

**CHAPTER-5**  
**ROLE OF GOVERNMENT IN PUBLIC SECTOR**  
**UNDERTAKINGS**



## CHAPTER-5

### ROLE OF GOVERNMENT IN PUBLIC SECTOR UNDERTAKINGS

#### 5.1 Introduction

State Public Sector Undertakings (SPSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. SPSUs consist of State Government Companies, Government Controlled Other Companies (GCOCs) and Statutory Corporations. This Chapter presents the investment in SPSUs, budgetary support to SPSUs, dividend paid by SPSUs, erosion of net worth of SPSUs and submission of account by SPSUs.

##### *5.1.1 Definition of Government Companies, Government Controlled Other Companies and Statutory Corporations*

A Government Company is defined in Section 2(45) of the Companies 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 company<sup>1</sup> 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 in this Chapter as Government Controlled Other Companies. The Statutory Corporations are set up under Statutes enacted by the Legislature.

##### *5.1.2 Mandate of Audit*

Audit of Government Companies and GCOCs are conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143 (5) to 143 (7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountant firms as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG may also conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by the CAG.

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<sup>1</sup> Companies (Removal of Difficulties), Seventh order 2014 issued vide gazette notification dated 04 September 2014,

### 5.1.3 Nature of SPSUs and their coverage in the Chapter

As on 31 March 2022, there were 32 SPSUs (27<sup>2</sup> Government Companies, one GCOC<sup>3</sup> and four Statutory Corporations<sup>4</sup>) under the audit jurisdiction of the CAG in the State of Uttarakhand. Out of, nine<sup>5</sup> inactive<sup>6</sup> Government Companies seven<sup>7</sup> SPSUs were under liquidation. None of the SPSUs were listed on the stock exchange.

This report summarises financial performance of 14 SPSUs<sup>8</sup> based on receipt of their accounts during previous three financial years reckoning from 2019-20 to 2021-22 (or in respect of which at least one account pertaining to these years have been received up to 30 September 2022). Accordingly, SPSUs covered in this report in the subsequent paragraphs are indicated in **Table-5.1**:

**Table-5.1: Coverage and nature of SPSUs covered in this report**

Classification of SPSUs	Total number of SPSUs in the State	Number of SPSUs covered in the Report				No. of SPSUs not covered in the report
		Accounts received up to			Total	
		2021-22	2020-21	2019-20		
<b>Active SPSUs</b>						
<b>Government Companies</b>	18	02 <sup>9</sup>	08 <sup>10</sup>	01 <sup>11</sup>	11	07 <sup>12</sup>
<b>GCOCs</b>	01	-	01 <sup>13</sup>	-	01	-

<sup>2</sup> UJVN Limited (UJVN), Uttarakhand Metro Rail, Urban Infrastructure & Buildings Construction Corporation Limited (UKMRC), Uttarakhand Power Corporation Limited (UPCL); Power Transmission Corporation of Uttarakhand Limited (PTCUL), Dehradun Smart City Limited (DeSCL), Kichha Sugar Company Limited (KSCL); Uttarakhand Project Development and Construction Corporation Limited (UPDCCL); Doiwala Sugar Company Limited (DoSCL); Kishau Corporation Limited (KCL); Uttarakhand Purv Sainik Kalyan Nigam (UPNL), Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited (BRIDCUL), Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited (UBVVN), State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIIDCUL), Kumaon Mandal Vikas Nigam limited (KMVNL), Garhwal Mandal Vikas Nigam Limited (GMVNL), Uttarakhand Alpsankhyak Kalyan Wakf Vikas Nigam (UAKWVN); SIIDCUL Plastic Park Ltd (SPPL), Ecotourism Development Corporation of Uttarakhand (ETDC) and nine inactive companies.

<sup>3</sup> Uttarakhand Seeds and Tarai Development Corporation Limited (UKTDC).

<sup>4</sup> Uttarakhand Parivahan Nigam (UPN), Uttarakhand Forest Development Corporation (UFDC), Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (Peyjal Nigam) and Uttarakhand State Warehousing Corporation (USWC).

<sup>5</sup> UPAI; Trans Cables Limited (TCL), a subsidiary of KMVN Limited; Uttar Pradesh Digitals Limited (UPDL), a subsidiary of KMVN Limited; Kumtron Limited (KUMTRON), a subsidiary of HILTRON; Uttar Pradesh Hill Electronics Corporation Limited (HILTRON), Uttar Pradesh Hill Phones Limited (UPHPL), a subsidiary of HILTRON; Uttar Pradesh Hill Quartz Limited (UPHQL), a subsidiary of HILTRON; Garhwal Anusuchit Janjati Vikas Nigam Limited (GAJVNL), a subsidiary of GMVN Limited; Kumaon Anusuchit Janjati Vikas Nigam Limited (KAJVNL), a subsidiary of KMVN Limited.

<sup>6</sup> Inactive SPSUs are those which have ceased to carry on their operations.

<sup>7</sup> UPAI, UPDL, KUMTRON, HILTRON, UPHPL, UPHQL and GAJVNL.

<sup>8</sup> In addition of SPSUs covered in the report, there were nine inactive SPSUs and nine other SPSUs whose accounts were in arrears for three years or more (i.e. accounts received prior to 2019-20 as on 30 September 2022).

<sup>9</sup> UJVN and UKMRC.

<sup>10</sup> UPCL, PTCUL, DeSCL, KSCL, UPDCCL, DoSCL, KCL, and UPNL.

<sup>11</sup> BRIDCUL.

<sup>12</sup> UBVVN, SIIDCUL, KMVNL, GMVNL, UAKWVN, SPPL, and ETDC.

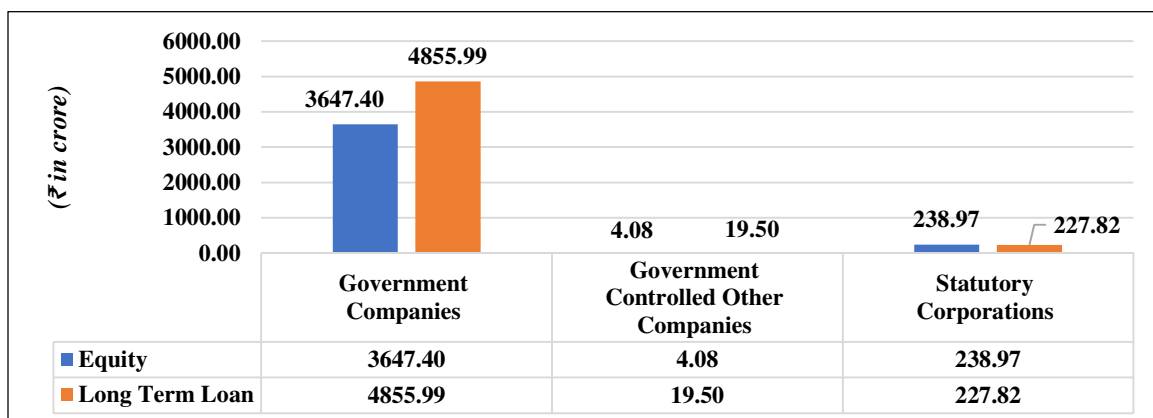
<sup>13</sup> UKTDC

Classification of SPSUs	Total number of SPSUs in the State	Number of SPSUs covered in the Report				No. of SPSUs not covered in the report
		Accounts received up to			Total	
		2021-22	2020-21	2019-20		
Statutory Corporations	04	-	01 <sup>14</sup>	01 <sup>15</sup>	02	02 <sup>16</sup>
<b>Inactive SPSUs</b>						
Government Companies	09	-	-	-	-	09
<b>Total</b>	<b>32</b>	<b>02</b>	<b>10</b>	<b>02</b>	<b>14</b>	<b>18</b>

## 5.2 Investments in State Public Sector Undertakings and Budgetary support

The Capital invested by Central Government, State Government, and others<sup>17</sup> in the SPSUs as on 31 March 2022 is depicted in **Chart-5.1**:

**Chart 5.1: Composition of Investments in Government Companies, GCOCs & Statutory Corporations**



The sector-wise summary of investments (equity and long-term loans) in 32 SPSUs as on 31 March 2022 is given in **Table-5.2**.

**Table-5.2: Sector-wise investment in Public Sector Undertakings**

Sector	No. of SPSUs	Investment								Grand Total
		Equity				Long-Term Loans <sup>18</sup>				
		GoU	GoI	Other	Total	GoU	GoI	Other	Total	
<b>SPSUs which submitted its accounts up to 2019-20 or onwards (Appendix-5.1)</b>										
Power Sector SPSUs	4	3522.47	0.00	5.00	3527.47	551.76	0.00	3990.51	4542.27	8069.74
Other than Power Sector SPSUs	10	31.11	0.00	3.53	34.64	287.83	0.00	57.60	345.43	380.07
<b>Total SPSUs covered in this Chapter</b>	<b>14</b>	<b>3553.58</b>	<b>0.00</b>	<b>8.53</b>	<b>3562.11</b>	<b>839.59</b>	<b>0.00</b>	<b>4048.11</b>	<b>4887.70</b>	<b>8449.81</b>
<b>SPSUs submitted its accounts up to 2018-19 (Appendix-5.2)</b>										
Power Sector SPSUs	-	Nil								
Other than Power Sector SPSUs	18	302.66	15.41	10.27	328.34	130.24	18.56	66.81	215.61	543.95
<b>Total SPSUs not covered in this Chapter</b>	<b>18</b>	<b>302.66</b>	<b>15.41</b>	<b>10.27</b>	<b>328.34</b>	<b>130.24</b>	<b>18.56</b>	<b>66.81</b>	<b>215.61</b>	<b>543.95</b>
<b>Grand Total</b>	<b>32</b>	<b>3856.24</b>	<b>15.41</b>	<b>18.80</b>	<b>3890.45</b>	<b>969.83</b>	<b>18.56</b>	<b>4114.92</b>	<b>5103.31</b>	<b>8993.76</b>

Source: Annual Accounts and information received from SPSUs.

<sup>14</sup> Peyjal Nigam.

<sup>15</sup> UFDC

<sup>16</sup> UPN and USWC.

<sup>17</sup> 'Others' includes investments by holding companies, financial institutions, banks, etc.

<sup>18</sup> Includes current maturity of Long-Term Loans

As on 31 March 2022, the total investments in four power sector SPSUs was ₹ 8,069.74 crore. The investment consisted of 43.71 *per cent* towards equity and 56.29 *per cent* in long-term loans. The long-term loans advanced by the State Government (₹ 551.76 crore) constituted 12.15 *per cent* of the total long-term loans whereas 87.85 *per cent* (₹ 3,990.51 crore) were availed from financial institutions as detailed in **Appendix-5.1**.

As on 31 March 2022, the total investments (equity and long-term loans) in 28 other than power sector SPSUs was ₹ 924.02 crore. The investment consisted of 39.28 *per cent* towards equity and 60.72 *per cent* in long-term loans. The long-term loans advanced by the State Government constituted 74.52 *per cent* (₹ 418.07 crore) of the total long-term loans whereas 25.48 *per cent* (₹ 142.97 crore) were availed from financial institutions as detailed in **Appendix-5.1 and 5.2**.

### 5.2.1 Budgetary Support to State Public Sector Undertakings

Government of Uttarakhand (GoU) provides financial support to SPSUs in various forms through the annual budget. The summarised details of budgetary outgo (equity, loans and grants/subsidies) in respect of 14 SPSUs (covered in this chapter) for the last three years ending March 2022 are given in **Table-5.3**.

**Table-5.3: Details of budgetary support to SPSUs during the year 2019-20 to 2021-22**

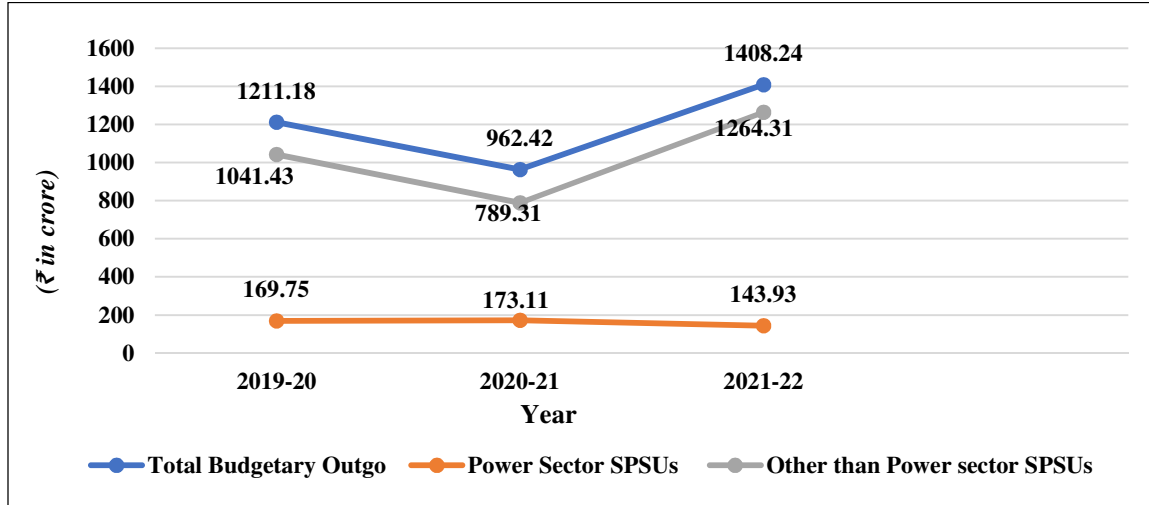
Particulars	2019-20		2020-21		2021-22	
	No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
<b>A. Power Sector SPSUs</b>						
<b>i. Equity Capital outgo</b>	3	133.19	3	142.59	3	100.91
<b>ii. Loans given</b>	1	12.18	1	30.42	1	40.08 <sup>19</sup>
<b>iii. Grants/ Subsidies provided</b>	1	24.38	1	0.10	1	2.94
<b>Total outgo (i+ii+iii)</b>	<b>3</b>	<b>169.75</b>	<b>3</b>	<b>173.11</b>	<b>3</b>	<b>143.93</b>
<b>B. Other than Power Sector SPSUs</b>						
<b>i. Equity Capital outgo</b>	1	0.15	0	0.00	0	0.00
<b>ii. Loans given</b>	0	0.00	0	0.00	0	0.00
<b>iii. Grants/ Subsidies provided</b>	5	1041.28	5	789.31	6	1264.31
<b>Total outgo (i+ii+iii)</b>	<b>6</b>	<b>1041.43</b>	<b>5</b>	<b>789.31</b>	<b>6</b>	<b>1264.31</b>
<b>Grand Total</b>	<b>9</b>	<b>1211.18</b>	<b>8</b>	<b>962.42</b>	<b>9</b>	<b>1408.24</b>

Source: Annual accounts and information received from SPSUs

<sup>19</sup> Interest free loan from GoU to UJVN for Dam Rehabilitation and Improvement Project pending terms & conditions for repayment of loan.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2022 are given in **Chart-5.2**.

**Chart-5.2: Budgetary support towards Equity, Loan and Grants/ subsidies**



The annual budgetary assistance received by the power sector SPSUs during the year 2019-20, 2020-21 and 2021-22 were ₹ 169.75 crore, ₹ 173.11 crore and ₹ 143.93 crore respectively. The budgetary assistance of ₹ 143.93 crore received during 2021-22 included ₹ 100.91 crore, ₹ 40.08 crore and ₹ 2.94 crore in the form of equity, loan and grants/subsidy respectively.

The annual budgetary assistance to other than power sector SPSUs during the year 2019-20, 2020-21 and 2021-22 were ₹ 1041.43 crore, ₹ 789.31 crore and ₹ 1,264.31 crore respectively. The budgetary assistance of ₹ 1,264.31 crore received as grants/subsidy only during 2021-22. Grants/ subsidies were mainly provided to DeSCL<sup>20</sup> (₹ 115 crore), Uttarakhand Peyjal Sansadhan Vikas evam Nirman Nigam<sup>21</sup> (₹ 1,028.31 crore), DoSCL<sup>22</sup> (₹ 48.75 crore) and KSCL<sup>23</sup> (₹ 60.25 crore) during 2021-22 (*Appendix-5.3*).

## 5.2.2 Reconciliation with Finance Accounts of Government of Uttarakhand

The figures in respect of equity, loans and guarantees outstanding as per records of the SPSUs should agree with that of the figures appearing in the Finance Accounts of the GoU. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of the differences. Audit observed that as on 31 March 2022 such differences exist in respect of 14 SPSUs (13 Government Companies and one Statutory Corporation) as detailed in *Appendix-5.4* and summarised in **Table-5.4**.

<sup>20</sup> For Smart City development scheme of GoI.

<sup>21</sup> ₹ 65.00 crore for revenue expenditure for payment of staff salaries & retirement dues and ₹ 963.31 crore for construction of infrastructure in the State.

<sup>22</sup> For payment of Sugar Cane to farmers.

<sup>23</sup> For payment of Sugar Cane to farmers.

**Table-5.4: Equity, Loans and Guarantees outstanding as per Finance Accounts of Government of Uttarakhand vis-à-vis records of SPSUs**

(₹ in crore)

Outstanding in respect of	Sector	Amount as per		Difference
		SPSUs	Finance Accounts	
Equity	Power Sector	3517.47	3502.79	14.68
	Other than Power Sector	331.03	300.63	30.40
	<b>Total</b>	<b>3848.50</b>	<b>3803.42</b>	<b>45.08</b>
Loan	Power Sector	551.76	380.04	171.72
	Other than Power Sector	373.40	215.47	157.93
	<b>Total</b>	<b>925.16</b>	<b>595.51</b>	<b>329.65</b>
Guarantees	Power Sector	122.21	122.21	0.00
	Other than Power Sector	196.50 <sup>24</sup>	1.25	195.25
	<b>Total</b>	<b>318.71</b>	<b>123.46</b>	<b>195.25</b>
<b>Grand Total</b>		<b>5092.37</b>	<b>4522.39</b>	<b>569.98</b>

Source: Information received from SPSUs and Finance Accounts for the year 2021-22.

The differences between the figures are persisting for many years. The issue of reconciliation of differences was also taken up by the audit with the concerned SPSUs and the Departments from time to time. Major difference in balances was observed in respect of three power sector SPSUs<sup>25</sup> and four<sup>26</sup> other than power sector SPSUs as detailed in **Appendix-5.4**.

During the exit conference, Secretary Finance assured to issue directions regarding reconciliation of Loans and Advances figures as shown in the Finance Accounts with those available in the books of various SPSUs and other bodies.

### 5.2.3 Dividend paid by State Public Sector Undertakings

The Government of Uttarakhand (GoU) has not formulated any dividend policy under which SPSUs are required to pay a minimum return on the paid-up share capital contributed by the State Government. The dividend paid by SPSUs, where equity was infused by GoU is shown in **Table - 5.5**.

**Table-5.5: Dividend Pay out by SPSUs**

(₹ in crore)

Year	No. of SPSUs which declared dividend	Paid-up Capital as per latest finalised accounts	Net Profit	Dividend Declared
1	2	3	4	5
2019-20	2	1,829.06	220.35	16.94
2020-21	2	1,941.65	178.56	44.87
2021-22	2	2,007.56	163.47	35.00

Source: Latest Financial Statement of SPSUs.

<sup>24</sup> DoSCL (₹ 77.00 crore) and KSCL (₹ 119.50 crore)

<sup>25</sup> UPCL, PTCUL and UJVN

<sup>26</sup> UPN, SIIDCUL, KSCL and DoSCL



During 2019-20 to 2021-22, UJVN and PTCUL paid / declared dividend. UJVN and PTCUL had paid / declared dividend at the rate of 2.42 *per cent* and 1.71 *per cent* respectively of their retained earnings during the year 2021-22. None of the other six profit making SPSUs<sup>27</sup> had declared / paid dividend during 2021-22.

#### **5.2.4 Erosion of net worth of State Public Sector Undertakings**

As on 31 March 2022, out of 14 SPSUs covered in the report, there were seven<sup>28</sup> SPSUs with accumulated loss of ₹ 4,907.48 crore, out of which six SPSUs incurred losses amounting to ₹ 216.35 crore during the year 2021-22. Further, one SPSU namely UKTDC had not incurred losses as per its latest finalized accounts for the year 2020-21, though it had accumulated losses of ₹ 24.84 crore.

The net worth of these seven SPSEs has been completely eroded by accumulated losses and their net worth was negative. As on 31 March 2022 the net worth of these SPSEs was (-) ₹ 3,404.00 crore against equity investment of ₹ 1,503.48 crore. Out of seven SPSEs, whose capital had been eroded, one SPSE namely UKTDC had earned profit of ₹ 2.57 crore during 2021-22. In five<sup>29</sup> out of seven SPSEs, whose capital had been eroded, outstanding GoU Loans as on 31 March 2022 were ₹ 295.66 crore. (*Appendix-5.5*)

### **5.3 Submission of accounts by State Public Sector Undertakings**

#### **5.3.1 Need for timely submission**

According to Section 394 of the Companies 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). As soon as may be after such preparation, the Annual Report must be laid before both the Houses of Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislature control over the utilisation of public funds invested in the companies from the Consolidated Fund of State.

Section 96 of the Companies 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 the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also 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 the Companies Act, 2013.

<sup>27</sup> KCL, BRIDCUL, UPNL, UPDCCL, UKTDC and UFDC

<sup>28</sup> UKMRC, DeSCL, UPCL, DoSCL, KSCL, Peyjal Nigam and UKTDC.

<sup>29</sup> UPCL, DoSCL, KSCL, Peyjal Sansadhan and UKTDC.

Of the total 32 SPSUs, there were 23 active SPSUs (18 Government Companies, one GCOC and four Statutory Corporations) and nine inactive SPSUs (including seven Companies which were under liquidation) under the purview of CAG in Uttarakhand as of 31 March 2022. The status of timeliness followed by the SPSUs in preparation of accounts is as follows:

### **5.3.2 Timelines in preparations of accounts by State Public Sector Undertakings**

Accounts for the year 2021-22 were required to be submitted by all the SPSUs by 30 September 2022. Out of 32 SPSUs, 25 SPSUs had to submit (including two inactive companies<sup>30</sup>) their accounts up to 2021-22 by 30 September 2022. However, only two SPSUs<sup>31</sup> submitted their accounts for the year 2021-22 up to 30 September 2022. The status of non-submission of accounts of SPSUs, are as follows:

- One hundred thirty accounts of 19 Government Companies (including one GCOC and two inactive companies) for various financial years were in arrears ranging from one to 35 years as of 30 September 2022.
- Out of four Statutory Corporations, the CAG is the sole auditor of three Statutory Corporations<sup>32</sup>, whereas in case of one Statutory Corporation i.e. USWC, CAG appoints Statutory Auditor and conducts supplementary Audit. These four Statutory Corporations had 12 accounts in arrears as of 30 September 2022 ranging from one to six years. Further, none of the Statutory Corporations have submitted accounts for the year 2021-22 up to 30 September 2022 for audit by the CAG.

During the exit conference, Secretary Finance assured to issue directions regarding Timely Submission of Annual Financial Statement by SPSUs to AG office.

Details of arrears in submission of accounts by the SPSUs as on 30 September 2022 are given in **Table-5.6:**

**Table-5.6: Details of arrears in submission of accounts by the SPSUs**

Particulars	Status of submission of Accounts by SPSUs			
	Government Companies	GCOCs	Statutory Corporations	Total
Number of SPSUs under the purview of CAG's audit as on 31 March 2022	27	1	4	32
<b>Less: New SPSUs from which accounts for 2021-22 were not due.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Less: SPSUs under liquidation from which accounts for 2021-22 were not due.	7 <sup>33</sup>	0	0	7
<b>Number of SPSUs from which accounts for 2021-22 were due.</b>	<b>20</b>	<b>1</b>	<b>4</b>	<b>25</b>

<sup>30</sup> KAJVNL and TCL

<sup>31</sup> UJVN and UKMRC

<sup>32</sup> In case of UPN, UFDC and Peyjal Nigam, CAG is the sole auditor whereas in case of USWC, CAG issued supplementary comments on the Statutory Auditor reports

<sup>33</sup> UPAI, UPDL, KUMTRON, HILTRON, UPHPL, UPHQL and GAJVNL.

Particulars	Status of submission of Accounts by SPSUs			
	Government Companies	GCOCs	Statutory Corporations	Total
Number of SPSUs which presented their accounts for the year 2021-22 by 30 September 2022.	2 <sup>34</sup>	0	0	2
<b>Number of Companies whose accounts were in arrear including two inactive companies</b>	<b>18</b>	<b>1</b>	<b>4</b>	<b>23</b>
Number of annual accounts in arrears	129	1	12	142
Break-up of Arrears	(i) Inactive	57 <sup>35</sup>	-	57
	(ii) Active	72	1	85
	a. First accounts not submitted by three Government Companies <sup>36</sup>	24	-	24
	b. Others	48	1	61
Age wise break-up arrears of accounts of active companies				
<b>One-year (2021-22) accounts</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>10</b>
Two years (2020-21 and 2021-22) - Two Companies & one Statutory Corporation	4 <sup>37</sup>	0	2	6
<b>Three years and more – Six Companies</b>	<b>60</b>	<b>0</b>	<b>9</b>	<b>69</b>

Government of Uttarakhand (GoU) had provided ₹ 37.94 crore (Equity: ₹ 35.00 crore, Loan: Nil, Grant: ₹ 2.94 crore and Subsidy: Nil) to two out of three power sector SPSUs, accounts of which up to the year 2021-22 had not been finalised by 30 September 2022 whereas no investment was made in the remaining one<sup>38</sup> power sector SPSUs during the period for which accounts were in arrears.

Further, the GoU had also provided ₹ 1,454.86 crore (Equity: ₹ 9.08 crore, Loan: ₹ 103.85<sup>39</sup> crore, Grant: ₹ 1,145.41<sup>40</sup> crore and Subsidy: ₹ 196.52<sup>41</sup> crore) to 10 out of 18 other than power sector SPSUs, accounts of which up to the year 2021-22 had not been finalised by 30 September 2022 whereas no investments were made in the remaining eight<sup>42</sup> other than power sector SPSUs during the period for which accounts were in arrears. SPSU-wise details of investment made by State Government during the years for which accounts were in arrears are shown in *Appendix-5.6*.

The administrative departments have the responsibility to oversee the activities of these SPSUs and to ensure that the accounts are finalised and adopted by these SPSUs within the stipulated period. The concerned departments were informed regularly regarding arrears in accounts.

Moreover, a virtual meeting was organised by Principal Accountant General (Audit), on 31 January 2022 and attended by the Secretary (Finance), GoU along with MDs/ Director

<sup>34</sup> UJVN and UKMRC

<sup>35</sup> KAJVNL and TCL

<sup>36</sup> UAKWVN (since 2004-05), ETDC (since 2016-17) and SPPL (since 2019-20)

<sup>37</sup> BRIDCUL and SPPL

<sup>38</sup> KCL

<sup>39</sup> ₹ 9.50 crore + ₹ 94.35 crore

<sup>40</sup> ₹ 1028.31 crore + ₹ 115.00 crore + ₹ 2.00 crore + ₹ 0.10 crore.

<sup>41</sup> ₹ 48.75 crore + ₹ 60.25 crore + ₹ 87.52 crore

<sup>42</sup> Including one SPSU (UAKWVN) which neither provided information nor submitted its first account.

(Finance) of the SPSUs in which it was assured by the Secretary (Finance) that the preparation/ submission of arrear accounts of SPSUs would be completed by March 2022. However, no efforts was made by the SPSUs to mitigate the arrears of accounts.

### **5.3.2.1 Impact of delay in finalisation of accounts by State Public Sector Undertakings**

Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013. In view of the above status of arrears of accounts, the actual performance including loss incurred/profit earned and contribution of these 21 SPSUs<sup>43</sup> to State GDP during the period of arrear of accounts could not be ascertained/reported to the State Legislature. In the absence of finalisation of accounts by these SPSUs and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilised for the purpose for which these were provided by the State Government. This issue is of greater concern in case of those Statutory Corporations where the entire responsibility for certification lies with the CAG as the sole auditor.

### **5.3.2.2 Inactive State Public Sector Understandings**

- As on 31 March 2022, nine SPSUs (Government Companies) were inactive having a total investment of ₹ 36.19 crore (in the form of equity ₹ 12.31 crore and long- term loans ₹ 23.88 crore) as detailed in **Appendix-5.2**. GoU had invested ₹ 14.69 crore out of the investment of ₹ 36.19 crore in these inactive SPSUs. Out of nine inactive SPSUs, seven<sup>44</sup> SPSUs were under liquidation. The State Government may review the status of these inactive SPSUs.

## **5.4 Conclusion**

- The total investment (equity and long-term loans) in 14 SPSUs which submitted their accounts upto 2019-20 and onwards was ₹ 8,449.81 crore. The investment consisted of 42.16 *per cent* as equity and 57.84 *per cent* as long-term loans. Out of this, GoU had investment of ₹ 4,393.17 crore in these SPSUs consisting of equity of ₹ 3,553.58 crore and long-term loans of ₹ 839.59 crore.
- There existed difference of ₹ 569.98 crore between the figures of equity, loans and guarantees together as per records of the SPSUs and that of the Finance Accounts in respect of 14 SPSUs.
- Two SPSUs, out of eight SPSUs, which earned profit and in which GoU had made investment had paid dividend during the year 2021-22.
- The net worth of seven SPSUs as on 31 March 2022 was (-) ₹ 3,404.00 crore against equity investment of ₹ 1,503.48 crore.

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<sup>43</sup> Excluding two inactive companies namely KAJVNL (arrears of 35 years) and TCL (arrears of 22 years) as information of investment is not available.

<sup>44</sup> UPAL, UPDL, KUMTRON, HILTRON, UPHPL, UPHQL and GAJVNL

- Out of 23 active SPSUs, only two SPSUs had submitted their annual accounts for the year 2021-22 within the prescribed timelines and remaining 21 SPSUs had arrears of 85 accounts. Out of nine inactive SPSUs, (including seven SPSUs under liquidation), two SPSUs had arrears of 57 accounts. GoU had invested ₹ 14.69 crore in nine inactive SPSUs prior to reorganization of Uttarakhand and Uttar Pradesh in 2000-01.

### 5.5 Recommendation

- *The Finance Department of GoU and the respective SPSUs should reconcile the differences in figures of equity, loans and guarantees outstanding as per their records in a time bound manner.*
- *The State Government may frame a dividend policy to ensure return on Equity investment made.*
- *The respective administrative departments of the GoU should strictly monitor and issue necessary directions to the SPSUs under their control to prepare and submit the accounts by taking necessary steps to resolve the constraints in preparing the accounts of the SPSUs.*
- *The GoU may take decision regarding commencement of liquidation process in respect of two SPSUs which are inactive for a considerable period and expedite liquidation process of seven SPSUs already under liquidation.*

Dehradun  
The 19 May 2023



(PRAVINDRA YADAV)  
Principal Accountant General (Audit),  
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Countersigned



New Delhi  
The 01 June 2023

(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

