

Introduction

Purpose of the Report

1. This Report presents the financial performance of State Public Sector Enterprises (SPSEs) (State Government Companies, Statutory Corporations and Government Controlled Other Companies) set up under the Companies Act, 2013 and the statutes enacted by Parliament/ State Legislature. Financial performance of the SPSEs (Power Sector) has been discussed in Chapter-I and of the SPSEs (Other than Power Sector) in Chapter-II.

Chapter-III on Oversight role of the Comptroller and Auditor General of India highlights significant comments of the Comptroller and Auditor General of India issued as supplement to the Statutory Auditors' Reports on the State Government Companies. Chapter-IV reviews the compliance with Corporate Governance provisions under the Companies Act, 2013 and Regulations of Securities and Exchange Board of India under the administrative control of various Departments of State Government. Chapter V ascertains whether the provisions of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 were complied with by SPSEs while Chapter VI studies the implementation of Ind AS in Phase I & II to assess how far the various provisions of Ind AS were complied with by SPSEs at the time of adoption and the impact of implementation of Ind AS in the financial statements of SPSEs.

A Government Company is defined in Section 2(45) of the Companies Act, 2013 (Act, 2013) as a Company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a Company which is a subsidiary of a Government Company. Besides, any other Company¹ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to as Government Controlled Other Companies (GCOCs).

As on 31 March 2020, there were 49 State Public Sector Enterprises (SPSEs) in Punjab, including four² Statutory Corporations, 42 Government Companies (including sixteen inactive³ Government Companies) and three GCOCs under the audit jurisdiction of the Comptroller and Auditor General of India. Of these, one⁴ Company was listed on the stock exchange.

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

² Punjab Scheduled Castes Land Development and Finance Corporation, PEPSU Road Transport Corporation, Punjab State Warehousing Corporation and Punjab Financial Corporation.

³ Inactive SPSEs are those which have ceased to carry out their operations.

⁴ Punjab Communications Limited.

Accountability framework

Mandate of audit

2. The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and GCOC under Section 139 (5) and (7) of the Act, 2013. Section 139 (5) of the Act, 2013, provides that the Statutory Auditors in case of a Government Company or GCOC are to be appointed by the Comptroller and Auditor General of India within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Act, 2013 provides that in case of a Government Company or GCOC, the first auditors are to be appointed by the Comptroller and Auditor General of India within sixty days from the date of registration of the Company and in case the Comptroller and Auditor General of India does not appoint such an auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such an auditor.

Further, as per sub-Section (7) of Section 143 of the Act, 2013, the Comptroller and Auditor General of India may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or GCOC is subject to audit by the Comptroller and Auditor General of India.

Statutory audit

3. The financial statements of the Government Companies (as defined in Section 2 (45) of the Act, 2013) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India as per the provisions of Section 139 (5) or (7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the Comptroller and Auditor General of India including, among other things, financial statements of the Company under Section 143 (5) of the Act, 2013. These financial statements are also subject to supplementary audit by the Comptroller and Auditor General of India within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act, 2013. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the Comptroller and Auditor General of India is the sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India.

Submission of accounts by SPSEs

Need for timely finalisation and submission of accounts by SPSEs

4. According to Section 394 and 395 of the Act, 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be, after such preparation, laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the Comptroller and Auditor General of India. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between one AGM and the next. Further, Section 129 of the Act, 2013 stipulates that the audited financial statements for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including Directors of the Company responsible for non-compliance with the provisions of Section 129 of the Act, 2013.

The financial performance of the SPSEs on the basis of latest finalised accounts as on 31 December 2020⁵ is covered in this report. The nature of SPSEs and the position of accounts are indicated in **Table 1** below:

Table 1: Position of accounts finalised

Nature of SPSEs	Total number	Number of SPSEs covered in this Report					Number of SPSEs not covered in this Report
		Accounts for the year 2019-20	Accounts for the year 2018-19	Accounts for the year 2017-18	Accounts prior to period 2017-18	Total	
Power Sector	5	4	1	0	0	5	0
Other than Power Sector	44	8	9	9	2	28	16
Total	49	12	10	9	2	33	16

Source: Latest finalised Accounts of SPSEs.

This Report does not include 16 SPSEs which were inactive/under liquidation.

Role of the Government and Legislature

5. The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government.

⁵ Due date for holding of Annual General Meeting has been extended up to 31 December 2020 for the financial year 2019-20 as per Registrar of Companies order of 8 September 2020.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the Comptroller and Auditor General of India, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the Comptroller and Auditor General of India are submitted to the Government under Section 19A of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Punjab in State Public Sector Enterprises

6. The Government of Punjab (GoP) has significant financial stake in the State Public Sector Enterprises (SPSEs). This is mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, the GoP also provides financial assistance by way of loans to the SPSEs from time to time.
- **Special financial support** – GoP provides budgetary support by way of grants and subsidies to the SPSEs as and when required.
- **Guarantees** – GoP also guarantees the repayment of loans with interest availed by the SPSEs from Financial Institutions.

7. The total sector-wise summary of investment {GoP, Government of India (GoI) and Others} in the Working SPSEs as on 31 March 2020 is given in **Table 2** below:

Table 2: Sector-wise investment in SPSEs

(₹ in crore)

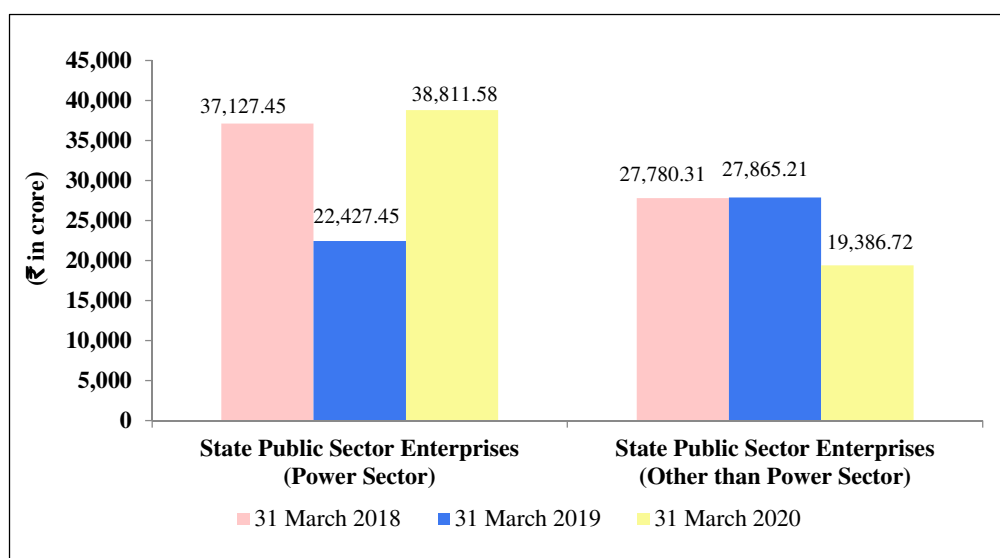
Nature of SPSEs	Number of Working SPSEs	Equity				Long Term Loans				Total Investment			
		GoP	GoI	Others	Total	GoP	GoI	Others	Total	GoP	GoI	Others	Total
Power Sector	05	22,315.61	0.00	23.00	22,338.61	14.07	0.00	16,458.90	16,472.97	22,329.68	0.00	16,481.90	38,811.58
Other than Power Sector	28	1,043.26	96.94	26.34	1,166.54	16,015.88	0.00	2,204.30	18,220.18	17,059.14	96.94	2,230.64	19,386.72
Total	33	23,358.87	96.94	49.34	23,505.15	16,029.95	0.00	18,663.20	34,693.15	39,388.82	96.94	18,712.54	58,198.30

Source: Compiled on the basis of information received from SPSEs.

As on 31 March 2020, the total investment (equity and long term loans) in 33 SPSEs was ₹ 58,198.30 crore. The investment consisted of 40.39 per cent towards equity and 59.61 per cent in long-term loans. The equity investment by the State Government constituted 99.38 per cent of total equity investment whereas 0.62 per cent was contributed by Central Government and others. Similarly, the Long Term Loans advanced by the State Government constituted 46.20 per cent of total Long Term Loans whereas 53.80 per cent loans were availed from other financial institutions.

The details of investment (Equity and Long Term Loans) of SPSEs during the three years ending 31 March 2020 is depicted in **Chart 1** below:

Chart 1: Sector-wise investment in SPSEs



It could be seen that the investment of the State Government increased from ₹ 37,127.45 crore to ₹ 38,811.58 crore in State Power Sector Enterprises and decreased from ₹ 27,780.31 crore to ₹ 19,386.72 crore in case of State (Other than Power Sector) Enterprises.

