

**Chapter III**  
**Economic Sector**  
**(Public Sector Undertakings)**



**CHAPTER III  
ECONOMIC SECTOR  
(PUBLIC SECTOR UNDERTAKINGS)**

**3.1 Introduction**

**3.1.1** The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and economic growth of the State. The PSUs in Manipur do not occupy an important place in the economy of the State. As on 31 March 2018, there were 13 PSUs in Manipur. None of these PSUs was listed on the Stock exchange which means that share capital of the PSUs cannot be officially traded in a stock exchange. The details of the State PSUs in Manipur as on 31 March 2018 are shown in the following table.

**Table No. 3.1.1 Total number of PSUs as on 31 March 2018**

Type of PSUs	Working PSUs	Non-working PSUs <sup>97</sup>	Total
Government Companies	10	3	13
<b>Total</b>	<b>10</b>	<b>3</b>	<b>13</b>

*Source: Departmental Records.*

The working State PSUs registered a turnover of ₹ 161.02 crore as per their latest finalised accounts (as of September 2018). This turnover was equal to 0.70 *per cent* of Gross State Domestic Product (GSDP) of ₹ 23,167 crore for 2017-18. The working PSUs incurred an aggregate loss of ₹ 47.89 crore as per their latest finalised accounts as of September 2018. The overall losses of working PSUs were mainly on account of heavy losses incurred by two power sector PSUs *viz.*, (i) Manipur State Power Company Limited and (ii) Manipur State Power Distribution Company Limited as discussed under **Paragraph 3.1.15**. The working PSUs had employed 3785 employees at the end of March 2018.

As on 31 March 2018, the State Government had invested ₹ 2.87 crore<sup>98</sup> in three non-working PSUs.

**Accountability framework**

**3.1.2** The audit of the financial statements of a company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a company in respect of financial years that commenced prior to 1 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2 (45) of the Companies Act, 2013 (Act), a Government Company is the one in which not less than 51 *per cent* of the paid up capital is held by the Central and /or State Government(s) and includes a subsidiary of a Government Company. The audit of Government companies under the Act is

<sup>97</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>98</sup> Share capital (₹ 1.73 crore) + Loans (₹ 1.14 crore) = ₹ 2.87 crore. Figure is under reconciliation with those in the Finance Accounts.

governed by respective provisions of Section 139 and 143 of the Companies Act, 2013.

### **Statutory Audit**

**3.1.3** The financial statements of a Government Company (as defined in Section 2 (45) of the Companies Act, 2013) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 139 (5) or (7) of the Companies Act, 2013. These financial statements are subject to supplementary audit conducted by the CAG under the provisions of Section 143 (6) of the Act.

As per the provisions of Section 143 (7) of the Act, the CAG, in case of any Company (Government Company or Other Company) covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if considered necessary, may conduct the audit of the accounts of such Company (Government Company or Other Company). The provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit.

### **Role of Government and Legislature**

**3.1.4** The State Government exercises control over the affairs of the PSUs through its administrative departments. The Chief Executives and Directors on the Board of these PSUs are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies are placed before the Legislature under Section 394 of the Act. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. These reports are further discussed by the Committee on Public Undertakings (CoPU) of the State Legislature. The CoPU sends its recommendations to the State Government for taking appropriate action.

### **Stake of Government of Manipur**

**3.1.5** The State Government's financial stake in the PSUs is mainly of three types:

1. **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
2. **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
3. **Guarantees-** State Government also guarantees the repayment of loans (with interest) availed by the PSUs from Financial Institutions.

### Investment in State PSUs

**3.1.6** As on 31 March 2018, the investment<sup>99</sup> (capital and long-term loans) in 13 PSUs was ₹ 554.67 crore as per details shown in the table below.

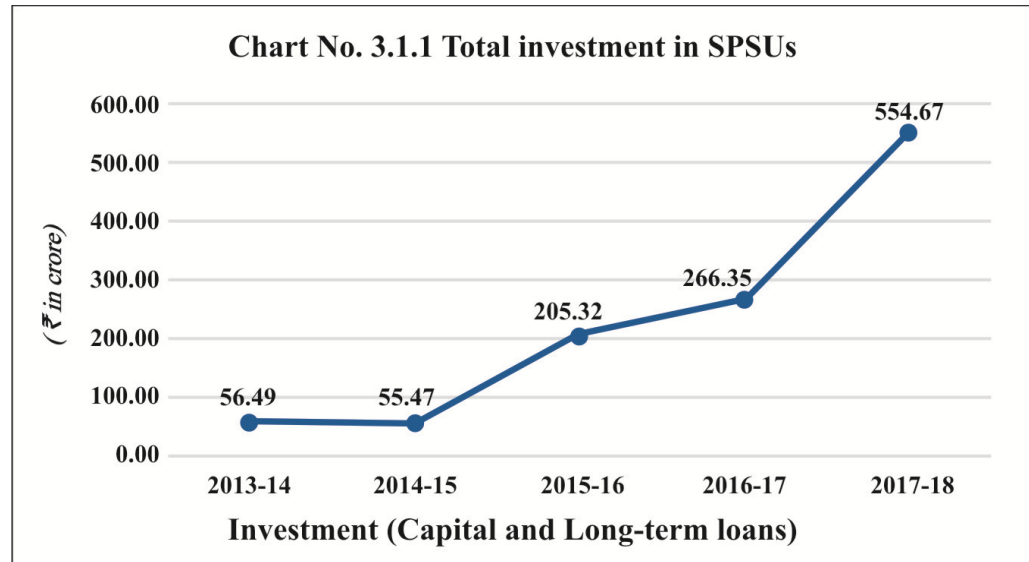
**Table No. 3.1.2 Total investment in PSUs**

(₹ in crore)

Type of PSUs	Government Companies		
	Capital	Long Term Loans	Total
Working PSUs	54.97	496.83	551.80
Non-working PSUs	1.73	1.14	2.87
<b>Total</b>	<b>56.70</b>	<b>497.97</b>	<b>554.67</b>

Source: Departmental Records.

Out of the total investment of ₹ 554.67 crore in PSUs as on 31 March 2018, 99.48 per cent was in working PSUs and the remaining 0.52 per cent in non-working PSUs. This total investment consisted of 10.22 per cent towards capital and 89.78 per cent in long-term loans. The investment has increased by 882 per cent from ₹ 56.49 crore (2013-14) to ₹ 554.67 crore (2017-18) during last five years as shown in **Chart No. 3.1.1**.



Source: Departmental Records.

From the above chart, it may be seen that there was a net increase of ₹ 288.32 crore in investment during the year 2017-18 as compared to previous year (2016-17). This was attributable mainly to increase in investment in the form of loans in Power Sector.

**3.1.7** The sector-wise summary of investments in the PSUs as on 31 March 2018 is shown in the table below.

<sup>99</sup> Figures of investment as on 31 March 2018 are provisional and as provided by the PSUs since none of the PSUs had finalised their accounts for 2017-18.

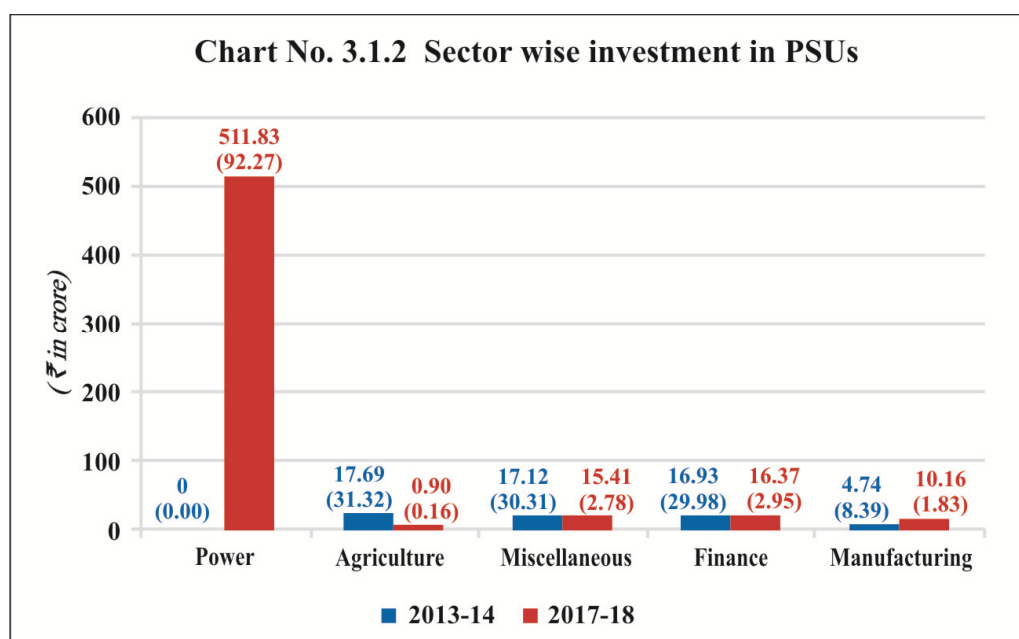
**Table No. 3.1.3 Sector-wise investment in PSUs**

Name of Sector	Government / Other Companies <sup>100</sup>		Total	Investment (₹ in crore)
	Working	Non-Working		
Power	2	NA	2	511.83
Finance	2	NA	2	16.37
Manufacturing	2	NA	2	10.16
Agriculture & Allied	NA	2	2	0.90
Miscellaneous <sup>101</sup>	4	1	5	15.41
<b>Total</b>	<b>10</b>	<b>3</b>	<b>13</b>	<b>554.67</b>

Source: Departmental Records.

NA – Not applicable.

The investment in all the five sectors and percentage thereof at the end of 31 March 2014 and 31 March 2018 are indicated in **Chart No. 3.1.2**.



Source: Departmental Records.

Figures in brackets show the percentage of total investment.

As could be noticed from the Chart above, the thrust of PSU-investment which constituted the highest percentage (92.28 per cent) of total investment was in power sector PSUs during 2017-18. This investment was due to formation of two power sector companies, viz., (i) Manipur State Power Company Limited and (ii) Manipur State Power Distribution Company Limited during 2013-14. The increase of ₹ 288.32 crore in PSUs investment from ₹ 266.36 crore (2016-17) to ₹ 554.67 crore (2017-18) was mainly due to net increase of ₹ 286.41 crore<sup>102</sup> in the loans received by PSUs during the year 2017-18.

<sup>100</sup> 'Other Companies' as referred to under Section 139 (5) and 139 (7) of the Companies Act, 2013.

<sup>101</sup> Includes investment of ₹ 0.02 crore in one working company under infrastructure sector.

<sup>102</sup> Increase in loans: ₹ 333.11 crore (Manipur State Power Distribution Company Limited: ₹ 333.11 crore) minus decrease in loan: ₹ 46.70 crore (Manipur Industrial Development Corporation Limited: ₹ 1.83 crore and Manipur State Power Company Limited: ₹ 44.87 crore).

In addition to Power Sector, there was an increase of ₹ 5.42 crore (114 per cent) in the investment of Manufacturing Sector PSUs from ₹ 4.74 crore (2013-14) to ₹ 10.16 crore (2017-18). The investment in all the remaining three sectors, however, had decreased during the five years under reference.

### Special support and returns during the year

**3.1.8** The State Government provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs for the year ended 2017-18 are shown in the table below.

**Table No. 3.1.4 Details regarding budgetary support to PSUs<sup>103</sup>**

Sl. No.	Particulars	2017-18	
		No. of PSUs	Amount (₹ in crore)
1	Equity Capital outgo from budget	-	-
2	Loans given from budget	-	-
3	Grants/subsidy from budget	5	470.78 <sup>104</sup>
4	<b>Total outgo (1+2+3)</b>	<b>5</b>	<b>470.78</b>
5	Waiver of loans and interest	-	-
6	Guarantee issued	0	0
7	Guarantee commitment	1	390.55 <sup>105</sup>

Source: Departmental Records.

During the last four years prior to 2017-18, there was no budgetary outgo towards loans, loans and interest waived in respect of PSUs. During the year 2016-17, the State Government had issued a loan guarantee of ₹ 390.55 crore in favour of Manipur State Power Distribution Company Limited and no fresh guarantee was issued during 2017-18. As could be noticed from the table above, during 2017-18, the State government had provided budgetary support aggregating ₹ 470.78 crore to five PSUs in the form of grants/subsidies.

### Reconciliation with Finance Accounts

**3.1.9** The figures in respect of equity and loans as per the records of PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of such differences in figures. The position in this regard as on 31 March 2018 is shown in the table given below.

<sup>103</sup> Figures are as furnished by the PSUs.

<sup>104</sup> Manipur Tribal Development Corporation Limited (₹ 0.50 Crore), Manipur Food Industries Corporation Limited (₹ 0.15 Crore), Manipur State Power Company Limited (₹ 221.93 Crore), Manipur State Power Distribution Company Limited (₹ 243.03 Crore) and Manipur Handloom and Handicrafts Development Corporation Limited (₹ 5.17 crore).

<sup>105</sup> This figures relates to position of guarantee commitment given to Manipur State Power Distribution Company Limited during 2016-17.

**Table No. 3.1.5 Equity, loans, guarantees outstanding as per the Finance Accounts vis-a-vis records of PSUs**

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	55.04	42.44	12.60
Loans <sup>106</sup>	-	0.68	(-) 0.68
Guarantee	424.73	390.55	34.18

Source: Departmental Records.

Audit observed that the difference in figures occurred in respect of 12 PSUs<sup>107</sup> and some of the differences were pending reconciliation over a period of more than 20 years. As of March 2017, the unreconciled difference of Guarantee Commitment was ₹ 174.07 crore which came down to ₹ 34.18 crore as of March 2018.

The matter of non-reconciliation was brought to the notice of the Departments concerned (December 2018); but they did not give any response (March 2019).

The Government and the PSUs should take effective steps to reconcile the differences in a time-bound manner for having correct picture.

#### Arrears in finalisation of accounts

**3.1.10** The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.*, by the end of September in accordance with the provisions of Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act.

**Table No. 3.1.6** provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2018.

**Table No. 3.1.6 Position about finalization of accounts of working PSUs**

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Number of Working PSUs	7	9	9	10	10
2	Number of accounts finalised during the year	23	16	4	0 <sup>108</sup>	4
3	Number of accounts in arrears	80	73	78	88	94
4	Number of Working PSUs with arrears in accounts	7	8	9	10	10
5	Extent of arrears (numbers in years)	2 to 26 years	2 to 27 years	1 to 28 years	1 to 29 years	2 to 30 years

Source: Departmental Records.

<sup>106</sup> This figures pertains to the Loans from the State Government only.

<sup>107</sup> In respect of one PSU, *viz.*, Manipur Police Housing Corporation Limited, the figures were matching.

<sup>108</sup> Two accounts in respect of MSPCL and MSPDCL was shown under 2016-17 as the position depicted was as on 30 September 2017 in the previous Report. Now they are shown under the exact year of finalization *i.e.*, 2017-18.



From the table above, it can be observed that the number of accounts in arrears showed an increasing trend after 2014-15. As per the latest position as on 30 September 2018, total 94 accounts were in arrears in respect of 10 working PSUs. The period of arrears ranged from two years (Tourism Corporation of Manipur Limited) to 30 years (Manipur Tribal Development Corporation Limited).

The delays in finalization of accounts are attributable to:

- Abnormal delay in compilation and approval of the accounts and delayed submission of the same to Statutory Auditors by the Management of PSUs; and
- Ineffective monitoring of finalization of accounts of the Companies by the respective administrative departments of the State Government.

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. During the period 2017-18 (up to September 2018), the Departments concerned were informed of the arrears in finalisation of accounts by these PSUs. Despite all these efforts, however, the position of arrears of accounts of working PSUs had deteriorated year after year.

**3.1.11** The State Government had invested ₹ 2.10 crore in equity and disbursed grants of ₹ 1,599.43 crore to six PSUs during the years for which their accounts had not been finalized as detailed in *Appendix 3.1*. In the absence of finalisation of accounts and their subsequent audit, it could not be assessed whether the investments and expenditure incurred were properly accounted for and the purpose for which the amount was invested was achieved or not.

**3.1.12** In addition to above, as on 30 September 2018, there were arrears in finalisation of accounts by non-working PSUs. Three non-working PSUs had arrears of accounts for periods ranging from 15 to 34 years as shown in the table below.

**Table No. 3.1.7 Position relating to arrears of accounts in respect of non-working PSUs**

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
3	1984-85 to 2017-18	15 to 34 years

*Source: Departmental Records.*

### Impact of non-finalisation of accounts

**3.1.13** As pointed out above (*Paragraphs 3.1.10 to 3.1.12*), the delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. Thus, due to pendency of accounts, the actual contribution of PSUs to the GSDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

The matter of arrears of accounts was brought to the notice of the Chief Secretary (January 2019); however, he did not give any response (May 2019).

**Recommendation (18):** The Government may consider fixing of targets for finalization of arrears of accounts for individual companies and closely monitor the clearance of these arrears in a time bound manner.

**Performance of PSUs as per their latest finalised accounts**

**3.1.14** The financial position and working results of working Government companies are detailed in **Appendix 3.2**. A ratio of PSU - turnover to State GDP shows the extent of PSU - activities in the State economy. Details of working PSUs' turnover and GSDP during 2013-14 to 2017-18 are shown in the table below.

**Table No. 3.1.8 Details of working PSUs turnover vis-à-vis State GDP**

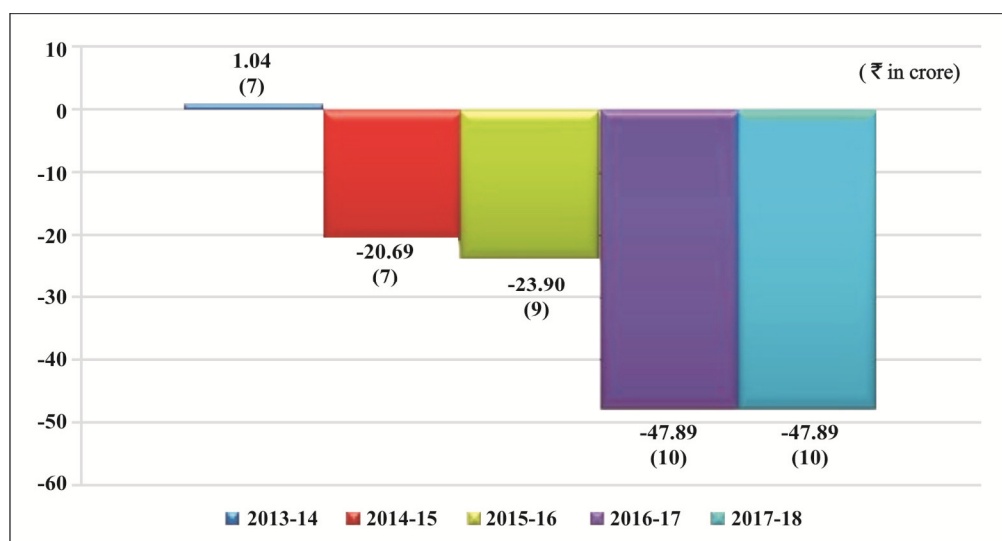
Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover <sup>109</sup>	7.03	35.22	34.70	161.02	161.02
GSDP <sup>110</sup>	16,198	18,129	19,531	21,066 (Q)	23,167 (A)
Percentage of Turnover to GSDP	0.04	0.19	0.18	0.76	0.70

Source: Departmental Records.

As could be noticed from the table above, the GSDP had shown increasing trend during the last five years from 2013-14 to 2017-18. However, increase of PSUs' turnover depicted an irregular path. It increased sharply during 2016-17. Although there has been an overall increase in the percentage of PSU turnover to the GSDP from 0.04 per cent in 2013-14 to 0.70 per cent in 2017-18, yet the contribution of PSU turnover to the GSDP was quite meager.

**3.1.15** Overall profits earned and losses incurred by working PSUs during 2013-14 to 2017-18 are as shown in **Chart No. 3.1.3**.

**Chart No. 3.1.3 Profit/Loss of working PSUs**



Source: Departmental Records.

Figures in bracket show the number of working PSUs in the respective years.

<sup>109</sup> Turnover as per the latest finalised accounts of working PSUs as on 30 September 2018.

<sup>110</sup> GSDP figures as per information furnished by the Department of Economics and Statistics (at current price with base year 2011-12); (Q)=Quick Estimate, (A)=Advance.

During the year 2017-18, out of ten working PSUs, only one PSU<sup>111</sup> earned profit of ₹ 0.29 crore. Seven<sup>112</sup> PSUs incurred loss of ₹ 48.18 crore as per their latest finalised accounts as on 30 September 2018 while two PSUs had not finalised even their first Annual Accounts. The major contributors to PSU losses were Manipur State Power Distribution Company Limited (₹ 30.49 crore) and Manipur State Power Company Limited (₹ 13.55 crore).

**3.1.16** Some other key parameters of performance of State PSUs are shown in table below.

**Table No. 3.1.9 Key parameters of State PSUs performance**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Return on total Capital Employed ( <i>per cent</i> ) *	1.84	(-) 20.95	(-) 955.51	(-) 463.20	(-) 276.34
Debt <sup>113</sup> *	10.43	3.05	150.58	211.56	497.97
Turnover <sup>114</sup>	7.03	36.34	35.02	161.34	161.02
Debt/ Turnover Ratio	1.42	0.08	4.30	1.31	3.09
Accumulated losses	45.19	74.74	77.20	121.24	124.53

**Source: Departmental Records.**

\* Return on total Capital Employed and Debt figures adopted here are as per the latest information furnished by the PSUs.

As could be seen from the table above, the accumulated losses of PSUs had increased significantly during last five years from ₹ 45.19 crore in 2013-14 to ₹ 124.53 crore in 2017-18. The major increase in accumulated loss was during 2016-17 over the previous year, which was mainly on account of losses incurred by Manipur Industrial Development Corporation Limited (MANIDCO) (₹ 31.78 crore), Manipur State Power Company Limited (MSPCL) (₹ 21.55 crore) and MSPDCL (₹ 42.54 crore). However, during 2017-18 the accumulated loss increased marginally over the previous year.

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR is indicative of having too much of debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to successfully manage their debt servicing and repayments. As could be seen from the **Table 3.1.9**, the DTR of the PSUs was considerably high during 2015-16 and 2017-18 mainly due to disproportionate gap between the long term debts and turnover of PSUs. This was due to high borrowing resorted to by the PSUs to service their long-term debts.

**3.1.17** The State Government had not formulated (September 2018) any dividend policy.

<sup>111</sup> Manipur Police Housing Corporation Limited.

<sup>112</sup> Out of the remaining nine PSUs, two PSUs have not finalised any accounts.

<sup>113</sup> Includes loan from RECL and PFC (₹ 141.46 crore), SIDBI (₹ 3.42 crore) and IDBI (₹ 1.76 crore).

<sup>114</sup> Turnover of PSUs as per their latest finalised accounts as of 30 September of the respective year.

### **Winding up of non-working PSUs**

**3.1.18** There were three non-working PSUs<sup>115</sup> as on 31 March 2018. Effective steps were not taken by the Government to wind up these Companies under the provisions of the Companies Act, 2013. The number of non-working PSUs at the end of each of the last five years remained the same as shown below.

**Table 3.1.10 Non-working PSUs**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of non-working companies	3	3	3	3	3
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

*Source: Departmental Records.*

### **Comments on Accounts**

**3.1.19** During 2017-18 (October 2017 to September 2018) only three<sup>116</sup> out of ten working companies had submitted their audited accounts to the Principal Accountant General (Audit), Manipur. The accounts of Manipur Food Industries Corporation Limited for the years 2008-09 and 2009-10 and in case of Manipur State Power Company Limited and Manipur State Power Distribution Company Limited their accounts for the year 2014-15 were finalized. The audit reports of statutory auditors appointed by CAG indicated that the quality of maintenance of accounts was required to be improved substantially. There was no significant aggregate money value of comments of statutory auditors during the last three years. The audit comments were based mainly on non-compliance with the accounting concept of conservatism and the revenue recognition principle of accrual accounting.

### **Response of the Government to Audit**

#### **Performance Audits and Paragraphs**

**3.1.20** For the Economic Sector (PSUs) Chapter of the Report of CAG for the year ended 31 March 2018, one audit paragraph relating to Power Department was issued (September 2018) to the Commissioner of the Department with a request to furnish the reply within six weeks. The reply from the Company in respect of the compliance audit paragraph was received in September 2018. Their comments have been appropriately incorporated in the Report.

### **Follow up action on Audit Reports**

#### **Outstanding replies to audit paragraphs from Government**

**3.1.21** The Reports of the CAG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive authorities. As per the recommendation of the Shakhder Committee, all Administrative Departments are required to submit

<sup>115</sup> (i) Manipur Agro Industries Corporation Limited, (ii) Manipur Plantation Crops Corporation Limited and (iii) Manipur Pulp & Allied Products Limited.

<sup>116</sup> (i) Manipur Food Industries Corporation Limited (2008-09, 2009-10),  
(ii) Manipur State Power Company Limited (2014-15) and  
(iii) Manipur State Power Distribution Company Limited (2014-15).

replies/explanatory notes to paragraphs/performance audits included in the Audit Reports of the CAG within a period of three months<sup>117</sup> of their presentation to the State Legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (CoPU). The position of replies/explanatory notes to paragraphs/performance audits pending to be received from the State Government/Administrative Departments concerned has been shown in the table below.

**Table No. 3.1.11 Status of explanatory notes not received  
(as on 31 May 2019)**

Year of the Audit Report (Commercial/ PSU)	Date of placement of Audit Report in the State Legislature	Total number of Performance audits (PAs) and Paragraphs included in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	29 June 2015	-	3	-	3
2014-15	2 September 2016	2	1	1	-
2015-16	21 July 2017	-	2	-	-
2016-17	23 July 2018	-	1	-	-
<b>Total</b>		<b>2</b>	<b>7</b>	<b>1</b>	<b>3</b>

Source: Records of the Principal Accountant General (Audit), Manipur.

From the table above, it could be seen that explanatory notes to three paragraphs and one performance audit included in the Audit Reports 2013-14 and 2014-15 respectively in respect of two PSUs,<sup>118</sup> were not submitted by the State Government (May 2019).

### Discussion of Audit Reports by CoPU

**3.1.22** The status as on 31 May 2019 of performance audits and paragraphs relating to PSUs that appeared in the Audit Reports for last five years (2012-13 to 2016-17) and discussed by the Committee on Public Undertakings (CoPU) is shown in table given below.

**Table No. 3.1.12 Performance Audits/Paras appeared in Audit Reports vis-a-vis discussed by CoPU (as on 31 May 2019)**

Period of Audit Report <sup>119</sup>	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2012-13	Nil	2	Nil	Nil
2013-14	Nil	3	Nil	Nil
2014-15	2	1	Nil	1
2015-16	Nil	2	Nil	2
2016-17	Nil	1	Nil	1
<b>Total</b>	<b>2</b>	<b>9</b>	<b>-</b>	<b>4</b>

Source: Records of the Principal Accountant General (Audit), Manipur.

<sup>117</sup> As per the prescribed time schedule, *suo moto* replies to be furnished within three months in case Audit Paragraphs are not selected by the PAC/CoPU during this period.

<sup>118</sup> Manipur Tribal Development Corporation Limited and Manipur Police Housing Corporation Limited.

<sup>119</sup> 32 audit paragraphs (7 performance audit paragraphs and 25 compliance audit paragraphs) pertaining to Audit Reports from 1995-96 to 2006-07 are yet to be discussed by CoPU. Audit Report for 2007-08 was discussed by CoPU but recommendation is yet to be published.

From the above, it may be seen that two performance audit paragraphs and five paras have not been discussed by the CoPU.

### Compliance to Reports of the CoPU

**3.1.23** Action Taken Notes (ATNs) relating to 110 recommendations pertaining to four Reports of the CoPU presented to the State Legislature between March 1987 and March 2011 had not been received from the Government (May 2019) as indicated in the table given below which was indicative of the fact that the State Government was not serious about the reports of the CAG of India.

**Table No. 3.1.13 Compliance to CoPU Reports**

CoPU Report (Year in which report was published)	Total number of CoPU Reports	Total number of recommendations in CoPU Report	No. of recommendations where ATNs not received
10 <sup>th</sup> Report (1986-87)	1	8	8
11 <sup>th</sup> Report (1995-96)	1	53	53
12 <sup>th</sup> Report (1998-99)	1	9	9
13 <sup>th</sup> Report (2010-11)	1	40	40
<b>Total</b>	<b>4</b>	<b>110</b>	<b>110</b>

*Source: Records of the Principal Accountant General (Audit), Manipur.*

The above Reports of CoPU contained recommendations in respect of paragraphs pertaining to five departments of the State Government, which appeared in the Reports of the CAG of India for the period from 1983-84 to 2008-09.

**Recommendation (19):** *The Government may ensure furnishing of explanatory notes in respect of the paragraphs and performance audits included in the Audit Reports and ATNs on the recommendations of CoPU as per the prescribed time schedule.*

### Analysis of the working of Power Sector PSUs

**3.1.24** Two power sector PSUs, viz., Manipur State Power Company Limited (MSPCL) and Manipur State Power Distribution Company Limited (MSPDCL) are functioning in the State. Details of various key parameters in respect of MSPCL and MSPDCL are shown in the following table.

**Table No. 3.1.14 Details of various key parameters  
in respect of MSPCL and MSPDCL as per their latest finalized accounts  
as on 30 September 2018**

Sl. No.	Parameter	MSPDCL	MSPCL
1	Turnover as a percentage of GSDP <sup>120</sup>	0.88 per cent	0.00 per cent
2	Budgetary support	₹ 243.03 crore	₹ 221.93 crore
3	Reconciliation of differences in government investment as per finalized accounts and PSU records	₹ 3.30 crore	₹ 0.98 crore
4	Arrears of accounts	Arrear since 2015-16	Arrear since 2015-16
5	Return on Capital Employed*	(-) ₹ 30.49 Crore	(-) ₹ 13.55 Crore

<sup>120</sup> Figures adopted is as per the latest finalised accounts for year 2014-15. The latest corresponding figure of GSDP of 2014-15 of ₹ 18,129 crore is adopted here.

Sl. No.	Parameter	MSPDCL	MSPCL
6	Debt *	₹ 391.73 Crore	₹ 100.00 Crore
7	Turnover	₹ 159.58 Crore.	NIL
8	Debt/ Turnover Ratio	2.45 : 1	0
9	Accumulated losses	₹ 42.54 Crore	₹ 21.55 Crore

**Source: Departmental Records.**

\* Return on Capital Employed and Debt figures adopted here is as per the latest information furnished by the PSUs.

It is observed from the above table that the turnover of MSPDCL during the year 2014-15 was ₹ 159.58 crore which accounts for 99 *per cent* of the total turnover of the working PSUs while MSPCL's turnover was NIL during the same period. The Accounts of the two Companies were in arrears since 2015-16. The net loss of the two Companies during the year 2014-15 was ₹ 44.04 crore while the accumulated loss was ₹ 64.09 crore which was 51.47<sup>121</sup> *per cent* of the total accumulated losses of the PSUs.

<sup>121</sup> Based on accumulated loss of ₹ 124.53 crore of both working and non-working PSUs.

COMPLIANCE AUDIT

MANIPUR STATE POWER DISTRIBUTION COMPANY LIMITED

3.2 Undue benefit to firms

**Payment of excess Mobilization Advance without charging any interest in violation of provisions of the Manipur Public Works Department Manual resulted in extension of undue benefit to two firms besides incurring interest loss of ₹ 1.11 crore.**

As per para 32.5 of the Manipur Public Works Department (MPWD) Works Manual, 2012, the Mobilization Advance (MA) maximum to the extent of 10 per cent of the tendered amount at a simple interest of 10 per cent per annum can be sanctioned to the contractors in respect of certain specialized<sup>122</sup> and capital<sup>123</sup> intensive works with estimated cost of ₹ two crore and above.

Test check of records (November 2016) of the Managing Director, Manipur State Power Distribution Company Limited (Company) revealed that the Company awarded (September 2013) work orders for supply and erection of equipment and materials against civil works relating to implementation of Restructured Accelerated Power Development and Reforms Programme (R-APDRP)<sup>124</sup> (Part-B works at two towns *i.e.*, Thoubal and Kakching) to two firms. Even though it was not specified whether the works were specialized in nature, payment of MA was made by the Chief Engineer (Power) to the firms in violation of the Manual *ibid*, and the details of amount of MA payable and paid to the suppliers are shown in the following table.

**Table No. 3.2.1 Details of interest free advance payments**

(₹ in crore)

Amount of supply of equipment and Material	Amount of erection of equipment & material	Total Amount	Admissible Advance	Advance paid	Excess Advance
<i>M/s Shyama Power India Limited, Gurgaon</i>					
18.57	4.23	22.80	2.28	3.78	1.50
<i>M/s Lumino Industries Limited, Kolkata</i>					
18.55	5.17	23.72	2.37	3.91	1.54
<b>Total</b>	<b>9.40</b>	<b>46.52</b>	<b>4.65</b>	<b>7.69</b>	<b>3.04</b>

Source: Departmental Records.

The following lapses were observed:

- The firms were paid interest free MA of ₹ 7.69 crore<sup>125</sup> against the admissible amount of ₹ 4.65 crore resulting in excess payment of MA of ₹ 3.04 crore (₹ 7.69 crore – ₹ 4.65 crore).
- Further, had the advance been paid @ 10 per cent simple interest in accordance to MPWD procedures, the Company could have recovered

<sup>122</sup> Works which are to be carried out by specilaized agencies to ensure proper quality of work.

<sup>123</sup> Works that require large amount of investment.

<sup>124</sup> Provisions of MA in MPWD is considered here as there is no such provision for R-APDRP.

<sup>125</sup> ₹ 3.78 crore (*M/s Shyama Power India Limited, Gurgaon in October 2013*) and ₹ 3.91 crore (*M/s Lumino Industries Limited, Kolkata in January 2014*).



interest of ₹ 1.11 crore (₹ 72.26 lakh + ₹ 38.92 lakh) as shown in the **Appendix 3.3**.

Thus, payment of excess MA violated the following provisions:

- Payment of MA beyond the prescribed monetary limit, and
- Non-levying of interest.

This resulted in not only in extension of undue benefit to the two firms but also loss on interest amounting to ₹ 1.11 crore as on 31 March 2016 to the exchequer.

On the above being pointed out in audit, the Company stated (September 2018) that payment of excess MA was made on the recommendation of HTC in the meeting held on 6 September 2013. Their reply was not tenable as recommendation of HTC was not correct as payment of MA in excess of the prescribed ceiling and without levy of interest against the codal provisions led to loss on account of interest (₹ 1.11 crore) to the State exchequer. This calls for fixing of responsibility of the officials responsible for granting mobilization advance in violation of the rules under reference, as even the High Tender Committee was not competent to grant mobilization advance in excess to the tune of ₹ 3.04 crore which was inadmissible under the rules.

