workshop at Berhampur carry out overhauling of gear box alternator, dynamo, battery etc. regularly in addition to the above works. Moreover, each of the 42 depots/zones were attached with garages for attending to the general repairs and maintenance of buses. Of these two depot garages at Baripada and Jeypore have facilities for major body repairs. Further, Central Store located at Cuttack is equipped with tyre retreading plant, Recambering machine and Car Washing Machine.

3B.2 Scope of Audit

A mention was made about the performance of Central Workshop Sambalpur in para 7.12 and about performance of Central Workshop, Berhampur in Para 3.15 of the Report of the Comptroller and Auditor General of India for the year 1979-80(Commercial). The Committee on Public Undertakings recommendations are contained in its 22nd report (Ninth Assembly) which was presented to the State Legislature on 27th March 1989. The action taken on the recommendations of COPU was awaited (February 1993).

Workshop performance covering the activities of Central Workshops and Workshops attached to Central Stores, Cuttack excluding depot garages has broadly been reviewed during March 1992 to August 1992 and the points noticed are embodied in the succeeding paragraphs.

3B.3 Performance of Central Workshops

The table below indicates the overall performance of Central Workshops at Sambalpur and Berhampur

for the last three years up to 1991-92.

Particulars	1989-90		1990-91		1991-92	
	CWS	CWB	CWS	CWB	CWS	CWB
Fabrication of new Bus bodies		2	3	-	5	3
Renovation of bus bodies	6	48	27	73	23	49
Reconditioning of engine	246	137	266	144	231	109
FI Pump calibration	205	222	211	250	232	192
Minor repairs	52	45	46	79	45	36
FI Pump testing	125	-	150	-	149	-
Tyre retreading	801	2981	876	2308	496	1988
Armature rewinding	18	-	-	-	-	-
Reconditioning of automiser	-	264	189	281	210	244
Overhauling of gear box	-	184	-	195	20	131
Radiator repairing	-	142	-	132	-	116
Alternator repairing	-	165	-	166	-	98

Note: CWS = Denotes Central Workshop, Sambalpur.

CWB =Denotes Central Workshop, Berhampur.

3B.4 Bus body fabrication

The work relating to fabrication of new bus bodies/renovation of old bus bodies were being done in both the Central Workshops at Sambalpur and Berhampur.

The Sambalpur Workshop had an installed capacity of either fabrication of 60 new bus bodies or renovation of 105 old bus bodies per annum. It was reduced to either fabrication of 48 new bus bodies or renovation of 84 bus bodies in November 1987 due to deterioration of machinery and depletion of manpower. The Berhampur workshop is in a position to fabricate 24 bus bodies and renovation of old bus bodies to the extent of available work load. The targets were not fixed for renovation of old bus bodies.

The Corporation had fixed in November 1975, 205 mandays as the standard for completion of a new bus body and 118 mandays for renovation of old bus body.

The following was the production performance of the bus body wing for the three years ended up to 1991-92.

Particulars	1989-90		1990-91		1991-92	
	CWS	CWB	CWS	CWB	CWS	CWB
I. Number of mandays available	16050	24754	19325	28848	21150	27741

Particulars	1989-90		1990-91		1991-92	
	CWS	CWB	CWS	CWB	CWS	CWB
Capacity/ Targets as per the norm						
a) New Bus body building	48	24	48	24	48	24
or						
b) Renovation/ major repair of buses	84	-	84	-	84	-
II. Actual production						
a) New bus body building	-	2	3	-	5	3
b) Renovation/ major repair	6	48	27	73	23	49
c) Number of minor works	52	45	N.A.	79	N.A.	36
III) Actual mandays required for production with reference to norm						

Particulars	1989-90		1990-91		1991-92	
	CWS	CWB	CWS	CWB	CWS	CW
New Bus	-	410	615	-	1025	61
Renovation	708	5664	3186	8614	2714	578
Total	708	6074	3801	8614	3739	639
IV. Mandays utilised	7514	N.A.	12425	N.A.	16232	N.A.
V. Excess mandays utilised	6806	N.A.	8624	N.A.	12493	N.A.
VI. Idle mandays	8536	23680	6900	20234	4918	2137
Idle wages (Rupees in lakhs)	8.70	11.44	3.45	10.73	2.20	12.21

Had the Corporation utilised the services of labour by obtaining new chassis in phased manner as well as also completing the renovation of old buses docked in the Central Workshop for more than a decade, the idle wages as computed above could have been avoided as discussed in para 3B.4.1 *infra*.

The Management also viewed that by getting the buses renovated they could put on road atleast 29 buses from the idle buses docked in CWS.

Note : N.A. = Denotes not available.

3B.4.1 *Awarding of bus body fabrication to private agencies*

Despite instructions from the Commerce and Transport Department of the State Government from time to time as well as specific instructions in May 1990 and again in November 1990 for fabrication of bus bodies in the Central Workshops of the Corporation only and to desist from awarding the works to private parties, the Corporation unloaded the body building works to the private agencies without assigning any specific reasons.

The Committee on Public Undertaking (COPU) in its *suo-motu* study on functioning of the Corporation reported in March 1989 that the capacity of Workshop for body building was 62 in 1978-79, but in subsequent years it was seen that instead of engaging the Workshop to its full capacity the work was entrusted to outside agencies thereby the workshop remained underutilised.

The Corporation's plea that on account of financial constraints the work was entrusted to outside agency was not acceptable and the Committee was of the view that the authorities were inclined to favour outside agencies at the cost of the Corporation. The Committee enjoined upon the Corporation to calculate required working capital with careful supervision so as to prevent unnecessary cash out flow to private firms.

In spite of the above directions by COPU, the Corporation got the new bus bodies built from outside agencies without utilising the available capacity in its own Central Workshops during 1989-90 to 1991-92.

The following table summarises the nu of chassis received, body built in Central Works of the Corporation and the number of bus body b by private agencies and the labour charges that c have been absorbed by the Corporation had the wo undertaken in Central Workshops instead of awar to the private agencies for the last three years to 1991-92.

Particulars	1989-90		1990-91		1991-9	
	CWS	CWB	CWS	CWB	CWS	C
1. Number of chassis received	71	2	44	-	103	-
2. Number of bus bodies built by CWS and CWB	-	2	-	-	5	3
3. Number of bus bodies built through private agencies	71	-	44	-	95	-
	(	Rupees	in	lakhs	)	
4. Rate per bus paid to private agencies excluding sales tax)	1.71		1.78		1.98	

Particulars	1989-90		1990-91		1991-92	
	CSW	CWB	CWS	CWB	CWS	CWB
	(	Rupees	in	lakhs	)	
5. Value of material consumed per bus in Central Workshops	1.26		1.49		1.52	
6. Amount that could have been saved through labour and overhead charges per bus	0.45		0.29		0.46	
7. Available capacity for new bus body in the Central Workshops*	64		44		41	
8. Total avoidable expenditure(6x7)	28.80		12.76		18.86	

* The available capacity worked out after deducting the jobs undertaken at the Workshops or the number of cassis received whichever is less.

Had the Management procured the chas in phased manner and utilised its own body build capacity at least 149 buses could have been fabrica in its Central Workshops during 1989-90 to 1991 whereby a sum of Rs.60.42 lakhs could have been sa towards labour and overhead charges. Apart from th the Corporation had to pay Sales Tax amounting Rs.42.74 lakhs by getting the bus bodies fabrica through private agencies.

3B.4.2 *Delay in fabrication of bus bodies by priv agencies*

It was noticed that there had been inordina delays at various stages which had contributed to del in fabrication of bus bodies by the private agenci as analysed in the following table for the three yea up to 31st March 1992.

Particulars	1989-90	1990-91	1991-9
Delay of days in receipt of chassis from suppliers due to delay in inspection by the Corporation Officials	184	180	3549
Bus days lost due to delay in handing over the chassis to body builders	113	-	5396
Bus days lost due to delay in delivery of fabricated buses by the body builders	423	314	683
Bus days lost due to delay in putting the buses on Road	30	42	371
Total bus days lost	750	536	9999
Loss of revenue at 300 Kms. per day operation and at average per kilometer income earned (Rupees in lakhs)	9.22	7.27	146.39

From the table it may be noticed that the Corporation had not taken expeditious action to conduct the pre-despatch inspection of chassis for which there had been loss of bus days to the extent of 3913 during the three years 1989-90 to 1991-92.

The private agencies were to return the buses after fabrication within the period as stipulated in the agreement or otherwise they were liable to pay penalty under clause 29 of the agreement.

During the above period 1420 bus days were lost due to delay in handing over of bus bodies by the bus body builders. The Corporation levied penalty on 107 private parties who failed to return the fabricated buses in time to the tune of Rs.12.56 lakhs, of which Rs.1.52 lakhs only had been collected from 50 parties and penalty of an amount of Rs.1.85 lakhs imposed on 36 parties was exempted on the request of the parties on the ground of non-availability of raw-materials in time, while the balance amount of Rs.9.19 lakhs due from 21 parties was yet to be recovered (July 1992). It was observed that such exemption for payment of penalty were granted only in 1990-91 and 1991-92 and the exemption on the same ground was not entertained in 1989-90.

The delay of 5952 bus days due to delay in handing over the chassis to bus body builders and in putting the buses on road from the date of completion of fabrication could not be ascertained in audit for want of proper records.

Inaction of the Corporation in avoiding the delays at different stages resulted in loss of revenue to the extent of Rs.162.88 lakhs.

3B.4.3 *Delay in bus body building by Central Workshops*

Soon after receipt of bus chassis/old buses for fabrication/renovation, the Central Workshops were required to prepare the list of materials required for the purpose and to take up the jobs in chronological order. It was noticed that the Central Workshops had delayed at different stages from commencement to the completion of jobs. The following table enumerates the delay at different stages and the vehicle days lost during the period from 1989-90 to 1991-92.

Particulars	1989-90		1990-91		1991-92	
	CWS	CWB	CWS	CWB	CWS	CWB
I. Number of new bus bodies fabricated	-	2	3	-	5	3

Particulars	1989-90		1990-91		1991-92	
	CWS	CWB	CWS	CWB	CWS	CWB
II. Number of renovation/major repairs completed of buses	6	48	27	73	23	49
III. Range of days taken for body building/renovation	8 to 243	2 to 518	11 to 340	2 to 487	10 to 187	2 to 230
IV. Number of bus days delayed for commencement of body building	353	N.A.	3387	N.A.	2619	N.A.
V. Number of bus days delayed for fabrication	557	2453	2230	4039	2229	811
VI. Number of bus days delayed in delivering the completed bus	29	N.A.	680	N.A.	1188	N.A.

Particulars	1989-90 CWS	1989-90 CWB	1990-91 CWS	1990-91 CWB	1991-92 CWS	1991-92 CWB
VII. Total number of bus days lost due to delay (IV+V+VI)	939	2453	6297	4039	6036	811
VIII. Loss of Revenue at the average PKI of the year end at 300 KM run per day (Rupees in lakhs)	11.55	30.17	85.39	54.77	88.37	11.87

From the above table it may be noticed that due to delay in completing the fabrication of bus bodies/renovation of bus bodies in CWS, the Corporation lost 20,575 bus days for the three years ending 31st March 1992 which consequently resulted in loss of expected revenue to the extent of Rs.282.12 lakhs.

3B.5 Under-realisation of overhead cost

The Central Workshop charges overhead at the rate of 250 *per cent* of the labour charges to each of the work undertaken in the Workshop. In the case of the following works undertaken for outside agencies, overhead charges were claimed at 100 *per cent* only. This has resulted in short claim of overhead charges

to the tune of Rs.1.78 lakhs as indicated below:

Name of the party	Overhead charges claimed 100%	Overhead charges due at the rate of 25%	Short realisation of overhead charges
	(Rupees	in	lakhs)
1. Principal Engineering College, Burla	0.27	0.68	0.41
2. Registrar, Sambalpur University	0.49	1.24	0.75
3. Principal, Rangers College, Anugul	0.42	1.05	0.62
			1.78

The reasons for short realisation of claiming lower overhead were not on record.

3B.6 Engine Section

The Corporation had not indicated the installed capacity of engine overhauling/reclamation Section. The targeted production vis-a-vis actuals for the last three years up to 1991-92 were as follows:

Particulars	1989-90				1990-91				1991-92			
	Engine		FI Pump		Engine		FI Pump		Engine		FI Pump	
	CWS	CWB	CWS	CWB	CWS	CWB	CWS	CWB	CWS	CWB	CWS	CWB
Target	340	288	850	432	340	288	850	432	340	288	850	432
Achievement	246	137	205	222	266	144	211	250	231	109	232	192
Shortfall	94	151	645	210	74	144	639	182	109	179	618	240
Percentage of achievement to target	72.3	47.6	24.1	51.3	78.2	50.0	24.8	47.9	67.9	37.8	27.2	44.4

The cause-wise idleness of men and machines could not be analysed in Audit due to non-maintenance of log books for any of the machines by CWB and incomplete maintenance of log books by CWS.

3B.6.1 *Premature failure of reconditioned Engine*

The following norms were being followed by the Corporation for the performance of reconditioned engines.

	(In lakh Kms.)
Leyland	0.80
TATA	0.75

Where the engine failed prematurely before giving even 50,000 kms, the Technical Inspection Committee(TIC) of CWS and CWB was required to inspect and analyse the reasons for premature failure and to suggest either for condemnation or for the repair at depot level or at Central Workshop level.

At CWB though 22 reconditioned engines failed prematurely during 1989-90 to 1991-92, the TIC had not inspected the engines and reported upon so far (July 1992). Specific reasons for the same were not on record.

In regard to CWS, the TIC register for the three years ended 31st March 1992 revealed that as many as 76 engines were listed for inspection, of which 27 were not inspected so far (August 1992).

Out of 49 engines inspected the TIC indicated that in respect of 19 engines the premature failure was due to non-adherence to the preventive maintenance at depot level and/or for driving deficiencies. While in respect of 8 engines the premature failure was attributed to defects in reconditioning by CWS and in respect of 3 other engines owing to use of sub-standard materials. For the balance 19 engines no responsibility could be fixed by TIC.

The Corporation had no record to ascertain the further course of action taken against the erring officials who were responsible for such premature failure though the CWS furnished a monthly return in regard to premature failure of engines to headquarters.

An analysis of these returns for the three years from 1989-90 to 1991-92 revealed that as against 587 engines received for reconditioning, 275 engines had failed prematurely which was 32 *per cent* of the total receipt.

3B.7 Tyre retreading plant, Sambalpur (Hot process)

Mention was made in para 12.1 of the Report of the Comptroller and Auditor General of India for the year 1977-78 (Commercial) where the general performance of the tyre retreading plant was commented upon. COPU's recommendations were contained in its Seventh Report (8th Assembly) presented to the Legislature on 30th September 1982. Presently, the performance of the plant during the three years up to 1991-92 was perused by Audit and further observations are brought out as under :

3B.7.1 *Plant utilisation*

The following table indicates the plant utilisation during the three years ended 31st March 1992.

Particulars	1989-90	1990-91	1991-92
i) Available days	305	305	306
ii) Actual days worked	59	30	31
iii) Under utilisation	246	275	275
iv) Reasons -			
(a) For want of tyres	41	196	237
(b) Electrical failure	5	2	-
(c) Boiler repairing	39	-	-
(d) Boiler inspection	-	11	-
(e) Strike	40	-	-
(f) For want of rubber furnace and other reasons	71	32	38
(g) Others	50	34	-

From the above table it is observed that the plant remained unutilised from 246 days to 275 days for the three years up to 31st March 1992 due to different reasons. It may be further noticed that excepting for power failure, boiler inspection, repair and strike all other reasons attributed for idleness were avoidable due to the fact that (a) the Corporation could have mobilised and insisted all the zones to get their tyres retreaded from third retread and onwards in hot process as the same was more feasible and advantageous than cold process, (b) the Corporation could have resorted to proper planning in procurement policy and strict adherence to maintenance of minimum, reordering and maximum levels of requirement of consumables.

The Corporation awarded tyre retreading job to private agencies at zonal level keeping their own plant idle. The Corporation's head office had no information in respect of all zones relating the number of tyres got retreated and the amount paid thereof to the private agencies at zonal level of corporation as a whole for the period 1989-90 to 1991-92. A study of the available information revealed that four zones Viz. Bhawanipatna, Jeypore, Bhadrak and Sambalpur had got retreaded 1379 tyres from private firm at a cost of Rs.8.99 lakhs during 15th January 1989 to 15th September 1990.

As the plant remained idle for such a long period due to the reasons discussed above the men and machinery could not be utilised resulting in payment of idle wages which in turn led to excess operational expenses over the income as may be seen from the following table :

Particulars	1989-90	1990-91	1991-92
i) Number of tyres retreaded	801	576	496
ii) Rate of realisation per tyre retreaded (in rupees)	580 (up to September 1989) 700 (December 1989 onwards)	700	700
iii) Amount realisable from the zones (i x ii) (Rupees in lakhs)	4.79	4.03	3.47
iv) Actual expenses (Rupees in lakhs)	6.47	6.05	5.32
v) Profit(+)/ Loss(-) (Rupees in lakhs)	(-) 1.69	(-) 2.02	(-)1.85

The Corporation sustained loss on this account which was indicative of the poor performance of the tyre retreading plant.

Owing to the shut down of plant for 625 days the Corporation had to pay idle wages to the tune of Rs.3.20 lakhs during the last three years up to 1991-92.

3B.7.2 *Performance of tyre retreading plants (Cold process) at Cuttack and Berhampur*

As on 31st March 1992 the Corporation had two Cold process retreading plants at Cuttack and Berhampur of equal capacity and same Make "Elgi Tyres". In addition, the Corporation installed a two tyres electric chamber machine at Cuttack in 1991-92 with a capacity of 2400 tyres per year.

The following table indicates the performance of these retreading plants for the last three years up to 1991-92.

Particulars	1989-90		1990-91		1991-92	
	Cuttack	Berhampur	Cuttack	Berhampur	Cuttack	Berhampur
Installed capacity	4800	4800	4800	4800	4800 (up to 10/91) 7200 (w.e.f (w.e.f 11/91)	4800
Target	3600	2896	3600	2876	4800	3076
Number of tyres retreaded	3324	2981	4296	2308	4820	1988
Percentage of achievement-						
-Installed capacity	69.2	62.1	89.5	48.1	66.7	41.4
-Target	92.8	103.3	119.3	79.7	107.1	64.6

It may be observed from the above table that though the installed capacity of both the plants at Cuttack and Berhampur was same, but the actual production at Berhampur was far below the Cuttack plant. The reasons attributed by the unit Management for such shortfall were want of tread rubber and casings etc.

The following table indicates the number of idle days and causes thereof for the three years up to 1991-92 in the case of plant at Berhampur:

Particulars	1989-90	1990-91	1991-92
Number of days available	300	298	318
Number of days worked	200	226	172
Number of days idle	100	72	146
Percentage of days idle to number of days available	33.3	24.2	45.9
Cause-wise idle time for want of -			
(a) raw-material	86	56	124
(b) maintenance	1	4	-
(c) tyres/casings	2	6	4
(d) repair	11	6	18
Total wages paid	(Rupees 2.63	in 2.17	lakhs) 3.47
Idle wages in proportion to the idle period	0.68	0.52	1.59
Total idle wages(in rupees)	...	Rs.2,79,586	

The unit Management attributed the idle time of the plant for want of raw-material due to shortage of working capital. A scrutiny of the zone-wise amounts due register maintained by TR Plant revealed that an amount of Rs.47.44 lakhs was outstanding from different zones as on 31st March 1992. In this context it was noticed that the tyre retreading plant at Berhampur was not pursuing payment of dues for retreading of tyres with zones.

Even after merger of erstwhile ORT Company with OSRTC since 16th August 1990, the tyre retreading plant at Berhampur remained idle for want of raw-material for 144 days during the period from September 1990 to 31st March 1992 while TRP at Cuttack had no setback for want of raw-materials. In view of acute shortage of working capital and to enforce economy in purchase of consumables and timely arrangement to the needy zones, purchases were centralised from February 1992. In spite of this measure, the TR plant at Berhampur could not be operated for want of raw-materials for 30 days.

The fact, however, remained that the TR plant (Berhampur) remained idle for considerable period which led to payment of idle wages to the tune of Rs.2.79 lakhs during the three years from 1989-90 to 1991-92.

3B.8 System lapses

(a) Eventhough two years had elapsed since the erstwhile ORT Company was merged with OSRTC, the Head Office of OSRTC was not getting/obtaining the monthly/yearly returns from CWB about the overall performance of the Central Workshop, Berhampur. In the absence of these returns, the Management was unaware of the periodical performance of Central Workshop, Berhampur.

(b) The system of preparation of estimates for new body building before finalisation of tenders and awarding of works to Private agencies was discontinued since 1988-89.

(c) Both at CWS and CWB there was no system of preparation of estimates before taking up the job and comparison/reconciliation with the actuals.

(d) Machine log books were not maintained at CWB. As a result the number of hours each machine was utilised could not be known.

(e) Though CWB was having a costing section no cost records were maintained indicating the number of jobs executed, amount of labour, material and overhead charges. In the absence of the above records, the Management was unaware of the actual cost of each job.

(f) Cost of spares consumed in Works were being booked at the original purchase cost in the first IN first OUT (FIFO) method and though stores wing had been in existence for more than two decades both at CWS and CWB issue rate was not fixed so far (December 1992).

3B.9 Other topics of interest

3B.9.1 *Avoidable expenditure on electricity*

As per the Orissa State Electricity Board's (OSEB) rules a consumer could enter into an agreement for a lesser contract demand then the actual connected load in case such contract demand is above 100 KW and a trivector meter is installed.

The Works Engineer, Central Workshop, Sambalpur entered into an agreement with OSEB in 1962 for availing power at a contract demand of 177.10 KVA as the connected load of the plant and machinery was 177.04 KVA.

After a lapse of 15 years i.e. in January 1987 the Central Workshop, Sambalpur (CWS) felt that all the machines installed were neither put to use consecutively nor all the machines were required to be used simultaneously as some of them were standby while some were unwanted. Hence the CWS requested the OSEB in December 1986 to reassess the consumption. The Corporation did not follow the procedure for reduction in contract demand. According to the procedure it had to request for reduction instead of reassessment alongwith the fee payable for the purpose. As the request for reduction in contract demand limiting to the required load was never insisted upon, the Board did not entertain the request.

At the instance of Audit in January 1989, the CWS took up the matter with OSEB authorities for reduction of contract demand after fulfilling the formalities. After final verification by the Executive Engineer, Sambalpur Electrical Division, in January 1990, the Board allowed the reduction to 97 KW in March 1990 to the CWS to be effective from January 1990 being the month of verification by the Executive Engineer, Sambalpur Electrical Division.

In reply to Audit observations the Unit Management stated (July 1992) that after repeated persuation with Assistant Electrical Inspector/Executive Engineer/Superintending Engineer/Chief Engineer, this reduction of demand could be materialised from 1st January 1990.

Had the authorities requested the Executive Engineer, Sambalpur Electrical Division only for reduction to 100 KW with a trivector meter earlier alongwith requisite fee, the same could have been got reduced by March 1987 itself and additional expenditure to the tune of Rs.8.34 lakhs on electricity charges for the period from April 1987 to December 1989 could have been avoided.

3B.9.2 *Performance of washing machine*

With an idea to clean the vehicles and facilitate proper maintenance through semi-automatic mechanised pressure washing system, the Corporation decided in 1990-91 to install a washing machine at Cuttack.

The Corporation purchased (May 1991) and installed (August 1991) a KRE Premier 'S' make washing machine at a cost of Rs.7 lakhs including cost of installations which was supplied by KR Equipments (P) Limited, Sahedabad(U.P) at Association for State Road Transport Undertakings (ASRTU) rate contract price and the same was commissioned in August 1991. The Washing Machine Unit, However, started functioning from 9th October 1991.

As against the installed capacity of the Washing Machine at 50 per shift of 8 hours, the Corporation targeted 30 per shift considering the same as break-even operation. The following table indicates installed capacity/target vis-a-vis the number of buses washed during the period October 1991 to 26th June 1992.

Particulars	Period - 9.10.91 to 26.6.1992
Number of days available	215
Number of washings to be done :	
(i) Installed capacity	10750 Vehicles
(ii) Target	6450 Vehicles
Actual washings done :	
(i) Corporation vehicles	529
(ii) Private vehicles	25
	554

Particulars	Period - 9.10.91 to 26.6.1992
Percentage of actual washings to :	
(i) Installed capacity	5.2
(ii) Target	8.6

From the table it may be observed that the utilisation of washing machine was very poor when compared to the Installed capacity/target. There were no specific reasons on record for the low utilisation of the said washing machine.

These matters were reported to Management/Government in September 1992; their replies had not been received (February 1993).

CHAPTER - IV

OTHER TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

4A. Government Companies

4A.1 INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED - BOILER PIPING AND ACCESSORIES WORKS

4A.1.1 *Avoidable expenditure*

With a view to making the boiler piping and accessories works viable it was decided (May 1988) by the Company to go in for diversification and manufacturing of an exclusive high tech item which could have no competitors. For this purpose, the Government of India issued a letter of intent in July 1987 to manufacture stainless steel and titanium tubes required for condensers and heat exchangers and the Company entered into an agreement with M/s. Mannesmann Demag of West Germany in November 1987. The Board of Directors approved the project in May 1988. The Company was granted necessary import license for purchase of plant equipments amounting to Rs.1167.60 lakhs in October 1988.

Before the arrival of imported goods, the Government of India, Ministry of Industries, Department of Industrial Development was approached in August 1990 for according permission to clear the imported plant equipment on concessional duty of 25 *per cent* under section-98.01 of Indian Customs Tariff Act, 1975. The request for levy of concessional duty was rejected by the Government of India in November 1990. In the meanwhile, the consignment reached

Calcutta Port on 17th October 1990. Pending decision of Government of India for payment of concessional duty, the Unit Management decided to remove the consignment to bonded warehouse on 9th November 1990 though the Chairman-cum-Managing Director of the Company had advised the Unit Management in November 1990 to pay full customs duty for the imported materials and bring them straight to factory site at Bhubaneswar instead of shifting the consignments to bonded warehouse and incurring additional expenditure, since the committee of the Secretaries of Central Government to whom the case for special concessional duty was referred had already rejected the case.

In the meantime, rate of customs duty was raised from 80 *per cent* to 85 *per cent* with effect from 15th December 1990. As a result, when the consignments were got finally cleared in January 1991, the unit had to pay an extra customs duty to the tune of Rs.59.85 lakhs (customs duty originally payable Rs.957.66 lakhs and the amount finally paid Rs.1017.51 lakhs). Besides, the unit had to incur an expenditure of Rs.0.62 lakh on demurrage, Rs.0.18 lakh towards port charges, Rs.0.63 lakh towards service charges to clearing agent for operation of bonded warehouse, Rs.0.45 lakh towards warehouse charges and Rs.0.24 lakh on account of transportation charges from port to warehouse. Thus, as a result of not getting customs clearance of imported goods by paying full customs duty by 5th November 1990 as already directed by the Chairman-cum-Managing Director of the Company, the unit incurred an extra expenditure of Rs.61.97 lakhs.

The Management stated (April 1992) that sincere efforts were made to save 55 *per cent* of duty which amounted to Rs.6.58 crores but unfortunately all the efforts went in vain as Committee of Secretaries to whom the case was referred rejected the case and there was unusual delay in processing papers by the Calcutta Customs. The reply is not tenable as the points regarding rejection of the case was already in the notice of the Company and even then the consignment was kept in bonded warehouse which resulted in an avoidable expenditure of Rs.61.97 lakhs.

The matter was reported to the Government in May 1992 who endorsed (September 1992) the reply of the Company given in April 1992.

4A.1.2 *Loss due to non-availment of concessional rate of customs duty and payment of demurrage*

On receipt of a purchase order from Bharat Heavy Electricals Limited, Hardwar in March 1990 for manufacture and supply of 3 sets of integral piping for the power projects at Neyveli and Tuticorin, the Boiler Piping and Accessories Works, a unit of the Company placed two orders for supply of seamless and alloy pipes, in June 1990 on CITOH, Japan - one on Open General License (OGL) and the other on Registered Export Policy (REP). The prices agreed upon in the order were based on customs duty of 25 *per cent* applicable for power projects with concessional rate under Tariff No.98-01.

As per the provisions contained in the Handbook of Customs Procedure (April 1990 to March 1991) Vol.I for availment of concessional customs duty in respect of imports connected with power generation, supply and distribution, the recommendation of Central Electricity Authority (CEA) was essential.The unit obtained in January 1991 the

recommendations of the Government of India, Directorate General of Technical Development (DGTD) for levy of concessional customs duty on the imported materials.

The imported materials reached Calcutta Port on 30th January 1991. The unit made efforts to get the materials cleared on the concessional rate of customs duty on the basis of certificate issued by the DGTD. The Customs authorities, however, refused to permit clearance with concessional rate without the recommendations of CEA. Even though the terms and conditions agreed upon in the purchase order stipulated that all necessary documents required for the purpose of availing concessional customs duty on imported power projects will be provided by BHEL, the latter refused to obtain the requisite recommendation of CEA stating that usual certificate required by customs authorities for allowing projects import concession have already been made available. The unit approached again to the Collector of Customs on 12th March 1991, who advised that the imported materials under Restricted Export Policy (REP) be got cleared by making payment of duty under protest subject to claiming refund on production of necessary certificate from CEA. Accordingly, the unit got the consignments cleared on 26th March 1991 by making payment of full customs duty at the rate of 120 *per cent* plus Rs.945 per MT amounting to Rs.5.84 lakhs but no protest was recorded regarding refund of Rs.1.68 lakhs towards concessional customs duty on production of recommendations of CEA as advised by the Collector of Customs. Further, due to delay in clearance of consignments from the Port, unit paid Rs.0.84 lakh towards demurrage charges.

Thus, due to avoidable delay in getting the consignments released and due to non-observance of prescribed customs procedure for availment of concessional duty, the unit suffered a loss of Rs.2.52 lakhs (extra customs duty Rs.1.68 lakhs and demurrage charges Rs.0.84 lakh).

The Management stated (October 1992) that the extra burden on account of differential customs duty would be passed on to BHEL in terms of clause 2 of the terms and conditions of the purchase order.

Further development were awaited (February 1993).

4A.2 ABS SPINNING ORISSA LIMITED

4A.2.1 *Locking up of working capital due to non-reconciliation of accounts*

Following a decision by the Board of Directors of Industrial Development Corporation of Orissa Limited (IDCOL) in March 1987 and the orders issued by the Government of Orissa in the Industries Department in June 1987, the management of three spinning mills (Aska Spinning Mills, Baripada Spinning Mills, Sonepur Spinning Mills) of IDCOL was vested in the then Managing Director of Orissa State Textile Corporation Limited (OSTC) during the period from June 1987 to December 1989. In the course of the aforementioned period there were a large number of transactions between the spinning mills of IDCOL and the textile mills under OSTC by way of sale of yarn, transfer of raw-materials (cotton) etc. Before these transactions were effected between the mills of IDCOL and textile mills of OSTC, the terms and conditions

thereof were not decided. Besides, the relevant accounts transaction involving sale of raw-materials, payment for it and credit balances, if any, were not got reconciled and settled between the different mills from time to time.

The reconciliation of transactions between different mills, which was taken up as late as in January/February 1990, was still to be completed and dues settled. The extent of reconciliation done up to October 1991 revealed that an amount of Rs.160.96 lakhs was due for recovery from different textile mills under OSTC as shown below :-

	ASM	BSM	SSN	TOTAL
	(Rupees		in	lakhs)
OTM to pay	(19.79)	44.84	6.90	31.95
BTM to pay	71.17	16.48	21.06	108.71
OSTC to pay	(1.86)	(6.85)	29.01	20.30
	49.52	54.47	56.97	160.96

(Figures in the bracket indicate minus balance)

For effecting recovery of the outstanding dues, the Company pursued the matter with OSTC/OTM etc. and even moved the Textile and Handloom Department of the Government of Orissa in November 1990 but with no avail. In November 1990, the Department held that no interest was payable on the said dues as there was no time limit fixed for repayment of the dues and also, there was no specific stipulation in that regard when the transactions were effected.

Thus, non-fixation of any terms and conditions before effecting transactions with textile mills under OSTC resulted in locking up of working capital worth Rs.160.96 lakhs and loss of interest thereof worth Rs.48.69 lakhs for the period from January 1990 to October 1991 at the rate of 16.5 per cent per annum.

The Company, therefore, sustained a recurring loss of interest of Rs.2.21 lakhs per month on the locked up capital of Rs.160.96 lakhs.

The Management in its reply to audit query accepted that there was no specific terms and conditions for the transactions between the IDCOL mills and OSTC mills.

In further reply to audit the management accepted (February 1992) the factual position stated in the para and further stated that the management of OTM/OSTC turned a deaf ear to their request made both in writing and personal contact to submit the necessary documents/supportings for the reconciliation of transactions and also admitted that their efforts by repeatedly writing to OTM/OSTC management, Directors of Textile and Government in Industries Department for realisation of dues blocked with OTM/OSTC management did not yield any tangible results.

The matter was reported to the Government in January 1992; their reply is awaited (February 1993).

4A.2.2 *Grant of Advances to Suppliers*

ABS Spinning Orissa Limited, a subsidiary of Industrial Development Corporation of Orissa Limited (IDCOL) was normally effecting raw-materials

purchases and making payments for its three mills as well as for Orissa Textile Mills (OTM) and Bhaskar Textile Mill (BTM) a unit of Orissa State Textile Corporation (OSTC) from June 1987 to December 1987. The Managing Director of OSTC was having the overall control of this affairs during that period. The requirements of cotton for all the aforesaid mills were being met by certain suppliers, through a cell specially created for the purpose. Normally the purchases and payments were centralised for all the mills. In some cases the one mill was placing the orders or making the payment on behalf of the other. These transactions were being accounted for by the individual mills without correlating the advance payments to the suppliers to supply orders so placed or reconciliation of the same periodically.

An examination of the records of 3 mills of ABS Spinning Orissa Limited it was seen by Audit that the Management had neither framed any terms and conditions for payment of advances to suppliers nor was there any system of reconciliation. Also there was no clause for the payment of advance in the purchase orders. As a result of granting advances without any provision an amount of Rs.49.63 lakhs was outstanding as on 31st March 1992 against 14 suppliers for the periods ranging from 2 years to $4\frac{1}{2}$ years. Out of this, Rs.48.06 lakhs was outstanding against 5 suppliers only.

On the one hand, the company was availing cash credit by paying interest at the rate of 16.5 to 18 per cent per annum, on the other, it locked up the huge funds by advancing it against supplies without correlating with actual receipt of material and placement of purchase orders.

Thus, the company was also deprived of an expected interest amounting to Rs.22.37 lakhs. Had the money been invested in the banks or utilised for its working capital, the interest on cash credit could have been saved.

The Management accepted the audit observations.

The matter was reported to the Government in July 1992; their replies had not been received (February 1993).

4A.3 ORISSA POWER GENERATION CORPORATION LIMITED

4A.3.1 *Lack of financial control and loss of interest on term deposits*

In the absence of immediate requirement of funds for meeting expenditure on development works a large portion of funds received from State Government towards share capital was invested in short term deposits. During the period between December 1987 and December 1988, the Company invested Rs.170 lakhs (11 numbers of Rs.10 lakhs each, 2 numbers of Rs.5 lakhs each and 1 number of Rs.50 lakh) in short term deposit. All these deposits were initially made for 46 to 91 days and subsequently renewed for a period varying from 243 days (4 times) to 509 days (7 times). The term deposit of Rs.50 lakhs was initially invested (March 1988) for 46 days and renewed for a period of 350 days (5 times).

Scrutiny of fixed deposit register revealed that the Company had no system of preparation of cash flow statements periodically so as to invest the surplus funds in most profitable manner.

Thus, in the absence of proper periodical assessment of requirement of funds the company had to renew the term deposits frequently for shorter periods earning lower rate of interest ranging between 6.2 *per cent* and 7.8 *per cent* and could not avail of the benefit of higher rate of interest varying from 8 *per cent* to 9.25 *per cent* by depositing the funds initially for longer period (i.e. 6 months to 1 year) thereby losing an amount of Rs.2.69 lakhs which would have otherwise been earned by way of interest from long term deposits.

Management stated (October 1991 and February 1992) that the Company invested its funds in short term deposits keeping in view the immediate requirement of funds at Head Office and project office as well as the progress of works at site. The reply of the Management is not tenable because the term deposits for 46 - 91 days were continuously renewed up to 243 to 509 days which indicate that there was no immediate cash requirement at any point of time justifying short term investments. Thus, the action of the management for going in short term deposits resulted in loss of interest of Rs.2.69 lakhs to the Company.

The matter was reported to Management/Government in May 1992; their replies had not been received (February 1993).

4A.3.2 *Avoidable expenditure due to delay in finalisation of tenders*

In January 1990, the Company invited tenders for supply of two 125/30 tonne E.O.T. cranes and in response received offers from 3 firms with their quoted rates being valid up to 30th September

1990. The tenders were opened on 30th March 1990 and the same were referred to the consultants of the company for evaluation. On the basis of the evaluation report of the consultants and the recommendation of the Tender Committee the Board of Directors of the Company decided (September 1990) to award the contract to ACME Manufacturing Company Limited, Bombay being the lowest offerer quoting a rate of Rs.1,26,84,030/- and the case was forwarded by the Company to the State Government (September 1990) for approval by the Empowered Committee constituted by the Government in August 1989. The approval of the Committee was accorded on 19th September 1990 but the Company under the direction of the State Government instead of issuing purchase order to the lowest offerer within the validity period initiated steps to contact two State based firms which had earlier applied for pre-qualification but were found not fit for being awarded the contract. In the meanwhile, the validity period of the tenders expired and the Company sought for extension of the validity period of the tenders up to 31st December 1990. The firm ACME extended the validity period up to 31st December 1990 but included a price variation clause and out of the two firms which had quoted earlier, one was not agreeable to extend the validity period and the other firm was agreeable to extend it up to 30th October 1990 only. Since the extension was given with a rider, the Company decided in January 1991 to call for revised rates from the 3 tenderers who had earlier quoted and the company placed an order for supply on the lowest offerer (M/s. ACME Corporation) in April 1991 for Rs.1,45,39,690 which was, however, increased to Rs.1,46,89,690 in September 1991 on account of non-payment of 20 *per cent* advance to the supplier as per terms and conditions of the supply order.

Thus, the abnormal delay in finalisation of the contract by the Tender Committee and the further delay as a result of the action of the company to explore unsuccessfully the possibility of identifying Orissa based firms, though it was known well that none was available, resulted in an extra avoidable expenditure of Rs.20.06 lakhs (Rs.146.90 lakhs - Rs.126.84 lakhs).

The Management stated (October 1991) that 'the cost increase was due to the time taken to explore the possibility of awarding contract to the State based industries for manufacture of EOT cranes'. The reply of the Management is not tenable as the Company was well aware of the non-availability of State based firms technically qualified for the purpose even before forwarding the tender to the State Government as the very same firms had earlier applied for pre-qualification for EOT and miscellaneous cranes but were declared technically unqualified for the purpose by the Company.

The matter was reported to Government in February 1992 and its reply is awaited (February 1993).

4A.4 ORISSA FOREST DEVELOPMENT CORPORATION LIMITED

Injudicious purchase of Diesel Generator Set

To avoid loss of production caused by interruption in power supply, the Board of Directors of Orissa Composite Board, (a subsidiary of Orissa Forest Development Corporation Limited) in their meeting held on 25th July 1987 decided to purchase a Diesel Generator Set of 200 KVA capacity for their plywood factory at Kuikeda and also decided that the required funds for purchase and installation of the Diesel Generator Set be obtained as a loan from IPICOL.

Accordingly, a Diesel Generator Set was purchased (June 1988) from M/s. Greaves Cotton, Calcutta at a cost of Rs.4.41 lakhs by availing a term loan of Rs.3.44 lakhs (April 1988) from IPICOL carrying an interest rate of 12.5 *per cent* per annum and additional penal rate of interest at the rate of 2 *per cent* per annum in case of default in repayment of principal and payment of interest.

The Diesel Generator Set was installed in August 1990 by incurring expenditure of Rs.0.43 lakh. From the date of installation of the DG Set in August 1990 to March 1992 eventhough there were power failures for 749 hours, the factory could not operate the generator set because of high operative cost and the failure of the company to recover even the cost of raw materials from the sale of its products. During the period in question i.e. from 22nd May 1987 to 31st March 1988 while the cost of sales (excluding wages for production workers Rs.2.95 lakhs and salary and wages to factory staff Rs.3.73 lakhs) was Rs.3.97 lakhs, the sales value was Rs.2.09 lakhs.

The company also defaulted in repayment of principal and interest thereon (Rs.2.29 lakhs).

Thus, procurement and installation of generator set without proper assessment of its requirement and utilisation resulted in avoidable and injudicious expenditure of Rs.7.13 lakhs.

The matter was reported (July 1992) to the Management/Government. The reply of the Management (October 1992) was not relevant to the point raised in audit. The reply of the State Government was awaited (February 1993).

4A.5 ORISSA COMPOSITE BOARDS LIMITED

Injudicious take over of Solvent Extraction Plant (SEP)

Following the decision taken in March 1988 by the State Level Sub-Committee for revival of sick unit of medium and large industries, Orissa Forest Development Corporation Limited (OFDC) was advised to consider the desirability of taking over of the Solvent Extraction Unit of Ambica Vegetable and Chemical Industries Private Limited (AVCIPL), Bolangir district after joint inspection by Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) and Orissa State Financial Corporation (OSFC). The OFDC in its turn requested its subsidiary the Orissa Composite Boards Limited (OCB) to inspect the Solvent Extraction Unit as representative of OFDC and give appropriate recommendations. In a meeting held in July 1988 which was attended by OFDC, OSFC and OCB, it was decided that the OCB should take over the Unit on lease and licence basis. This decision was also endorsed by the Board of Directors of OCB in the meeting held in September 1988, though it was ultra-vires to the objectives of the Company. The proposal was to take the plant on lease and licence basis initially for a period of five years and an agreement to this effect was entered into with AVCIPL in September 1988.

The terms and conditions of the agreement provided *inter-alia* that the licensor (AVCIPL) will hand over possession of the unit in good working condition and that the unit will be operated with the raw materials and other inputs of the licensee (OCB Limited) for a period of 48 hours continuously and after satisfaction of the licensee, OSFC and IPICOL on the working of the unit with regard to smooth mechanical operation of the plant and machinery and the capacity of the plant and machinery and quality of the product, the unit could be taken delivery by licensee. It was further provided in the agreement that in the event of taking delivery of the unit, the lease and licence would be retrospectively effective from the date of starting of the trial production and that in case the unit was not accepted by the licensee to the joint satisfaction of the licensee, IPICOL and OSFC for reasons to be recorded in writing, the licensor would indemnify the proximate loss sustained by the licensee on account of the said trial production.

The joint technical inspection of Solvent Extraction Plant conducted by Orissa Industrial and Technical Consultant (ORITCO), Orissa Composite Boards Limited (OCB), Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) and Orissa State Financial Corporation (OSFC) in the presence of AVCIPL during the period from 27th October 1988 to 29th October 1988 revealed that there were some mechanical snags and deficiencies in the plant, and in spite of fact that the OCB Limited was advised by the Technical Inspection Committee to operate the said plant, it was found finally in November 1988 that there were some more technical defects in the plant, which were not being rectified by AVCIPL. Besides, certain other conditions of agreement such as clearance of old sales tax dues/central excise dues/electricity dues and renewal of explosive licence etc. were not being honoured by

AVCIPL. In view of these factors, the Board of Directors of OCB Limited in their meeting held in March 1989 decided not to take over the plant and to stop operation after completion of processing of the stock of sal seeds in hand. Accordingly, operation of the plant was stopped with effect from 25th June 1989. Though the plant was in operation for a short period from 27th October 1988 to 24th June 1989, the OCB Limited sustained a loss of Rs.55.45 lakhs to the end of 31st March 1990 in their attempt to run a sick and unviable unit.

The Management stated (May 1992) that the plant was taken over because of the decisions of State High Level Committee to bring sick units to a viable position under socio-economic programme of Government in backward districts and also, that the Company was quite new and inexperienced for this type of business. The Management further adduced various reasons such as steep fall in price of oil, increased cost of sal seed, forfeiture of security deposits with OFDC and SFDC due to non-lifting of sal seeds, frequent stoppage of plant due to non-availability of basic material, interest burden on borrowed funds, increased cost of power etc.

The arguments of the Management are not convincing because the main reason for sustaining the loss was taking over an absolutely unviable sick unit against the terms and conditions for take over of the unit and even ignoring the fact that plant and machinery were defective as proved during the trial run for 48 hours. The subsequent losses such as forfeiture of security deposit etc. were counter effects of the injudicious take over of unviable units. The reply of the Management is also not acceptable in-as-much as, though the objective of taking over the plant was laudable, the loss sustained could have been avoided had proper examination of financial viability of the trade been carried out and also, if the licensor had been prevailed upon to put the unit in good working condition before the start of a trial run, in keeping with the terms and conditions already agreed upon.

The matter was reported to Management/Government in June 1992; their replies had not been received (February 1993).

4A.6 KALINGA STUDIOS LIMITED (A SUBSIDIARY OF ORISSA FILM DEVELOPMENT CORPORATION LIMITED)

Avoidable extra expenditure in construction of village complex

A consultant was engaged in March 1988 without calling for tenders or even negotiation for preparation of estimates for construction of village complex at a commission of 3 *per cent* of the cost of the project. According to the estimates prepared by the consultants (March 1988) the project cost comprising of civil construction, site development, tube well, boundary wall, anti-termite treatment of village complex was to be of the order of Rs.3.86 lakhs including 10 *per cent* towards contingencies and consultancy fees.

The Board of Directors of the Company in its meeting held in March 1988 approved the estimates of the consultant and decided to entrust the work of civil constructions, site development costing Rs.3.29 lakhs without calling for tenders to one Sri 'N' freelance Art Director, whose services were readily available to the Company. The work order was,

however, awarded to contractor **'N'** in December 1988 with a stipulation to complete the work by March 1989. The work order was, however, silent as to the penalty to be imposed in the event of non-completion of work in time.

After execution of the work valued Rs.0.51 lakh, the contractor left the work on the grounds of pre-occupation. As there was no penalty clause in the agreement contract was terminated by the Company in September 1989 without imposition of penalty. The dues of Contractor **'N'** amounting to Rs.0.51 lakh were paid finally in April 1990. Subsequently on the advice of the Company's consultant (September 1989), the said work was awarded to another contractor **'SS'**, without inviting tenders, allowing 5 *per cent* excess over the estimates (Rs.3.29 lakhs) for the execution of the balance work.

As per the terms of the work order dated 30th September 1989 issued to the contractor **'SS'**, the work was to be commenced by 5th October 1989 and completed by December 1989 but actually it was completed in November 1990 after a delay of one year. Again as the work order was silent as to levy of penalty in the event of delay in execution, no penalty could be imposed by the company.

The company paid Rs.4.97 lakhs during the period from January 1990 to December 1990 of which Rs.1.09 lakhs was towards escalation in rates ranging from 10.7 *per cent* to 203.9 *per cent* on 9 items of works of original estimate as' against 5 *per cent* allowed under the agreement.

Thus, the Company had to incur an avoidable expenditure of Rs.1.09 lakhs as a result of allowing the work to the second contractor **'SS'** at higher rates without having any clause in the agreement entered with the former contractor to make good the loss incurred due to his failure.

The matter was reported to Management/Government in June 1992; their replies had not been received (February 1993).

4B. Statutory Corporations

4B.1 ORISSA STATE ELECTRICITY BOARD

4B.1.1 *Loss of revenue*

The State Government impose power restrictions through the Board on certain industries every year due to power shortage in the State. In terms of the Government orders and OSEB rules, any drawal of power from Board beyond the limit fixed by the Government is to be billed at double the highest rate of tariff in force at that time. During the period of shortage, Board also procures power from neighbouring States and from captive power plants of four industries of the State and make them available to needy industries at pre-determined rates after execution of fresh purchase power agreements for the purpose. The procedure of billing is that out of the total consumption, the agreed quantum of purchased power is to be billed first and then the allotted power of the State.

(i) IPITATA Spong Iron Limited, a large industrial consumer in joint sector, was allocated by the Government 2.15 MU of Orissa Power during the period 1st November 1986 to 30th June 1987. According to the said Government order dated 31st October 1986 any excess consumption of power over the allotted quota was to be billed at penal rate of 160 paise per KWH unit which is double the highest tariff rate. The consumer consumed 34,18,176 KWH unit of Orissa Power from the period from November 1986 to March 1987 as against permissible 21,50,000 KWH unit thereby over drawal of 12,68,176 KWH units which were duly billed at the rate of 160 paise per KWH amounting to Rs.29.78 lakhs which was paid by the consumer.

The consumer made a request to the Board in April 1987 for execution of an agreement for supply of imported power at the rate of 104 paise per KWH with retrospective effect, which was turned down by CE (TDC) and FA & CAO of the Board with the permission of Chairman on the ground that sale of imported power to an industry can only be made from a prospective date after fulfilment of conditions regarding execution of agreement, deposit of advance, etc.

The IPICOL, with whose collaboration the IPITATA Sponge Iron Limited was set up, then requested the Chairman of the Board in June 1987 to charge the overdrawn quota of power of 12,68,176 KWH unit at imported power rate on the grounds that it was the first plant of the kind in the country based on indigenous technical know-how and that they were passing through temporary teething troubles. Though the FA & CAO and CE(Com.) had the reservation, the Chairman of the Board decided in July 1987 to treat the entire excess drawal from January 1987 to March 1987 as purchased power instead of charging at higher rate on the grounds that the consumer was then availing purchased power and that it is a new industry. Accordingly, the bill of the consumer was revised downwards by Rs.10.95 lakhs (EC: Rs.8.67 lakhs and ED: Rs.2.28 lakhs). Such downward revision of bill was also questioned by the Electrical Inspector of the Government. Thus, the arbitrary decision resulted in remission of revenue by an amount of Rs.10.95 lakhs which had neither been approved by the Board of Directors nor had the concurrence of the Government. It was also devoid of any rules/regulations of OSEB nor such benefit had even been granted to any other consumer.

(ii) In order to meet power shortage in the State, Government imposes power restrictions on certain industries every year through the Board. Any excess consumption of power by any industry beyond the limit fixed by the Government is to be billed at the penal rate of 160 paise per unit as per the Government orders and Board's rules. During the period the restrictions on power are in force, the Board procures power from neighbouring States and from captive power plants of four industries in the State. The purchased power is sold to industries which are in need of power in excess of allotted quota during the period of restrictions. Purchased power is sold at predetermined rates (purchase rates and wheeling charges) based on the agreement executed for the purpose. The procedure of billing is that out of the total consumption, the agreed quantum of purchased power is billed first and then the allotted power of the State. The billing procedure evolved in November 1986 is applicable in respect of all industries subjected to power cut from the water year 1986-87.

Ferro Manganese Plant, Joda was allotted with 30.66 M.U. of Orissa Power by Government for the period from July 1986 to June 1987. The consumer gave his willingness (June/August 1986) to consume the quantities of purchased power and the O.S.E.B. power during the period from July 1986 to June 1987 and the same was accepted by the Board. Further in July 1986 the consumer requested the Board to allow the total allocation of O.S.E.B. power to be utilised at a minimum rate of 7 M.Ws for one furnace and 14 M.Ws for two furnaces till the quota was exhausted and if no outside power was available alongwith OSEB power. Orissa State Electricity Board's allocation of 3.5 M.Ws average could not be utilised.

In consideration of the above request of the consumer, contrary to the billing procedure in vogue, the consumer was permitted to draw 14 M.W. average with effect from 1.8.1986 subject to the condition that for purpose of the billing from 1st July 1986, out of total consumption in any month 3.5 M.W. average would be treated as Orissa Power and billed at normal tariff rate and the balance consumption would be treated as power purchased from outside sources and billed at the rate of 107 ~~120~~ paise/KWH plus electricity duty and other charge as per prevalent rules.

During the period in question since any shortfall of requirement of power was to be met by the plant only by availing purchased power supplied by OSEB and as the plant was supplied with purchased/OSEB power as per its requirements, the purchased power consumed should have been deducted from the total consumption of power in a month and the balance should have billed at normal/penal rate of OSEB power.

Thus, non-adherence to the prescribed porcedure in billing the consumer resulted in under billing of energy charges to the extent of Rs.1.83 crores and excess billing of electricity duty to the extent of Rs.16.23 lakhs during the period from July 1986 to June 1987.

The matter was reported to the Board/Government in March 1993. The Board accepted the position and promised to take suitable action for preferring revised bill soon, under intimation to audit. Their replies had not been received (March 1993).

(iii) Clause 32(c) of General conditions of Supply Regulations, 1981 of the Board *inter-alia* provide for the payment of energy bills within fifteen days from the date of their issue. In case of default in payment within the stipulated period, the Executive Engineer, is empowered to disconnect the power supply after serving the seven days notice in writing to the consumer. In case the consumer fails to apply for the reconnection within three months from the date of disconnection, his security deposit which is equivalent to one month's energy charges, is adjusted towards the arrear energy charges under intimation to the consumer. Further, as per Clause 32(h) *ibid* the Board can realise the balance dues by initiating certificate cases under the provisions of Orissa Public Demand Recovery Act, 1962 read with Clause 32(A) of the Supply Regulation *supra*.

(a) An industrial consumer, M/s. Ambika Vegetables and Chemicals Limited, who was a habitual defaulter and was paying its arrears in twelve monthly instalments, defaulted in paying the last instalment of Rs.0.23 lakh together with the then monthly average energy charges of Rs.0.30 lakh from September 1987. But the Board instead of disconnecting the power supply of the consumer in October 1987, allowed the consumer to draw power and disconnected the supply only on 5th December 1987 by which date, the arrear of energy charges accumulated to Rs.1.14 lakhs. The Board did not take any action to recover the dues by invoking clause - 32(A) of the Board's GCS Regulations, 1981.

Thereafter, the unit became sick and it was leased in September 1988 to Orissa Composite Boards Limited for a period of five years. Thereafter, the consumer and its financier Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) requested the Chairman, of the Board (September 1988) for waiver of the arrears for the periods of disconnection (Rs.3.73 lakhs) and to allow the consumer to pay the balance dues (Rs.1.14 lakhs out of the total arrears of Rs.4.87 lakhs) in twelve monthly instalments, and to restore the power supply after receiving the first instalment. The Board without insisting for payment of first instalment of Rs.0.41 lakh, restored the power supply with effect from 4th October 1988 on receipt of nominal reconnection fees on directives from the Chairman of the Board. The Orissa Composite Boards Limited, paid Rs.1.14 lakhs in December 1988 towards arrears and paid its dues for October 1988 to January 1984 irregularly on behalf of the consumer and defaulted in payment thereafter. Though the Orissa Composite Boards Limited requested for disconnection (May 1989), the power supply was not disconnected promptly. It was disconnected only on 3rd July 1989 by which date the arrear of energy charges had risen to

Rs.6.35 lakhs and an amount of Rs.9.12 lakhs was recoverable from the consumer by taking into account the Board's rule i.e to levy charges up to 6 months after the date of disconnection. As only Rs.0.46 lakh were available with the Board by way of security deposit the possibility of realisation of the balance dues of Rs.8.66 lakhs was remote, as its financier (IPICOL) had also not so far been able to recover its loan amounts and the whereabouts of the promoters were not available (December 1992).

Hence, restoration of power supply in October 1988 without insisting upon payment of accumulated arrears and by not disconnecting the power supply and by not filing the certificate case thereafter had resulted in loss of revenue to the extent of Rs.8.66 lakhs.

The matter was reported to the Board/Government (July 1992); their replies were awaited (February 1993).

(b) Consequent upon execution of an agreement in August 1984, an industrial consumer M/s. Sureswari Textiles Private Limited, Malmunda was supplied with power with effect from 20th November 1984. The consumer consistently defaulted in paying the energy charges from March 1985. The service line was disconnected only on 16th January 1986 after a delay of nine months by which time the energy charges mounted to Rs.3.39 lakhs from Rs.0.26 lakh. Clause - 1 of the agreement executed with the consumer in August 1984 empowered the Board to terminate the agreement even before expiry of initial period of five years by giving six months notice, in case the consumer consistently defaulted in making payments. The Board continued to levy minimum charges till expiry of agreement period.

In the meanwhile (January 1986) the unit turned out as sick unit and its financier, Orissa State Financial Corporation (OSFC) seized all the assets of this unit (September 1989) under Section - 29 of the State Financial Corporation Act, 1951 for realisation of its dues. When requested by the Board (April 1989 and January 1990) to include its dues of Rs.6.44 lakhs (dues up to July 1986) in the list of liabilities for realisation from the said firm, the OSFC declined (January 1990) on the ground that it has only taken over the assets of the firm and not the company as a whole.

Thus, by not taking timely action to recover the dues by filing certificate case under the provisions of OPDR Act 1962, the chances of recovery of Rs.6.44 lakhs were dismal as the whereabouts of the promoters were also not known.

The matter was reported to the Board/Government in March 1992; their replies had not been received (February 1993).

(iv) When the current transformer (CT) and potential transformer (PT) associated with the meter become defective due to wrong connection or disconnection or ommissions and commissions, the energy consumption in such months is to be assessed on the basis of consumer's contract demand by giving due regard to the average load factor of similar consumers as may be determined by the Engineer as per terms of clause - 22(J) of General Conditions of Supply Regulations, 1981. Such determination of load factor subject to concurrence of the Board is final and conclusive. Further, when the exact date of the occurrence of defect is not ascertained or agreed upon, bill for 3 months preceeding the month in which defect was noticed is required to be revised on the basis of Engineer's evaluation.

It was seen that the current transformer (CT) associated with meter of M/s. Larsen and Toubro Limited, a large Industrial consumer having average load factor of more than 42.6 *per cent* was found to be defective by Meter Relay Testing staff of Board while checking on 23rd August 1987, which was rectified on the same day. Hence the exact date from which the transformer had become defective could not be ascertained. Thereafter, on 8th January 1988 the potential transformer (PT) of the metering unit went out of order resulting in stoppage of the meter. Consequently, a new meter was installed by Board on 24th June 1988. The Board billed the consumer on the basis of average of succeeding 3 months for the period from May 1987 to August 1987 during which the meter was defective and on the basis of average for preceding 3 months with effect from 8th January 1988 instead of average load factor which was not covered under any rules and regulations of the Board. The consumer did not accept such pattern of billing on the grounds that (i) its energy quota was fixed on yearly basis and (ii) it was a job-order oriented industry, its energy consumption was never uniform from month to month and hence it requested the Board to revise the bills on the basis of average consumption for all the 12 months of the financial year 1986-87. The Board after discussion with the consumer in May 1988 acceded to the request of the consumer and in June 1988 revised the bills for the period the meter remained defective on the basis of average consumption for 12 months of 1986 calender year which was also contrary to the rules of the Board, which resulted in loss of revenue to the extent of Rs.11.66 lakhs.

Though there was no other consumer availing the power supply for the same purpose and the load factor of this consumer during the meter running periods of 1986-87 (9 months) and 1987-88 (4 months) was almost above 40 *per cent*, the average load factors was being 43.2 *per cent* and 42.6 *per cent* respecrtively in those years. Further, under clause - IV of the agreement executed on 19th April 1988 for availment of imported power, out of the total energy drawn in any month (April to June 1988), 13,67,000 KWH of power at the rate of 104 paise per unit was to be billed first as imported power, but this was not done in the case of bills for April 1988 to June 1988 (up to 10th June 1988) causing short realisation of revenue amounting to Rs.1.92 lakhs.

As a result of non-billing on the minimum of average load factors for water years 1986-87 and 1987-88 (42.6 *per cent)* and not taking into account the consumer's contract demand and average MDI (subject to 80 *per cent* of contract demand), the Board sustained a loss of Rs.13.58 lakhs which was leviable on the consumer under clause 22(J) of the Board's General Conditions of Supply Regulations, 1981 for the period May 1987 to August 1987 and January 1988 to June 1988.

The matter was reported to the Board/Government in July 1992; their replies had not been received (February 1993).

(v) Sub-clause 'C' of clause 40 of General Conditions of Supply Regulations, 1981 of the Board stipulates that in case any consumer terminates its agreement before expiry of initial period specified in the agreement, for any reason whatsoever, he is liable to pay the minimum charges for each month short of such initial period specified in the agreement. The basic intention behind it is to compensate the Board for the loss on heavy capital investment it incurs in

giving power supply to such consumers. Further clause 32(A) of the said regulations grants the Board with powers under 'Orissa Public Demand Recovery Act, 1962' for effecting recovery of all the dues payable by the consumers in terms of agreements executed by them deeming these dues as 'public demands'.

Kalinga Minerals (Private) Limited executed an agreement with the Board on 22nd May 1986 for supply of power under large industries category for a contract demand of 160 KW (176 KVA) for the purpose of mineral grinding.

The Board then erected the required High Tension Line etc. with a capital investment of Rs.1.04 lakhs and started supplying power to the firm with effect from 9th December 1986. The firm never paid its dues on due dates and whenever any disconnection notices were received, it requested for grant of facility of payment on instalment basis which were regularly allowed to it (March 1987, November 1987, February 1988, May 1988 and July 1988). But on each occassion, the firm paid only one or two instalments and then again defaulted. Ultimately the power supply to the said firm was disconnected on 29th November 1988 by which time the arrear energy charges due for recovery had accumulated to Rs.1.15 lakhs. The Managing Director of the firm requested (27th March 1989) the Board to terminate its agreement treating its letter as a six monthly notice as the firm had been closed since November 1988. The firm was seized (April 1990) by the Financier, Orissa State Financial Corporation (OSFC) under Section - 29 of State Financial Corporation Act, 1951. An amount of Rs.5.76 lakhs was still realisable (December 1992) from the firm under Board regulations against which only Rs.0.43 lakh had been adjusted (June 1992) by way of security deposit, leaving a balance of Rs.5.33 lakhs. As the OSFC was not able to adjust its own dues from firm for want of prospective buyers, the possibility of realisation of revenue by OSEB was remote.

The matter was reported to Board/Government in June 1992; their replies had not been received (February 1993).

4B.1.2 *Idle payment*

Truck No. ORG-1574 of Civil Works Division, Burla had been lying out of order since May 1987 and it was found by the Executive Engineer of the Division that the aforesaid vehicle was in a condemned stage and beyond economical repairs. Consequently the driver deployed on the vehicle had no work at all.

The unit Management stated (October 1991) that the matter was reported to the Board's Headquarters but no action has been taken by the Board to utilise the services of the driver in question so far (November 1992). Board incurred an amount of Rs.1.40 lakhs towards idle payment of wages up to December 1992.

The Board while accepting the Audit observation (September 1992) mentioned that the policy decision in this context was under process. The point remains that the driver was still without work (December 1992) entailing unproductive recurring expenditure of Rs.2498 per month.

4B.1.3 *Infructuous investment in Relay Panels*

In September 1981 the Board placed a purchase order on English Electric Company of India

Limited, Calcutta for supply of 3 sets of English Electric Simplex type control and relay panels with type MM-3T distance protection scheme for their 220 KV feeders - 2 sets for control room at TTPS and one set for Joda at the rate of Rs.2.45 lakhs each exclusive of taxes and duties. As per purchase order the supply was to be made up to October 1981. These panels were guaranteed for trouble free service for a period of 18 months from the date of despatch/receipt or for one year from the date of use whichever was earlier.

It was noticed in Audit that two sets of relay panels meant for TTPS control room were supplied by the firm during August 1982 i.e. 10 months after the date of stipulated delivery date and were taken to Central Store, Choudwar between February 1983 and May 1983. These were installed in main control room of Talcher Thermal Power Station in January 1984. While conducting tests on these panels in June 1985 certain technical troubles were noticed and the firm was asked for rectification of the defects (September 1985) to which it did not respond. The guarantee period was also over by that time. The pre-commissioning test conducted on these panels by the Engineers of the Board between 27th July 1988 and 3rd August 1988 revealed that while one relay panel was totally defective, the other was partially faulty.

The firm was then repeatedly requested by the Board authorities (January 1988, September 1988, March 1989 and December 1989) to rectify the defective panels at the cost of the Board by deputing its Service Engineers, but even then the firm did not respond.

At the instance Audit (January 1990), the Board (TTPS) placed a work order (December 1990) on the supplier requisitioning the services of the service engineers of the firm for supervising the commissioning of the work. The service engineers of the firm then rectified the panel which was partially defective and commissioned it on 10th April 1991 and 3 numbers of defective Relays from the other totally defective panel were sent by the Board to the firm for repair as per the suggestion of the Service Engineer (April 1991). The second panel was yet to be rectified and commissioned (February 1992) even after 9 years of its purchase.

To the Audit enquiry regarding effect of non-installation of panels the Management stated (July 1991 and September 1991) that the concerned feeders were protected by original westing house scheme during the relevant period and that no new penels were purchased for this purpose. It further added that the back up protection such as over current, earth fault of those defective panels were utilised alongwith the original westing house scheme prior to commissioning.

Hence there was no justification in purchasing the new panels costing Rs.5.97 lakhs in February 1983 as the previous westing house scheme was still in service and the Board's work did not suffer in any way during these 9 years even in the absence of the new panels.

The matter was reported to the Board/Government in June 1992; their replies had not been received (February 1993).

4B.1.4 *Avoidable payment of interest due to non-adherence to the provisions of cash accounting procedure*

In terms of clause - 12 of Cash Accounting Procedure of the Board, money received

either in the form of cash or any other instrument, is required to be entered in the Cash Book immediately and as per clause - 51 *ibid*, the pass book is required to be sent to bank on the 10th and last working day of each month for completion of entries and bank reconciliation. Besides, where cash credit account stands opened in any particular bank, then the current account in operation in that bank should not be operated and all receipts to be got credited to cash credit account alone. These provisions were intended to guard against payment of heavy interest on over-drafts and cash credit accounts.

Notwithstanding the above provisions, the Board kept heavy balance ranging from Rs.10.69 lakhs to Rs.884.92 lakhs in their current account with the Syndicate Bank, Vanivihar Branch between June 1987 and January 1991. Out of that balance, a sum of Rs.5.02 crores was placed in different short, medium and long term deposits and also in deposit-at-calls varying from 46 days to 3 years in the same bank carrying an interest at the rate of 7 to 8 *per cent* per annum whereas the Board was availing cash credit loans from same bank for the same period and was paying an interest at the rate of 16.5 *per cent* per annum thereon. In fact, the Board was not aware of their moneys having been invested in term deposits instead of being credited to cash credit account until April 1991 because of the failure to carry out necessary bank reconciliation at periodical intervals. At the instance of the State Government, the fixed deposits were liquidated and credited to cash credit account of the Board on 12th April 1991. On the fixed deposits so liquidated, the Board received an interest of Rs.68.47 lakhs whereas the Board had paid interest to the extent of about Rs.161.29 lakhs on cash credit loans aggregating to an amount equal to that invested in fixed deposits availed of by the Board during the relevant period from different banks.

Though the Board authorities took up the matter of compensating the differential amount of Rs.92.82 lakhs with the concerned bank and then with the Chairman of the bank during the period from June 1991 to August 1991, the plea was turned down by the Head Office of the Bank in December 1991 on the grounds that the Board had already been paid interest on fixed deposits as per prevalent rates and that the OSEB authorities were responsible for non-effecting of regular reconciliation of accounts at the end of the each fortnight and non-operation of accounts by a specified authority which resulted in diversion of money to fixed deposits instead of being credited to cash credit account.

Though the Management of the Board suspected some of their own employees as responsible for operating such unauthorised fixed deposits, no investigation was conducted in the matter.

Thus, the Board has sustained a loss of Rs.92.82 lakhs which could have been avoided had the Board authorities ensured proper reconciliation of accounts with the bank at periodical intervals and taken steps to get the moneys credited/transferred to the cash credit accounts in that particular bank/other banks. In fact, in their follow-up action note on Syndicate Bank Scandal submitted to the State Government in July 1991 the Board authorities had given an assurance to take steps to strengthen the finance wing of the Board in general and cash and bank management in particular, but no concrete plan to strengthen the cash and Bank management has been made by the Board so far (December 1992).

The matter was reported to the Board/Government in September 1992; their replies had not been received (February 1993).

4B.1.5 *Avoidable extra expenditure due to delay in release of imported Trivector Meters*

According to Section - 60(2) of Major Port Trusts Act, 1963 read with 'Calcutta Port Trust rules' imported materials shipped by sea are to be lifted to bonded warehouses within free time of 3 days of landing of the concerned vessel in the port failing which port rent will have to be paid till the date of release of the consignments. The materials so bonded in the warehouses are to be released on payment of necessary customs duty and warehouse charges within three month of preparation of the warehousing challan failing which interest on customs duty at stipulated rates become payable thereafter.

The Chief Engineer (Rural Electrification) of the Board placed a purchase order on M/s. Voltas Systems Limited, Indian Agent of M/s. Landis & Gyr Energy Management Corporation, Switzerland in May 1990 for supply of 43 numbers of Trivector meters at a total CIF value of Sw-Fr-1,88,250 equivalent to Rs.20.61 lakhs approximately. These Trivector meters were considered to be major revenue earning devices and were intended to be installed in the premises of some large industrial consumers and in certain railway tractions to meter their energy consumption.

The aforesaid meters were shipped by the foreign supplier from Humburg on 30th May 1991 and arrived in the Calcutta Port on 4th July 1991. Warehousing Challans for bonding the materials in Bengal Bonded Warehouse were prepared on 19th

September 1991 i.e. after 76 days against free time of 3 days and the meters were lifted from the port premises and bonded in the warehouse on 24th September 1991 after payment of port rent of Rs.2,580. The meters were not cleared from the warehouse within free time allowed by customs i.e. by 18th December 1991 by making payment of necessary customs duty of Rs.38 lakhs. The meters were cleared on 3rd April 1991 after payment of a further sum of Rs.2,19,847 towards interest on the customs duty for the period 19th December 1991 to 3rd April 1992 alongwith warehousing charges of Rs.1,487 for the same period and the meters were despatched to site on 3rd April 1992.

In reply to Audit observation, the Local Management stated (March 1992) that the meters could not be lifted within the permissible time as the Head Office of the Board did not place the funds required for this purpose despite regular pursuance.

The inordinate delay in getting the imported meters released, thus, resulted in an extra expenditure of Rs.2,23,914 to the Board which could have been avoided had the timely action taken to get them released from the Port and warehouse as the Board had sufficient funds to meet the liability.

The matter was reported to the Board/Government in September 1992; their replies had not been received (February 1993).

4B.1.6 *Avoidable expenditure due to delay in execution of bond for imported cargo*

The Board placed a purchase order in August 1981 on WM Powell, USA for supply of 7 cases of Powell valves and accessories for Talcher Thermal

Power Station at a CIF value of Rs.13.91 lakhs. The consignment containing the required materials sent by the foreign supplier reached at the Calcutta Port on 21st December 1983. After payment of necessary freight charges, the required shipping documents were forwarded on the same day to the Board's clearing agent, BG Somadder & Sons in December 1983 with the instruction to clear the consignment at the earliest. Bill of entry was duly filled in and the customs duty was assessed in January 1984. Due to paucity of funds it was decided to keep the materials in a bonded warehouse and accordingly a Bond under Section 59 of Customs Act, 1962 was prepared and sent by the clearing agent to the Liaison Officer of the Board on 14th February 1985 for obtaining the signature of the purchasing authority and for submission to the customs office. The bonding bill of entry was also prepared and kept ready by the clearing agent (April 1985). Despite persuation by the clearing agent, the Board authorities failed to execute the bond under Section - 59 of the Customs Act, 1962. As a result the imported materials continued to remain in the port premises until the Calcutta Port Trust authorites thereatended to sell the cargo by Public auction (August 1988). A fresh bond was then prepared by the clearing agent in September 1988 signed by competent authority of the Board and was executed. In April 1989 the materials were inspected and then cleared from the port in June 1989 after payment of port rent of Rs.18.85 lakhs and despatched to site in June 1989.

Hence, by taking the purchase decision before arranging for necessary funds for the purpose and also due to abnormal delay in replacing the lost warehousing bond by a fresh one, the imported materials remained in port premises without transfer to the bonded warehouse for more than five years which resulted in an avoidable expenditure of Rs.9.81 lakhs, being the differential amount between the actual port rent paid and the warehousing charges payable for the period from December 1983 to June 1989.

Out of the total 32 numbers of valves purchased, 23 numbers amounting to Rs.12.77 lakhs were still lying idle at TTPS Store (December 1992).

The matter was reported to the Board/Government in June 1992; their replies had not been received (February 1993).

4B.1.7 *Unmetered power supply to Kalinga Weavers Co-operative Spinning Mills*

The Board entered into an agreement with Kalinga Weavers Co-operative Spinning Mills, Govindpur in the district of Dhenkanal on 23rd May 1978 for supply of power at a contract demand of 1200 KVA under large industrial category. Being fully prepared to supply power, the Board issued a notice to the consumer under clause-6 of the agreement on 28th September 1978 to avail power supply within 30 days failing which minimum charges was to be levied. The consumer then availed power supply with effect from 26th February 1979 only. The Board did not install any meter to record the energy consumption of the consumer as stipulated in clause-11 of the agreement and instead, allowed unmetered power supply to the consumer. Further, the general conditions of supply appended to the said agreement did not lay down the manner of billing during the period of supply of power without a meter. The Board installed a meter only on 9th August 1982 i.e. after lapse of a period of more than 3 years and 5 months.For the period of supply of power without installation of a meter, the Board billed the consumer on the basis of minimum charge which was duly paid by the consumer and during that period,

the Board never informed the consumer that its bills for the relevant period of supply of power without a meter were subject to revision after installation of meter.

After metering the energy consumptions of the consumer with effect from 9th August 1982, the Board revised the bill for the entire initial period of unmetered power supply and served a demand for the differential amount of Rs.45.69 lakhs on the consumer based on the average consumption and demand of electricity during September 1982 and October 1982 which the consumer declined to pay on the grounds that the Board had not ever intimated earlier their intention of revising the bills for the unmetered period and that the cost of products produced during the period of unmetered power supply had already been valued and sold in the market with reference to the energy bills issued by the Board which were not susceptible of revision any more. On the issue being referred to Board Head Office, the Chairman of the Board ordered that responsibility for the lapse should be fixed which was, however, not carried out.

However, the objection raised by the consumers was considered and a settlement was made to revise the bills on the basis of average production/consumption recorded in the meter from September 1982 to November 1985 for the months during which the factory was engaged in operation and on the basis of monthly minimum charge for other months. On this basis the liability from November 1978 to August 1982 worked out to Rs.33.69 lakhs and the consumer was presented with a bill on 21st December 1991 for an amount of Rs.14.43 lakhs after adjusting Rs.19.26 lakhs already paid by the consumer. Out of Rs.14.43 lakhs the consumer has paid Rs.8 lakhs up to May 1992 at the rate of Rs.2 lakhs per month with effect from February 1992 and no further instalment has been paid by the consumer so far (November 1992).

Thus, a sum of Rs.6.43 lakhs is still to be collected. Had the Board taken suitable action in time to regularise the bills i.e. in 1983-84, the outstanding amount would have been collected in the said year and Board would have saved a loss of interest of Rs.18.64 lakhs from 1984-85 to 1991-92 since the Board is availing Cash Credit with an interest of 16.5 *per cent* per annum (average).

In reply to an audit query, the Unit Management stated that meter could not be installed for want of a TV meter at that time. The reply is not tenable as action for procurement of meter should have been taken well in advance before supply of power to the consumer and such long delay of a period of more than 3 years and 5 months in procurement and installation of meter is not at all justified. Board's rules also do not provide supply of power without installing a meter.

The matter was reported to the Government in June 1992 and its reply is awaited (February 1993).

4B.2 ORISSA STATE ROAD TRANSPORT CORPORATION

Avoidable extra expenditure due to delay in placing orders for Bus chassis

In response to the quotations for purchase of bus chassis, M/s. Tata, Jamshedpur quoted Rs.2.73 lakhs per chassis, whereas M/s. Ashok Leyland, Madras quoted Rs.2.46 lakhs (Cheetah with 370 engine) and Rs.2.63 lakhs (Cheetah with Hino engine) in November 1988.

While quoting their rate which was inclusive of 4 *per cent* CST M/s. Ashok Leyland gave the following delivery schedule subject to timely receipt of payment and issue of purchase order by the Corporation up to 31st December 1988.

(i)	20 chassis with hino engine ...	within 2 days
(ii)	All chassis with 370 engine ...	within 10 days
(iii)	20 chassis with hino engine ...	within 3 weeks

The Managing Director sought the approval of the Chairman of the Corporation on 22nd December 1988 for purchase of Leyland chassis with Hino engine (15 numbers) Leyland chassis with 370 engine (45 numbers) and TATA chassis with 697 engine (15 numbers).

The Chairman while approving the purchase on 24th December 1988 directed that care should be taken not only to ensure delivery of the chassis as quickly as possible but also for their quickest deployment after body fabrication.

The Corporation did not place orders for the bus chassis immediately after approval by the Chairman. Instead it sought confirmation from them regarding payment of Sales Tax which was already in the quotation. On receipt of confirmation from the firm (M/s. Ashok Leyland) in January 1989, again the Corporation issued letter of intent (February 1989) on the two manufacturers to quote their rates. The revised rates quoted by the manufacturers indicated marginal increase in ex-factory price in the case of TATA chassis i.e. Rs.1502.26 each and huge increase ranging from Rs.18,452 to Rs.38,590 in the case of Leyland chassis with Hino engine and with 370 engine as compared to the rates quoted by them in November 1988.

Consequent upon upward revision in the price of tyres with effect from 16th March 1989 to the extent of about Rs.276 each, the cost of tyre in case of Leyland chassis had registered further increase by about Rs.1,656 (excluding sales tax and octroi etc.). The purchase orders were placed on M/s. Ashok Leyland, Madras and on M/s. TATA, Jamshedpur on 24th March and 4th May 1989 respectively against which the firms delivered 71 bus chassis between 9th May 1989 and 30th May 1989 at the then prevailing rates resulting in additional extra expenditure of Rs.11.89 lakhs, which was attributed to delay of 3 months in placing the purchase order, as detailed below:

Model	Landed price in November 1988	Purchased price	Difference	Number of chassis purchased	Difference
	(Rupees	in	Lakhs)	(in numbers)	(Rupees in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
TATA					
LP-1510/52 with 697 NA engine	2.73	2.74	0.02	14	0.21
LEYLAND					
Cheetah 1/5-210 with 370 engine	2.46	2.64	0.18	41	7.57
Cheetah 1/5-210 with 370 engine	2.46	2.84	0.38	1	0.38
Cheetah 4/2-210 with HI engine	2.63	3.02	0.39	15	5.39
		Total difference ..			13.95
		Less deduction allowed -			2.00
		Total ..			11.89

The matter was reported to Management/Government in July 1992; their replies had not been received (February 1993).

BHUBANESWAR
The 26 MAR 1993

(D.N.PRASAD)
Accountant General (Audit)-II
Orissa

Countersigned

NEW DELHI
The -2 APR 1993

(C.G.SOMIAH)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE I

Statement showing particulars of up-to-date paid-up capital, outstanding loans, working results etc., of the Companies/Corporations

(Reffered to in Paragraph 1.2.2; Page 2)

(Figures in columns 3(a) to 5(c) and 6(b) to 6(d) are Rupees in lakhs)

Sl. No.	Name of the Company/ Corporation	Name of the Administrative Department	Paid-up capital as at the end of 31st March 1992				Loans outstanding as at the end of 31st March 1992				Amount of guarantee given	Amount of guarantee outstanding at the close of the year 1991-92	Outstanding guarantee commission payable at the close of the year 1991-92	Position at the end of the latest year for which accounts were finalised			
			State Government	Central Government	Others	Totals	State Government	Central Government	Others	Totals				Year upto which accounts were finalised	paid-up capital at the end of the year	Accumulated profit (+)/ Loss (-)	Any excess of loss over paid-up capital
(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
1.	Mayurbhanj Textiles Limited, Baripada	Industries	3.79	-	-	3.79	-	-	-	-	-	-	-	1970-71	3.79	-	-
2.	Orissa Textile Mills Limited	Industries	69.52	-	4.60	74.12	1711.58	-	1725.03	-	3436.61	1011.01	1011.01	1991-92	74.12	(-)5155.33	5081.21

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
3.	Orissa Mining Corporation Limited, Bhubaneswar (Accounts of the Company reopened w.e.f. 1986-87 consequent upon merger of OMC Alloys Ltd. Merged accounts not yet finalised).	Steel & Mines	3145.48	-	-	3145.48	-	-	100.00	100.00	100.00	100.00	-	1987-88	3015.48	841.61	-
4.	Madhusudan Chemical Industries Limited (Under liquidation through court Since 30.11.73)	Industries	0.59	-	0.01	0.60	-	-	-		-	-	-	1962-63	-	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
5.	Konark Processing Works Limited, (Under liquidation through court since 30.11.73).	Industries	0.70	-	0.20	0.90	-	-	-	-	-	-	-	1961-62	-	-	-
6.	Orissa Boat Builders Limited (Company closed since 1987. Decided to put under liquidation)	Industries	4.72	-	0.51	5.23	-	-	-	-	2.00	2.00	-	1970-71	-	-	-
7.	Utkal Fruit Products Limited(Under liquidation in Orissa High Court since 10.6.66)	Industries	0.14	-	0.06	0.20	-	-	-	-	-	-	-	1965-66	-	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
8.	Kalinga Fruit Products Limited(Under liquidation in Orissa High Court since 25.1.64)	Industries	0.16	-	0.04	0.20	-	-	-	-	-	-	-	1962-63	-	-	-
9.	Balanga Iron Works Limited (Under liqui-dation through court since 12.2.74)	Industries	1.59	-	0.51	2.10	-	-	-	-	1.30	1.30	0.06	1964-65	-	-	-
10.	Orissa Elect-rical Manufa-cturing Company Limited (Company closed since 1968. Under voluntary liquidation since 30.8.76)	Industries	4.39	-	0.20	4.59	-	-	-	-	1.33	1.33	-	1966-67	-	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
11.	Orissa Food Products Limited (Liquidation through Orissa High Court since 30.11.73)	Industries	3.82	-	0.31	4.13	-	-	-	-	-	-	-	1966-67	-	-	-
12.	Gajapati Steel Industries Limited (Company closed since 1969-70. Under valuntary liquidation since 1.3.1974)	Industries	3.77	-	0.22	3.99	-	-	-	-	-	-	-	1968-69	-	-	-
13.	Cuttack Iron and Steel Industries Limited (Company closed since 1979, proposed to revive)	Industries	1.30	-	0.48	1.78	-	-	-	-	0.50	0.50	0.04	1967-68	-	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
14. Chilika Cashew Manufacturing Works Limited (Under liquidation through Orissa High Court since 30.11.73		Industries	0.47	-	0.05	0.52	-	-	-	-	-	-	-	1966-67	-	-	-
15. Hansanath Ceramic Industries Limited (Under liquidation through Court since 9.1.74)		Industries	0.42	-	0.05	0.47	-	-	-	-	-	-	-	1962-63	-	-	-
16. Manorama Foundry Works Limited (Under liquidation through Orissa High Court since 12.2.1974)		Indust es	1.56	-	0.25	1.81	-	-	-	-	-	-	-	1966-67	-	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
17.	Kalinga Steel and Wire Products Limited (Under liquidation through High Court since 9.1.1974)	Industries	1.15	-	0.22	1.37	-	-	-	-	0.18	0.18	0.01	1967-68	-	-	-
18.	Orissa Trunk and Enamal Works Limited (Under liquidation in Orissa High Court since 20.51964)	Industries	1.33	-	0.12	1.45	-	-	-	-	-	-	-	1962-63	-	-	-
19.	Coca Cola (India) Limited (Under liquidation in Orissa High Court since 20.5.64)	Industries	0.82	Nil	0.10	0.92	-	-	-	-	-	-	-	1962-63	-	-	-

(1)	2(a	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
20.	Eastern Aquatic Products Limited (Under voluntary liquidation since 22.2.1978)	Industries	0.52	-	0.08	0.60	-	-	-	-	-	-	-	1972-73	-	-	-
21.	Premier Bolt and Nuts Limited (Company closed)	Industries	1.46	-	0.82	2.28	-	-	-	-	-	-	-	1966	-	-	-
22.	Orissa Tiles Limited (Closed. Under revival)	Industries	1.90	-	1.13	3.03	-	-	-	-	-	-	-	1975-76	-	-	-
23.	Manufacture Electro Limited (Liquidation in Orissa High Court has been rejected. Fresh petition is being filed)	Industries	0.35	-	0.10	0.45	-	-	-	-	-	-	-	1961-62	-	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	[illegible]	[illegible]	[illegible]
24.	Orissa Timber Products Limited (Liquidation through Court since 12.2.1974)	Industries	1.30	-	0.15	1.45	-	-	-	-	1.27	1.27	0.07	1967-68	-	-	-
25.	Modern Electronics Limited (Closed , Decided for liquidation)	Industries	4.27	-	0.10	4.37	-	-	-	-	-	-	-	1965-66	-	-	-
26.	Orissa Board Mills Limited (Closed, Decided for liquidation)	Industries	3.67	-	0.41	4.08	-	-	-	-	4.58	2.03	0.49	1967-68	-	-	-
27.	Orissa Sports Manufacturing and Fabrica- tors Limited (Liquidation under Orissa High Court Since 30.11.1973)	Industries	1.08	-	0.20	1.28	-	-	-	-	0.54	0.54	0.04	1962-63	-	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
28.	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 9.3.1976)	Industries	3.10	-	0.50	4.20	-	-	-	-	-	-	-	1972-73	-	-	-
29.	Orissa Instruments Company Limited	Industries	46.78	-	-	46.78	-	-	30.84	30.84	-	-	-	1982-83	8.79	3.89	-
30.	Orissa Agro Industries Corporation Limited	Agriculture	335.18	85.27	0.60	421.05	1236.56	-	118.82	1355.38	-	61.81	0.75	1985-86	278.04	(-)385.21	-
31.	Industrial Development Corporation of Orissa Limited	Industries	4831.79	-	-	4831.79	403.03	-	8274.21	8677.24	2707.10	2707.10	25.66	1989-90	3972.79	1698.16	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
32.	Orissa Construction Corporation Limited	Irrigation	617.14	-	-	617.14	951.36	-	-	951.36	-	-	7.20	1988-89	477.14	139.83	-
33.	Orissa Fisheries Development Corporation Limited	Fisheries & Animal Resources Development	35.00	-	-	35.00	-	-	-	-	-	-	-	1982-83	35.00	(-)64.86	29.86
34.	Orissa Forest Development Corporation Limited	Forest & Environment	498.50	-	-	498.50	-	-	507.18	507.18	-	-	-	1985-86	128.00	(+)26.56	-
35.	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	249.63	-	-	249.63	260.00	-	113.00	373.00	-	-	-	1982-83	234.00	(-)396.63	162.63

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
36.	East Coast Salt and Chemical Industries Limited (Subsidiary of the Company at Sl.No.31, ceased to operate w.e.f. 1.10.1985)	Industries	-	-	20.50	20.50	-	-	52.02	52.02	-	-	-	year ending 30.9.88	20.50	-	-
37.	East Coast Breweries and Distilleries Limited (Subsidiary of the Company at Sl.No.31)	Industries	33.00	-	77.00	110.00	40.52	-	403.79	444.31	-	-	-	1989-90	110.00	(-)712.07	602.07
38.	Orissa Small Industries Corporation Limited	Industries	747.62	-	-	747.62	64.88	-	570.29	635.17	600.00	570.29	-	1983-84	378.43	22.60	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
39.	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	8214.29	-	-	8214.29	-	-	3952.24	3952.24	-	-	-	1991-92	8214.29	(-)902.88	-
40.	Orissa Lift Irrigation Corporation Limited	Rural Development	6447.25	-	-	6447.25	-	-	941.29	941.29	7917.70	7917.70	-	1985-86	2820.13	(-)174.68	-
41.	ORICHEM Limited (Subsidiary of the Company at Sl.No.31)	Industries	-	-	126.65	126.65	-	-	359.45	359.45	-	-	-	1989-90	126.65	(-)713.24	586.59
42.	Hira Steel and Alloys Limited (Subsidiary of the Company at Sl.No.31	Industries	-	-	12.28	12.28	-	-	[illegible]	-	-	-	-	1975-76	12.28	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
43.	Orissa State Leather Corporation Limited	Industries	268.86	-	9.78	278.66	-	-	-	-	-	-	-	1984-85	124.89	(-)122.99	-
44.	Orissa Film Development Corporation Limited	Industries	410.05	-	-	410.05	19.95	-	0.44	20.39	-	-	-	1990-91	343.05	(+)4.88	-
45.	New Mayurbhanj Textiles Limited	Industries	13.22	-	-	13.22	-	-	-	-	-	-	-	1980-81	1.50	0.97	-
46.	Orissa State Handloom Development Corporation Limited	Textiles and Handloom	357.37	-	-	357.37	124.71	-	628.20	752.91	105.80	390.78	-	1984-85	357.37	(-)14.56	-
47.	Orissa State Seeds Corporation Limited	Agriculture	170.99	-	44.12	215.11	955.09	-	116.07	1071.16	128.96	116.07	-	1986-87	154.80	(-)10.93	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
48.	Orissa Maritime and Chilka Area Development Corporation Limited	Planning and Co-ordination	417.68	-	-	417.68	-	-	22.15	22.15	59.76	-	-	1987-88	300.04	(-)155.06	-
49.	Konark Detergent and Soaps Limited (Subsidiary of the Company at Sl.No.39. Company closed).	Industries	-	-	9.32	9.32	-	-	4.45	4.45	-	-	-	1980-81	2.08	-	-
50.	Konark Watch Company Limited (Subsidiary of the Company at Sl.No.39)	Industries	-	-	12.28	12.28	18.64	-	0.33	18.97	-	-	-	1981-82	11.28	(-)10.48	-
51.	Orissa State Cashew Development Corporation Limited	Agriculture	154.04	-	-	154.04	-	-	170.61	170.61	409.22	170.61	-	1990-91	153.04	(-)167.60	14.56

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
52.	Orissa Tourism Development Corporation Limited	Tourism	652.09	-	-	652.09	-	-	102.44	102.44	-	-	-	1984-85	236.53	(-)125.47	-
53.	Orissa Fish Seed Development Corporation Limited	Fisheries and Animal Resources Development	444.06	-	-	444.06	-	-	313.41	313.41	363.41	363.41	-	1988-89	249.91	(-)115.14	-
54.	ABS Spinning Orissa Limited (Subsidiary of the Company at Sl.No.31)	Industries	-	-	300.00	300.00	-	-	376.12	376.12	161.26	141.06	-	1989-90	300.00	(-)934.40	634.40
55.	Orissa State Police Housing and Welfare Corporation Limited	Home	563.01	-	-	563.01	59.33	-		59.33	-	-	-	1987-88	406.88	0.98	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)		4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
56. Kalinga Studios Limited (Subsididary of the Company at Sl.No.44)		Industries	-	-	129.50	129.50	-	-	23.96	23.96	-	-	-	1990-91	129.50	(-)93.06	-
57. Orissa State Civil Supplies Corporation Limited		Food and Civil Supplies	978.32	-	-	978.32	20.63	-	-	20.63	595.00	-	2.98	1984-85	550.00	(+)94.00	-
58. Orissa State Textile Corporation Limited		Textiles and Handloom	245.00	-	-	245.00	270.17	-	267.70	537.87	-	-	-	1987-88	25.00	(-)350.17	325.17
59. Orissa State Electronics Development Corporation Limited		Industries	1245.50	-	-	1245.50	-	-	19.69	19.69	-	-	-	1988-89	710.50	(-)91.04	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
60.	Orissa Pump and Engineering Company Limited (Subsidiary of the Company at Sl.No.38)	Industries	-	-	10.00	10.00	-	-	58.12	58.12	-	-	-	1987-88	10.00	(-)19.34	9.34
61.	Konark Television Limited	Industries	120.00	-	-	120.00	175.00	-	129.07	304.07	-	-	-	1985-87	15.00	(+)41.71	-
62.	Orissa Bridge and Construction Corporation Limited	Works	484.18	-	-	484.18	-	-	-	-	-	-	-	1986-87	259.18	(+)35.98	-
63.	IPITRON Resistors Limited (Subsidiary of the Company at Sl.No.59)	Industries	0.01	-	0.01	0.01	-	-	-	-	-	-	-	1989-90	0.01	-	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
64.	Orissa Power Generation Corporation Limited (Under construction)	Energy	23928.30	-	-	23928.30	-	-	9500.00	9500.00	11900.00	9500.00	30.00	1989-90	6169.80	-	-
65.	Orissa Leather Industries Limited Subsidiary of the Company at Sl.No.43. (Under construction)	Industries	-	-	140.00	140.00	-	-	-	-	-	-	-	1990-91	65.00	-	-
66.	Radiant Electronics Limited (Subsidiary of the Company at Sl.No.59)	Industries	-	-	23.29	23.29	-	-	-	-	-	-	-	1990-91	21.65	(-)17.90	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
67.	ELCOSMOS Electronics Limited (Subsidiary of the Company at Sl.No.59. (Under construction)	Industries	-	-	174.91	174.91	-	-	200.00	200.00	-	-	-	1989-90	-	-	-
68.	ELCO PHONES Limited (Subsidiary of the Company at Sl.No.59)	Industries	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-
69.	GEM Corporation of Orissa Limited (Subsidiary of the Company at Sl.No.3)	Steel & Mines	-	-	23.51	23.51	-	-	-	-	-	-	-	1990-91	19.29	(-)8.27	-

(1)	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
70.	ELCO Communication Systems Limited (Subsidiary of the Company at Sl.No.59)	Industries	-	-	34.96	34.96	-	-	72.00	72.00	-	-	-	-	-	-	-
71.	ELMARC Limited (Subsidiary of the Company at Sl.No.59)	Industries	-	-	0.01	0.01	-	-	-	-	-	-	-	-	-	-	-
72.	Orissa State Export Development Corporation Limited	Industries	4.00	-	-	4.00	-	-	-	-	-	-	-	-	-	-	-
			55776.85	85.27	1160.15	57022.26	6311.45	-	29162.92	35474.37	26070.12	23058.99	67.30				

ANNEXURE II

Summarised Financial results of Government Companies for the latest year for which accounts were finalised upto 31st March 1992
(Referred to Paragraph 1.2.3 at Page. 4)

(Figures in columns 7 to 13 and 16 are Rupees in lakhs)

Sl. No.	Name of the Company/ Corporation	Name of the Administrative Department	Date of incorporation	Year of accounts	Year in which finalised	Total capital invested	Profit(+)/ loss(-)	Total interest charged to PL account	Interest on long term loans	Total return on capital invested (8+10)	Capital employed	Total return on capital employed (8+9)	Percentage of total return on capital invested	Percentage of total return on capital employed	Remarks Effects of observation i) CAs ii) Supplementary audit under Section 619(4) of Companies Act (iii)Net effect (+) increase in Profit/Loss, (-) decrease in Profit/Loss
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	4.32	(-) 0.82	0.11	-	(-) 0.82	(-) 0.62	(-) 0.71	-	-	-
2.	Orissa Textile Mills Limited	Industries	25th January 1946	1991-92	1992-93	2893.59	(-)903.52	575.13	236.24	(-)667.28	(-)120.56	(-)328.39	-	-	-
3.	Orissa Road Transport Company Limited. Merged with Orissa State Road Transport Corporation w.e.f. 16.8.90	Commerce & Transport	1st December 1950	1988-89	1991-92	2089.29	(-)337.24	155.56	152.98	(-)184.26	690.24	(-)181.68	-	-	-
				1989-90	1991-92	2290.72	(-)445.40	136.56	134.15	(-)311.25	671.42	(-)308.84	-	-	-
				1.4.90 to 15.8.90	1992-93	2171.48	(-)253.85	71.50	70.06	(-)182.35	(-)310.37	(-)183.89	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
4.	Orissa Mining Corporation Limited	Steel & Mines	16th May 1956	1987-88	1991-92	4341.46	207.79	210.91	210.91	418.70	1844.46	418.70	9.6	22.71	-
5.	Madhusudan Chemical Industries Limited	Industries	15th March, 1958	1962-63	1968-69	0.69	0.02	-	-	0.02	0.75	0.02	2.90	2.70	-
6.	Konark Processing Works Limited	Industries	17th March, 1958	1961-62	1968-69	0.87	0.02	-	-	0.02	0.55	0.02	2.30	3.60	-
7.	Orissa Boat Builders Limited	Industries	18th March, 1958	1970-71	1977-78	3.40	(-) 0.32	0.02	-	(-) 0.02	1.30	(-) 0.30	-	-	-
8.	Utkal Fruit Products Limited	Industries	18th March, 1958	1965-66	1968-69	0.20	-	-	-	-	0.06	-	-	-	-
9.	Kalinga Fruit Products Limited	Industries	22nd March, 1958	1962-63	1965-66	0.20	-	-	-	-	-	-	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
10.	Balanga Iron Works Limited	Industries	27th March, 1958	1964-65	1968-69	2.99	0.07	-	-	0.07	2.96	0.07	2.3	2.4	-
11.	Orissa Electrical Manufacturing Company Limited	Industries	31st March, 1958	1966-67	1973-74	5.99	(-)0.46	0.12	0.05	(-)0.41	4.72	(-)0.34	-	-	-
12.	Orissa Food Products Limited	Industries	10th December, 1958	1966-67	1972-73	3.54	(-)0.78	0.01	-	(-)0.78	1.38	(-)0.77	-	-	-
13.	Gajapati Steel Industries Limited	Industries	15th February, 1959	1968-69	1974-75	4.01	(-)0.44	0.02	0.02	(-)0.42	2.25	(-)0.42	-	-	-
14.	Cuttack Iron and Steel Industries Limited	Industries	15th March, 1959	1967-68	1977-78	0.78	0.06	0.04	-	0.06	0.71	0.10	7.7	14.1	-
15.	Chilka Cashew Manufacturing Works Limited	Industries	20th March, 1959	1966-67	1970-71	0.90	-	-	-	-	0.06	-	-	-	-
16.	Hansanath Ceramic Industries Limited	Industries	30th March, 1959	1962-63	1968-69	0.43	(-)0.05	-	-	(-)0.05	0.02	(-)0.05	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
17.	Manorama Foundry Works Limited	Industries	30th March, 1959	1966-67	1968-69	2.17	(-)0.61	-	-	(-)0.61	-	(-)0.61	-	-	-
18.	Kalinga Steel and Wire Pro-ducts Limited	Industries	31st March, 1959	1967-68	1971-72	1.42	(-)0.13	0.02	-	(-)0.13	0.17	(-)0.11	-	-	-
19.	Orissa Trunks and Enamel Works Limited	Industries	3rd April, 1959	1962-63	1968-69	1.45	0.02	-	-	0.02	1.42	0.02	1.4	1.4	-
20.	Coca-Cola (India) Limited	Industries	14th April, 1959	1962-63	1965-66	0.92	(-)0.11	-	-	(-)0.11	-	(-)0.11	-	-	-
21.	Eastern Aquatic Products Limited	Industries	6th May, 1959	1972-73	1975-76	0.58	-	-	-	-	0.31	-	-	-	-
22.	Premier Bolts and Nuts Limited	Industries	4th August, 1959	1966	1973-74	1.64	(-)0.27	-	-	(-)0.27	0.44	(-)0.27	-	-	-
23.	Orissa Tiles Limited	Industries	1st Sept-ember, 1959	1975-76	1979-80	13.85	(-)0.97	0.91	-	(-)0.97	(+)1.72	(-)0.06	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
24.	Manufacture Electro Limited	Industries	24th September, 1959	1961-62	1968-69	0.42	(-)0.08	-	-	(-)0.08	-	(-)0.08	-	-	-
25.	Orissa Timber Products Limited	Industries	2nd March, 1960	1967-68	1973-74	4.93	(-)2.25	0.31	0.31	(-)1.94	1.83	(-)1.94	-	-	-
26.	Modern Electronics Limited	Industries	22nd March, 1960	1965-66	1982-83	2.78	0.25	0.03	-	0.23	2.77	0.26	8.3	9.4	-
27.	Orissa Board Mills Limited	Industries	4th April, 1960	1967-68	1976-77	10.72	(-)1.04	0.51	0.51	(-)0.53	4.69	(-)0.53	-	-	-
28.	Orissa Sports Manufacturing and Fabrication Limited	Industries	22nd July, 1960	1962-63	1968-69	1.27	(-)0.03	-	-	(-)0.03	1.25	(-)0.03	-	-	-
29.	Modern Malleable Castings Company Limited	Industries	22nd September 1960	1972-73	1975-76	6.30	(-)0.36	0.29	0.29	(-)0.07	3.08	(-)0.07	-	-	-
30.	Orissa Instruments Company Limited	Industries	14th March, 1961	1982-83	1992-93	16.19	0.43	0.26	0.26	0.69	17.58	0.69	4.3	3.9	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
31.	Orissa Agro Industries Corporation Limited	Agriculture	20th December, 1961	1985-86	1992-93	691.81	(-)119.63	38.49	38.49	(-)81.14	325.15	(-)81.14	-	-	-
32.	Industrial Development Corporation of Orissa Limited	Industries	29th March, 1962	1988-89	1991-92	9578.18	255.58	558.58	558.58	814.16	9235.74	814.16	8.5	8.8	(i) - (ii)(-)36.18 (iii) -
				1989-90	1992-93	11915.61	253.46	601.03	601.03	854.49	9874.98	854.49	7.2	8.6	
33.	Orissa Construction Corporation Limited	Irrigation	22nd May, 1962	1988-89	1992-93	763.38	77.18	103.57	-	180.75	1824.49	77.18	23.7	4.2	-
34.	Orissa Fisheries Development Corporation Limited	Fisheries and Animal Resources Development	8th August, 1962	1982-83	1983-84	45.09	(-) 3.75	1.22	0.99	(-)2.76	19.78	(-)2.53	-	-	-
35.	Orissa Forest Development Corporation Limited (Earstwhile Forest Corporation of Orissa Limited)	Forest and Environment	28th September, 1962	1984-85	1991-92	369.48	55.69	24.36	24.36	80.05	447.17	80.05	21.06	17.9	-
				1985-86	1992-93	156.57	44.21	17.34	17.34	61.55	224.38	61.55	39.31	27.43	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
36.	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	15th February, 1964	1982-83	1992-93	476.41	8.01	25.41	25.41	33.42	67.39	33.42	7.0	49.6	(i) (+) 8.01 (ii) (-)18.91 (iii) (-)10.90
37.	East Coast Salt and Chemical Industries Limited (Subsidiary of the Company at Sl.No.32)	Industries	27th October, 1965	1988-89	1990-91	22.14	(-) 18.69	-	(-) 18.69		-	(-) 18.69	-	-	Since closed vide 209th Board Meeting dated 3.8.1985
38.	East Coast Breweries and Distilleries Limited (Subsidiary of the Company at Sl.No.32)			January 1988 to 31.3.89	1991-92	832.99	(-)56.32	28.39	28.39	(-)27.93	242.44	(-) 27.93	-	-	-
		Industries	15th April, 1969	1989-90	1992-93	571.11	(-)66.04	28.22	28.22	(-)37.82	260.06	(-)37.82	-	-	-
39.	Orissa Small Industries Corporation Limited	Industries	3rd April, 1972	1983-84	1992-93	745.39	(-)18.97	39.15	39.15	20.18	715.02	20.18	2.7	2.8	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
40.	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12th April, 1973	1989-90	1991-92	10221.29	(-)516.12	387.72	384.47	(-)131.25	9640.91	(-)128.40	-	-	-
				1990-91	1991-92	12009.01	(-)280.50	404.84	403.56	123.06	11129.81	124.34	1.0	1.1	-
				1991-92	1992-93	8214.29	153.52	395.35	395.35	548.87	12159.47	548.87	6.7	4.5	-
41.	Orissa Lift Irrigation Corporation Limited	Rural Development	21st September 1973	1982-83	1991-92	3331.59	(-) 0.28	140.34	140.34	140.06	3766.02	140.06	4.2	3.7	-
				1983-84	1991-92	3740.48	(-) 1.41	157.57	157.57	156.16	5171.11	156.16	4.2	3.0	-
				1984-85	1992-93	4207.69	(-) 5.53	154.96	154.96	149.43	5654.20	149.43	3.5	2.6	-
				1985-86	1992-93	4677.32	0.51	174.51	174.51	175.02	7291.14	175.02	3.7	2.4	-
42.	ORICHEM Limited (Subsidiary of the Company at Sl.No.32)	Industries	29th July, 1974	1989-90	1991-92	839.22	111.18	44.25	43.12	154.30	195.60	155.43	18.4	79.00	-
43.	Hira Steel and Alloys Limited (Subsidiary of the Company at Sl.No.32)	Industries	23rd August, 1974	1975-76	1976-77	36.67	-	1.57	1.50	1.50	27.39	1.57	4.1	5.7	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
44.	Orissa State Leather Corporation Limited	Industries	19th April, 1976	1982-83	1991-92	194.93	(-)16.51	3.71	3.71	(-)12.80	133.84	(-)12.80	-	-	-
				1983-84	1992-83	205.20	(-)16.92	5.14	5.14	(-)11.78	211.47	(-)11.78	-	-	-
				1984-85	1992-93	195.05	(-)20.32	3.59	3.59	(-)16.73	73.04	(-)16.73	-	-	
45.	Orissa Film Development Corporation Limited	Industries	22nd April, 1976	1989-90	1991-92	357.18	(-) 5.03	8.67	8.67	3.64	235.96	3.64	1.0	1.5	-
				1990-91	1992-93	395.14	(-) 5.56	9.93	9.93	4.37	288.86	4.37	1.1	1.5	-
46.	New Mayurbhanj Textiles Limited	Industries	2nd June, 1976	1980-81	1986-87	2.47	1.75	0.03	-	1.75	2.66	1.78	70.8	66.9	-
47.	Orissa State Handloom Development Corporation Limited	Textiles and Handloom	1st February, 1977	1984-85	1992-93	563.63	(-) 5.66	31.89	31.89	25.23	563.77	25.23	4.4	4.5	-
48.	Orissa State Seeds Corporation Limited	Agriculture	24th February, 1978	1985-86	1991-92	(-)386.90	(-) 2.89	28.31	28.31	25.92	381.62	25.92	6.7	6.8	-
				1986-87	1992-93	448.00	(-)24.82	33.09	33.09	8.27	431.78	8.27	1.8	1.9	-
49.	Orissa Maritime and Chilika Area Development Corporation Limited	Planning and Co-ordination	29th August, 1978	1987-88	1991-92	365.98	(-)40.73	0.88	0.88	(-)39.85	92.23	(-)39.85	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
50.	Konark Detergent and Soaps Limited (Subsidiary of the Company at Sl.No.40)	Industries	29th August, 1978	1980-81	1986-87	3.35		-	-	-	1.94	-	-	-	
51.	Konark Watch Company Limited (Subsidiary of the Company at Sl.No.40)	Industries	22nd November, 1978	1981-82	1989-90	30.78	(-) 2.31	2.49	2.46	0.15	7.10	0.18	0.5	0.7	-
52.	Orissa State Cashew Development Corporation Limited	Agriculture	6th April, 1979	1989-90	1991-92	363.35	(-)33.16	46.28	46.28	13.12	69.98	13.12	3.6	18.7	-
				1990-91	1992-93	348.65	5.97	36.58	36.58	42.55	(-)71.83	42.55	12.2	-	-
53.	Orissa Tourism Development Corporation Limited	Tourism	3rd September, 1979	1983-84	1991-92	261.81	(-)28.58	3.91	3.91	(-)24.67	109.22	(-)24.67	-	-	-
				1984-85	1992-93	316.12	(-)21.53	5.64	5.64	(-)15.89	134.49	(-)15.89	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
54.	Similipahar Forest Development Corporation Limited	Forest and Environment	14th December 1979	Year ending 31st October, 1985	1991-92	164.70	2.29	10.10	9.36	11.65	168.70	12.39	7.12	7.5	-
				Year ending 31st October 1986	1992-93	197.19	1.75	6.44	6.03	7.78	192.20	8.19	3.95	4.26	-
55.	Orissa Fish Seed Development Corporation Limited	Fisheries and Animal Resources Development	17th December 1979	1987-88	-	460.17	(-)43.28	38.91	38.91	(-) 4.37	19.97	(-) 4.37	-	-	-
				1988- 89	1992-93	555.75	(-)115.14	50.95	50.95	(-)64.19	386.05	(-)64.19	-	-	-
56.	ABS Spinning Orissa Limited (Subsidiary of the Company at Sl.No.32)	Industries	w.e.f. 23.3.90	1988-89	-	775.74	(-)202.43	62.47	60.92	(-)141.51	342.79	(-)139.96	-	-	-
				1989-90	1992-93	745.65	(-) 58.83	53.93	53.93	(-) 4.90	358.50	(-) 4.90	-	-	-
57.	Orissa State Police Housing and Welfare Corporation Limited	Home	24th May, 1980	1987-88	1992-93	407.86	(-) 14.35	-	-	(-) 14.35	379.56	-	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
58.	Kalinga Studios Limited (Subsidiary of the Company at Sl.No.45)	Industries	25th July, 1980	1989-90	-	145.27	(-) 2.82	3.62	3.62	0.8	76.00	0.8	0.05	0.10	- -
				1990-91	1992-93	153.46	(-)10.61	3.71	3.71	(-)6.90	75.24	(-)6.90	-	-	-
59.	Orissa State Civil Supplies Corporation Limited	Food and Civil Supplies	3rd September, 1980	1983-84	1991-92	1599.37	113.77	299.98	299.98	413.75	2154.61	413.75	25.8	19.2	-
				1984-85	1992-93	1455.66	235.58	164.41	164.41	399.99	1460.80	399.99	27.5	27.4	-
60.	Orissa State Textiles Corporation Limited	Textiles and Handloom	10th September, 1981	1987-88	1990-91	212.27	(-)148.26	44.53	5.54	(-)142.46	23.38	(-)103.73	-	-	-
61.	Oirssa State Electronics Development Corporation Limited	Industries	29th September, 1981	1988-89	-	710.50	(-)12.54	-	-	(-)12.54	164.55	(-)12.54	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
62.	Orissa Pump and Engineering Company Limited (Subsidiary of the Company at Sl.No.39)	Industries	27th March, 1982	1987-88	-	49.66	0.25	4.67	4.67	4.92	30.24	4.92	9.9	16.3	-
63.	Konark Television Limited	Industries	26th June, 1982	1984-85 1985-86 1986-87	- - 1992-93	146.35 392.54 557.06	15.69 35.77 34.15	26.91 40.49 71.14	26.91 40.49 71.14	42.60 76.26 105.29	146.30 392.39 556.91	42.60 76.26 105.29	29.1 19.4 18.9	28.1 19.4 18.9	- - -
64.	OMC Alloys Limited (Marged with Company at Sl.No.4 w.e.f. 1.4.1986)	Steel and Mines	25th August, 1982	-	-	-	-	-	-	-	-	-	-	-	-
65.	Orissa Bridge and Construction Corporation Limited	Works	1st January, 1983	1986-87	1991-92	582.65	6.24	9.12	5.12	11.36	462.59	15.36	1.9	3.3	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
66.	IPITRON Resistors Limited (Subsidiary of the Company at Sl.No.61)	Industries	8th May, 1983	1989-90	1992-93	0.01	0.006	-	-	-	0.05	-	-	-	-
67.	Orissa Composite Boards Limited	Forest & Environment	4th July, 1983	1987-88	1991-92	241.72	(-)77.04	112.23	112.23	35.19	188.89	35.19	14.5	18.6	-
68.	Orissa Power Generation Corporation Limited	Energy	14th November, 1984	Year ending 31st March 1989	1990-91	3616.80	-	-	-	-	514.52	-	-	-	-
				1989-90	1992-93	6169.80	-	-	-	-	622.61	-	-	-	-
69.	Orissa Plantation Development Corporation Limited	Forest and Environment	29th August, 1985	1988-89	1992-93	230.50	(-) 7.47	0.005	-	(-) 7.47	177.26	(-) 7.47	-	-	-
				1989-90	1992-93	315.00	(-)11.89	0.005	-	(-)11.89	250.35	(-)11.89	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
70.	Orissa Leather Industries Limited (Subsidiary of the Company at Sl.No.44)	Industries	26th July, 1986	1989-90	1990-91	195.60	-	9.81	9.81	9.81	121.54	9.81	5.0	9.8	-
				1990-91	1992-93	256.58	-	-	-	-	111.18	-	-	-	-
71.	Radiant Electronics Limited (Subsidiary of the Company at Sl.No.61)	Industries	5th September, 1986	1989-90	1991-92	214.24	(-)34.49	21.26	21.26	(-)13.23	185.18	(-)13.23	-	-	-
				1990-91-	1992-93	227.82	(+)26.47	27.09	27.09	53.56	222.58	53.56	23.5	24.0	-
72.	ELCOSMOS Electronics Limited (Subsidiary of the Company at Sl.No.61)	Industries	12th January, 1987	1989-90	1992-93	390.69	-	24.31	24.31	24.31	382.14	24.31	6.2	6.4	Commercial production not started
73.	ELCOPHONES Limited (Subsidiary of the Company at Sl.No.61)	Industries	10th December 1987	-	-	-	-	-	-	-	-	-	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
74.	GEM Corporation of Orissa Limited (Subsidiary of the Company at Sl.No.4)	Steel & Mines	4th January, 1989	1989-90	1990-91	8.51	(-)1.05	-	-	-	2.33	-	-	-	-
				1990-91	1992-93	19.30	(-)7.22	-	-	-	3.97	-	-	-	-
75.	ELCO Communication System Limited (Subsidiary of the Company at Sl.No.61)	Industries	8th March, 1989	-	-	-	-	-	-	-	-	-	-	-	-
76.	ELMARC Limited Subsidiary of the Company at Sl.No.61)	Industries	23rd January, 1990	1990-91	-	0.01	-	-	-	-	0.01	-	-	-	-
77.	Orissa State Export Development Corporation Limited	Industries	27th July, 1990	-	-	-	-	-	-	-	-	-	-	-	-

Notes: (i) Out of 77 companies shown in Annexure-II (including 5 merged companies) accounts of 72 companies were in arrears. The accounts of remaining 3 companies at serial number 3, 37 and 64 which are defunct due to merger/closure have since been finalised.

(ii) Out of 31 defunct companies one company at serial number 37 had cleared its accounts till the date of closure.

ANNEXURE - II(A)

Statement showing the arrears in finalisation of accounts in respect of the Pilot Project Companies which ceased to be Government Companies

(Referred to Paragraph 1.2.3 at Page-7)

Sl.No. (1)	Name of the Company (2)	Extent of arrears (3)
1.	Orissa Foundry Company Limited	1968-69 to 1978-79
2.	Orissa Agrico Limited	1969-70 to 1982-83
3.	Utkal Metal Products Limited	1970-71
4.	Kalinga Foundry Limited	1970-71 to 1971-72
5.	Utkal Foundry and Enginering Company Limited	1976-77 and 1977-78
6.	Rourkella Fabrication Industries Limited	1978-79
7.	Spark Battery and Manufacturing Works Limited	1972-73 to 1980-81

ANNEXURE III

Summarised financial results of Statutory Corporations for the year for which accounts were finalised

(Referred to Paragraph 1.3.3 at Page. 13)

SL. No.	Name of the Corporation	Name of the administrative department	Date of incorporation	Year of accounts	Total capital invested	Profit(+)/ Loss(-)	Total interest charged to Profit and Loss Accounts	Interest on long term loans	Total return on capital invested	Capital employed	Total return on capital employed	Percentage of total return on capital invested	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
					(Rupees			in lakhs			)		
1.	Orissa State Financial Corporation	Industries	March 1956	1991-92	38755.92	(-)227.64	2785.39	2785.39	2557.75	37306.67	2557.75	6.6	6.8
2.	Orissa State Warehousing Corporation	Agriculture	March 1958	1989-90	544.85	28.09	26.69	26.69	54.78	544.97	54.78	10.5	10.5
3.	Orissa State Electricity Board	Energy	March 1961	1990-91	96890.00	3278.00	9392.00	9392.00	12670.00	97858.00	12670.00	13.1	12.9
4.	Orissa State Road Transport Corporation	Commerce and Transport	May 1974	1989-90	6858.74	(-)610.36	301.05	301.05	(-)309.31	(-)709.37	(-)309.31	-	-

OGP—MP-XII (A. G.) 24—1,200—26-3-1993.