

**Abridged version of
Report of the Comptroller and
Auditor General of India
on
Public Sector Undertakings
for the year ended March 2012**



**Government of Odisha
Report No. 2 of the year 2013**

Vital issues included in the Report

- Irregularities in selection of partner /formation of Joint Venture by OMC in violation of the Coal Mines (Nationalisation) Act, 1973 and coal block allocation orders.
- OPGC had not generated additional power by procurement/blending of imported coal.
- Absence of SCADA/RTU connectivity in sub-stations led to inadequate monitoring of functioning of Grids by SLDC.
- Non enforcement of Grid discipline by operation of ABT led to non imposition of penalty on DISCOMs for overdrawal of power.
- OCC had not evolved any long term perspective plan for timely execution of works and avoid accumulation of huge work advances.
- Deficiencies in preparation of estimates by OCC and acceptance of inflated offers by DoWR.
- Job workers were not engaged by OCC in a transparent manner and the agreements tantamounted to subletting of work.

The CAG Report contains three chapters comprising :

- Overview of State Public Sector Undertakings;
- Two Performance Audits ; and
- Transaction audit observations.

The Report highlights the overall performance of Government Companies and Statutory Corporations under Section 19 A of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971 and focuses on deficiencies in the management of PSUs which resulted in serious financial implications.

The Performance Audits relate to Transmission activities of Odisha Power Transmission Corporation Limited and Construction activities of Odisha Construction Corporation Limited.



Overview of State Public Sector Undertakings

The State of Odisha had 36 working PSUs (33 Companies and 3 Statutory Corporations) and 28 non-working PSUs (all Companies) as on 31 March 2012. An overview of the State PSUs depicts as under:

- Working PSUs employed 0.23 lakh employees and registered a turnover of ₹ 11,450.16 crore for 2011-12 as per their latest finalised accounts as on 30 September 2012. This turnover was equal to 5.06 per cent of State GDP; highlighting the important role played by State PSUs in the economy.



- The investment in 64 PSUs was ₹ 10058.34 crore as on 31 March 2012 which increased by 5.29 per cent from ₹ 9,553.38 crore in 2006-07. The increase in investment was mainly due to increase in capital and loans in power sector.
 - During the year 2011-12, out of 36 working PSUs 23 PSUs earned profit of ₹ 2,305.81 crore
 - 7 PSUs incurred loss of ₹ 1,009.79 croreas per their latest finalised accounts as on 30 September 2012.
- The major contributors to profit were The Odisha Mining Corporation Limited (₹ 1,880.59 crore), Odisha Power Generation Corporation Limited (₹ 206.29 crore), Odisha Hydro Power Corporation Limited (₹ 95.61 crore) and Odisha State Beverages Corporation Limited (₹ 40.02 crore).
- Heavy losses were incurred by GRIDCO Limited (₹ 936.81 crore), Orissa Rural Housing and Development Corporation Limited (₹ 31.71 crore), IDCOL Kalinga Iron Works Limited (₹ 27.03 crore) and Odisha Power

Transmission Corporation Limited
(₹ 12.73 crore).

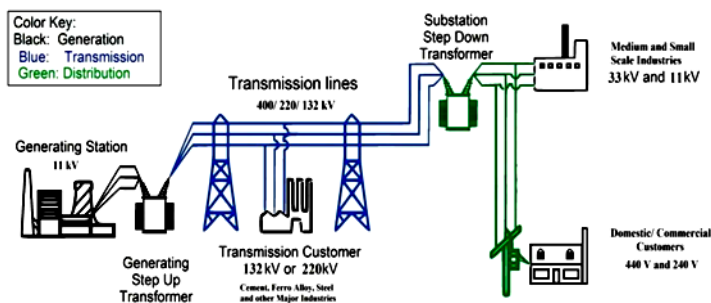
- A review of last three years' Audit Reports of CAG shows that the State PSUs' losses of ₹ 6485.01 crore and infructuous investments of ₹ 7.59 crore were controllable with better management.



Transmission Activities of Odisha Power Transmission Corporation Limited

This Performance Audit covers areas on Planning for capacity addition, Project Management and Performance of Transmission System, Grid management, Financial and Material management, besides Monitoring/ Internal Control. It was noticed that:

- The Company did not conform its Transmission System to the National Electricity Plan.
- The Company planned addition of 33 Sub-stations(SSs), 6227.50 MVA of transformer capacity and 2987.768 Circuit kilometer (Ckm) of transmission lines during 2007-08 to 2011-12 against which it could achieve addition of 19 SSs, 3105 MVA of transformer capacity and 1809.121 Ckm of transmission lines. The shortfall in achievement was mainly due to lack of proper planning, delay in land acquisition, various statutory clearances, right of way issues etc.
- Delayed execution of projects resulted in cost overrun of ₹ 165.56 crore, blockade of fund of ₹ 328.52 crore and non-achievement of projected benefits of ₹ 650.18 crore.



- Mismatch between generation capacity and evacuation system resulted in non evacuating State share of power from one IPP and two hydro power stations forgoing an earning of ₹ 97.98 crore towards transmission charges on 4067.68 MU of energy.
- Absence of Supervisory Control and Data Acquisition (SCADA)/Remote Terminal Units (RTU) connectivity in all the SSs despite investment of ₹ 108.85 crore leading to non-integration of State Load Despatch Centre (SLDC) resulted in inadequate monitoring of functioning of Grids.
- SLDC did not enforce Grid discipline through operation of Availability Based Tariff (ABT) and therefore Power Distribution Companies were not penalised for overdrawal of power over the

approved schedules to the extent of ₹ 622.96 crore.

- The Company could not recover ₹ 77.27 crore through tariff due to incorrect filing of Annual Revenue Requirements.
- Accumulated loss and borrowings of the Company stood at ₹ 181.98 crore and ₹ 818.63 crore respectively as at the end of March 2012
- The Company is yet to start energy audit. No remedial measures were taken to arrest transmission loss beyond the norms.
- Lack of procurement policy and unplanned procurement of conductors led to huge accumulation of surplus/non-moving stock of ₹ 38.93 crore.



Construction Activities of Odisha Construction Corporation Limited

This Performance Audit covers planning for execution of works, preparation of estimates, execution of works, material management, financial management, monitoring and Internal control mechanism.

We noticed that

- The Company failed to evolve any long term Corporate/Perspective Plan for effective utilisation of its resources even after more than five decades of its existence.
- Annual Budget of the Company prepared without inputs from Department of Water Resources (DoWR) though largely dependant on works allotted by DoWR.
- The Company executed work valued at ₹ 654.85 crore which was only 45 per cent of the financial targets during the period 2007-12.
- The Company sustained a loss of ₹ 19.41 crore due to deficiencies in preparation of estimates.

- Deficiencies in scrutiny of offers of the Company by DoWR resulted in award of 17 works at an enhanced work value of ₹ 46.37 crore.
- Delays of more than two years in execution of 93 completed and 53 ongoing works.
- Cost overrun of ₹ 161.99 crore due to delay in completion of 15 works. DoWR also disallowed price escalation of ₹ 4.72 crore due to delayed execution of works.
- Company sustained loss of ₹ 33.72 crore due to excess consumption of material, execution of extra work without approval and award of work at higher rate to subcontractor.



- The Company did not have a purchase manual and inventory management was poor. It sustained a loss of ₹ 2.15 crore due to procurement of cement at high rate and excess consumption which indicated deficient material management.
- Company could not utilise its available machinery gainfully resulting in non-realisation of ₹ 13.53 crore towards hire charges.
- Machinery was also hired from job workers at higher rates keeping own machinery idle, resulting in avoidable expenditure of ₹ 1.37 crore.



- Deficient financial management of the Company resulted in excess expenditure of ₹ 2.19 crore on payment of VAT by way of composition and loss of interest of ₹ 1.53 crore on term deposits.
- Absence of directions from DoWR led to accumulation of work advances of ₹ 374.10 crore with the Company.
- Accumulation of spillover works, non realisation of dues against completed works, release of work advances to job workers in violation of the provisions indicated deficient monitoring and internal control system of the Company.



Transaction Audit Observations

The Report contains 18 Paragraphs relating to transaction audit of the PSUs. Some of the major findings are indicated below:

Odisha Mining Corporation Limited

- Irregularities in selection/formation of Joint Venture by the Company violating the Coal Mines (Nationalisation) Act, 1973 and coal block allocation orders were noticed.
- Inaction of the Company in adhering to the statutory requirements resulted in degradation of environment coupled with a loss of stock of ₹ 34.45 crore.





- Sale of iron ore fines without segregation of the grades by the Company resulted in a short realisation of sales price by ₹ 36.25 crore.
- The Company suffered a loss of revenue of ₹ 14.75 crore from the sale of chrome concentrate in the domestic market due to fixation of domestic sale price of chrome concentrate at a lower side.
- Imprudent fund management in the Company led to loss of interest ₹ 4.87 crore.

Odisha Power Generation Corporation Limited

- Avoidable delay in procurement and blending of imported coal led to non-generation of additional power of 1099 MU valued at ₹ 251.82 crore with consequential loss of incentive of ₹ 32.17 crore.

GRIDCO Limited

- Failure of internal control over the payment towards reimbursement of Income Tax resulted in excess payment of ₹ 34.11 crore.

Odisha Hydro Power Corporation Limited

- Failure to maintain a spare transformer, commissioning of an underrated one and inordinate delay in synchronisation resulted in a loss of ₹ 3.77 crore towards capacity charges.

Odisha Thermal Power Corporation Limited

- Hasty decision of the Management in shifting of the thermal power project site from Rengali to Kamakhyanagar resulted in infructuous expenditure of ₹ 2.44 crore.

Industrial Development Corporation of Odisha Limited

- Failure of the Company to take action as per the terms and condition of sale resulted in loss of ₹ 1.48 crore and undue benefit to the vendor towards sale of iron ore.

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